



**2011-2012**  
**Financial Aid Department**  
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**FEDERAL DIRECT PARENT PLUS LOAN**  
**INFORMATION GUIDE**

Dear Parent,

Your child has expressed an interest in attending our school. In order for the financial aid department to assist your child in getting the maximum amount of aid available, we will need your assistance.

According to Department of Education regulations, your child is considered to be a dependent student for financial aid purposes. Dependent students must have a parent's signature and income information on the Free Application for Federal Student Aid (FAFSA). This helps determine the student's eligibility for various types of aid including grant and student loans.

Because your child is a dependent student, he or she is eligible to borrow only a limited amount of federal student loans. These are loans that the student is responsible to repay with no obligation by the parent.

There are two additional options available to your family to obtain additional funding for school:

1. The Federal Direct Loan Program offers parents the option of taking out a Parent PLUS Loan to use for educational expenses. The PLUS loan is a loan in a parent's name that the parent is responsible to repay.

**OR**

2. It may be possible for your child to borrow additional student loans if it can be shown that the parent's credit is not sufficient to qualify for a parent (PLUS) loan to assist with the education expenses. This is accomplished by conducting a credit check, with your permission. The credit check will appear on your credit report as an inquiry.

If the credit check indicates you are approved for a PLUS loan, it **does not mean** you are required to borrow the loan. You will have the option to reject the loan at that time. If you choose to accept the PLUS loan, you will be required to complete a PLUS Master Promissory Note (MPN). This can be completed online at [www.studentloans.gov](http://www.studentloans.gov).

Only if your credit is denied can your child qualify for additional unsubsidized student loans. That is why it is advantageous to run the credit check even if you do not intend to accept the parent PLUS loan.

We realize you may have questions or concerns regarding the financial aid process. Please feel welcome to contact or visit us at your convenience.

Thank you,

Financial Aid Department

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## **FREQUENTLY ASKED QUESTIONS**

### **WHAT IS THE FEDERAL DIRECT PARENT PLUS LOAN?**

- Federal Direct Parent PLUS Loans are available to parents of dependent students who are attending at least half-time (6 units). Parents who meet the Direct PLUS Loan credit check may borrow up to the total annual cost of attendance less any other aid or scholarships received by the student.
- Only the parent of a student may borrow through this federal loan program. A “parent” is defined as the biological parent (custodial or non-custodial) or stepparent for the purposes of borrowing a Federal Direct PLUS Loan. A “parent” is not defined as a legal guardian, grandparent or another relative.

### **WHAT ARE THE FEES AND INTEREST RATE FOR THIS LOAN?**

- The Parent PLUS Loan has a loan origination fee of 4%. The Department of Education assumes an upfront repayment rebate of 1.5%. Therefore, 97.5% of the gross loan will actually disburse to the student account.
- The interest rate is currently set at a fixed rate of 7.9%.

### **HOW DO I APPLY FOR A PARENT PLUS LOAN?**

- After the student and parent have completed the FAFSA the parent can apply for a PLUS loan by completing the Federal Direct Parent PLUS Loan Request Form. This form can be downloaded at [www.frc.edu/financialaid/forms](http://www.frc.edu/financialaid/forms).
- The completed Direct PLUS Loan Application should be submitted to FRC’s Financial Aid Office. The information will be forwarded electronically to the Direct Loan Servicer for the approval process which includes passing a credit check.
- **The individual parent applying for the loan will need to complete a Master Promissory Note (MPN) online at [www.studentloans.gov](http://www.studentloans.gov). The MPN can be completed before the loan is approved. A Department of Education PIN is needed for this process. PINs can be applied for or duplicates requested at the official PIN website, [www.pin.ed.gov](http://www.pin.ed.gov).**

### **WHAT ARE MY OPTIONS IF I AM DENIED A PARENT PLUS LOAN?**

- If a PLUS Loan application is denied there are a few options available:
- The parent may contact the Direct Loan Servicer at (800) 848-0979 and either:
  - o Request a review of credit check due to inaccurate information on the credit report.
  - o Explain extenuating circumstances affecting the credit report.
  - o Obtain an endorser. The endorser must pass a credit check.

#### **OR**

- The student may qualify for additional unsubsidized Federal Direct Stafford Loan. The student will need to contact the Feather River College Financial Aid Office to apply for this additional loan.

### **WHEN WILL MY REPAYMENT BEGIN?**

- Repayment begins 60 days after the final disbursement. Parents may choose to defer payments until six months after the date the student for whom the loan is borrowed ceases to

carry at least half-time enrollment (6 units). The parent must request this deferment by contacting the Direct Loan Servicer at (800)848-0979.

### **HOW WILL MY PARENT PLUS LOAN BE DISBURSED?**

- The Parent PLUS Loan will be disbursed in two equal installments, usually at the beginning of each semester. Funds will disburse to the student's billing account. Any PLUS funds remaining after tuition, fees, etc. are paid will be given to the student or parent depending on whom you have specified on your Federal Direct Parent PLUS Loan Request Form. Single semester loans will be disbursed in two parts within the requested semester.