

PARENT PLUS LOAN

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Federal loan for parents

Parent PLUS Loans are federal loans available to parents to help cover the educational expenses of their dependent undergraduate who is enrolled at least half-time.

- **Who is eligible to borrow a PLUS loan?**
A birth parent or legal guardian who is a US Citizen without adverse credit history may borrow for a dependent undergrad student who is enrolled at least half-time. **YOU MUST COMPLETE THE FAFSA (Free Application for Federal Student Aid) in order to be eligible to borrow the parent PLUS loan.**
- **How much can a parent borrow?**
An amount up to the total cost of education (tuition, room, meals, books, etc) for the academic year minus any financial aid and loans the student has been awarded.
- **What is the interest rate?**
For PLUS Loans disbursed on or after July 1, 2006, the **interest rate is fixed 8.5%**. Interest may be tax deductible. *The maximum education-loan-interest deduction is \$2,500. Income limits and other conditions apply to the education-loan-interest deduction. For additional information, taxpayers can order IRS publication 970*
- ❖ **Are there loan fees associated with a PLUS loan?**
Parents are required to pay fees of 4% of the principal of the loan. These include an origination fee of 3%, charged by the federal government, plus a guarantee fee of up to 1%, charged by the guarantee agency. These fees are deducted from the amount disbursed to the school.
- ❖ **When does repayment begin?**
Repayment begins 60 days after the funds are fully disbursed. Since most loans are processed for the academic year and are disbursed in equal disbursements at the beginning of each semester, the first payment is usually due in April. The interest begins to accumulate at the time the first disbursement is made. For PLUS loans disbursed after July 1, 2008 lenders will give borrowers the option to defer payments until 6 months after the dependent student graduates or drops below halftime enrollment. *Some lenders offer delayed payment options through forbearances with a separate application process. Contact your lender directly for more information.*
- **How does a parent apply for a PLUS loan?**
Parents are free to borrow through any lender of their choice. **To view F&M's recommended lenders and to apply online, go to www.elmselect.com.** Once you apply online the lender will instantly secure a credit report (no debt to income ratios used) and as long as the borrower does not have any adverse credit, the lender will pre-approve the loan. The master promissory note can be e-signed online. *Each year the parent must reapply for the loan and as long as the same lender is used, no further promissory note is necessary.*
- **How does the school receive the funds?**
Once the loan is certified by the school, the loan is scheduled to disburse in two equal disbursements (fall and spring) less any applicable loan fees (4%). When using one of F&M's recommended lenders the loan funds will be electronically transmitted right to the student's account at the F&M Business Office.
- **What happens if a parent is denied a PLUS loan?**
If a parent is denied a PLUS loan the student becomes eligible to borrow additional unsubsidized Stafford loan. Please refer to the Stafford loan section on page one for the maximum amount the student can borrow. A credit check must be completed each year for the student to continue to borrow the additional unsubsidized loan.
- PLUS loans are federally insured and can be discharged upon death or total and permanent disability of the borrower or the dependent student for whom the loan was borrowed.

Reminder You, the parent, borrow the Federal PLUS loan, and you can't transfer the debt to your student. While some parents and students may agree to transfer the debt to the student, this obligation legally remains in the parent's name for the life of the loan.