

## **Affordable Perkins Loans Needed: Good for Students, Taxpayers**

Perkins Loans are efficient, need-based, low-interest loans that go to about 500,000 low-income college students with high need at some 1,500 colleges and universities each year. Interest isn't charged while students are in school, and borrowers can have all or part of their Perkins Loans cancelled if they undertake certain public service jobs for one to five years.

- The Perkins Loan Program is the nation's longest running student loan program, created in 1958 as the National Defense Student Loan Program. In addition to offering favorable terms, Perkins Loans also feature the human touch of campus-based servicing, which allows on-campus administrators to provide Perkins borrowers with one-on-one service.
- To clarify, this Perkins Program is not related to the proposal for a new "Unsubsidized Perkins Loan Program." The Administration's FY 2014 budget supports creating an entirely new program that for students is simply an expansion of the Direct Unsubsidized Stafford Loan Program. All terms and conditions, all loan administration, cancellation benefits, interest rates and fees would be the same as for unsubsidized Stafford Loans. Campuses would have some authority to decide which students could get the loans, and the government would put conditions on campuses controlling how much each would have available to lend.
- The traditional Perkins Program is quite different, and is a far better deal for students and taxpayers. Perkins Loan colleges and universities operate revolving loan funds. This means that current repayments fund future loans. Colleges have also contributed one-third or more of the available loan funds from their own resources.

### **Perkins Loans don't duplicate Stafford Loans**

- Perkins Loans help low- and middle-income students, a modest but important supplemental loan program that makes the difference between completing a college education and being derailed. The traditional Perkins Program serves borrowers from low-income backgrounds who cannot get private education loans to supplement other aid because their families don't have strong enough credit. They are also essential to many students whose families make a little too much for Pell Grant eligibility but can't come pay for college expenses.
- The interest rate for Perkins Loans is fixed at 5 percent with no origination fees. Perkins Loans are an efficient use of for the taxpayer dollars and a fair deal for students.
- Throughout the history of the Perkins Loan Program, \$7.9 billion in federal contributions has been leveraged to award over \$30 billion in loans to students through 26 million aid awards.

**The National Defense Loan Program was created in 1958 in reaction to the launch of the first orbiting satellite, Sputnik, by the Soviet Union in 1957. It has helped millions of Americans access the dream of higher education, including many members of Congress. It remains one of the key tools students can use to finance higher education in the 21<sup>st</sup> Century.**