BUDGETING FOR EDUCATION: THE ROLE OF PERKINS LOANS

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BEFORE THE

COMMITTEE ON THE BUDGET
HOUSE OF REPRESENTATIVES

ONE HUNDRED ELEVENTH CONGRESS

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BUDGETING FOR EDUCATION: THE ROLE OF PERKINS LOANS

WEDNESDAY, SEPTEMBER 22, 2010

HOUSE OF REPRESENTATIVES,
COMMITTEE ON THE BUDGET,
Washington, DC.

The Committee met, pursuant to call, at 2:02 p.m., in room 210, Cannon House Office Building, Hon. John M. Spratt, Jr. [Chairman of the Committee] presiding.

Present: Representatives Spratt, Doggett, Etheridge, McCollum, Bishop, Ryan, Djou.

Chairman SPRATT. The hearing will come to order. Mr. Bishop, come on up here if you want to. Come on up.

I am pleased today that we have an opportunity to discuss the vitally important issue of college affordability, and specifically the Perkins Loan Program and the valuable assistance it provides in helping low-income students pay for college, especially now with the economy reeling. It makes a world of difference to have a college education.

Today's New York Times carries an article with statistics confirming the economic value of a college education. Americans with a bachelor's degree earn on average almost 60 percent more—60 percent more—than those with only a high school degree. The difference is even greater for that age 25 to 34.

Americans with a college degree also are far less likely to be unemployed. The 4.7 percent unemployment rate for college graduates in 2009 was less than half the 9.7 percent rate for high school graduates. In fact, over the last twenty years all of the increase in U.S. employment has been among people with a college degree or at least some college education. By contrast, employment for those with only a high school degree has actually dropped a bit over that period of time.

Today's hearing will help us understand the fundamental picture. The Perkins Loan Program improves access to college for hundreds of thousands of students, and it supports thousands of jobs as well. That's why I'm determined to keep this program going, to keep it strong—helping students and supporting jobs—and why I think Congress needs to take action to make it permanent.

The Perkins Loan Program is an important campus-based loan program that has been around since 1958, probably before Mr. Ryan here was born.

Mr. RYAN. Way before I was born.

Chairman SPRATT. I remember well the Sputnik scare and what drove us to adopt the National Defense Student Loan Program.

Today more than 1,700 colleges offer these low-interest Perkins loans to their neediest students, loans that often make the difference between those students being able to afford college or not.

And Perkins loans aren't just vital to students; the program provides vital employment for thousands of folks across the country, both at colleges and at private loan servicing companies that some colleges use to administer their loans.

These experts work with the students so they know all the details of their loan, and they help them ensure that upon graduation they know their options for repayment and loan forgiveness if they enter certain public service jobs.

In Rock Hill, South Carolina, my home district, we have two companies who together employ several hundred people working on Perkins loans.

We will hear testimony today from Bob Perrin, the President of Williams & Fudge, and in the audience I see other South Carolinians—Neil Welborn, Hal Todd, and Gina Santoro of Todd, Bremer & Lawson—both local companies that provide the human touch that contributes to making this a really successful program.

Although Congress has provided no capital contributions since 2004 and no funds for loan forgiveness since 2009, the participating colleges are still disbursing new Perkins loans from their revolving funds. The revolving funds contain prior federal contributions, the college's matching grants, and loan repayments from graduates. But starting in October 2012, colleges will cease making new Perkins loans with the income from loan repayments, and instead send the funds back to the federal government.

Current law scheduled all prior federal capital contributions to be recalled to the Treasury, spelling an end eventually to the Perkins Loan Program.

Congress therefore needs to address this loan legislation or it will wither on the vine and disappear in 2012.

Given this need for action, I am interested in working with my colleagues, the Administration, and the higher education community to find a cost-effective solution that keeps this program viable.

Our colleague, Representative Tim Bishop, has joined me in introducing H.R. 5448, the Perkins Loan Extension Act. This bipartisan bill, co-sponsored also by the Ed and Labor Committee Chairman George Miller, would extend the recall date by one year to provide the time to craft a comprehensive approach to keep Perkins loans going.

Additionally, today I will be sending a letter to the Secretary of Education urging the Administration to work with us on legislation to extend this loan program.

I think it is imperative that we ensure that students continue to have access to these low-cost loans and that jobs associated with them don't disappear when we can ill afford to lose them.

I ask unanimous consent to include the letter to the Secretary in the record.

Today we will hear from three witnesses, each of whom can talk about Perkins loans from a different perspective. As I mentioned, Bob Perrin from Rock Hill is President of Williams & Fudge, and he is also the President of the Coalition of Higher Education Assistance Organizations, a group of 300 educational and commercial members that advocates for Perkins and other campus-based aid programs.

We also have Sarah Bauder, Assistant Vice President for Enrollment Services and Financial Aid at the University of Maryland in College Park.

And finally, we have Joseph Hill, a Georgetown University senior from Philadelphia, who will talk about the important role his Perkins loans played in his attendance and upcoming graduation from college.

Let me turn to Mr. Ryan for any statement that he cares to make before we move to the witnesses' statements. Mr. Ryan.

[The prepared statement of John M. Spratt follows:]

PREPARED STATEMENT OF HON. JOHN M. SPRATT, JR., CHAIRMAN, COMMITTEE ON THE BUDGET

The hearing will come to order.

I am pleased that today we have an opportunity to discuss the important issue of college affordability and, specifically, the Perkins loan program and the valuable assistance it provides in helping low-income students pay for college. Especially now, when the economy is still reeling, it makes a world of difference to have a college degree. Tuesday's New York Times had an article with statistics confirming the economic value of a college education: Americans with a bachelor's degree earn on average almost 60 percent more than those with only a high school degree, and the difference is even greater for those age 25 to 34. Americans with a college degree are also far less likely to be unemployed; the 4.7 percent unemployment rate for college graduates in 2009 was less than half the 9.7 percent unemployment rate for high school graduates. In fact, over the last twenty years, all of the increase in U.S. employment has been among people with a college degree or at least some college classes. By contrast, employment for those with only a high school degree has actually dropped a bit over time.

Today's hearing will help us understand the fundamental picture: the Perkins loan program improves access to college for hundreds of thousands of students, and it supports thousands of jobs, as well. That's why I'm determined to keep the Perkins loan program strong—helping students and supporting jobs—and why Congress needs to take action.

The Perkins loans program is an important, campus-based loan program that has been around since its inception in 1958 as the National Defense Student Loan program. Today, more than 1,700 colleges offer these low-interest Perkins loans to their neediest students, loans that often make the difference between those students being able to afford college, or not.

And Perkins loans aren't just vital to students; the Perkins loan program provides vital employment for thousands of people across the country, both at colleges and at the private loan servicing companies that some colleges use to administer their Perkins loans. These experts work with the students so they know all the details of their Perkins loan, and help ensure that upon graduation they know their options for repayment or loan forgiveness if they enter certain public service jobs. In Rock Hill, South Carolina, in my home district, we have two companies who together employ several hundred people working on Perkins loans. We will hear testimony today from Bob Perrin, the President of Williams and Fudge, and in the audience I see other South Carolinians including Niel Welborn, Hal Todd, and Gina Santoro from Todd, Bremer & Lawson—both local companies that provide the human touch that contributes to making the Perkins loan program successful.

Although Congress has provided no Perkins loan capital contributions since 2004 and no funds for loan forgiveness since 2009, participating colleges are still disbursing new Perkins loans from their revolving funds. The revolving funds contain prior federal contributions, the college's matching funds, and loan repayments from graduates. But starting in October 2012, colleges will cease making new Perkins loans with the income from loan repayments, and instead send the funds back to the federal government; current law schedules all prior federal capital contributions to be recalled to the Treasury, spelling an end to the Perkins loan program. Congress therefore needs to address Perkins loan legislation, or this program will wither on the vine in 2012.

Given this need for action, I am interested in working with my colleagues, the Administration, and the higher education community to find a cost-effective solution that keeps the Perkins loan program viable. Our colleague, Rep. Bishop, has joined me in introducing HR 5448, the Perkins Loan Extension Act. This bipartisan bill—cosponsored also by Education and Labor Committee Chairman George Miller—would extend the recall date by one year to provide the time to craft a comprehensive approach to keep Perkins loans flowing. In addition, later today I will be sending a letter to Education Secretary Arne Duncan urging the Administration to work with Congress on legislation to extend Perkins loans. I think it is imperative that we ensure that students continue to have access to these low-cost Perkins loans, and that jobs associated with Perkins loans don't disappear when we can least afford to lose them. I ask unanimous consent to include the letter to the Secretary in the hearing record.

Today we will hear from three witnesses, each of whom can talk about Perkins loans from a different perspective. As I mentioned earlier, Bob Perrin from Rock Hill is both President of Williams and Fudge, and the elected President of the Coalition of Higher Education Assistance Organizations, a group of 300 educational and commercial members that advocates for Perkins and other campus-based aid programs. We also have Sarah Bauder, Assistant Vice President for Enrollment Services and Financial Aid at the University of Maryland in College Park. And finally, we have Joseph Hill, a Georgetown University senior from Philadelphia, who will talk about the important role his Perkins loans played in his attendance and upcoming graduation from college.

Before we hear from our witnesses, I'd like to now turn to Congressman Ryan for any opening statement he would care to make.

Mr. RYAN. Thank you, Mr. Chairman, thank you for calling this hearing on the future of the Perkins Loan Program.

We all share a commitment to investing in the next generation and preparing our workforce to lead in today's competitive global economy. I applaud the Administration for taking steps to promote accountability and reforms to address the unconscionable failures in some of our classrooms and promote greater incentives to reward performance and success.

I also have concerns with efforts to further centralize decisions in Washington that would best be left to states, local school districts, teachers, and parents, as well as the recent government takeover of the entire student loan industry.

While I look forward to discussing the proper role of the federal government in making our world-class higher education system more competitive and more accessible to more Americans, we gather today in the House Budget Committee without a budget for the upcoming fiscal year and without a clue of how to finance our commitments to priorities like defense, health, and education.

It is true, I was born after Sputnik, I was actually born after we put a man on the moon, but I wasn't born yesterday, and the country faces $1.5 trillion deficits, adding to the $13 trillion total debt. The entitlement tsunami coming our way will overwhelm the federal budget and shred our critical social safety net if we fail to act.

Advocates of programs like Perkins loans must take seriously the threat to national priorities if we fail to account for our looming fiscal crisis.

I hope that today's hearing can allow for a candid discussion on how the federal government can promote a world-class education for our children and how we can address the unconscionable debt burden we are passing on to the next generation.

To those committed to continuing the rapid rise in spending for programs such as education we should do so by making other tradeoffs in the budget, and we must begin to reform our entitlement program so that they can meet their critical missions and give the next generation a more prosperous, more secure, and debt free Nation.

Thank you.

Chairman SPRATT. Thank you, Mr. Ryan.

Now let me give Mr. Bishop an opportunity to say something, because he probably has more direct hands-on experience with this program than anyone sitting in the room outside our experts.

Mr. Bishop.

Mr. BISHOP. Mr. Chairman, thank you very much for holding this hearing, and it is an honor for me to join you in co-sponsoring the bill that would extend the Perkins Loan Program for a year so that we may figure out a permanent solution.

I was born before 1958, which is readily apparent, I am sure, but I went to college in part courtesy of what was then called a National Defense Student Loan. Upon graduating from college I became a college administrator, and for a period of time I was a director of financial aid, so I suspect I am the only member of Congress who has actually administered a Perkins Loan Program—at the time I was doing it, it was called National Direct Student Loan Program. I have a deep appreciation for the role that not just Perkins loans play, but the role that campus-based programs in general play—SEOG and Work Study as well—and I believe they are tools that allow the financial aid officer to really work on the dual related issues of access and affordability.

I am very worried about two pretty powerful statistics. One is that we have fallen from first to sixth in the world in the proportion of our high school graduates who go on to college. The second is that we have fallen from first to twelfth in the world in the proportion of our population that has a college degree. I think neither number bodes well for our future; I think our future is wrapped up in having a workforce that is educated and competitive, and higher education is a crucial component of that, and I believe that Perkins Loan availability is a crucial component of facilitating enrollment.

So I look forward to working with my colleague, Mr. Spratt, and others on first forging a one-year extension, and then secondly a more permanent extension of the program so that both students and administrators can plan for the future with some degree of accuracy.

So I thank you, Mr. Chairman, and I yield back the balance of my time.

Chairman SPRATT. Thank you, Mr. Bishop.

A couple of housekeeping details at this point. I would ask unanimous consent that all members be allowed to submit an opening statement for the record at this point. Without objection, so ordered.

And to all of our witnesses and all those in attendance we welcome you to our Committee room. The written testimony of all witnesses will be made part of the record so that you may summarize as you see fit.

Mr. Perrin, we will begin with you. Welcome to our Committee, and we look forward to your testimony. The floor is yours.

STATEMENTS OF BOB PERRIN, PRESIDENT, COALITION OF HIGHER EDUCATION ASSISTANCE ORGANIZATIONS, WILLIAMS & FUDGE, INC.; SARAH BAUDER, ASSISTANT VICE PRESIDENT ENROLLMENT SERVICES AND FINANCIAL AID; JOSEPH HILL, SENIOR, GEORGETOWN UNIVERSITY

STATEMENT OF BOB PERRIN

Mr. PERRIN. Thank you, Chairman.

