Coalition of Higher Education Assistance Organizations
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President-Elect Barack Obama
Office of Presidential Transition
Washington, DC 20510

Dear President-Elect Obama:

The Coalition of Higher Education Assistance Organizations (COHEAO) extends congratulations to you upon your election to the presidency of the United States.

COHEAO is a coalition of more than 300 colleges, universities and commercial organizations with a shared interest in fostering improved access to postsecondary education, particularly through the Perkins Student Loan Program. The Perkins program plays a critical role in our nation's student financial assistance system, especially for the lowest-income students. More information about COHEAO is available at www.coheao.org.

The central purpose of the Perkins Loan Program remains as relevant today as it was when it was created by the passage of the National Defense Education Act in 1958 – to lend very low-cost funds to the neediest borrowers with generous terms and conditions. Perkins loans often make the difference for low-income borrowers who do not otherwise receive enough funds to pay for college. Over 1,800 postsecondary institutions provide Perkins loans to their students.

The Perkins Loan Program is an important campus-based, need-based component of our student aid system. Perkins Loans provide a desirable alternative to private student loans because student borrowers don't need good credit or a cosigner to be eligible for a Perkins Loan, and the terms and conditions of Perkins Loans are the best available.

Perkins loans have a fixed interest rate of five percent, and no interest is paid during the in-school period and for a nine-month grace period. Without Perkins Loans, students would be forced to borrow from high-cost alternative sources, such as credit cards or private education loans. Since these loans require good credit or a co-signer with good credit, many low- and middle-income students are turned down.

In addition, Congress has made the Perkins Loan Program a central means of encouraging public service through loan forgiveness for people who go into nursing, teaching, the military, social work, the Peace Corps, fire fighting, library services, VISTA, corrections and law enforcement.

The Bush Administration unfortunately proposed to eliminate the Perkins Loan Program, claiming that it is "redundant and duplicative." It is important not to fall into the traps of discounting a valuable program because it has been around (and working) for a long time and of failing to recognize the unique attributes and investments in the Perkins Program.

The fact is that the millions of students who need aid each year are each unique. Even though it may look good on a flow chart produced in Washington -- or even by an academic -- to fit all students into one category, that is not the way people work. Financial aid administrators need the flexibility of campus-based aid to tailor aid to individual students' needs. Perkins Loans in particular provide this flexibility at lower cost to the student than other types of loans, including Stafford Loans.

Finally, we urge you to review Bush Administration "Program Assessment Ratings Tool" analyses with a large dose of skepticism. This tool is not well tailored to evaluate the success of the Perkins Loan program. Although Perkins received a low rating when evaluated in 2003, in fact the standard rating methodology does not fit Perkins, which is different from the usual government grant or entitlement program.

Upon careful review of the results of the PART analysis, it turns out that the questions apply mainly to the internal processes the Department of Education uses to track the program. Because the Department historically administered Perkins as a formula grant program but the PART evaluated it as a credit program, negative answers were given to many of the questions. The Department has taken major steps to modify its data collection and other procedures over the past six years. Even then, the PART notes: "no material weaknesses or reportable conditions related to Perkins Loans have been identified."

We urge you to disregard the 2003 PART analysis as both out of date and failing to emphasize the bottom line of a student financial assistance program: are funds spent on the program used in a timely manner for its intended purpose – expanding access to higher education? The answer to that question – only one of 27 in the PART analysis – is yes.

Federal funding for Perkins Loans is an appropriation that feeds on itself and builds, starting with a school match of a one-third share of the federal funds and continuing in perpetuity as the loans are repaid to each school's loan fund and then re-lent. However, annual appropriations are needed to strengthen campus-based revolving funds in order for higher education institutions around the nation to continue to provide Perkins Loans to the students who need them the most.

Cuts in education funding in recent years have targeted Perkins, which has left many campuses' funds depleted. Because of the lack of appropriations and other reasons, many campuses experienced a shortfall in Perkins funds this year at a time when demand increased due to the reduced availability of private loans. This has forced campuses to make tough decisions on the allocation of scarce loan resources, such as providing loans to continuing students only.

The Perkins program plays a critical role in our nation's financial aid system, especially for low-income students. Yet without infusions of capital, it will wither away, leaving out students of the future. In these difficult economic times it is vitally crucial that campus-based aid programs, like the Perkins Loan Program, are expanded to help ensure access to higher education. We urge you to move quickly to restore appropriations to the Perkins Program, including supporting funding in the economic stimulus package.

We look forward to working with you and your Administration in the future. If you have any questions or if your staff wish to follow up, please contact Executive Director Harrison Wadsworth at 1-202-289-3900 or at hwadsworth@wpllc.net.

Sincerely,

Alisa Abadinsky
President
On Behalf of the Coalition of Higher Education Assistance Organization Board of Directors