

# FEDERAL PLUS LOAN SUMMARY

## PLUS LOANS

PLUS loans are available to parents of dependent undergraduate students and students in graduate/professional programs to pay for educational expenses. They are federally insured and offer attractive deferment and forbearance options. Typically, they are used to pay unmet educational expenses. They may also be used as an alternative to private student loans.

### Who May Borrow

- Parents of dependent undergraduate students (any natural or adoptive parent, or stepparent married to the student's custodial parent, may apply for a PLUS loan). The dependent student must be enrolled at least half-time.
- Graduate/professional students.

PLUS borrowers are subject to credit checks. A PLUS applicant with adverse credit may qualify by attaining a creditworthy endorser. If a parent borrower of a PLUS loan is denied, the dependent undergraduate for whom the loan was applied for is eligible for additional federal Unsubsidized Stafford loan amounts.

### Interest Rate

Interest rates on federal PLUS loans disbursed on or after July 1, 2013, are based on the 10-Year Treasury bill, but once calculated, remain fixed for the life of the loan. The rate for PLUS loans first disbursed on or after July 1, 2016, but before July 1, 2016, is 6.31%.

### Fees

Federal PLUS loans first disbursed on or after October 1, 2015, have a 4.272% origination fee that is deducted from each disbursement. The fee increases slightly to 4.276% for loans disbursed on or after October 1, 2016.

### Disbursement

Apply at least six to eight weeks before you need the money. Loan proceeds will be sent directly to the college or university. Expect a portion of your loan to be disbursed each academic term.

### Loan Limits

There is no annual or aggregate limit. A borrower may request an amount equal to the cost of attendance, minus any financial aid the student receives.

### Repayment

Repayment begins after the loan funds are fully disbursed. Parent borrowers of PLUS loans may request postponement of repayment while the student for whom the loan was borrowed is enrolled at least half time and for six months

thereafter. In-school deferment is available to postpone payment for borrowers who are graduate/professional students enrolled at least half time and for six months thereafter. PLUS loan borrowers have up to 10 years to repay the loan, with a minimum monthly payment of \$50 per month. A variety of repayment plans are available to eligible borrowers, which may reduce payment amounts. Extended repayment terms may be granted to borrowers with larger loan balances.

### Did You Know?

Many parents use PLUS loans instead of private loans to pay unmet educational expenses. Students whose parents take responsibility for financing a portion of their college education are better prepared for loan repayment upon graduation. Many experts recommend that student loan payments not exceed 8% of the expected income for a student's intended profession. Students who borrow \$29,456, the average student loan debt for students graduating from a four-year Iowa college or university, would need to earn over \$50,000 upon graduation to stay within this recommendation on a standard 10-year repayment plan.

## PRIVATE LOANS

Private loans are an option when additional funding is needed to bridge the gap between the cost of attendance and other sources of financial aid. You should only use private loans as a last resort after all other scholarships, grants and federal loan options are exhausted and if your parents do not utilize a federal PLUS loan.

Discuss the federal PLUS loan with your parents before making the decision to borrow a private loan. PLUS loans are generally less expensive and reduce the amount of debt you will have at the time of graduation. If one of your parents is denied a PLUS loan due to adverse credit, you may become eligible for increased unsubsidized Stafford loan limits.

Private loans are not federally insured, are not eligible for federal loan forgiveness programs and are often more costly than federal loans. Lenders that make private loans are often more selective about who may receive loans, and in most cases, require students to pass a credit check and have a co-signer. There are many types of private loans, all with unique fees and interest rates. If you need to borrow private loans or have questions about them, contact your college's financial aid office.