Federal Perkins Loan Program Extension Act of 2015

The Federal Perkins Loan Program lapsed on September 30th, 2015, cutting off the ability for approximately 1,500 colleges and universities across the country to make low-interest loans to new borrowers and leaving 150,000 students who have just started college in the lurch. Students have been left with few options to afford college costs that only continue to escalate. Now, Congress has an opportunity to extend the life of this program until a long-term solution can be put in place under the Higher Education Act, and help provide needed assistance to students who need to borrow. The bipartisan **Federal Perkins Loan Program Extension Act of 2015** builds on a bill passed unanimously by the U.S. House of Representatives in September and provides for a two-year extension of the Perkins Loan program.

How has the expiration of the Perkins Loan program impacted students?

In the 2013-2014 academic year, the most recent year for which data is available, approximately 539,000 students received loans from their institutions through the Federal Perkins Loan Program, totaling more than $1.2 billion. Because the program's authorization has now lapsed, many students who start college may face limited options to afford rising costs; they may resort to taking out private loans, which come at a higher interest rate, have strict qualifications, and greater repayment burden—or students may delay their enrollment or drop out. The U.S. Department of Education's budget service indicates this number is between 100,000 and 150,000 new students in the current academic year alone if Congress fails to act, and this number would only increase if the program is not extended. For undergraduates who have reached their federal Direct Loan limits, Perkins Loans provide a critical way for students to pay for college expenses. Many colleges also provide Perkins Loans to students who have had a significant change in their family's financial circumstances over the course of the year or face unexpected financial difficulties. For example; families who have a job loss or suffer a catastrophic medical emergency that may limit their ability to pay for their education. With the program currently lapsed, colleges do not have funding to assist these students and families in need.

What does the current extension propose?

The Federal Perkins Loan Program Extension Act of 2015 is a bipartisan compromise that:

- Extends the Perkins Loan program for two years, through September 30, 2017 for eligible undergraduates
    - Will allow *current* and *new* undergraduate borrowers to complete the 2017-18 academic year with the support of Perkins Loans

- Provides current graduate students with a Perkins Loan an additional year of eligibility, through September 30, 2016
    - Will allow *current* graduate borrowers to complete the 2016-17 academic year with the support of Perkins Loans
    - Does not extend eligibility for *new* graduate students to borrow Perkins Loans
    - After Perkins is exhausted, graduate students will retain access to the Graduate PLUS program to borrow up to their total cost of attendance

- Requires that institutions continue a common practice of exhausting a current Perkins Loan borrower's eligibility for subsidized Direct Loans prior to awarding any Perkins Loan
    - For *new* borrowers utilizing the program, institutions must also exhaust all unsubsidized Direct Loans before utilizing Perkins Loans

- Provides for an orderly wind-down of the program and a recall of federal funds beginning in fiscal year 2017

- Requires that institutions notify students who are offered a Perkins Loan:
    - that the program is coming to a close
    - a notice and explanation of their repayment and forgiveness benefits
    - the options for and benefits from loan consolidation
    - the interest rates and availability of other federal loans

What is the Federal Perkins Loan Program?
The Federal Perkins Loan Program was first authorized by the National Defense Education Act of 1958 and is one of three postsecondary aid programs collectively known as the 'campus-based aid' programs, which are administered by participating institutions of higher education. The Perkins Loan Program offers low-interest federally subsidized student loans for students with exceptional financial need and also offers a variety of forgiveness and cancellation options. Interest rates on Perkins Loans are fixed at a rate of 5% per year. While this rate is higher than the standard 4.29% interest rate on undergraduate loans this year, interest on Perkins Loans does not begin to accrue until nine months after a student enters repayment after college. These loans help keep student loan debt low and manageable for many families. Undergraduates borrowing is capped at $5,500 per year in Perkins Loans, and graduate students are capped at $8,000 per year in Perkins Loans. Approximately 87 percent of current Perkins Loan recipients are undergraduate students, and 13 percent are graduate students. Institutions are required to give priority to students with exceptional financial need. Perkins Loan borrowers are predominantly from lower income families and are often the first in their family to attend college.