



Direct Parent Loans for 2007-2008

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 I 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, Vocational Rehabilitation, any cash or tuition scholarships). If your student receives any other awards after Parent Loan eligibility is determined, your loan(s) will be adjusted accordingly.

Do I go to a bank to get the loan?

No. 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 Parent Loan?

A Parent Loan Request Form can be downloaded from the Scholarships & Financial Aid website at <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 you if the Parent 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.

If you are a new borrower in the Parent Loan program, you 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 you instructions for completing the MPN.**

What is a “Master Promissory Note”?

To receive your first Parent 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 Parent Loan 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.

How do I receive the Parent 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 <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 interest rate, which is set by the federal government, is **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 you borrow \$5,000, you will actually receive \$4,800 ($\$5,000 \times .04 = \200).

How will I repay the Parent Loan?

The first 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 **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 you owe when your loans enter repayment.

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

Yes, under certain conditions, you can receive a “forbearance” on the 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.

IRS Publication 970, Tax Benefits for Higher Education, explains these credits and other tax benefits. You can find this publication at www.irs.gov.

Will OSU ever change the amount of Parent 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 in your 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 Ford Direct Subsidized, Unsubsidized, and Parent Loans. Even though these loans require repayment, the student must meet the academic standards for the parent to utilize the Parent Loan.

Questions?

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This information sheet was prepared on the basis of the best information available at the time it was printed (April, 2007). However, all information is subject to change without notice or obligation.

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