

Attachment
COHEAO Email:
Perkins Fund Shortfall Assistance

To: COHEAO Members
From: Harrison Wadsworth and Krista Heckler
Re: Repayment of loans to Perkins revolving funds
Date: May 29, 2008

A recent Department of Education Act can help campuses deal with Perkins Loan fund shortfalls this year.

A significant problem has developed on many campuses this year thanks to the dropoff in Perkins Loan repayments due to a drop in consolidation loans coupled with the continued failure of Congress to fund the Federal Capital Contribution. Those schools are facing a shortfall in their Perkins funds for the fall lending season have been devising strategies to cope with this problem until future collections and a possible resumption of the FCC replenish revolving funds.

In response to requests from our members, COHEAO initiated discussions with the Department of Education and worked with NACUBO on a survey to determine if there was a significant shortfall problem. The survey found that many schools do, in fact, have a shortfall.

The Department responded promptly and made an important change that should be helpful to many campuses.

In a Dear Colleague Letter providing information about the Fiscal Operations Report (FISAP) for 2007-08 and Application to Participate for 2009-2010 for the Federal Perkins Loan program, several significant changes were made to the FISAP reporting requirements.

A part of the instructions that specified that a school must repay any institutional loan to the fund within the academic year was deleted. That means schools will have more time for their funds to repay the institution, smoothing out this year's shortfall without requiring a major infusion of institutional capital. The instructions say that if a school intends to reclaim an additional Institutional Capital Contribution (ICC) that the school deposits into the Perkins Loan Fund during the 2007-2008 Award Year, the additional ICC must be entered as a short-term, no interest loan in its accounting records.

Institutions will then be able to reclaim their loans to the fund over a longer period of time as long as accurate accounting records are kept on file and it is specifically noted what the short-term loan to the fund is. This point is important, because if the short-term loan is labeled a ICC, it cannot be "repaid."

To view the original letter visit: <http://www.ifap.ed.gov/dpclletters/CB0805.html>

COHEAO thanks the Department for its actions as well as NACUBO for working on the survey and our small Work Group for taking the lead on this issue. COHEAO is continuing to work with Department on issues related to the administration of the Perkins Loan Program, and we are talking to Congress about restoring the FCC. We will be providing new information on communicating with Congress soon.

If you have any questions, please let one of us know.