



The Torch

August 19, 2005

A bi-weekly report from the Coalition of Higher Education Assistance Organizations

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COHEAO News

COHEAO Membership Drive Continues

As you know, this has been an exceptional year for COHEAO. The Perkins Loan Program's future was threatened this year with elimination and a recall of the federal share of campus revolving funds. In response to this threat, COHEAO's membership mobilized and was able to make significant gains in protecting the Perkins Loan Program from elimination. However, this fight is not over. With your help, we can ensure continued support for this valuable student loan program.

All COHEAO members are encouraged to urge their colleagues who are not yet part of our organization to consider joining. We have strength in numbers. Working together and with our allies, we think the battle to save the Perkins Loan program is turning in our favor, but our work is far from done. We need the support of as many Perkins Loan Program participants as possible to strengthen our organization and our cause.

New members can sign up quickly and easily by going to www.coheao.org and clicking on the "Join COHEAO" bar on the left, or they can contact COHEAO staff: astringer@wpllc.net, jwolfe@wpllc.net, jcoyle@wpllc.net or hwadsworth@wpllc.net.

COHEAO Provides Resources for Grassroots Activism

Included with every issue of *The Torch* are several resources that are particularly useful for grassroots activism. The following is a description of what they are and how they can be effectively used.

Fact Sheet

This two-page document provides background on the Perkins Loan Program since its inception in 1958 as the National Defense Student Loan. This is a good document to "leave behind" when you are visiting with staff members or Representatives and Senators.

Talking Points

The talking points provide clear, easy to use arguments on why the Perkins Loan Program should be reauthorized as part of the Higher Education Act and why the Federal Capital Contribution (FCC) and Loan Cancellation accounts should be funded as part of annual appropriations.

FCC Totals

This document provides a breakdown of how the FCC is distributed per state under current law at FY2004 appropriations levels (the last time the FCC was funded). This helps make the case of why Congress should fund the FCC.

PART Response

This is COHEAO's one-page response to the Office of Management and Budget's (OMB) Program Assessment Ratings Tool (PART) evaluation of the Perkins Loan Program. COHEAO maintains that the OMB uses faulty reasoning and comes to inaccurate conclusions about the Perkins Loan program. To view the entire PART evaluation study or to receive COHEAO's more extensive response, contact Andrew Stringer at astringer@wpllc.net.

[Loan Cancellation Comparison](#)

COHEAO has created a one-page document comparing loan cancellation benefits between Perkins Loans (a long list) and Stafford Loans (a very short list). This document aids in making the case that the Perkins Loan Program is not duplicative of other loan programs.

Online Letter-Sending Tool Aids COHEAO Grassroots Campaign

COHEAO's web-based system for contacting your Representatives and Senators has resulted in hundreds of additional letters being sent to Congress. To use the system, visit <http://www.coheao.org> and click on the "Click HERE to send a letter to Congress" link. From there, click on the letter you wish to send and follow the instructions. Simply enter your zip code and the system sends the letter to the correct Senators and Representatives. Be sure to customize the letter in the appropriate sections before clicking "send."

COHEAO encourages individuals to share the system with as many people as possible. The new system is a good way for students to write quick letters to Senators and Representatives explaining how important the Perkins Loan Program is. If you have any questions about the system, contact Andrew Stringer at astringer@wpllc.net.

Also, please continue to use the draft letters available on the COHEAO website. When using the letters, customize them to fit your school or company, including placing the letter on your letterhead, if possible. [If you are not permitted to use letterhead for this purpose, please send the letter on plain paper on your own behalf, simply noting where you work.] It is important to point out that the Perkins Loan Program helps students in your campus and state. In the letter are suggested places to insert this information. At the end, please put down how you can be contacted. Also, if you are at an institution, please get students to send letters designed for them, and ask their parents to send letters too.

To obtain information on the Perkins Loan Program specific to a specific school, go to this address in the Department of Education's IFAP web site:

<http://www.ifap.ed.gov/cbpmaterials/0405CBCongreportApril8CoverLtr.html>. At the bottom of the document are links to information on Perkins FCC awards broken down by individual school, with state totals. If you have any questions or need help accessing the information, contact Andrew Stringer at astringer@wpllc.net or 202-289-3903, Joan Coyle at jcoyle@wpllc.net or Harrison Wadsworth at hwadsworth@wpllc.net.