Chairman Spratt, Ranking Member Ryan, and Members of the House of Representatives' Committee on the Budget, I want to express my gratitude to each of you for extending to me an opportunity to testify today.

I will share why the Federal Perkins Loan Program must continue as a campus-based program that offers unique benefits to students.

Over its long history, the Perkins Loan Program has often been the financial bridge that has enabled students to enroll or continue their studies at the college of their choice by providing low-interest loans.

Loan forgiveness benefits that provide cancellations for teaching, military service, nursing, and many other degrees has encouraged generations of students to choose careers in public service professions.

First I would like to take a moment to share my experiences and my background.

I am currently celebrating my 30th year in higher education financial aid, so I guess that makes me born before Sputnik. My career began at the University of South Carolina where I worked for many years helping counsel students who were in the process of completing their degrees and preparing to repay their student loans.

Presently I am President of Williams & Fudge, Inc., a higher education accounts receivable management company of 250 employees located in Rock Hill, South Carolina. We partner with over 1,000 colleges and universities and assist with management recovery of their student loans and receivables.

I currently serve as the elected President of the Coalition of Higher Education Assistance Organization, often referred to as COHEAO. This is an organization comprised of volunteers from colleges and universities and their servicers who are dedicated to advocating for access to higher education. Our motto is, more education for more people. And COHEAO's membership represents thousands of years of experience working with students on higher education student loans.

The organization's expertise has often been tapped by congressional leaders, as well as current and past administrations, to provide recommendations for both legislative and regulatory issues, and it is the sole national association dedicated to providing access to higher education through campus-based student lending programs, including the Perkins Student Loan.

According to the Department of Education, 1700 campuses nationwide made over $1.1 billion in Perkins loans to approximately 551,000 students in fiscal year 2009. Campuses in all but one state participate in the Perkins Loan Program, which provides loans of up to $5,500 per year to undergraduate students with financial need.

Because the total available funds are limited the average annual loan amount is about $2,125, but it is funding that often makes a difference for low- and middle-income students who are struggling to finance their education.

Perkins serves to fill the gap between limited grant funds and Stafford loans and the cost of education. For that, it is a crucial program.

The Perkins Program has a long and interesting history. In 1947 the President's Commission on Higher Education established a national goal of having one-third of our country's citizens graduate with a four-year college degree.

Ten years later, after the launch of the first space satellite, Sputnik, by the Soviet Union, Congress enacted a bipartisan bill called the National Defense Education Act. Signed into law on September 2nd, 1958, by President Eisenhower, the NDEA represented the birth of federal student loans.

Title II of the NDEA created the National Defense Student Loan Program to make low-interest federal loans available to needy students who are pursuing undergraduate and graduate degrees.

This same program, the NDSL, is now known as the Federal Perkins Loan Program and has been serving our country for over 52 years by providing low-interest student loans to financially disadvantaged students.

This program has been providing opportunities for students through 11 presidential administrations and 26 sessions of Congress.

Today the Federal Perkins Loan Program is faced with a major challenge. Under current law, colleges will be forced to begin repaying prior federal funding to the Treasury in October 2012 instead of continuing to make new loans with the funds, a change that would end the program and leave hundreds of thousands of students without the low-cost loans they need.

This recall date has been pushed back a number of times in past legislation, most recently in the 2007 College Cost Reduction and Access Act.

There has always been a unique partnership between the federal government and the colleges and universities that participate in Perkins. Colleges and universities are required to match from their own funds at least one-third for every federal dollar appropriated. Many institutions have put even more of their own funds into the program in order to stretch those federal dollars. This is a feature of the Federal Perkins Loan Program that is particularly important from a budgetary perspective. Federal funds are not only matched, they are recycled over and over again.

One of the key differences between the Perkins and other federal student loan programs is a revolving loan fund. Those $39 million that were appropriated in 1959 continue to be lent and repaid by students. Five generations of student loan borrowers have now benefitted from those same dollars.

The Federal Perkins Loan Program targets the neediest students. During award year 2006 to 2007, 27 percent of families that had dependent students enrolled in colleges had an income under

$25,000. In addition, 21 percent of Perkins loan borrowers were independent student, and 47 percent of those had annual incomes of less than $20,000.

Institutional financial aid administrators have flexibility in determining the amount of a Perkins loan awarded to students. This enables them to package the financial aid in a manner that best benefits the students. Students can use the Perkins loan as a low-interest alternative to help fill financial gaps for low- and middle-income students.

The Perkins loan also provides full loan cancellation opportunities for students who pursue careers in public services, and these are cancellations that are much more superior to the Direct Loan program.

The interest rate for Perkins has remained fixed at five percent since the early '80s. Interest does not accrue on any amounts filed during in-school enrollments, grace periods, and during periods of eligible deferment. Not assessing interest during these periods substantially reduces students' overall financial obligations when they leave school.

To illustrate how important this benefit is, assuming that an undergraduate student received the maximum award annually, he or she would owe an additional $5,000 upon graduation if interest had accrued.

Despite all these electronic innovations developed during the last decade, students continue to need personal interaction to explain their financial aid and to help them with their loan obligations. Student aid is often students' first exposure to managing their finances. As such, student loan administrators are in essence educators, and they play a valued role in preventing and controlling delinquencies often by providing their scholars with the type of financial education that is going to serve them much longer than the term of their Perkins loan. These same administrators provide detailed explanation of entitlements and benefits that are associated with not just Federal Perkins, but all financial aid programs.

The relationship between the loan administrators and the students continue after they graduate. We believe that most students continue to seek financial counsel from the personnel of the college they attended. There is this recognition factor and a level of comfort that has been inherited in the process.

Colleges and universities also recognize that the student borrower today is the alumni contributor of the future once they have become established financially.

Any servicers contracted by the school to provide billing and collections to augment the institution's functions are held accountable to provide quality service and meet all federal and state requirements. The majority of these institutions award services based on very competitive bids and RFPs. To win business, servicers must meet the expectation of the institutions.

Another critical point I'd like to make is the potential for thousands of jobs being eliminated both from the private and the public sector if the Perkins Loan Program is forced to close. Positions that provide entrance, exit interviews, financial literacy, and overall management of the campus-based programs on many campuses throughout this Nation would be eliminated if the Perkins Loan

Program expires or is structurally changed. Substantial job losses would be experienced from private companies that provide the billing and the collection services.

One concern about extending the Perkins Loan Program and its student benefits is that the program's unusual structure doesn't fit the mode for calculating federal program costs. In other words, I understand that the Congressional Budget Office and the Office of Management and Budget have calculated that there may be a federal cost to such an extension. In reality, such a cost does not represent increased spending.

Over the years Congress has appropriated funds to the Perkins Program. Those funds were counted as spending at the time of the appropriation, so the money that institutions currently have in their revolving fund or what is owed to them has already been spent. Those federal funds are also continuing to leverage institutional funds to make the federal dollar go further.

Like most Americans, I am very worried about the size of our federal budget deficit, but I don't believe that extending the Perkins Loan Program with already spent federal funds plus contributions from colleges, will increase the deficit. It just doesn't make sense that simply continuing the Perkins Loan Program without adding federal dollars counts as new federal spending.

I also don't think that it will make sense to American students who will face an even greater debt burden or be unable to pursue higher education if Perkins is allowed to die.

I urge this Committee to take a close look at this unusual situation, and for Chairman Spratt and Ranking Member Ryan to work together to come up with a solution to the scoring problem that will allow the extension legislation to move forward.

The 110th Congress recognized that the Federal Perkins Loan Program still continues to play an important role within the financial aid landscape when it reauthorized the program in the Higher Education Opportunity Act of 2008, which is the most recent reauthorization of the Higher Education Act. They made a strong statement of support, which I have included in my written testimony.

In summary, we ask that the Committee continue to recognize that the Perkins Loan Program remains an essential part of the financial aid system that makes higher education possible for millions of students.

I also respectfully ask on behalf of COHEAO members around the country and the students that they serve that Members of the Committee co-sponsor H.R. 5448, Congressman Spratt's bill extending the Perkins Loan Program.

I want to once again thank the Committee for the opportunity to submit testimony, and I welcome your questions.

[The prepared statement of Bob Perrin follows:]

PREPARED STATEMENT OF BOB PERRIN, PRESIDENT, COALITION OF HIGHER EDUCATION ASSISTANCE ORGANIZATIONS (COHEAO), WILLIAMS & FUDGE, INC.

Chairman Spratt, Ranking Member Ryan, and members of the House of Representatives Committee on the Budget, I want to express my gratitude to each of you for extending to me an opportunity to testify today. I will share why the Federal Perkins Student Loan Program must continue as a campus-based program that offers unique benefits to students.

Over its long history, the Perkins Loan Program has often been the financial bridge that has enabled students to enroll or continue their studies at the college of their choice by providing low interest loans. Loan forgiveness benefits that provide cancellations for teaching, military service, nursing, and many other degrees have encouraged generations of students to chose careers in public service professions.

First I would like to take a moment to share my experiences and background. I am currently celebrating my thirtieth year in higher education financial aid. My career began at the University of South Carolina where I worked for many years helping counsel students who were in the process of completing their degrees and preparing to repay their student loans.

Presently I am President of Williams & Fudge, Inc; a higher education accounts receivable management company of two hundred fifty (250) employees located in Rock Hill, South Carolina. We partner with over 1,000 colleges and universities, and assist them with management and recovery of their student loans and receivables.

I currently serve as the elected President of the Coalition of Higher Education Assistance Organizations, often referred to as (COHEAO). This is an organization comprised of volunteers from colleges and universities, and their servicers, who are dedicated to advocating for access to higher education. Our motto is “More Education for More People.” COHEAO’S membership represents thousand of years of experience working with students on higher education student loans. The organization’s expertise has often been tapped by Congressional leaders, as well as current and past administrations, to provide recommendations for both legislative and regulatory issues, and it is the sole national association dedicated to providing access to higher education through campus-based student lending programs, including the Perkins Loan Program.

According to the Department of Education, 1,700 campuses nationwide made $1,106,100,000 in Perkins loans to 521,000 students in fiscal year 2009. Campuses in all but one state participate in the Perkins Loan Program, which provides loans of up to $5,500 per year to undergraduate students with financial need. Because the total available funds are limited, the average annual loan amount is $2,125, funding that often makes the difference for low- and middle-income students who are struggling to finance their education. Perkins serves to fill the gap between limited grant funds and Stafford loans and the cost of education. For that, it is crucial.

The Perkins Program has a long and interesting history. In 1947, the President’s Commission on Higher Education established a national goal of having one-third of our country’s citizens graduate with a four year college degree. Ten years later the world witnessed the launch of the first space satellite (Sputnik) by the Soviet Union. Congress recognized that the satellite launch into space posed a scientific and technological challenge to this country and that developing the mental talents and skills of its citizens was vital to national security. As a result, Congress enacted a bi-partisan bill called the National Defense Education Act (NDEA).

Signed into law on September 2, 1958 by President Eisenhower, the NDEA represented the birth of federal student loans. Title II of the NDEA created the National Defense Student Loan Program (NDSL) to make low interest federal loans available to needy students who were pursuing undergraduate and graduate degrees. The NDSL program provided opportunities for students who focused on academic disciplines such as engineering, science, math, and teaching in elementary or secondary schools.

The National Defense Student Loan Program, now known as the Federal Perkins Student Loan Program, has been serving our country for fifty two years by providing low interest student loans to financially disadvantaged students. This very same federal student loan program has been providing opportunities for students through eleven Presidential administrations, and twenty six sessions of Congress.

Today the Perkins Loan Program is faced with a major challenge. Under current law, colleges will be forced to begin repaying prior federal funding to the Treasury in October 2012 instead of continuing to make new loans with the funds, a change that would end the program and leave hundreds of thousands of students without the low-cost loans that they need. This recall date has been pushed back a number of times in past legislation, most recently in the 2007 College Cost Reduction and Access Act.

A bill (H.R. 5448) has been introduced by my representative, Chairman John Spratt, to extend the October 2012 Perkins sunset provision by one year to October 2013. Members from both sides of the aisle are strong supporters of the Perkins loans and H.R. 5448 is currently co-sponsored by Congressman George Miller, Chairman of the House Education and Labor Committee, Congressman Tim Bishop (NY), who serves on both the Budget, and Education Labor Committees, and Congresswoman Cathy McMorris Rodgers who also serves on the House Education and Labor Committee and is a member of the Republican Leadership Team. Passage of this bill would provide an opportunity for Congress, the Administration, and members of the higher education community to work together and secure and streamline Perkins for future generations.

Unlike any other federal student loan programs in the past or present, there has always been a unique partnership between the Federal Government and the colleges and universities that participate in Perkins. The National Defense Education Act of 1958 created a loan program that was funded by both the federal government and university funds. Colleges and universities were originally required to match at least one-ninth of the federal funds received each year. The matching investment by the colleges and universities grew from this original match to its current level of one-third for every federal dollar appropriated. Many institutions have put more of their own funds into the program in order to stretch the federal dollars further. This is a feature of the Perkins Loan Program that is particularly important from a budgetary perspective: federal funds are not only matched, they are recycled over and over.

