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Parent PLUS Loan Information

(Please provide this to your parent)

One of the goals of the University of Iowa Office of Student Financial Aid (OSFA) is to insure that families are fully aware of all sources of financial aid.

Because parents occasionally need to consider additional resources in funding their student's education, we have offered the Federal Direct PLUS (Parent) Loan **eligibility** on the award notification. Generally, the PLUS Loan offers terms and conditions that are more advantageous than most private loan offerings.

PLUS Loan Features

The PLUS Loan is a federal loan and is available to the parents of dependent undergraduate students. It features a low fixed interest rate and long-term repayment options. While parents of all income levels are eligible, a credit check is done by the Federal Direct Loan Servicer. PLUS Loans feature the following:

- **Borrowing limits:** Parents may borrow up to the cost of attendance minus any other aid received by the student annually.
- **Fees:** All PLUS Loans are subject to fees of 4% that are withheld from the amount received. There is a 1.5% interest rebate (fees less rebate is 2.5%--the total amount withheld from the loan.) Fees are deducted from the loan proceeds at the time funds are disbursed.
- **Disbursement:** After the PLUS Loan has been approved and is ready to disburse, the OSFA will release the funds to the University Billing Office who will apply the funds to the student's U-bill. Any excess PLUS Loan funds (any loan funds over and above what is used for contract charges on the student's U-bill) will be refunded to the parent. The loan will be disbursed in two equal installments. Academic year loans will be disbursed half in the fall and half in the spring.

Exact terms of the disbursement will be sent by the Federal Direct Loan Servicer to the parent on a disclosure statement.

University of Iowa policy requires that all excess financial aid refunds from the student's U-bill be electronically deposited to a financial institution account. This policy also covers refunds from PLUS Loans to parents. Parent PLUS Loan borrowers should print a direct deposit authorization from the University Billing website:

www.uiowa.edu/ubill

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Application Process for a PLUS Loan

This application process must be completed each year.

1. The PLUS Loan amount on the award notification is the maximum PLUS amount that a parent can borrow.
2. **The parent borrower must request the PLUS Loan each year by completing the separate *Request for PLUS (Parent) Loan* form and returning it to the OSFA.**
 - **If parents are divorced or separated** and more than one parent wants to borrow the PLUS, complete a separate form for each parent. The total amount between both parents cannot exceed the PLUS Loan amount on the front of the award notification.
 - **If parents are married**, generally only one parent will borrow the PLUS because if both parents request the PLUS, repayment on both loans will begin at the same time.
3. After the OSFA receives the PLUS request form, if the parent borrower **has not** previously completed a Master Promissory Note (MPN), the OSFA will mail the promissory note.

If the parent borrower **has** previously completed a MPN, in most cases, no promissory notes will be sent because there is already an MPN on file. If the parent borrower used an endorser, new notes are required and will be sent to the parent.

The MPN serves only as a promissory note. **It does not automatically generate the PLUS Loan for future years. Parent borrowers must complete a *Request for PLUS (Parent) Loan* form each year.**

The PLUS MPN is parent-to-student specific and valid for ten years except for parents who use an endorser. Credit checks will be performed with each loan request.

4. We encourage parents to only borrow the loan money that they need.

PLUS Repayment Information

The PLUS Loan is a serious financial obligation which must be repaid. Please remember the following:

- The interest rate on PLUS Loans is a fixed rate of 7.9%.
- The minimum monthly payment on a PLUS Loan is \$50 per loan, but could be higher depending on the amount you borrow.
- Repayment begins 60 days after the PLUS Loan is fully disbursed. For loans disbursed after July 1, 2008, parents can request that payment be deferred until six months after the student graduates or ceases to be enrolled at least half-time. Interest will be charged while the loan is deferred. **After the loan funds have been disbursed**, deferment can be requested by contacting the Direct Loan Servicing Center at 1-800-848-0979.

Additional Information

For more details about the PLUS Loan, go to the Department of Education web site at www.studentaid.ed.gov and click on the *Federal Student Aid Programs* link.