We also ask that you send the COHEAO office a copy of your letter after you have sent it. You can e-mail the letter to astringer@wpllc.net, jcoyle@wpllc.net or hwadsworth@wpllc.net or fax it to 202-371-0197 or mail it to us at the address below.

Again, if you need any assistance or have any questions, please call 202-289-3903.

Go Back To School With COHEAO

Go back to school with COHEAO clothing from our online store, <http://www.westernprinting.net/coheao>, where you will find high-quality clothing and outerwear bearing the distinctive COHEAO flame logo. The net proceeds from the sale of the clothing will go to the COHEAO scholarship fund, which awards \$1,000 scholarships every year to deserving students with financial need who are attending COHEAO member institutions of higher education. Check it out today and help yourself – and a student who can really use the assistance.

CONGRESS

Higher Education Act Reauthorization Waiting For Senate Action

The staffs of senators on the Health, Education, Labor and Pensions Committee along with the Committee staff spent a week of long days working on student loan and other financial aid-related sections of legislation reauthorizing the Higher Education Act. Committee Chairman Mike Enzi (R-WY) and ranking Democrat Edward Kennedy (MA) and their staffs are working on a bi-partisan bill that will be introduced just before the committee meets to act on the legislation in a formal mark up.

Enzi and others have been saying that they expect to mark up the legislation on September 7 with a bill expected to be introduced just before. However, that could be delayed if issues prove too tough to work out over the next several weeks. The deadline of September 16 set by the Congressional Budget Resolution for completion of \$23.6 billion in cuts to HELP Committee programs, including, according to Enzi, \$7 billion out of higher education, will pressure the Committee members to act. COHEAO believes as of now that the HELP Committee plans to reauthorize the Perkins Loan Program as part of its reauthorization bill, but the final word will not be known until the bill is introduced.

The Senate bill will constitute the Senate Health, Education, and Labor and Pensions Committee response to the FY 2006 Budget reconciliation instruction.

The House Committee-reported reauthorization bill, H.R. 609, is reportedly significantly short of producing the estimated \$11.4 billion needed to meet the Education and the Workforce Committee's budget reconciliation instruction. (A rumor premised on the assumption that pension reform will produce less than \$1.2 billion in reconciliation savings and that the Committee will be unable to find other programs from which to find budget reconciliation savings).

House Reauthorization Bill Impacts New England Work-Study Funding

Rep. John Tierney (D-MA) and his allies are continuing the campaign against changing the federal formula for the allocation of appropriations for campus based student aid with outreach to the media in New England. States in New England would be negatively affected by a phase-out of the "hold harmless" of "base guarantee" part of the allocation formula. The campus-based programs are Federal Work Study, Supplemental Educational Opportunity Grants and Perkins Loan Federal Capital Contributions. The Higher Education Act reauthorization bill passed by the House Education and Workforce Committee in July, which must still clear the full House and the Senate, would shift a significant portion of federal funding from the New England region to colleges in other parts of the United States whose student enrollment is growing rapidly.

Tierney was on the panel that approved the legislation, but he voted against it. He offered an amendment in committee to the bill that would have eliminated the change in the allocation formula, keeping Massachusetts from losing an estimated \$9.4 million in financial aid funding. The amendment failed to pass in a tie vote.

Under the current law, a portion of the funding for campus-based aid programs is allocated to institutions based on the amount of federal dollars each institution has received in past years, also known as the base guarantee. The new bill would eliminate the base guarantee.

According to estimates cited in a study by the American Council on Education, funding for several state institutions may be jeopardized if Congress approves the bill. Among those states that stand to have reductions in work-study funding are:

- Massachusetts, which stands to lose 10.7 percent.
- New Hampshire, which stands to lose 22 percent.
- Maine, which stands to lose 43.8 percent.
- Vermont, which stands to lose 30.9 percent.
- Rhode Island, which stands to lose 6.3 percent.

INSIDE ED AND THE ADMINISTRATION

ED Issues Notice on Perkins Loan Regulations

The Department of Education has issued a proposed information collection request for the federal student loan programs. For the Perkins loan program, Direct Loan program, and the Federal Family Education Loan Program, the Department says the following: “Until the anticipated reauthorization of the Higher Education Act and any resulting changes to the implementing regulations, the existing paperwork collection is simply extended, rather than revised.”

