Federal Perkins Loan Liquidation Procedures

Eight Steps for Schools Ending Participation in the Federal Perkins Loan Program

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Step 1. Notify the Department of Education of Intent to Liquidate

A school must notify the Department of Education (the Department) in writing of its intent to liquidate its Federal Perkins Loan portfolio.

Written Notification

A school must notify the Department of its intent to liquidate by sending a letter to:

Federal Perkins Loan Program Liquidation
Grants & Campus-Based Division
U.S. Department of Education
Union Center Plaza
830 First Street, NE, Room 63C1
Washington, DC 20202

Email Notification

Alternatively, the Department will accept an email as written notification. The email must be sent by an authorized official of the school, such as the Financial Aid Administrator or President, and sent to:

perkinsliquid@ed.gov

The subject of the email notification should include the name of the school, OPEID number and the words "INTENT TO LIQUIDATE." The email must also include contact information, including the names, telephone numbers and email addresses of appropriate school officials, should the Department need to contact the school during the liquidation process. If applicable, the school is also responsible for providing the names, telephone numbers, and email addresses of any third-party servicers that it contracts with for Federal Perkins Loan billing and collection activities.

FISAP

A school may notify the Department of its intent to liquidate its Federal Perkins Loan portfolio during its annual submission of the FISAP by checking the "yes" box in Part II, Section B. However, a separate written notification of intent to liquidate is still required.

Step 2. Assign Loans to the Department of Education

General Requirements

When a school liquidates its Perkins portfolio, it must assign the remaining loans with outstanding balances to the Department for collection. The school must inform servicers involved in billing or collection activities to return outstanding accounts to the school so that it

can begin the loan assignment process, which results in the Department becoming the holder of the loan. The school must submit a completed Perkins Assignment Form, OMB Form 1845-0048, with each outstanding Perkins, National Direct Student Loan (NDSL), and National Defense Student Loans (Defense Loans). Using Departmental student data and FISAP data, the Department will work with the school to reconcile any discrepancies between what it reports and what we have on file. Ultimately, the total amount of loans and number of borrowers we have in our records must match what is reported by the school on its final FISAP.

Assignment of Outstanding Loans to the Department

(See *attachment titled* Federal Perkins Loan Assignment Procedures *for further details on the Assignment Process)*:

1. Notify Borrowers: At least 90 days before submission of loans for assignment to the Department, the school must notify borrowers and its third party servicer that the school intends to liquidate and assign to the Department all outstanding Perkins, NDSL, and Defense Loans. Once assigned loans are accepted by the Department, the Department becomes the holder of the loan and will collect on balances owed**.**

Please note: If your school holds loans for which mandatory due diligence actions were not performed in a timely manner in prior years, the "cure" process as outlined in the attachment ***Federal Perkins Loan Assignment Procedures*** may enable you to assign these loans. Under this process, your school is also required to send additional information and notify the borrower of the loan's default status. For these particular borrowers, you may want to combine the required notification to borrowers of assignment with the additional requirements under the cure process. Please see "***Cure Process for Assigning Defaulted Loans***," in the ***Federal Perkins Loan Assignment Procedures*** for further information.

2. Complete OMB Form 1845-0048- The Federal Perkins Loan Assignment Form: For each outstanding defaulted or non-defaulted Perkins, NDSL, or Defense Loan, the school must complete the Assignment form in accordance with the forms instructions. The form and instructions for the Federal Perkins Loan Assignment Form are also attached to the electronic announcement, please read the instructions carefully.

3. Separate Loans into Categories: The school must divide and clearly mark its non-defaulted Perkins, NDSL and Defense Loans into the following borrower categories: grace period, forbearance, deferment, enrolled and in attendance at a school at the time of liquidation, or in repayment. Please note that for any of these types of non-defaulted, loan categories, there should not be a default date included.

Please also note that if a school receives notification that a bankruptcy petition has been filed prior to the time the school submits the loan to the Department, this would result in an automatic rejection from the Department. For the purposes of liquidation, a school should separate and clearly mark these loans to avoid automatic rejection of the loan. The same is true for any loans that would fall under the category of potential death, non-resolved. The processing center must handle these two categories differently and needs to have them separated out from the other submission categories.

