

# Campus-Based Programs

## Instructor's Notes

**Time Estimate:**

Lecture 60 minutes

Exercise 20 minutes

Total Time: 80 minutes

*By the end of this session, you will be able to:*

- *identify similarities and differences among the campus-based programs and*
- *recognize each program's eligibility, funding, and general administrative requirements.*

## INTRODUCTION

In this session, we'll be taking a closer look at the Title IV campus-based programs.

- We'll look at some of the main features and common elements of the three programs.
- Then, we'll examine each program in more detail.
- Finally, we'll briefly discuss the provisions for transferring funds among programs.

## REVIEW OF CAMPUS-BASED PROGRAMS

There are three campus-based programs: (OH 1)

- the Federal Supplemental Educational Opportunity Grant Program, or FSEOG;
- the Federal Work-Study Program, or FWS, which includes the Job Location and Development Program; and
- the Federal Perkins Loan (Perkins Loan) Program.

Under FSEOG, schools can offer grants to undergraduates with **exceptional financial need, as defined by law** (and

1

who do not have a bachelor's degree), with priority given to Pell Grant recipients.

Under FWS, schools can provide or arrange for part-time employment for both undergraduate and graduate students.

- Students have to have financial need, **but not necessarily exceptional financial need**, to be selected for FWS awards.

With Perkins Loans, schools must give priority to undergraduate and graduate students who show **exceptional financial need, as defined by the school**.

### Common Elements in Campus-Based Programs

Although each program is unique in important ways, all campus-based programs have several things in common. (OH 2)

First, all three of the campus-based programs are administered by the school.

- This means that the school makes awards, disburses funds, collects Perkins Loan repayments, processes FWS payrolls, and otherwise manages the campus-based programs.

The school disburses funds to students depending on:

- student financial need or exceptional financial need;
- funds allocated to the school by ED for each program;
- the school's award packaging policy; and
- other applicable provisions of regulations and the law.

We'll discuss more about how funds are disbursed later.

Second, schools must apply for and report on campus-based program funds annually to ED using the electronic Fiscal Operations Report and Application to Participate (FISAP).

**Instructor’s Notes**

- ED allocates funds to the school for each campus-based program on the basis of school information provided on the FISAP.
- Schools can choose to participate in one, two, or all three campus-based programs—or none of them.

Third, each year the school must match federal funds allocated to the school by adding a nonfederal share. This will be discussed for each program later.

Fourth, schools are entitled to an administrative cost allowance (ACA) out of the federal allocation.

- This helps offset administrative costs, such as salaries, furniture, travel, supplies, and equipment.
- The actual ACA amount is determined by the amount of combined “expenditures” for all three programs.
- By expenditures, we mean specifically:
  - FSEOG disbursements;
  - FWS gross compensation—in other words, wages paid; and
  - Perkins Loan advances.

In the Handbook, please turn to Chapter 5, page 5-20. Look at the box near the middle of the page.

- Each school’s administrative cost allowance is calculated according to the school’s campus-based program expenditures, using this formula:
  - 5% of the first \$2,750,000 of expenditures; **plus**
  - 4% of expenditures greater than \$2,750,000 but less than \$5,500,000; **plus**
  - 3% of expenditures greater than \$5,500,000.

**Note to Instructor:**  
 This does not alter ED’s prior requirement that schools attend precertification workshops when they “add a program” (for example, a school that previously asked for [and was granted] approval **only** for Pell now wants to participate in FFEL).

However, a school that initially was approved as both Pell **and** FFEL eligible, but simply chose not to participate in FFEL until some time after initial eligibility was determined, does **not** have to attend a precertification workshop to begin FFEL participation.

To activate its eligibility, the school would call the appropriate telephone number provided in its Institutional Approval Notice. The telephone numbers are:

- Pell & campus-based: 202-708-9807 and
- FFEL: 202-708-9222.

**Instructor's Notes**

Note on page 5-20 of the Handbook that Perkins Loans assigned to ED for collection are not included in the total amount from which the ACA is calculated.

A school takes its ACA from its campus-based program funds. This means that the school can take the ACA from its FSEOG or FWS federal allocations or from the cash on hand in the Perkins Loan fund. As long as funds are disbursed from each program during the award year, the ACA can come from any one or all of the program funds.

The ACA you claim reduces the amount of funds you have available to award to students.

Now let's review this information with a brief quiz that we'll do together. Turn to page 7 in your Workbook.

**PW 7****REVIEW QUIZ**

**Q1: What are the three campus-based programs?**

**A1: FSEOG, FWS, and Perkins Loan**

**Q2: How do schools apply for and report on campus-based program funds to ED?**

**A2: The electronic FISAP**

**Q3: Which of the campus-based programs is only for undergraduate students?**

**A3: FSEOG**

**Q4: Schools are entitled to an \_\_\_\_\_ to help offset costs such as salaries, travel, and supplies.**

**A4: Administrative cost allowance**

**Q5: All three campus-based programs are administered by ED. True or False?**

**A5: False. Schools administer campus-based programs.**

## FEDERAL SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANT PROGRAM (FSEOG)

Chapter 8 of the Handbook covers FSEOG.

### Selecting Eligible FSEOG Recipients

To be eligible for the FSEOG Program, students must meet the general Title IV eligibility requirements, be undergraduates, and have financial need.

Now turn to page 8-3 in the Handbook.

- Note that the term “undergraduate” is carefully defined on this page.
- Just because students are enrolled in an undergraduate program does not necessarily mean they meet the FSEOG definition of an “undergraduate.”

In making FSEOG awards, you must first give priority to students with **exceptional** financial need—but how do you select these recipients?

