



UNITED STATES DEPARTMENT OF EDUCATION

THE UNDER SECRETARY

June 3, 2022

Mr. Robert Moran
Executive Director
Coalition of Higher Education Assistance Organizations
777 Sixth Street NW, Suite 510
Washington, DC 20001

Dear Mr. Moran:

Thank you for your letter dated November 8, 2021, regarding the Department of Education's August 27, 2021, electronic announcement, "Federal Perkins Loan Program – Updated Guidance on Mandatory Assignment of Federal Perkins Loans in Default for More than Two Years." I am pleased to respond.

The Federal Perkins Loan Program expired on September 30, 2017, and no new disbursements have been permitted since June 30, 2018. As borrowers continue to repay these loans, it is the Department of Education's responsibility to ensure that Perkins Loans are administered in accordance with applicable regulations and that borrowers continue to get the service they deserve.

Under 34 CFR 674.45, institutions (or the firms they engage) are required to pursue collection activity for up to 12 months. If they are not successful in converting the account to regular repayment status or the borrower does not qualify for deferment, postponement, or cancellation on the loan, the institution is required to do one of three things: 1) engage in litigation to collect on the debt; 2) attempt to collect on the loan through a different entity than the first attempt to collect; or 3) submit the account for assignment to the Secretary. If a second attempt at collection is not successful within 12 months, the institution is required to continue annual attempts until the loan is recovered through litigation, assigned to the United States, or written off.

It is vital that institutions are following these procedures and keeping accurate records of their collection efforts. Collection costs in the Perkins Loan program can be extraordinarily high – as much as 40 percent of principal, interest, and late charges collected. The Department of Education has a responsibility to ensure that institutions are successfully helping borrowers get back into repayment and, where appropriate, assigning loans to the Department of Education.

On September 16, 2019, Federal Student Aid issued an electronic announcement on the assignment of Perkins Loans in default for two or more years. That announcement explained that the fact that a loan has been in default for more than two years suggests a lack of compliance

with the collection procedures established by regulation. Accordingly, it required assignment to the Department of all Perkins Loans that have been in default for two or more years, unless the institution provides documentation of an acceptable collection record for a given loan. A May 4, 2022, announcement extended that deadline by one year.

Federal Student Aid's August 27, 2021, electronic announcement echoed the requirements of the September 2019 announcement. Institutions are required to assign to the Department all Perkins Loans that have been in default for more than two years. The August 27, 2021, announcement used slightly different language, stating that loans should be assigned "[u]nless the institution has documentation that these borrowers are making payments toward their Perkins loan debt," but the intended meaning is the same. Given that the regulations require litigation, assignment, write-off, or repayment, loans that have not already been assigned or written off within two years of default should have some record of payment activity. Further, as the electronic announcement makes clear, institutions that wish to avoid assignment may do so if they have acceptable collection records by notifying the Department that documentation showing an acceptable collection record is available upon request and submitting such documentation to the Department of Education for review if and when requested.

I understand that many institutions have either already assigned or are in the processing of assigning their defaulted Perkins Loan portfolios to the Department of Education, and that in many cases, assignment is beneficial to both borrowers and to institutions as they continue to manage their participation in the Perkins Loan program. I appreciate your feedback, and I look forward to working with you and your members to ensure that this process is as smooth as possible.

Sincerely,



James Kvaal