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SECTION 1: POLICY STATEMENT AND PURPOSE

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.

This policy applies to all University employees whose duties intersect with the Perkins Loan program and any student who receives a Perkins Loan.

SECTION 2: LIMITATIONS

- A. The University awards Perkins Loans only to undergraduate day-school students; graduate and CCPS students are excluded from the program (University guideline, not federal mandate).
- B. The maximum Perkins Loan to any student is \$750 per semester, \$1,500 per academic year (University guideline, not federal mandate).
- C. Funds may be awarded only so long as the program remains authorized by the federal government and loan repayments are received from loan recipients.

SECTION 3: FUND ACCESS

- A. Four University employees will be granted access to the accounts related to this fund. These are:
 - 1. Perkins Loan & Collections Coordinator (the “Coordinator”)
 - 2. A Financial Services Accountant
 - 3. Controller
 - 4. Chief Financial Officer

SECTION 4: FUND COMPOSITION

- A. The fund will contain four types of accounts:
 - 1. Cash on Hand
 - 2. Accounts Payable (to the federal government)
 - 3. Accounts Receivable from Students
 - 4. Accounts to track aggregate activity (to ensure consistent, accurate reporting)

SECTION 5: BANK ACCOUNTS

- A. The University will maintain a separate checking account for the sole use of the Perkins Loan Fund in order that:
 - 1. Repayments to the Perkins Loan Fund be segregated from the University’s general operational funds and
 - 2. The University may prepare financially for the potential closure of the program and required repayments to the federal government.

SECTION 6: RESPONSIBILITIES

A. Administration

1. The University is responsible for both managing the funds on a day-to-day basis and administering the loans made to students.
2. The University will appoint a Perkins Loan & Collections Coordinator (the “Coordinator”).
 - a. This employee is responsible for the fund. These duties include, but are not limited to:
 - 1) Informing Financial Aid of funds available to award, upon request from Financial Aid.
 - 2) Transferring funds from the Perkins Loan Fund checking account to the University’s General Checking account in amounts sufficient to cover all awarded funds.
 - 3) Submitting journal entries to the Director of Business Services to account in the General Ledger for all transfers between the Perkins Loan Fund checking account and the University’s General Checking account.
 - 4) Reconciliation of the monthly statements from the third-party student loan servicing company.
 - 5) Assisting with annual completion of FISAP report related to the Perkins Loan Fund.
3. The University utilizes a third-party student loan servicing company to manage the fund’s repayments and paperwork.

B. Review & Reconciliation

1. Perkins Loan Fund Transactions
 - a. The Director of Business Services will review and approval all transfers between the Perkins Loan Fund and the University’s General Checking account.
 - b. The Director of Business Services or the Controller will review and approve all journal entries related to the Perkins Loan Fund.
2. Bank Account
 - a. The Perkins Loan Fund checking account will be reconciled monthly by a Financial Services Accountant who is not the Coordinator.
 - b. The account reconciliations will be reviewed monthly by the Controller.
3. Fund Accounts
 - a. The General Ledger accounts related to the Perkins Loan Fund will be reviewed monthly by the Controller, as required by federal regulations.

C. Reporting

1. The Controller will review all reports related to the Perkins Loan Fund before reports are submitted and/or released. This includes, but is not limited to:
 - a. Fiscal Operations Report and Application to Participate (FISAP)
 - b. Financial Statements
 - c. Board of Trustees Financial Affairs Committee
 - d. Other (e.g., records of loan agreements, maturity schedules, payment terms, payment history, etc.)

D. Administrative Cost

1. The University is allowed a specific percentage of allotted federal funds to be used as Administrative Cost for federal programs.
2. The amount of allowed administrative cost for all federal programs is based on a FISAP calculation.
3. The Coordinator is responsible for working with directors of other federal programs on campus (e.g., Work Study, SEOG) each year to determine the amount of administrative cost to be allotted to the Perkins Loan Fund.

