

PLUS Loans 101

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Introduction

- Eligible Borrowers
- Master Promissory Note
- Applications
- Denials
- Exceptional Circumstances
- Things to Consider



Eligible Borrowers

- Parents of Undergraduate Students
 - Biological parents
 - Stepparents whose income is included on the FAFSA
- Graduate or Professional Students



Ineligible Borrowers

- Grandparents
- Legal Guardians
- Stepparents whose financial information is not on the FAFSA
- How do you monitor?



Ineligible Borrowers

- A parent must be in good standing on their on federal loans
- Loan Default – parent self-certifies during application
- Disability – do you check NSLDS?



Determining the PLUS Loan Award

- Student must have a FAFSA on file
- You must award the graduate/professional student's Unsub Loan first



Master Promissory Note

- Complete at www.studentloans.gov
- School populates
- Parent or graduate/professional student borrower completes blank one



PLUS Loan Application

- Complete at www.studentloans.gov
- Complete your institutional form



A Free Application for Federal Student Aid (FAFSA) must be completed to receive this PLUS Loan. Federal law requires excess PLUS proceeds to be refunded to the parent unless otherwise directed. If you, the parent, do not designate who receives the PLUS proceeds, the excess PLUS proceeds will be mailed to you after the student's Iowa State University account is paid in full.

PARENT INFORMATION (Borrower) - Use blue or black ink if handwritten

Parent Name, Parent Address, Parent Home Telephone, Parent Work Telephone, E-mail address, Date of Birth, Driver's License, U.S. Citizen or National, Permanent Resident, Other Eligible Non-Citizen Alien Registration No.

STUDENT INFORMATION

Student Name, University ID #

LOAN INFORMATION

Loan Amount Requested \$, Loan Refund To: Parent OR Student

Loan Period

Single semester loans are made in one disbursement. Multiple semester loans are disbursed in two equal payments. You must apply before the loan period ends to receive the PLUS Loan.

Loan period selection checkboxes: Fall 2015 & Spring 2016, Spring 2016 only, Summer 2016 only, Fall 2016 & Spring 2017, Fall 2016 only, Spring 2017 only, Summer 2017 only

Master Promissory Note (MPN)

NOTE: Parent who is listed as borrower must sign the MPN. No PLUS funds can be disbursed until the MPN is completed.

I will sign my MPN electronically at https://studentloans.gov.

OR

I want a paper MPN sent to my home address.

OR

I have previously completed a Direct PLUS Loan MPN at Iowa State University or another Direct Loan institution for this student.

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PLUS PRNT



Consent to Obtain Credit Report

I consent to the U.S. Department of Education and its agents obtaining a report of my credit record and using the information from that report in determining my eligibility for a Direct PLUS Loan.

Yes No

If it is determined that you have an adverse credit history, will you try to obtain an endorser?

If an endorser is required, the Direct Loan Servicer will send you an endorser form. If denied and using an endorser, you must also complete PLUS Loan Counseling at www.studentloans.gov. If you answer "no", your son/daughter may be able to apply for a loan through the Federal Direct Stafford Unsubsidized Loan program if you are denied. The maximum additional Unsubsidized Stafford Loan amount that a student can borrow is:

Yes No

\$4,000 per year Freshmen and Sophomores
\$5,000 per year Juniors and Seniors

Parent (Borrower) Signature

Date

If you sign any document related to the federal student aid programs, you certify that you are the borrower applying for the loan. If you purposely give false or misleading information, you may be fined up to \$20,000, sent to prison, or both.

Return completed form to:

Office of Student Financial Aid
Iowa State University
0210 Beardshear Hall
515 Morrill Road
Ames, IA 50011-2103
Phone 515-294-2223
FAX 515-294-0851

Privacy Act Disclosure Notice

The Privacy Act of 1974 (5 U.S.C.552a) requires that the following notice be provided to you. The authority for collecting the information requested on this form is § 47.101 of the Higher Education Act of 1965, as amended. Your disclosure of this information is voluntary. However if you do not provide this information, you cannot be considered for a Direct PLUS Loan. The information on this form will be used to determine your eligibility for a Direct PLUS Loan. The information in your file may be disclosed to third parties as authorized under routine uses in the Privacy Act notices called "Title IV Program Files" (originally published on April 12, 1994, *Federal Register*, Vol. 59 p. 17351) and "National Student Loan Data System" (Originally published on December 20, 1994, *Federal Register*, Vol. 59 p. 65532). Thus, this information may be disclosed to federal and state agencies, private parties such as relatives, present and former employers and creditors, and contractors of the Department of Education for purposes of administration of the student financial assistance program, for enforcement purposes, for litigation where such disclosure is compatible with the purposes for which the records were collected, for use by federal, state, local, or foreign agencies in connection with employment matters or the issuance of a license, grant, or other benefit, for use in any employee grievance or discipline proceeding in which the Federal Government is a party, for use in connection with audits or other investigations, for research purposes, for purposes of determining whether particular records are required to be disclosed under the Freedom of Information Act, and to a Member of Congress in response to an inquiry from the congressional office made at your written request.