4. Send Loans: The school must include all available documents required for the assignment process (e.g., original promissory notes, completed assignment forms, submission package manifest) as specified in the ***Federal Perkins Loan Assignment Procedures*** and send them by registered mail.

Submit Federal Perkins Loans assignments to:

ECSI Federal Perkins Loan Servicer
181 Montour Run Road
Coraopolis, PA 15108

For more information on assignment processing by the Department, please refer to the attachment titled *Federal Perkins Loan Assignment Procedures*.

5. Official Acceptance: If the assignments are accepted, the institution will receive a document identified as "Perkins/NDSL Load Database Report." This report provides borrower identification information, school identification information, and outstanding principal and interest. This is the official acceptance notice and should be retained in the school's records. Acceptance notices are sent to the school's address provided in the school's program participation agreement. The institution should ensure that its mail distribution staff becomes familiar with these notices and the offices to which they should be distributed.

Payments Received after Account has been Assigned

Payments from a borrower received by a school or its servicer after the borrower's account has been submitted to the Department for assignment, and accepted by the Department, should be forwarded, as soon as possible, to:

Department of Education
ECSI Federal Perkins Loan Servicer
P.O. Box 105765
Atlanta, GA 30348-5765

Each payment submission must clearly identify the borrower's full name, Social Security Number, and the type of loan to which the payment is to be applied.

Once an account is submitted for assignment, it becomes the property of the Department and will only be returned to the institution for deficiencies related to its submission. Therefore, an institution should not contact ED to request the return of a submission because a borrower has made a payment to the institution.

Payment Received after Account has been Submitted, not yet Assigned

If payments are received on accounts that have been submitted to the Department for assignment, but have not yet been accepted by the Department, the school should deposit the funds immediately and await official notification of acceptance. Upon acceptance of the account, the institution must issue a check to the Department, including the borrower and loan information noted above.

Collection Fees

Any collection agency fees that are deducted from payments received after account submission to the Department are the sole responsibility of the institution and may not be charged to the Federal Perkins Program Loan Fund. The entire borrower payment must be forwarded to the Department.

6. Correct Rejected Loan Submissions: For Perkins, NDSL, or Defense Loans rejected for assignment, the Department will provide the school with instructions relating to the "cure" process. For most problems, this process may enable a school to correct the deficiencies and resubmit the rejected loans. For more information on the cure process, please refer to the ***Federal Perkins Loan Assignment Procedures***. The Department will work with the school to assist in resolving any issues.

7. Purchase Loans: The Department will not accept a loan for assignment if the promissory note is missing or unsigned or if proper due diligence has not been performed on the loan (see exception for using a: "Certified True Copy" in the ***Federal Perkins Loan Assignment Procedures***.) All accounts deemed unenforceable by the Department will be rejected for assignment and returned to the school for purchase. Section 674.50(g) of the Federal Perkins Loan Program regulations requires that the school reimburse its revolving fund (the Fund) for the entire portion of the outstanding balance plus any accrued interest on a loan the Department determines is unenforceable. This should be verified by the audit conducted under the Independent Perkins Program Liquidation Audit (See Step 3 below). To reimburse the Fund for the purpose of purchasing any unenforceable loans, please refer to the instructions contained in in the attachment titled, "Returning Federal Perkins Loan Program Funds to

the Department." Once a loan has been purchased, the Department transfers all rights, title and interest of the United States in the loan to the school for its own account.

8. Abide by Terms and Conditions for School-Purchased Loans: Because the Federal Perkins Loan promissory note is a binding legal document, the borrower remains subject to the terms and conditions after purchase of the loan by the school and retains his/her entitlement to deferment and cancellation benefits.

