

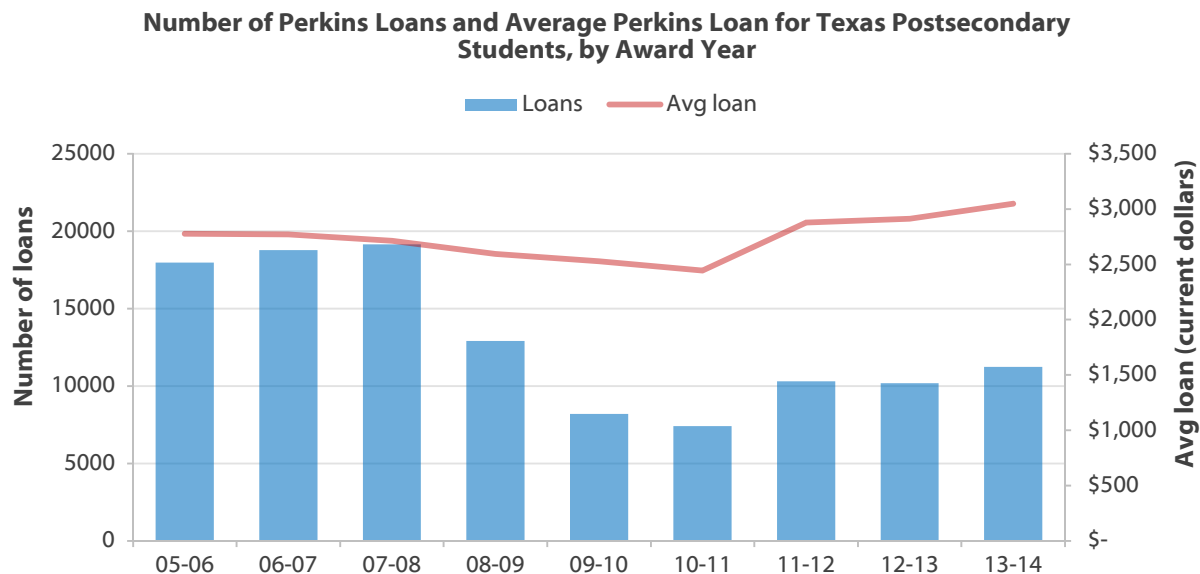
Perkins and B-On-Time: Two Loan Programs Phasing Out

Two loan programs that Texas students have long utilized to finance higher education are currently slated to be phased out: the state B-On-Time (BOT) loan and the federal Perkins loan. Under the terms of HB 700 (84th Texas Legislature), BOT loans will be issued on a strictly renewal basis beginning with the 2015-2016 award year (AY). The BOT program offered loans to eligible undergraduates on highly advantageous terms for the student. These terms included a zero interest rate, grace period, deferment options, and 100% forgiveness upon on-time graduation with a grade point average (GPA) of 3.0 or higher. Despite these benefits and evidence that the program encouraged timely graduation, students were often unaware of the program, and it was generally underutilized (see p.79).

Established under the National Defense Act of 1958, the Perkins loan was the first national federal student aid program. It set the model for subsidized student loans and service-based loan forgiveness and offered substantial benefits, including low interest rates, an extended grace period, and generous forgiveness options.

The U.S. Senate initiated the phase-out of the Perkins loan when it failed to either renew the program or pass an extension by the September 30, 2015 deadline. Passage of the Federal Perkins Loan Program Extension Act of 2015 (H.R. 3594) has extended the program for two years but significantly limits its scope. First-time loans will be made only to undergraduate students with remaining need after exhausting eligibility for both subsidized and unsubsidized Direct Loans, which will bar most community college students from participation. No first-time loans will be issued after September 30, 2017. Even before that date, no first-time loans will be made to graduate students, but current graduate students who have borrowed Perkins loans can continue to borrow Perkins loans until finishing their programs.

The discontinuation of the Perkins loan could create a substantial financial impediment to access and success for low-income Texas students, most of whom already struggle with significant unmet need (see p.58).



Sources: B-On-time Loans: Texas Higher Education Coordinating Board. Texas Be-On-Time (BOT) Loan Program Fact Sheet (<http://www.hhloans.com/index.cfm?objectid=B00C090D-E45D-4F4B-89DA195959930185>); HB 700: Texas Legislature Online (<http://www.capitol.state.tx.us/BillLookup/History.aspx?LegSess=84R&Bill=HB700>); Perkins Loan background: Berkes, J. & Sponholtz, M. (2015). What We Do (And Don't) Know About Perkins Loan Program Wind-Down. National Assoc of Financial Aid Administrators (<http://www.nasfaa.org/news-item/6493/What-we-Do-and-Don-t-Know-About-Perkins-Loan-Program-Wind-down#fund>); Perkins loan extension: Berkes, J. (2015). Two-Year Extension of the Perkins Loan Program. NASFAA (<http://www.nasfaa.org/news-item/7007/Two-Year-Extension-of-the-Perkins-Loan-Program-Would-Bring-Dramatic-Changes>). Texas Perkins data: Texas Higher Education Coordinating Board. Report on Student Financial Aid in Texas Higher Education for Fiscal Year 2006-2014 (<http://www.theccb.state.tx.us/Reports/>).

