



## Direct Parent Loans Frequently Asked Questions

### What is a “Parent Loan?”

Parents with good credit can use the Ford Federal Direct Parent Loan 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 this program is **not contingent upon financial need. This loan must be repaid.**

### How much can the parent borrow?

The total amount borrowed through the Parent Loan 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, Oklahoma's Promise, any cash or tuition scholarships, etc.). If your student receives any other awards after Parent Loan eligibility is determined, your loan(s) will be adjusted accordingly.

### Does the parent borrower go to a bank to get the loan?

No. OSU works through the “**Federal Direct Loan Program.**” The parent works 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 Parent Loan?

A Parent Loan Request Form can be downloaded from the Scholarships & Financial Aid website at [www.okstate.edu/finaid/loans/plus.html](http://www.okstate.edu/finaid/loans/plus.html).

Once we receive the Parent Loan Request form, your (the parent borrower's) information will be sent to the Federal Direct Loan Servicer for the required credit check. The Servicer, not OSU, will notify the parent if the PLUS Loan is denied due to unsatisfactory credit; if the loan is denied by the Servicer, the student can contact our office to discuss possible funding alternatives.

New borrowers in the Parent Loan program will also need to complete a Parent Loan Master Promissory Note (MPN) prior to receiving the first loan funds. **Once the promissory note has been created the OSU Office of Scholarships and Financial Aid will send instructions for completing the MPN to the parent borrower.**

### What is a “Master Promissory Note”?

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

There is no paper promissory note; the parent borrower electronically 'sign' the MPN on the web, using the PIN the parent received from the U.S. Dept. of Education when the FAFSA was completed. If the parent does not have a PIN, s/he can request one at [www.pin.ed.gov](http://www.pin.ed.gov).

### How do we receive the Parent Loan funds?

With the exception of Federal Work-Study, which is distributed by payroll check, all financial aid at OSU, including the Parent Loan, 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 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.

The Parent Loan borrower should complete the Parent Refund Authorization form to tell the Bursar's Office whether any refunds should be sent to the parent (by check) or to the student (by check or by direct deposit). The Parent Loan Refund form can be downloaded from the OSU Bursar's website at <http://bursar.okstate.edu>.

### What is the interest rate?

The Parent Loan is an unsubsidized loan; interest begins to accrue when you (the parent) receive the first loan disbursement. The Federal Direct Parent (PLUS) Loan interest rate, which is set by the federal government, is **fixed at 7.9%** for loans disbursed after July 1, 2006.

**You can find answers to more questions asked by parents about the Parent Loan on the next page.**

## More Questions and Answers About the Federal Direct Parent Loan Program at Oklahoma State University

### What is this “Origination Fee”?

The federal government charges Parent Loan borrowers an origination fee of 4%, which is deducted from the loan proceeds. For example, if the parent borrows \$5,000, she will actually receive \$4,800 ( $\$5,000 \times .04 = \$200$ ).

### How will the parent repay the Parent Loan?

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

The borrower selects the repayment plan that fits his financial circumstances. Repayment plans can be changed 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 **Graduated Repayment Plan** allows payments to start at one level and increase every two years, with full repayment within 10 years.

The **Extended Repayment Plan** allows loan repayment to be extended up to a total of 25 years, depending on the total amount owed when the loan enters repayment.

### Is it ever possible to postpone the repayment of the Parent Loan?

Yes, if the student is enrolled at least half-time, the parent can receive a deferment on their loans. If she temporarily can't meet the repayment schedule, she can also receive forbearance on the loan, as long as it isn't in default. During forbearance, payments are postponed or reduced.

Since all PLUS Loans are unsubsidized, the parent will be charged interest during periods of deferment or forbearance. If the interest isn't paid as it accrues, it will be capitalized (that is, added to the principal amount of the loan, and additional interest will be based on that higher amount).

### 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. IRS Publication 970, Tax Benefits for Higher Education, explains these credits and other tax benefits. You can find this publication at [www.irs.gov](http://www.irs.gov).

### Will OSU ever change the amount of Parent Loan offered?

Parent Loan eligibility is based in part on the student's cost of education, Expected Family Contribution (EFC) and other sources of financial assistance the 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 Parent Loan eligibility is decreased, we will notify the parent borrower in writing of the adjustment. If this change occurs after the promissory note was completed, we will also notify the Direct Loan Servicer of the change.

Specific reasons this loan might be adjusted include: a change in hours of enrollment; additional financial resources not reflected in the student's original award, such as OSU scholarships, fee/tuition waivers, awards from community organizations or employers, Vocational Rehabilitation, JTPA, tribal grants, or any other grants, etc., or a change in Expected Family Contribution.

### Satisfactory Academic Progress and Direct Loans-

The student must maintain satisfactory academic progress as outlined in the OSU Financial Aid Policy on Satisfactory Academic Progress to remain eligible for assistance, including a Parent Loans. Even though this loan requires repayment, the student must meet the academic standards for the parent to utilize the Parent Loan.

### Questions?

OSU Office of Scholarships and Financial Aid

119 Student Union

Stillwater, OK 74078

Email: [finaid@okstate.edu](mailto:finaid@okstate.edu)

Phone: 405-744-6604

Web: [www.okstate.edu/finaid](http://www.okstate.edu/finaid)

This information sheet was prepared on the basis of the best information available at the time it was printed (April, 2009). However, all information is subject to change without notice or obligation.

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