



TABLE OF CONTENTS

**Section 1: Policy Overview ..... 2**

**Section 2: Loan Process ..... 2**

**Section 3: Reconciliation ..... 2**

**Section 4: Reporting..... 3**

**Section 5: Administrative Cost..... 3**

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## SECTION 1: POLICY OVERVIEW

The Perkins Loan Fund, formerly known as the “5-Book fund” because all of its general ledger accounts begin with the number five (5), contains transactions related solely to the Federal Perkins Loan program at Drury University.

The Federal Perkins Loan program is a three-quarters federal-financed and one-quarter University-financed loan fund for students with exceptional financial need. The loans are made at a 5% fixed interest rate.

## SECTION 2: LOAN PROCESS

- A. Financial Aid will obtain information on the amount of Perkins Loan funds available to award from the Coordinator.
- B. Based on student need, Financial Aid may award up to \$750 per semester (\$1,500 per academic year) to undergraduate, day-school students (these limitations are set by the University, not the federal government).
- C. The loan will be credited to the student’s account.
- D. Once per semester, the Coordinator will determine the actual amount awarded for a given semester and transfer the necessary funds (via check) from the Perkins Loan Fund checking account to the University’s General Checking account.
  - 1. If it is determined at a later date within a semester that additional funds will be loaned, the Coordinator will make a supplemental loan transfer from the Perkins Loan Fund account to the University’s General Checking account. This amount will be reviewed and approved by the Director of Business Services before funds are moved.
  - 2. The Coordinator will make appropriate journal entries to accounts in the General Ledger for all transfers between bank accounts.
  - 3. Any funds in the Perkins Loan Fund checking account transferred to the University for awarded loans will accumulate in the Perkins Loan Fund checking account (for future repayment to the federal government).
    - a. The accumulated funds in the Perkins Loan Fund checking account will be reported on the FISAP (see Section 4 below) as Cash on Hand after any necessary transfers for administrative cost and/or repayment of funds loaned to the program by the University are made.
- E. Within one month of a loan recipient’s impending graduation, the Coordinator will contact the student to schedule an exit interview for the loan. The interview must occur before the student’s graduation.
- F. Loan recipients enter a nine month grace period following graduation from the University, after which they will begin repaying the University through the University’s selected student loan servicing company.
- G. The University will receive monthly payments from the student loan servicing company. These funds will be deposited by the Coordinator into the Perkins Loan Fund checking account.

## SECTION 3: RECONCILIATION

- A. Bank Account
  - 1. The Perkins Loan Fund checking account will be reconciled monthly by a Financial Services Accountant who is not the Coordinator.
  - 2. The account reconciliations will be reviewed monthly by the Controller.
- B. Fund Accounts

1. The General Ledger accounts related to the Perkins Loan Fund will be reviewed monthly by the Controller.

## **SECTION 4: REPORTING**

### **A. FISAP**

1. The University is required to file annually the Fiscal Operations Report and Application to Participate (FISAP) to report federal financial aid activity. Part III of the FISAP relates to the Perkins Loan Program.
2. The Coordinator will complete Part III of the FISAP and submit it to the Controller for review and approval. After approval is received, Part III will be transmitted to Financial Aid.
3. Once Financial Aid has completed all sections of the FISAP, it will be transmitted to the Controller for review.
4. Financial Aid will submit the FISAP once approval is received from the Controller.

### **B. Financial Statements**

1. The Perkins Loan Fund is reported on two lines on the Generally Accepted Accounting Principles (GAAP) Statement of Financial Position:
  - a. Funds loaned to students are reported on the asset line, "Student loans receivable – federal program."
  - b. The amount of loaned funds due back to the federal government are reported on the liability line, "Federal advances for student loans."
2. The Perkins Loan Fund accounts have a net zero effect on the GAAP Statement of Activities.
3. There are no footnotes to the financial statements related to the Perkins Loan Program.

### **C. Board of Trustees**

1. A general overview of Perkins Loan Fund activity and account status will be provided to the Board of Trustees Financial Affairs Committee at the meeting immediately following the annual submittal of the FISAP (September).

### **D. Other**

1. The Business office will maintain records of loan agreements, maturity schedules, payment terms, payment history, etc. as determined by federal regulation and the University's document retention requirements (see policy 404.003P: Document Retention).

## **SECTION 5: ADMINISTRATIVE COST**

- A. The Coordinator and directors of other federal programs on campus (e.g., Work Study, SEOG) will coordinate each year to determine the amount of administrative cost to be allotted to the Perkins Loan Fund and ensure that Administrative Cost funds are distributed correctly among the programs.