



Reasons & Recommendations for Retooling the Perkins Loan Program

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President Obama's fiscal year 2010 budget includes several major proposals directly aimed at increasing college affordability for students and their families. One calls for reinvigorating the federal Perkins Loan Program, which provides colleges with access to low-cost student loans and the flexibility to meet particular students' unique financial needs. However, the program currently provides funds to just 40% of eligible colleges. In addition to excluding a majority of colleges, the current Perkins allocation formula unintentionally rewards schools with high costs.

To address the inequity in access to Perkins loans and increase the program's impact, the President's budget proposes a substantial increase in Perkins loan volume and the development of a new formula for allocating it to colleges. Congress will play a significant role in shaping the new Perkins program, determining how well it serves students as well as the colleges they attend. This paper is intended to inform discussions about why and how the Perkins Loan Program should be retooled. It also identifies important questions and data issues that are likely to arise in reconsidering the program's design.

This opportunity comes at a critical time for students and families, who are more worried than ever about how to pay for college. Student debt levels continue to rise, and while most student borrowers have federal loans, a troubling 14% of undergraduates now have risky private student loans. Most Perkins recipients already have other student loans. Significant loan debt may be daunting for college graduates, but it can be devastating for students who do not make it to graduation.

Given the amount that students are already borrowing, any changes to the Perkins program should encourage colleges to help their students graduate and keep their debt burdens manageable. Specifically, we recommend that the program be redesigned to *reward colleges for enrolling and graduating low- and middle-income students, prioritizing college affordability, and discouraging the use of risky private student loans.*

The Financial Aid Landscape

The Perkins Loan Program operates within the broader context of existing federal, state and college financial aid programs. Most of these programs distribute aid based solely or partly on students' "calculated need:" the total cost of the college *minus* the family's estimated ability to pay, as determined using the Free Application for Federal Student Aid (FAFSA). Total cost includes the college's estimate for books, supplies, housing, food, and other necessities as well as tuition and fees. *Because the cost of attending an expensive college may exceed even a high-income family's estimated ability to pay, "calculated need" is not limited to low- or middle-income families and is highly correlated with college cost.* As a result, tying federal aid

eligibility to calculated need can end up rewarding colleges for having high costs. This is true of the Perkins program, as discussed further below.

Federal student aid includes grants, loans, and work-study funds that help subsidize student jobs. Various types of grants, which do not need to be repaid, are also available from states, colleges, and other sources. Colleges combine all the aid students are eligible for into aid packages. These packages and the way they are presented can affect students' decisions about where, how, or even whether to attend college.

Virtually all college students are eligible for federal Stafford loans: fixed-rate, affordable loans that offer important borrower protections and manageable repayment plans. Students with calculated financial need are offered subsidized Stafford loans, which do not accrue interest while borrowers are enrolled in school. Unsubsidized Stafford loans, which accrue interest while borrowers are in school, are available to students both with and without calculated financial need. In many cases, parents of dependent college students are also eligible to borrow federal PLUS loans. While eligibility for Stafford and PLUS loans is determined at the federal level, Perkins loans are "campus-based," meaning that colleges have significant flexibility in deciding which students will benefit from them.

Table 1 summarizes the main federal loan options for students and parents, including interest rates, loan limits, and loan volume.

Colleges typically package aid by starting with the most attractive type available. For instance, they only offer loans to students when grants and work-study are insufficient to cover calculated need. (As discussed above, calculated need varies with the cost of attending a particular college.) Federal loans are offered first, in order of lowest cost to the borrower, sometimes including PLUS loans for parents when "calculated need" exceeds limits for federal loans made directly to dependent students (see Table 1 below). Some colleges suggest private loans for students facing costs that they cannot cover after accounting for all grants, work-study, and federal loans.

The percentage of undergraduates taking out private student loans has risen sharply in recent years, from 5% in 2003-04 to 14% in 2007-08.¹ Private loans lack the borrower protections, affordable repayment options, and fixed rates and fees of federal loans, and they typically operate like credit cards, charging higher rates and fees to those who can least afford them. With variable rates that can soar sky-high and virtually no chance of discharge in bankruptcy or even death, most private loans significantly increase the cost of getting an education and pose serious risks to borrowers.

Financial aid experts agree that families should make the most of their federal borrowing options before even considering a private loan. However, in 2007-08, 25% of undergraduates with private loans did not take out any federal loans, and just 36% had maxed out on federal loans. A startling 38% of private loan borrowers had some federal loans but less than the maximum, and almost certainly could have substituted federal loans for private loans.²

¹ Project on Student Debt, "New Data Show Big Increases in Private Student Loan Borrowing," http://projectonstudentdebt.org/files/pub/Private_loan_data_NR.pdf.