The top of 8-4 talks briefly about priority order and how to select students who have exceptional need.

The main idea is to first make FSEOG awards to students who have received a Pell Grant and have the lowest EFCs.

After this, if funds are still available, the remaining FSEOG awards go to students with the lowest EFCs who will not receive Pell Grants.

There are other criteria for FSEOG awards that we don't have time to explore in detail in this session.

- For example, schools must make FSEOG funds reasonably available to all eligible students.
- Under certain circumstances, a school may have to award at least 5% of its FSEOG allocation to “nontraditional” students.

**Instructor's Notes**

You'll need to study the Handbook to learn more.

Does anyone have any questions so far?

**FSEOG Awards**

The minimum award for a full academic year is \$100. The maximum award for a full academic year is \$4,000, with one exception:

- The FSEOG may be as much as \$400 more than the maximum—or \$4,400—for reasonable costs of study abroad that exceed the cost of attendance at the home school.

Awards for less than an academic year may be reduced proportionately.

**Handling FSEOG Funds**

ED allocates FSEOG funds to the school on the basis of information given by the school on the FISAP. FSEOG funds received from ED may be used for only two purposes:

- to pay the federal share of FSEOG grants to eligible students and
- to pay part or all of the school's campus-based ACA.

The federal allocation pays a maximum of 75% of the total FSEOG awards to students.

The school must contribute, from its own resources, a nonfederal share of 25% of the total FSEOG awards to students; this is also called institutional match.

Please turn to page 8 in your Workbook.

Take a minute or so to read Exercise 1 and answer Questions 1 and 2.

» Allow participants 2 minutes to complete the exercise.

**PW 8**

**Instructor's Notes**

According to the example in Exercise 1 in your Workbook, ED allotted \$75,000 to your FSEOG program.

Your school decided to take the administrative cost allowance out of the federal share of your Perkins Loan fund.

Therefore, all \$75,000 of your FSEOG allocation will be used for the **federal** share of awards to students.

**Q1: What will be the total FSEOG awards to students, including your school's nonfederal share? (OH 3)**

**A1: \$100,000. You know 75% of the total award equals \$75,000. To determine your total, divide \$75,000 by .75. The total is \$100,000.**

**Q2: What would be your school's nonfederal match?**

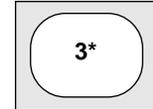
**A2: The school's share must be at least \$25,000. To determine the school's share, multiply \$100,000 by .25.**

We've talked about the size of the nonfederal share, but exactly how and when must the nonfederal share be provided?

Please turn to page 9 in your Workbook.

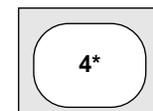
- Starting at the top of the page, please read about the three methods of meeting the nonfederal share requirement.
  - Then, complete Exercise 2 by filling in the blanks in the diagram.
- » Give them 2 minutes to read the Workbook and complete the exercise. For your reference, the diagram and answers to the exercise are shown on page 30 of this Guide.

Now let's look at what you should have put in the blanks. (OH 4)



\*To maintain some suspense, you might want to keep each answer covered until you discuss it.

**PW 9**



\*To maintain some suspense, you might want to keep each answer covered until you discuss it.

**Instructor's Notes**

In the individual-recipient method, we're giving \$100 to a particular student.

- This \$100 is directly paid with \$75 in federal dollars and \$25 in school dollars.

**Q: So, which picture in the diagram best illustrates this method?**

**A: Number 2.**

In the fund-specific method, the award money for all the recipients for a given award year comes from an FSEOG fund created by the school.

- The money for the FSEOG fund is 75% federal and 25% institutional.

**Q: Which picture in the diagram best illustrates this method?**

**A: Number 1.**

The third method involves the **total** funds for a given award year consisting of 75% federal funds and 25% nonfederal funds. Each student, though, is not receiving an award made up of these percentages.

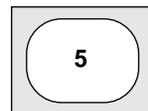
**Q: Which method is illustrated here?**

**A: The aggregate basis. Remember that each student must receive some federal funds.**

## **FEDERAL WORK-STUDY PROGRAM (FWS)**

### **Selecting Eligible FWS Recipients**

The Federal Work-Study Program provides part-time jobs for undergraduates and graduate or professional students. (OH 5)



**Instructor's Notes**

Unlike the other two campus-based programs, the FWS program doesn't require schools to give first priority to students with exceptional need.

A student must, however, meet all the general Title IV eligibility requirements and have financial need. The advantage of this self-help aid is that, unlike with loans, the student incurs no debt.

**FWS Awards**

There are no fixed limits on FWS awards. However, a requirement for all student financial assistance (SFA) funds is that the award be used solely for educational purposes. In other words, the school must make sure that the net earnings from any Federal Work-Study award, combined with all other resources, do not exceed the student's financial need.

The student's net earnings are the gross wages **minus job-related expenses and any taxes that will not be refunded to the student.**

In the Handbook, please turn to Chapter 7, page 7-3. Look at the section called "Assigning Jobs."

It is important to consider a number of factors when deciding on the amounts you award to recipients and the jobs to which you assign them.

For example, let's say you make a \$300 FWS award for a payment period to a student who is not eligible for Pell or FSEOG.

- Suppose the student is taking a heavy course load and can only work 5 hours per week over the duration of the payment period.
- Also, suppose the payment period is one quarter (or 8□weeks).

- For the student to be able to earn the full amount of the award, you would need to place the student in a job that pays rather well—about \$7.50 per hour.

FWS jobs also need to complement academic and career goals to the fullest extent possible.

- For example, you should try to avoid assigning an electronics student to a job frying fish in the school cafeteria.