For more information, including requesting copies of the request, visit <http://edicsweb.ed.gov>

Advisory Committee to Hold Symposium on Higher Education Act

The Advisory Committee on Student Financial Assistance will host a symposium on Sept. 8 at the Holiday Inn Capitol Hotel in Washington, D.C. The event will honor the 40th Anniversary of the Higher Education Act (HEA) of 1965. The symposium will review HEA’s past achievements and explore promising ways to meet its future challenges.

Discussions will include policy, research and practice at the federal, state and institutional levels that will help insure that more low- and moderate-income students have the financial opportunity to enroll and succeed in college.

For more information, visit: www.ed.gov/about/bdscomm/list/acsfa/symposiumann.doc.

Department Updates NSLDS Field Descriptions

On August 9, the Department of Education announced updated field descriptions for the National Student Loan Data System (NSLDS) in the draft 2006-2007 Electronic Data Exchange Technical Reference Record Layouts and the ISIR Cross-Reference. For more information on the field descriptions, which apply primarily to Pell Grants, and for instructions on how to download the draft 2006-2007 Electronic Data Exchange Technical Reference Record Layouts visit:

<http://ifap.ed.gov/eannouncements/0809EDETechRef0607.html>

OMB Approves Final Perkins Loan FISAP

The Office of Management and Budget (OMB) has approved the final Fiscal Operations Report for 2004-2005 and Application to Participate for 2006-2007 (FISAP). The FISAP applies to the Perkins Loan Program as well as the Supplemental Education Opportunity Grant (SEOG) and the Work-Study (FWS)

programs. The new form makes no major changes to the data fields relative to last year, but there are some changes. The deadline for submission remains September 30, 2005. For more information on the changes and frequently asked questions regarding the FISAP, visit: <http://ifap.ed.gov/cbpmaterials/0607FISAPFormInst.html>

Health Resources and Services Administration Clarifies Redistribution

On August 18, the Health Resource and Services Administration announced that previously returned funds will not be redistributed to schools participating in the Health Professions Student Loan Program; Primary Care Loan Program; Loans for Disadvantaged Students Program; and the Nursing Student Loan Program. In previous years, funds returned to the federal government were redistributed to the revolving funds of schools with the capacity to make additional loans. Language in the FY2005 omnibus appropriations bill (public law 108-447) prevents the redistribution of these funds. This does not prevent schools from making loans.

INDUSTRY NEWS

Student Loan Providers Write Department Regarding Two-Step Consolidation Loans

In a letter dated August 8, the Consumer Bankers Association (CBA), Education Finance Council (EFC), National Council of Higher Education Loan Programs (NCHELP), Sallie Mae and Nelnet wrote Sallie Stroup, assistant secretary for Postsecondary Education at the Department of Education, regarding the enforcement of the single holder rule. The letter discusses two consolidation loan-related Dear Colleague letters issued in 2004, DCL FR-04-05 and DCL FR-04-06. The two letters, extend reinsurance for FFEL Consolidation Loans through reauthorization of the Higher Education Act of 1965 (HEA) or September 30, 2005 (which ever comes first), even if the consolidation loans include non-FFELP loans. This permits a lender to consolidate the FFELP loans of a borrower with a single loan holder by, for example, consolidating that borrower's Perkins Loan, then consolidating the new FFELP Consolidation loan with the borrower's old FFELP loans.

The letter encourages the Department to not extend the current reinsurance policy permitting the two-step process beyond September 30, 2005 and instead revert to existing law and regulations. According to the signers, extending two-step further will unnecessarily conflict with ongoing HEA reauthorization efforts in Congress. In addition, no students will be harmed if the deadline is not extended as access to consolidation loans will remain fully intact.

Guidance is expected from the Department of Education before September 30.

