



MN Network: Mega Conference XXVI

A Healthy & Fit Perkins Portfolio

Agenda

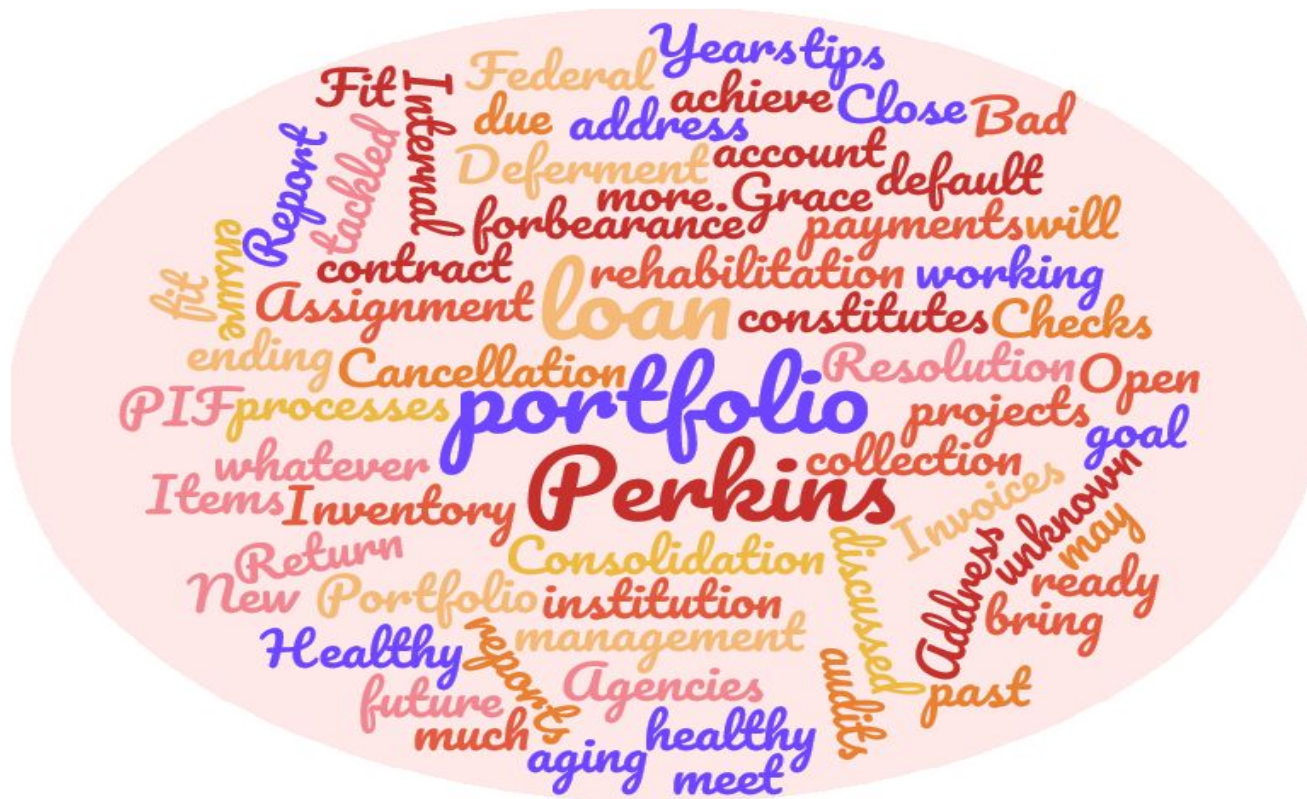
- Definition of “Fit & Healthy”
- Default Management
- Reports, reports & more reports
- Internal Checks & Audits



Definition



- What is your definition of a healthy & fit Perkins portfolio?