9. Report School-Purchased Loans: Reimbursements a school makes on unassignable loans and deposits into the Fund are considered cash-on-hand and are reported on the FISAP in Part III, Section A in Field Item 1.1 or 1.2. Funds received from a school's reimbursement to its Perkins loan Fund should be treated the same as funds received from a borrower's repaying a loan balance. If the school does not re-lend that money before the year's end (6/30 or 10/31), the school simultaneously reports the principal (Field Item 5) and the interest (Field Item 31). The school will reclaim its share of the reimbursed amount when the final capital distribution occurs, (See Step 5 below). The school must also report the full purchase price, including interest, in Part III, Section C in Field Item 1.2. The reported amounts and final capital distribution amounts are to be verified as part of the audit conducted under the Independent Perkins Program Liquidation Audit procedure, (See Step 3 below).

10. Keep in Mind: The school relinquishes its rights to any share of amounts collected by the Department after a loan is assigned to and accepted by the Department. All future payments will be made to the Department and the borrower will receive notification of the change of loan holder and where to send payments.

Step 3. Initiate Independent Perkins Program Liquidation Audit

General Requirements

34 CFR 668.26 requires a school to submit a letter of engagement for an independent audit of all funds that the school received under the program to the Secretary within 45 days after the school's participation ends. The engagement for the independent audit shall include the requirements prescribed in this step of the liquidation procedures. The results of the Independent Perkins Program Liquidation Audit (the audit) must be submitted to the Secretary within 45 days after the date of the engagement letter with the audit firm, (See specific audit requirements below). **Note:** Institutions that are liquidating their Federal Perkins Loan account and closing out their participation in the Federal Perkins Loan Program must account for the program funds as outlined under the Audit Requirements—Step 3. Coverage below. Institutions that qualify and report annually under the Single Audit Act, commonly referred to as the OMB A-133 audit, should consult with their auditor and contact the FSA's School Participation Team to discuss how the close-out reporting will be done.

Audit Requirements

1. Audit: A Title IV, HEA program compliance audit must be conducted in accordance with the provisions of 34 CFR 668.23. "Compliance audits and audited financial statements" of the Student Assistance General Provisions. For the purposes of liquidation and close out, there is additional, program specific information the audit shall include as additional agreed upon procedures. A school's Perkins Loan Program Fund and portfolio cannot be considered liquidated until the Fund and portfolio information has been reviewed and substantiated by an independent auditor. The results of the audit must be forwarded to the Department in a written report, (See Coverage below).

2. Timing: The audit should be submitted to the Department within 90 days of the end of the school's participation in the program and after all assignable loans have been assigned and officially accepted by the Department. This time frame permits 45 days for the school to engage an independent auditor and an additional 45 days for preparation and submission of the audit.

3. Coverage: The audit shall cover the school's Federal Perkins Loan Program activities for the entire period of time since the school's preceding compliance or annual A-133 audit. Additionally, the auditor shall review and verify the following:

1) That all loans for the total number of borrowers that make up the portfolio have been accounted for, this includes:
    a. Retired loans, including loans purchased; and
    b. Loans assigned to the Department, including validation of the computed accumulated interest charged on the loans;
2) Service cancellation data on Section A and all of the data on Section C of Part III of the school's latest submitted FISAP;
3) The Federal capital contribution (FCC);
4) The institutional capital contribution (ICC); and
5) Overall cash on hand or excess cash amounts.
    Please note: this overall cash on hand amount would include payment to the Fund for any loans the school may have purchased.

Determining Share Distributions

Because of changes in the matching ratio of the required institutional match of the Federal Capital Contribution (FCC) from 1992 and forward, the Department's federal share of a school's revolving Fund must be calculated using the "over-time" formula:

Formula

$$\frac{\text{(net FCC)}}{\text{(net FCC + net ICC)}} \text{ X Cash on hand = } \textit{Final Capital Distribution}$$

Definitions and FISAP Part and Field Item reference

FCC = Federal Capital Contribution added to the Fund by ED over period of time
(Part III. Section A. Field Item 27)

Repayments of Fund capital to federal government
(Part III. Section A. Field Item 28)

net FCC = FCC minus repayments of Fund capital to federal government
(Field Item 27 minus Field Item 28)

ICC = School Capital Contribution added by school over period of time
(Part III. Section A. Field Item 29.3)

Repayments of Fund capital to school
(Part III. Section A. Field Item 30.3)

net ICC = ICC minus repayments of Fund capital to school
(Field Item 29.3 - Field Item 30.3)

Cash on hand
(Part III. Section A. Field Item 1.1 or 1.2 as appropriate)

See Example on next page..

