Electronically announced on Federal Perkins Loan Program Administrative Responsibilities and Reporting Requirements, published on October 4, 2018, we reminded
institutions of their obligation to ensure all collection procedures under the regulations 34 CFR 674.45, which included assignment of defaulted loans, were being followed.

If the institution, or the firm it engages, pursues collection activity for up to 12 months and is not successful in converting the account to regular repayment status, or the borrower does not qualify for deferment, postponement, or cancellation on the loan, the institution shall:

1. Litigate in accordance with the procedures in § 674.46;
2. Make a second effort to collect the account as follows:
   a. If the institution first attempted to collect the account using its own personnel, it shall refer the account to a collection firm.
   b. If the institution first attempted to collect the account by using a collection firm, it shall either attempt to collect the account using institution personnel, or place the account with a different collection firm; or
3. Submit the account for assignment to the Secretary in accordance with the procedures set forth in § 674.50.

If an institution is unsuccessful in its efforts to place a loan in repayment after extensive collection efforts, it must continue to service the loan by making yearly attempts to collect from the borrower until the loan is

- recovered through litigation;
- assigned to the Department; or
- written off only if the outstanding principal, accrued interest, collection costs and late charges are within the allowable thresholds as prescribed under § 674.47(h) (loans with a balance of less than $25; or loans with a balance of less than $50 if the borrower has been billed for this balance for at least 2 years).

Institutions are reminded that under Section 463(a)(5) they may voluntarily assign Perkins loans, including those loans that have an acceptable collection record or are not in default, at any time.

Contact Information

If you have questions about the information in this announcement, contact the COD School Relations Center at 1-800-848-0978. You may also email CODSupport@ed.gov.

COMITÉ DE REGULACIONES FEDERALES Y ESTATALES