Program Participation Agreement



■ 668.14 Program Participation Agreement

- It will comply with all statutory provisions of or applicable to Title IV of the HEA,...
- ...the institution will time its requests for funds under the program to meet the institution's immediate Title IV, HEA program needs.
- It will not request from or charge any student a fee for processing or handling any application, form, or data required to determine a student's eligibility.
- It will establish and maintain such administrative and fiscal procedures and records as may be necessary to ensure proper and efficient administration of funds...
- ... will provide, upon request and in a timely manner, information relating to the administrative capability and financial responsibility of the institution.
- It will comply with the provisions of §668.15 relating to factors of financial responsibility.

PPA Continued...



- It will comply with the provisions of §668.16 relating to standards of administrative capability;
- It will submit reports to the Secretary and,...
- It will comply with the requirements of subpart D of this part concerning institutional and financial assistance information for students and prospective students;
- In the case of an institution that advertises job placement rates as a means of attracting students to enroll in the institution, it will make available to prospective students...
- It will not deny any form of Federal financial aid to any eligible student solely on the grounds that the student is participating in a program of study abroad approved for credit by the institution.
- For a proprietary institution, the institution will derive at least 10 percent of its revenues for each fiscal year from sources other than Title IV.
- And on, and on, and on.... (you get the point)

Perkins Due Diligence



- §674.41 Due diligence—general requirements.
- §674.42 Contact with the borrower.
- §674.43 Billing procedures.
- §674.44 Address searches.
- §674.45 Collection procedures.
- §674.46 Litigation procedures.
- §674.47 Costs chargeable to the Fund.
- §674.48 Use of contractors to perform billing and collection or other program activities.
- §674.49 Bankruptcy of borrower.
- §674.50 Assignment of defaulted loans to the United States.

Perkins Due Diligence



- §674.41 Due diligence—general requirements.
 - Shall Comply
 - Keep borrower informed of any and all changes to program
 - Respond to inquiries
 - Provide info on Ombudsman if borrower disputes terms in writing and institution is unable to resolve issue.
 - Coordinate Information
 - Enrollment status
 - Expected graduation date or termination date
 - Withdrawal, ceases to attend, suspended dates
 - Current name, address, phone # and SS# of borrower

Perkins Due Diligence



- §674.42 Contact with the borrower.
 - Entrance & Exit Counseling - details in 674.42(a) (b)
 - Initial & Post Deferment Grace Periods – 674.42(c)

- §674.43 Billing procedures.
 - Statement Type and timeline – 674.43 (a)
 - Past Due Notice – 674.43 (b) (c) (d)
 - Intent to Accelerate – 674.43 (e)
 - Acceleration Notice – 674.43 (f)

Perkins Due Diligence



- §674.44 Address searches.
 - Returned mail must attempt to locate borrower
 - Check institutional offices
 - Directory searches
 - Skip Trace – internally or outsource
 - Make 2 attempts per year to locate
- §674.45 Collection procedures.
 - Internally or Outsource
 - Close after 12 months no activity
 - Must make annual attempt to collect
 - Until PIF, Assigned or written off
- §674.46 Litigation procedures.
 - Once every two years review eligible accounts
 - More than \$500, Locate & Serve, Assets, No Defense, Cost less than recovery

Perkins Due Diligence



- §674.47 Costs chargeable to the Fund
 - General Billing Costs & General Collection Costs
 - Waiver Late Fees & Waiver Collection Costs
 - Limitations of Costs Charged to the fund
 - Record Retention
 - Cessation of Collection Activity
 - Write-Offs
 - \$25.00 and \$50.00 procedures



Perkins Due Diligence



- §674.48 Use of contractors to perform billing and collection or other program activities.
 - The institution is responsible for ensuring compliance with the billing and collection procedures
- §674.49 Bankruptcy of borrower.
 - If an institution receives notice... the institution and its agents shall immediately suspend any collection efforts outside the bankruptcy proceeding against the borrower. (follow bankruptcy procedures)
- §674.50 Assignment of defaulted loans to the United States.
 - An institution *may* submit a defaulted loan note to the Secretary for assignment to the United States...

