



Closing Out the Perkins Loan Program: Next Steps for Your Institution

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National Director of Student Financial Aid

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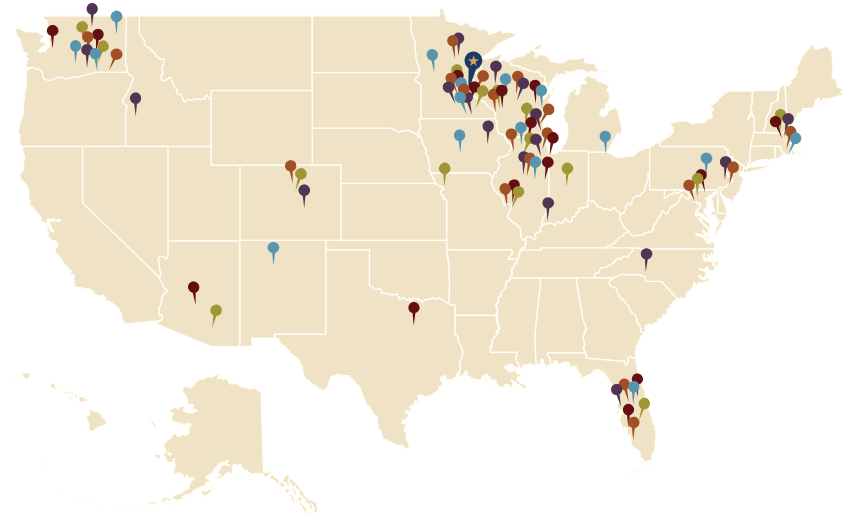
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 - Outsourcing
 - Audit, Tax, and Consulting
- Nearly 4,000 professionals
- 90+ offices coast to coast
- With more than 50 years of experience in the nonprofit sector, we have one of the largest nonprofit practices in the country.



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Speaker Introduction



Brenda Scherer, CPA

National Director of Student Financial Aid

Brenda has over 15 years of experience in auditing colleges and universities, including extensive experience in audits of federal grant programs, among them student financial aid. She joined CliftonLarsonAllen in October 1997, and has served as audit manager for both public and private higher education institutions. Brenda has also presented audited financial statements and other assurance reports to numerous higher education boards.

Agenda

- Background
- Grandfathering rules
- Closing out the Perkins Loan program
- Deciding when to close the program
- What actions to take to prepare for close-out



Expiration of the Perkins Loan Program

- Allowed to expire on September 30, 2015
- Some legislators are still trying to revive the program
- Certain students are grandfathered into the program and can receive new loans until 2020
- Currently NO legislation exists requiring institutions to close the program



Grandfathering

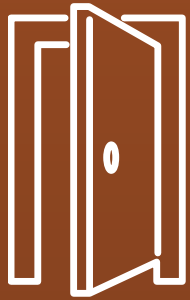
- If, prior to October 1, 2015, an institution made the first disbursement of a Perkins Loan for the 2015-16 award year, the institution may make any remaining disbursements of that 2015-16 loan after September 30, 2015
- Institutions are allowed to make Perkins Loans to certain students for up to five additional years (*through September 30, 2020*) to enable students who received loans for award year 2014-15 or earlier “to continue or complete courses of study”



Grandfathering (Continued)

- Loans can be made only if all four conditions are met:
 1. The institution made at least one loan disbursement to the student on or before June 30, 2015
 2. The student is enrolled at the same institution where the last Perkins Loan disbursement was received
 3. The student is enrolled in the same academic program (first four digits of CIP Code) for which the student received his or her last Perkins Loan disbursement (for the 2014-15 award year or earlier)
 4. Awarded all Direct Subsidized Loan aid for which the student is eligible





What you need to know before opening that door to the close-out process

Closing out the Perkins Loan Program

Notify ED of intent to liquidate (via eCB system)

