



Direct Parent (PLUS) Loans Frequently Asked Questions

What is a "PLUS" Loan?

Parents with good credit can use the Parent Loans for Undergraduate Students (PLUS) Program to help pay for educationally-related costs, including, but not limited to, general enrollment fees, tuition, room/board, books, and miscellaneous personal expenses. Eligibility in the PLUS program is not contingent upon financial need. **This loan must be repaid.**

What is the interest rate on a PLUS?

The PLUS is an unsubsidized loan; interest begins to accrue when you (the parent) receive the first loan disbursement. The PLUS interest rate, which is set each year (July 1st) by the federal government, cannot exceed 9%. The rate for 2005-2006 is 6.10%.

How will I repay the PLUS?

The first PLUS repayment installment must be made within 60 days of the full disbursement of the loan. The 2nd disbursement of a PLUS usually occurs in January, so payment usually begins in March.

You select the repayment plan that fits your financial circumstances, and you may switch repayment plans at any time without penalty by contacting the Direct Loan Borrower Services Department.

The **Standard Repayment Plan** requires fixed monthly payments (at least \$50) for up to 10 years.

The **Extended Repayment Plan** allows loan repayment to be extended over a period of 12 to 30 years, depending on the total amount you owe when your loans enter repayment. You'll still pay a fixed amount each month (at least \$50), but your monthly payments will be less than they would be under the Standard Repayment Plan because you can take more than 10 years to repay.

The **Graduated Repayment Plan** allows payments to start at one level and increase every two years. The repayment period varies from 12 to 30 years, depending on the total amount you owe when your loans enter repayment. This plan may be helpful if your income starts out low but will increase steadily.

What is this "Origination Fee"?

The federal government charges Parent Loan borrowers an origination fee of 4%. For example, if you borrow \$5,000, you will actually receive \$4,800 ($\$5,000 \times .04 = \200).

Is it ever possible to postpone the repayment of the PLUS Loan?

Yes, under certain conditions, you can receive a "forbearance" on the PLUS Loan, as long as the loan isn't in default. A forbearance is a temporary delay or reduction of payments when the borrower is willing, but unable, to pay the full payment. Interest continues to accrue during forbearance. Contact the Direct Loan Servicer at www.dlsonline.com for more information on forbearance.

Are there any tax credits available for paying back these loans?

Yes, there are tax incentives for certain higher education expenses, including a deduction for student loan interest for certain borrowers. This benefit applies to federal and nonfederal loans taken out to pay for postsecondary education costs.

The maximum deduction is \$2,500 a year. IRS Publication 970, Tax Benefits for Higher Education, explains these credits and other tax benefits. You can find this publication at www.irs.gov.

How do I receive the PLUS loan funds?

With the exception of Federal Work-Study, which is distributed by payroll check, financial aid at OSU is disbursed (credited) to the student's OSU Bursar account.

Typically, one-half of the student's total aid for the academic year will be credited during the first week of fall classes; the remaining aid will be credited the first week of spring classes.

The OSU Bursar's Office processes refunds to students who have remaining money on the Bursar accounts after all current charges (including fall semester Residential Life charges) have been paid.

Since your student's cost of attendance for determining financial aid eligibility includes expenses for personal and miscellaneous expenses, the refund can be used for any associated educational expenses.

As a Parent Loan borrower, you will complete the Parent Refund Authorization form to tell the Bursar's Office whether you would like any refunds sent to you (by check) or to your student (by check or by direct deposit). The Parent Loan Refund form can be downloaded from the OSU Bursar's website at www.bursar.okstate.edu.

How much can I borrow?

The total amount borrowed through the PLUS program is limited to the difference between the student's cost of attendance and all other aid the student will receive (i.e., Pell Grant, Oklahoma Tuition Aid Grant, tribal grants, Vocational Rehabilitation, any cash scholarships or fee/tuition waivers). If your student receives any other awards after PLUS eligibility is determined, your loan(s) will be adjusted accordingly.

Do I go to a bank to get the loan?

OSU works through the "Federal Direct Loan Program." You work only with OSU and a U.S. Department of Education servicer instead of commercial lenders and guarantee agencies. All Direct Parent Loans can be consolidated into one parent loan.

How do I apply for the PLUS?

If you and your student are also applying for other types of assistance by completing the Free Application for Federal Student Aid, you will be notified of your PLUS eligibility when your student receives the Financial Aid Award Notice from OSU.

A PLUS Request Form will be included with the letter; simply complete and return the form to the OSU Office of Scholarships and Financial Aid to get the process started. You can also download the form at <http://www.okstate.edu/finaid/assistance/plus.html>

Once we receive the PLUS Request form, your (the parent borrower's) information will be sent to the Federal Direct Loan Servicer for the required credit check. You will also need to complete a PLUS Master Promissory Note prior to receiving the first loan funds. **Once the promissory note has been created (later this summer), the OSU Office of Scholarships and Financial Aid will send you instructions for completing the MPN.**

What is a "PLUS Master Promissory Note"?

To receive your PLUS Loan, you (the parent borrower) will complete a Master Promissory Note (MPN), which is retained and updated by the loan servicer throughout your student's education at OSU. If you are borrowing through the PLUS program for more than one student, you will complete a Master Promissory Note for each student.

You won't receive a paper promissory note, but will (later this summer) electronically 'sign' your MPN on the web, using the PIN you received from the U.S. Dept. of Education when you completed the FAFSA. If you do not have a PIN, go to www.pin.ed.gov and request one.

Will OSU ever change the amount of PLUS Loan I'm offered?

Your loan eligibility is based in part on your student's cost of education, Expected Family Contribution (EFC) and other sources of financial assistance your student will receive. Any change to these factors after the original award has been made may cause an adjustment to the student and/or parent loan eligibility.

If your loan eligibility is decreased, we will notify you in writing of the adjustment. If this change occurs after you have submitted your promissory note, OSU will also notify the Direct Loan Servicer of the change.

Specific reasons your loan might be adjusted include: a change in hours of enrollment; additional financial resources not reflected on the Award Letter, such as OSU scholarships, fee/tuition waivers, awards from community organizations or employers, Vocational Rehabilitation, JTPA, tribal grants, or any other grants, etc., a change in expected family contribution.

Questions?

OSU Office of Scholarships and Financial Aid
119 Student Union
Stillwater, OK 74078
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Phone: 405-744-6604
Web: www.okstate.edu/finaid

This information sheet was prepared on the basis of the best information available at the time it was printed (June, 2005). However, all information is subject to change without notice or obligation.

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