FEDERAL STUDENT LOANS

Direct PLUS Loan Basics for Parents

Federal Student Aid
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Online Access
This publication is also available at **StudentAid.gov/resources#loan-basics-parents**.

Alternate Formats
On request, this publication is available in alternate formats, such as Braille. For more information, please contact Federal Student Aid using the information provided in the previous section.

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All Web addresses included in this publication were accurate at press time.

Find detailed federal student aid information at **StudentAid.gov**.

Direct PLUS Loans are available from the U.S. Department of Education (ED) to help parents pay the cost of their child's education at a four-year college or university, community college, or trade, career, or technical school.

What kinds of federal student loans are available?

ED offers four types of loans, for which it serves as the lender, through the William D. Ford Federal Direct Loan (Direct Loan) Program:

1. **Direct Subsidized Loans**—For eligible undergraduate students. Generally, no interest is charged on subsidized loans while a student is in school at least half-time, during the grace period, and during deferment periods.
2. **Direct Unsubsidized Loans**—For eligible undergraduate, graduate, and professional degree students. Interest is charged on unsubsidized loans during all periods.
3. **Direct PLUS Loans**—For eligible parents of dependent students. Graduate and professional degree students also may receive Direct PLUS Loans. Interest is charged during all periods.
4. **Direct Consolidation Loans**—For eligible student and parent borrowers. A consolidation loan combines the borrower's eligible loans into a single loan. To learn how interest rates are calculated on Direct Consolidation Loans, visit **StudentAid.gov/consolidation**.

Learn more about federal student loans at **StudentAid.gov/loans**.

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What are the eligibility requirements for a parent to get a Direct PLUS Loan?

- You must be the biological or adoptive parent (or, in some cases, the stepparent) of the student for whom you are borrowing.
- Your child must be a dependent undergraduate student who is enrolled at least half-time at a school that participates in the Direct Loan Program. Generally, your child is considered dependent if he or she is under 24 years of age, has no dependents, and is not married, a veteran, a graduate or professional degree student, or a ward of the court. Learn about dependency status at **StudentAid.gov/dependency**.
- You cannot have an adverse credit history (a credit check will be done).
- In addition, you and your child must be U.S. citizens or eligible noncitizens (see **StudentAid.gov/noncitizen**), not be in default on any federal education loans, not owe an overpayment on a federal education grant, and meet other general eligibility requirements for the federal student aid programs.

Note: *You can find the general eligibility requirements for the federal student aid programs at* **StudentAid.gov/eligibility** *or by contacting the school's financial aid office.*

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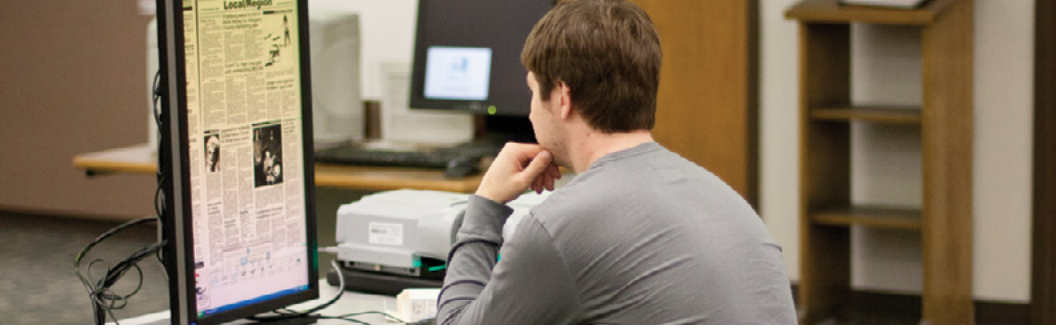

How do I request a Direct PLUS Loan?

Your child must complete the *Free Application for Federal Student Aid* (FAFSA®). The fastest and easiest way to complete the FAFSA is online at **fafsa.gov**, but there are several ways to complete it. Check with the financial aid office at your child's college or career school for other ways to complete the FAFSA. You (the parent) must complete the Federal Direct PLUS Loan Master Promissory Note (MPN). The MPN explains the terms and conditions of your loan and is your legal agreement to repay your loan to ED. In most cases, a single MPN can be used for loans that you receive over multiple academic years.

The process of completing the MPN varies from school to school. Check with the financial aid office at your child's school to find out the process for completing the MPN.

How much can I borrow?

There are no set borrowing limits for Direct PLUS Loans, but you may not borrow more than the cost of your child's education minus any other financial aid received, such as a Direct Subsidized Loan or Direct Unsubsidized Loan. The school will determine the actual amount you may borrow.

What is the interest rate?

The interest rate for a Direct PLUS Loan is determined annually for new loans that are made between July 1 of one year and June 30 of the following year. Each loan will have a fixed interest rate for the life of the loan. View the latest interest rate information at **StudentAid.gov/interest**.

Is there a charge for a Direct PLUS Loan?

Yes. In addition to interest, you pay a loan fee that is a percentage of the principal amount of the loan. ED deducts the fee before you receive any loan money, so the loan amount you actually receive will be less than the amount you have to repay. See **StudentAid.gov/interest** for current loan fee rates.

How will I receive my loan money?

Your loan money will usually be paid out in at least two installments. Your child's school will generally credit the loan money to your child's account to pay tuition, fees, and other authorized charges. Any remaining loan funds will be paid to you directly, unless you authorize the school to pay this money to your child.

When do I have to begin repaying my loan?

