

# CRS Report for Congress

## Campus-Based Student Financial Aid Programs Under the Higher Education Act

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## Summary

Three Higher Education Act (HEA) programs — the Federal Supplemental Educational Opportunity Grant (FSEOG) program, the Federal Work-Study (FWS) program, and the Federal Perkins Loan program — collectively are referred to as the campus-based programs. Funding authorization for the campus-based and other HEA programs is extended through June 30, 2007, under the Third Higher Education Extension Act of 2006 (P.L. 109-292). Reauthorization of the HEA, including the campus-based programs, is expected to be considered by the 110<sup>th</sup> Congress.

Under the campus-based programs, federal funding is provided to institutions of higher education for the provision of need-based financial aid to students. Institutions participating in the programs are required to provide a match of approximately one-third of the federal funds they receive. The campus-based programs are unique among the need-based federal student aid programs in that the mix and amount of aid awarded to students are determined by each institution's financial aid administrator according to institution-specific award criteria (which must be consistent with federal program requirements), rather than according to non-discretionary award criteria, such as that applicable for Pell Grants and subsidized Stafford Loans.

Each program provides students with a distinct type of aid. The FSEOG program provides grant aid only to undergraduate students. The FWS program provides undergraduate, graduate, and professional students the opportunity for paid employment in a field related to their course of study or in community service. The Perkins Loan program provides low-interest loans with favorable terms and conditions to undergraduate, graduate, and professional students.

Funding is provided to institutions separately for each program according to formulas that take into account both the allocation institutions received in years past (their base guarantee) and their proportionate share of eligible students' need that is in excess of their base guarantee (their fair share increase). From these funds, institutions' financial aid administrators award aid to eligible students having financial need.

The programs are among the oldest of the federal postsecondary aid programs; however, they now operate amidst a host of other aid programs and tax benefits, some of which are not need-based. At present, a relatively small proportion of all students receive campus-based financial aid. Over the past decade, the number of institutions participating in the programs has also declined.

The 110<sup>th</sup> Congress is expected to consider amending and extending the campus-based programs as part of debate over reauthorizing the Higher Education Act. This report will be updated to reflect legislative developments.

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# Campus-Based Student Financial Aid Programs Under the Higher Education Act

## Introduction

Three postsecondary student financial aid programs authorized under the Higher Education Act of 1965, as amended (HEA) — the Federal Supplemental Educational Opportunity Grant (FSEOG) program, the Federal Work-Study (FWS) program, and the Federal Perkins Loan program — collectively are referred to as the campus-based programs. The campus-based programs are unique among the need-based federal student aid programs in that federal funds are awarded to institutions of higher education (IHEs) according to formulas that take into account past institutional awards and the aggregate financial need of students attending the institutions. The mix and amount of aid students receive is determined by each institution's financial aid administrator according to institution-specific award criteria, rather than according to non-discretionary award criteria, such as that applicable for Pell Grants and subsidized Stafford Loans.<sup>1</sup>

Reauthorization of the HEA is expected to be considered by the 110<sup>th</sup> Congress. The campus-based programs were last significantly amended under the Higher Education Amendments of 1998 (P.L. 105-244), which reauthorized the programs that are part of the HEA. While funding authorization for these programs expired at the end of FY2003, the General Education Provisions Act (GEPA) provided for an automatic one-year extension through FY2004. Authorization for the programs has been extended incrementally, and ultimately through June 30, 2007, under a series of Higher Education Extension Acts (P.L. 108-366, P.L. 109-81, P.L. 109-150, P.L. 109-212, P.L. 109-238, and P.L. 109-292). Several HEA programs were amended under the Higher Education Reconciliation Act of 2005 (HERA), enacted as part of the Deficit Reduction Act of 2006 (P.L. 109-171); however, the campus-based programs were largely unaffected by this legislation.<sup>2</sup>

This report begins by providing a brief description of each of the campus-based programs, including the terms under which financial aid is awarded to students and the procedures under which federal funds are allocated to institutions for that

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<sup>1</sup> Institutions are required to establish written procedures for selecting recipients of campus-based financial aid. These selection procedures must meet the requirements of each campus-based program, and must be kept on file at each institution. Consistent with the availability of funds, institutions must make campus-based aid reasonably available to all eligible students demonstrating financial need.

<sup>2</sup> For information on how the Deficit Reduction Act of 2006 affects HEA programs, see CRS Report RS22308, *Student Loans and FY2006 Budget Reconciliation*, by Adam Stoll.

purpose.<sup>3</sup> It then provides historical information on federal funds appropriated for each of the programs, an analysis of the number and types of students served, and selected program statistics.

## Current Program Descriptions

This part of the report provides a description of each of the three HEA campus-based financial aid programs — the FSEOG program, the FWS program, and the Federal Perkins Loan program. Program descriptions explain the purpose of each program and the terms under which aid is provided to students. They also include a brief explanation of how federal funds are allocated to institutions for the purpose of providing aid to students.

### Federal Supplemental Educational Opportunity Grants

The FSEOG program authorizes the Secretary to grant funds to institutions of higher education for the purpose of providing financial assistance to undergraduate students with exceptional financial need to aid them in obtaining the benefits of postsecondary education. The FSEOG program is authorized by Title IV, Part A, Subpart 3 of the HEA. It first was incorporated into the HEA under the Education Amendments of 1972 (P.L. 92-318). Prior to authorization of the FSEOG program, Education Opportunity Grants, authorized under the HEA of 1965 (P.L. 89-329), served a similar purpose.

From the funds allotted to them by the Secretary, institutions award FSEOGs to eligible students as part of their financial aid packages. Institutions are required to award FSEOGs first to students with exceptional financial need, according to the HEA need analysis provisions,<sup>4</sup> with priority going to students receiving Pell Grants. Institutions may establish categories of students for purposes of packaging FSEOG awards. For example, “categories may be based on class standing, enrollment status, program, date of application, or a combination of factors.”<sup>5</sup> Categorization of awards

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<sup>3</sup> The allocation procedures for each of the three campus-based programs are described in greater detail in CRS Report RL32775, *The Campus-Based Financial Aid Programs: A Review and Analysis of the Allocation of Funds to Institutions and the Distribution of Aid to Students*, by David P. Smole.

<sup>4</sup> Per HEA Title IV, Subpart F — *Need Analysis*, a student’s financial need is calculated as the cost of attendance, minus the expected family contribution (EFC) — the amount that a student’s family is expected to contribute toward the student’s education, and minus the estimated financial assistance (EFA) not received under HEA Title IV (this includes scholarships, grants, loans, veterans’ education benefits (Section 480(c)), national service educational awards, and post-service benefits under Title I of the National and Community Service Act of 1990.

<sup>5</sup> U.S. Department of Education, *Federal Student Aid Handbook, 2006-2007*, vol. 3 — *Calculating Awards & Packaging*, pp. 3-95 through 3-97, at [<http://www.ifap.ed.gov/IFAPWebApp/currentSFAHandbooksPag.jsp>], visited July 31, 2006. (Hereafter cited as ED, *FSA Handbook*.)

may not be used to arbitrarily deny FSEOG aid to students, for example by establishing a policy of awarding aid on a first-come, first-served basis.