Assign all loans to ED (via PLAS system) or purchase loans

Update NSLDS and notify students of assignment

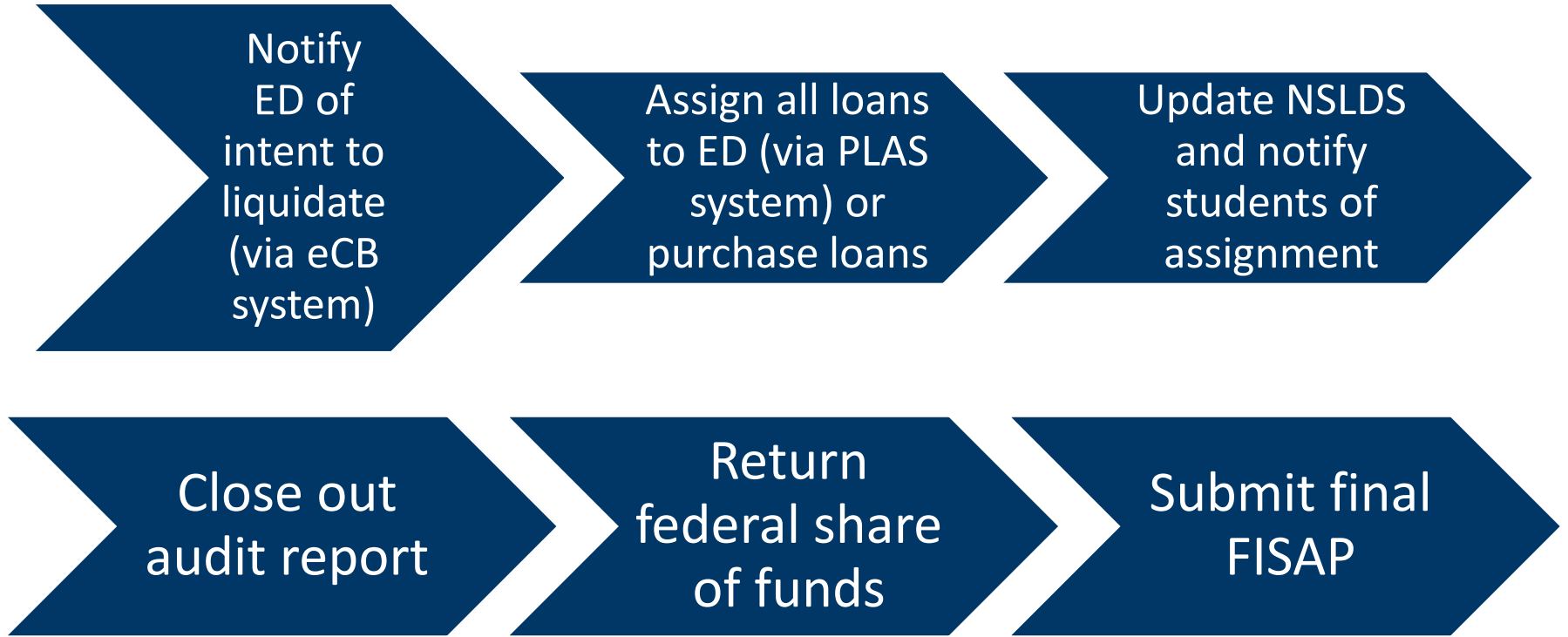
Close out audit report

Return federal share of funds

Submit final FISAP



Closing out the Perkins Loan Program

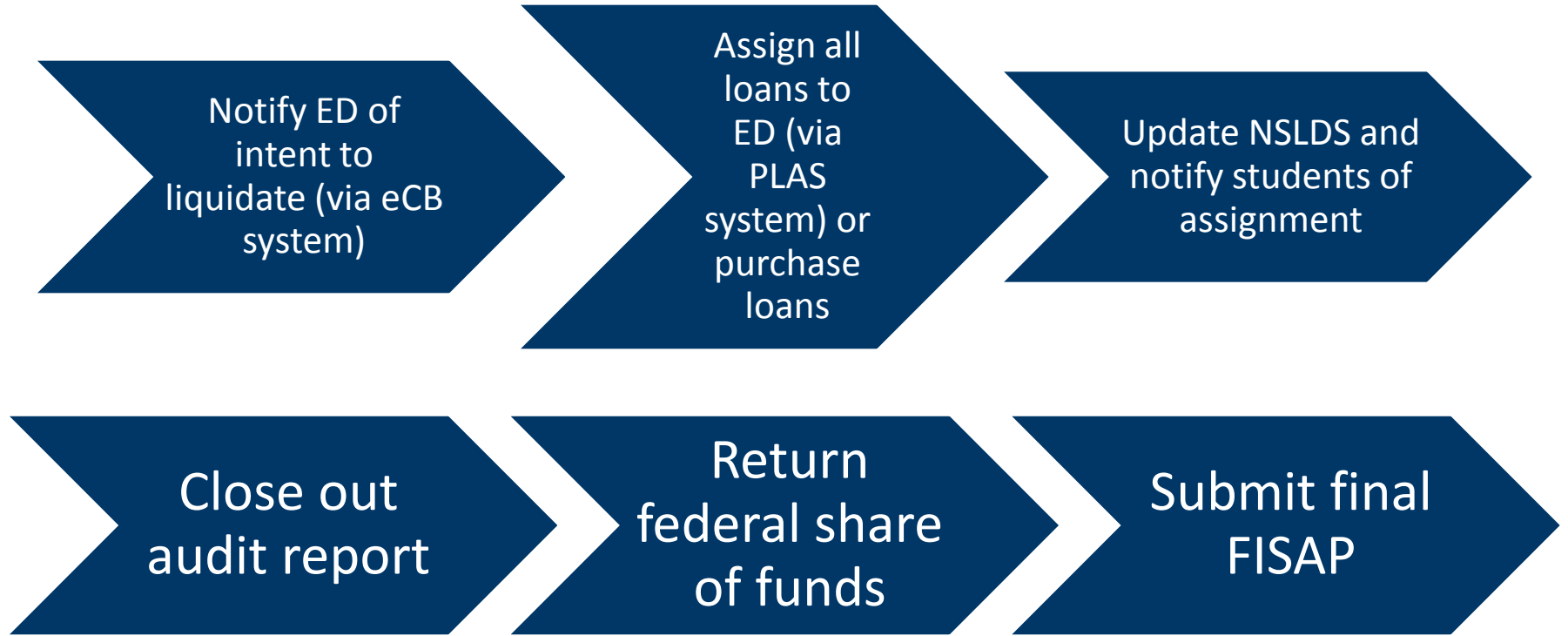


Notifying Department of Education of Intent to Liquidate

- Using the eCampus-Based (eCB) System, notify Department of Education (ED) of intent to liquidate
- eCB is designed to guide an institution through the liquidation and close-out process
- Once ED is notified, they will continue to monitor the institution's progress
- Note that checking the box on the FISAP is not sufficient notification



Closing out the Perkins Loan Program



Assigning Loans

The Department of Education (ED) has implemented new software to aid in the close out process

- Perkins Loan Assignment System (PLAS) allows schools to submit their assignments electronically
- PLAS is run by ECSI, the third party servicer for Perkins Loans for ED
- See the website below for the user guide, which will describe how to gain access and create users as well as other useful information
 - https://www.efpls.com/plas/access/PLAS_User_Guide.pdf



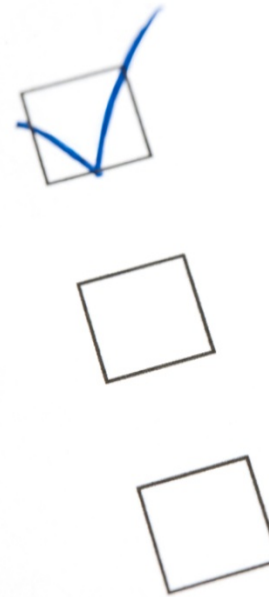
Assigning Loans

- Using PLAS, institutions will create a manifest of loans to assign and will attach documents electronically
- Can still use the Perkins Loan Program Assignment Form (OMB Form 18450048)
(<https://ifap.ed.gov/eannouncements/attachments/PerkinsAssignmentFormApril2013.pdf>)