² Calculations by Project on Student Debt based on data from the U.S. Department of Education, National Center for Education Statistics, 2007-08 National Postsecondary Student Aid Study.

	Perkins Loans	Stafford Loans		PLUS Loans
		Subsidized	Unsubsidized	
Interest Rate	No interest while enrolled; fixed 5% interest during repayment.	No interest while enrolled. Fixed rate during repayment: for undergraduates, 6.0% if issued in 2008-09, 5.6% if issued in 2009-10; for graduate students, 6.8%	Fixed 6.8% interest accrues during enrollment and repayment.	Fixed 7.9% Direct PLUS Loans, 8.5% FFEL PLUS Loans
Loan Limits	\$5,500/year as an undergraduate, \$8,000/year as a graduate student; \$27,500 total as an undergraduate, \$60,000 total undergraduate and graduate combined.	Dependent undergraduate students: \$31,000 total (maximum \$23,000 subsidized). Independent undergraduate students (or dependent students whose parents do not qualify for PLUS): \$57,500 total (maximum \$23,000 subsidized). Maximum undergraduate+graduate/professional: \$138,500 (maximum \$65,500 subsidized) Maximum annual loan limits vary by student's academic status, dependency status, and undergraduate vs. graduate enrollment.		Cost of attendance minus other financial aid received.
FY2008 Annual Loan Volume	\$1.1 billion	\$30.4 billion	\$33.6 billion	\$11.4 billion
Proposed Changes in President's FY2010 Budget	Interest accrues during enrollment; volume increases to approximately \$6 billion/year.	None	None	None

Sources: U.S. Department of Education, "Funding Education Beyond High School: The Guide to Federal Student Aid 2009-10," http://studentaid.ed.gov/students/publications/student_guide/2009-2010/english/typesofFSA_loans.htm; U.S. Department of Education, "Student Loan Volume Tables—FY 2010 President's Budget <http://www.ed.gov/about/overview/budget/studentloantables/10appendixtables/apploantables.pdf> ; "Funding Status – Federal Perkins Loan Program," <http://www.ed.gov/programs/fpl/funding.html>; "President Obama's Fiscal 2010 Budget Overview: Modernize and Expand Perkins Loans," <http://www.nacacnet.org/LegislativeAction/LegislativeNews/Documents/ModernizePerkinsLoans.pdf>

The Basics: The Perkins Loan Program Today

Currently, Perkins loans are the lowest cost federal loans available³: interest-free while students are enrolled in school, with a low-cost, 5% fixed interest rate afterwards. Repayment can be no longer than 10 years.⁴ Perkins borrowers get a nine-month grace period before they have to start

³ Perkins loans have historically been the lowest cost federal loans. However, the President's proposal for Perkins loans to accrue interest while borrowers are in school may change financial aid packaging equations, because the loss of the in-school subsidy may bring total loan costs closer to those of subsidized Stafford loans for undergraduates. Interest rates on subsidized Stafford loans are scheduled to decrease over the next two years before increasing again in the 2012-13 school year.

⁴ There are limited exceptions that allow colleges to extend the repayment period. Student Loan Borrower Assistance. "Repayment Plans." <http://www.studentloanborrowerassistance.org/repayment/repayment-plans/#perkins>.

repayment, compared to a six-month period for Stafford loans. Perkins loans also come with more generous deferment and forgiveness options for borrowers in certain public service professions, such as teachers in low-income schools and Peace Corps volunteers, than the options available for other federal loans.⁵

Participating colleges are authorized to make these loans to students with calculated financial need, with priority for students with “exceptional need” as defined by the college. This gives colleges the flexibility to target Perkins loans to students whose particular financial circumstances put them at risk of turning to costly private loans or taking other steps – such as dropping out or working excessive hours – that jeopardize their academic success.