The repayment period for a Direct PLUS Loan begins immediately after you've received the last disbursement of the loan, while your child is still in school. However, you may be able to defer making payments while your child is enrolled at least half-time, and for an additional six months after your child graduates or drops below half-time enrollment status. To learn more about deferment, see the discussion about postponing your loan payments on page 8 of this booklet and visit **StudentAid.gov/deferment-forbearance**.

When it's time for you to begin repaying your Direct PLUS Loan, you'll make payments to your loan servicer, an organization that handles billing and other customer service functions related to your Direct PLUS Loan. The servicer will contact you after you receive your first Direct PLUS Loan to provide you with information about repayment options, and the servicer also will communicate with you throughout the repayment period of your loan.

How much time will I have to repay my loan, and how much will I have to pay each month?

Generally, you'll have from 10 to 25 years to repay your loan, depending on the repayment plan that you choose. Your required monthly payment amount will vary depending on how much you borrowed, the interest rates on your loans, and your repayment plan.

Choose a repayment plan that best meets your needs. The following are the available repayment plans for Direct PLUS Loans made to parents:

- **Standard Repayment Plan**—Under this plan, you'll have fixed monthly payments for up to 10 years.
- **Graduated Repayment Plan**—Under this plan, your payments will start off lower and then gradually increase, usually every two years. You must repay the loan in 10 years.
- **Extended Repayment Plan**—Under this plan, you can choose to make fixed or graduated monthly payments for up to 25 years. To be eligible for this plan, you must have more than $30,000 in Direct Loan debt and you must not have already had an outstanding balance on a Direct Loan at the time you received a Direct Loan on or after Oct. 7, 1998.

Note: *You can find more information about each of the plans and use our* Repayment Estimator *to estimate your monthly payment under different repayment plans at* **StudentAid.gov/repayment-estimator**.

You can change plans at any time. There's no penalty if you make payments before they are due or pay more than the amount due each month.

Can I transfer the loan to my child for repayment?

No. A Direct PLUS Loan made to you as a parent cannot be transferred to your child. You are responsible for repaying the loan.

Can I ever postpone making loan payments?

Yes, under certain circumstances you may receive a deferment or forbearance, which allows you to temporarily stop or lower your payments.

You may receive a deferment in the following circumstances:

- While you are enrolled at least half-time at a school that's eligible to participate in ED's federal student aid programs.
- While the student for whom you obtained a Direct PLUS Loan is enrolled at least half-time at a school that's eligible to participate in ED's federal student aid programs.
- During the six-month period after the student for whom you obtained a Direct PLUS Loan ceases to be enrolled at least half-time.
- While you are in a full-time course of study in a graduate fellowship program.
- While you are in an approved full-time rehabilitation program for individuals with disabilities.
- While you are unemployed or meet our rules for economic hardship (for these conditions, deferment is limited to a maximum of three years).
- While you are serving on qualifying active duty in the U.S. armed forces or National Guard.

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If you don't qualify for a deferment but are temporarily unable to make loan payments for such reasons as illness or financial hardship, your loan servicer may grant you a forbearance. With forbearance, you may be able to stop making payments on your loan, temporarily make smaller payments, or extend the time for making payments.

We charge interest on Direct PLUS Loans during all periods of deferment and forbearance. You may choose to pay the interest as it accrues during these periods to reduce the total amount you will repay on your loan. If you don't pay the interest that accrues during a period of deferment or forbearance, it will be capitalized (added to your loan principal amount) at the end of the deferment or forbearance period.

For more information on deferments and forbearance, including specific eligibility requirements, contact your loan servicer and visit **StudentAid.gov/deferment-forbearance**.

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Can my loan ever be canceled, discharged, or forgiven?

You must repay your Direct PLUS Loan even if your child doesn't complete or can't find a job related to his or her program of study, or if you or your child are unhappy with the education you paid for with your loan. However, we will discharge (forgive) your loan if

- you become totally and permanently disabled (in accordance with ED's definition);
- your loan is discharged in bankruptcy after you have proven to the bankruptcy court that repaying the loan would cause undue hardship; or
- you die, or the child for whom you borrowed dies.

In certain cases, we may also discharge all or a portion of your loan if

- the school closed before your child completed the program;
- the school falsely certified your eligibility for the loan;
- your loan was falsely certified through identity theft; or
- your child withdrew from school but the school didn't pay a refund of your loan money that it was required to pay under federal regulations.

To read more about loan discharge, visit **StudentAid.gov/forgiveness**.

Make Your Payments On Time With Automatic Payment Withdrawal

With this option, your monthly payment will be automatically deducted from your checking or savings account. This helps ensure that your payments are made on time. In addition, you'll receive an interest rate reduction on your loans as long as you remain enrolled in automatic payment withdrawal. Contact your loan servicer for more information.

RESOURCES

Federal Student Aid's Website
StudentAid.gov

Get more information about the federal student aid programs, the aid application process, and tools for managing Direct Loans. For information on preparing for college or career school, applying for aid, consumer protection, and more, visit **StudentAid.gov/resources**.

StudentLoans.gov

Get more information about completing Master Promissory Notes and Direct PLUS Loan requests.

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If you have difficulty understanding English, you may request language assistance services for the U.S. Department of Education information that is available to the public. These language assistance services are available free of charge.

If you need more information about interpretation or translation services, please call 1-800-USA-LEARN (1-800-872-5327) (TTY: 1-800-437-0833), or e-mail us at: **ed.language.assistance@ed.gov**. Or write to:

U.S. Department of Education
Information Resource Center
LBJ Education Building
400 Maryland Ave., SW
Washington, DC 20202

To view federal student aid publications and resources in Spanish, go to **StudentAid.gov/recursos**.