Information to Enter into PLAS

- Borrower's name and social security number
- Loan type (note that this form is used for other loan programs in addition to Perkins Loans, so P would be used for Perkins Loans)
- Interest rate
- Total amount outstanding
- Date of first disbursement



Information to Enter into PLAS (Continued)

- Note that the date of first disbursement must match the date of the first disbursement initially reported to the National Student Loan Data System (NSLDS); otherwise, the loan may be rejected. Also, separate loans may only be bundled together into one account only if they have been reported to NSLDS as one loan. Do not bundle loans if they have been reported separately to NSLDS.
- Loans less than \$25 may not be assigned.
- In addition, if legal action has been taken against a borrower, the litigation must be completed before it can be assigned.



Attachments

- Original Promissory Note with signatures
 - See the website below for requirements for open-end, closed-end, and master promissory notes
 - ◇ <https://ifap.ed.gov/cbpmaterials/attachments/FederalPerkinsLoanAssignmentProcedures.pdf>
 - Even if attached electronically, must still mail the promissory note to ECSI
- Complete repayment history
- Judgement information from any legal actions (if applicable)



Attachments (Continued)

- Bankruptcy information (if applicable)
 - Note that if a loan has a pending bankruptcy petition, this needs to be resolved before being assigned
- Disbursement records if a MPN was used
- Due diligence documentation (if applicable)
 - If an institution's cohort rate is below 20% as of the June 30 of the second year preceding the year in which the assignment submission is made (for example, June 30, 2013 for a June 30, 2015 submission), documentation of due diligence is not required



Attachments (Continued)

- Due Diligence Documentation
 - Letters attempting contact with the borrower at 90, 150, and 240 days into the grace period
 - The 30-day notice to the borrower before the first payment due date
 - Overdue notices
 - Results from skip-tracing or equivalent institutional attempts
 - Final demand notices and the warning notice of acceleration



Attachments (Continued)

- Due diligence requirements (Continued)
 - Except in cases where a loan has matured, a copy of the:
 - ◇ Credit bureau reporting letter
 - ◇ Referrals of accounts to and from collection firms or documentation of school/state collection for one year
 - ◇ If applicable, litigation documentation must also be provided