FSEOGs consist of a federal share, not to exceed 75% (except if the Secretary determines that a larger share is necessary to further the purpose of the program), and a non-federal share of at least 25%. The non-federal share is required to be funded through the institution's resources, such as institutional grants and scholarships, tuition or fee waivers, state scholarships, and foundation or other charitable organization funds. ED has determined that all state scholarships and grants can be counted toward meeting the non-federal share, except for funds provided under the Leveraging Educational Assistance Partnership (LEAP) and the Special Leveraging Educational Assistance Partnership (SLEAP) programs.<sup>6</sup>

Unlike the other two campus-based programs, students are eligible to receive FSEOGs only during the period required to complete a first undergraduate baccalaureate course of study. The maximum FSEOG award amount per academic year is the lesser of the student's financial need or \$4,000. In the case of a student studying abroad, and if the cost of studying abroad exceeds the cost of studying at the student's home institution, the FSEOG award may be increased to a maximum of \$4,400. The minimum value of an FSEOG award is \$100 per year. For students enrolled for less than a full academic year, the value of FSEOG awards must be proportionately reduced. Institutions are required to award a "reasonable proportion" of FSEOG aid to independent students<sup>7</sup> and to those who are enrolled less than full-time if the institution's allocation of FSEOG funds was based in part on the financial need of such students. (Students enrolled less than half-time are eligible for aid under each of the campus-based programs.) Students do not repay FSEOGs.

**Allocation of Funds to Institutions.** FSEOG funds are allocated to IHEs according to procedures prescribed in the authorizing statute. Institutions first are allocated funds in proportion to the amount they received in previous years, with priority going to institutions that participated in the program in FY1999 or earlier. Next, funds are allocated to those institutions that began participating after FY1999, but which are not first- or second-time participants. Following this, funds are allocated to institutions that are first- or second-year participants.

Provided that sufficient funds are appropriated, institutions that participated in the FSEOG program in FY1999 or earlier receive 100% of their FY1999 allocation. This is referred to as their base guarantee. Institutions that began participating after FY1999, but which are not first- or second-time participants receive a base guarantee that is the greater of 90% of the amount they received in their second year of participation, or \$5,000. Institutions participating in the FSEOG program for their first or second year receive as their base guarantee, the greatest of \$5,000, 90% of an amount proportional to that received by comparable institutions, or 90% of what the institution received in its first year of participation. However, if an institution began participating in FSEOG after FY1999 and received a larger allocation in its second

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<sup>6</sup> ED, FSA Handbook, vol. 6 — *Campus-Based Programs*, pp. 6-13 through 6-15.

<sup>7</sup> An independent student is one who is not considered dependent upon his or her parents' income for financial aid purposes.

year of participation than in its first, it is allocated 90% of the amount it received in its second year of participation. Institutions' base guarantees are adjusted to be proportional to the ratio of total funds available for the FSEOG program to the national total of institutions' base guarantees. This amount is called an institution's adjusted base guarantee.<sup>8</sup>

After allocating institutions their adjusted base guarantee, any remaining FSEOG funds are allocated to institutions proportionately according to their eligible amount of need that is in excess of their adjusted base guarantee. An institution's eligible amount of need, or fair share, is calculated by subtracting the sum of aid provided under the Pell Grant and LEAP/SLEAP programs from the aggregate financial need of the institution's undergraduate students. Undergraduate student financial need is determined through a formula that takes into account the cost of attendance (COA) at the institution and the expected family contribution (EFC) of a representative sample of students.<sup>9</sup> Institutions with a fair share amount of need that is greater than their FSEOG adjusted base guarantee are considered to have an excess eligible amount of need. These institutions receive an allocation in excess of their base guarantee, which is called their fair share increase. Institutions' total allotments are the sum of their adjusted base guarantee and their total fair share increase.<sup>10</sup>

***Other FSEOG Funding Provisions.*** Institutions are provided flexibility to carryover up to 10% of their allocation for use in a succeeding fiscal year to carry out the FSEOG program. They also may carry-back funds to make grants to students prior to the beginning of the fiscal year, but after the end of the prior academic year. The Secretary is authorized to reallocate any excess funds returned by institutions. An institution returning more than 10% of its allocation will have its next year's allocation reduced by the amount returned, unless the Secretary determines it would be contrary to the interest of the program. Finally, the Secretary is authorized under FSEOG to allocate up to 10% of funds appropriated in excess of \$700 million for the

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<sup>8</sup> In instances where total funds available is greater than or equal to the national total of base guarantees, then the base guarantee and the adjusted base guarantee would be equal.

<sup>9</sup> ED has calculated a table of EFCs used in the campus-based funding process. The table includes average EFCs within 14 income bands for dependent and independent undergraduates, and for graduate and first-professional students. The EFC for students is based on information from the second preceding fiscal year. EFCs from this table, rather than the actual EFCs of students at a particular institution, are entered into the allocation formula. The table of EFCs for the 2006-2007 award year is available from ED at [<http://www.ifap.ed.gov/dpclatters/attachments/EFCAverage.xls>], visited July 31, 2006.

<sup>10</sup> Institutions may receive both an initial fair share increase and an additional fair share increase, the latter being based on the reallocation of excess funds returned by other institutions (described in the next section).



programs authorized under HEA Title IV, Part A,<sup>11</sup> to institutions from which 50% or more of Pell Grant recipients either graduate or transfer to four-year institutions.

## Federal Work-Study Programs<sup>12</sup>

The purpose of FWS is to provide part-time employment to undergraduate, graduate, and professional students in need of earnings to pursue their course of study; and to encourage student participation in community service activities. FWS programs are authorized under the HEA at Title IV, Part C. They first were authorized under the Economic Opportunity Act of 1964 (P.L. 88-452) and administered by the U.S. Department of Labor's Office of Economic Opportunity. In 1968, under P.L. 90-575, authority for the Work-Study Programs was transferred to Title IV of the HEA.

An institution's financial aid administrator is responsible for awarding FWS aid to eligible students. Unlike the FSEOG and Perkins Loan programs in which aid is required to be awarded first to students with exceptional financial need, FWS aid may be provided to any student demonstrating financial need. Awards typically are based on factors such as each student's financial need, the availability of FWS funds, and whether a student requests FWS employment and is willing to work.<sup>13</sup> Students receive their award as compensation for the hours they have worked. Earnings from FWS employment are considered "excludable income" in determining a student's financial need for the subsequent year. Awards are based on a combination of factors such as a student's financial need, financial aid available from other sources, the wage rate, and how many hours per week the student can work. There is no maximum award amount.

**FWS Employment.** FWS employment may consist of work for the higher education institution a student attends, for a private non-profit organization, for a federal, state, or local public agency, or for a private for-profit organization. Conditions applicable to all types of FWS employment include that it:

- (A) will not result in the displacement of employed workers or impair existing contracts for services;

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<sup>11</sup> HEA Title IV, Part A — Grants to Students in Attendance at Institutions of Higher Education, includes the following programs: Pell Grants, TRIO, GEAR-UP, Academic Achievement Incentive Scholarships, FSEOG, LEAP, Migrant and Seasonal Farmworker Programs, the Robert C. Byrd Honors Scholarship Program, Child Care Access Means Parents in School, and Learning Anytime Anywhere Partnerships.

<sup>12</sup> This report covers only FWS programs authorized under Part C of the HEA. The LEAP program provides federal funds that can be used by states to support state work-study programs. The Department of Veterans Affairs also administers the Veterans Administration Student Work-Study Allowance Program (VASWSAP) for veterans and eligible persons. Authorization for this program is codified at 38 U.S.C. §§ 3485 and 3537.

<sup>13</sup> U.S. Department of Education, Office of the Under Secretary, Planning and Evaluation Service, Postsecondary, Adult, and Vocational Education Division, *The National Study of the Operation of the Federal Work-Study Program: Summary Findings from the Student and Institutional Surveys* (Washington, DC: 2000), p. 57.