Example:

FCC (Field Item 27) = 3,778,548

Repayments of Fund capital to federal government (Field Item 28) = 89,377

net FCC = 3,778,548 – 89,377 = 3,689,171

ICC (Field Item 29.3) = 629,581

Repayments of Fund capital to school (Field Item 30.3) = 178,490

net ICC = 629,581 – 178,490 = 451,091

Cash on hand = 59,949 (Field Item 1.1 or 1.2) as appropriate

$$\frac{3{,}689{,}171}{3{,}689{,}171 + 451{,}091} \times 59{,}949 = \frac{3{,}689{,}171}{4{,}140{,}262} \times 59{,}949 = .89 \times 59{,}949 = \mathbf{53{,}355}$$

Federal share Final Capital Distribution = $53,355

The auditor must include these steps and detail information within the written audit report to the Department. Additionally, the auditor must make a statement regarding the accuracy of the school's Perkins FISAP data in the report. Any findings regarding inaccurate data must be corrected by the school and captured within the report to notify the Department that errors were found and corrected.
Note: Any data found to be inaccurate on the latest submitted FISAP must be corrected and re-submitted to the Department. The school can submit a change request through eCB indicating it needs to amend the FISAP data for the purposes of liquidation.

4. SFA Audit Guide: The SFA Audit Guide and subsequent Dear CPA letters providing further guidance can be found on the Office of Inspector General's web site at: http://www.ed.gov/about/offices/list/oig/nonfed/sfa.html.
Please note: That the detail information pertaining to the additional requirements and coverage for the purposes of Perkins liquidation is contained in this procedural document.

5. Audit Format and Template: The template below is an example and is to be used as a guide and not an exact recommendation for how the finished report is to be written.

COVER PAGE 1

-School Name, City, State, OPEID Number-

APPLE SCHOOL OF BUSINESS
HARTFORD, CONNECTICUT
OPEID# 00012340

-COMPLIANCE AUDIT WITH ADDITIONAL SPECIFIED AGREED UPON PROCEDURES-

COMPLIANCE ATTESTATION EXAMINATION OF THE TITLE IV
STUDENT FINANCIAL ASSISTANCE PROGRAM(S)
and
INDEPENDENT PERKINS PROGRAM LIQUIDATION
AUDITOR'S REPORT

FOR FISCAL YEAR ENDED DECEMBER 31, 20XX
-and/or- AWARD YEAR ENDED JUNE 30, 20XX

at

1234 Center Street, Hartford Connecticut 06101
-List other branch addresses or applicable client information-

-Auditor's Firm/Business Name-

ROTH & ASSOCIATES, LLC
Certified Public Accountants

EXAMPLE

AUDITOR INFORMATION PAGE 2

AUDITOR INFORMATION SHEET

-School Name, Address(s) City, State-

APPLE SCHOOL OF BUSINESS
1234 Center Street, Hartford Connecticut 06101
HARTFORD, CONNECTICUT

-OPEID #, DUNS# and Telephone Main Office-

OPEID# 00012340
DUNS# 123456789
Tel. No. (123) 123-1234 (Main Office)

EXAMPLE

-Auditor Information-

President: Name
Contact Person & Title: Name, Senior Vice President

LEAD AUDITOR: John Doe, CPA

E-MAIL ADDRESS: jdoe@roth.com
FIRM's NAME: ROTH & ASSOCIATES, LLC
ADDRESS: 123 Business Drive
Perry, Pennsylvania 17006

TEL. NO.:

LICENSE NO. AND STATE:

AUDIT COVER and WRITTEN REPORT PAGE 3

-Company Letterhead Including Address-

ROTH & ASSOCIATES, LLC

Certified Public Accountants

Please note: this example of the written audit report is just that, an example, and its purpose is to give more detail on the areas of the overall audit that pertain specifically to the liquidation requirements of the Federal Perkins Loan Program (Agreed Upon Procedures)