One of the key differences between the Perkins and other federal student loan programs is the revolving loan fund. Those $39,883,000.00 dollars appropriated in 1959 continue to be lent and repaid by students. Five generations of student loan borrowers have now benefited from those same dollars. It is our belief that the revolving loan fund concept demonstrates a sound fiscal principle in managing federal dollars and is important to the functioning of the program.

COHEAO member colleges provide excellent examples to illustrate the benefits provided by the revolving loan fund. One of our member schools has received a total of $166 million in federal capital contributions since 1959. This same school has contributed a total of $53 million from their own institutional funds. The revolving student loan fund for this particular school has received a total of $219 million. As of 2009 this same institution has lent $912 million dollars to 392,141 students.

An investment in higher education provides immeasurable benefits for the student loan recipient, society in general, and the future economy of our country. The Federal Perkins Student Loan Program and its predecessors, the National Defense and National Direct Student Loan Program continue to target the neediest students. During award year 2006-2007, 27% of families that had dependent students enrolled in college had an income under $25,000. In addition, 21 percent of Perkins Loan borrowers were independent students and 47 percent of those had annual incomes of less than $20,000.00

Financial need is determined by a formula established by Congress and is based upon the financial data reported by the student and family on the FAFSA. Institutional financial aid administrators have flexibility in determining the amount of Perkins awarded to students. The flexibility provided to institutions enables them to package the financial aid in a manner that best benefits the student. Pell Grant funding is limited while the demand for financial assistance continues to grow as non-traditional students return to school for retraining, education that is needed to meet our country's economic challenges. Students can use the Perkins loans as a low-interest alternative to help fill financing gaps for low- and middle-income students.

Congress has always recognized the importance of providing loan cancellation benefits to encourage students to consider a career in targeted public service occupations. The Federal Perkins Loan Program continues to provide more cancellation opportunities than any other loan program. Students who pursue careers in teaching at low income schools, teaching special education students, military, nursing, firefighting, law enforcement, and legal aid among other professions, are eligible for cancellation benefits up to 100 percent of the entire loan. The majority of these cancellation benefits are awarded over a five year period with partial benefits granted for each year in eligible public service professions and beginning immediately upon completion of the first year.

The interest rate for Perkins has remained fixed at 5 percent since the early 80's. Interest does not accrue on any amounts borrowed during in-school enrollment, grace periods, and during periods of eligible deferments. Not assessing interest during these periods is a tremendous benefit for Perkins borrowers and substantially reduces their overall financial obligations when they leave school. To illustrate how important this benefit is, assuming that an undergraduate student received the maximum annual award, he or she would owe an additional $5,000.00 upon graduation if interest had accrued.

We all live in an electronic age where essentially any information you desire is available with the click of the mouse. Textbooks will soon be obsolete with the introduction of electronic book readers such as Kindles and Ipads. Despite all of the electronic innovations developed during the last decade, students continue to need personal interaction to explain their financial aid and to help them with their loan obligations.

Those institutions who currently participate in The Federal Perkins Student Loan program continue to employ experienced professionals whose responsibilities are to manage the program in accordance with established federal regulations and school policies. These same institutional staff members are the people that students will depend upon to counsel them throughout the life cycle of the loan.

Student aid is often a student's first exposure to managing their finances. As such, student loan administrators are in essence educators and play a valued role in preventing and controlling delinquencies, often by providing their borrowers with the type of financial education that is going to serve them much longer than the term of their Perkins Loan. These same administrators provide detailed explanations of entitlements and benefits that are associated with not just Federal Perkins, but all financial aid programs. The relationship between the loan administrators and the students continues after they graduate.

A report titled "Lowering Student Default Rates: What One Consortium of Historically Black Institutions Did To Succeed" described the value of institutions managing their own debt to prevent defaults, and the benefits of using outside partners. The report noted the effectiveness of on-campus financial literacy and counseling services for at-risk borrowers, but also stated, "Partnerships" with outside entities-all with experience in skip tracing, the process of finding and successfully contacting borrowers, collection, and personalized customer service proved as important to successful default management as on-campus relationships," essentially identifying the two key elements of the Perkins Loan Program-the human touch of campus-based servicing and quality partnerships among schools and their vendors.

Allowing the Perkins Loan Program to sunset will lead to unintended consequences. Imagine being a student on a college campus who is about to graduate and is focused on finding a job after graduation, finding a place to live while trying to be independent of your parents for the first time. You have received aid during your attendance at college and receive the occasional piece of correspondence by letter or email that outlines the amount of aid borrowed, terms of repayment, and documents that describe future obligations. You have no previous credit experience other than your student loans. The loss of the Perkins Loan Program has eliminated the job of a professional at your school who would have been available to advise you on managing your loans. The only available resource to answer your questions becomes a 1-800 number that is answered by someone in a call center somewhere who reads from scripts as he speaks to hundreds of people a day.

Will this scenario provide you and other students the opportunity to discuss in detail your personal situation and receive the best guidance available to prevent potential default? We believe that most students continue to seek financial counsel from the personnel at the college they attended. There is a recognition factor and level of comfort that has been inherent in the process.

Under the current Perkins loan structure, colleges and universities have a vested interest in ensuring that their student loan borrowers are well versed in understanding their loan obligations.

College and universities also recognize that the student borrower of today is the alumni contributor of the future once they have become established financially. Any servicers contracted by the school to provide billing and collection support to augment the institution's functions are held accountable to provide quality service and meet all federal and state requirements. The majority of these institutions award services based on competitive bids and RFP's. To win business, servicers must meet the expectations of the institution.

Another critical point to make is the potential for thousands of jobs being eliminated both from the private and public sector if the Perkins Loan Program is forced to close. Positions that provide entrance/exit interviews, financial literacy, and overall management of the campus based programs on many of the campuses throughout the nation could be eliminated if the Perkins Loan Program expires or is structurally changed. Additional job loss would be experienced from private companies that provide the billing and collection services.

One concern about extending the Perkins Loan Program and its student benefits is that the program's unusual structure doesn't fit the mold for calculating federal program costs. In other words, I understand that the Congressional Budget Office and the Office of Management and Budget have calculated that there may be a federal cost to such an extension. In reality, such a cost does NOT represent increased spending. Over the years, Congress has appropriated funds to the Perkins Program. Those funds were counted as spending at the time of the appropriation, so the money that institutions have in their revolving funds or that is owed to them has already been spent. Those federal funds are also continuing to leverage institutional funds to make the federal dollar go further.

Like most Americans, I am very worried about the size of our federal budget deficit, but I don't believe that extending the Perkins Loan Program with already-spent federal funds plus contributions from colleges will increase the deficit. It just doesn't make sense that simply continuing the Perkins Loan Program without adding federal dollars counts as new federal spending. I also don't think it will make sense to America's students who will face an even greater debt burden or be unable to pursue higher education if Perkins is allowed to die.

I urge this Committee to take a close look at the unusual situation and for Chairman Spratt and Ranking Member Ryan to work together to come up with a solution to the scoring problem that will allow the extension legislation to move forward.

The 110th Congress recognized that the Federal Perkins Loan Program still continues to play an important role within the financial aid landscape. Included in the Higher Education Opportunity Act of 2008, which is most recent reauthorization of the Higher Education Act of 1965, was a sense of Congress Statement:

SEC. 466. SENSE OF CONGRESS REGARDING FEDERAL PERKINS LOANS

It is the sense of Congress that the Federal Perkins Loan Program, which provides low-interest loans to help needy students finance the costs of postsecondary education, is an important part of Federal student aid, and should remain a campus-based aid program at colleges and universities.

In summary, we ask that the Committee continue to recognize that the Perkins Loan Program remains an essential part of the financial aid system that makes higher education possible for millions of students. All of us as COHEAO members look forward to the opportunity to work with the Committee, Congress, and the Administration to find solutions that will continue and hopefully expand the Perkins Loan Program and retain the unique, student-friendly attributes that come with campus-based loan servicing. I also respectfully ask, on behalf of COHEAO members around the country and the students they serve, that Members of the Committee co-sponsor H.R. 5448, Chairman Spratt's bill extending the Perkins Loan Program.

I want to once again thank the committee for the opportunity to submit testimony, and I welcome your questions.

Chairman SPRATT. Thank you very much, Mr. Perrin.

Ms. Bauder.

STATEMENT OF SARAH BAUDER

Ms. BAUDER. Hi, I want to thank you for having me.

I am Sarah Bauder, I am the Assistant Vice President for Student Financial Aid and for Enrollment Services at the University of Maryland. I have been at the university since 1996 and was originally at St. Mary's College in Maryland for eight years before that.

The university has 24,000 undergraduate students and 9,000 graduate students. We award about $20 million in Pell grants, and about 17 percent of our undergraduate population is a Pell grant recipient, so we have some high-need students.

We have about $100 million receiving some type of student loan, whether it is a plus loan or a Stafford loan, and we have about $35 million of university operating funds that we award for those in need.

The Perkins Loan Program, which is about $1.5 million that we award to about 1,000 students, is pretty small in comparison to the rest of the aid that we award; however, that shouldn't be the focus.

The focus is the way it is designed, and its design is what makes it so unique and makes it so effective for us at the ground level.

Perkins is a revolving account, as we've talked about, that students pay back. We lend it out as students pay it back; we have every vested interest to make sure those students pay it back, because we want to award it to those students who need it. So we make sure that students have financial literacy, that we have one-on-one counseling with them, and that we focus on making sure they return the funds.

Let me for the next few minutes put you in the world of financial aid and at my desk. We award Perkins loans in three different ways.

The first way is through our algorithms, and we target it toward Pell grant-eligible students, and obviously those are high-need students. It is a low-interest loan, five percent. It is subsidized. Oftentimes these students are saying "a loan, that is a four-letter word, we don't really want a loan." But once we explain the beauty of the loan—that it is subsidized by the government and you have nine months after you leave here at the University of Maryland to start paying it off—then they are much more apt to take it.

I also believe that every student actually should have a loan. It teaches them later skills in life. Everyone is going to have some type of debt—whether it is mortgage, whether it is a car payment, whatever it may be, you are going to have some debt—and it's good to learn about it in a safe and managed environment where someone is actually watching what's going on and you have special repayment, you can get into work fields that will pay it off. I think a little bit of student debt is actually good for every student.

So Pell grant recipients are the first population we look at.

The second population is academic achievement programs, and this is part of the Trio Program. These are typically first generation students whose parents did not attend college. They are usually from a single-parent household, usually minority students. And it is a population that typically would self-select out of college.

They go to a summer transition program at our institution, and as part of that program we award two-thirds of the cost of that program from a university grant and one-third from Perkins. And we actually go through and we teach them the basic tenets of economics. How does interest work for you? How does interest work against you? And it is actually a really good educational tool outside the classroom in terms of how debt actually can work for you in terms of your credit score, as long as you are paying it back, and what ramifications happen if you don't pay it back. So this is a really good teaching tool for these students.

The third population that we target toward is appeals, and I am going to talk a little bit more about this because I think this is really large in most institutions.

The economy has hit everybody regardless of income bracket. In any one normal year before the economy started sliding southward we would have about 300 appeals. In 2008-2009 we had 1,100. Last year we had 1,700. And this year if we stay on the same path we are going to have over 2,100. That is 2,100 students who are coming to us after they are packaged and saying "I need additional funds in order to stay here at college."

So I see a lot of families, a tremendous amount, hundreds of families in a year, and I am going to talk about a family that I just saw last week.

A family came in, and they just missed being eligible for a Pell grant—still very needy, they just weren't Pell-eligible. They had exhausted all their Stafford loans. They exhausted all the university grant funding. We have a Keep Me Maryland grant that we give, and we had given them the maximum of that and they still needed additional funds.

And I was able to call up to our bursar's office and say, what's our repayment on our Perkins Loan Program? We had money in the pot and I could award it. And this is how we do it with appeals. And we say I have $2,000 that I can give to you to help pay for college. It is the tipping point. It actually keeps students in college and keeps students here.

That family that I met with was absolutely delighted. We put them on a TERP payment plan, we gave them $2,000 in a Perkins loan, which is extremely nominal, and the student stayed in college.

And so because the Perkins Loan Program is in the control of the university, the funds are coming in, we can award it as we see fit. It is about the individual, it is not about the masses.

If you look at Pell grants or Stafford loans it goes through an algorithm, we award it, and it is done. Where Perkins is much more at the individual level, and we can talk to the student and talk to them about those funds.

My concern with Perkins is that it is dwindling. And so as I look at it, the federal contributions as we talked about have not been available for quite a few years, and as we pay back into the program—students pay back—they are very appreciative of it. And so it would be a disadvantage to the student not to have that program available to them.

It is a great investment in the student, it is a great way for the student to invest in themselves, and so I would urge that we keep the program as it is.

I want to thank you for having me here, and if you have any questions feel free to ask them.