Federal Work-Study jobs do not have to be jobs at your school—FWS jobs can be off-campus.

- Off-campus jobs must be in the public interest if the work is for a federal, state, or local public agency or with a private, nonprofit organization.
- A school's FWS jobs may also be at private, for-profit organizations.

In the Handbook, after the section on "Assigning Jobs," you'll see a section titled "Job Descriptions."

Thorough job descriptions help a financial aid administrator assign students to jobs that are appropriate and meet the criteria we just talked about.

A list of items that should be included in a job description is in the Handbook, so we don't need to go through the items now.

### General FWS Employment Requirements

Now look at page 7-5 in the Handbook. Look at the section entitled "Employment Conditions and Limitations."

There are a number of provisions that apply to FWS job placement on or off campus—some examples are:

- FWS students must be paid at least the federal minimum wage—currently \$5.15 per hour.

**Instructor's Notes**

- FWS students may not displace regular workers by taking jobs usually filled by full-time employees.
- FWS jobs may not involve constructing, operating, or maintaining any part of a building used for religious activities.

Also, before schools place students in FWS jobs, schools must:

- survey on-campus and off-campus offices to determine the need for FWS employees;
- prepare required FWS job descriptions; and
- for off-campus jobs, prepare and institute off-campus agency agreements.

Much more detail on types of FWS employment issues is given in Chapter 7 of the Handbook.

- You need to study that chapter to see the kinds of employment issues involved in the Federal Work-Study Program—for example, there are limitations on FWS jobs at proprietary schools.

### **FWS Payment Procedures**

As mentioned previously, students must be paid at least the federal minimum wage; there is no maximum wage.

- Undergraduate students must be paid FWS wages on an hourly basis.
- Graduate and professional students may be paid by the hour or paid a salary.

FWS wages must be paid at least once a month.

**Q: Ada, as a FWS student, has been assigned to work at Today's Fashion Institute (TFI). TFI pays its**

**employees hourly, plus commission. Since Ada is an employee, can she get paid commission?**

**A: No. Students cannot be paid commission when they are in a job under the Federal Work-Study program.**

The federal portion of the student's wages, which we will discuss in a minute, must be paid in the form of a check or other instrument that can be signed by the student.

- In other words, schools may not directly transfer the federal portion of FWS payments to students' accounts.

Time records, such as time sheets, time cards, or other data input sheets, must be signed by the student and supervisor.

- Schools must retain these time records on file for three years.
- Off-campus employers must submit these time records to schools.

### Handling FWS Funds

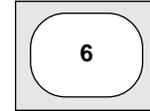
Schools may use FWS funds in the following six ways:

- (1) wages to eligible students;
- (2) Job Location and Development (JLD) Program expenses, up to a maximum of 10% of the FWS annual allocation **or** \$50,000, whichever is less;
- (3) administrative cost allowance;
- (4) carry forward up to 10% of the current FWS annual allocation to the following award year;
- (5) carry back up to 10% of the current FWS annual allocation to be used for FWS purposes in the previous award year; and
- (6) transfer up to 25% of the current FWS annual allocation to FSEOG.

**Instructor's Notes**

**FWS Community-Service Requirement**

- A school must actually expend (not just award) at least 5% of its total FWS federal allocation to pay students employed in community-service jobs. This amount is calculated based on the **sum** of the initial and supplemental FWS award year federal allocations. (OH 6)
- To assure that the full 5% is expended, a school may need to award more than 5%. This is because not all students earn the full amount of FWS awarded to them or accept the award at all.
- If, later during the award year, a school receives a supplemental FWS allocation, all of the supplemental allocation must be used to pay students employed in community-service jobs. Furthermore, the amount the school must expend on community-service employment is the greater of:
  - 5% of the sum of its initial and supplemental allocation **or**
  - the amount of the supplemental allocation.



**Note to Instructor:**

A school is eligible for a supplemental FWS allocation only if the school:

- spent at least 10% of its total FWS allocation for the prior award year to pay students employed in community-service jobs;
- requested a supplemental FWS allocation for the award year to pay students employed in community-service jobs; and
- has a remaining fair-share shortfall in its final funding worksheet.

**PW 10**

Please turn to page 10 of your Workbook. Read and complete the two scenarios in Exercise 3.

» Give them 3 minutes to read and complete the exercise.

**EXERCISE**

**Scenario A**

A school receives \$500,000 initial FWS allocation and \$30,000 supplemental FWS allocation.

\$500,000	initial allocation	\$530,000
+ 30,000	<u>supplemental allocation</u>	x .05
\$530,000	total allocation	<u>\$ 26,500</u>

**Instructor’s Notes**

**Q: How much does the school have to expend for community-service jobs?**

**A: Because the amount of supplemental allocation is greater than 5% of total allocation, the school must expend \$30,000 (supplemental allocation) for community-service jobs.**

**Scenario B**

A school receives \$250,000 initial FWS allocation and \$10,000 supplemental FWS allocation.

\$250,000	initial allocation	\$260,000
+ 10,000	supplemental allocation	x .05
\$260,000	total allocation	\$ 13,000

**Q: How much does the school have to expend for community-service jobs?**

**A: Because 5% of the total allocation is greater than the amount of supplemental allocation, the school must expend 5% of the total allocation, or \$13,000, for community-service jobs.**

*Expansion of FWS Community-Service Requirement*

As part of the America Reads Challenge, schools may use up to 100% of federal funds to pay the FWS wages of students employed as reading tutors for children in preschool or elementary school.