EXAMPLE

Board of Directors, Trustees, Owners
Apple School of Business
Hartford, Connecticut 06101

Dear [Mr. President]

Intro-clearly stating the intent of the audit…

This **Audit Report**, entitled *Independent Perkins Program Liquidation for the Apple School of Business,* presents the results of our audit. The purpose of the audit was to determine whether Apple School of Business administered the Title IV program in accordance with selected requirements of the Higher Education Act of 1965, as amended (HEA). We conducted our audit of compliance in accordance with auditing standards generally accepted In the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, Issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Specifically, we evaluated the schools compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct effect on the school's major federal programs for the year ended June 30, 20XX. Additionally, we evaluated the school's compliance with requirements and procedures described in the Federal Student Aid Electronic Announcement entitled *Federal Perkins Loan Liquidation Procedures* for the explicit purpose of closing the School's Federal Perkins Loan Program. Our review covered the period July 1, 20XX, through June 30, 20XX.

Background

Give a brief background of the school and its operation…

Apple School of Business is a subsidiary of IT Tech Systems, Inc. Apple School of Business is a proprietary school located in Hartford, Connecticut, with a location in Springfield, Massachusetts. The Hartford campus has been in operation since 1984, and the Springfield campus has been in operation since 1986. Apple School of Business is accredited by the Accrediting Council for Independent Colleges and Schools (ACICS). The School offers career and technical training programs leading to diplomas and associate degrees. The training programs are offered in a non-standard term academic calendar and are measured in quarter credit

hours. Students enroll in programs that start each week, on Monday. The nine programs that Career Point offers are from 26 to 39 quarter credit hours in length. The School participates in the following HEA, Title IV programs: Federal Pell Grant Program (Pell), Federal Supplemental Educational Opportunity Grant Program, Federal Work Study Program, Federal Perkins Loan Program, and the Federal Direct Loan Program. During the 20XX-20XX award year (July 1, 20XX, through June 30, 20XX), Apple School of Business awarded over $12.5 million in Title IV funds to about 2,100 students.

EXAMPLE

Audit Results

Give Executive Summary, including statements on Internal Control Over Compliance and the accuracy of the school's Perkins FISAP data; list any findings and steps the school has or will take to resolve. Include the Perkins Liquidation detail section, clearly identifying steps taken by the school to liquidate its Perkins Program Fund.

Apple School of Business generally complied with the requirements governing the return of Title IV funds and Title IV disbursements, GAPS and Cash Management and Administrative Capability listed in Section II of the U.S. Department of Education's Audit Guide. Based on the evidence we reviewed, the School had internal controls to ensure accurate award calculations, timing of Title IV disbursements, calculation of unearned Title IV funds for withdrawn students, and the return of Title IV funds……include any findings of noncompliance and reccomendations…

Federal Perkins Loan Program Liquidation - Verification

As of February 9, 20XX, Apple School of Business has completed Steps 1 – 5 of the liquidation procedures for the purpose of liquidating its Federal Perkins Loan Program with the award year ending June 30, 20XX. As part of our Compliance Attestation Examination of the Title IV Student Financial Assistance Programs, we have examined the school's assertions that the School complied with specific requirements applicable to the Federal Perkins Loan Program, including the procedures set forth in the electronic announcement titled, "FEDERAL PERKINS LOAN LIQUIDATION PROCEDURES" and have found the information shown below is accurately stated. Our examination *did/or* did not result in any findings regarding the Federal Perkins Loan Program FISAP data.

EXAMPLE

Specifically, we have verified the following:

1) All loans for the total of **1,477** borrowers in the portfolio have been accounted for:
    a. There were **952** borrowers whose loans were fully retired, including **8** loans purchased by the School. The School reimbursed its revolving Fund in the amount of **$10,450** for the entire portion of the outstanding balance plus accrued interest on the **8** loans the School could not assign to the Department;
    b. There were **525** borrowers whose loans were assigned and accepted by the Department and we have validated the computed accumulated interest charged on these loans was accurately calculated.
2) The service cancellation data on Section A and all of the data on Section C of Part III of the School's latest submitted FISAP for award year ending June 30, 20XX;

a. The service cancellation data on Section A was accurately reported upon our review of the School's records;
b. The data in Section C did not accurately reflect the total number of borrowers whose loans were fully retired or assigned to the Department. The School entered the liquidation process after the submission of the latest FISAP and, therefore, the assignment process of the remaining loans was not complete at the time of the submission of the FISAP.