[The prepared statement of Sarah Bauder follows:]

PREPARED STATEMENT OF SARAH BAUDER, ASSISTANT VICE PRESIDENT, ENROLLMENT SERVICES AND STUDENT FINANCIAL AID, UNIVERSITY OF MARYLAND, COLLEGE PARK

Chairman Spratt, Representative Ryan, and other members of the Committee, I want to thank you for inviting me to appear before you today to speak about the role of the Federal Perkins Loan Program. My name is Sarah Bauder and it is my good fortune to serve as the Assistant Vice President for Enrollment Services and Student Financial Aid at the University of Maryland, College Park. The University of Maryland is home to 26,000 undergraduate students and approximately 10,000 graduate students. Of our undergraduate population, 70 percent of Maryland resident students and 50 percent of non-resident students file the Free Application for Federal Student Aid (FAFSA). By filing the FAFSA, there is a tacit understanding the family is requesting and expecting some form of financial assistance to help pay for college.

My office awards nearly $20 million in Pell grants, $90 million in Federal Stafford loans, $35 million in institutional funding, and $15 million in endowed and departmental scholarships each year. Comparatively, we award $3 million in campus-based programs. The campus-based programs include the Federal Supplemental Educational Opportunity Grant, the Federal Work-Study Program, and the Perkins Loan Program.

Relative to other federal student aid programs, our Perkins Loan awards are small. At the University of Maryland, we award approximately $1.5 million to almost 1,100 students. That's minuscule compared to our other programs. However, I do not believe the size of the program should be its only measure of success and/or effectiveness. The Perkins Loan Program—like the other campus-based programs—fills a unique purpose in a financial aid administrator's toolkit to help students and families meet their postsecondary educational expenses. The Perkins Loan Program is one of the most significant loan programs at the University of

Maryland and has a positive impact among a broad range of students. In the world of financial aid, it is the David among the Goliaths of other aid.

Campus-based programs allow the university to select which students receive limited award funds while adhering to federal policy. By its very nature, the Perkins Loan Program provides schools the flexibility to provide additional aid to needy students. The importance of this flexibility cannot be overstated. Financial aid administrators work where the rubber meets the road and have a unique perspective that allows them to assess students and families' ability to pay for college in ways that aid applications will never be able to assess. When aid administrators see students and families struggling with unique circumstances, they need some flexibility to deliver funds to ensure the success of these students.

The Perkins loan program is especially unique because funds are distributed through a revolving account that is made up of both university and federal funds. As students pay back their loans, the University re-awards those funds to other students. This means that Colleges and Universities have a vested interest in making sure students are able to repay their loans so those funds can serve other students.

The Perkins loan program provides generous terms and conditions to needy students. The program is a subsidized loan, meaning students do not have to pay interest on the loan while they are in school or during periods of enrollment. The fixed, 5 percent interest rate and robust loan forgiveness provisions make this loan especially attractive to students who might otherwise struggle with large amounts of loan debt. At the University of Maryland, we target Perkins funds to three main groups of students; those who qualify for the need-based Pell Grant program, families that appeal for additional aid, and students in the Academic Achievement Program (AAP).

The purpose of the Academic Achievement Program is to provide additional funding and academic support to low-income, first generation students who often self-select out of attending college. The program is specifically geared toward students who otherwise would not be able to attend college and who demonstrate financial need, academic ability, uncommon persistence and maturity despite adverse life situations. These students are required to attend a summer transitional program (STP) designed to assist students in both their academic and personal adjustment to the University.

Two-thirds of the cost to attend the summer program is paid through University grant funds and one-third through the Perkins loan program. We prefer for these students to turn towards low-cost loans like the Perkins Loan Program so that their first debt is in a safe and managed environment where financial literacy and life skills on indebtedness are taught by university counselors. In addition, over 95% of these students will borrow through the Stafford Loan program during their tenure as a student. Through our one-onone counseling and hands-on approach to the Perkins Program, these students also learn about their Stafford loan and are better able to manage their own debt.

The economic downturn over the last three years has been indiscriminate in its effect on Maryland families and has negatively impacted every income bracket. Many traditionally high income families have lost their jobs, their homes and their savings and have joined the ranks of the poor. They know a college education is a good investment. However, many of them do not have the financial resources to pay the entire bill. Financial aid appeals for additional money have increased 200% over the last three years.

Most of these families have exhausted every other avenue to help bridge the gap between what they can afford and the cost of attendance. Most often, we use Perkins loans to bridge that gap. Tough economic times, job loss, current and future financial uncertainty have made student financial aid programs become even more important in keeping the doors of higher education access open. The Perkins loan program has been the source that has helped fill the gap and helps students and families avoid costly private student loans that lack the generous terms, benefits, and protections of federal student loans.

What often is not discussed is the psychological and emotional side of requesting and receiving additional financial help. This cannot be overlooked. No one likes to publicize their hardships and asking for help is difficult. Imagine having to call or visit with a financial aid professional to discuss personal finances. The conversation starts at an emotion and tension level higher than most discussions. Then imagine having to tell a parent or student that there is no more funding available. Our goal is to offer some form of assistance to every family who is asking. The vision for my office is 'no student will leave the University of Maryland due to lack of financial resources'. Because the Perkins loan program is flexible and comes from a revolving account, we award many families who appeal for additional aid—and have exhausted all other resources—the Perkins loan. For most, it is a rewarding solution to a difficult problem.

In closing, I think it's important to acknowledge that the relatively small size of the Perkins Loan Program doesn't accurately sum up its importance to students and parents. Since its inception at the University of Maryland, we have awarded $75,064,899 to 45,328 students. It's the unsung hero of loan programs at the University of Maryland. Its unique and important role in our awarding practices makes me concerned about the future of this program. In recent years, loan cancellations have gone unfunded by the federal government, which when combined with even low levels of default, means the program is slowly dwindling. As the Budget Committee considers future funding for this program, I ask that it also considers the unique role it has played for millions of students. As student advocates, our greatest fear is when changes to the student aid programs could result in fewer dollars for students. Congress has recently made historic investments in student financial aid and we must guard against any possible erosion to those gains.

Thank you for this opportunity and I would be happy to answer any of your questions.

Chairman SPRATT. Thank you for being here, and thank you for the excellent testimony.

Now a student, a senior at Georgetown, Mr. Joseph Hill.

STATEMENT OF JOSEPH HILL

Mr. HILL. Chairman Spratt, Ranking Member Ryan, and Members of the Committee, my name is Joseph Hill and I would like to thank you for the opportunity to testify this afternoon about the program which without a doubt made it possible for me to attend Georgetown University, something that I had dreamed about for years, but never deemed within reach.

The Perkins loans I received, combined with generous Georgetown scholarships, outside grants, and part-time work throughout my years at Georgetown in the summer, enabled me to pursue my degree in government and philosophy and to experience firsthand how government works with internships here on Capitol Hill and in my home city of Philadelphia.

I am a product of the Philadelphia Public School system and a dual enrollment program at Montgomery County Community College.

My mother works in the health department for the City of Philadelphia and often works 12-hour days to support my nine-year-old brother and me.

My father is a realtor with his own dream of being a classroom teacher. My dad suffers from a neuromuscular disease called Myasthenia Gravis, which has rendered him weak and immobilized, compelling him to undergo regular infusion treatments.

His condition was very severe when I was a young child, resulting in frequent hospitalization. It improved for several years and then worsened considerably during my senior year in high school, which created significant financial challenges for my family.

I can't express how proud of him I am, because in spite of the limitations his disability imposed he kept working to support and provide for us to the extent he could, and even pursued a teacher's certificate, student teaching at his former high school.

Due to the cost associated with putting me through Georgetown and complications associated with his disability, his dream had to once again be put on hold, but his compassion and sense of responsibility to his community continues to endure. And I am sure I don't need to tell anyone here about the difficulties realtors are facing in this economy.

I am also happy to note that my parents are here with us today and were able to make the trip from Philadelphia.

During my sophomore year of high school, Roxborough High was the scene of a violent riot where students were injured, police stormed the building, and the school cafeteria was shuttered. This incident, combined with a number of others that plagued the school, made learning incredibly difficult and forced my parents and me to seek other educational options that would unleash my true potential. I was lucky.

At 16 I was able to enroll in Montgomery County Community College in suburban Philadelphia with some scholarship assistance, and have those credits applied to my high school diploma. There I was able to focus, work hard, study under dedicated professors, and earn a 4.0 GPA.

This opened my eyes to the possibility of attending the school of my choice. I applied to several, but I really wanted to pursue political science in Washington, D.C., where I would have an up-front view of how the federal government develops policies to ensure that the American dream is provided for those of us who have yet to experience it. I must say I never imagined I would be testifying before the House Budget Committee.

When I was accepted to Georgetown I was thrilled, but when my parents looked over the initial financial aid package they didn't see how we could do it. But Georgetown worked with us and provided $26,000 in Georgetown scholarships in addition to several small scholarships I received, including one from the Urban League and another from the NAACP.

Still we were faced with a significant amount to make up. And then there was a Perkins loan, which helped my parents fill that gap.

Last week I was talking to my mother, and without hesitation she said, "it still wouldn't have worked without that Perkins loan."

I will be graduating next May and I am in the process of applying to teach back home in Philadelphia. As a black male I recognize the importance for young people in urban school districts to have black male role models who come from similar experiences so they can see hope and opportunity through circumstances that often seem hopeless and bleak.

Before I close I think it is important for the Committee to know a little bit more about the Perkins Loan Program at Georgetown beyond me.

Last year university-wide there were 840 Perkins loan recipients. About 350 of those were undergraduates just like me, and they received average Perkins loan of about $2,688. Just like me, every one of those Perkins loan students also received Georgetown scholarships, as well as other federal financial aid. There were also 60 graduate students and over 200 Perkins students in both the law and medical schools.

Again, those loans were part of the financial aid packages that are enabling all of us to pursue educations that will allow us to make a difference in our respective communities.

I am confident that those are loans that will be repaid on time.

I want to thank you again for inviting me to be here, and I hope that Congress will find a way to preserve and maintain the Perkins Loan Program. I am pleased that Georgetown University and the Association of Jesuit Colleges and Universities, of which we are a member, are working to see that the Perkins Loan Program will continue to be a resource for students like me.

As the U.S. continues to fall further behind other nations in the proportion of adults with a college education, as Congressman Bishop mentioned from first in the world to twelfth, we simply cannot afford to eliminate resources that open the doors of colleges and universities to talented young people of all backgrounds.

I understand the daunting nature of our budget woes, but the Perkins Loan Program is an investment that has made a huge difference in my life and serves as an affirmation of a core American value: that in America you can go as far as diligence and hard work with take you.

I thank you for your time and will now respond to any questions the Committee may have.

Thank you.

[The prepared statement of Joseph Hill follows:]

PREPARED STATEMENT OF JOSEPH HILL, SENIOR, GEORGETOWN UNIVERSITY

Chairman Spratt, Ranking Member Ryan and members of the committee: Thank you for the opportunity to testify this afternoon about a program which, without a doubt, made it possible for me to attend Georgetown University, something I had dreamed about for years, but never deemed within reach. The Perkins loans I have received, combined with generous Georgetown Scholarships, outside grants, and part-time work throughout my years at Georgetown and each summer, enabled me to pursue my degree in Government and Philosophy and to experience first-hand how government works, with internships here on Capitol Hill and in my home city of Philadelphia.

I am a product of the Philadelphia Public Schools and a dual enrollment program at Montgomery County Community College. My mother works in the Health Department for the City of Philadelphia. She often works twelve-hour days to support my nine year-old brother and me. My father is a Realtor with his own dream of being a classroom teacher. My dad suffers from a nuero-muscular disease called Myasthenia Gravis, which has rendered him weak and immobilized, compelling him to undergo regular infusion treatments. His condition was very severe when I was a young child, resulting in frequent hospitalization. It improved for several years, and then worsened considerably during my senior year in high school, which created significant financial challenges for my family. I can't express how proud of him I am because, in spite of the limitations his disability imposes, he kept working to support and provide for us to the extent he could and even pursued teacher certification; student-teaching at his former high school. Due to the cost associated with putting me through Georgetown, and complications associated with his disability, his dream had to, once again, be put on hold, but his compassion and sense of responsibility to his community continues to endure. And I'm sure I don't need to tell anyone here about the difficulties Realtors are facing in this economy.

During my sophomore year of high school, Roxborough High was the scene of a violent riot where students were injured, police stormed the building, and the school cafeteria was shuttered. This incident, combined with a number of others that plagued the school, made learning incredibly difficult, and forced my parents and me to seek other educational options that would unleash my true potential. I was lucky. At 16, I was able to enroll in Montgomery County Community College in suburban Philadelphia, with some scholarship assistance, and have those credits apply to my high school diploma. There, I was able to focus, work hard, study under dedicated professors, and earn a 4.0 grade point average. This opened my eyes to the possibility of attending the school of my choice. I applied to several, but I really wanted to pursue political science in Washington, D.C., where I would have an upfront view of how the federal government works to ensure that the American dream is provided for those of us who have yet to experience it. I must say, I never imagined I would be testifying before the House Budget Committee.

