



## CONTACTS

General information about student aid and applying for student aid:

**Federal Student Aid Information Center**  
**1-800-4-FED-AID**  
**(TTY 1-800-730-8913)**  
*Student Aid on the Web*  
[www.FederalStudentAid.ed.gov](http://www.FederalStudentAid.ed.gov)

Visit the Web site or call for general information about student aid. From the Web site, you can access a variety of student aid publications in English and Spanish, including *Funding Education Beyond High School: The Guide to Federal Student Aid*, a comprehensive overview of the federal financial aid process.

For information about the Department's Direct Loan Program™:

**Direct Loan Web site:**  
[www.direct.ed.gov](http://www.direct.ed.gov)

Your single contact for everything related to repayment of your Direct Loan™:

**Borrower Services at the Direct Loan Servicing Center**  
**1-800-848-0979**  
**(TTY 1-800-848-0983)**  
**Direct Loan Servicing Online**  
[www.dl.ed.gov](http://www.dl.ed.gov)

Visit the Web site or call to get your loan account information, obtain a deferment or forbearance application, learn about making online payments, set up automatic payments, and much more.

For everything you need to know about Direct Consolidation Loans and for an online application:

**Direct Loan Consolidation Center**  
**1-800-557-7392**  
**(TTY 1-800-557-7395)**  
**Direct Loan Consolidation Web Site**  
[www.loanconsolidation.ed.gov](http://www.loanconsolidation.ed.gov)

Printed: October 2009

# DIRECT LOAN™ BASICS FOR PARENTS



## Direct PLUS Loans for Parents

A simple, convenient, flexible way to finance your child's education.

*The William D. Ford Federal Direct Loan Program™ is one of the Federal Student Aid programs of the U.S. Department of Education.*

## How can Direct Loans™ help pay for college or career school expenses?

Direct Loans are low-interest loans for students and parents to help pay for the cost of a student's education after high school. The lender is the U.S. Department of Education (the Department) rather than a bank or other financial institution.

### Direct Loans are:

- **Simple**—You borrow directly from the federal government and have a single contact—the Direct Loan Servicing Center—for everything related to the repayment of your loans, even if you receive Direct Loans at different schools.
- **Convenient**—You'll have online access to your Direct Loan account information 24 hours a day, 7 days a week via Direct Loan Servicing Online at: [www.dl.ed.gov](http://www.dl.ed.gov).
- **Flexible**—You can choose from several repayment plans that are designed to meet the needs of almost any borrower, and you can switch repayment plans if your needs change.

## What kinds of Direct Loans are available?

- **Direct Subsidized and Unsubsidized Loans**—Direct Subsidized Loans are for students with demonstrated financial need, as determined by federal regulations. No interest is charged while a student is in school at least half-time, during the grace period and during deferment periods. Direct Unsubsidized Loans are not based on financial need; interest is charged during all periods.
- **Direct PLUS Loans**—Direct PLUS Loans are low-interest loans for the parents of dependent students and for graduate/professional degree students. Interest is charged during all periods.
- **Direct Consolidation Loans**—These loans allow borrowers to combine different eligible federal student loans into one Direct Consolidation Loan.

## What are the eligibility requirements for a parent to get a Direct PLUS Loan?

- You must be the biological or adoptive parent (or, in some cases, the stepparent) of the student for whom you are borrowing.
- Your child must be a dependent student who is enrolled at least half-time at a school that participates in the Direct Loan Program™. Generally, your child is considered dependent if he or she is under 24 years of age, has no dependents, and is not married, a veteran, a graduate or professional degree student, or a ward of the court.
- You cannot have an adverse credit history (a credit check will be done).
- In addition, you and your child must be U.S. citizens or eligible noncitizens, must not be in default on any federal education loans or owe an overpayment on a federal education grant, and must meet other general eligibility requirements for the Federal Student Aid programs.

**NOTE:** All PLUS Loan applicants must meet all general eligibility requirements for the Federal Student Aid programs. You can find more information about these requirements in *Funding Education Beyond High School: The Guide to Federal Student Aid* (see the *Contacts* section of this brochure), or by contacting the school's financial aid office.

## How do I apply for a Direct PLUS Loan?

To apply for a Direct PLUS Loan you need to complete the Direct PLUS Loan application, which includes a Master Promissory Note (MPN). The MPN explains the terms and conditions of your loan and is your legally binding agreement to repay your loan to the Department. In most cases, one MPN can be used for loans that you receive over multiple academic years.

The school will provide a copy of the application and MPN or tell you if you can apply online. Your child may need to complete the *Free Application for Federal Student Aid (FAFSA<sup>SM</sup>)*. Check with the financial aid office at your child's school.

## How much can I borrow?

There are no set limits for Direct PLUS Loans, but you may not borrow more than the cost of your child's education minus any other financial aid received, such as a Direct Subsidized or Unsubsidized Loan. The school will determine the actual amount you may borrow.

