

Federal Perkins Loan Program Update

Coalition of Higher Education Assistance Organization (COHEAO) Annual
Conference – February 11, 2021

Federal Student Aid
An OFFICE of the U.S. DEPARTMENT of EDUCATION

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Agenda

- Reporting on the Fiscal Operations Report and Application to Participate (FISAP)
- Federal Perkins Loan (Perkins) Updates
 - Reporting in *National Student Loan Database System* (NSLDS®)
 - Distribution of Assets/Service Cancellations
 - Assigning Loans/Assigning Defaulted Loans
 - Perkins and COVID-19

FISAP Reporting

- FISAP, Part III, Perkins Program
 - Section A, Cumulative Fiscal Report as of June 30, 2021
 - Section B, Annual Activity Report during the 2020-21 Award year (July 1, 2020 – June 30, 2021)

FISAP Reporting (continued)

- FISAP, Part III, Perkins Program
 - Section C – Cumulative Repayment as of June 30, 2021
 - Sections D and E – Cohort Default Rate (entered repayment for the 2019-2020 award year)

FISAP Reporting Dates

- Completed and submitted in Common Origination and Disbursement System (COD) by October 1, 2021
 - Corrections by Dec. 15, 2021

FISAP Reporting

- FISAP
 - Accurate Reporting
 - DO NOT rollover data from prior year
 - Verify prior to submission
 - Inaccurate reporting could impact distribution of assets and reimbursement for service cancellations

FISAP Reporting

- FISAP
 - Administrative Capability
 - False and misleading information could result in fines or prison

Servicing Costs for Non-Defaulted Costs

- FISAP, Part III, Section B, Field 12 - Permissible servicing costs
 - Include routine billing for non-defaulted (pre-collection loans) only

Servicing Costs for Non-Defaulted Costs

- Non-defaulted, pre-collection loans
 - Include loans that ARE NOT reported in FISAP, Part III, Section C, 5.1-5.4 (defaulted loans)
- Servicing Costs **paid** in 2020-21:
 - Your institution
 - Your third-party servicer

Servicing Costs for Non-Defaulted Loans

- Pre-collection routine billing costs include:
 - Written notices
 - Annual statements of account
 - Requests for deferment
 - Requests for cancellation

Servicing Costs for Non-Defaulted Loans

- Pre-collection routine billing costs do **not** include:
 - Collection costs that were reported on the FISAP in Part III, Section A, line 34.2
 - Costs paid by the borrower
 - Insufficient fund (NSF) fees
 - Costs that are chargeable to the Fund

Service Cancellation Reporting

- FISAP, Part III, Part B, Field 13
 - Reported amount received as reimbursement on most recently submitted FISAP (November 2, 2020) for 19-20 reporting year.
 - Report the cancellation reimbursement your school receives in reporting year 2020-21 on 2022-23 FISAP (Due October 1, 2021)

National Student Loan Database System Reporting

- *National Student Loan Database System (NSLDS®)*
 - The **ONLY** system that contains Perkins loan borrower-level data
 - Loan data is self-reported by institution or third-party servicer
 - NSLDS data should match institution's records
 - Data quality is **CRITICAL!**

National Student Loan Database System Reporting

- NSLDS
 - School's responsibility to report accurate and timely data §674.16
 - Loans should be properly reported and updated in NSLDS **at least monthly**

EA on [Perkins Loan Administrative Responsibilities and Reporting Requirements](#)
published Oct. 4, 2018

NSLDS Reporting (cont.)

- Use the [Data Provider Instructions \(DPI\)](#) as of October 23, 2020
 - Available on the Information for Financial Aid Professionals (IFAP) website in the Processing Resources section under NSLDS reference materials
 - Provides information on reports, file layouts, and steps used to extract/submit data to NSLDS

NSLDS Reporting (cont.)

- NSLDS Professional Access Site provides access to:
 - Perkins Extract by Parameters Report (REC005)
 - Reconcile the loans in NSLDS with loans residing in the school's system
 - Ad-hoc report
 - Scheduled as a pushed monthly report

NSLDS Reporting (cont.)

- Reconciliation
- An institution should reconcile:
 - Any discrepancies
 - Institution records with NSLDS records (these **must** match)
 - At least quarterly

NSLDS Reporting (con't.)

