



# DIRECT LOAN BASICS FOR PARENTS

Direct PLUS  
Loans for  
Parents

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

Federal Student **Aid**

*An OFFICE of the U.S. DEPARTMENT of EDUCATION*

PROUD  
SPONSOR  
OF THE  
AMERICAN  
MIND®

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

Direct Loans are federal loans to help you pay for the cost of your child's education at a four-year college or university, community college, or trade, career, or technical school. The lender is the U.S. Department of Education (ED) rather than a bank.

### Direct Loans are:

- **Simple**—You borrow directly from the federal government.
- **Flexible**—You can choose from several repayment plans that are designed to meet your needs, and you can switch repayment plans if your circumstances change.

## What kinds of Direct Loans are available?

- **Direct Subsidized**—For undergraduate students. Generally, no interest is charged on subsidized loans while a student is in school at least half-time, during the grace period, and during deferment periods.
- **Direct Unsubsidized**—For undergraduate, graduate, and professional degree students. Interest is charged on unsubsidized loans during all periods.
- **Direct PLUS**—For graduate and professional degree students and parents of dependent students. Interest is charged during all periods.
- **Direct Consolidation**—For student and parent borrowers who want to combine their eligible federal student loans into a single 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 undergraduate 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, not be in default on any federal education loans, not owe an overpayment on a federal education grant, and meet other general eligibility requirements for the federal student aid programs.

**NOTE:** To receive a PLUS loan, both you and your child must meet all general eligibility requirements. You can find more information about these requirements at [StudentAid.gov](https://studentaid.gov) or by contacting the school's financial aid office.

## How do I request a Direct PLUS Loan?

Your child must complete a *Free Application for Federal Student Aid* (FAFSA®), and you (the parent) must complete the Direct PLUS Loan Application and 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 ED. In most cases, a single MPN can be used for loans that you receive over multiple academic years.

The process of completing the MPN varies from school to school. Be sure to check with the financial aid office at your child's school to find out the process for completing the MPN.

## 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 Direct Unsubsidized Loan. The school will determine the actual amount you may borrow.

## What is the interest rate?

The interest rate for a Direct PLUS Loan is determined annually for new loans that are made between July 1 of one year and June 30 of the following year. Each loan will have a fixed interest rate for the life of the loan. View current interest rate information at [StudentAid.gov/interest](https://studentaid.gov/interest).

## Is there a charge for Direct Loans?

Yes. In addition to interest, you pay a loan fee that is a percentage of the principal amount of the loan. 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. To find out the amount of fees you will pay for your loan see [StudentAid.gov/interest](https://studentaid.gov/interest).

## How will I receive my loan money?

Your loan money will usually be disbursed (paid out) in at least two installments. Your child's school will generally credit the loan money to your child's school account to pay tuition and fees, and other authorized charges. Any remaining loan funds will be paid to you directly. In some cases, with your permission, the school may disburse some of the PLUS loan money directly to your child.

## How will I repay my loan?

When you receive your first PLUS loan, you will be contacted by the servicer for that loan. Your loan servicer is the organization that handles billing and other customer service functions related to your loan account. They will provide you with information about repayment, including regular updates on the status of your Direct Loan and of any additional Direct Loans that you receive.

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

The repayment period for a Direct PLUS Loan begins immediately after you've received the last disbursement of the loan for that school year. This means that you generally must begin repayment while your child is still in school. However, you may be able to defer making payments while your child is enrolled half-time. See the discussion under *Can I ever postpone making loan payments?* in the next column.

## 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.

**Choose a repayment plan that best meets your needs. The repayment plans are:**

- **Standard Repayment Plan**—Under this plan, you'll have fixed monthly payments for up to 10 years.
- **Graduated Repayment Plan**—Under this plan, your payments start off lower and then gradually increase, usually every two years. You must repay the loan in 10 years.
- **Extended Repayment Plan**—Under this plan, you'll have fixed or graduated monthly payments for up to 25 years. To be eligible for this repayment plan, you must have more than \$30,000 in Direct Loan debt and you must not have had an outstanding balance on a Direct Loan on Oct. 7, 1998.

There are additional requirements for each repayment plan. You can read more about each of the plans and use our *Repayment Estimator* to estimate your monthly payment under different repayment plans at [StudentAid.gov/repay](https://studentaid.gov/repay).

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.

## Can I transfer the loan to my child for repayment?

No. A Direct PLUS Loan made to you as a parent cannot be transferred to your child. You are responsible for repaying a Direct PLUS Loan.

## 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 under the following conditions:**

- You (not your child) return to school at least half-time at a school that's eligible to participate in ED's federal student aid programs.
- Your child, for whom the loan was borrowed, is enrolled at least half-time (and for an additional six months after that student is no longer enrolled at least half-time).
- You (not your child) are studying full-time in a graduate fellowship program.
- You (not your child) are in an approved full-time disability rehabilitation program.
- You are unemployed or meet our rules for economic hardship. (Deferment is limited in this case up to three years.)

You may also be eligible for a deferment based on qualifying active duty service in the U.S. armed forces or National Guard. Refer to the Master Promissory Note (MPN) for your loan or contact your loan servicer for more information about specific qualifications for deferment based on military service.

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

We charge interest on Direct PLUS Loans during all periods of deferment and forbearance. If you defer repayment on the loan, you may choose to pay the interest as it accrues to reduce the total amount you will repay on your loan.

For more information on deferments and forbearance, contact your loan servicer.

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

You must repay your PLUS 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 is unhappy with the education you paid for with your loan.

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

**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. Get more information about the refund policies and cancellation options at **StudentAid.gov**.

If you received a Direct Loan and are employed in certain public service jobs, you may qualify for loan forgiveness after you've made 120 on-time, full, monthly payments on your Direct Loan. Only payments made under certain repayment plans and payments made after Oct. 1, 2007 may be counted toward the required payments. You must not be in default on the loans that are forgiven. Note that only payments made after Oct. 1, 2007 qualify. See **StudentAid.gov/publicservice** for more information.

### SAVE TIME AND MONEY WITH AUTOMATIC PAYMENT WITHDRAWAL

Your loan servicer may offer an interest rate reduction on your loans if you enroll in an automated payment plan. Contact your loan servicer for more information.

# CONTACTS

## **StudentAid.gov**

Get more information about the Direct Loan Program and the aid application process, including helpful publications and tools for managing Direct Loans.

## **StudentLoans.gov**

Get more information about completing Master Promissory Notes and Direct PLUS Loan requests.

## **www.nslds.ed.gov**

### **National Student Loan Data System (NSLDS®)**

Get information about all of your federal student loans and federal grants. Note that NSLDS does not include information about any private loans you may have received.

### **Stay connected:**

 **/FederalStudentAid**

 **/FAFSA**

 **/FederalStudentAid**

*The William D. Ford Federal Direct Loan (Direct Loan) Program is one of the U.S. Department of Education's federal student aid programs.*

Reprinted with revisions, August 2014

Cover photo: U.S. Department of Education

Note: The information in this document was compiled in the fall of 2012, with minor revisions made in the summer of 2014. For updates or additional information, visit **StudentAid.gov** or phone 1-800-4-FED-AID.