(B) will be governed by such conditions of employment as will be appropriate and reasonable in light of such factors as type of work performed, geographical regions, and proficiency of the employee;

(C) does not involve the construction, operation, or maintenance of so much of any facility as is used or is to be used for sectarian instruction or as a place for religious worship; and

(D) will not pay any wage to students employed ... [through the FWS program] that is less than the current federal minimum wage as mandated by Section 6(a) of the Fair Labor Standards Act of 1938.<sup>14</sup>

Students working for private for-profit organizations must be employed in jobs that are academically relevant to their pursuits. Furthermore, such students cannot be employed under FWS if they otherwise would have been employed by the organization. Students employed by proprietary institutions that they also attend either must be employed on-campus in jobs that, in addition to the abovementioned requirements, also provide student services directly related to the student's education; or in community service jobs. Proprietary institutions cannot employ FWS students in jobs that involve the solicitation of other students to attend the institution. Employment by private for-profit organizations must be arranged between the sponsoring institution and the for-profit organization.

**FWS Community Service Employment.** Since FY2000, institutions participating in FWS have been required to use at least 7% of their FWS allocation to compensate students employed in community service jobs, including 100% of any excess FWS funds they receive through reallocation of other institutions' unspent FWS funds.<sup>15</sup> In meeting the 7% requirement, institutions are required to ensure that they are operating at least one tutoring or family literacy project in service to the community. Institutions may use up to 10% of the funds they receive for administrative expenses under section 489 of the HEA for the operation of their FWS community service programs. The HEA defines community service as follows:

COMMUNITY SERVICES. — For purposes of this part, the term “community services” means services which are identified by an institution of higher education, through formal or informal consultation with local nonprofit, governmental, and community-based organizations, as designed to improve the quality of life for community residents, particularly low-income individuals, or to solve particular problems related to their needs, including:

(1) such fields as health care, child care (including child care services provided on campus that are open and accessible to the community), literacy training, education (including tutorial services), welfare, social services, transportation, housing and neighborhood improvement, public safety, crime prevention and control, recreation, rural development, and community improvement;

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<sup>14</sup> HEA, § 443(b)(1) (42 U.S.C. § 2753(b)(1)).

<sup>15</sup> From FY1994 through FY1999, institutions were statutorily required to use 5% of their FWS allocation to compensate students employed in community service jobs.

(2) work in a project, as defined in Section 101(20) of the National and Community Service Act of 1990 (42 U.S.C. § 12511(20));

(3) support services to students with disabilities, including students with disabilities who are enrolled at the institution; and

(4) activities in which a student serves as a mentor for such purposes

as —

(A) tutoring;

(B) supporting educational and recreational activities; and

(C) counseling, including career counseling.<sup>16</sup>

Tutoring and family literacy projects include those that employ students as reading tutors of children who are of preschool age or who are in elementary school, or in family literacy projects. In many instances, FWS jobs in tutoring and family literacy projects count toward an institution's 7% community service requirement. However, this may not always be the case. For instance, ED has determined that if FWS students are employed as tutors in an institution's daycare center and the center is not open and accessible to the community, then the job could not be counted toward satisfying the institution's 7% community service requirement.<sup>17</sup>

**Job Location and Development Programs.** Institutions may use up to the lesser of 10% of their FWS allocation or \$50,000 to establish or expand a job location and development program operated either by the institution or jointly with another institution. The program must locate and develop jobs, including community service jobs, for currently enrolled students. Jobs located and developed should be compatible with students' scheduling needs and compliment their educational and vocational goals. The federal share of funds used to operate the program cannot exceed 80%. Job location and development programs cannot be used to find jobs at the institution, nor should they be used to find jobs for students after graduation.

**Federal and Non-Federal Shares of Compensation.** Under the FWS program, students are compensated with a combination of federal funding and a matching amount provided either by the institution or the employer. The share of compensation that may be provided through federal funding varies according to the type of FWS employment. For most FWS jobs, the maximum federal share of compensation is 75%; however, in certain instances, the federal share may be higher (see **Table 1**). For employment in the private for-profit sector, the federal share of compensation is limited to 50%. An institution's matching share of compensation may come from any source (other than FWS), and may be paid in the form of services, such as tuition, room, board, or books provided by the institution. **Table 1** highlights the maximum federal share of compensation for the various types of FWS employment.

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<sup>16</sup> HEA, § 441(c) (42 U.S.C. § 2751(c)).

<sup>17</sup> ED, *FSA Handbook*, vol. 6 — *Campus-Based Programs*, pp. 6-27 through 6-44.

**Table 1. FWS Requirements for Federal Share of Compensation**

Type of FWS employment	Maximum federal share	Specific requirements
FWS — In general	75%	General requirement
Private non-profit or government agency other than the institution	May exceed 75%, but not exceed 90%, consistent with regulations	Employer selected for student on case-by-case basis and otherwise would be unable to afford cost of employment; and no more than 10% of the institution's FWS students are employed in jobs for which the federal share exceeds 75%
Regulatory exception <sup>a</sup>	100%	Determination by the Secretary that federal share in excess of 75% is necessary to further the purpose of the FWS program
Private for-profit sector	50%	Employing for-profit organization must provide non-federal share of compensation
Tutoring and Literacy Projects	100%	Priority given to employment of students in projects funded under the Elementary and Secondary Education Act (ESEA)
Work Colleges	50%	Separate funding authorization; institution must match dollar-for-dollar with non-federal funds

**Source:** HEA, §§ 443, 444, 447, 448 (42 U.S.C. §§ 2753, 2754, 2756a, 2756b); and ED, *FSA Handbook*, vol. 6 — *Campus-Based Programs*, pp. 6-9 through 6-11.

- a. Applicable for schools designated as eligible schools under the Developing Hispanic Serving Institutions Program, the Strengthening Institutions Program, the American Indian Tribally Controlled Colleges and Universities Program, the Alaska Native and Native Hawaiian-Serving Institutions Program, the Strengthening Historically Black Colleges and Universities Program.

**Work-Colleges.** FWS authorizes funding to support comprehensive work-learning programs at select institutions called “work-colleges.” Work-colleges are institutions that make work-learning an integral part of their educational programs. For an institution to qualify for the Work-Colleges program, all resident students must be required by the institution to participate in a work-learning program that is an integral part of its educational philosophy. For purposes of the program, work-colleges can only be public or private nonprofit institutions and must have a commitment of service to the community. Activities authorized under the Work-Colleges program include those generally authorized under FWS grants, including job location and development. In addition, Work-Colleges program funds may be used to provide payments or credits to students participating in work-learning programs, to promote and administer work-learning, and for the study of work-learning programs. Funding for the Work-Colleges program is authorized separately from the remainder of the FWS program. Institutions may transfer funds from the FWS and Perkins Loan programs to the Work-Colleges program.

**Allocation of Funds to Institutions.** Similar to the FSEOG program, FWS funds are allocated to IHEs according to statutorily prescribed procedures. Funds first are allocated to institutions based on previous years' allocations, with priority

going to institutions that participated in the program in FY1999. These institutions are eligible to receive 100% of their FY1999 allocation as their base guarantee.<sup>18</sup> Institutions that began participating after FY1999, but which are not first- or second-time participants receive a base guarantee that is the greater of 90% of the amount they received in their first year of participation, or \$5,000. Institutions participating in the FWS program for their first or second year receive as their base guarantee, the greatest of \$5,000, 90% of an amount proportional to that received by comparable institutions, or 90% of what the institution received in its first year of participation. However, if an institution began participating in FWS after FY1999 and received a larger allocation in its second year of participation than in its first, it is allocated 90% of the amount it received in its second year of participation. If sufficient funds are not appropriated, then institutions' awards are reduced proportionately, resulting in an amount called their adjusted base guarantee.

