

# Federal Perkins Loan Program Fact Sheet

## Program Overview

The Federal Perkins Loan Program, formerly the National Defense Student Loan Program, was first authorized by the National Defense Education Act of 1958. The program offers low interest rate loans to students of higher education institutions through campus-based revolving funds. New funds are added to the revolving fund by federal capital contributions and matching contributions by institutions.

## Why Perkins?

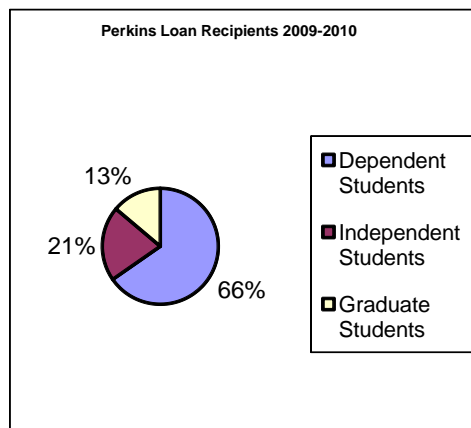
This need-based program fosters access to post-secondary education for low-income students by providing low interest loans with favorable terms during a period of declining grant availability.

## Perkins Borrowers Are Unique

Perkins Loan borrowers are predominantly from lower income families. These students are often the first in their family to attend college. The following graph depicts the percentages of Perkins Loan borrowers: Families with Dependent Students (66% of borrowers), Independent Undergraduate Students (20% of borrowers), and Independent Graduate Students (13% of borrowers).

Families with Dependent Students comprise the largest percentage of Perkins borrowers. During Award Year 2010-2011, 30% of these families had a total income of less than \$30,000.

Twenty-one percent of Perkins Loan borrowers are independent undergraduate students. Fifty-two percent of these students have incomes below \$12,000 with an additional 17% falling in the \$12,000-\$19,999 income range. Thus, almost 70% of independent students have incomes less than \$20,000.



## Income Facts about Dependent Perkins Loan Recipients 2010-2011:

- 30% of Families with Dependent Students have incomes below \$30,000.
- 13% of Families with Dependent Students have incomes below \$12,000.

## Who is Eligible?

Undergraduate and graduate students are eligible for Perkins Loans. A school must give priority to students with exceptional financial need as defined by the school using procedures it establishes for that purpose. Before an undergraduate student can receive a loan, the school must determine his or her eligibility or ineligibility for a Federal Pell grant. A student who has earned a bachelor's or first professional degree may receive a Perkins Loan to pursue an additional undergraduate degree provided that he or she meets the eligibility requirements and has not borrowed the maximum amounts. A student engaged in a program of study abroad also may be eligible for a Perkins Loan.

## Favorable Loan Terms

Perkins Loans have an interest rate of 5 percent, which begins to accrue 9 months after the borrower ceases to be a student. There are no fees charged. The loans carry a number of public service cancellation provisions for teachers in low-income areas, law enforcement, fire fighters, VISTA, the Peace Corps, early intervention, some librarians, and nurses. Perkins forgiveness is better for borrowers than other federal loan forgiveness – full forgiveness is available to qualified borrowers after five years and partial forgiveness is available after one year.

## Program Success

In 2011-2012, according to analysts at the Department of Education, 461,000 students borrowed nearly \$857 million in Perkins loans, with an average amount of \$1,860 awarded per student. The total borrowed and the average award have both dropped because unreimbursed public service cancellations are depleting available funds while aid directors are still attempting to help as many students as possible. In 2004, the Bush Administration moved to cease funding for the Federal Capital Contribution, reasoning the program was appropriately sized at a little more than \$1 billion with the ability to grow gradually. Now, due to lack of appropriations for cancellation reimbursements since 2009, the program is well below the \$1 billion threshold.

The success of the program is a result of the central role of the education institutions that originate the loans, counsel their students through repayment, and select contractors for servicing and collection. The educational institutions ultimately tailor the program to best fit borrowers' and institutions' situations. Perkins is a risk-sharing program with institutions contributing one-third of their students' awards. This "ownership interest" also contributes to the successful management of this vital program.

**Since the inception of the Federal Perkins Loan Program in 1958, over \$28 billion dollars in loans have been made to students through almost 26 million aid awards. The Federal Perkins Loan Program has provided substantial loan assistance to millions of students and families across the country.**

## Additional Information

For additional information about the Federal Perkins Loan Program contact:

**Harrison Wadsworth  
COHEAO Executive Director  
202-289-3910  
[www.coheao.org](http://www.coheao.org)**

*Prepared by the Coalition of Higher Education Assistance Organizations (COHEAO)*