However, only 40% of colleges currently participate in the Perkins Loan Program.⁶ Participation is limited by the program’s current design, which gives priority to colleges already in the program, combined with stagnant federal funding. The federal government has not provided any new Perkins loan capital contributions since fiscal year 2004, effectively freezing the list of participating schools. Whenever there is a new federal Perkins loan capital contribution, the U.S. Department of Education allocates it to participating colleges using two formulas that are unrelated to the colleges’ financial aid policies, the types of students they serve, or their completion rates.⁷

- A “Base Guarantee” formula assures that colleges continue to receive a minimum amount of funding based on the amount they have received in previous years. Colleges that are new to the program receive base guarantees similar to those of “like-type schools.”
- A “Fair Share” formula distributes any funds left over after meeting base guarantees. This formula relies heavily on the calculated financial need of students at each college. *Because calculated financial need is tied to a school’s cost of attendance, this formula can end up rewarding colleges with more Perkins funds when their costs increase.*

Each participating college has a revolving loan fund, which was built up over time using capital contributions made by the federal government and required matching contributions from the colleges. Funds from the repayment of previous Perkins loans are recycled to make new loans. The federal government also provides separate funding for Perkins-specific loan forgiveness programs. In addition to having to partially match the federal contribution, participating colleges must also perform the majority of functions required to administer Perkins loans, including originating the loans, counseling borrowers through repayment and selecting contractors for servicing and collection. Because colleges have a direct financial stake in every Perkins loan they make, they may be more likely to make certain choices. For example, colleges may be

⁵ U.S. Department of Education. “Loan Discharge and Cancellation.” http://studentaid.ed.gov/students/publications/student_guide/2008-2009/english/loancancellation.htm#ldoc

⁶ “President Obama’s Fiscal 2010 Budget Overview: Modernize and Expand Perkins Loans,” <http://www.nacacnet.org/LegislativeAction/LegislativeNews/Documents/ModernizePerkinsLoans.pdf>

⁷ U.S. Department of Education, Federal Student Aid, “Campus-Based Frequently Asked Questions,” https://cbfisap.ed.gov/ecb/faq/main_content.html#award_level_questions

tempted to use particularly aggressive collection tactics for Perkins loans in order to make loans to new students and because they are able to retain collection fees of up to 40%.⁸

The President’s budget proposes merging Perkins administration into the U.S. Department of Education’s existing infrastructure for other federal student loans. This would reduce the administrative burden on colleges and make it easier for schools with limited resources to participate in the program. It would also eliminate a potential conflict of interest by removing colleges from the role of loan collector.

❖ **Which Colleges Currently Have Perkins Loan Funds?**

As discussed above, less than half of U.S. colleges (40%) currently have access to Perkins loan funds. Our analysis of available federal data indicates that the distribution of Perkins funds differs greatly from the distribution of total students and the distribution of Pell grant recipients, who typically have family incomes under \$50,000. While 76% of all undergraduates attend public colleges, these institutions receive less Perkins funds than private colleges (45% versus 51%, respectively). Likewise, 64% of Pell grant recipients attend public colleges, while only 15% of Pell recipients attend private non-profit colleges. Whether the current distribution of Perkins funds is beneficial to students depends greatly on the participating schools’ overall approach to affordability and student success.

College Type	Undergrad students	Share of under-grad students	Perkins Loans			Pell Grants		
			Recipients	Dollars	Share of \$	Recipients	Dollars	Share of \$
Public 4-Year	5,880,046	36%	300,370	\$610,192,239	44%	1,680,160	\$4,838,327,241	33%
Public 2-Year	6,444,812	40%	7,379	\$12,766,410	1%	1,848,472	\$4,478,059,774	31%
Private Non-profit	2,647,287	16%	310,876	\$708,657,120	51%	796,204	\$2,271,591,021	15%
Proprietary	1,339,612	8%	32,337	\$51,824,311	4%	1,215,367	\$3,082,037,558	21%
All Colleges	16,311,757	100%	650,962	\$1,383,440,080	100%	5,542,893	\$14,676,345,099	100%

Notes: Public 2-year also includes a small number of public less-than-two-year colleges. All Colleges includes a small number of Pell and Perkins recipients for whom sector is unknown. Perkins loan data is for both undergraduates and graduates, while Pell data is for undergraduates only.

Sources: U.S. Department of Education, Integrated Postsecondary Education Data System (IPEDS), Fall 2007 undergraduate enrollment; U.S. Department of Education. 2007-2008 Federal Pell Grant Program End-of-Year Report, Table 19. <http://www.ed.gov/finaid/prof/resources/data/pell-2007-08/table-19-2007-08.xls>; U.S. Department of Education. Federal Campus-Based Programs Data Book 2009, Table R-CB-1B. <http://www.ed.gov/finaid/prof/resources/data/databook2009/r-cb-1b.xls>.