Funds in excess of the amount required to meet institutions' base guarantee are allocated according to institutions' proportionate share of excess eligible need. For the FWS program, excess eligible need is the amount by which an institution's share of self-help need (fair share) exceeds its base guarantee. Self-help need is calculated separately for undergraduate students and graduate and professional students according to formulas that take into account the cost of attendance at the institution and the approximate EFCs of students attending the institution. Institutions whose grants are based in part on the need of independent students or those attending less than full-time are required to assist these students through FWS employment with a reasonable portion of the FWS grant. The Secretary is authorized to allocate up to 10% of funds appropriated for FWS that are in excess of \$700 million to institutions from which 50% or more of Pell Grant recipients either graduate or transfer to four-year institutions.

Institutions are provided flexibility to carryover up to 10% of their FWS funds for use in a succeeding fiscal year to carry out the FWS program. If an institution neither uses funds in the year for which they were granted, nor carries them over to the next fiscal year, the Secretary may, in the next succeeding fiscal year, reallocate them to other institutions within the same state. Up to 10% of an institution's allocation may be granted by the Secretary for the purpose of making grants to students prior to the beginning of the fiscal year, but after the end of the prior academic year. The Secretary also is required to reallocate any excess funds returned by institutions to eligible institutions that in the previous fiscal year used at least 5% of their FWS allocation to compensate students employed in tutoring in reading or family literacy activities. Reallocated funds must be distributed to such institutions according to their excess eligible need. Institutions returning more than 10% of their allocation may, at the discretion of the Secretary, have their next year's allocation reduced by the amount returned.

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<sup>18</sup> This is equal to the sum of its FY1999 (award year 1999-2000) base guarantee, plus its initial award year 1999-2000 pro rata increase, plus the additional FWS funds the institution received from the \$17 million set aside for that year. These funds were awarded according to criteria described below, to institutions that certified that they graduated or transferred at least 50% of their Pell Grant recipients.

## Federal Perkins Loans

The Federal Perkins Loan program authorizes the allocation of federal funds to IHEs to assist them in capitalizing revolving loan funds for the purpose of making low-interest loans to students with exceptional financial need. The Federal Perkins Loan program is authorized under the HEA at Title IV, Part E. It supersedes Title II — Loans to Students in Institutions of Higher Education, of the National Defense Education Act of 1958 (P.L. 85-864), which was incorporated into the HEA through the Education Amendments of 1972 (P.L. 92-318). Previously, these loans were known as National Defense Student Loans (Defense Loans) and National Direct Student Loans (NDSLs).

Institutions capitalize revolving loan funds created under the Perkins Loan program with a combination of federal and institutional capital contributions (FCCs and ICCs, respectively). Institutions apply to ED for FCC funds which are allocated according to procedures similar to those used for the FSEOG and FWS programs. Each institution's ICC must be equal to one-third of the FCC. After making loans, institutions recapitalize their loan funds by depositing the principal and interest repaid by students who borrowed under the program, as well as any other charges or earnings associated with the operation of the program.

**Award Procedures and Terms of Perkins Loans.** Institutions are required to establish written selection procedures for awarding Perkins Loans to eligible students and to keep these on file at the institution. Loans must be made reasonably available to all eligible students, to the extent that funds are available, and priority must be given to students with exceptional financial need. Institutions' selection procedures may include individuals' willingness to repay the loan.

Undergraduate students (including those seeking an additional undergraduate degree, if they are otherwise eligible), and graduate and professional students are eligible to borrow from the institutions they attend under the Perkins Loan program. Students studying abroad in programs approved for academic credit by participating institutions also may receive Perkins Loans. Under the terms of the program, the maximum amount a student may borrow per academic year is \$4,000 for undergraduate students and \$6,000 for graduate and professional students. The maximum aggregate amount that a student may borrow is limited to \$20,000 in unpaid principal for undergraduate students who have completed two years of study, but who have not completed their baccalaureate degree; \$40,000 for graduate and professional students; and \$8,000 for any other students. Both the annual and aggregate loan limits may be increased by up to 20% for students studying abroad in approved programs. If the amount of an institution's FCC is based in part on independent students or those studying less than full-time, then these students must be provided with a reasonable portion of the Perkins Loans made by the institution.

Interest on Perkins Loans is fixed at a rate of 5% per year.<sup>19</sup> However, no interest accrues prior to a student beginning repayment, nor while repayment is

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<sup>19</sup> Loans made prior to July 1, 1981 were at 3%; loans made between July 1, 1981 and September 30, 1981 were at 4%; and loans made on or after October 1, 1981 are at 5%.

suspended during deferment (described below). Borrowers must begin repaying Perkins Loans nine months after they no longer are enrolled at least half-time, and must complete repayment within 10 years after beginning repayment. Institutions may establish incentive repayment programs in which they may reduce the interest rate by up to one percentage point in instances where a student makes 48 consecutive payments. In addition, if a student repays a Perkins Loan in full prior to the end of the repayment period, an institution may discount the loan balance owed by up to 5% at the time the repayment is made. However, institutions may not use either federal or institutional funds from the Perkins revolving loan fund to absorb the costs of incentive repayment programs and must reimburse the fund on a quarterly basis for any lost income.

**Deferment.** In general, deferment is a period during which a borrower is not required to make payments on the loan balance and during which interest does not accrue. A Perkins Loan borrower is granted a deferment if the borrower:

- is enrolled at least half-time at an eligible institution;
- is pursuing a graduate fellowship or rehabilitation training program approved by the Secretary (excluding medical internship and residency programs);
- is seeking, but unable to find, full-time employment (for up to three years);
- is serving on active duty in the military or is performing qualifying National Guard duty during a war or other military operation of national emergency (for up to three years);<sup>20</sup>
- is experiencing economic hardship (for up to three years); or
- is engaged in a type of service that makes the borrower eligible for loan cancellation (discussed later).

Borrowers are not required to request deferment in writing, but must provide the institution with information necessary to document their deferment status. They also are not required to resume making payments until six months following the completion of any of the periods described above for which they are exempted from making payments. Time in deferment does not count toward the 10-year repayment period.

**Forbearance.** In general, forbearance is a temporary suspension or postponement of payments during which interest continues to accrue. A borrower may be granted forbearance from paying principal and interest or of principal only if the borrower's debt burden due to HEA student financial assistance loans is greater than or equal to 20% of the borrower's gross income, or if the institution determines that forbearance should be granted for other reasons. Examples include services in AmeriCorps or for reasons due to a "national military mobilization or other national emergency."<sup>21</sup> Borrowers are required to request forbearance in writing. Forbearance

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<sup>20</sup> This provision applies to loans for which the first disbursement was made on or after July 1, 2001.

<sup>21</sup> ED, *FSA Handbook*, vol. 6 — *Campus-Based Programs*, p. 6-75.

may be granted for a period of up to one year at a time, and may be renewed for a total period of up to three years.

**Cancellation.** Individuals who have engaged in the following types of public service are eligible to have part or all of their loans canceled:<sup>22</sup>

- elementary or secondary school teacher at a public or private school located within the school district of a local educational agency (LEA) eligible for federal aid under Title I-A of the ESEA and in which low-income students are more than 30% of the school's enrollment;<sup>23</sup>
- full-time staff member in a Head Start program;
- full-time special education teacher or a professional provider of Individuals with Disabilities Education Act (IDEA) early intervention services;
- member of the U.S. Armed Forces in an area of hostilities;
- Peace Corps or Americorps\*VISTA volunteer;<sup>24</sup>
- full-time federal, state, or local law enforcement or corrections officer (including prosecuting attorneys, but not public defenders);
- full-time teacher of mathematics, science, foreign languages, bilingual education, or other shortage subject area;
- full-time nurse or medical technician; or
- full-time employee of a public or private nonprofit agency serving high-risk children from low-income communities and their families.