Student Loan Community Writes Enzi, Kennedy on Reconciliation Cuts and Consolidation Loans

In a letter dated August 9, the Consumer Bankers Association (CBA), Education Finance Council (EFC), National Council of Higher Education Loan Programs (NCHELP), Sallie Mae, Nelnet and the Student Loan Servicing Alliance wrote the leaders of the Senate HELP Committee on budget savings and loan consolidation. The letter addressed these two "major issues involving the reauthorization" of the Higher Education Act in letters to HELP Committee Chairman Mike Enzi (R-WY) and ranking Democrat Ted Kennedy (D-MA). The letters asked the Committee to not expand cuts to student loan providers beyond the \$7 billion that Enzi has said was assumed in the Budget Resolution, saying, "The cumulative effect of reconciliation cuts exceeding the \$7 billion over five years, the majority of which is presumed to come from the student loan programs, would be significant. Cuts of this magnitude could interfere with the

financing of student loans, curtail borrower benefits and compromise loan delivery. We urge you not to extend budget savings from the student loan programs beyond the already severe \$7 billion level.”

On loan consolidation, the lenders call again for adoption of an annually adjustable interest rate for consolidation loans. The letter goes on to say, “While we remain hopeful you will adopt this recommendation, we are aware that your Committee may be considering giving borrowers a choice between a variable and a fixed interest rate. If this approach is adopted, we recommend that the spread between the initial variable and fixed rates be based on the economic value of the two options. Accordingly, we believe the spread should be no less than 1.70%, which is the comparable spread between adjustable rate and long term fixed rate mortgages. There is significant interest rate risk to the government if borrowers consolidate their loans at fixed rates that are too low.”

Survey Finds Prospective College Students Use Web for Higher Education Research

According to a survey by Noel-Levitz, James Tower and the National Research Center for College and University Admissions, nearly 75 percent of students surveyed said they use the Web to research prospective colleges and universities. Nine out of 10 students surveyed said they would like to use a college Web site to use a financial aid estimator. About 88 percent said they would like to use a tuition calculator.

The survey found that schools should provide more comprehensive content in an easy-to-find and visually pleasing manner on their Web site. Nearly two-thirds agreed that college sites should have a lot of great content, as opposed to using technology and animation. Nearly 75 percent of respondents agreed that it is important to find what they are looking for within a few clicks from the home page.

To view the survey results, please visit:

<http://www.noellevitz.com/nlcom/About+Us/In+the+News/News+Item/e-savvy+class+of+2006.htm>

Institute for Student Service Professionals to Hold Workshop on One-Stop Centers

The Institute for Student Services Professionals, a collaborative endeavor of six higher education institutions, will hold a workshop on November 6-8 at the University of Pennsylvania. The hands-on workshop is called “Integrating Student Services: Fulfilling Our Student-Centered Mission” and will offer sessions for institutions at various stages of integrating student services.

The workshop will address topics such as physical, organizational, and virtual integrations that allow attendees to understand which model will work best. Unique mini-lab sessions will take advantage of the University of Pennsylvania campus in Philadelphia to provide real-world examples of effective delivery of student services through integration. Other sessions focus on how to work most effectively, including staff/leadership development, cost containment, customer service, and measuring effectiveness. Faculty will work interactively with participants and will provide tools to help facilitate, lead, and participate in change while discussing the benefits, opportunities, and challenges of creating dynamic integrated student services.

For more details and registration information visit: <http://www.nacubo.org/x6448.xml>.

Pew Charitable Trusts Partners with TICAS Student Debt Initiative

Students and their parents are finding themselves borrowing more to pay for college, according to a press release from Pew Charitable Trusts. Statistics show that more than two-thirds of all students now graduate with student loan debt. Comparably, in the early 1990s, less than 50 percent of all graduates had

accumulated student loan debt. After accounting for inflation, the average debt of a college graduate has more than tripled over the last two decades. In response to this growing trend, the Pew Charitable Trusts announced its Partnership to Reduce the Burden of Student Debt. The two-year, \$3.5 million initiative is the second component of Pew Charitable Trusts' focus on issues concerning family financial security. Pew is partnering with The Institute for College Access and Success (TICAS) on the initiative. TICAS's "Student Loan Watch" project has been a fervent supporter of legislation to push schools out of the FFEL Program and into the Direct Loan Program.

According to Pew's press release, "The initiative comes at a time when the Bush administration and bipartisan policymakers are considering ways to use existing taxpayer dollars more effectively to help families pay for college. For example, last year Congress partially closed the so-called "9.5 percent interest loophole" in the federal student loan program and applied the savings to a loan forgiveness program. In the coming months, Congress will decide whether to fully close this loophole and how to use the resulting savings. The Partnership plans to work with students and parents, business leaders, youth engagement organizations, educators and others to bring attention to the growing burden of student debt and identify ways to use existing taxpayer dollars more efficiently and effectively to respond to the problem."