⁸ Student Loan Borrower Assistance. “Collection Fees.” National Consumer Law Center. <http://www.studentloanborrowerassistance.org/collections/collection-fees/>

❖ Which Students Currently Receive Perkins Loans?

As discussed above, colleges are expected to distribute Perkins loans to students with “exceptional need,” as defined by the college, and determine the size of the loan up to the maximum. As a result, participating colleges have a great deal of flexibility in determining which students receive Perkins loans.

Our analysis of the most recent federal data available indicates that students in the bottom half of the income distribution receive just under two-thirds of Perkins loans. Nevertheless, because access to Perkins loans is so limited, very few students in any income bracket currently receive Perkins loans. (See Table 3 for Perkins loan data by income quartile.)

The majority of Perkins loans recipients (61%) receive federal Pell grants, and nearly all Perkins recipients (92%) borrow Stafford loans. However, 37% of Perkins recipients have less than the maximum in Stafford loans, and 6% have no Stafford loans.⁹

These numbers suggest that schools use Perkins loans in a variety of ways. For example, they may offer Perkins loans instead of private loans or federal parent (PLUS) loans when a student has already borrowed the maximum in Stafford loans. While the large majority of undergraduates with private loans do *not* borrow all they can in federal Stafford loans, 36% do. Among all undergraduates who max out on Stafford loans, 10% also have Perkins loans and 14% have Parent PLUS loans.¹⁰

Schools may also use Perkins loans to attract or retain certain students who have not maxed out on federal loans. Indeed, 43% of students receiving Perkins loans could have borrowed more in Stafford loans.¹¹ Whether these and other possible uses of Perkins loans are effective in making college more affordable for low- and middle-income students depends on each college’s overall approach to student aid and commitment to student access and success.

⁹ These percentages refer to student loans borrowed in academic year 2007-08 only. Calculations by Project on Student Debt based on data from the U.S. Department of Education, National Center for Education Statistics, 2007-08 National Postsecondary Student Aid Study.

¹⁰ Ibid.

¹¹ Ibid.

Income Ranking (in quartiles)	Share of all Perkins loans	Percentage who receive Perkins Loans
Bottom 25%	31%	6%
26-50%	33%	6%
51-75%	23%	4%
Top 25%	13%	2%
All Undergraduate Federal Aid Applicants	100%	5%

Source: Calculations by Project on Student Debt on data from U.S. Department of Education, National Center for Education Statistics, 2007-08 National Postsecondary Student Aid Study.

Note: For dependent undergraduate federal aid applicants, income is for the student’s parents; the 25th percentile is \$29,100; the 50th percentile is \$55,712, the 75th percentile is \$93,490. For independent applicants, income is for the student and spouse (if married); the 25th percentile is \$8,013; the 50th percentile is \$18,948; the 75th percentile is \$33,571.

Goals and Recommendations for Redesigning Perkins Loans

Colleges can and should use the flexibility in the Perkins program to increase students’ odds of completing college at a reasonable cost. That is why we strongly recommend targeting Perkins funds to schools that prioritize affordability, minimize borrowing and maximize student success. The expanded program should be designed with the following goals in mind:

Increase the Program’s Impact

- Reward colleges for enrolling *and* graduating low- and middle-income students
- Reward colleges for prioritizing affordability rather than inadvertently rewarding college cost increases

Do No Harm

- Preserve flexibility for colleges to determine who gets Perkins loans
- Avoid sudden reductions in funding to participating colleges

Increase the Program’s Impact: Specific Recommendations and Options

As discussed above, access to Perkins funds under the current formula unintentionally rewards high sticker prices and is unrelated to a school’s commitment to student success. Too many students currently enroll in institutions where their likelihood of borrowing is high, while their chance of earning a credential is low. A recent report by the American Enterprise Institute found that less than 55% of first-time students at the average four-year college graduate within six years, and at many institutions students have less than a one in three chance of earning a degree—even as they accumulate thousands of dollars of debt. Completion rates vary dramatically across institutions with similar admissions standards.¹²

To increase the impact of the Perkins Loan Program, we recommend it reward colleges for advancing the goals of federal financial aid—increasing college access and success. Barriers remain high: students from low- and middle-income families are much less likely to attend or complete college than their high-income peers. Out of 100 high school students in the lowest income quartile, only 40 will go to college and just 12 will get a degree by age 24; for students in the two middle quartiles, 65 will go to college but only 22 will get a degree; and for those in the

