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# Sparks

**Updates on relevant events, hearings, and policy developments from the  
Coalition of Higher Education Assistance Organizations**

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## **Department of Education Issues Dear Colleague Letter on Perkins Loan Extension Act**

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Today, the Department of Education released the long awaited guidance on the extension of the Perkins Loan Program. The Dear Colleague Letter is labeled DCLGen-16-05 and it supersedes DCL GEN 15-03. The full text of the letter is available online: <http://goo.gl/Mt4vvc>

The Department did not provide model disclosures with the letter. Instead, it simply reminds institutions of higher education of the additional disclosure requirements with the new law. The relevant excerpt is below:

### **ADDITIONAL DISCLOSURES**

*In addition to the disclosures required under 34 CFR 674.16, under the Extension Act, a school must provide the following disclosures to each Perkins Loan borrower before it makes a first disbursement of a Perkins Loan:*

- *A notice and explanation regarding the end to future availability of Perkins Loan Program loans;*
- *A notice and explanation that repayment and forgiveness benefits available to Direct Loan borrowers are not available to Perkins Loan borrowers;*
- *A notice and explanation regarding the borrower's option to consolidate a Perkins Loan into a Direct Consolidation Loan, including any benefit of consolidation;*
- *For current undergraduate borrowers (as described above), a notice and explanation providing a comparison of the interest rates of Perkins Loans and Direct Loans, and informing the borrower that the borrower has reached the maximum annual borrowing limit for Direct Subsidized Stafford Loans for which the borrower is eligible; and*
- *For new undergraduate borrowers (as described above), a notice and explanation providing a comparison of the interest rates of Perkins Loans and Direct Loans, and informing the borrower that the borrower has reached the maximum annual borrowing limit for Direct Subsidized and Unsubsidized Stafford Loans for which the borrower is eligible.*

The other main part of the letter is a discussion of the authority to make loans. An excerpt on the authority to make loans for undergraduates is included below and graduates are listed on the following page.

Undergraduate Students

<i>A school may make Perkins Loans through—</i>	<i>To an—</i>	<i>Who, on the date of disbursement—</i>	<i>If the school has awarded the student—</i>
<i>September 30, 2017</i>	<i>Eligible current undergraduate student</i>	<b><i>Has an outstanding balance on a Perkins Loan made by the school.</i></b>	<b><i>All Direct Subsidized Stafford Loan aid for which the student is eligible.</i></b>
<i>September 30, 2017</i>	<i>Eligible new undergraduate student</i>	<b><i>Does not have an outstanding balance on a Perkins Loan made by the school.</i></b>	<b><i>All Direct Subsidized and Unsubsidized Stafford Loan aid for which the student is eligible.</i></b>

*Notes:*

*Awarding Direct Subsidized and Unsubsidized Stafford Loans* - An undergraduate student who was awarded a Direct Subsidized Loan and/or a Direct Unsubsidized Loan can decline one or both of the loans (or request a lesser amount). However, the student’s Direct Loan eligibility amounts must be included in the calculation of the undergraduate student’s Perkins Loan amount, regardless of whether they actually borrow that full amount.

*Perkins Loans That Have Been Consolidated* - When a Perkins Loan is consolidated it is paid in full by the Consolidation Loan. An undergraduate student who has consolidated his or her Perkins Loans does not have an outstanding balance on a Perkins Loan, and is therefore treated as a new undergraduate student.

*Subsequent Disbursements for Undergraduate Students* - If an eligible undergraduate student borrower receives a disbursement of a Perkins Loan after June 30, 2017, and before October 1, 2017 for the 2017-2018 award year the student may receive any subsequent disbursements of that Perkins Loan.

### Graduate Students

<i>A school may continue to make Perkins Loans through—</i>	<i>To an—</i>	<i>If the graduate student—</i>	<i>And the new Perkins Loan will—</i>
<i>September 30, 2016</i>	<i>Eligible graduate student who has received a Perkins Loan before October 1, 2015.</i>	<i>Received his or her <b>most recent</b> Perkins Loan from the school, for enrollment in an academic program at the school.</i>	<i>Enable the graduate student to continue or complete the academic program for which the student received his or her <b>most recent</b> Perkins Loan.</i>

#### *Notes:*

*Subsequent Disbursements for Graduate Students - If an eligible graduate student borrower receives a disbursement of a Perkins Loan after June 30, 2016, and before October 1, 2016, for the 2016-2017 award year, the student may receive any subsequent disbursements of that Perkins Loan.*

*Graduate Students Continuing or Completing an Academic Program - We consider a graduate student to be continuing or completing the academic program for which the student received his or her most recent Perkins Loan only if the first four digits of the program's Classification of Instructional Program (CIP) code are identical to the first four digits of the CIP code for the academic program for which the student received his or her most recent Perkins Loan.*

*In the case of graduate programs with different degree objectives, a graduate student meets the eligibility requirement above if the graduate student:*

- Received his or her most recent Perkins Loan for enrollment in a program with one degree objective (e.g., masters);*
- Then enrolled in a program with the same CIP code (the same first four digits of the CIP code); and*
- Was enrolled in a new program that leads to a different degree objective (e.g., Ph.D).*

The letter also mentions the distribution of assets from Perkins Loan Funds, but indicates ED will provide guidance on this topic and "other important Perkins Loan Program issues over the next several months." Brian Smith at the Department is listed as the contact point for questions. The full text of the letter is available online: <http://goo.gl/Mt4vvc>