When I was accepted, I was thrilled. But when my parents looked over the initial financial aid package, they didn't see how we could do it. But, Georgetown worked with us and provided $26,000 in Georgetown scholarships in addition to several small scholarships I received including from the Urban League and the NAACP. Still we were faced with a significant amount to make up. And then, there was a Perkins loan, which helped my parents fill that gap. Last week, I was talking to my mother, and, without hesitation, she said, "It still wouldn't have worked without that Perkins Loan." I will be graduating next May, and I am in the process of applying to teach back home in Philadelphia. As a black male, I recognize the importance for young people in urban school districts to have black male role models who come from similar experiences, so they can see hope and opportunity through circumstances that oft seem hopeless.

Before I close, I think it is important for the Committee to know a little bit about the Perkins Loan Program at Georgetown beyond me. Last year—university wide—there were 840 Perkins recipients. About 350 of those were undergraduates like me, and they received average Perkins loans of $2,688. Just like me, every one of those Perkins Loan students also received Georgetown Scholarships as well as other federal financial aid. There were also sixty graduate students, and over 200 Perkins students in both the Law and Medical Schools. Again, those loans were part of the financial aid packages that are enabling all of us to pursue educations that will permit us to make a difference. I am confident that those are loans that will be repaid on time.

I want to thank you again for inviting me to be here, and I hope that Congress will find a way to preserve and maintain the Perkins Loan Program. And I am pleased that Georgetown University and the Association of Jesuit Colleges and Universities of which we are a member are working to see that the Perkins loan program will continue to be a resource for students like me.

As the U.S. continues to fall further behind other nations in the proportion of adults with college education—from first in the world to twelfth—we simply cannot afford to eliminate resources that open the doors of colleges and universities to talented young people of all backgrounds. I understand the daunting nature of our budget woes, but the Perkins loan program is an investment that has made a huge difference in my life, and serves as an affirmation of a core American value: that, in America, you can go as far as diligence and hard work will take you. I thank you for your time, and will respond to any questions the committee may have.

Thank you.

Chairman SPRATT. Mr. Hill, thank you very much. Excellent testimony.

Now, Ms. Bauder, let me ask you a particular question. Kind of a provocative question which you have already in a way answered, but if Perkins loans weren't available to the neediest students at the University of Maryland, would that really affect your students? If Pell grants have increased, you have direct loans, you have other resources—why is it the Perkins loans are necessary as well?

Ms. BAUDER. Well, the Perkins loan, it is the uniqueness of the program and how it is awarded. It is for needy students, so there is a policy—we want to think of it in terms of there is a skin around it for how we have to award it—but it is at our discretion, and so that is what makes it unique. It is very flexible, it has robust and very generous repayment plans that go with it. And so that is why it is needed.

I am working at the individual level, I am not working at the mass level. I am making sure that one student at a time stays at Maryland. In fact we have a vision above one of our doors that says "no student will leave here due to lack of financial resources." It is each student. It is not 24,000 undergraduates and 9,000 graduates, it is one student who walks into my office that I am working with every single day.

Chairman SPRATT. Mr. Perrin, can you describe the benefits of having loan servicers like yourself, either the private company or at the college itself, and what role they play in maintaining and administering this program and making it successful?

Mr. PERRIN. Yes, I can. In fact just as Sarah was sharing, this is a partnership between the private and the public sector unlike any other loan program.

As a private servicer we are held accountable to the college and university and we must meet the expectations that they require of us We are an extension of the university, therefore we represent those universities and those colleges when we work with students.

So the servicing that we do is just not "here is the next account, here is the number," let me make a call, they don't pay, move onto the next account. It is actually determining what the needs of that student are, what their situation is, do they have the ability to repay, are they eligible for some of the entitlement benefits?

Our role as a private servicer is that we are going to identify that and in those kinds of situations we are going to notify the institution and provide that information to them so the account can be returned.

The same thing happens on the campus. It is a very personal type of a loan. And even when I worked at the university you got to know your students. At a large university like the University of South Carolina, and I am sure at the University of Maryland, you get to know the students, you get to know their situations, you have a better understanding as far as the educational process for what they need.

For these students, traditionally this is their first experience that they have with credit, and if you don't take the time to explain the value of credit, if you don't take the time to explain how that will affect them down the road, if you don't take this time to explain budgets—with students when they enroll in school they have one focus in mind, they want to go to school and they want to get an education, and they will sign any paper, any document to provide the funds to do that. So at an institutional level, these professionals who work at the colleges, universities, and the servicers, take the time to educate them so they have a better understanding of their obligations.

Chairman SPRATT. Thank you, sir.

One last question. Mr. Hill, the criteria and eligibility rules for student loans, Stafford loans, Pell grants, and Perkins loans, can get terribly complex and even arcane.

Number one, how did you learn about the Perkins Loan, and number two, how did you navigate your way through the choices to come upon this situation you find yourself in today?

Mr. HILL. Sure. Well, I don't remember the specific moment I found out about the Perkins Loan Program, but I can tell you that my mom and I spent a lot of time going to different financial aid workshops and seminars, including one at my church and a number of other community organizations that helped us out. Once I was accepted to Georgetown, the Financial Aid Office and the Admissions Office were really helpful with helping us go through the process and secure financial aid to support me through college.

Chairman SPRATT. Thank you, sir.

Mr. Bishop?

Mr. BISHOP. Thank you, Mr. Chairman, thank you all for your testimony. I thought it was very helpful.

Ms. Bauder, I wish that every member of Congress could have heard your testimony and your response just now to Mr. Spratt's question, because you hit on three points that I think are often overlooked and certainly misunderstood.

The first point was the whole issue of appeals. When I was doing financial aid we didn't have a lot of appeals, but they have grown tremendously and the campus-based programs are one of the tools that you have to respond to those appeals, whereas the other programs are externally fixed and you don't have the capacity. So I think that you made a very valuable point and I want to come back to that in a second.

The second is the very personal nature of the financial aid packaging process and the enrollment management process that is key to our ability to keep students in college and to get them with degrees.

And then the third is the group of students who are just beyond Pell grant eligibility. They are not by any means affluent students, and they may remain highly needy students, but they don't have the eligibility for that basic piece of aid.

I think all three of those are a very compelling argument for the continuation of Perkins, as well as both continuation and expansion of the campus-based programs.

I sometimes think, and I don't mean to be engaged in hierarchy here, but I sometimes think that we focus too much on Pell and not enough on the campus-based programs to deal with the young men and women who fall into the gap beyond Pell eligibility.

So if we didn't have Perkins loans, what tools would you have had at your disposal when that young man came in to you and said that it was either more aid or I have to go home?

Ms. BAUDER. That is a great question, and I like all your points. I like that you reiterated them.

We would have found something. I am at a large institution, I probably would have found some type of aid—I would have worked with the bursar's office, we would have worked out some other payment plan, we would have worked out something. But I do have lots of friends in different colleges—the community colleges, if I can speak on their behalf, or at least a friend of mine—they have Pell grants and many of them are not even in the Stafford Loan Program, and so they have Pell grants and they have Perkins loans, and the Perkins loans are for those students who are right off Pell grant eligibility.

And so if Perkins loans didn't exist I am not quite sure what some of the community colleges would do or what the students would do, because they wouldn't be awarded Pell grants.

And so for our institution I will say that we would make sure that we found something for the student. It is nice to have something in my tool kit that I can pull out that is right there and it is coming back and coming back and coming back and being repaid, that helps me out a lot, but I would have found something.

Mr. BISHOP. Okay. Let us assume that we are successful in extending Perkins loans for a year, giving us more time to craft a program going forward that would have some permanence to it. And I will give this question to both Mr. Perrin and Ms. Bauder.

How do you see the program going forward, let us say 2012 and thereafter? Would you structure it precisely as it is now, assuming we can find the way to cover the cost? Would you modify the way it operates? What are your thoughts on going forward?

Bob, why don't we start with you.

Mr. PERRIN. There are some key components that I believe are extremely important to preserving the Federal Perkins Loan Program: the interest subsidy that is provided, the low interest rate of five percent, and the cancellation benefits, which target specific careers, such as teaching and military service and things like that.

If you think about what's happening right now in our country with the unemployment situation there are going to be a lot of people who are already in the process of returning back to school to get retrained, and these are also individuals that will need the benefit of the Perkins Loan Program, and they are going to needed beyond 2012. The same for our military as they come back.

I also believe that we need to look at the allocation formula. I think that is something that needs to be addressed down the road. I think it is important.

I believe the principles behind the Perkins Loan Program—the campus-based servicing, the utilization of outside entities that contract directly with the campus—it is important to maintain that structure so there is that personal relationship that makes this program so unique and so different from the Direct Loan program and other programs where essentially you draw down the funds and you disburse some money and that is where it ends.

I think I would recommend that to secure Perkins for the future that it would be good to develop a task force or a committee that is made up of students, higher education associates, as well as private entities such as the servicers, and other members of Congress and staff members, to work on this and find solutions that will make sure Perkins are here for the next generation of students and the generation after that.

Mr. PERRIN. Thank you.

Ms. Bauder?

Ms. BAUDER. I was sitting here thinking about it. If I had the knowledge of what the budget looks like so—you have to balance budgets, which I just have a great respect for, and so this is just one of the——

Mr. BISHOP. You have seen what a fabulous job we've done with that.

Ms. BAUDER. Yes. If I could change it a little bit and say how would you rate the components of the Perkins Loan Program, what would you not change at all? And what if you had to change and save a little bit of money and what would you do?

The structure of it having a revolving account that is at the discretion really of the campus is number one. I wouldn't change that at all. The back end repayments—loan cancellation for graduates going into work shortage areas—is key. Students love that.

Whether it has to be a nine-month subsidized loan—I kind of feel like it is a little confusing. Subsidized Stafford loans are subsidized for six month after you graduate, why is Perkins subsidized for nine months?

Does the interest rate have to be five percent? It should be subsidized, I like the subsidy, I like that it is a revolving account, I am not quite sure it has to be at five percent.

So there is give and take in there, but there are things I would not budge on in terms of that.

Mr. BISHOP. Thank you.

I just want to make one last comment. I think it is important for us to recognize for the record that we are providing $1 billion a year of financial assistance to students based on seed money that the federal government began providing in 1958, but has not provided a dime to since 2004. That is a very effective use of taxpayer resources, in my opinion, and I just want to make that point for the record.

Thank you, Mr. Chairman, I yield back.

Chairman SPRATT. Thank you, Mr. Bishop.

Mr. Doggett?

Mr. DOGGETT. Thank you, Mr. Chairman, and thank you for holding this important hearing and the comments that you, Mr. Bishop, have made. It's very important testimony that we have heard today.

I represent the students and many faculty members at Texas State University, at the University of Texas, at St. Edwards in Houston, and at Austin Community College, and whether it is this specific loan program or others, student financial assistance is really important to them. I think it is not only about individual opportunity for a student who has graduated high school and is entering college anew or for someone who finds that they have been downsized and now needs to go back in order to retool and have an opportunity to get a good job to provide for their family, but it is also because these universities and our community colleges are really a spark plug for economic development and for job creation, that the student financial assistance is so very important.

While I certainly share the view of the Ranking Member, Mr. Ryan, that we need to be ferreting out overspending and waste any time we can, and that we should be concerned about the size of our national debt, I have to say that I find very troubling his suggestion in his opening statement that maybe in response to proposals about the Perkins Program we instead ought to be looking at parents and states.

I have heard that view echoed loudly by some in Texas who seem to be interested not only in taking America back, but taking it backward.

If parents could shoulder all of these responsibilities we wouldn't have had these loan programs set up by President Eisenhower and others on a bipartisan basis back in the '50s.

If states like Texas and South Carolina were fulfilling all their responsibilities for student financial assistance we wouldn't have this problem, and have had various federal student financial assistance programs set up.

I want to ask you—each of you—your feelings about the wisdom of just terminating not only the Perkins Program, but all student financial assistance as some have suggested, what the effect of that will be if we eliminate the federal role and just leave it to the states and the parents?

Mr. PERRIN. Well, in the current economic condition, many states are already suffering huge budget deficits. In fact, most of the state institutions are facing budget cutbacks from the states. They are not receiving the same level of funding that they did in previous years, and that puts a great financial burden on the institutions themselves, and that indirectly affects the students of the future.

Financial aid has been a cornerstone for 50 some years in this country and has created opportunities for disadvantaged students financially to have an education, to get an excellent job, provide an excellent salary, and those individuals pay taxes. As Congressman Spratt mentioned in his opening statement, there is a difference between those who don't have a college education and those who do, and obviously the more that you earn in income, the greater the tax base.

I think the Perkins Loan Program and the other programs need to remain as a viable alternative. There are no longer these wells that these parents can tap into to help pay the tuition of their children.

Years ago if they weren't eligible for financial aid, or to help support the financial aid process they would tap into their equity lines, they would tap into their 401K's.

Most of the average American citizens right now, their 401K's are down substantially, there is no equity in their homes anymore, so they really don't have the resources to pay the full cost of tuition.

Mr. DOGGETT. So if we were to eliminate all this federal student financial assistance and say leave it to the parents at this time of downturn, leave it to the State of South Carolina to take care of all of them, wouldn't that be disastrous?

Mr. PERRIN. It would be disastrous for this country.

The President has made a statement that education is important. That is one of the focuses of his term, and to revert back and not be able to support the students of today and the future would just be disastrous.

Mr. DOGGETT. Vice President Bauder, what would the effect be in Maryland if we did that?