Because we request your social security number (SSN), we must inform you that we collect your SSN on a voluntary basis, but section 4846a(4) of the HEA (20 U.S.C. 1091(a)(4)) provides that, in order to receive any grant, loan, or work assistance under Title IV of the HEA, a student must provide his or her SSN. Your SSN is used to verify your identity, and as an account number (identifier) throughout the life of your loan(s) so that data may be recorded accurately.



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PLUS Loan Denials

- Regulations changed on March 29, 2015
- Credit checks now good for 180 days
- Criteria for denial
 - Cannot be 90 days or more delinquent on any debt
 - For 5 years preceding the credit report, no debt in default, foreclosure, bankruptcy discharge, repossession, tax lien, wage garnishment or write off of an FSA debt
 - Combined outstanding balance of the debts is \$2085* or more (**based on the consumer price index, adjusted if increase exceeds \$100*)



PLUS Loan Denials

- PLUS Loan Counseling now required for borrowers with adverse credit
 - Co-signers
 - Credit Reevaluation
- Counseling module at www.studentloans.gov
- The undergraduate student cannot be the co-signer for his or her parent's PLUS Loan



PLUS Loan Denials

- Annual Loan Limit
- FSA Handbook 15/16 Volume 3, Chapter 5 page 3-93

Annual Limits for Sub/Unsub Loans	<i>Subsidized</i>	<i>Total (subsidized & unsubsidized)</i>
Dependent Undergraduates (excluding dependent students whose parents can't get PLUS)		
First Year	\$ 3,500	\$ 5,500
Second Year	\$ 4,500	\$ 6,500
Third Year and Beyond.....	\$ 5,500	\$ 7,500
Independent Undergraduates & Dependent Students whose parents can't get PLUS		
First Year	\$ 3,500	\$ 9,500
Second Year	\$ 4,500	\$ 10,500
Third Year and Beyond.....	\$ 5,500	\$ 12,500



PLUS Loan Denials

- Aggregate Loan Limit
- FSA Handbook 15/16 Volume 3, Chapter 5 page 3-93

Aggregate Limits for Sub/Unsub Loans	<i>Subsidized</i>	<i>Total (subsidized & unsubsidized)</i>
Dependent Undergraduates (excluding those whose parents can't borrow PLUS)	\$ 23,000	\$31,000
Independent Undergrads & Dependent Students whose parents can't get PLUS.....	\$ 23,000	\$ 57,500



PLUS Loan Denials

- Student may have reached \$31,000 dependent aggregate limit, but may borrow up to \$12,500 in Unsub if parent denied
- Undergraduate student cannot exceed aggregate limit of \$57,500
- Student eligibility may change with parents' annual eligibility



PLUS Loan Denials

- One parent denied, one approved
 - Cannot give student independent unsub
 - If already awarded, cancel unsub
 - If already disbursed, leave alone



PLUS Exceptional Circumstances

- FSA Handbook – 15/16 Vol 3, Chap 5, page 3-109
- Lists some circumstances, but is not inclusive
- Use your professional judgement



15/16 Vol 3, Chap 5, page 3-109

Criteria for additional Direct Unsubsidized Loans

Dependent students whose parents are unable to borrow Direct PLUS Loans due to adverse credit or other exceptional circumstances may receive additional Direct Unsubsidized Loan funds up to the same amount that is available to independent undergraduate students. The increased loan amounts may not substitute entirely for the amount a parent may borrow under the PLUS program, which may be up to the difference between COA and EFA. As a result, you should determine whether the parents may be able to borrow a Direct PLUS Loan using an endorser who does not have an adverse credit history before originating additional unsubsidized loan amounts for the dependent student.