¹² Frederick M. Hess, et al., 2009. Diplomas and Dropouts: Which Colleges Actually Graduate Their Students (and Which Don't). American Enterprise Institute. <http://www.aei.org/paper/100019>

highest quartile, 81 will go to college and 73 will get a degree.¹³ Even when high school graduates have similar academic qualifications, large income-based gaps persist.¹⁴

Some colleges enroll much larger numbers and/or percentages of low- and middle-income students than others. Yet even among colleges with a large share of low-income students, graduation rates vary widely.¹⁵ The likelihood of graduating with a large amount of student-loan debt also varies widely across colleges. While colleges with high sticker prices generally graduate students with more debt than colleges with low sticker prices, there are many high-tuition schools with low student debt and vice versa.¹⁶

The redesigned Perkins Loan Program should provide an incentive for colleges to focus on enrolling and graduating low- and middle-income students in ways that are affordable for students and families. While no measure is perfect, several useful indicators are readily available through federal data sources and could form the core of a new, outcome-oriented approach. Below are some specific recommendations and options for building access, success and affordability factors into a redesigned Perkins distribution formula.

- Enrolling and graduating low- and middle-income students
 - Because the federal government does not currently collect campus-level graduation rates by income level, we recommend a combination of enrollment and completion data to help target Perkins funds to colleges that serve low- and middle-income students well.
 - Enrollment could be measured by the percentage of a school's undergraduates who receive Pell Grants, by the number of federal aid applicants with low to moderate incomes as reported to the Department,¹⁷ or some combination of these

¹³ Mortenson, Thomas. (2007). Bachelor's Degree Attainment by Age 24 by Family Income Quartiles, 1970 to 2005. Oskaloosa, IA: Postsecondary Education Opportunity.

¹⁴ Advisory Committee on Student Financial Assistance, 2008. "Shifts in College Enrollment Increase Projected Losses in Bachelor's Degrees." <http://www.ed.gov/about/bdscomm/list/acsfa/mofpolicybulletin.pdf>

¹⁵ Engle, Jennifer and Colleen O'Brien. 2007. *Demography is not Destiny: Increasing the Graduation Rates of Low-Income College Students at Large Public Universities*. The Pell Institute for the Study of Opportunity in Higher Education. http://www.pellinstitute.org/files/files-demography_is_not_destiny.pdf

¹⁶ Project on Student Debt. 2008. "Student Debt and the Class of 2007." <http://projectonstudentdebt.org/files/pub/classof2007.pdf>. To compare enrollment, graduation, and debt figures for different colleges, see <http://economicdiversity.org>.

¹⁷ The Fiscal Operations Report and Application to Participate (FISAP) is the application colleges file to participate in the federal campus-based financial aid programs, including Perkins Loans. The report already collects data on the number of dependent aid applicants enrolled at each institution in several income categories up to \$60,000, plus \$60,000 and above, as well as data on independent aid applicants in several income categories up to \$20,000, plus \$20,000 and above. The Department of Education should continue to collect these data, but further disaggregate the top range to distinguish between middle-income and upper-income students.

indicators. Most Pell Grant recipients have incomes below \$50,000¹⁸; federal aid applicants as a whole have a much wider range of incomes.

- Federal graduation rate data for individual colleges currently represents only students who started as full-time, first-time freshman at the same school, but many students do not fit this profile. The number of such completions per full-time equivalent (FTE) enrollment is the most inclusive measure now available.¹⁹
- The Higher Education Opportunity Act of 2008 (HEOA) requires colleges to disclose *to students* new data on graduation rates for Pell Grant recipients. The U.S. Department of Education should collect the new data as well, so that this important indicator of program completion is available for policy purposes such as inclusion in the Perkins formula.
- Factoring low- and middle-income student enrollment and completion into the Perkins formula will also weaken the current link between high cost of attendance and access to Perkins funds.
- Keeping student costs in check
 - To reward colleges for prioritizing affordability, the formula should include an indicator of what students actually pay. The HEOA requires the Secretary to begin collecting data on net college price (total cost minus grant aid) by student income level, and to create “watch lists” to highlight colleges with the greatest increases in net price and tuition. The first data will be available on July 1, 2010. Unlike measures focused on tuition alone, net price would factor in students’ actual cost of attendance and reward colleges for packaging aid to limit the burden of student debt.
 - Colleges can use Perkins loans to help reduce students’ use of risky private loans, but they can take other steps as well. For example, both Barnard College and Colorado State University have significantly reduced their students’ use of private loans through targeted counseling about federal borrowing options.²⁰ However, the federal government currently collects very little information about private-loan borrowing, and colleges may not even know about their students’ private loans. These information problems can be fixed by requiring private-loan

¹⁸ Currently, most dependent Pell recipients have incomes under \$50,000. However, the President’s budget proposal to increase the maximum Pell Grant would likely lead to an increase over time in the number of Pell-eligible students with incomes of \$50,000 and higher.