- To assist institutions and servicers with reporting loans on NSLDS, the Department has:
 - Relaxed some of the current edits
 - Offered training webinars that demonstrated the tools available and instructed institutions and servicers on reporting loans (FSATC recorded sessions)

Distribution of Assets and Service Cancellations

- Capital distribution (Distribution of Assets) of the balance of the institution's Perkins Revolving Fund
 - Reimbursement for Service Cancellations
 - Section 466(a) of the Higher Education Act (HEA) requires a capital distribution

Electronic Announcement (EA)

[Distribution of Assets and Service Cancellation Reimbursement](#) published on

October 20, 2020

Distribution of Assets and Service Cancellations

- The Department will reimburse institutions that:
 - Reported Cash on Hand on the FISAP submitted November 2, 2020 and
 - Service their Perkins portfolio
 - Are liquidating their Perkins portfolio

Distribution of Assets and Service Cancellations (cont.)

- Institutions will remove and return the following from the Fund:
 - Institutional share owed to the institution
 - Reimbursement for service cancellation (partial or full) as determined by the Department
 - Federal share requested

Distribution of Assets and Service Cancellations (cont.)

- **Institutions should:**
 - Remove and return funds by the deadline
 - Use the institutional share and reimbursement for service cancellations how the institution wishes
 - Report these amounts on next year's FISAP
- **Institutions should not:**
 - Remove funds until directed by the Department

Distribution of Assets Calculation for 2020

- Proportional share formula considers:
 - Changes in the ICC matching requirements
 - Overmatching of institutional funds
 - **Cumulative** amounts repaid of both Federal share to the Department and institutional share to the institution (reported on FISAP)
- Federal and institutional share percentages are not impacted by reimbursement of service cancellations

Distribution of Assets Notification

- The Department:
 - Notified institutions on December 22, 2020
 - Deadline to remove and return funds is February 19, 2021
 - Notifications not sent to institutions that did not correct FISAP errors by midnight on December 15, 2020

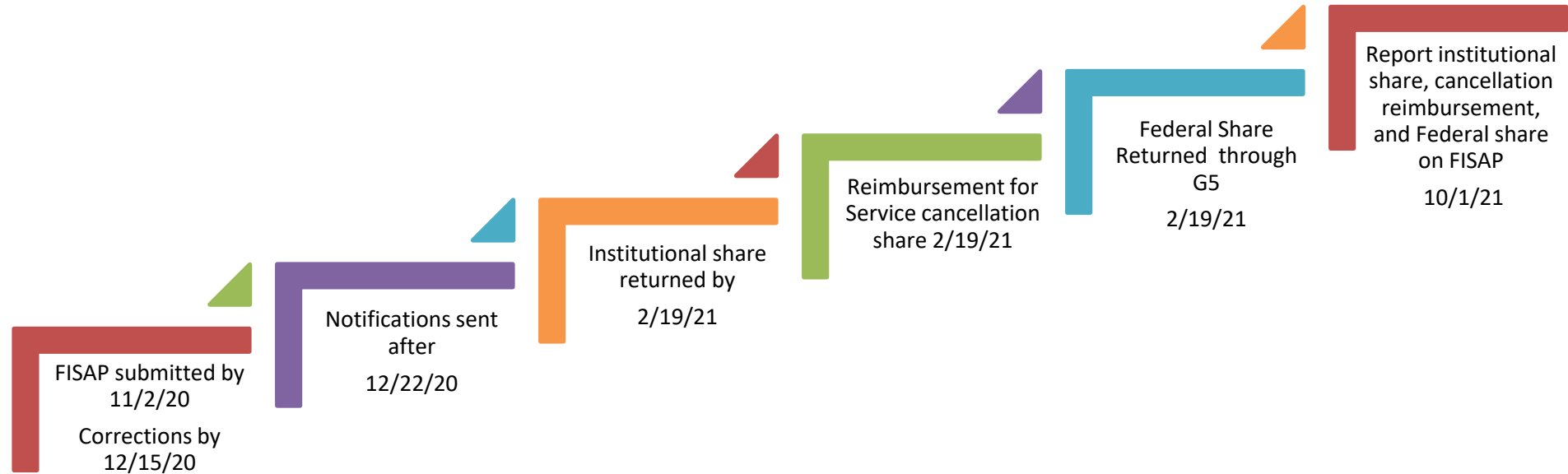
EA on [Distribution of Assets Timeline and Reimbursement for Perkins Service Cancellations](#) published on Oct. 20, 2020