3) The Federal capital contribution (FCC);
   a. The FCC was accurately reported upon our review of the School's records.
4) The institutional capital contribution (ICC);
   a. The ICC was accurately reported upon our review of the School's records.
5) Overall cash on hand at the time the School submitted its latest FISAP was **$0**.
   a. The reported Cash on Hand was verified against the School's bank statement and/or ledger for the Fund.
   b. After the School completed the assignment process for the purpose of liquidation, there were loans deemed un-assignable to the Department. The amount for purchase of these loans was added to the depository on December 31, 20XX making total Cash on Hand **$10,450**.

EXAMPLE

Determining Share Distributions

The U. S. Department of Education's Federal share of a School's revolving Fund was calculated using the following formula:

$$\frac{\text{(Net FCC)}}{\text{(Net FCC + Net ICC)}} \text{ X Cash on Hand = Final Capital Distribution}$$

Definitions and Numerical Explanation

FCC: Federal Capital Contribution added to the Fund by U. S. Department of Education over period of time. For the year ended June 30, 20XX, FCC was **$534,857**.

Repayments of Fund Capital to Federal Government: For the year ended June 30, 20XX, repayments of Fund capital to federal government was **$187,948**.

Net FCC: FCC minus repayments of Fund capital to federal government. For the year ended June 30, 20XX, net FCC was **$346,909**.

ICC: School Capital Contribution added by school over period of time was **$59,441** for the year ended June 30, 20XX.

Repayments of Fund Capital to School: For the year ended June 30, 20XX, repayments of Fund capital to school was **$20,351**.

Net ICC: ICC minus repayments of Fund capital to school. For the year ended June 30, 20XX, net ICC was

$39,090.

Cash on Hand: This amount is the cash the School still has on hand or in depository for the Federal Perkins Loan Program, including any funds returned to the Fund for the purpose of purchasing un-assignable loans. At June 30, 20XX, this amount was **$-0-**. After assignment and for the purpose of completing liquidation, Funds totally the amount of loans purchased of **$10,450** was added to the Fund making total Cash on Hand **$10,450**.

Results of Share Calculation Amount Returned to the Department

$$\frac{\$346{,}909}{\$385{,}999} = .90 \text{ X } \$10{,}450 = \underline{\mathbf{\$9{,}405}} \text{ Final Capital Distribution}$$

The final capital distribution from Apple School of Business' Federal Perkins Loan revolving Fund was made in accordance with Title IV, Part C, Section 466(c) of the Higher Education Act of 1965, as amended (HEA). We've verified that the federal share of the School's Federal Perkins Loan revolving Fund was $9,405 and the amount owed the Department.

Objective, Scope, and Methodology

Our audit objective was not only to determine whether Apple School of Business administered the Title IV programs in accordance with selected requirements of the HEA. Specifically, we evaluated the school's compliance with requirements for the purposes of liquidating its Federal Perkins Loan Program fund. Our review covered the period *Date*, 20XX, through *Date*, 20XX.

To accomplish our objectives, we—

- Reviewed requirements in the HEA, regulations, and Departmental guidance applicable to our objectives;
- Reviewed Apple School of Business' audited financial statements and Compliance Attestation Examination of the Title IV Student Financial Assistance Programs for the award year ending June 30, 20XX;
- Interviewed Apple School of Business' President, Vice President, Financial Aid Director, Fiscal Operations Director, and other school officials;
- Obtained an understanding of Apple School of Business' policies and procedures regarding its administering the Federal Perkins Loan Program;
- Reviewed Apple School of Business' bank statements from our audit period; and
- Analyzed the FISAP data reporting and derived the return of federal capital contribution according to the overtime calculation of cash on hand.

