You have been there for your child every step of the way. Now you are trying to determine how to finance the education of your child’s dreams. Many families find that they have educational expenses beyond what their child is awarded in his or her financial aid package. There are financing options available to help fill the gap. One of the best options is a Federal Direct Parent PLUS Loan. With high approval rates, a low fixed interest rate, and the ability to defer repayment, a PLUS Loan provides your family with an economical alternative to home equity loans, high interest rate credit cards, or private education loans. The information below will help you determine if this option is right for you. If you decide to borrow a Parent PLUS Loan, you should contact the financial aid office at your child’s college or university to start the application process. Apply early so that funds are disbursed when your student needs them!

Benefits of a PLUS Loan
Parent PLUS Loans are designed to supplement financial aid that your dependent student receives and provide a simple solution for paying education expenses. Students whose parents take responsibility for financing a portion of their college education are better prepared for loan repayment upon graduation. Many experts recommend that student loan payments not exceed 8% of income. Students who borrow $26,000, the average student loan debt for students graduating from a four-year Iowa college or university, would need to earn at least $43,350 to stay within this recommendation. Parents can help their students from being overwhelmed by too much debt, by borrowing Federal PLUS Loans.

- The application process is easy. (Contact the financial aid office at your school to discuss the process.)
- Eligibility is not based on income or assets.
- There are no income or collateral requirements.
- Eligible applicants may borrow up to their child’s full cost of education less other financial aid received.
- Parent PLUS Loans have a low, fixed interest rate of 7.9%.
- Because Parent PLUS loans are federally insured, loan forgiveness is available in the event that the parent borrower becomes totally and permanently disabled, or if either the parent or student dies.
- Flexible repayment options are available.
- Interest paid on Parent PLUS Loans may be tax deductible.

Eligibility
If you are a parent of a dependent, undergraduate student who is attending an eligible college or university at least half time, you may apply for a Parent PLUS Loan if you meet the following eligibility criteria:

- You are the student’s biological or adoptive mother or father or a stepparent married to the student’s custodial parent.
- You are a U.S. citizen, permanent resident, or other eligible non-citizen.

Application Process
You must complete a Master Promissory Note to apply. Many colleges offer a simple online process. The college will collect basic information to process your loan, including the amount you want to borrow. You should contact your financial aid office for details on how to apply.

Credit Check
A minimal credit check is completed to determine whether a Parent PLUS Loan applicant has adverse credit, but the results are not used to determine the loan terms. A lack of credit history or insufficient credit history is not considered adverse credit for these purposes. An applicant is considered to have adverse credit if any of the following conditions apply:

- Delinquent 90 days or more on the repayment of any debt.
- During the 5-year period before the date of the credit report there has been a default on debt, foreclosure, tax lien, repossession, wage garnishment, write-off of Title IV debt, or debt has been discharged in a bankruptcy.

Note: The Direct Loan Servicing Center may determine that extenuating circumstances exist if, during the period beginning January 1, 2007, and ending December 31, 2009, an applicant is or has been delinquent for 180 days or fewer on mortgage loan payments or on medical bill payments.

What Happens if You are Denied?
If you are denied a Parent PLUS Loan, you have two options:

- Reapply for your Parent PLUS Loan using an eligible cosigner; or
- Allow your student to borrow additional unsubsidized Stafford Loan funds now available because of your PLUS Loan denial.

Contact your financial aid office to discuss these options.

Loan Limit
Parent PLUS Loans do not have annual loan limits. Parents may borrow up to their child’s full cost of attendance, less other financial aid received. Be careful to not borrow more than you really need.

Interest Rate
Parent PLUS Loans first disbursed on or after July 1, 2006, have a fixed interest rate of 7.9% for the life of the loan.
student for whom the loan was borrowed is in school at least half time and for six months thereafter. If deferment is not requested, the first payment is due within 60 days after the Parent PLUS Loan is fully disbursed. The minimum payment amount is $50 per month, and a choice of repayment options is available. Contact the Direct Loan Servicer for more information.

**Student Loan Interest Deduction**

Parent PLUS Loan borrowers may be eligible to deduct some or all of the interest that they pay each year. Consult IRS publication 970 about higher education tax benefits and to determine your eligibility. at www.irs.gov or check with your tax preparer for more information regarding loan terms based on the applicant’s creditworthiness. Private loans often have a more detailed application process, more stringent eligibility criteria, limited repayment options, and variable rates with high interest rate caps. Interest rates for many private education loans change frequently as determined by the volatility of indices such as Prime or LIBOR1. Terms for Parent PLUS Loans are set by the federal government and are the same for all applicants. One of the best strategies in financing an education is to select a loan that offers a fixed interest rate, such as the Parent PLUS Loan. The chart below outlines some of the differences between the two loan programs.

### Federal Direct PLUS Loan vs. Private Education Loans

<table>
<thead>
<tr>
<th>Fees</th>
<th>Private Education Loans vary. Some offer zero fees but have higher interest rates, while others have fees that are generally based on your credit history, ranging from 1% to 10%.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest Rate</td>
<td>Most interest rates are variable rates that are adjusted monthly, quarterly, or annually. Interest rates may vary based on your credit history. They are typically based on the Prime rate or LIBOR1 plus add-on points with caps that may exceed 20%.</td>
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<tr>
<td>Minimum Loan Amount</td>
<td>No federal minimum. Minimum amounts vary from $500 to $1,500.</td>
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<tr>
<td>Repayment Term</td>
<td>Repayment terms vary from 4 to 25 years based on the program and loan amount borrowed. Many offer both a standard or graduated repayment schedule.</td>
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<tr>
<td>Deferment, Forbearance and Repayment Postponement</td>
<td>Many programs allow payments to be postponed while the parent borrower or student for whom the loan was received is enrolled at least half time (some programs allow postponement for less than half-time enrollment.) However, private loan lenders are not required to offer deferments or forbearances.</td>
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<tr>
<td>Loan Discharge and Forgiveness</td>
<td>Parent PLUS Loans may be discharged (forgiven) by the federal government under certain circumstances such as total and permanent disability of the parent borrower, or death of the parent borrower or student for whom the PLUS Loan was borrowed. No. Most lenders do not discharge loan balances for any reason. If the borrower dies, some lenders will pursue the borrower’s estate to satisfy the debt. A cosigner, if any, may be responsible for the repayment of the loan obligation even in the event of the borrower’s death.</td>
</tr>
<tr>
<td>Federal Consolidation</td>
<td>Parent PLUS Loans can be consolidated with the parent borrower’s (not the student’s) other federal loans. No. Private loans cannot be included in a federal consolidation loan. However, private loan balances may affect the maximum repayment period allowed on a federal consolidation loan.</td>
</tr>
<tr>
<td>Cosigner Required</td>
<td>No. However, a parent borrower may obtain a credit-worthy cosigner if he or she is denied a Parent PLUS Loan because of adverse credit. Many programs require a cosigner when borrowers don’t meet debt-to-income and/or credit requirements. A cosigner may also help the borrower qualify for better loan terms.</td>
</tr>
<tr>
<td>Credit Check</td>
<td>A minimal credit check is required. Contact the financial aid office to initiate the online credit check. A comprehensive credit check is required. In many cases, supporting documentation must be submitted.</td>
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1 The London Interbank Offered Rate Index (LIBOR) is an average of the interest rates that major international banks charge each other to borrow U.S. dollars in the London money market.

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