

ATTACHMENT

SUPPORT FUNDING OF PERKINS LOANS FOR LOW-INCOME STUDENTS

- The demand for Perkins Loans always outstrips the supply of loan funds. Stafford Loans are not a substitute – their loan limits are far too low for many students.
- Federal funding for Perkins Loans is an appropriation that feeds on itself and builds, starting with a school match of a share of the federal funds and continuing for years as the loans are repaid and re-lent.
- Without Perkins Loans, students would be forced to borrow from high-cost alternative sources, such as credit cards or private education loans. Since these loans require good credit or a co-signer with good credit, many low-income students will be turned down.
- Students often take advantage of the opportunities to have their Perkins Loans forgiven by working in 12 different public service professions, such as teaching, nursing, the military, law enforcement, corrections and the Peace Corps. Unless campuses are reimbursed for cancellations, loans will not be available for future generations of students. Additional funding is needed to make up for past shortfalls.
- The \$140 million requested by COHEAO and the Student Aid Alliance for the Federal Capital Contribution would result in at least \$175 million in new capital for students because schools must match 25% of the federal dollars with their own funds. Many match more than the minimum.
- Without the federal contribution and its minimum school matches, almost 100,000 additional low-income students across the country won't receive the loans they need for higher education. (\$175 million divided by the average Perkins loan of \$1,790). Failing to fund the contribution means that students from every state will be left out. Even failing to fund last year's federal contribution of \$98.7 million will, counting the school matches, leave 69,000 students without the funds they need next year.
- Because the Perkins Capital Contribution is forward funded, the FY2004-2005 appropriation funds the 2005-2006 academic year. Any increased funds available from consolidation loan payoffs of Perkins will be gone, since rising interest rates will sharply reduce the desirability of consolidation. Regardless, even with the increased repayments from consolidation loans, schools are lending all of their Perkins money to needy students.
- **Request:** Include in the FY2005 appropriation for the Department of Education \$140 million in funding for the Perkins Student Loan Program Capital Contribution and \$120 million in reimbursements of cancelled loans. The authorized maximum is \$250 million. The FY2004 levels were \$98.7 million for the capital contribution and \$66.7 million for reimbursements.