- If an FWS student is employed in a reading-tutor program for preschool and elementary schoolchildren that is open to the public, the school may count the student’s wages toward the FWS community-service expenditure requirement. However, if the reading-tutor program is not open to the public, the student’s wages may **not** be counted toward the FWS

**Note to Instructor:**  
An additional matching waiver, effective July 1, 1998, is for schools paying FWS tutors in a family literacy program that provides services to families with young children.

**Instructor's Notes**

community-service expenditure requirement.

- For example, if a student is employed as a reading tutor at the school's day care center and use of the day care center is restricted to the school's employees, the student's employment does not meet the FWS community-service criterion.

Information about a school's actual FWS expenditures for wages to FWS students employed as reading tutors for preschool and elementary schoolchildren is collected on the FISAP.

Schools seeking assistance in establishing an FWS reading-tutor program or increasing other FWS community-service job opportunities for their students may contact their state commission for National and Community Service. A listing of the state commissions is at the end of this session, beginning on page 24 of your Workbook.

**PW 24-34****FWS Matching Requirements**

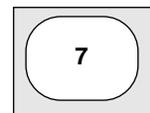
As with all the Title IV campus-based programs, there are nonfederal matching requirements.

In the Handbook, please turn to page 7-38, and look at the section titled "Federal Share Limitation."

- For FWS jobs with private, for-profit organizations, the federal share of wages is limited to 50%—a nonfederal matching share of at least 50% must be provided.
- For all other FWS jobs, the federal share of wages is limited to 75%, so a nonfederal matching share of at least 25% must be provided.

To pay the matching share, a school may use any available resource, except, of course, the federal share of funds allocated for campus-based programs. (OH 7)

- The school can pay the nonfederal share using its own



✓ 34 CFR 675.27

**Instructor's Notes**

funds, using outside funds from an off-campus agency, or using a combination of both types of funds.

- Schools can also pay the nonfederal share in the form of noncash contributions of services and equipment, such as tuition and fees, room and board, and books.

For more details on employer-share requirements, you can read Chapter 7.

### **FWS Carry Forward/Carry Back Provisions**

Please look at the diagram on page 7-41 of the Handbook.

There may be times when a school does not use all the funds that have been allocated for FWS in a given award year. In this case, the school has the option to **carry forward** FWS funds into the following award year.

At other times, a school may need additional funds for FWS wages in an award year. In this case, the school can opt to **carry back** FWS funds from the next award year.

Schools are allowed to:

- carry forward up to 10% of the preceding year's FWS allocation to cover expenditures in the current award year;
- carry forward up to 10% of the current year's FWS allocation to cover expenditures in the next award year;
- carry back up to 10% of the current year's FWS allocation to cover expenditures incurred at any time in the preceding award year; and
- carry back up to 10% of the next year's FWS allocation to cover expenditures incurred at any time in the current award year.

Turn to page 11 of your Workbook. Read and complete

**Note to Instructor:** Schools have an additional carry-back authority. They can use the following year's FWS authorization to make payments to students for services performed after the end of the academic year through June 30—in other words, for summer FWS employment.

**PW 11**

## Exercise 4.

» Give them 1 minute to read and complete the exercise.

**Q:** What is the total amount of FWS funds available for 1999-2000?

**A:** The answer is \$197,500. We add the 10% carried forward from 1998-99, which is \$17,500, to the 1999-2000 allocation, which is \$180,000, to get the FWS funds available for 1999-2000—\$197,500. (OH□8-9)

8-9

### Job Location and Development (JLD) Program

The purpose of the Job Location and Development (JLD) Program is to help a school expand **off-campus** job opportunities for all its students who want to work, regardless of their financial need—unlike regular FWS jobs, which require students to have financial need.

- Students employed in jobs developed by the JLD Program must be currently enrolled at the school.
- Students in jobs developed by the JLD Program need not meet other FWS eligibility criteria.

Under the JLD provisions, a school may use up to 10% of its FWS allocation **or** \$50,000, whichever is less, to locate and develop off-campus jobs, including community-service jobs.

- These FWS funds are used to pay the costs that the school incurs in establishing and administering the JLD Program.

Allowable program costs for JLD are listed on page□7-47 in the Handbook.

- FWS funds may not pay more than 80% of the allowable JLD costs—the school must pay for at least 20% of the costs in cash or services.

FWS funds must **not** be used to pay the wages of students

**Instructor's Notes**

working in jobs located or developed through the JLD Program. The off-campus employer pays the wages in the JLD program.

- The school is required to keep track of the total earnings of students in JLD jobs and report these earnings on the FISAP.
- Schools must ensure that JLD funds will **not** be used to locate or develop jobs on campus, to place graduating students in jobs, or to displace any current employees.

Do you have any questions on the JLD Program or any other aspect of Federal Work-Study?

- » Before you discuss the next section, you might want to find out from the participants how many of them will be participating in the Perkins Loan Program. If no one will be participating, you might just want to give a general overview of the outlined requirements.

## FEDERAL PERKINS LOAN PROGRAM

### Selecting Eligible Perkins Loan Recipients

The Federal Perkins Loan Program provides low-interest loans, currently at a 5% interest rate, to undergraduate, graduate, and professional students.

Schools must give priority to undergraduate and graduate students with exceptional financial need, as defined by the school. The school may choose to adopt the same definition of exceptional financial need that is used in the FSEOG Program, but it is not obliged to do so.

For other important selection and eligibility criteria, including consideration of a student's **willingness to repay**, you need to read Chapter 6 of the Handbook.

### Federal Perkins Loan Awards

The Federal Perkins Loan Program has both **annual** award maximums and **cumulative** loan maximums for students.

**Note to Instructor:**  
Medical interns or residents are **not** eligible for Perkins Loans. However, dentistry interns are eligible.

