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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, it 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 your parent on a disclosure statement.

Example: If your parent borrows a \$4,000 PLUS Loan for the academic year, it would be disbursed in two payments:

\$2,000 less 2.5% in fees, or \$1,950 for the first disbursement  
\$2,000 less 2.5% in fees, or \$1,950 for the second disbursement

- **Repayment** begins within 60 days after the loan funds for the year are fully disbursed.

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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 of the PLUS Loan **is not deferred** until after the student graduates. Repayment begins 60 days after the PLUS Loan is fully disbursed.

## Additional Information

For more details about the PLUS Loan, see the Department of Education web site at:

***[www.ed.gov/offices/OSFAP/DirectLoan/pubs/parentbasics.pdf](http://www.ed.gov/offices/OSFAP/DirectLoan/pubs/parentbasics.pdf)***