Perkins Loan cancellation is based on both the number of years of service an individual has completed and a rate of cancellation applicable to the particular type of service. **Table 2** presents the percentage of the principal of Perkins Loans that is canceled for each year of service in an activity eligible for Perkins Loan cancellation. The terms of the program prescribe that the amount of principal and interest canceled for public service shall not be considered as income for purposes of the Internal Revenue Code (IRC) of 1986.

The Secretary is required to reimburse institutions for Perkins Loans canceled for students engaged in public service. Funds for reimbursing institutions for loan cancellations may not come from the appropriation designated for FCCs. Each year, the Secretary is required (to the extent feasible), to reimburse institutions within three months after they file their applications for reimbursement of campus-based funds. (Funds for the reimbursement of Perkins Loan cancellations are appropriated separately from funds for Perkins Loan FCCs.)

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<sup>22</sup> HEA, § 465(a) (20 U.S.C. § 1087ee(a)).

<sup>23</sup> Teacher cancellations may be granted only to individuals teaching in a school serving children from low-income families and which is listed in the *Directory of Designated Low-Income Schools for Teacher Cancellation Benefits*.

<sup>24</sup> Borrowers who have received a national service education award for volunteer service with Americorps under Title I-D of the National and Community Service Act of 1990 are not eligible for loan cancellation benefits.



**Table 2. Perkins Loan Cancellation Rates by Type of Service**

Type of service	Percent of Perkins Loan principal canceled per year of service			
	1 <sup>st</sup> and 2 <sup>nd</sup> years	3 <sup>rd</sup> and 4 <sup>th</sup> years	5 <sup>th</sup> year and later	Max. total
Elementary or secondary school teacher in a designated low-income school	15%	20%	30%	100%
Staff member in Head Start program	15%	15%	15%	100%
Special education teacher/IDEA professional provider	15%	20%	30%	100%
Armed Forces in area of hostilities	12½%	12½%	N/A	50%
Peace Corps or Americorps*VISTA volunteer	15%	20%	N/A	70%
Law enforcement or corrections officer	15%	20%	30%	100%
Full-time teacher in shortage subject area	15%	20%	30%	100%
Nurse or medical technician	15%	20%	30%	100%
Employee of provider of services to high-risk children and families	15%	20%	30%	100%

**Source:** HEA, § 465 (20 U.S.C. § 1087ee).

A borrower's liability to repay Perkins Loans is also canceled upon death or becoming permanently and totally disabled, as determined according to regulations issued by the Secretary. However, institutions are not reimbursed by the Secretary for loans canceled due to death or disability.

**Loan Default.** In general, a Perkins Loan is considered to be in default if the borrower has failed to comply with the terms of the promissory note or failed to make payments on a loan for 240 days (for a loan repayable monthly) or 270 days (for a loan repayable quarterly). The cohort default rate for an institution is defined as the percentage of current and former students entering repayment on Perkins Loans received for attendance at that institution who default on their loans before the end of the following award year.<sup>25</sup> For institutions with less than 30 students entering repayment in any year, the cohort default rate is calculated over a three-year period.

A borrower who has defaulted on a loan may rehabilitate the loan by making 12 consecutive on-time payments. Rehabilitated borrowers are returned to regular

<sup>25</sup> HEA, § 462(g) [42 U.S.C. § 1087bb(g)].

repayment status, begin a new 10-year repayment schedule, and have the default remove from their credit history. A borrower may rehabilitate a loan only once.

In certain instances where a school has followed due diligence procedures and is unable to collect payments on a loan in which the amount owed is \$25 or more, the school may assign a Perkins Loan (or NDSL) for collection to Federal Student Aid (FSA) Collections at ED. Upon accepting a loan, ED acquires all rights in the loan and any payments made to the lending institution must be forwarded to ED.<sup>26</sup> Any collections on Perkins Loans referred, transferred, or assigned to ED are returned to the U.S. Treasury.<sup>27</sup>

**Allocation of Funds to Institutions.** Under the Perkins Loan program, funds are allocated to IHEs according to procedures using a two-stage process somewhat similar to that used for the FSEOG and FWS programs — funds first are allocated according to institutions' previous year's allocations (base guarantee), and any remaining funds are allocated according to institutions' share of excess eligible amounts of student need (fair share increase). Unlike the formulas for the FSEOG and FWS programs, however, the Perkins Loan allocation formulas also include a *default penalty* applicable to institutions with large proportions of borrowers defaulting on their Perkins Loans. The default penalty is used to limit the awarding of Perkins Loan FCCs to only institutions with cohort default rates below a maximum threshold. Institutions with a cohort default rate of less than 25% are assigned a default penalty of "1" and those with a default rate of 25% or greater are assigned a default penalty of "0."

According to the allocation formulas, FCC funds first are allocated to IHEs according to their previous year's allocations with priority going to institutions that participated in the Perkins program in FY1999. These institutions are eligible to receive 100% of their FY1999 allocation.<sup>28</sup> Institutions that began participating in the Perkins Loan program after FY1999, but which are not first- or second-time participants, are eligible to receive 100% of the amount they received in their first year of participation. Those institutions that began participating after FY1999, and which are first or second time participants, generally are eligible to be awarded either 90% of the amount they received in the previous year or 90% of the amount awarded to comparable institutions on a per-capita basis. However, if an institution began participating in the Perkins Loan program after FY1999 and received a larger allocation in its second year of participation than in its first, it is allocated 90% of the amount it received in its second year of participation if this is a larger amount than it would otherwise receive. The minimum grant amount is \$5,000. Any institution with a default penalty of "0," however, has its FCC allotment reduced to "0."

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<sup>26</sup> ED, *FSA Handbook*, vol. 6 — *Campus-Based Programs*, pp. 6-118 through 6-120.

<sup>27</sup> The Secretary is authorized, but not required, to reallocate collections received on such loans (less an amount not to exceed 30% to cover collection costs) to IHEs according to the procedures for allocating federal capital contributions (described below).

<sup>28</sup> According to the Department of Education's *Explanation of Worksheet 2006-2007 Award Period* for the campus-based programs, this is equal to the institution's award year 1999-2000 conditional guarantee, multiplied by its award year 1999-2000 cohort default penalty factor, multiplied by a 60.77% reduction factor.

After allocating funds according to institutions' previous year's allocations, any remaining FCC funds are allocated based on each institution's fair share of excess eligible student need. This is the amount by which an institution's share of eligible self-help need exceeds the amount already allocated to it according to its base guarantee. Like in the FWS program, self-help need is calculated separately for undergraduate students, and graduate and professional students according to formulas that take into account the institution's COA and the approximate EFCs of students attending the institution. However, for the Perkins program, an institution's eligible amount of need is the amount of the institution's self-help need, minus the institution's collections (defined as the amount the institution collected in the second year prior to the award year, multiplied by 1.21), multiplied by its cohort default penalty (either 1 or 0).

The Secretary is authorized to reallocate any excess Perkins Loan funds returned by institutions. Eighty percent of these funds must be reallocated to institutions according to their excess eligible amounts of student need, while the remaining 20% can be reallocated according to regulation established by the Secretary. An institution returning more than 10% of its allocation will have its subsequent year's allocation reduced by the amount returned, unless waived by the Secretary as contrary to the interest of the program.

**Distribution of Assets from Perkins Loan Funds.** Upon ceasing to participate in the Perkins Loan program or if authorization of the program expires (discussed later in this report), institutions are required to begin a distribution of assets from their revolving loan funds.<sup>29</sup> Should either occur, institutions must repay the Secretary a portion of the balance of their loan funds that is proportional to the amount constituted by FCCs. In many instances, this percentage could range between 85% and 90% of an institution's Perkins Loan fund.<sup>30</sup> In its FY2006, FY2007, and FY2008 budget proposals, the Administration has recommended terminating the Perkins Loan program.