Ms. BAUDER. Well, the State of Maryland has cut back their state support significantly over the last three years in order to balance their budget, so it would definitely be disastrous.

It is an investment in students and it is an investment in the economy. Students know that when they are entering the door and four or five years later when they graduate they are more than likely going to get a better job, they are going to have a higher income, they are going to spend more. And so education actually is an investment in the economy in the long run. I can't imagine if, there was no federal aid, the number of students who would not attend because they could not afford it.

I mean right now we have over 1,100 auto zero EFC—poverty level students whose parents earn less than $30,000 a year—who are attending the University of Maryland, which is going to change their life. It is a pathway to a different lens than what they have had as a child.

And so without that funding that they have they are not going to be going to college, they are not going to get the career that they have been looking for.

Mr. DOGGETT. And I heard criticism also in the Ranking Member's opening statement of our successful efforts this year to see through the Direct Loan program that more money went to the students, as well as by the way to reduce the deficit, and less into the hands of the Wall Street banks.

But when we talk about student financial assistance we are not just talking about people at the poverty level, though I know that may be the focus of this Perkins Program, through your office don't you handle student financial assistance and loans, and provide advice to many working families and middle class families seeking to attend the University of Maryland?

Ms. BAUDER. Oh, we do. I mean we have very robust financial literacy programs. We talk to all of the incoming freshman class through the University 100 Class. We talk to all of athletics. We give speeches nationwide. Absolutely.

Mr. DOGGETT. You are trying to reach all of the people, and that is where I think Mr. Hill's testimony was so important, because you made the comment about seeing that you would go as far as your work would take you. And it does seem to me that that is also what student financial assistance and this program and the other programs that provide our network, our tool box, to people like you who are working with students of all ages, that we say we will use these tools so that every young person can get all of the education that they are willing to work for, and even the not so young person who may be coming back into the educational institutions, in order to achieve their full God-given potential.

And I thank you, Mr. Hill, for your testimony and each of our witnesses. I think this is very important that we do more here and not less to have a responsible federal investment in our Nation's future through student financial assistance.

Thank you, Mr. Chairman.

Chairman SPRATT. Thank you, Mr. Doggett.

Mr. Etheridge?

Mr. ETHERIDGE. Thank you, Mr. Chairman, and thank you for holding this meeting. I am pleased to be here and I am enjoying your testimony.

Let me in the fairness of a little public disclosure, I served as the State Superintendent of Schools for eight years in North Carolina before I came here.

One of the reasons I ran for Congress was to make sure this very thing we are talking about didn't happen.

Mr. Chairman, as you remember we had a group up here were going to shut down the Department of Ed, de-fund education—all the things that make a difference, give people an opportunity not only to get in the middle class, but to stay there.

I have just seen a report in the last two weeks that jobs of the 21st Century, those that are going to allow people to be in the middle class and grow to middle class, are going to require education well beyond high school.

So I mean just talking about Perkins is great, but we'd better be talking about broadening that opportunity and making that umbrella much bigger if we want to compete with a country that has got more people, like China—they have more people in school than we've got people, and they are building colleges.

You know, this is a great opportunity today to really figure some of this out.

It seems to me when we are talking about cutting back educational opportunities for young folks, it reminds me of being on the farm, and that is where I grew up. It is like eating your seed corn. I see some of you smiling, you're beginning to understand what I am talking about. Because if you don't make that opportunity available, you may miss the opportunity to get the next scientist or the next great engineer, or the person who is going to turn this country around, the next great leader.

Education is the one thing that opens the door of opportunity. I have always said it is a great leveling device for everyone, and I think it is going to be the key to economic opportunity in the future, certainly in the 21st century.

So, Mr. Chairman, I applaud you for the bill, for wanting to extend the Perkins. I don't think there is any question that we ought to do it. The real question is how do we make it better?

Tough budgets means you have to make tough decisions, but the last time I checked education is not an expenditure, it is an investment. That means it is something you invest in today to get a return on down the road. And this country has benefitted from the Perkins Loan Program, it has benefitted from a lot of educational investments over the years that have allowed our economy to grow dramatically, and an awful lot of people to have a lot better life.

That being said, I think that this proposal is common sense. It really ought to be drawing bipartisan support. There ought not to be anyone who really is not focused on it if they really believe in the United States of America and the challenges we face in the 21st century.

Now that is not to stay that there are changes that ought not be made to make it better, but we ought not be trying to take the legs out from under it at a time when we are up and moving.

So Mr. Perrin, let me ask you a question. Could you talk a little more about how colleges and universities match the federal funds we are providing? That is a real interest to me because within my district I have seven colleges and universities and four community colleges. That is a lot of folks to have an educational opportunity. I think it is important to stress that not only is this a smart, public/private partnership, we sort of talk about how we match other stuff, but it is really a public/private partnership, because not all scholarships that you have received or you are handing out are all public money. A lot of those are private philanthropic dollars that are put in scholarship over the years. I believe one of the best features of the Perkins loan initiative, which used to be the Old National Defense—we need to give what its real name was before it was changed—is that it encouraged graduates to pursue public service jobs like teaching. That is a very honorable profession, as most of us who have a teacher we remember. Some of us have more than one that made a difference in our lives and gave us an opportunity, or the people who work in government or even those who go in the military.

Do you have any statistics about how many of the Perkins loan recipients end up choosing these paths? Because I think either one of you may want to talk about that.

I think we just heard from one of the great recipients, Mr. Hill has decided what he is going to do. And if we are going to encourage and validate what we are doing, we need more people training the next generation.

While you are looking for your number I will add one more thing, because I know you are looking for it, because I do think it is important to get that on the record, and if you don't have it immediately I hope you would submit it for the record. I think these are the kinds of things that as people start to read these records they can reflect back. A lot of folks are numbers people, and they want to see what the numbers are, and I think that is important, because we have a great story to tell and we really need to tell it.

Mr. PERRIN. Thank you, Congressman, and I totally agree with you, there is no greater investment in this country than education.

We will supply the information for the record. The information we have was received from the Department of Education and it is as of June of 2008. I have the dollar amounts that have been awarded. For loans prior to 1972 there was $505 million for the teacher and military cancellations.

I think what I need to do, Congressman, is provide that for the record.

Mr. ETHERIDGE. Yes, I think we will need to have those accurate numbers in the record.

Mr. PERRIN. Yes.

[The information follows:]

BOB PERRIN'S RESPONSE TO QUESTIONS FROM CONGRESSMAN BOB ETHERIDGE

Throughout the history of the Program, roughly $1.5 billion in Perkins loans have been cancelled for students pursuing careers in teaching, the military and other forms of public service, and this figure has grown since the most recent data we have available. Since 1972, $902 million in Perkins loans have been forgiven for students pursuing careers in targeted public service professions. Of that $902 million, roughly $650 million has been provided for teachers. Rewarding students who pursue the honorable fields of teaching and military service has been a longtime staple of the program. Before 1972, more than $500 million in loans were cancelled for Perkins borrowers in these professions. Additionally, the number of service professions eligible for forgiveness has increased over the years. For example, more than $66 million in loans have been cancelled for police officers and other professions in law enforcement and the Higher Education and Opportunity Act of 2008 made seven additional professions, including firefighters, well qualified librarians, and public defenders, eligible for Perkins Loan forgiveness. I have a document that provides Perkins Loan cancellation information on a state-by-state basis that I will submit for the record.

FEDERAL PERKINS LOAN PROGRAM CUMULATIVE CANCELLATIONS

[As of June 30, 2007]

	Loans issued before 1972 teacher/military	Loans issued after 1972			
		For teaching in certain subjects	All other authorized teaching services	Military	Total
Public 2 Year	$3,620,001	$183,263	$4,320,021	$52,365	$4,555,649
Public 4 Year	292,777,855	29,480,665	402,298,814	402,624	432,182,103
Private 2 Year	500,156	185,721	511,601	858	698,180
Private 4 Year	208,813,577	19,729,292	235,811,405	559,041	256,099,738

FEDERAL PERKINS LOAN PROGRAM CUMULATIVE CANCELLATIONS—Continued

[As of June 30, 2007]

	Loans issued before 1972 teacher/military	Loans issued after 1972			
		For teaching in certain subjects	All other authorized teaching services	Military	Total
Proprietary	441,060	70,774	1,243,582	27,986	1,342,342
U.S. total	$506,152,649	$49,649,715	$644,185,423	$1,042,874	$694,878,012
Institutions	1,582	1,226	1,795	638	

Note: Number of Institutions represents schools that reported these Federal Perkins Loan account transactions

FEDERAL PERKINS LOAN PROGRAM CUMULATIVE CANCELLATIONS

[As of June 30, 2007]

	Loans issued before 1972 teacher/military	Loans issued after 1972			
		For teaching in certain subjects	All other authorized teaching services	Military	Total
Alabama	$8,024,766	$417,766	$10,604,647	$19,969	$11,042,382
Alaska	0	1,000	36,892	0	37,892
Arizona	5,012,343	195,011	7,070,637	2,585	7,268,233
Arkansas	6,765,767	641,013	15,380,434	15,285	16,036,732
California	39,913,765	4,114,953	59,539,525	48,039	63,702,517
Colorado	7,398,210	536,446	9,501,224	8,847	10,046,517
Connecticut	6,548,719	186,269	3,961,584	12,943	4,160,796
Delaware	472,878	134,112	1,040,175	375	1,174,662
District of Columbia	2,745,132	166,978	2,155,276	6,913	2,329,167
Florida	10,424,525	773,960	12,846,181	17,268	13,637,409
Georgia	6,979,575	686,892	11,228,756	8,022	11,923,670
Hawaii	677,125	62,644	1,094,373	700	1,157,717
Idaho	2,087,529	170,456	4,434,211	5,827	4,610,494
Illinois	24,774,631	1,709,832	22,443,534	23,657	24,177,023
Indiana	17,126,646	1,753,134	12,698,129	16,722	14,467,985
Iowa	11,746,758	2,084,539	10,932,360	5,008	13,021,907
Kansas	10,909,363	1,256,719	12,562,463	26,233	13,845,415
Kentucky	11,361,368	986,789	16,864,269	10,249	17,861,307
Louisiana	7,205,709	823,385	13,611,107	9,264	14,443,756
Maine	2,102,004	426,723	5,105,901	4,814	5,537,438
Maryland	4,873,397	291,514	6,102,973	10,463	6,404,950
Massachusetts	14,438,201	1,403,126	17,371,971	22,184	18,797,281
Michigan	22,470,480	2,740,503	21,211,675	28,234	23,980,412
Minnesota	16,311,206	1,043,380	13,605,464	7,172	14,656,016
Mississippi	8,031,470	389,988	16,650,290	39,388	17,079,666
Missouri	14,000,209	1,265,465	14,467,504	17,381	15,750,350
Montana	2,769,806	85,171	3,675,741	3,007	3,763,919
Nebraska	5,625,569	523,919	5,534,572	7,578	6,066,069
Nevada	506,310	24,500	617,559	188	642,247
New Hampshire	2,174,470	314,582	3,233,212	9,854	3,557,648
New Jersey	8,091,162	609,094	6,965,029	10,583	7,584,706
New Mexico	3,559,284	716,454	11,438,049	4,016	12,158,519
New York	42,885,553	3,577,830	47,538,409	61,620	51,177,859
North Carolina	12,837,274	1,000,833	16,031,637	22,422	17,054,892
North Dakota	3,472,079	476,452	4,140,581	7,656	4,624,689
Ohio	24,040,353	2,437,043	22,804,522	21,189	25,262,754
Oklahoma	11,261,650	923,131	14,972,452	7,467	15,903,050
Oregon	6,763,051	848,421	9,713,006	16,926	10,578,353
Pennsylvania	25,265,484	1,910,251	18,357,317	108,838	20,376,406
Puerto Rico	4,754,218	490,815	9,177,888	11,673	9,680,376
Rhode Island	3,114,266	171,746	3,112,619	8,110	3,292,475
South Carolina	5,418,876	483,488	8,150,827	11,710	8,646,025
South Dakota	3,825,055	598,357	9,977,748	27,432	10,603,537
Tennessee	10,903,713	1,097,344	14,150,246	33,369	15,280,959
Texas	23,470,593	2,422,504	50,995,325	29,285	53,447,114

FEDERAL PERKINS LOAN PROGRAM CUMULATIVE CANCELLATIONS—Continued

[As of June 30, 2007]

	Loans issued before 1972 teacher/military	Loans issued after 1972			
		For teaching in certain subjects	All other authorized teaching services	Military	Total
Utah	2,863,659	1,389,023	5,307,332	25,106	6,721,461
Vermont	1,604,131	403,599	2,315,330	14,577	2,733,506
Virginia	8,282,133	388,069	8,211,161	182,188	8,781,418
Washington	10,560,725	1,185,735	15,642,722	16,803	16,845,260
West Virginia	6,018,410	497,820	4,981,455	14,037	5,493,312
Wisconsin	12,556,380	2,769,969	23,813,879	18,979	26,602,827
Wyoming	1,118,049	39,120	721,542	719	761,381
Guam	0	0	0	0	0
Virgin Islands	8,620	1,848	83,708	0	85,556
Misc. Islands	0	0	0	0	0
U.S. total	$506,152,649	$49,649,715	$644,185,423	$1,042,874	$694,878,012