¹⁹ An HEOA-mandated process for reviewing success measures for 2-year, degree-granting schools may result in the development of new and more robust success measures for institutions with large proportions of part-time and/or non-degree-seeking students.

²⁰ Luebchow, Lindsay. New America Foundation, Higher Ed Watch blog, “Colorado State Does Student Loans Right,” http://www.newamerica.net/blogs/education_policy/2007/08/colorado_state

providers to report the same data already reported for federal student loans²¹, and requiring all lenders to confirm students' enrollment status, cost of attendance, and other estimated financial assistance *with the college* before issuing a private loan (as only some lenders do now).

- Some might make the case that the way colleges use their own financial aid resources should affect their access to Perkins funds. However, focusing on institutional aid dollars could have the unintended consequence of shutting out colleges, such as minority-serving institutions and community colleges, which serve many low-income students and typically have fewer of their own resources to supplement available state and federal aid. Penalizing these colleges based on their lack of resources would reinforce current inequities in available aid instead of mitigating them.

Do No Harm: Specific Recommendations and Options

- **Preserve the current flexibility provided to colleges**
 - One of the Perkins Loan Program's current strengths is the flexibility it gives colleges to package aid in ways that address specific students' financial needs. This flexibility is important because individual students' situations vary widely, and financial aid administrators and other campus administrators are uniquely positioned to determine which students would most benefit from Perkins loans.
 - A modernized Perkins Loan Program should continue to let participating colleges target the loans to students who need them most and refrain from prescribing which particular students should benefit.
- **Avoid any sudden reductions in funding to participating colleges**
 - Participating colleges should not see any sudden reductions in Perkins loan funds. This will help colleges avoid destabilizing shifts in the way they package available aid for students.
 - Allocating new federal capital contributions based solely on the new distribution formula, and gradually reducing the share of loan authority allocated solely on the old formula, will give colleges incentives to focus on important outcomes and time to achieve them.
 - Ultimately, all Perkins loan volume should be allocated according to the new formula based on enrollment, completion, and affordability measures.

Important Questions to Keep in Mind

²¹ Project on Student Debt, "Student Debt and the Class of 1997," <http://projectonstudentdebt.org/files/pub/classof2007.pdf>

We encourage the Administration and Congress to consider the following questions as they develop detailed Perkins Loan Program proposals and potential formulas.

- In the absence of campus-level graduation data by income level, how should access and success factors be balanced?
 - For example, should a college where only 4% of students are Pell recipients and 100% of all students graduate receive more or less Perkins funds than a college where 20% of students are Pell recipients and 40% of all students graduate?
 - When graduation rates for Pell recipients become available, how should the Perkins formula be adjusted to include this new indicator?
 - Note that a large increase in the graduation *rate* for low-to-moderate income students does not necessarily indicate a large increase in the *number* of such students who graduate. For example, should a college that graduated 20 Pell recipients last year and 30 this year be differentiated from a college that graduated 400 Pell recipients last year and 600 this year, even though each increased its graduation rate by 50%?
- How would different types of colleges be affected by using different measures of success and weights for those measures (e.g., community colleges, minority-serving institutions, proprietary schools)?
- Should college performance on chosen measures be compared to their own prior performance, the average performance of similar colleges, or some other benchmark?
- How should college comparison groups be defined to ensure that comparisons are meaningful?
- Should colleges have to contribute or risk more than they currently do to participate in the new Perkins Loan Program?
- Are there any types of information not currently reported by colleges that would be useful in distributing Perkins loan volume and measuring effectiveness in meeting the program's goals and objectives?

Closing Thoughts

The time is right to retool and expand the Perkins Loan Program. The redesigned program should reward colleges for enrolling and graduating low- and middle-income students, prioritizing college affordability, and discouraging the use of risky private student loans. While there are many factors and measures to consider, it is clear that the program can be designed to more effectively meet the needs of these students, their families, and the colleges that serve them. At the same time, it is important to remain aware that the Perkins program is only one relatively small part of a much larger financial aid system: no matter how carefully designed, this program alone cannot solve the complex problems of college access, success, and affordability. It can, however, set new and meaningful expectations for colleges that want to participate in the Perkins Loan Program, as a means of moving towards important goals.