

# Federal Direct Plus Loan Fact Sheet

## Eligibility

You are eligible for a Federal Direct PLUS if you-

- are borrowing to pay the educational cost of a dependent undergraduate student.
- are a US Citizen or eligible non-citizen (i.e., permanent resident).
- do not have an adverse credit history.
- have an adverse credit history, but either obtained an endorser with no adverse credit history, or you document to the US Department of Education's satisfaction that extenuating circumstances exist.
- are not in default on a Federal Stafford Loan, Federal PLUS Loan or Federal Direct Stafford Loan, or if you are in default on one of those loans, you have made satisfactory repayment arrangements.

## Loan Amount and Interest Rates

- The maximum amount you may borrow is the total cost of attendance less all financial aid that the student receives.
- A fee of 4% of the loan principal is deducted from each disbursement. Currently a rebate of 1.5% is returned for assumed on-time repayment (i.e., for a PLUS loan of \$10,000, \$9750 is applied to the student account-  
 $\$10,000 \times 4\% = \$400 - 150$  (rebate);  $\$10,000 - \$250 = \$9750$ ).
- For Loans disbursed after July 1, 2008 the interest rate is fixed at 7.9%.
- You can reduce the interest rate by .25% by making payments through the Electronic Debit Account (EDA).

## Disbursements

- The PLUS Loan is disbursed in two equal payments. It is applied directly to the student's account at the College of the Holy Cross.

## Terms of Repayment

- **Beginning July 1, 2008, parents can elect to defer payments on a PLUS loan until six months after the date the student ceases to be enrolled at least half time. Accruing interest could either be paid by the parent borrower monthly or quarterly, or be capitalized quarterly.**
- Interest begins to accumulate on the date of the first disbursement.
- Your first payment will be due within 60 days after the final disbursement.
- During the periods of deferment and forbearance, you do not pay any principal, but interest will accumulate. This means your loan principal will increase unless you chose to pay the interest monthly during your deferment or forbearance.
- To request a deferment for the Federal Direct Plus Loan, you must contact the Direct Loan Servicing Center at 1-800-848-0979.

**You may repay a PLUS Loan under one of three repayment options. The options are:**

- Standard Repayment Plan-fixed monthly payments of at least \$50 a month for not more than 10 years.
- Extended Repayment Plan-fixed monthly payments of at least \$50 a month; number of years of repayment varies depending on the total loan amount due but may not exceed 30 years.
- Graduated Repayment Plan-monthly payments that graduate to a higher level at least twice over the years of repayment; number of years of repayment varies depending on total loan due by may not exceed 30 years.

## Deferment/Forbearance/Cancellation

You may receive a deferment (postponement of repayment ) if you qualify. You must contact the Direct Loan Servicer to request a deferment. As mentioned earlier, principal will be deferred but interest will continue to accumulate unless you pay it monthly.

To qualify for a deferment, a PLUS borrower (parent) must be-

- at least a half-time student; or
- in an approved graduate fellowship or approved rehabilitation training program; or
- seeking but unable to find full-time employment, or
- experiencing an economic hardship.

The US Department of Education may allow you to temporarily reduce or delay making payments if you are willing but unable to meet your repayment schedule, and you (parent) are not eligible for a deferment (for example, if you are in poor health). This period of suspension or reduction of payments is called "forbearance". Again, as is true for deferments, if you choose not to pay your interest during the forbearance period, the interest will be added to the outstanding balance of the loan.

A Direct PLUS Loan may be canceled under the following circumstances:

- You (or the student for whom you borrowed) die or become totally and permanently disabled.  
In rare cases, if you file for bankruptcy