

The Federal Perkins Loan Program comprises Federal Perkins Loans, National Direct Student Loans (NDSLs), and National Defense Student Loans (Defense Loans). (No new Defense Loans were made after July 1, 1972, but a few are still in repayment.) Perkins Loans and NDSLs are low-interest (currently 5%), long-term loans made through school financial aid offices to help needy undergraduate and graduate students pay for postsecondary education.

LOAN TYPES

A loan made to a new borrower under the Federal Perkins Loan Program is a Perkins Loan. (New borrowers have no outstanding balance on a Defense Loan or NDSL.) If the borrower has an outstanding balance on a Defense Loan or NDSL when the new loan is obtained, the new loan is an NDSL. Loans made from July 1, 1972 through June 30, 1987 were NDSLs. Loans made before July 1, 1972 were Defense Loans.

RECENT CHANGES

Reimbursement to the Fund

Effective July 1, 2001, the Department may require your school to reimburse its Perkins Loan Fund for any outstanding balance on an overpayment or a defaulted loan for which your school failed to record or retain the promissory note, record disbursements, or exercise due diligence. (Previously, the Department did not have the latitude to waive this requirement.)

Recent Changes Cites

*FR 65, 212 - November 1, 2000
Parts IV and X*

Reimbursement Cite

34 CFR 674.13(a)

Student Eligibility

Effective July 1, 2001, if a borrower's Perkins or NDSL loan is discharged for total and permanent disability between July 1, 2001 and July 1, 2002 and the borrower receives another loan within three years of the date the borrower became permanently and totally disabled, as certified by the physician, the borrower must reaffirm the discharged loan.

Student Eligibility Cite

*34 CFR 674.9(h)(3)
34 CFR 674.9(i)
34 CFR 674.9(j)*

Effective July 1, 2002, if the Department has conditionally discharged (see below) the borrower's Perkins Loan or NDSL due to permanent and total disability and the borrower is applying for another Perkins Loan or NDSL, the borrower must:

- submit to the school a physician's certification that the borrower's condition has improved and that he or she is able to engage in substantial gainful activity;
- sign a statement acknowledging that any new or conditionally discharged Perkins Loan or NDSL cannot be discharged on the basis of any present impairment, unless the condition substantially deteriorates to the extent that the definition of total and permanent disability is again met; and
- sign a statement acknowledging that collection activity must resume on any conditionally discharged loans.

Also, the borrower is not eligible to receive any additional loans until the Department resumes collection on any conditionally discharged loans.

Discharge Due To Death and Total and Permanent Disability

Death Discharge Cite
34 CFR 674.61(a)

Effective July 1, 2001, you must base a determination of death on an original or certified copy of the death certificate.

Disability Discharge Cite
34 CFR 674.61(b)

Effective July 1, 2001, the definition of total and permanent disability no longer requires that a borrower be unable to attend school.

Effective July 1, 2002, if your school concludes that a borrower is totally and permanently disabled, you must assign the account to the Department for a determination of eligibility for discharge. If the Department makes an initial determination that a borrower is eligible for discharge, the Department will place the loan in a three-year conditional discharge status.

Assignment of Defaulted Loans

Your school should submit the required documentation (see chapter 8) when assigning a defaulted loan to the Department. Previously, the Department did not have the latitude to accept defaulted loans without the appropriate documentation.

Cohort Default Rate

Cohort Default Rate Cite
34 CFR 674.5(c)(3)(ii)(F)

When calculating your school's cohort default rate, you do not need to include loans that are assigned to the Department for determination of eligibility for total and permanent disability discharge. These loans are not considered in default for the purposes of this calculation. (However, loans that were in default at the time

of assignment are still considered to be in default and must be included in the default cohort rate.)

Rehabilitation

Effective July, 2001, collection costs are not restricted to 24% in the event that the borrower defaults on the rehabilitated loan.

Rehabilitation Cite
34 CFR 674.39(c)