Pew Charitable Trusts says it plans to work in collaboration with other funders, non-profit organizations and experts across the nation to conduct nonpartisan research and analysis and identify practical policy options and ways to pay for them with current taxpayer dollars.

For more information, please visit: <http://www.pewtrusts.org>.

Coalition Update

Due to Congress' August recess, the Committee for Education Funding (CEF), the American Council on Education (ACE) and the Student Aid Alliance (SAA) are not meeting on a regular basis. The three organizations will use the break in activity to gear up for what will be a very busy September.

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THE PERKINS LOAN PROGRAM

Who is Eligible?

Undergraduate and graduate students are eligible for Perkins Loans, without regard to their credit rating. A school must give priority to students with exceptional financial need. Before an undergraduate student can receive a loan, the school must determine his or her eligibility 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. Foreign students are not eligible.

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. The loans serve as a unique policy tool to encourage workers to go where they are most needed. Loans can be cancelled for teachers in low-income or shortage areas, or of special education, math, science, foreign languages or in Head Start. Forgiveness is also available to people who work in law enforcement, VISTA, the Peace Corps, the armed forces, or as social workers serving high-risk children.

Program Success¹

In the 2003-2004 academic year, according to the Department of Education, 630,000 students borrowed \$1.46 billion in Perkins loans, with an average amount of \$2,003 awarded per student. As of June 30, 2003, the Perkins Loan Program had a cohort default rate of 8.85 percent², which is low when compared to other federal loan programs and is extremely impressive when you consider the targeted borrower population. The success of the program is a result of the central role of the educational institution that originates the loan, counsels the borrower through repayment, and selects contractors for servicing and collection. The educational institutions tailor their programs to best fit their borrowers' needs. Perkins is a risk-sharing program where institutions provide a match of at least 25% to all federal funds that they receive. Many institutions contribute more than the 25% minimum. This "ownership interest" contributes to the successful management of this vital program.

Since the inception of the Federal Perkins Loan Program in 1958, over \$27 billion dollars in loans have been made to students through almost 25 million aid awards. The revolving fund concept has been successful, especially when it is considered that federal contributions to the program total \$7.8 billion. 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:

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

¹ See <http://www.ed.gov/finaid/prof/resources/data/databook2003/index.html>

² See <http://www.ed.gov/finaid/prof/resources/data/databook2003/index.html>

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 Education Act of 1958. The program offers low interest rates 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?

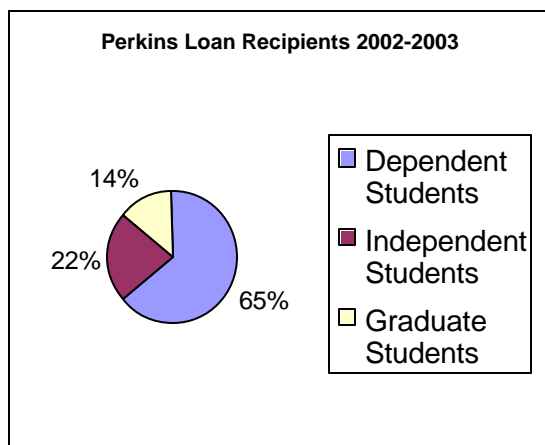
The program fosters access to post-secondary education for low-income students by providing low interest loans with favorable terms during a period of limited grant availability.

Perkins Borrowers Are Unique³

Perkins Loan borrowers are predominantly from lower income families or from financially strapped middle 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 (64% of borrowers), Independent Students (22% of borrowers), and Graduate Students (14% of borrowers).

Families with Dependent Students comprise the largest percentage of Perkins borrowers. During Award Year 2002-2003, 29% of these families had an income under \$30,000, and an additional 44% of these families had incomes between \$30,000 and \$60,000

Twenty-two percent of Perkins Loan borrowers are independent students. Fifty-two percent of these students have incomes below \$12,000 with an additional 19% falling in the \$12,000-\$19,999 income range. Thus, 71% of independent students have incomes less than \$20,000.