## Transfer of Funds Between Campus-Based Programs

Institutions are afforded flexibility in being able to transfer funds between the campus-based programs in which they participate. They may transfer a total of 25% of their allotment under the Perkins Loan program for use in the FSEOG or FWS programs, or both. Institutions also may transfer up to 25% of their allotment under the FWS program for use in the FSEOG program. However, no funds may be transferred out of the FSEOG program.

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<sup>29</sup> HEA, Section 466 (20 U.S. C. § 1087ff).

<sup>30</sup> U.S. Department of Education, Office of Postsecondary Education, *Dear Colleague Letter CB-00-05, Enclosure 1*. Institutions participating in the Perkins Loan program typically have received FCCs throughout the duration of their participation in the program. From the inception of the program through the 1992-1993 award year, the federal share was 90%. In the 1993-1994 award year, the federal share was 70%. Since the 1994-1995 award year the federal share has been 75%.

Institutions generally have used their transfer authority to move funds to the FSEOG program, primarily from FWS. For award year 2004-2005, based on data reported to ED, 1,488 institutions participating in the FWS program transferred a total of \$92.7 million to the FSEOG program. Also in that year, 180 institutions transferred \$6.4 million from Perkins to FSEOG and 55 institutions transferred \$1.9 million from Perkins to FWS.<sup>31</sup>

## Administrative Costs

Institutions participating in the campus-based programs are entitled to an administrative cost allowance to cover the expenses of administering the programs. Administrative cost allowances are determined according to the following schedule:

- 5% of the institution's first \$2.75 million in expenditures; plus
- 4% of the institution's expenditures greater than \$2.75 million and less than \$5.5 million; plus
- 3% of the institution's expenditures in excess of \$5.5 million.

In calculating administrative costs, institutions include both federal and institutional expenditures.<sup>32</sup> Institutions take their administrative cost allowances out of federal funds allocated for the FSEOG and FWS programs, and from cash on hand in their revolving loan funds for the Perkins Loan program. Institutions have some discretion in determining how to allocate administrative costs across the three campus-based programs. Administrative cost allowances as claimed for the campus-based programs are shown in **Table 3**.

**Table 3. Administrative Cost Allowances for the Campus-Based Programs: Award Year 2004-2005**

Campus-based program	Administrative cost allowance
FSEOG	\$15,941,556
FWS	55,667,626
Perkins Loans	77,145,221
Total	148,754,403

**Source:** U.S. Department of Education, Office of Postsecondary Education, *Federal Campus-Based Programs Data Book 2006*.

<sup>31</sup> U.S. Department of Education, Office of Postsecondary Education, *Federal Campus-Based Programs Data Book 2006*, at [<http://www.ed.gov/finaid/prof/resources/data/databook2006/databook2006.html>], visited July 31, 2006. (Hereafter cited as ED, *Federal Campus-Based Programs Data Book, 2006*.)

<sup>32</sup> HEA, § 489 (20 U.S.C. § 1096); ED, *FSA Handbook*, vol. 6—*Campus-Based Programs*, pp. 6-25 through 6-26.

## Funding and Program Data

This section presents budget information on past funding levels for the campus-based programs, and also program information including the number of institutions participating in each program, the number of students awarded aid and average award amounts, and the distribution of campus-based aid according to student and institutional characteristics.

### Funding for the Campus-Based Programs

The share of postsecondary student financial aid provided through the campus-based programs has decreased steadily over the past 30 years. According to the College Board, whereas in the 1971-1972 award year, 19.7% of total federal student aid was provided through the campus-based programs, preliminary figures indicate that only 3.3% was in academic year 2005-2006.<sup>33</sup> Now the greatest proportion of student aid is provided through federal loans (other than Perkins Loans) and an increasing amount is provided through higher education tax benefits. Over the past several years, funding has increased modestly for the FSEOG program, while funding for the FWS and Perkins Loan programs (FCCs and loan cancellations) has decreased. FY2004 was the last fiscal year in which discretionary funding was appropriated for Perkins FCCs. Annual funding levels for each of the campus-based programs, beginning with FY1999 (the first year since the last HEA reauthorization), are presented in **Table 4**.

Under each of the campus-based programs federal funds are required to be matched by the participating institution (or the employer under FWS, if other than the institution). As previously described, under each of the programs, the institutional match generally is one-third the amount of the federal share (however, in the FWS program, the required match can be as high as one-half of the federal share or as low as zero, depending on the type of employment). Because of the matching requirements, the campus-based programs leverage federal funding to provide an amount of student financial aid that is greater than the amount of federal funds appropriated for each program.

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<sup>33</sup> The College Board, *Trends in Student Aid 2006*, "Online Table 1 (History), Aid Used to Finance Postsecondary Education Expenses in Current Dollars (in Millions), 1963-64 to 2005-06," 2006, at [[http://www.collegeboard.com/prod\\_downloads/press/cost06/06-aid\\_charts.xls](http://www.collegeboard.com/prod_downloads/press/cost06/06-aid_charts.xls)], visited January 25, 2007.

**Table 4. Campus-Based Program Funding: FY1999-2008**  
(in thousands of dollars)

Fiscal year funding	FSEOG	FWS	Perkins-FCC	Perkins Loan cancellations
1999 Appropriation	\$619,000	\$870,000	\$100,000	\$30,000
2000 Appropriation <sup>a</sup>	631,000	934,000	100,000	30,000
2001 Appropriation	691,000	1,011,000	100,000	60,000
2002 Appropriation	725,000	1,011,000	100,000	67,500
2003 Appropriation	760,028	1,004,428	99,350	67,061
2004 Appropriation	770,455	998,502	98,764	66,665
2005 Appropriation	778,720	990,257	0	66,132
2006 Appropriation <sup>b</sup>	775,462	999,523	4,731	65,471
2007 Appropriation	770,933	980,354	0	65,471
2008 Budget request	0	980,492	0	0

**Sources:** U.S. Department of Education, Budget Service, *FY2008 President's Budget*; and historical tables.

- a. FSEOG includes a \$10 million emergency appropriation for victims of Hurricanes Dennis and Floyd.
- b. Includes a mandatory reappropriation of \$28,429 million in expired FY2005 funds pursuant to the National Disaster Student Aid Fairness Act (P.L. 109-86).