(OH 10)

In the Handbook, please turn to Chapter 6, pages 6-9 and 6-10, for details of these loan maximums.

It is important to realize that these Perkins limits are **lifetime** limits; these include any previous loans borrowed under this program.

- Repaying a Federal Perkins Loan does **not** reestablish the ability to borrow future Perkins Loans.
- For example, once a student has borrowed the cumulative maximum of \$30,000 in Federal Perkins Loans, he or she is ineligible for further Perkins Loans, even if he or she has repaid the entire \$30,000 and interest.
- This is different from the Direct Loan and FFEL Programs, where loan repayment **does** reestablish the ability to borrow future Direct Loans or FFEL funds.

We'll talk specifically about these programs in Sessions 24 and 25.

### Handling Federal Perkins Loan Funds

The Program Participation Agreement between ED and a school to take part in the Federal Perkins Loan Program requires the school to establish and maintain a Federal Perkins Loan fund.

Managing this fund is discussed on pages 6-1 and 6-2 of the Handbook.

The school's annual allocation from ED for its Federal Perkins Loan Program fund is known as the **Federal Capital Contribution**, or FCC.

When the school draws down and deposits part or all of the FCC in its Perkins Loan fund, it must also deposit its

**Instructor's Notes**

nonfederal share. This is called the **Institutional Capital Contribution**, or ICC. The school must match one third of the FCC or one fourth of the combined FCC and ICC (or total Perkins Loan funds).

For example, here's how a school matches one third of the FCC:

FCC	\$3,000
<u>ICC (1/3 of \$3,000)</u>	<u>\$1,000</u>
Total funds	\$4,000

Or, here's how a school matches one fourth of the combined FCC and ICC:

FCC	\$3,000
<u>ICC (1/4 of \$4,000 = \$1,000)</u>	<u>\$1,000</u>
Total	\$4,000

Apart from these federal and school capital contributions, sources of deposits into the Perkins fund include:

- borrower repayments of principal and interest;
- collection charges, penalties, and late charges paid by borrowers;
- amounts received by the school from ED for loan cancellations, such as teacher cancellations; and
- other income, such as interest earned on fund accounts.

Schools may use monies from their Federal Perkins Loan fund in six ways:

- (1) disbursing loans to eligible students;
- (2) providing an ACA;
- (3) transferring up to 25% of the Federal Perkins Loan annual allocation to the other campus-based programs;
- (4) disbursing allowable collection costs and litigation

expenses not paid for by borrowers;

- (5) repaying short-term, interest-free loans made by the school to the fund in anticipation of receiving other funds, such as the FCC; and
- (6) making capital distributions of “excess funds” to ED and to the school—that is, partial or total liquidation of the fund.

The Perkins Loan fund is considered a **revolving fund**, because new loans are often partially funded by repayments of earlier loans. You can point out to students that if they default on their Perkins Loans, future students at your school might not be able to receive Perkins Loans. In other words, if they act responsibly, future students will be able to have Perkins Loan funding.

### Expanded Lending Option

A school that maintains a cohort default rate of 15% or less may participate in the Expanded Lending Option (ELO) if the school signs an ELO Participation Agreement with ED.

To do so, however, the school is required to provide an ICC that matches the FCC dollar for dollar. The school then may make loans to students at higher annual and cumulative loan limits than a non-ELO school.

### Making and Disbursing Federal Perkins Loans

Before making the first Perkins Loan disbursement, the school must provide information to students to assure that they know:

- the loan must be repaid,
- their rights and responsibilities, and
- that the money can only be used for educational

expenses.

The specific information that must be provided to prospective Perkins Loan borrowers is listed in Chapter 6 of the Handbook.

In the Handbook, please turn to page 6-12 and look at the bottom of the page next to the margin heading "Obtain information from students."

As this section indicates, schools are not required, but are strongly encouraged, to obtain additional information during students' initial loan counseling that can be valuable later if loan collection is needed.

- The items listed in the Handbook include the names and addresses of the student and parents, telephone numbers, and the like.
- You can obtain this information by asking borrowers to complete a questionnaire about themselves and their families.

Also, during initial loan counseling, schools are encouraged to provide helpful information and advice to students, such as:

- receiving preliminary debt counseling on total debt and repayment terms;
- keeping all records pertaining to the loan, including repayment records; and
- informing the school of any changes in their addresses, names, or other information.

### Promissory Note

Before making the first disbursement, the school must have the student sign a Federal Perkins Loan promissory note.

- More details about **disbursement procedures** will be

given in the next session, Session 23, Disbursing Campus-Based Awards.

For the moment, we'll concentrate on the contents of the Federal Perkins Loan promissory note.

ED has two promissory notes for the Perkins Loan Program—an open-ended note (a single note covering several years) and a close-ended note (covering one award year or term).

- Schools are required to use ED's promissory notes.
- Nonsubstantive changes are allowed, such as:
  - changing the size or style of the type **or**
  - adding items such as the borrower's driver's license number.

However, the wording and order must stay the same.

Promissory notes include **general information** about legal requirements and the applicable interest rate (currently 5%).

Promissory notes also include **specific information** about provisions for areas such as repayment; grace periods; prepayment; default; deferment; cancellation; changes in name, address, telephone number, or Social Security number; late charges; and assigning loans for collection.

In the next few minutes, we'll briefly look at a number of these aspects of Federal Perkins Loans.

- However, many of these areas are quite complex, and we can't cover them in detail in the time we have available.
- You will need to read further about them in the Handbook and other publications.

## Default

### Instructor's Notes

**Note to Instructor:**  
DCL CB-96-8 contains updated revisions of ED's promissory notes. Schools may use these or the ones originally published in DCL CB-93-9.

