

FEDERAL DIRECT PLUS LOAN FACT SHEET 2009-10
(26-MAY-2009)

Eligibility

- Must be a graduate student or a parent (natural, adoptive or stepparent) of a dependent student.
- Must be a U.S. citizen or an eligible non-citizen (i.e., permanent resident).
- Must pass a credit check, have an endorser that does, or prove extenuating circumstances to the satisfaction of the Dept. of Ed.
- Must use loan proceeds for the indicated student's educational costs only.
- Must not be in default on any federal education loans (Stafford, includes Direct Loan or PLUS Loans).
- Loan (FFEL or Direct), or if in default, satisfactory repayment arrangements have been made.
- More than one parent may apply for a loan, but they must be separate loans with separate applications.

Amount, Rate, Disbursement, Refunds

- The loan amount may not exceed the total cost of attendance less all other financial aid.
- The interest rate for *Direct* PLUS Loans is fixed at 7.9%. Interest begins to accrue as of the first disbursement.
- PLUS Loan proceeds pay directly to student accounts.
- Full-year loans are disbursed in two equal installments.
- A loan fee of 4% is deducted at the time of disbursement. However, a rebate* of 1.5% is credited back at the same time. The two adjustments total a 2.5% deduction. In other words, 97.5% of the loan amount is what pays to an account. Therefore, in order to determine the loan amount that yields a desired disbursement, divide the desired disbursement amount by .975. (**This up-front rebate assumes that an on-time repayment incentive will be satisfied after the loan enters repayment.*)
- Overpayments that result from PLUS Loan are refunded per borrowers' instructions on the PLUS Loan Authorization form.

Repayment Start Date and Plan Options

- The first payment is due within 60 days of the final disbursement, unless the borrower sets up a deferment.
- Payments may not be less than \$50 per month.
- Loans are placed in the Standard Repayment Plan if no other selection is made. Repayment plans may be changed upon request.
- There is no penalty if for prepayment; however, if a loan is paid in full before one can satisfy the rebate requirement of paying the first twelve consecutive months after entering repayment on time, then the rebate is forfeited.
- *Standard Plan* – fixed monthly payments over a period that does not exceed 10 years.
- *Graduated Plan* – initially lower payments then gradually increasing payments over a period that does not exceed 10 years.
- *Extended Plan* – choice of fixed or graduated payments, not to exceed 25 years.

As of July 1, 2009, the following plans are available to graduate student borrowers:

- *Income-Contingent Plan* – monthly payment is based on annual income (and that of a spouse, if married), family size and total amount of any Direct Loans the borrower may have. Until the payment amount is being determined, it will be the amount of interest that has accrued on the loan unless forbearance is requested.
- *Income-Based Plan* – monthly payment is based on the borrower's income during any period of partial financial hardship. The monthly payment amount may be adjusted annually. Repayment may exceed 10 years. Under this plan, outstanding balances after so many years may qualify for cancellation.

Deferment

A deferment allows a borrower to temporarily stop making loan payments.

Common deferment criteria are as follows:

- The borrower is enrolled at least half-time at an eligible school
- The borrower is in a full-time approved graduate fellowship or rehabilitation training program for individuals with disabilities
- The borrower is seeking but unable to find full-time employment
- The borrower is serving on active duty during a war or other military operations or national emergency
- The borrower is experiencing economic hardship (including Peace Corps service), as determined by the lender
- The student for whom the loan was borrowed is enrolled in school at least a half-time, and for 6 months after the student ceases to be enrolled at least a half-time. (This applies to Direct PLUS Loans first disbursed after July 1, 2008 ONLY.)

Forbearance

Forbearance allows for the temporary postponement of payments, smaller payments or an extended period of time for making payments, when not eligible for a deferment.

Common forbearance criteria are as follows:

- The borrower is a medical or dental intern or resident.
- The borrower's loan payments exceed your monthly income by 20% or more.
- The borrower is experiencing financial hardship.
- The borrower is receiving a national service education award under the National and Community Service Trust Act of 1993.

Interest continues to accrue on loans in deferment or forbearance. If unpaid, it is capitalized (added to the loan) at the end of these periods.

Request for deferments/forbearance must be made with Direct Loan Servicing Center at www.dl.ed.gov or by calling 800-848-0979.

Cancellation

This loan may be canceled if the borrower or the student for whom the loan was borrowed dies or becomes permanently disabled.

More details are noted in the *Direct PLUS Loan Borrower's Rights and Responsibilities Statement*, available via smith.edu/finaid/plus.php. Questions are also welcome at st_loans@smith.edu.