Before originating a loan for increased loan amounts, you must document the basis of the dependent student's eligibility. Some basic guidelines for making this determination include the following:

- The parent's unwillingness to borrow a Direct PLUS Loan, a school's decision not to participate in the Direct PLUS Loan program, nor the aid administrator's belief that a parent should not borrow a Direct PLUS Loan does not make the dependent student eligible.
- If only one of a student's two parents has applied for a Direct PLUS and been denied based on adverse credit, you may award additional Direct Unsubsidized Loan funds on that basis. However, if both parents apply independently and one is approved and the other denied, the dependent student is not eligible for the additional unsubsidized loan amounts.
- The dependent student may become eligible at any time during an academic year if a parent has first been approved and then later denied a Direct PLUS Loan based on a subsequent application. Under these circumstances, any previous Direct PLUS Loan funds received during the same period of enrollment are treated as estimated financial assistance in determining the student's remaining eligibility for additional unsubsidized loan amounts.

In addition to cases in which a parent has been denied a Direct PLUS Loan due to adverse credit, a dependent undergraduate student may also be eligible for increased unsubsidized loan amounts if you determine and document that other

exceptional circumstances exist that will prevent a parent from borrowing a Direct PLUS Loan. Examples of such exceptional circumstances include, but are not limited to the following:

- The parent is incarcerated.
- The parent's whereabouts are unknown.
- The parent has filed for bankruptcy and has provided a letter from the bankruptcy court stating that as a condition of the bankruptcy filing, the parent may not incur any additional debt.
- The parent's income is limited to public assistance or disability benefits, and you have documented that the parent would not be able to repay the Direct PLUS Loan.
- You have examined the family financial information and documented the parent's likely inability to repay the Direct PLUS Loan due to an existing debt burden or the parent's expected income-to-debt ratio.
- The parent of a dependent student is not a U.S. citizen or permanent resident or is not able to provide evidence from the U.S. Citizenship and Immigration Service that he or she is in the United States for other than a temporary purpose with the intention of becoming a citizen or permanent resident.

Before originating a loan for the increased Direct Unsubsidized Loan amounts based on a parent's ineligibility for a Direct PLUS Loan due to adverse credit or other exceptional circumstances, you must document the basis of the dependent student's eligibility.

A determination that a parent is ineligible for a Direct PLUS Loan in one academic year based on adverse credit or other exceptional circumstances does not automatically support the dependent student's additional unsubsidized loan eligibility in subsequent years. If a dependent student is determined to be eligible for additional unsubsidized loan amounts in one academic year, you must re-examine and document that the basis for the student's eligibility continues to exist before originating additional unsubsidized loan amounts for the dependent in a subsequent year.

Examples of Exceptional Circumstances

- Parent is incarcerated
- Parent's whereabouts are unknown
- Parents have filed for bankruptcy and has documentation prohibiting further borrowing
- Parent is on disability or public assistance
- Parent's existing debt to income ratio
- Parent does not meet citizenship requirements for PLUS Loan



Parent is incarcerated

- Check on the web
- Have student provide documentation of formal court proceeding
- Where is the other parent?



Parent's whereabouts are unknown

- Should the student complete your independent appeal process?



Parent has completed bankruptcy proceedings

- Additional debt cannot be incurred during the bankruptcy proceeding until discharge is granted
- Conditions of the bankruptcy discharge could include inability to take on additional debt for specified time period
- Parents will have plenty of documentation of bankruptcy proceedings from the court



Parent is on disability or public assistance

- FAFSA may indicate receipt of public assistance
- Tax return may show disability payments and will also show if income is limited to disability
- Verification forms may indicate



Parent's existing debt to income ratio

- If school is using this option, they need to establish a debt to income ratio and document in P & P
- Common debt to income ratio is 40%



Parent does not meet citizenship requirements for PLUS Loan

- Check the ISIR you have on file
- Is the other parent a citizen?
- Foreign Income Tax Return



PLUS Exceptional Circumstances

- Overpayment on FSA Grant
- Default on FSA Loan
- Stafford loan cancelled for Total and Permanent Disability (TPD)
- Document through NSLDS



PLUS Exceptional Circumstances

- Poverty Guidelines
- If family income below guidelines, consider awarding
- <https://aspe.hhs.gov/poverty-guidelines>



PLUS Loan Repayment

- Parent
 - In school deferment (six month grace period)
 - 90 days after last disbursement
- Graduate/Professional Student
 - In school deferment (six month grace period)



Things to consider

- Borrower Based Academic Year
- If you use it for Stafford Loans, you must use it for PLUS Loans
- FSA Handbook 15/16 Volume 3, Chapter 5, page 3-91



Things to Consider

- Parents dies during school year
- Future disbursements must be cancelled
- How do you find out?
- Collaborate with your campus partners



Things to Consider

- Multiple parent borrowers
- Timing of application to bill
- Timing of disbursement of refund



QUESTIONS?

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