

# **Federal Parent Loans for Undergraduate Students (PLUS)**

Parents with a good credit history may qualify for an unsubsidized PLUS loan, which allows them to borrow up to the total cost of your education- minus any other aid you receive. For loans disbursed after July 1, 2006, the interest rate is fixed at 8.5% and begins to accrue the day funds are released. Repayment begins within 60 days the loan has been fully disbursed.

## **Federal PLUS Loan Application Requirements**

- Complete a 2008-2009 FAFSA and all documents to complete your financial aid file and be awarded your financial aid eligibility.
- Be enrolled in at least 6 units at Gavilan College.

Maintain satisfactory academic progress (according to Financial Aid's SAP Policy, review new *2008-09 SAP Policy*).

## **Additional Application requirements**

Student and Parent must meet the following eligibility criteria:

- Be a United States citizen or eligible non-citizen.
- Not be in default on a federal student loan.
- Not owe a refund on a federal education grant.

## How do my parents apply for a PLUS loan?

If you meet the Federal PLUS application requirements mentioned above, your parents may complete the PLUS application process by any of the following methods:

- Complete and submit a [Federal PLUS Loan Request Form](#), available for download at our website. After the Financial Aid Office reviews & completes the certification, the application will be sent to their lender of choice for evaluation.

OR

- Complete a credit approval/pre-approval with their lender of choice and submit copy to the Financial Aid Office along with a Federal PLUS Loan Request Form.

## How much can my parents borrow?

The yearly limit on a PLUS Loan is equal to your cost of attendance minus any other financial aid you receive.

<i>Example: Cost of Attendance</i>		<i>\$ 9,922</i>
<i>- Financial Aid</i>	<i>-</i>	<i>\$ 4,000</i>
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<i>PLUS Loan Amount</i>		<i>\$ 5,922</i>

## Who gets my parents' loan money?

Your parents' lender will send the loan funds to your parent. In most cases, the loan will be disbursed in two equal installments. Loan funds must be used for your education expenses.

## What's the interest rate?

The interest rate for Federal PLUS Loans is fixed at 8.5%.

## Other than interest, is there a charge to get a PLUS Loan?

Your parents will pay a fee of up to 4% of the loan, deducted proportionately each time a loan disbursement is made. For the Federal PLUS Loan, a portion of this fee goes to the federal government, and a portion goes to the guaranty agency (EdFund) to help reduce the cost of the loans.

## When do my parents begin repaying the loan?

Your parent has the option of beginning repayment on the PLUS loan either 60 days after the loan is fully disbursed or defer payments until six months after you are no longer enrolled in at least a half-time basis.

**Note:** If your parent decides to defer payment on the loan, the interest rate will capitalize (that is, interest is added to the principal amount of the loan, and additional interest will be based on that higher amount).

## **How do my parents pay the PLUS loan?**

They'll repay the Federal PLUS Loan to their lender or loan servicer they chose. Depending on their lender of choice, they might have a servicer (another agency) take care of all the correspondence/communication with the borrower.

## **Is it ever possible to postpone repayment of a PLUS Loan?**

Yes, under certain circumstances, your parents can receive a Deferment on their loans.

If they temporarily can't meet the repayment schedule, they can also receive forbearance on their loan, as long as it isn't in default. During forbearance, their payments are postponed or reduced.

Generally, the conditions for eligibility for requesting a Deferment include:

1. In-School status of a minimum of 6 units or more (for the student).
2. Unemployment
3. Economic Hardship

If none of the above criteria apply to your parents they may request a postponement or reduction of payments by requesting a Forbearance.

However, since all PLUS Loans are unsubsidized, your parents will be charged interest during periods of deferment or forbearance. If they don't pay the interest as it accrues, it will be capitalized (that is, added to the principal amount of the loan, and additional interest will be based on that higher amount).