Income Facts about Perkins Loan Recipients 2002-2003:

- 29% of Families with Dependent Students have incomes below \$30,000.
- 52% of Independent Students have incomes below \$12,000.
- 71% of Independent Students have incomes below \$20,000.

³ See <http://www.ed.gov/finaid/prof/resources/data/databook2003/index.html>

STUDENTS NEED PERKINS LOANS: PRESERVE THEM AND FUND THEM

Save the Perkins Loan Program

- The President's proposed budget for fiscal year 2006 has no funds for the Perkins Loan program and would stop schools from lending existing funds. This would make college less affordable to millions of students who depend on the nation's first student loan program.
- The demand for Perkins Loans always outstrips the supply of loan funds. Stafford Loans are not a substitute; their loan limits – even with the President's proposed increase for freshmen and sophomores – are far too low for many students. Every Perkins Loan dollar goes to a student who needs it. More than 600,000 students got Perkins Loans this year to help pay for their education.
- Raising the Pell Grant \$100 a year, although desirable, is no substitute for the Perkins Loan program, where the average loan is over \$2,000.
- Graduate students are not eligible for Pell Grants – they would be hurt even more by eliminating Perkins.
- Without Perkins Loans, students would be forced to borrow from high-cost alternative sources, such as credit cards or private education loans. Since these loans require good credit or a co-signer with good credit, many low- and even middle-income students are turned down.
- Throughout the history of the Perkins Loan Program, \$7.8 billion in federal contributions has been leveraged to award over \$25.7 billion in loans to students through almost 25 million aid awards.

Fund the Federal Capital Contribution and the Loan Cancellation Accounts

- The \$100 million requested by COHEAO and the Student Aid Alliance for the annual Federal Capital Contribution for Perkins would result in at least \$125 million in new capital for students because schools must match 25% of the federal dollars with their own funds. Many match more than the minimum.
- Federal funding for Perkins Loans is an appropriation that feeds on itself and builds, starting with a school match of a share of the federal funds and continuing for years as the loans are repaid and re-lent.
- Without the federal contribution and its minimum school matches, almost 63,000 additional low-income students across the country won't receive the loans they need for higher education. (\$125 million divided by the average Perkins loan of \$2,000). Failing to fund the contribution means that students from every state will be left out.
- Since the inception of the Federal Perkins Loan Program in 1958, approximately \$1.16 billion in Perkins Loans have been forgiven for students who took advantage of program benefits by working in 12 different public service professions, such as teaching, nursing, the military, law enforcement, corrections and the Peace Corps. Stafford Loan forgiveness is only available for certain teachers.
- For More Information: see www.coheao.org or contact COHEAO: Harrison Wadsworth at hwadsworth@wpllc.net, Andrew Stringer at astringer@wpllc.net, or call 202-289-3910.

State Totals of the Federal Capital Contribution for Perkins Loans,
Award Year 2004-2005

<u>State</u>	<u>Perkins FCC</u>		
		Nebraska	967,588
		Nevada	155,997
Alabama	748,265	New Hampshire	797,323
Alaska	0	New Jersey	1,430,803
Arizona	1,463,743	New Mexico	560,641
Arkansas	766,068	New York	8,199,638
California	9,609,684	North Carolina	2,178,803
Colorado	1,557,845	North Dakota	455,839
Connecticut	1,087,800	Ohio	4,097,236
Delaware	120,613	Oklahoma	1,060,801
Florida	2,172,534	Oregon	1,649,537
Georgia	1,158,772	Pennsylvania	5,761,841
Hawaii	274,336	Puerto Rico	934,652
Idaho	435,445	Rhode Island	860,944
Illinois	6,691,410	South Carolina	934,091
Indiana	2,486,359	South Dakota	527,283
Iowa	1,849,040	Tennessee	1,800,133
Kansas	1,294,989	Texas	4,356,576
Kentucky	1,232,242	Utah	1,306,692
Louisiana	1,278,167	Vermont	637,749
Maine	798,664	Virginia	1,579,174
Maryland	1,346,049	Washington	1,956,878
Massachusetts	4,900,524	Washington DC	1,195,148
Michigan	3,529,923	West Virginia	763,643
Minnesota	2,292,287	Wisconsin	3,031,353
Mississippi	1,303,454	Wyoming	203,658
Missouri	2,295,397		
Montana	458,784		
U.S. TOTAL:	98,556,415		