Distribution of Assets Notification

- Targeted FISAP Error Notifications Sent
 - Misreported repayment of fund capital to federal government (28.1) or to school (30.2) and/or cancellation reimbursement received after 7/1/2019
 - Inappropriately used fields 56(c) and 57(d)

These follow-up error notifications were sent in lieu of a Distribution of Assets Notification

Distribution of Assets Process



Assignment of Perkins Loans

- When a loan is assigned to the Department, the institution:
 - Transfers all rights and responsibility to the Department
 - Relinquishes its rights to any share of future collections
 - Does not incur any additional expenses

Assignment of Perkins Loans (cont.)

An institution is:

- Permitted to assign **any** loan to the Department at any time
 - National Direct/Defense and Perkins loans
 - Non-defaulted loans
 - Defaulted loans

Assignment of Perkins Loans (cont.)

An institution is:

- Required to assign loans that have been in **default** for two or more years
- Required to assign all loans when the institution:
 - Has lost approval to participate (servicing)
 - Has a cohort default rate over 50% for three years
 - Is closing or liquidating

Required Assignment of Defaulted Loans

Due to the wind-down of the Perkins program and Section 463(a)(4)(a) of the HEA, the Secretary is requiring the institution to assign any loan that:

- Has been in default for two or more years
- Does not have an acceptable collection record

EA on [Assignment of Perkins Loans in Default for Two or More Years](#)

published on Sept. 16, 2019

Required Assignment of Defaulted Loans

Your institution shall:

- Pursue collection activity for up to 12 months
 - Loan still not converted to regular repayment status
 - Borrower does not qualify for deferment, postponement, or cancelation

Required Assignment of Defaulted Loans

Account still not in successful repayment status, your institution must:

1. Litigate in accordance with the procedures in § 674.46;
2. Make a second effort to collect the account (only another 12 months); or
3. Submit the account for assignment to the Secretary (procedures set forth in § 674.50)

Required Assignment of Defaulted Loans

Institution must continue to service until loan has been:

- Recovered through litigation (procedures under § 674.46), or
 - Assigned to the Department, or
 - Written-off
 - Loans with a balance of less than \$25
 - Loans with a balance of \$50 after two years of billing

Assignment of Defaulted Loans Process

- Department will send the first notification to schools and provide the deadline for the defaulted loans that must be assigned
- Institutions may begin assigning defaulted loans now

Assignment of Loans (con't.)

- Alternate documentation for loans without signed promissory notes or required documentation
- Proof of due diligence is no longer required when assigning loans

EA about [Supporting Documentation for Perkins Loan Assignment](#)

published on March 14, 2016

Assignment of Perkins Loans (cont.)

- Top reasons files are rejected but may be assigned once fixed/addressed:
 - Promissory Note (PN) or Master Promissory Note (MPN) missing borrower signature
 - Loan disbursed prior to PN or MPN being signed
 - PN or MPN is missing
 - Outdated or missing payment histories
 - Assignment Form is expired

Assignment of Perkins Loans (cont.)

- Top reasons files are rejected but may be assigned once fixed/addressed (cont.):
 - Separate assignment forms on disbursement year
 - Interest rate changes, bundled loans
 - Bankruptcy documents missing
 - Judgment documents missing
- Borrower is deceased/total and permanent disability –**these cannot be assigned**

Perkins Assignment and Liquidation Guide

Campus-Based Processing Page on Information for Financial Aid Professionals(IFAP) website redesigned [Federal Perkins Loan Assignment Guide](#)

- Assignment Section
- Liquidation Section

EA on [Updated Federal Perkins Loan Assignment and Liquidation Guide](#)

published on May 3, 2019

COVID Update

Schools may voluntarily provide 0% interest or suspension of payment and collection activity on Perkins Loans

- Cares Act: Federal Register published April 3, 2020 effective through December 31, 2020
- HEROES Act: Federal Register published December 11, 2020 extended thru the end of the pandemic emergency

Contact Information

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Questions and Answers