**Instructor's Notes**

As mentioned earlier, a promissory note includes the definition and consequences of default.

- Default is generally defined as the failure of a borrower to make a payment when due or to comply with other terms of the promissory note.
- Default has serious consequences for the borrower.
- There also are penalties for schools with high Federal Perkins Loan cohort default rates.

You should read Chapter 6 of the Handbook on borrower default and school cohort default rates.

### **Initial Grace Period**

The initial grace period before repaying a Federal Perkins Loan begins after the student drops to less-than-half-time enrollment.

- Perkins borrowers are allowed a nine-month period before they must begin making payments—this is referred to as an initial grace period.
- Some borrowers still have what were known as National Direct Student Loans, a previous name for Perkins Loans. These have only a six-month initial grace period.
- Specifically, the grace period defers repayment of principal and interest.
- The student has up to ten years to repay, depending on certain repayment criteria—for example, there are payment minimums and maximums.

### **Deferment**

There are **deferment** provisions for Federal Perkins Loan borrowers in special circumstances.

- Deferment means that loan payments are temporarily suspended.
- To be acceptable, the reason(s) for a deferment must be among the deferment options listed in the promissory note.

The table on page 3 of your Workbook and the accompanying notes on the next page describe the many deferment provisions for Federal Perkins Loans. The table has a lot of information, but is really easy to use once you become familiar with it. It should serve as an at-a-glance job aid when you get back to your schools.

**PW 12**

Let's take a few minutes to practice using this table by answering the questions in Exercise 5 on page 12 of your Workbook. [IG, pgs. 31-32]

» Give participants 5 minutes to answer the questions in the Workbook.

**Q1: Fred is a Peace Corps volunteer whose Federal Perkins Loan was disbursed on January 4, 1996. For which deferment provisions is he eligible?**

**A1: Fred's deferment is for the period that he is in the Peace Corps. (As the cancellation chart shows, he is also eligible for partial Federal Perkins Loan cancellation of 15% per year for the first and second years and 20% per year for the third and fourth years.)**

**Q2: Susan gave birth to a bouncing baby boy on November 1, 1996. Her Federal Perkins Loan was disbursed on August 30, 1996. For which deferment provisions is she eligible?**

**A2: Susan is not eligible for deferment. There are no**

## Instructor's Notes

deferment provisions for Perkins Loans made on or after July 1, 1993 for the care of a newborn.

**Q3:** Victor's Federal Perkins Loan was disbursed in fall 1995. He graduated in 1996 and has not been able to get full-time employment. For which deferment provisions is he eligible?

**A3:** Victor can receive permission to defer repayment for up to three years—principal does not need to be paid, and interest does not accrue.

As you can see, the table provides a good resource for determining a particular student's deferment provisions.

### Cancellation

The Federal Perkins Loan Program also allows for **cancellation** of all or part of the loan in specific circumstances. If a student meets the cancellation conditions, the school **must** grant the cancellation.

- Written documentation must be retained in the borrower's file.

To answer the two questions for Exercise 6 on page 13 of your Workbook, use the table on page 5 of your Workbook, titled "Federal Perkins Loan Cancellation Conditions," and the notes on the following page. [IG, pgs. 33-34]

» Give participants 5 minutes to answer questions in the Workbook.

**Q1:** Jane has been a math teacher for three months. Her Federal Perkins Loan was made on September 5, 1996. The state education agency has determined that there is a shortage of qualified math teachers. Must the school cancel any part of her loan?

**A1:** No, not yet, but 15% of her loan must be cancelled after one year of teaching, and 100% of it must be

**PW 13**  
**PW 5-6**

**Instructor's Notes**

cancelled if she teaches for five years.

**Q2:** Earl has been a full-time teacher of handicapped students in a public secondary school for three years. His Perkins Loan was made on July 22, 1991. Must the school cancel any part of his loan?

**A2:** Yes, 50% of his loan must be cancelled by this point, and 100% of it must be cancelled if he teaches in the school for two more years.

### Due Diligence in Loan Collection

Due diligence refers to steps a school must take to collect Federal Perkins Loans.

Due diligence includes the use of extensive, persistent, and forceful collection procedures to ensure that loans are repaid.

Even if a school uses a third-party servicer or collection agency for billing and collection, the ultimate responsibility for adhering to program requirements still rests with the school.

A critical due-diligence step is the **exit interview**, which is conducted just before a Federal Perkins Loan borrower leaves school.

In your Handbook, please turn to pages 6-65 through 6-68, which provide full details of the goals for and procedures to be used in an exit interview. For example, the school must:

- provide the borrower with a signed copy and retain a signed copy of the borrower's repayment schedule;
- provide the borrower with a signed copy and retain a signed copy of the borrower's promissory note or notes; and
- furnish the borrower with a statement of his or her rights and responsibilities.

**Note to Instructor:**  
34 CFR 674, subpart C, and DCL CB-95-17 issued in July 1995 provide additional guidance on due diligence requirements.

**Instructor's Notes**

Schools must perform many other due diligence steps in the process of trying to collect Federal Perkins Loans. These include:

- making (or attempting to make) contact with the borrower;
- following procedures for billing the borrower;
- undertaking address searches for unknown addresses; and
- putting in place collection and litigation procedures for delinquent accounts.

You'll find more information about due diligence in Chapter 6 of the Handbook.

Are there any questions about due diligence?

### **TRANSFERRING FUNDS BETWEEN CAMPUS-BASED PROGRAMS**

The annual allocation for the FSEOG Program may **not** be transferred to any other program. Ever.