Perkins Default Definition



- Default - The failure of a borrower to make an installment payment when due or to comply with other terms of the promissory note or written repayment agreement.
- Cohort Default Rate - (1) The term “cohort default rate” means, for any award year in which 30 or more current and former students at the institution enter repayment on a loan received for attendance at the institution, the percentage of those current and former students who enter repayment in that award year on the loans received for attendance at that institution who default before the end of the following award year.



Cohort Default Calculation



borrowers who are in default status
(240 or 270 days past due) at 6/30/18

of borrowers who entered repayment between
7/1/16 and 6/30/17 (previous fiscal year)

X 100%

$$\frac{41}{1,190} \times 100\% = 3.45\% \quad \text{Large Public University}$$



“Traditional” Default Calculation



$$\frac{\text{Defaulted Loans – Principal Balance}}{\text{Total O/S Loans - Enrolled - Grace}} \times 100 = \text{Default Rate \%}$$

$$\frac{2,232,565 \text{ Defaulted}}{7,406,106 \text{ Total O/S}} \times 100 = 30.14\% \quad \text{Large Public University}$$

Alternative Cohort Default Rate



For any award year in which fewer than 30 current and former students at the school enter repayment, the cohort default rate calculation is based on an average of the three most recent award years as follows:

the # of borrowers that are in default status
(240 or 270 days past due) as of 6/30/18

the # of borrowers who entered repayment
in each of the three most recent award years

X 100 = %

$$\frac{5+3+4}{26+26+24} = \frac{12}{86} \quad \text{X 100} = 13.95\%$$



Cohort Default Rate



- Why is the cohort default rate still important?
 - ED will monitor rates, and if a school meets the threshold they will require school to liquidate.
- Penalties for high Perkins Cohort Default
 - 25% or higher, and Congress appropriates funds, the school's FCC will be reduced to zero.
 - 50% or higher for the three most recent years, the school is ineligible to participate in the Federal Perkins Loan Program and must liquidate its loan portfolio.

Default Management



- Pre Default Efforts – These items listed go beyond the Due Diligence requirements.

***** Not Required*****

- Grace Ending Phone calls
- Additional Past Due Contact
 - Letters
 - Phone calls

Default Management



- Post Default Efforts
 - 6 monthly payments
 - Loan Rehabilitation
 - Forbearance
 - Payment in Full
 - Retroactive Deferment
 - Retroactive Cancellation
 - Bring Account Current (If loan is not accelerated)





Reports



- Types
 - Enrolled Borrower Report
 - Account Aging
 - Unknown/Bad/Change Address
 - Small Balance Report
 - Agency Placement/Acknowledgment
 - Close & Return
 - Bankruptcy
 - Legal
 - NSLDS Error Report

Internal Checks & Audits



■ Types

- Agency Audit
- Invoices – PIF and SIF*
- Consolidation Payments
- Rehabilitation
- Total and Permanent Disability (TPD)
- Assignment
- Death Certificates





COHEAO Membership



- Membership Benefits:
 - 3 FREE Webinars per year
 - Regulatory & Legislative Updates – Torch & Sparks
 - Lead organization on Perkins advocacy
 - A LOT More than just Perkins:
 - Advocacy and training on legal and compliance issues that impact you and your institution directly
 - TCPA & CFPB Compliance
 - Student Tuition and Accounts Receivable (STAR),
 - **Institutional Loan Task Force**
 - Financial Wellness – Newsletters, Training, Whitepapers
 - A Voice on Capitol Hill – Advocacy and Relationships
 - Institutional membership rates are very affordable: \$210 - \$595 based on FTE (**10% discount when you join within 30 days of this presentation**).



SAVE THE DATE!



2019 COHEAO Annual Conference
Washington D.C.
January 28 – 30, 2019

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Questions...