We conducted our fieldwork at Apple School of Business' campus in Hartford, Connecticut from January 10, 20XX through February 9, 20XX. We held an exit conference with Apple School of Business on February 8, 20XX. Our audit was performed in accordance with generally accepted government auditing standards appropriate to the scope of the review described above.

EXAMPLE

Conclusion

We have verified the School's Federal Perkins Loan account, records, and Part III of the Fiscal Operations Report or FISAP and believe the data was accurately reported. We did not find any substantial discrepancies with the reported data; the discrepancies noted above in our verification of the latest FISAP were accounted for in the verification detail section above. It is our opinion that Apple School of Business will not need to amend the latest submitted FISAP and can proceed with submitting a Final FSIAP to the Department.

This report is intended solely for the information and use of Apple School of Business' management, Board of Trustees, others within the entity, the U.S. Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

AUDITOR'S SIGNATURE

Date = Last day of any significant field work
This date should not be dated earlier than when the auditor has sufficient audit evidence to support the opinion.

EXAMPLE

6. Audit Submission: A school must send a copy of the audit or portion that contains the specific information prescribed above in this section to:

Federal Perkins Loan Program Liquidation
U.S. Department of Education Grants & Campus-Based Division
830 First Street, NE Union Center Plaza, Room 63C1
Washington, DC 20202

Alternatively, a copy of the audit or portion that contains the specific information prescribed above in this section can be sent electronically via email to perkinsliquid@ed.gov as an attached PDF. We encourage an electronic copy be forwarded.

Step 4. Continue Reporting to NSLDS

General Requirements

A school must complete its NSLDS reporting requirements in accordance with the instructions in the NSLDS Enrollment Reporting Guide posted January 11, 2013 and Perkins Data Provider Instructions dated October 23, 2007. NSLDS reporting must continue until all of a school's outstanding Federal Perkins Loans are fully retired, accepted for assignment by the Department or purchased by the school.

Reporting of Assigned or Purchased Loans to NSLDS

After Assignment and Acceptance

After the assignment process, the school must report each loan that was accepted by the Department as "AE" (transferred for Assignment) to NSLDS in accordance with NSLDS reporting requirements. In order to transfer a loan from one data provider to another (e.g., a Perkins loan assigned to ED), a complete 'handshake' must take place between the two data providers, that is, the current data provider must release the loan which then enables the new ED data provider to report on it. NSLDS does not consider this as a loan status code but, rather, a loan transfer code. Schools use the code AE to transfer, or assign a loan to the Department. Although loan transfer codes use the loan status code field on the Database Extract file, they are NOT loan status codes and do not update the loan status code fields in NSLDS. Instead, they indicate that the loan is in transit to another data provider. It is only when the new data provider reports on the loan that it is actually transferred to the new data provider. If the previous data provider reports the loan with a non-transfer loan status before the new data provider reports on the loan, NSLDS will assume that the transfer request was incorrect and the loan will be retained by the previous data provider (the school).

Accepted for Assignment

Again, after a school receives notification from the Department that a loan has been accepted for assignment, it is to report the loan to NSLDS as transferred for Assignment using the code "AE;" once this has been completed, the school must then stop reporting the loan to NSLDS.

Purchased

After the Fund is reimbursed for any defaulted and non-defaulted loans that a school has purchased, the school must report these loans to NSLDS as "UC" (Non-defaulted Loan Purchased by School) or "UD" (Defaulted Loan Purchased by School).

Step 5. Return the Federal Capital Contribution to the Department of Education as Determined by the Independent Perkins Program Liquidation Audit and Verified by the Department

General Requirements

The final capital distribution from a school's Federal Perkins Loan revolving Fund must be made in accordance with Title IV, Part C, Section 466(c) of the Higher Education Act of 1965, as amended (HEA). This Section requires a school to return the federal share of a school's Federal Perkins Loan revolving fund to the Department when the amount in the Loan fund exceeds what would be "required for loans or otherwise in the foreseeable future." This passage of the HEA is applied to both excess liquid capital procedures for on-going schools and liquidation procedures for schools ending their participation in the Perkins Loan Program. The amount of the federal

share of a school's Federal Perkins Loan revolving Fund to be returned to the Department must be verified by the Independent Perkins Program Liquidation Audit (See previous Step 3).

