

# Assign a Loan to the Department of Education

Institutions may assign loans to the Department of Education (ED) for one of these reasons:

- ♦ Default
- ♦ Program liquidation
- Total and permanent disability

### Default

An institution may submit **a defaulted loan** to the ED for assignment if it has been unable to collect on a borrower's loan despite complying with diligence procedures and collection efforts.

## **Program Liquidation**

If an institution closes or chooses to **liquidate** its loan portfolio, all loans (repayment and non-repayment loans) must be assigned. You must notify ED of your intent to liquidate either by written notification (letter) or by checking the "yes" box in Part II, Section B of the FISAP.

If you assign loans for **default** or **program liquidation**, the loans placed with ED are assigned without recompense, meaning that the Department will not reimburse an institution's Fund for the loans, and all rights, authorities, and privileges associated with these loans are transferred to the U.S. Government. All funds that are collected become the property of the U.S. Government and are not returned to the Perkins loan fund. Most importantly, schools will lose their institutional contribution for these loans. Assigning loans due to **default** will not remove that borrower's loan from your cohort default rate.

## **Total and Permanent Disability**

Regulations have been modified to allow assignment of loans for borrowers who are **totally and permanently disabled**. If the lending institution makes a preliminary decision that the borrower is totally and permanently disabled, the school must assign the loan under a conditional discharge to the ED by following the procedures outlined in *Dear Partner/Colleague letter GEN-02-03* and *Dear Partner/Colleague letter CB-02-05*. ED will monitor the borrower's condition and determine final eligibility at the end of a three-year monitoring period. Once the loan has been assigned to ED under a conditional discharge, the loan is excluded from the institution's cohort default rate

### **Assignment Due to Default**

Regulations were modified in April 2002 to allow schools more flexibility in the assignment process. Schools are **no longer** required to submit the following documents when assigning a loan:

- Copies of the repayment schedule,
- The repayment history,
- Acceleration notices,
- Recall documentation, or
- Documentation of approved deferments/cancellations

A loan is eligible for assignment if it has been through the proper due-diligence procedures at least once, including a first level collection effort and litigation, if required. The assigned account should have a \$25 or greater outstanding balance—including principal, interest, collection costs, and late charges. If the borrower has multiple loans, the sum total can be used to meet the \$25 minimum requirement.

You must recall the loan from any outside firm at least 60 days prior to the certification date on the assignment form. Therefore, it is extremely important to notify AMS Servicing Group so we can prepare your loans for the assignment process.

# We can help!

Regardless of the reason for assigning a loan to ED, we can assist you in this process with our Assignment Package. This package includes the following items:

Pre-Assignment Report

A list of eligible loans based on the selection criteria established by the institution.

Assignment Check List

A list used to request the removal from outside agencies, to request the Federal Perkins Assignment Form (formerly called ED 553 form) and manifest as of a given month end, and to request histories to be printed.

Federal Perkins Assignment Form (formerly called ED 553) and Manifest The assignment packages and a list of borrowers whose packages are included.

Assignment Transmittal

A list used to facilitate the coding of an institution's loans as "assigned" on System III.

History Print

A printed list which documents due diligence and the various activities required in the assignment process.

**Note:** In addition to the *Pre-Assignment Report*, you can use the *Past Due Loans Report*, *Collection Agency Inventory*, and *Exception/Special Billing Report* to determine eligible loans.

Contact your Customer Service Representative at 1-800-458-4492 if you have questions.