## What is the interest rate?

The interest rate for Direct PLUS Loans is a fixed rate of 7.9%. Interest is charged on Direct PLUS Loans during all periods, beginning on the date of your loan's first disbursement. To find out more information on interest rates for Direct PLUS Loans, contact the Direct Loan Servicing Center (see the Contacts section of this brochure).

## Is there a charge for this loan?

Yes. In addition to interest, you pay a loan origination fee that is a percentage of the principal amount of each Direct PLUS Loan that you receive. This fee helps reduce the cost of making these low-interest loans. We deduct the fee before you receive any loan money, so the loan amount you actually receive will be less than the amount you have to repay.

## How will I receive my loan money?

Your child's school will generally disburse loan money by crediting it to your child's school account, but it also may give some of it directly to you. In some cases, with your permission, the school may disburse some of the PLUS loan money directly to your child. Loan money will usually be disbursed in at least 2 installments.

## When do I have to begin repaying my loan?

Repayment of a Direct PLUS Loan begins 60 days after the full amount you've borrowed for a school year has been disbursed. This means that you generally must begin repayment while your child is still in school. For Direct PLUS Loans with a first disbursement date that is on or after July 1, 2008, you may request that repayment be delayed while your child is enrolled at least half-time and during the 6-month period after your child graduates or is no longer enrolled at least half-time. If you would like to postpone repayment of your PLUS Loan based on your child's enrollment status, you must contact the Direct Loan Servicing Center (see the Contacts section in this brochure).

## How much time will I have to repay my loan, and how much will I have to pay each month?

Generally, you'll have from 10 to 25 years to repay your loan, depending on the repayment plan that you choose. Your monthly payment amount will be based on how much you borrowed and how long you take to repay.

### You may choose one of several repayment plans:

- **Standard Repayment Plan**—Fixed monthly payments for up to 10 years.
- **Graduated Repayment Plan**—Payments that start off lower at first, and then gradually increase, usually every 2 years. The loan must be repaid in 10 years.
- **Extended Repayment Plan**—Fixed or graduated monthly payments over a period of time, not to exceed 25 years. You are eligible for this repayment plan only if you currently have an outstanding Direct Loan balance that exceeds \$30,000 and you had no outstanding balance on a Direct Loan on or after Oct. 7, 1998.

You can change plans at any time. There's no penalty if you make payments before they are due or pay more than the amount due each month.

You can find more information about these plans by visiting the Direct Loan Web site (see the Contacts section in this brochure).

## Can I ever postpone making loan payments?

Yes, under some conditions you may receive a deferment or forbearance that allows you to temporarily stop or lower your payments.

### For example, you may qualify for a deferment if:

- You (not your child) return to school at least half-time.
- You are unemployed or meet our rules for economic hardship (limited to 3 years).
- You are serving on active duty or qualifying National Guard duty during a war or other military operation or national emergency.
- You are a member of the National Guard or other reserve component of the U.S. Armed Forces (current or retired) and were called to active duty service while you were enrolled at an eligible school, or within 6 months after having been enrolled (additional conditions apply).

The Direct Loan Servicing Center can provide information on other conditions that will qualify you for a deferment.

If you don't qualify for a deferment but are temporarily unable to make loan payments for such reasons as illness or financial hardship, we may grant you a forbearance.

We charge interest on Direct PLUS Loans during all periods of deferment and forbearance.

## Can my loan ever be canceled, discharged, or forgiven?

You must repay your loan even if your child doesn't complete or can't find a job related to his or her program of study, or if you or your child are unhappy with the education you paid for with your loan.

However, we may discharge (forgive) your loan if you have your loan discharged in bankruptcy, if you die or if the child for whom you borrowed dies, or if you become totally and permanently disabled.

### We may discharge some or all of your loan if:

- The school closed before your child completed the program.
- The school forged your signature on your promissory note or falsely certified that your child was eligible for aid.
- Your loan was falsely certified through identity theft.
- Your child withdrew from school but the school didn't pay a refund that it owed under its written policy or the Department's regulations. Check with the school to see how refund policies apply to federal aid at the school.

You also may qualify for forgiveness of the remaining balance due on your Direct Loans after you have made 120 payments on those loans while employed in certain public service jobs (additional conditions apply). You can find more information about the Public Service Loan Forgiveness Program online at: [www.direct.ed.gov](http://www.direct.ed.gov).

## Can I transfer a Direct PLUS Loan to my child so that it becomes my child's responsibility to repay?

No. A Direct PLUS Loan made to a parent cannot be transferred to a student. You are responsible for repaying a Direct PLUS Loan.

## Where can I get more information?

For more information about the Direct Loan Program and other Federal Student Aid programs, contact the financial aid office at your child's school or check the Contacts section of this brochure.

### SAVE TIME & MONEY WITH AUTOMATIC MONTHLY PAYMENTS

We offer the option of having your loan payments automatically taken out of your bank account through our Electronic Debit Account (EDA) program. This saves you the trouble of writing a check each month, and ensures that your payment always will be made on time. Plus, we'll reduce your interest rate by a quarter point (.25%) during all periods when your payments are being made under this option.