Up to 25% of the annual allocation for the FWS Program can be transferred **into** the FSEOG Program; however:

- The 25% maximum transfer must be based on the FWS annual allocation for the current award year.
- FWS carry forward or carry back may not be included in the 25% maximum transfer.

Up to 25% of the annual allocation for the Federal Perkins Loan Program can be transferred **into** the FSEOG Program, the FWS Program, or divided between both programs.

- The annual allocation includes the original allocation, plus any supplemental allocation.

**PW 14**

**Instructor's Notes**

11

- The total transfer may not exceed 25%, whether it is made to one program only or divided between the two programs.

The funds you transfer must be spent by the end of the award year in which you made the transfer **or** they must be returned to the original program.

Please turn to page 14 of your Workbook and do Exercise 7.

- » Give participants 2 minutes to answer the questions in the Workbook. Before you give each correct answer, ask participants to answer each question. Reveal the answers on Overhead 11 one at a time.

In the exercise, the projected FSEOG and FWS funds needed for 1998-99 awards have been carefully reviewed and the aid administrator decides to transfer the maximum allowable amount of the FWS authorization to the FSEOG Program.

**Q How many dollars are transferred to FSEOG?**

**A: \$ 50,000**

**Q What are the remaining 1998-99 FWS funds?**

**A: \$150,000**

**Q: What is the total available FSEOG funding for 1998-99?**

**A: \$170,000**

**PW 15****BACK AT THE OFFICE**

If you plan to take part in the Federal Work-Study (FWS) Program, contact your school's state commission for National and Community Service for information about establishing FWS community-service jobs.

What else should you do when you return to your office?



## FEDERAL PERKINS LOAN DEFERMENT PROVISIONS†

DEFERMENT CONDITION	Federal Perkins/NDSL Disbursed on or after 07/01/93	Federal Perkins Disbursed before 07/01/93 & on or after 07/01/87	NDSL Disbursed before 07/01/93 & on or after 10/01/80	NDSL Disbursed before 10/01/80
Half-time enrollment	No limit*	No limit*	No limit*	No limit*
Rehabilitation training	No limit*	N/A	N/A	N/A
Graduate fellowship study <sup>1</sup>	No limit*	N/A	N/A	N/A
Eligible internship or residency program	N/A	2 years <sup>2*</sup>	2 years <sup>3*</sup>	N/A
Inability to secure full-time employment	3 years*	N/A	N/A	N/A
Economic hardship <sup>4</sup>	3 years*	N/A	N/A	N/A
Hardship as determined by school	N/A	No limit**	No limit**	No limit**
Law enforcement/correction officer	see footnote 5*	N/A	N/A	N/A
Peace Corps/ACTION program volunteer	see footnote 5*	3 years*	3 years*	3 years*
Full-time volunteer for tax-exempt organization in service comparable to Peace Corps or ACTION	N/A	3 years*	3 years*	N/A
U.S. Armed Service	see footnote 5*	3 years*	3 years*	3 years*
Officer in Commissioned Corps of U.S. Public Health Service	N/A	3 years*	3 years*	N/A
National Oceanic and Atmospheric Admin. Corps	N/A	3 years*	N/A	N/A
Nurse/medical technician providing health services	see footnote 5*	N/A	N/A	N/A
Temporary total disability or care for temporarily totally disabled spouse/dependent	N/A	3 years*	3 years <sup>6*</sup>	N/A
Pregnancy, care of newborn or newly adopted child <sup>7</sup>	N/A	6 months*	N/A	N/A
Mother of pre-schooler working or returning to work <sup>8</sup>	N/A	1 year*	N/A	N/A
Employment in Head Start Program	see footnote 5*	N/A	N/A	N/A
Teacher in designated low-income school	see footnote 5*	N/A	N/A	N/A
Teacher of special education, including teacher of infants, toddlers, children, or youth with disabilities <sup>9</sup>	see footnote 5*	N/A	N/A	N/A
Provider of early intervention services <sup>10</sup>	see footnote 5*	N/A	N/A	N/A
Teacher of mathematics, science, foreign languages, bilingual education, or other field of expertise determined by the state education agency to have a shortage of qualified teachers	see footnote 5*	N/A	N/A	N/A
Provider or supervisor of provision of services to high-risk children from low-income communities and their families <sup>11</sup>	see footnote 5*	N/A	N/A	N/A

\*Principal need not be paid, and interest does not accrue.

\*\*Principal and interest may be deferred, but interest continues to accrue.

† Notes follow on the next page.

## Federal Perkins Loan Deferment Provisions

The chart on the previous page is to be used for reference only. Refer to Part E of the Higher Education Act and 34 CFR Part 674, Sections 674.33 through 674.39 (which the chart and provisions summarize) if you have any questions about a particular borrower's eligibility for loan deferment.

