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Closing Out the Perkins Loan Program

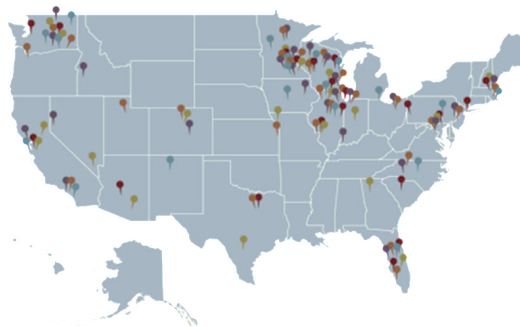
Brenda Scherer and Liz Cook



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Who is CLA?



HISTORY

60+ years
in business



FISCALLY STRONG
\$1.6 billion
in revenue



LOCATION

More than **120**
Locations nationwide

NATIONAL

Among the nation's
leading professional
services firm



RESOURCES

8,500+
employees



Including: 200+
higher education professionals



INDUSTRY DRIVEN

We serve **500+** Higher education clients



Learning Objectives

Determine what your institution should do to prepare for the liquidation of the Perkins program

Review different close-out options to determine what may be the best fit for your institution

Recall the liquidation procedures and how to close out the Perkins program

Background on Perkins

Revolving loan program

- As dollars are collected from former students, used to make new loans
- Serves students with financial need who qualified for lower interest loans

Funded with contributions from federal government and matched by institutional dollars

- Proportion has varied from 90/10 split to 75/25 split
- FCC: Federal Capital Contribution
- ICC: Institutional Capital Contribution

Congress did not renew after September 30, 2017

No new loans

As loans are repaid, federal portion should be returned to the Department of Education



Poll Question

- What stage is your institution in as it relates to closing out the Perkins Loan Program?
 - Continuing to collect and assign as ED requires
 - Have not really thought about it yet
 - Assigning as many as possible
 - No loans left and waiting to perform the final procedures
 - I do not work at an institution but am here for the information!

Service Loans or Liquidate

Option 1: Continue to service loans and assign defaulted loans

Advantages

- Retain ICC
- Interest earnings

Disadvantages

- Administrative burden (cost and knowledge needed)
- Poor cohort rate (if applicable)

Option 2: Liquidate the portfolio.

Advantages

- Reduces administrative burden

Disadvantages

- Forfeit ICC
- Cannot liquidate all loans



When to Close Out

Do not have to have all loans collected to close out

If no loans remain = consider immediate close out

If loans that can't be assigned = loans need to be purchased and close out can begin immediately

If loans are pending acceptance of assignment = wait for acceptance before beginning close out

If you have loans that can be assigned, submit for assignment and to begin movement towards close out



Example of Assigning Loans vs. Keeping Loans

	6/30/2022
Cash on Hand	\$1,000
Outstanding Loans	10,000
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

	6/30/2022	Assigning Loans
Cash on Hand	\$1,000	\$1,000
Outstanding Loans	10,000	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		890
Loans Assigned to ED		10,000
Cash Kept by Institution		110



Example of Assigning Loans vs. Keeping Loans

	6/30/2022	Keeping Loans
Cash on Hand	\$1,000	\$11,000
Outstanding Loans	10,000	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		9,790
Loans Assigned to ED		0
Cash Kept by Institution		1,210



Actions to Take to Prepare

All institutions should be taking the following actions whether plan to close out now or if will wait until 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
longest to
collect

Typically, the
most recent,
so
promissory
notes should
be easily
accessible

Because no
repayment
history,
easiest to
assign to ED



Loans in Repayment and Current

If good
repayment
history, good
candidates to
consider for
purchase

Compare 5%
interest that
will be earned
compared to
costs to
administer
portfolio

If plan on
purchasing
these loans,
no further
action is
necessary

If plan on
assigning,
start gathering
data (covered
later)

Loans in Default

Track down
borrowers

If deceased, those
loans become
liability of ED

Start assigning
these loans to ED

- Defaulted loans can be assigned at any time
- Do not need to be in close-out procedure to assign defaulted loan

Closing Out the Perkins Loan Program

Notify ED
of intent to
liquidate
(via eCB
system)