FEDERAL PERKINS LOAN PROGRAM CUMULATIVE CANCELLATIONS

[As of June 30, 2007]

	Volunteer service	Law enforcement	Early intervention	Nurse/medical technician
Public 2 Year	$17,363	826,963	$624,458	$9,538,820
Public 4 Year	2,784,435	35,672,418	43,860,044	102,926,380
Private 2 Year	128,231	170,051	57,648	883,810
Private 4 Year	5,854,335	29,055,718	32,710,697	92,496,696
Proprietary	7,109	316,746	194,440	940,413
U.S. total	$8,791,473	$66,041,896	$77,447,287	$206,786,119
Institutions	878	1,392	1,418	1,498

Note: Number of Institutions represents schools that reported these Federal Perkins Loan account transactions

FEDERAL PERKINS LOAN PROGRAM CUMULATIVE CANCELLATIONS

[As of June 30, 2007]

	Volunteer service	Law enforcement	Early intervention	Nurse/medical technician
Alabama	$29,390	$878,524	$780,801	$3,740,091
Alaska	884	3,539	5,798	10,074
Arizona	45,525	342,540	308,007	1,236,860
Arkansas	14,471	352,657	892,478	6,324,985
California	787,906	7,479,432	8,579,285	11,150,847
Colorado	248,112	1,582,506	1,642,828	2,499,384
Connecticut	225,246	537,362	828,889	5,120,263
Delaware	26,908	162,862	135,435	1,273,715
District of Columbia	153,183	526,591	296,096	422,701
Florida	91,188	1,566,256	1,155,007	2,689,929
Georgia	197,933	786,332	826,979	4,721,184
Hawaii	17,223	174,890	255,049	283,891
Idaho	21,104	373,369	338,841	1,091,547
Illinois	368,553	2,527,009	3,744,754	8,038,534
Indiana	342,741	2,288,212	2,731,014	6,270,635
Iowa	207,227	1,045,529	1,580,641	3,827,574
Kansas	93,079	1,228,197	1,531,984	5,608,240
Kentucky	25,470	788,502	1,790,233	5,100,670
Louisiana	102,366	814,023	807,346	4,266,986
Maine	139,348	478,504	1,416,263	3,425,760
Maryland	106,243	948,983	1,416,044	4,093,649
Massachusetts	638,013	2,158,999	4,190,038	4,878,193
Michigan	321,622	2,832,132	3,135,383	4,845,388
Minnesota	336,162	1,701,931	1,731,185	4,823,533

FEDERAL PERKINS LOAN PROGRAM CUMULATIVE CANCELLATIONS—Continued

[As of June 30, 2007]

	Volunteer service	Law enforcement	Early intervention	Nurse/medical technician
Mississippi	10,236	618,964	1,031,318	3,922,822
Missouri	132,516	2,598,356	2,333,855	6,463,549
Montana	40,594	331,499	415,570	819,149
Nebraska	98,439	813,697	864,292	6,590,354
Nevada	1,053	23,352	56,464	210,512
New Hampshire	171,202	446,123	600,645	1,362,340
New Jersey	97,018	1,432,089	1,073,994	854,215
New Mexico	33,780	588,961	708,706	1,778,543
New York	515,632	4,725,104	4,051,215	9,353,254
North Carolina	213,679	2,150,579	1,889,214	7,636,751
North Dakota	26,210	513,913	627,415	4,021,092
Ohio	361,368	2,630,545	3,058,148	6,059,870
Oklahoma	39,344	1,023,862	1,670,778	2,729,919
Oregon	337,773	1,272,916	1,550,141	6,293,174
Pennsylvania	410,754	2,578,551	4,343,325	11,429,239
Puerto Rico	10,504	890,867	114,542	2,382,730
Rhode Island	256,888	204,926	387,269	339,542
South Carolina	30,202	646,342	633,341	1,909,446
South Dakota	22,798	525,235	720,314	3,488,315
Tennessee	58,252	966,476	1,262,393	3,267,396
Texas	186,464	2,143,709	1,535,721	8,649,740
Utah	29,648	1,297,667	1,135,647	4,819,322
Vermont	166,214	488,050	367,668	947,585
Virginia	135,384	711,917	678,983	1,429,345
Washington	355,909	1,246,981	2,243,687	4,554,793
West Virginia	19,018	462,183	695,577	2,039,401
Wisconsin	484,617	3,042,158	3,219,991	7,511,019
Wyoming	6,080	86,818	56,696	175,848
Guam	0	0	0	0
Virgin Islands	0	1,175	0	2,221
Misc. Islands	0	0	0	0
U.S. total	$8,791,473	$66,041,896	$77,447,287	$206,786,119

Mr. ETHERIDGE. Mr. Chairman, I think that would be helpful for us.

Let me ask you one other question. You talked a little bit about it, you and Ms. Bauder, about some of the improvements. Are there other improvements that you have not shared that you think we ought to be paying attention to, to make this program expand and reach more of our young folks?

Because I will guarantee you if you sit in the Financial Aid Office a lot of times you are saying no because you don't have the resources to help a very capable, deserving young person that can make a difference.

Mr. PERRIN. Yes, Congressman, of course first it would be fantastic if we could get some additional appropriations.

As was mentioned in the record there hasn't been any new money in this program for approximately five years, and it has been a year since we have had any appropriation for cancellations that have been awarded. And right now just currently the loan funds are approximately about $130 million short from cancellation benefits. So the program continues to become smaller and smaller on the campuses and there are less funds available to lend. The matching structure that we have in place, every dollar of appropriations is matched by one-third.

So just by the federal government and the partnerships with the institutions you are going to grow the program substantially.

There is a need out there in the community for additional aid as Sarah and others have mentioned.

I do think there are ways that we can modernize the program, but I would encourage, as I mentioned earlier in my statement, that a committee be developed among the higher education community, the servicers that are involved, students, as well as congressional staff members or congressional members, and really sit down and say how can we make this program here 10 years from now, 15 years from now, and 20 years from now?

Mr. ETHERIDGE. Any other comment? Sarah?

Ms. BAUDER. No, I would just echo what he said.

Mr. ETHERIDGE. Thank you. Let me thank all three of your testimony.

Mr. Chairman, thank you for this, because I think this is very healthy.

Chairman SPRATT. I think it has been a great hearing and it is because we got excellent presentations from different perspectives from the three of you. Excellent testimony, well delivered, and we really appreciate your coming and sharing your thoughts with us and your experience, and we look forward to working with you towards a solution—a long-run solution, a permanent solution to that issue in the weeks ahead.

Thank you again for your participation and we look forward to working with you.

Before concluding I want to ask unanimous consent that members who did not have the opportunity to ask questions be given that opportunity with seven days on the record today.

Without objection, so ordered.

And I want to ask unanimous consent to include in the hearing record the testimony submitted today to the Committee by other education entities interested in maintaining the Perkins Program but not able to be a witness at that hearing.

Without objection, so ordered.

Thank you once again for your participation. The hearing is adjourned.

[The prepared statement of Maria Livolsi follows:]

PREPARED STATEMENT OF MARIA LIVOLSI, DIRECTOR,
STATE UNIVERSITY OF NEW YORK STUDENT LOAN SERVICE CENTER

Chairman Spratt, Ranking Member Ryan, and members of the House of Representatives Committee on the Budget, thank you for allowing me the opportunity to submit my written testimony in support of the Federal Perkins Loan Program. I am cognizant of the fact that colleagues of mine are also providing testimony today that will provide you with an historical background on the Perkins Program. Rather than restating that information, I would like to begin by giving you my background and providing information on the critical role that the Perkins Loan Program plays at the State University of New York.

I have been employed by the State University of New York (SUNY), Student Loan Service Center (SLSC) for close to 21 years, serving as director for the past 14 years. I have a staff of 36 employees dedicated to providing services related to the Perkins Loan Program for the 29 SUNY state campuses and their borrowers. My office is responsible for all aspects of the loan process beginning with the creation and signing of the promissory note, the disbursement of funds, and all related servicing of the loan throughout enrollment and repayment.

My staff works very closely with the borrowers to ensure that they are aware of their benefits and responsibilities throughout the repayment process. We are pleased that our SUNY-wide cohort default rate is almost always below the national average, with most of the SUNY campuses achieving rates that are far below the national average. This is a tribute to the dedicated professionals within the SLSC and at each SUNY campus that work closely with each student throughout the awarding and repayment process—a relationship that is both unique to Perkins and critical to the students who are incurring higher levels of student loan debt to meet the increasing cost of higher education today.

Even at a public university such as SUNY, where the cost of attendance is modest in comparison to similar colleges across the country, our students still have funding gaps after awarding the Federal grants and Stafford loans available. Without the flexibility and benefits that the Perkins Program affords, many of these students would be unable to continue their education or would have to do so at a much higher cost. That additional cost, for the most part, is due to the higher interest rates charged for private loans in comparison to the low, fixed interest rate of 5% that is available to Perkins borrowers. In addition, Perkins loans do not begin accruing interest until nine months after the student separates from college—a benefit that saves the borrowers thousands of dollars over the course of their enrollment and repayment period.

The SUNY Perkins portfolio is one of the largest in the country, with a current value of $153 million. We currently have loans outstanding to more than 64,000 borrowers. On an annual basis, SUNY campuses award $15 million in Perkins loans to more than 13,000 students who, without this additional funding, would be extremely challenged in meeting their financial responsibilities without incurring much higher debt levels from private loan sources.

The State University of New York has been awarding Perkins loans for close to 50 years. In that time period, SUNY has awarded $720 million to more than 445,000 students. This was made possible by a combined cumulative investment of $150 million in federal capital contribution and institutional match. The fact that the revolving fund has turned over almost 5 times is just one of the remarkable attributes that makes this program so valuable and unique. With a modest capital investment, and minimum operational cost to the Federal government, the Perkins Program has been able to sustain itself, remain viable and provide financial aid administrators unmatched flexibility in helping their students meet their financial responsibilities at a reasonable cost.

The fact that interest does not accrue on the loans while students are enrolled, coupled with the availability of cancellation opportunities for students who choose careers in public service, are two vital benefits of this program that make it instrumental. Over the life of our program, SUNY students have had $33 million in loan principal forgiven due to serving in one of the many public service professions that are eligible for cancellation. These are students who have entered professions such as teaching in low-income schools, working in underprivileged communities, or in choosing professions that are dedicated to serving the public such as law enforcement, nursing, firefighting, and the military. Such professions often cannot compete with the salaries afforded to those who work in the private sector, but are attractive to students because of the opportunity to have all or part of their Perkins Student Loan cancelled—in most cases over a 5-year period.

The Perkins Loan Program is a program that has long-term sustainability and proven success. Since the inception of the federal Perkins Loan Program in 1958, over $28.8 billion in loans have been made to students through almost 26 million aid awards, enabling them to pursue their higher education goals. The Perkins Loan Program provides immeasurable benefits to students and critical flexibility to aid administrators at a low cost to the Federal government.

I recognize the challenges that the House Budget Committee is facing in determining the future of the Perkins Loan Program due to the impending sunset provision and the current difficult fiscal environment we are facing as a nation. However, on behalf of the thousands of students seeking access to a college degree that rely on this unique and low-cost loan as a critical component of their Federal aid package, I ask that you extend the Perkins Program and remove the sunset provision.

I want to once again thank the committee for the allowing me to submit this written testimony today. I am available to answer any questions you may have or provide any additional information that might be helpful as you move forward with your decision.

[The prepared statement of Justin Draeger follows:]

PREPARED STATEMENT OF JUSTIN DRAEGER, PRESIDENT, NATIONAL ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS (NASFAA)

We appreciate the opportunity to submit comment on the role of the Perkins Loan Program. The unique characteristics of Perkins loans are of great value to students and schools. As conversations on the role and future of this and other student aid programs continue, we hope there will be a focus on the founding principles of the student aid programs. Those principles include a commitment to need-based aid and the promotion of policies focused on meeting the needs of disadvantaged students with an eye towards simplicity, equity, and flexibility.

NASFAA represents more than 18,000 financial aid professionals who serve 16 million students each year at 2,800 colleges and universities throughout the country. Our members are on the front line when it comes to helping underserved and underrepresented student populations overcome financial barriers to attain a higher education. They are intimately familiar with the student aid programs and work daily to create financial aid packages that address financial need, exhausting the most consumer-friendly funds first to keep debt levels as low as possible.

Half a century ago, Congress introduced the National Defense Student Loan Program. Authorized under the National Defense Education Act of 1958, this simple, campus-based loan program—which eventually became the Perkins Loan Program—allowed schools to leverage their own funds to meet students' financial need. Support for campus-based programs increased over the next few decades, but has since dwindled. Today, the underfunded program needs attention.

When Perkins was first introduced, the loan program was funded by schools and amplified by the federal government. For each $1 put up by schools, the federal government contributed another $9 into a fund used by schools to make loans to low-income students. In the program's first year, 1,100 schools disbursed nearly $10 million dollars to about 25,000 students. Schools determined which of their eligible students had the most need and awarded the funds accordingly. The loan originally had a 3 percent interest rate and borrowers who went into certain fields, such as teaching, could eliminate large portions of their debt—up to 50 percent in some cases. Schools used the money repaid by current borrowers—along with the federal contribution—to make loans to more low-income students.