- 4. Calculation, application, and use of the allowed administrative cost must follow federal regulation 34 CFR 673.7.

SECTION 7: VENDOR CONTROLS

- A. All third-party vendors related to the Perkins Loan program will be selected as per the University’s purchasing and vendor selection policies (see 405.101P: Purchasing, 405.102P: Competitive Bidding, and 405.105: Procurement of Professional and Consulting Services).
- B. The University will collect annually System and Organization Controls (SOC) reports from all third-party vendors related to the Perkins Loan program.

SECTION 8: POLICY EXPIRATION

- A. This policy will remain in effect until such time as the Perkins Loan program is discontinued by the federal government and the University elects to liquidate the fund, or all funds are collected from loan recipients, all required funds are repaid to the federal government, and all required administrative duties related to the fund are complete.

SECTION 9: HISTORICAL BACKGROUND OF PERKINS LOAN PROGRAM

- A. Drury University began utilizing the federal Perkins Loan programs in 1987 with money from the federal government. Prior to 1987, the program was called both the National Defense Student Loan program and the National Direct Student Loan Program. From existing records, it is clear that no additional federal funds were received once the program was reworked to become the Perkins program.
- B. This program is sun-setting and will be discontinued; current law has extended the program through September 30, 2017 (no funds may be disbursed after that date). The Federal Perkins Loan Extension Act of 2015 also prohibits any further extensions of the Perkins program. As with all government programs, it is possible that Perkins could be extended again, but it is not expected.
- C. Because of the sunset, the University has ceased loaning funds to new undergraduate students and will only make loans to eligible current undergraduate students in certain limited circumstances.
- D. Since loans to new students have been halted and existing students are mostly graduating, it is believed that additional loans in September 2017 will be very few (probably less than 10).
- E. Currently, no Federal Capital Contribution is being allocated to schools in the Perkins Loan program and the fund is only replenished through ongoing activities like collections on existing loans.
- F. **Historical Fund Activity and Related Notes (January 2017)**
 - 1. The amounts reported on the FISAP are aggregate amounts from the time that detailed administration was delegated to the current student loan servicing provider, UAS, in approximately 1997. Records prior to 1997 are minimally available.
 - 2. Records that are available (since UAS ~ 1997) show the following (FISAP June 30, 2016):

a. Total Borrowers:	2968	\$7,492,461	avg Loan	\$2,524.41
b. Loans Fully Retired:	2342	\$5,891,394	“	Loan \$2,515.54
Balance Outstanding:				
c. Total Loans Open:	626	\$1,345,487	“	\$2,149.34

Of Those Open:					
d. Accepted by US Gov:	134		\$157,038	“	\$1,171.93
e. Paying as agreed:	241		\$583,023	“	\$2,419.18
f. On Repayment Plan:					
1) On Schedule:	128		\$324,347	“	\$2,533.96
2) Default <240 dys	53		\$128,086	“	\$2,416.72
3) Default 241 – 2 yrs	29		\$80,066	“	\$2,760.90
4) Default 2 – 5 yrs	16		\$30,566	“	\$1,910.38
5) Default > 5 yrs	25		\$42,361	“	\$1,694.44

3. The Federal Capital Contributions are \$969,563 and Drury Capital Contribution is currently (FISAP June 30, 2016) \$244,803.
 - a. Due to the likelihood of the Government starting to call in capital as the program winds down, it is important for Drury, to the extent possible, to remain at or below the 25% institutional capital level.
 - b. The DOE provides the following spreadsheet to calculate ongoing FCC/ICC based on the most recent FISAP: <https://ifap.ed.gov/dpcletters/attachments/GEN1519Attach.xlsx>
 - c. If Drury assigns a loan to the Department of Education, the school loses access to the nonfederal portion of that Perkins loan. If Drury wants to retain the nonfederal portion of any of its outstanding Perkins collections it should not, when it has a choice, assign that loan