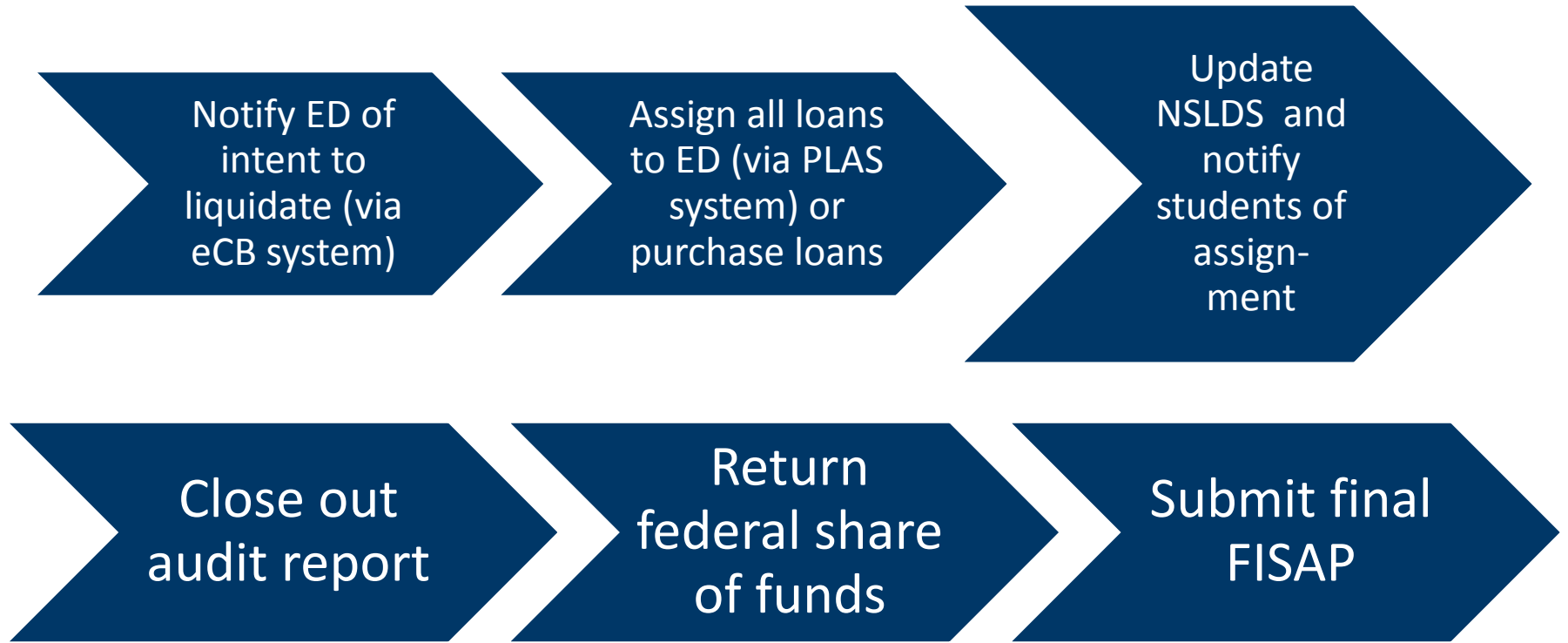


Assignment Process

- Once all documents have been submitted, ECSI will either accept or reject the loan
- If rejected, the institution can remedy the information and resubmit
- If the institution can't remedy the information, the loan must be purchased by the institution



Closing out the Perkins Loan Program



Closing out the Perkins Loan Program



Close Out Audit Report

- Within 45 days of terminating the school's participation in the program, you must submit an audit of the loan funds
- The clock is considered to start ticking once you have communicated your intention to close out the program to the DOE and all outstanding loans in the portfolio have been fully retired, assigned and accepted by the DOE, or purchased by the institution



Close Out Audit Report (Continued)

- If the institution is a for-profit entity, must engage an independent auditor within 45 days and submit the final report within 45 days
- If a nonprofit or government under the OMB A-133 provisions, can submit final audit with your single audit or have a separate close-out audit performed
- Must let your auditor know that you are closing out the Perkins program, as there are additional procedures that must be performed



Closing out the Perkins Loan Program



Calculation of Federal Portion

- Amount of Cash to return to ED:

Federal Capital Contribution

Federal Capital Contribution + X Cash on Hand
Institutional Capital Contribution

Federal Capital Contribution (FCC)
and the Institutional Capital
Contribution (ICC) come from Part
III on the FISAP



Closing Out the Perkins Loan Program



When Should an Institution Liquidate?

A school must liquidate its Perkins Loan portfolio and program fund when it:

- Voluntarily withdraws from the Perkins Loan Program
- Has had its eligibility to participate in the Perkins Loan Program terminated by the Department
- Has not been approved by the Department for continued participation in the Perkins Loan Program during the school's recertification process or
- Is closing

Again, no legislation exists requiring schools to liquidate unless under the above situations



Factors to Consider when Deciding to Liquidate

- Look at the portfolio as an investment
- 5% annual interest earnings
- Cost to administer the program
 - Third party servicer fees
 - Internal staff costs to administer program, including collections and due diligence
- Cohort rate



Factors to Consider when Deciding to Liquidate (Continued)

- Mix of portfolio
 - Number of loans in default
 - Number of loans in repayment actively repaying
 - Remaining years in the terms of the loans
- Cost of staff's time for the assignment process
- Deciding to close now vs. later will affect the amount of cash the institution will keep during close-out



Example of Assigning Loans vs. Keeping Loans

	6/30/2015
Cash on Hand	\$100,000
Outstanding Loans	1,000,000
Federal Capital Contribution (FCC)	700,000
Institutional Capital Contribution (ICC)	85,000
FCC/FCC+ICC	700,000/ (700,000+85,000) = 89%