Over time however, the Perkins Loan Program has waned in magnitude. As college costs and students' financial needs increased, the federal student aid programs became more reliant on other federal student loans to meet students' needs. Today, the Perkins Program is a small fraction of the entire federal student loan portfolio. According to the College Board, Perkins loans aided 504,000 students in 2008-09, down from 669,000 in 1998-99. By contrast, 8.7 million students utilized subsidized and unsubsidized Stafford Loans in the 2008-09 academic year.

But even as the Perkins Program has waned, its unique characteristics have made it an important tool for many schools that are trying to meet students' financial need. As a subsidized loan program, students receiving Perkins funds do not have to pay interest while they are in school or during periods of deferment. The fixed, 5 percent interest rate and generous loan forgiveness provisions make this loan especially attractive to students who might otherwise struggle with loan debt.

In addition, like other campus-based aid programs (e.g., the Federal Supplemental Educational Opportunity Grant and the Federal Work Study Program), institutions have the flexibility to transfer funds between programs and to carry-forward and carry-back funds across program years, a feature that many aid administrators appreciate as they try to fill funding gaps for their students for special purposes, such as awarding student aid for summer sessions.

Lastly, the Perkins Loan Program is particularly unique because funds are distributed through a revolving account that is made up of both university and federal funds. As students pay back their loans, the schools re-award those funds to other students. Colleges and universities therefore have a vested interest in making sure students repay their loans so that they can continue to serve other students.

Today, the Perkins Loan Program finds itself in a very precarious position. In FY 2009, Perkins borrowers received $65.5 million in loan cancelation benefits, but no funds were appropriated for new Federal Capital Contributions. The revolving fund that schools have relied on to make new loans dwindles every year through loan default and forgiveness programs. In addition, more students are enrolling in college, forcing existing dollars to be spread thinner and thinner. It is clear that measures must be taken to appropriately address the future of this program.

Whatever the future of the Perkins Loan Program, or other student aid programs for that matter, it is vital that we remember the core principles upon which student aid is predicated; namely, that we promote the primacy of need-based aid and policies that address the needs of disadvantaged students with an eye towards simplicity, equity, and flexibility. We look forward to working with Congress and the Administration on ensuring students and families receive the funds they need to attend college.

[The prepared statement of Judith Flink follows:]

PREPARED STATEMENT OF JUDITH FLINK, EXECUTIVE DIRECTOR, UNIVERSITY STUDENT FINANCIAL SERVICES, UNIVERSITY OF ILLINOIS; FORMER PRESIDENT, COALITION OF HIGHER EDUCATION ASSISTANCE ORGANIZATIONS (COHEAO)

My name is Judith Flink. I am the Executive Director of University Student Financial Services at the University of Illinois (UI), and former President of the Coalition of Higher Education Assistance Organizations (COHEAO). I appreciate the opportunity to submit my testimony regarding the importance of continued federal support for the Federal Perkins Loan Program.

UI has participated in the Perkins Loan Program since its establishment in 1958 and has remained an active participant and strong advocate ever since. For thousands of needy students, Perkins loans represent the difference between continuing towards a diploma and dropping out. Perkins loans provide crucial low interest, school originated, subsidized loans to cover the gap in funding that can exist between tuition and federal loan limits. Attached are three charts depicting the financial situation of actual students enrolled at the University of Illinois fall semester 2010.

I will not belabor the Committee by reviewing all three charts but allow me to briefly explain the first one.

As you will note, this student received a maximum Pell Grant award of $5,350, along with the maximum subsidized and unsubsidized federal direct loan of $10,500. Taking into account University grants and loans, she is still short of the necessary funds to cover her tuition and books for the year. Filling the "gap" between federal loan limits and tuition is often the critical role played by the Perkins Loan Program. In this example, she was awarded $2,550 in Perkins funding. Without it, this student may have had to decide between: obtaining a higher cost alternative loan (if eligible); working, or increase working, to avoid assuming additional debt or leaving school due to the lack of financial resources or the fear of increasing loan debt burden. This chart depicts the situation faced by one student but it represents the situation of hundreds of other students on campus.

The student body at the three campuses of the UI is rich in ethnic and cultural diversity. Over one third of our Chicago Campus' fall enrollment is comprised of Chicago Public Schools graduates, many of whom are the first in their family to attend college. The financial aid administrators at our Chicago Campus awarded 2,451 students a Perkins loan in FY 2010, for a total of $2,992,863.00. That comes out to an average loan of just over $1,200. Perhaps, $1,200 does not sound like a deal breaker for some. But for the students who come from families with incomes at or below the poverty line—which the majority of Perkins loan recipients do—it makes a great deal of difference.

Perkins loans provide more than just a way to bridge a funding gap. Perkins loans offer students in-school interest subsidies and a low 5% interest rate during repayment. Furthermore, upon graduation, Perkins loans are forgiven if a student works in one of 16 different public service professions such as teaching, nursing, the military or law enforcement. And, this program is administered at the campus level which allows critical one-on-one counseling, debt management and financial planning opportunities between the student and school personnel.

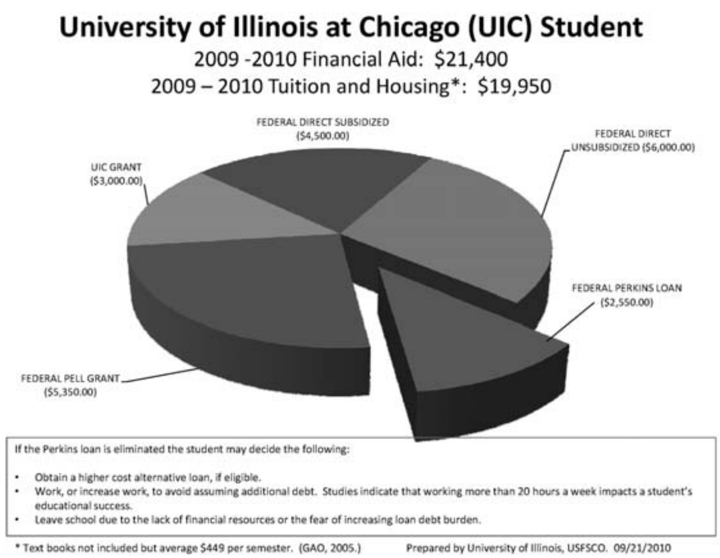
As with the call by Presidents in the past, we are in our own unique "Post- Sputnik" era. Today, President Obama has challenged us to strengthen our global edge by increasing higher education access and completion rates. Universities have heard and heeded the call, reaching out to non-traditional and first generation students, improving support systems in school and renewing efforts to better match students with degrees. This call includes the longstanding commitment by schools participating in the Perkins Program to contribute towards a matching requirement. Today, for each dollar appropriated in federal funds, colleges contribute at least one-third in matching monies. It is important to note, however, that no federal funds in the form of capital contributions have been appropriated to the Perkins Program for years. The lack of federal funds has been offset by increased institutional contributions as well as the fact that the Perkins loan program is a revolving fund meaning that each dollar that comes in repayment goes back out the door in a loan for another needy student. This unique structure has leveraged thousands of dollars in student aid.

The Perkins Program has had a long and successful history of serving needy students. Unfortunately, the program is due to expire in 2012 effectively halting any new loans. Chairman Spratt has introduced legislation to extend that deadline for a year. Those of us at participating institutions commend you for your commitment and urge Members to support you in your efforts.

Furthermore, we stand ready to engage in conversations to improve the program and eliminate the expiration date altogether. For example, lawmakers have proposed new programs offering student loan forgiveness in exchange for teaching. The Perkins Program is the logical program to serve as the basis for such an initiative. Additional funding for the Perkins Program would serve students' needs and would prove more cost effective than the creation of a new program or new benefits in existing programs. Most importantly, it would revitalize the original purpose behind the enactment of the Perkins Loan Program which is to provide low cost loans and a cancellation incentive to future teachers.

The Perkins Program has worked well and has a proven record of success. Perkins has successfully leveraged institutional dollars, established a strong revolving loan fund, encouraged and enabled low income students to complete college and engage in social service careers and it has provided a human touch to loan counseling and financial management. For these reasons, we urge you to maintain this program in our arsenal of critical student financial aid funding.

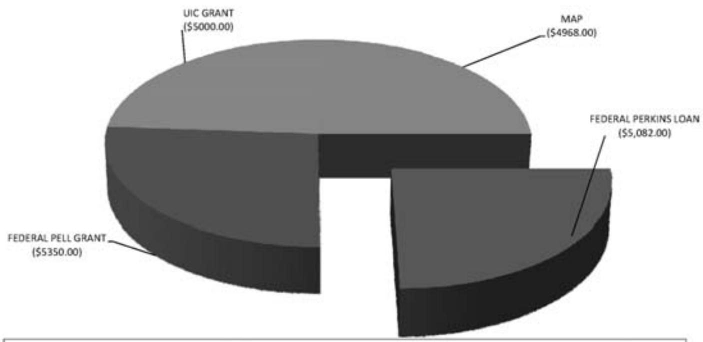
Again, I appreciate having the opportunity to submit testimony on the importance of the Federal Perkins Loan Program. Keeping the Federal Perkins Loan Program strong is an important way to promote access to and eliminate the financial barriers that discourage low-income students from attending higher education.



University of Illinois at Chicago (UIC) Student

2009 - 2010 Financial Aid: $20,400.00

2009 - 2010 Tuition and Housing*: $20,200.00



If the Perkins loan is eliminated the student may decide the following:

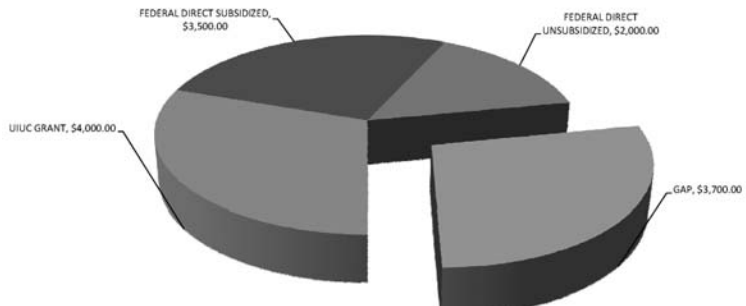
- Borrow s from the Federal Direct Student Loan program. This student is in a nursing program and based on her career aspirations would be eligible for 100% loan cancellation under the Federal Perkins loan program.
- Work, or increase work, to avoid assuming debt. Studies indicate that working more than 20 hours a week impacts a student's educational success.
- Leave school due to fear of increasing loan debt burden.

* Text books not included but average $449 per semester. (GAO, 2005.) Prepared by University of Illinois, USFSCO. 09/21/2010

University of Illinois at Urbana-Champaign (UIUC) Student

2009 - 2010 Financial Aid: $13,200.00

2009-2010 Tuition and Housing*: $24,200.00



If the Federal Perkins Loan Program is eliminated the student may decide the following:

- Obtain a higher cost alternative loan, if eligible.
- Work, or increase work, to avoid assuming additional debt. Studies indicate that working more than 20 hours a week impacts a student's educational success.
- Leave school due to the lack of financial resources or the fear of increasing loan debt burden.

* Text books not included but average $449 per semester. (GAO, 2005.) Prepared by University of Illinois, USFSCO. 09/21/2010

[Letter, dated September 22, 2010, to Secretary Duncan follows:]

U.S. CONGRESS,
Washington, DC, September 22, 2010.

Hon. ARNE DUNCAN, *Secretary,*
U.S. Department of Education, 400 Maryland Avenue, SW, Washington, DC 20202

DEAR SECRETARY DUNCAN: I am writing to encourage you to work with Congress to maintain the Perkins loan program. As you know, more than 1,700 colleges provide Perkins loans to about 500,000 needy college students each year, but the entire Perkins loan program is scheduled to end in 2012. Letting the program expire would not only jeopardize college access for low-income students, it would also put at risk the jobs of the thousands of people who administer Perkins loans at colleges and at private servicing companies across the country. In my congressional district of

South Carolina alone there are close to 300 jobs dependent on servicing Perkins loans—jobs we cannot afford to lose any more than we can give up the access to higher education that Perkins loans provide.

The economy is just now rebounding from recession, but jobs are still too hard to come by for many Americans. A college degree is increasingly important in obtaining and keeping a job, and I will do all I can to ensure that everyone has the opportunity to attend college regardless of their income. For low-income students a Perkins loan often makes the difference between affording college or not.

Congress has provided short-term extensions for the Perkins loan program in the past, and I have introduced legislation to extend the existing program for another year. That year would give us more time to enact a long-term solution, it would provide colleges and universities the assurance that the federal government is committed to continuing to the Perkins loan program, and would ensure that loan servicing jobs are not eliminated.

You have worked tirelessly to improve education in America, and I know you share my dedication to continuing the successful Perkins loan program—a program important to both students and those employed administering the loans. I look forward to working with you to find a way to extend the Perkins loan program.

Sincerely,

JOHN M. SPRATT, JR.,
Chairman.

[Whereupon, at 3:03 p.m., the Committee was adjourned.]

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