

A Summary of Updated Guidance on the Federal Perkins Loan Program

By Lisa R. Saul, Partner and Uniform Guidance Director

On August 27, 2021, the U.S. Department of Education (ED) Federal Student Aid office issued [updated guidance](#) related to the conclusion of the Federal Perkins Loan Program, with certain actions that institutions must take.

The original deadline for these actions was June 30, 2022. However, on May 4, 2022, ED extended the deadline by one year to June 30, 2023. Schools that are unable to meet the original June 30, 2022, deadline will be required to provide additional information, as outlined in the [May 4, 2022 announcement](#).

Under the updated guidance, institutions with Perkins Loans that have been in default for more than two years must assign these loans to ED or purchase them by June 30, 2023, unless the institution has documentation that borrowers are making payments toward the loans.

Additional details about assigning, purchasing, and collecting Perkins Loans are below.

Assigning or Purchasing Perkins Loans

There are certain conditions that would prohibit the assignment of a loan. If an institution knowingly failed to maintain an acceptable collection record for the defaulted Perkins Loan, the U.S. Secretary of Education may require the institution to assign the loan to ED without recompense.

If a loan is rejected for assignment, ED must provide the reason for the rejection and the institution will be required to resolve the issue and resubmit the loan for assignment. If this is not possible, the institution must purchase the loan. See the [Federal Perkins Loan Program Assessment and Liquidation Guide](#) for details.

[Federal regulations](#) state that the Secretary may require the institution to reimburse the Perkins Revolving Loan Fund for the outstanding principal plus accrued interest on a loan ED determines is unenforceable.

For reporting periods after June 30, 2022, the institution is required to assess its Perkins Loan portfolio to determine if other accounts are more than two years in default. These accounts must be assigned to ED before the end of the current reporting period.

Keep in mind that if an institution can collect payments on a Perkins Loan in the time between when the loan reaches the two-year delinquent status and the end of the reporting period, the institution may continue to collect instead of assigning or purchasing it.

Collecting Perkins Loans

A loan that has been assigned to a private collection agency must be returned to the institution so that it may be considered for assignment by the deadline.

Further, the institution must ensure all the [mandatory collection procedures](#) are being followed. If the institution or a collection agency it hired is unsuccessful in converting the account to regular collection status, or the borrower does not qualify for deferment, postponement, or cancellation of the loan, the institution is required to:

- [Litigate](#);
- Make a second effort to collect the account with a different method than the first attempt, such as using an outside collection agency, institution personnel, or a different collection agency; or
- [Submit the account for assignment with the Secretary](#).

If the institution is unsuccessful in placing a loan in repayment after the first and second collection efforts described above, it must continue to service the loan by making yearly attempts to collect the loan until it is:

- Recovered through litigation;
- Assigned to ED; or
- Written off if the outstanding principal, accrued interest, collection costs, and late charges are within the [allowable thresholds](#).

As a reminder, institutions may voluntarily assign Perkins Loans, including those that have an acceptable collection record or are not in default, at any time.

Please [contact us](#) with questions or to discuss how this may apply to your institution.

This article has been updated.

About the Author

Lisa R. Saul, Partner and Uniform Guidance Director

lsaul@capincrouse.com

o 505.50.CAPIN ext. 2050

Lisa joined CapinCrouse in 1999. She has over 20 years of experience in performing and supervising Uniform Guidance audits of Department of Education student financial aid programs and a variety of federal funding, as well as program audits and agreed-upon procedure engagements of various state-funded programs. Lisa oversees the firm's more than 80 Uniform Guidance audits.

About CapinCrouse

As a national full-service CPA and consulting firm devoted to serving nonprofit organizations, CapinCrouse provides professional solutions to organizations whose outcomes are measured in lives changed. Since 1972, the firm has served domestic and international outreach organizations, universities and seminaries, foundations, media ministries, rescue missions, relief and development organizations, churches and denominations, and many others by providing support in the key areas of financial integrity and security. With a network of offices across the nation, CapinCrouse has the resources of a large firm and the personal touch of a local firm. Learn more at capincrouse.com.

CapinCrouse is an independent member of the BDO Alliance USA.



© Copyright 2022 CapinCrouse LLP