Source: U.S. Department of Education. For Individual School Totals, Go to:
<http://www.ifap.ed.gov/cbpmaterials/0405CBCongreportApril8CoverLtr.html>



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RATING THE RATING TOOL: "PART" FAILS THE PERKINS LOAN PROGRAM

Perkins Loans may be denied to millions of college students because of an inappropriate and unfair evaluation by the Office of Management and Budget's (OMB) Program Assessment Rating Tool (PART). A careful review of the 27 questions and answers that make up the Perkins Loan program evaluation reveals that the whole program is rated "ineffective" because it is measured the wrong way. At least 22 of the 27 questions have nothing to do with whether or not the program effectively helps students.

The Perkins Loan Program is a federal-state-private partnership operated by colleges and universities that PART judges as if it was a federal credit program instead of a formula-grant program. As a result of this new and improper classification, OMB wants the Department of Education to change its procedures for analyzing the program. That has not yet happened, so PART gives the Perkins Loan Program an "I" for ineffective. Amazingly, calls for elimination of Perkins Loans are not based on findings of waste or fraud, but on bureaucratic infighting. The future of a program created in 1958 which funds 700,000 students a year should not be based on a one-word conclusion of a terribly flawed analysis. For example:

PART 1.2: The Perkins Loan program does not address a specific need and is redundant with the Federal Family Education Loan (FFEL) and Direct Loan programs.

COHEAO: The Perkins Loan program does not overlap with other financial aid programs, but compliments them by providing loans to students who need funds beyond current and conceivable future loan limits. More than 1,700 schools and over 700,000 students clearly needed the Perkins Loan program.

PART 1.3: The Perkins Loan program does not score favorably when compared to the FFEL and Direct Loan programs.

COHEAO: The PART evaluation acknowledges that the Perkins Loan program is funded as a formula grant program, not a credit program such as Direct Lending or FFEL. Therefore, the Perkins Loan program should be compared with other formula grant programs, not credit programs and evaluated as a formula grant program, not a credit program.

PART 3.1: The Department of Education does not have adequate data for the Perkins Loan program to demonstrate effective performance; its "FISAP" data collection system is not sufficient.

COHEAO: Fix the FISAP. The PART states (in 2.1), "The Department is working with OMB on developing an appropriate efficiency measure." Students should not be punished over bad forms.

PART 2.2: "Does the program have ambitious targets and timeframes for its long-term measures?"

PART 2.4: "Does the program have baselines and ambitious targets for its annual measures?"

COHEAO: PART answered "No" to both questions and took off 24 points. Is it students' fault that these "targets" haven't been set by the Education Department? PART admits that the program was audited and "no material weaknesses or reportable conditions related to Perkins Loans have been identified." Enough said.



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Perkins Loan Program Cancellation Benefits

Since the inception of the Federal Perkins Loan Program in 1958, approximately \$1.16 billion in Perkins Loans have been forgiven for students who took advantage of program benefits by working in public service professions. Funding the Perkins Loan Cancellation Reimbursements at \$120 million in FY2006 will fully reimburse participating institutions for canceling Perkins Loans.

The Perkins Loan cancellation program is more extensive and flexible compared to loan cancellation benefits under the Stafford Loan program. Perkins Loan holders receive cancellation benefits after their first year of service and continue to receive increasing levels of loan cancellation for each subsequent year of service. Stafford loan holders only receive a lump sum at the end of five consecutive years of service.

The following compares loan cancellation eligibility between the two programs.

Perkins Loans

1. Full-time teacher in a school in a Title I eligible school district
2. Full-time staff in a Head Start program
3. Full-time special education teacher (all schools)
4. Teacher of math, science, foreign language, bilingual or any other subject a state determines there is a shortage of
5. Full-time early intervention service provider (under IDEA)
6. Service provider to high-risk and/or low-income children
7. Nurse or medical technician
8. Member of the armed forces in an area of hostility
9. Peace Corps volunteer
10. Local, state or federal law enforcement or corrections officer

Stafford Loans

1. Math, science, reading or special education teacher in a school in a Title I eligible district
2. Families of victims of the September 11 terrorist attacks

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