

Federal Perkins Loan Program Fact Sheet

Program Overview

The Federal Perkins Loan Program, formerly the National Defense Student Loan Program, was first authorized by the National Defense Education Act of 1958. The program offers low interest rate loans to students of higher education institutions through campus-based revolving funds. New funds are added to the revolving fund by federal capital contributions and matching contributions by institutions.

Why Perkins?

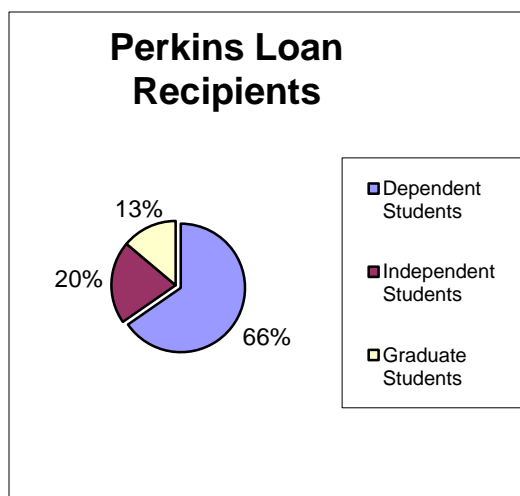
This need-based program fosters access to post-secondary education for low-income students by providing low interest loans with favorable terms during a period of declining grant availability.

Perkins Borrowers Are Unique

Perkins Loan borrowers are predominantly from lower income families. These students are often the first in their family to attend college. The following graph depicts the percentages of Perkins Loan borrowers: Families with Dependent Students (66% of borrowers), Independent Undergraduate Students (20% of borrowers), and Independent Graduate Students (13% of borrowers).

Families with Dependent Students comprise the largest percentage of Perkins borrowers. During Award Year 2012-2013, 30% of these families had a total income of less than \$30,000.

Twenty percent of Perkins Loan borrowers are independent undergraduate students. Fifty-eight percent of these students have incomes below \$12,000 with an additional 17% falling in the \$12,000-\$19,999 income range. Thus, roughly three-quarters of independent undergraduate Perkins Loans borrowers have incomes less than \$20,000.



Income Facts about Dependent Perkins Loan Recipients

- 34% of Families with Dependent Students have incomes below \$30,000.
- 12% of Families with Dependent Students have incomes below \$12,000.

Who is Eligible?

Undergraduate and some graduate students are eligible for Perkins Loans. A school must give priority to students with exceptional financial need as defined by the school using procedures it establishes for that purpose. Before an undergraduate student can receive a loan, the school must determine his or her eligibility or ineligibility for a Federal Pell grant and a Stafford Loan. A change made in 2015 legislation extending the Perkins Loan Program limits lending to graduate and professional students only to those who have previously received a Perkins loan. A student engaged in a program of study abroad may be eligible for a Perkins Loan.

Favorable Loan Terms

Perkins Loans have an interest rate of 5 percent, which begins to accrue 9 months after the borrower ceases to be a student. There are no origination fees charged. The loans carry a number of public service cancellation provisions, including for teachers in low-income areas, law enforcement, fire fighters, VISTA, the Peace Corps, early intervention, librarians, and nurses. Perkins forgiveness is better for borrowers than other federal loan forgiveness – full forgiveness is available to qualified borrowers after five years and partial forgiveness is available after one year.

Program Success

In 2013-2014, according to the Department of Education, nearly 500,000 students borrowed nearly \$1.1 billion in Perkins loans, with an average amount of \$2,014 awarded per student. The success of the program is a result of the central role of the education institutions that originate the loans, counsel their students through repayment, and select contractors for servicing and collection. The educational institutions ultimately tailor the program to best fit borrowers' and institutions' situations. Perkins is a risk-sharing program with institutions contributing one-third of their students' awards. This "ownership interest" also contributes to the successful management of this vital program.

Since the inception of the Federal Perkins Loan Program in 1958, over \$28 billion dollars in loans have been made to students through almost 26 million aid awards. The Federal Perkins Loan Program has provided substantial loan assistance to millions of students and families across the country.

Additional Information

For additional information about the Federal Perkins Loan Program contact:

Harrison Wadsworth
COHEAO Executive Director
Wes Huffman
COHEAO Associate Director
202-289-3910
www.coheao.org

Prepared by the Coalition of Higher Education Assistance Organizations (COHEAO)