1. A deferment request from a borrower enrolled in a graduate or postgraduate fellowship-supported program outside of the U.S. is approved until the completion of the fellowship period.
2. The internship program must require that the borrower have a bachelor's degree before being admitted. In addition, the program must be required by a state licensing agency for certification for professional practice or service, or the program must lead to a postgraduate degree or certificate from a postsecondary school, hospital, or health-care facility.
3. The internship program must require that the borrower have a bachelor's degree before being admitted. The program must be required by the state licensing agency for certification for professional practice or service.
4. A borrower is considered to have an economic hardship if the borrower:
  - a. Is working full-time but earning an amount that does not exceed (the greater of):
    - 1) the federal minimum wage *or*
    - 2) an amount equal to 100% of the poverty line for a family of two as determined according to section 673(2) of the Community Service Block Grant Act **OR**
  - b. meets other regulatory criteria that take into account the borrower's debt-to-income ratio as a primary factor.
5. Deferment is for a period in which the borrower is engaged in service eligible for Federal Perkins Loan cancellation.
6. Applies to borrower or care of spouse only. Does not allow deferment for the care of a temporarily totally disabled dependent.
7. Borrower must not be attending an eligible postsecondary institution or be gainfully employed. Deferment must begin within 6 months after the borrower ceased to be enrolled at least half time at an eligible institution.
8. Borrower's salary must not be more than \$1 over the minimum hourly wage rate.
9. Infants, toddlers, children, and youth with disabilities are defined in Section 602(a)(1) and 672(1) of the Individuals with Disabilities Education Act.
10. Must be employed in a public or nonprofit program under public supervision. A qualified professional provider of early intervention services is defined in Section 672(2) of the Individuals with Disabilities Education Act.
11. Must be employed in public or nonprofit child or family services agency. High-risk children are defined as individuals under the age of 21 who: are low-income; have been or are at risk of being abused or neglected; have serious emotional, mental, or behavioral disturbances; reside in placements outside of their homes; or are involved in the juvenile justice system. Low-income communities are defined as those communities in which there is a high concentration of children eligible to be counted under Chapter 1 of Title I of the Elementary and Secondary Act of 1965.

## Federal Perkins Loan Cancellation Conditions†

<b>CANCELLATION CRITERIA</b>	<b>Federal Perkins/ National Direct Loans Made on or after 07/23/92</b>	<b>Federal Perkins Loans Made Prior to 07/23/92</b>	<b>National Direct Loan Made Prior to 07/23/92</b>	<b>National Defense Loan</b>
Total and permanent disability or death of borrower	100%	100%	100%	100%
Full-time employment in a Head Start Program <sup>1</sup>	100%	100%	100%	N/A
Full-time law enforcement or correction officer <sup>2</sup>	100%	100% <sup>3</sup>	100% <sup>3</sup>	N/A
Full-time teaching in low-income school eligible for funding under Chapter 1 of the Education Consolidation and Improvement Act of 1981 <sup>2/5</sup>	100%	100%	100%	100% <sup>6</sup>
Full-time special education teacher, including teacher of infants, toddlers, children, or youth with disabilities <sup>4/7</sup>	100%	N/A	N/A	N/A
Provider of early intervention services in a public or nonprofit program under public supervision <sup>2/8</sup>	100%	N/A	N/A	N/A
Full-time teacher of handicapped services in a public or nonprofit elementary /secondary school	N/A	100% <sup>4</sup>	100% <sup>4</sup>	100% <sup>6</sup>
Full-time teacher of mathematics, science, foreign languages, bilingual education, or any field of expertise determined by the state education agency to have a shortage of qualified teachers <sup>4</sup>	100%	N/A	N/A	N/A
Provider or supervisor of provision of services to high-risk children from low-income communities and their families <sup>2/9</sup>	100%	N/A	N/A	N/A
Nurse or medical technician providing health care service <sup>4</sup>	100%	N/A	N/A	N/A
Peace Corps or ACTION Program volunteer <sup>10</sup>	70% - Perkins (N/A - Natl. Direct Loan)	70%	N/A	N/A
Service in U.S. Armed Forces	50% <sup>11</sup>	50% <sup>11</sup>	50% <sup>11</sup>	50% <sup>12</sup>
Full-time teaching in public/nonprofit elementary /secondary school, institution of higher education or overseas U.S. Department of Defense elementary /secondary school	N/A	N/A	N/A	50% <sup>13</sup>
Bankruptcy <sup>14</sup>	in some cases	in some cases	in some cases	in some cases

†Notes follow on the next page.

# Federal Perkins Loan Cancellation Conditions

This chart is to be used for reference only. Refer to Part E of the Higher Education Act and 34 CFR Part 674, Subpart D, (which the chart and provisions summarize) if you have any questions about a particular borrower's eligibility.

1. Cancellation rate is 15% per year.
2. Cancellation rate is 15% per year for first and second years; 20% per year for third and fourth years; and 30% for fifth year.
3. Applies only to loans made on or after 11/29/90.
4. Cancellation rate is 15% per academic year for first and second years; 20% per academic year for third and fourth years; and 30% for fifth academic year.
5. If borrower teaches at a school that does not qualify as a low-income school in a subsequent year, the borrower remains eligible for loan cancellation as long as the borrower continues to teach full-time at the school.
6. Cancellation rate is 15% per academic year.
7. Infants, toddlers, children, and youth with disabilities are defined in Section 602(a)(1) and 672(1) of the Individuals with Disabilities Education Act.
8. A qualified professional provider of early intervention services is defined in Section 672(2) of the Individuals with Disabilities Education Act.
9. Must be employed in public or nonprofit child or family services agency. High-risk children are defined as individuals under the age of 21 who: are low-income; have been or are at risk of being abused or neglected; have serious emotional, mental, or behavioral disturbances; reside in placements outside of their homes; or are involved in the juvenile justice system. Low-income communities are defined as those communities in which there is a high concentration of children eligible to be counted under Chapter 1 of the Elementary and Secondary Education Act of 1965.
10. Cancellation applies only to Federal Perkins Loans; it does not apply to National Direct Student Loans. Cancellation rate is 15% per year for first and second years; 20% per year for third and fourth years.
11. Military service must be in an area that qualifies for hazardous-duty pay. Cancellation rate is 12.5% per year of qualifying service.
12. Cancellation rate is 12.5% per year of consecutive service.
13. Cancellation rate is 10% per academic year.
14. Loan is cancelled only if collection is discharged by a bankruptcy court. If the loan is not ultimately discharged in bankruptcy, it again becomes the borrower's obligation.