## Institutional Participation

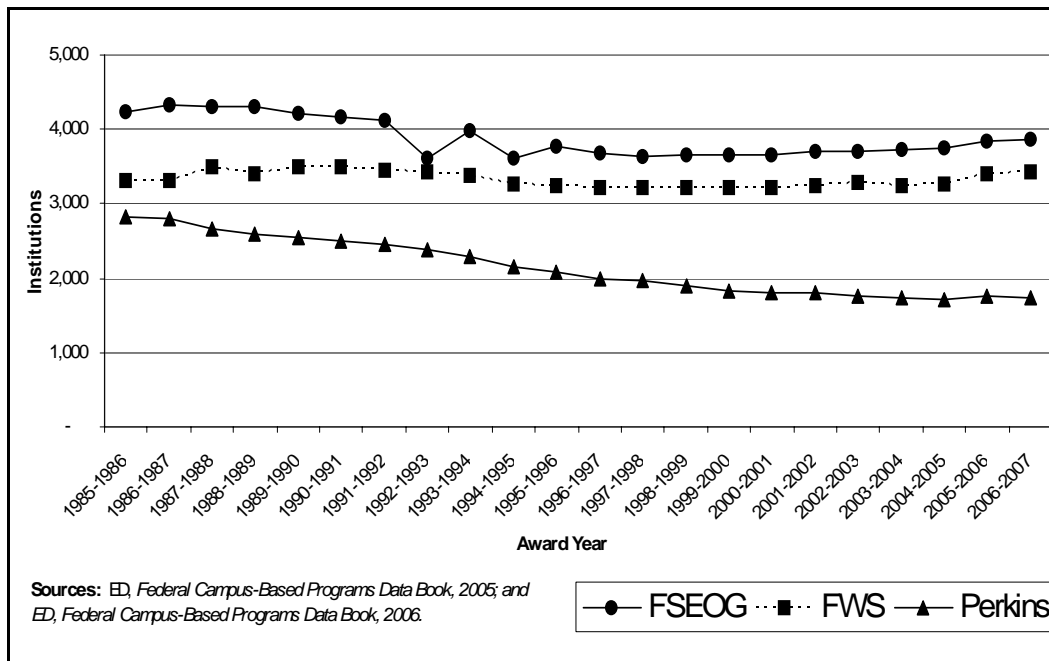
In fall of 2004, 6,617 postsecondary institutions were eligible to participate in HEA Title IV financial aid programs.<sup>34</sup> During award year 2004-2005, approximately 58% of Title IV-eligible institutions participated in the FSEOG program, while approximately 51% participated in FWS. However, only approximately 27% of Title IV institutions participated in the Perkins Loan program. While fewer institutions of all types participate in the Perkins Loan program than in either FSEOG or FWS, far fewer two-year and proprietary participate in the Perkins Loan program than the other two programs.<sup>35</sup> It is possible that these lower levels of participation are due to factors such as the administrative burden of administering a revolving loan fund and the generally higher cohort default rates of students who attend these types of institutions.

<sup>34</sup> U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS), Peer Analysis System, 2004.

<sup>35</sup> ED, *Federal Campus-Based Programs Data Book, 2004*.

Over the past decade, there has been a slight increase in the number of institutions participating in the FSEOG and FWS programs. Institutional participation in the Perkins Loan program, however, has continued a pattern of decline that has occurred over the past two decades. **Figure 1** displays the number of institutions participating in each of the campus-based programs since the 1984-1985 award year.

**Figure 1. Institutions Participating in the Campus-Based Programs: Award Years 1985-1986 through 2006-2007**



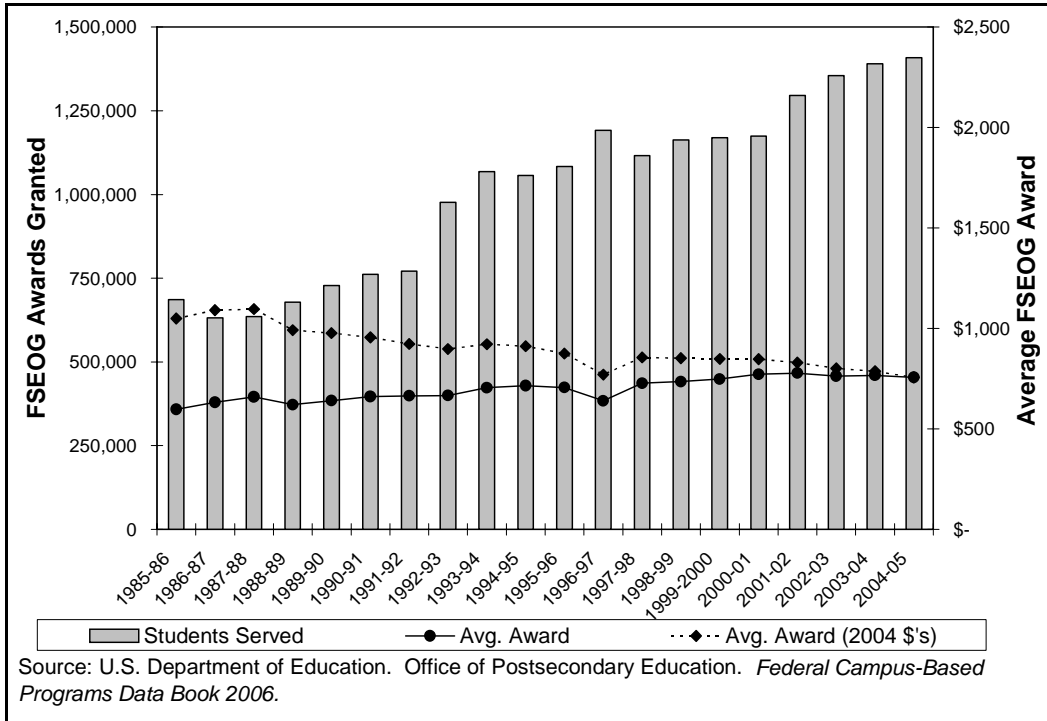
## Students Served and Average Aid Amounts

This section presents information on the number of students being served and the average award amounts for each of the three campus-based programs based on program data from ED. To facilitate comparison of student award amounts over time, these data have been adjusted to 2004 dollars according to the consumer price index for all urban consumers (CPI-U).

**FSEOG.** FSEOG program data on the number of students granted awards and the average award amount since the 1985-1986 award year (in constant 2004 dollars) are presented in **Figure 2**. Once the smallest of the three campus-based programs in terms of the number of students served, the FSEOG program has grown steadily since its inception in the 1967-1968 award year to become the largest today. Since award year 1989-1990, it has served more students annually than either of the other two campus-based programs. The number of students receiving FSEOG awards increased considerably during the 1990s, reaching 1.4 million in 2004-2005 (more than twice as many students as received awards in 1985-1986). The average amount of aid provided per student under the FSEOG program is the lowest among the three campus-based programs. Over the past two decades, increasing numbers of students have been served through the FSEOG program, and the average award amount has

increased from \$598 in 1985-1986 to \$756 in 2004-2005. However, in constant dollars, award amounts have declined by 28%.

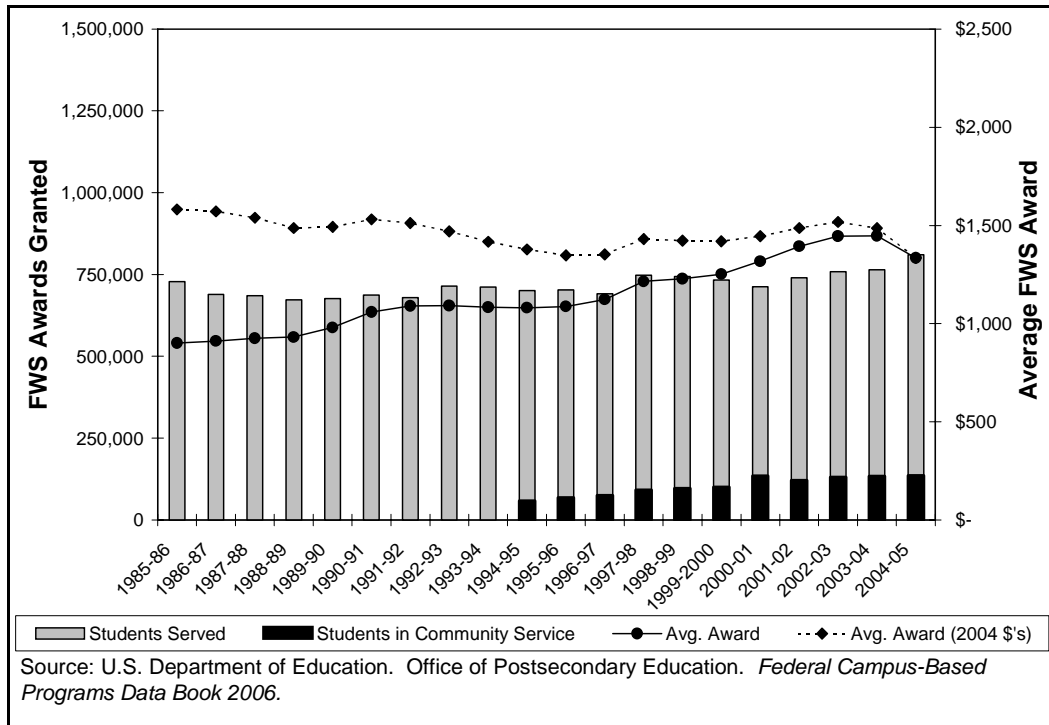
**Figure 2. FSEOG: Number of Students Receiving Awards and Average Award Amounts, 1985-1986 through 2004-2005**