Returning Federal share to the Department

See the attachment titled "Instructions for Electronic Fund Transfers and Check Transmittals for the Federal Perkins Loan Program" for information regarding returning the federal share to the Department.

Step 6. File a Final FISAP

A school must continue to file its FISAP annually until it can report all final activity. Please note that "final" activity here would be assigning any remaining loans with outstanding balances to the Department or reimbursing the Fund for the purpose of purchasing any loans that are not accepted by the Department, and repayment of Fund Capital distributions. Specifically, the final FISAP must report that:

- All outstanding loans have been fully retired, including those loans it purchased or that the Department accepted for assignment.
- The federal share of cash on hand has been returned to the Department. The "final" FISAP must be submitted for the Fiscal Operations Report year during which the final activity occurred. This report must show zero entered for Cash on hand as of 6/30 and Cash on hand as of 10/31 (Part III. Section A. Field Items 1.1 and 1.2).
- Entries for Repayments of Fund capital to federal government (Field Item 28) and Repayments of Fund capital to school (Field Item 30.3) equal the amounts returned to the Department and reclaimed by the school.
- Entries in the following Field Items of Part III. Section C. are zero:
    - Total borrowers not in repayment status (Field Item 3)
    - Borrowers on schedule in repayment status (Field Item 4)
    - In default less than 240 days (monthly installments) or less than 270 days (other installments) (Field Item 5.1)
    - In default less than 240 days or more (monthly installments) or 270 days or more (other installments), up to 2 years (Field Item 5.2)
    - In default more than 2 years but not more than 5 years (Field Item 5.3)
    - In default more than 5 years (Field Item 5.4)
- Amounts pertaining to loans that have been fully retired, purchased or assigned are entered in the following Field Items of Part III. Section C.

- Borrowers whose loans are fully retired this would include borrowers whose loans were purchased (Field Item 1.1)
- Amount of Loans that have been purchased (Field Item 1.2)
- Borrowers whose loans were assigned to and officially accepted by the U.S. Department of Education as of June 30 (Field Item 2) (Note: Field Item 2 equals the sum of Field Item 2.1 plus Field Item 2.2.)
- Assignments due to default or liquidation (Field Item 2.1)
- Assignments due to total and permanent disability discharge (Field Item 2.2)

Step 7. School Communication to Department of Completed Steps and Reconciliation of FISAP Data with Department of Education

In order to complete the liquidation process, the school must send a letter to:

Federal Perkins Loan Program Liquidation
U.S. Department of Education Grants & Campus-Based Division
830 First Street, NE Union Center Plaza, Room 63C1
Washington, DC 20202

Alternatively, the Department will accept an email as written notification. The email must be sent by an authorized official of the school, such as the Financial Aid Administrator or President, and sent to:

perkinsliquid@ed.gov

The subject of the email notification should include the name of the school, OPEID number and the words "FINAL STEP OF LIQUIDATION."

The letter or email should state that:

- the school's outstanding loans have been fully retired, purchased or assigned;
- the federal share amount of the cash on hand has been or will be returned; and
- the Independent Perkins Program liquidation audit has been completed

The letter or email must also include as an attachment or enclosure:

- a copy of the refund check for the federal share of cash on hand if amount was paid for by check or if sent electronically, copy of the EFT or G5 receipt, if not already forwarded; and
- a copy of the Independent Perkins Program liquidation audit report with required detail.

The Department's Grants and Campus-Based Division will use the email or letter and its attachments or enclosures to assist in reconciling the information submitted by the school.

We will also verify that the Department has received the federal share of the cash on hand and that it is the correct amount.

Once the Department's Grants and Campus-Based Division has reconciled or verified the information submitted by the school, it will communicate any additional steps. In some cases, the next step would be for the school to submit its Final FISAP (See Step 6 above).

Step 8. Receive Official Liquidation Completion Letter from the U. S. Department of Education

Once the liquidation requirements are satisfied, a letter of approval will be sent to your school from the Department's Grants and Campus Based Division. Your school must receive this letter which will confirm completion of the liquidation process. Please retain this for your records.