Notify
borrowers

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

Update
NSLDS

Submit Final
FISAP

Close out
audit report
and Return
federal share
of funds



Closing Out the Perkins Loan Program



Notify ED of Intent to Liquidate

Notify ED of intent to liquidate

- eCampus-Based (eCB) System
 - Designed to guide institution through liquidation and close-out process

Once ED is notified, they will monitor institution's progress (*best practice to wait until ready for audit to begin*)

Note: Checking the box on the FISAP is not sufficient notification



Closing Out the Perkins Loan Program



Notify Borrowers

School must notify borrowers
by mail at least 30 days
before assignment of loans

Template of sample
notification letter is included
in liquidation guide



Closing Out the Perkins Loan Program



Assigning Loans

Perkins Loan Assignment System (PLAS)

- Submit assignments electronically

Users' guide

- <https://fsapartners.ed.gov/sites/default/files/attachments/2019-07/PerkinsAssignmentandLiquidationGuide.pdf>



Assigning Loans

PLAS

Create a manifest of loans to assign and attach documents electronically

Manual

Can still use the Perkins Loan Program Assignment Form (OMB Form 1845-0048) which can be found on the IFAP website



Information to Enter into PLAS

- Borrower's name and social security number
- Loan type (note "P" for Perkins Loans)
- Interest rate
- Total amount outstanding
- Date of first disbursement



Information to Enter into PLAS

Date of 1st disbursement must match date initially reported to the National Student Loan Data System (NSLDS)

Separate supporting documentation must be included for each loan, even when borrower has more than one loan to assign

Loans less than \$25 may not be assigned.

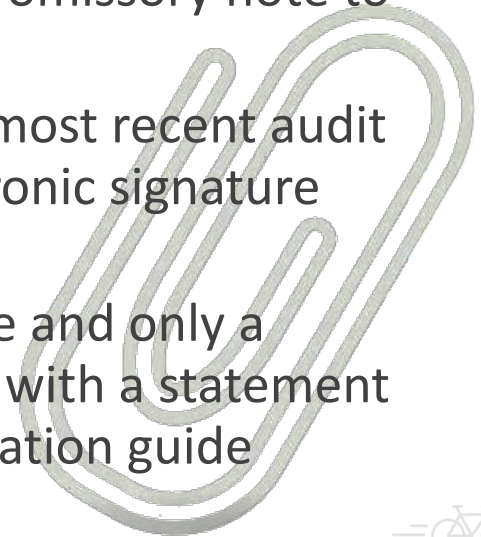
Legal action taken against borrower - litigation must be completed before assigned.



Attachments

Original or Certified True Copy Promissory Note with signatures

- Even if attached electronically, must still mail the promissory note to ECSI
- If a school used electronic signatures, the school's most recent audit must verify the extent to which your school's electronic signature process meets the Department's standards
- If the original promissory note is no longer available and only a photocopy exists, the photocopy maybe submitted with a statement certifying the copy – see requirements in the liquidation guide



Attachments

Disbursement Records

Complete repayment history

Judgement information from any legal actions (if applicable)

Bankruptcy information (if applicable)