Example of Assigning Loans vs. Keeping Loans

	6/30/2015	Assigning Loans
Cash on Hand	\$100,000	\$100,000
Outstanding Loans	1,000,000	0
Federal Capital Contribution (FCC)	700,000	700,000
Institutional Capital Contribution (ICC)	85,000	85,000
FCC/FCC+ICC	89%	89%
Cash on Hand Returned to ED		89,000
Loans Assigned to ED		1,000,000
Cash Kept by Institution		11,000



Example of Assigning Loans vs. Keeping Loans

	6/30/2015	Keeping Loans
Cash on Hand	\$100,000	\$1,100,000
Outstanding Loans	1,000,000	0
Federal Capital Contribution (FCC)	700,000	700,000
Institutional Capital Contribution (ICC)	85,000	85,000
FCC/FCC+ICC	89%	89%
Cash on Hand Returned to ED		979,000
Loans Assigned to ED		0
Cash Kept by Institution		121,000



Example of Assigning Loans vs. Keeping Loans

	Assigning Loans	Keeping Loans
Cash on Hand	\$100,000	\$1,100,000
Outstanding Loans	0	0
Federal Capital Contribution (FCC)	700,000	700,000
Institutional Capital Contribution (ICC)	85,000	85,000
FCC/FCC+ICC	89%	89%
Cash on Hand Returned to DOE	89,000	979,000
Loans Assigned to DOE	1,000,000	0
Cash Kept by Institution	11,000	121,000





Which path is right for your institution?

Actions to Take to Prepare for Close-Out

- All institutions should be taking the following actions whether you plan to close out now or if you will wait until the loans are collected
- Clean up your portfolio
 - Identify all loans and compare to the NSLDS listing
 - Segregate loans into three categories
 - ◇ Not yet in repayment
 - ◇ In repayment and in current status
 - ◇ Defaulted



Loans Not in Repayment

- Unknown collection history
- Will take the longest to collect
- Generally the most recent, so promissory notes should be easily accessible
- Because no repayment history, easiest to assign to the Department of Education (ED)



Loan in Repayment and Current (Continued)

- If the loans in this category have good repayment history, these are good candidates to consider for purchase
- Again, compare the 5% interest that will be earned compared to the costs to administer the portfolio
- If the institution plans on purchasing these loans, no further action is necessary



Loan in Repayment and Current (Continued)

- If the institution has decided to assign the loans, start gathering the following
 - Promissory notes
 - Repayment history
 - Judgement information (if applicable)
 - Bankruptcy information (if applicable)
 - Disbursement records (if MPN used)
 - Due diligence documentation (if applicable)



Loans in Default

- Track down the borrowers
- If deceased, those loans become a liability of ED
- Start assigning these loans to ED
 - Defaulted loans can be assigned at any time; the institution doesn't need to be in the close-out procedure to assign a defaulted loan





Each institution must decide the path that is right for it.

Questions?

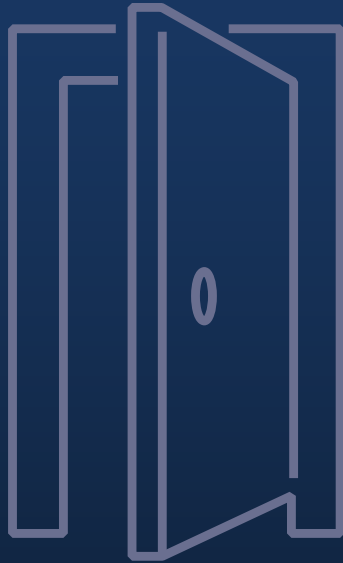


Resources

- Wind-Down of the Perkins Loan Program
(EA published October 2, 2015)
- Perkins Wind-Down Questions and Answers
(EA published June 5, 2015)
- Wind-Down of the Perkins Loan Program
(DCL GEN-15-03, published January 30, 2015)



THANK YOU



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