**FWS.** FWS program data are presented in **Figure 3**. For most of the past two decades, between 650,000 and 750,000 students have been served annually through FWS; however, in recent years there has been a marked increase in participation — more than 810,000 students received FWS aid in 2004-2005. Since the mid-1980s, the average FWS award has increased from \$901 in 1985-1986 to \$1,335 in 2004-2005. However, when adjusted for inflation, this amounts to a decrease of 16.2% in constant dollars. From the 1994-1995 award year through the 1999-2000 award year, institutions participating in the FWS program were required to expend at least 5% of their initial and supplemental FWS allocations to compensate students employed in community service jobs. Beginning with award year 2000-2001, institutions are now required to expend 7% of their FWS allotment on community service and to operate at least one tutoring or family literacy project. Since the community service requirements have been in place, ED reports that the number of students employed in community service increased from 58,596 in award year 1994-1995 to 135,758 in award year 2004-2005. The shaded portion of the bars in **Figure 3** indicates the number of students employed in community service.



**Figure 3. FWS: Number of Students Receiving Awards and Average Award Amounts, 1985-1986 through 2004-2005**



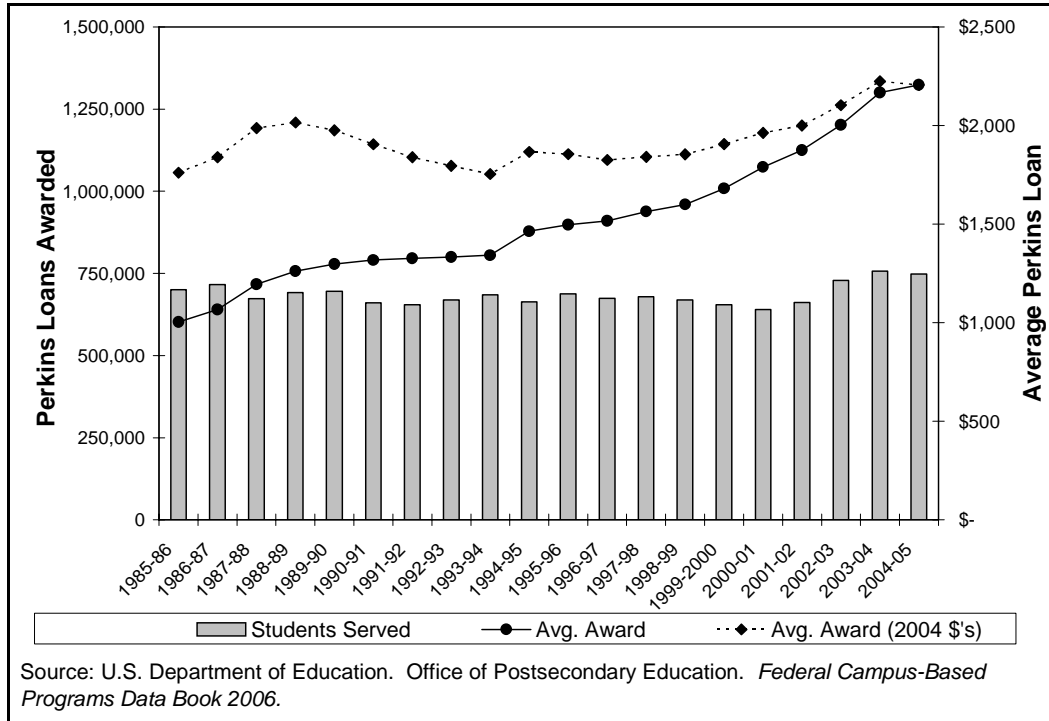
Success in meeting the community service requirements is determined by dividing the total funds used to compensate students employed in community service jobs by the institution’s total FWS allocation; and by determining whether the institution expended part of its allocation to compensate students for community service employment as reading tutors or for family literacy activities. Institutions may apply to the Secretary for a waiver from either or both of the FWS community service requirements. There is no explicit penalty for failing to meet the requirement. Information on the expenditure of FWS funds for community service, by IHE for AY2004-2005, has been reported by the U.S. Department of Education and is available from the Corporation for National and Community Service. Overall, participating IHEs spent 15.75% of their allocations to compensate students employed in community service jobs. Of 3,323 IHEs reporting data for AY2004-2005, 3,011 (90.6%) either met the 7% expenditure requirement or received a waiver.<sup>36</sup>

**Perkins Loans.** Historical data on the Perkins Loan program are provided in **Figure 4**. Slightly fewer students receive aid through the Perkins Loan program than through FWS, making it the smallest of the three campus-based programs in terms of number of students served.

<sup>36</sup> Corporation for National and Community Service, *Volunteering in America, The Role of the Federal Government, Federal Work-Study Program*, at [<http://www.nationalservice.gov/about/volunteering/federal.asp>], visited May 14, 2007. Note: data are not reported on tutoring and family literacy projects.

Since 1985-1986, the annual number of students served has averaged between 630,000 and 760,000. The average Perkins Loan amount, however, is considerably greater than the amount of aid provided under either FSEOG or FWS. Over the past two decades, average Perkins Loan amounts have more than doubled, increasing from \$1,003 in 1985-1986 to \$2,206 in 2004-2005. In constant dollars, this represents an increase of 25.3%.

**Figure 4. Perkins Loans: Number of Students Receiving Awards and Average Award Amounts, 1985-1986 through 2004-2005**



Perkins Loans cohort default rates have declined from a high of 12.95% in 1997 to 8.12% in 2005. (See **Table 6**.) Four-year institutions typically have the lowest cohort default rates, while those of two-year and proprietary institutions are much higher. In comparison, FFEL/Direct Loan cohort default rates typically have been a few percentage points lower than rates for Perkins Loans.<sup>37</sup> At the end of FY2004, the Administration reported a total of \$1.2 billion in outstanding defaulted Perkins Loans, with \$321 million of this amount assigned to ED for collection.<sup>38</sup>

<sup>37</sup> U.S. Department of Education, *National Student Loan Default Rates*, at [<http://www.ed.gov/offices/OSFAP/defaultmanagement/defaultrates.html>].

<sup>38</sup> Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2005 — Appendix*, “Department of Education, Office of Student Financial Assistance,” p. 361.

**Table 6. Perkins Loan and FFEL/DL Cohort Default Rates:  
1997-2005**

Loan type	1997	1998	1999	2000	2001	2002	2003	2004	2005
Perkins Loans <sup>a</sup>	12.95	12.48	11.54	10.61	9.99	8.35	8.85	8.29	8.12
FFEL/DL <sup>b</sup>	10.4	9.6	8.8	6.9	5.6	5.9	5.4	5.2	4.5

**Sources:** ED, *Federal Campus-Based Programs Data Books, 1997 through 2006*; U.S. Department of Education, Official Cohort Default Rates for Schools, National Student Loan Default Rates.

a. Perkins Loan cohort default rates are for the two-year period ending June 30 of the year indicated.

b. FFEL/DL cohort default rates are for the two-year period ending Sept. 30 of the year indicated.