- Pending bankruptcy petition must be resolved before assigned

Assignment Process

Once submitted, ECSI
will either accept or
reject loan

If rejected, can
remedy information
and resubmit

If can't remedy
information, loan
must be purchased
by institution



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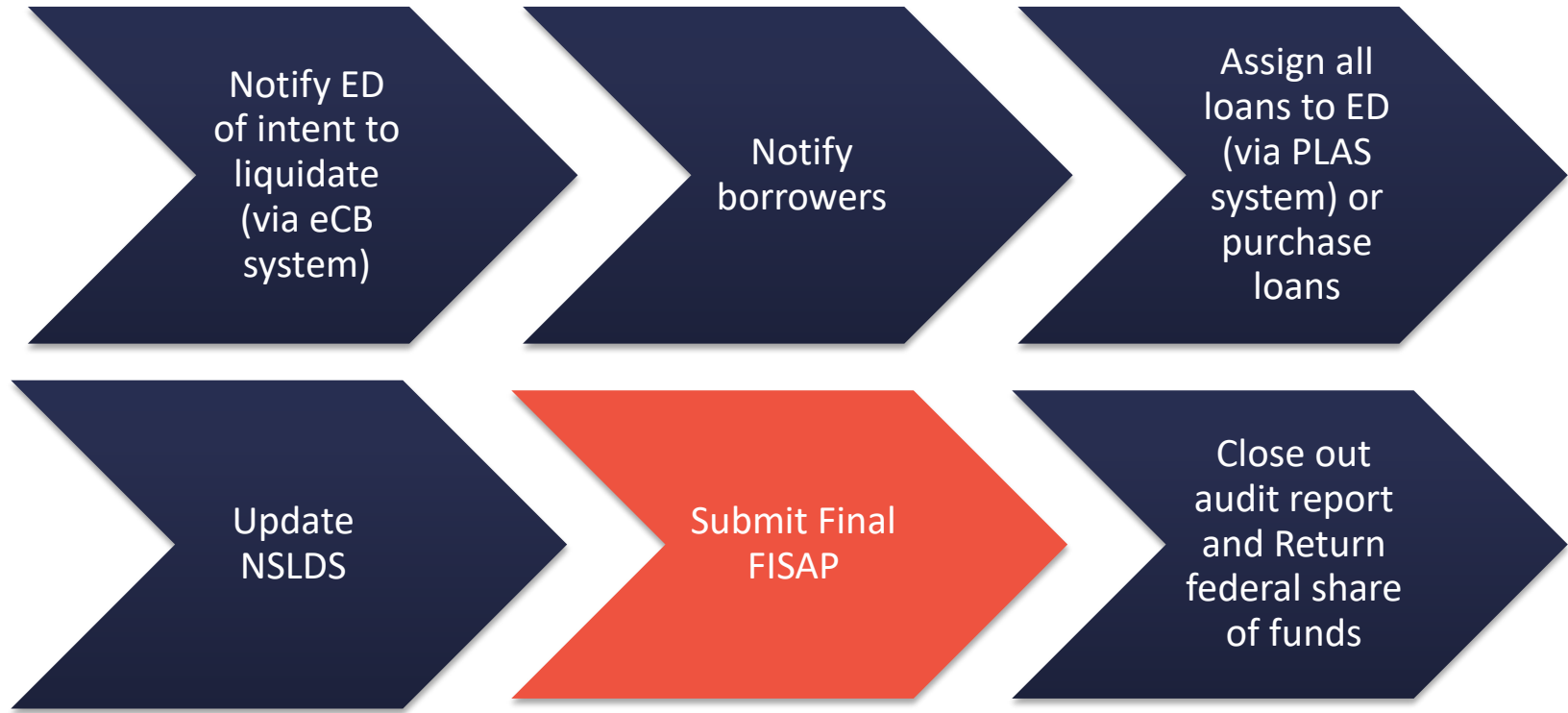
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Closing Out the Perkins Loan Program



Close-Out Audit Report

General Rule: Must submit close-out audit within 45 days of terminating the school's participation



Clock starts once communicated intention to close out to ED and all outstanding loans have been fully retired, assigned and accepted by ED or purchased by institution

Close-Out Audit Report

For-profit
institution

Must engage
independent auditor
within 45 days and
submit final report
within 45 days

NFP or
government
(under OMB
Uniform
Guidance
provisions)

Can submit final
audit with single
audit or have
separate close-out
audit performed

Inform auditor of close-out, as additional procedures required

Audit Process

Contact external auditor or CLA

Auditor will send a request letter of information needed

- Last filed FISAP
- Assignment reports since last filed FISAP
- Documentation of purchased loans
- Final cash calculation
- Main objective is to determine all loans have been collected, assigned or purchased and cash returned to ED

Calculation of Federal Portion

Amount of Cash to return to ED:

$$\frac{\text{Federal Capital Contribution}}{\text{Federal Capital Contribution} + \text{Institutional Capital Contribution}} \times \text{Cash on Hand}$$

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

Poll Question

- When do you think your institution will start the close out procedures?
 - Within 1 year
 - Within 2-5 years
 - 5+ years

Resources

- [Campus-Based Processing Information | Knowledge Center](#)
 - Perkins Liquidation and Assignment



Questions?



Thank You!

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