



COHEAO

The Coalition of Higher Education Assistance Organizations

The Federal Perkins Loan Program Critical - Unique - Proven

Program Overview

The Perkins Loan Program was first authorized in 1958 and is the nation's longest running student loan program. The Perkins Loan Program provides subsidized, low-interest loans to assist undergraduate and graduate students with economic need to finance the cost of higher education. Loans are made through campus-based revolving funds established from a combination of Federal and institutional contributions to the fund. Perkins loans fill a critical gap that exists for many students after federal grants and Stafford loan funds are applied.

Moving Perkins Forward

Absent Congressional action, the Perkins Loan Program will cease providing low-cost loans to students with demonstrated financial need. This proven and longstanding loan program expired briefly in 2015, but was then revived and extended for two years later that year. The future of Perkins Loans will be considered via the reauthorization of the *Higher Education Act*. Nearly 60 years of proven success in supporting students with economic need illustrates the need for a campus-based loan program as a critical component of the Title IV student aid programs. Perkins offers low cost loans to students, flexible repayment terms and generous and targeted loan forgiveness options. The program is administered at the school level to provide a highly efficient, self-sustaining program with accountability, transparency, and risk-sharing.

Institutional Accountability and Program Success

The success of this loan program is a result of the central role played by higher education institutions that originate the loans, counsel their students, and work closely with the students throughout their entire repayment process. **The Perkins Loan Program is a risk-sharing program** in which institutions contribute at least one-third of the funds that go towards their students' awards. This "ownership interest" greatly contributes to the successful management of this vital program.

Favorable Loan Terms

Perkins Loans have a 5% fixed interest rate and interest does not accrue while borrowers are in school and there are no origination fees. Perkins loans also offer better targeted and more borrower friendly loan cancellations—a win for both taxpayers and consumers. Full or partial forgiveness is available to borrowers who work in designated, high-need, public-service areas. During a time of rising student loan indebtedness, the loan forgiveness aspect of this unique program provides financial relief to students and encourages public service in rural and inner-city communities.

Recipients

In 2013-2014, according to the Department of Education, nearly 500,000 students borrowed nearly \$1.1 billion in Perkins loans, with an average amount of \$2,014 awarded per student. This funding is critical to students who would otherwise be forced to borrow less beneficial private loans or leave school altogether. Perkins loan recipients are predominantly from lower income families as detailed below:

- 67% of Perkins borrowers are dependent students -34% of whom are from families with household incomes of less than \$30,000.
- 20% of Perkins borrowers are independent students, 70% of whom have personal incomes of less than \$20,000.
- 13% are graduate students, for whom no other low-cost subsidized loan program is available.

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