Federal Direct Parent PLUS Loans
FREQUENTLY ASKED QUESTIONS

Please keep this information sheet with your other important financial aid papers.

How to Obtain a Federal PLUS Loan

- Complete a Federal Direct PLUS Loan Application and Credit Authorization Form and return it to the Northwestern College Financial Aid Office. We will use the information on this form to inform the federal government of your interest in obtaining a loan and certify the student's planned enrollment and Federal PLUS Loan eligibility.
- If you have not already done so, complete a Federal Direct PLUS Loan Master Promissory Note (MPN). 2009-10 year, was the first year Northwestern College participated in Direct Lending. If you did not borrow a Federal Direct PLUS loan for 2010-11 you will be required to complete a new MPN. The MPN must be completed before the government will provide Federal PLUS Loan funds. Please visit www.studentloans.gov to complete your promissory note.

What is a Master Promissory Note?

A promissory note is a binding legal document that lists the conditions of your loan and the terms of repayment. Instead of completing a promissory note every year, a Master Promissory Note (MPN) is a multi-year promissory note that only has to be completed once while your student is attending Northwestern College.

How do I sign a MPN?

You will need a federal PIN to complete the MPN; this may be obtained online at www.pin.ed.gov. If you electronically signed the FAFSA you should already have a pin. If you have forgotten your PIN, it can be retrieved at www.pin.ed.gov.

What is the Interest Rate?

Federal Direct PLUS loans have a fixed interest rate of 7.9%.

Other than interest, are there any fees or charges to get a PLUS loan?

Yes, the loan fee is 4% each time a loan disbursement is made; however, a 1.5% immediate interest rebate reduces this fee to 2.5%. Once repayment begins, the borrower must make 12 on-time monthly payments to retain this benefit.

When will repayment begin?

Repayment will begin 60 days after disbursement of the full amount for an academic year. Interest accrues as soon as the first disbursement is made. There is no grace period for this loan; the parent borrower repays both principal and interest while their student is in school. The repayment term will be 10 to 25 years depending upon the repayment plan selected. Parents have the option to defer payments for PLUS loans originated after July 1, 2008 provided the designated student is enrolled at least half-time each semester (six or more credits). Parents must contact the Direct Loan Servicer after the loan has been fully disbursed to request a deferment.

When will the PLUS Loan disburse?

In accordance with federal loan regulations and Northwestern College's disbursement schedule, the loan will be applied to your student's account once all requirements are met. Loan funds (less the fees) are evenly disbursed at the beginning of each semester.

Can the parent's PLUS Loan be transferred to the student so that it becomes the student's responsibility to repay?

No. A PLUS Loan made to the parent cannot be transferred to the student. The parent is responsible for repaying the PLUS Loan.

What if additional financial aid is received and I want to reduce or cancel my PLUS Loan?

If your student receives additional aid and you wish to reduce or cancel our Federal Direct Parent PLUS Loan, it is important that you notify the Financial Aid Office in writing as soon as possible. You have the right to cancel or reduce your Federal PLUS loan at any time during the loan period. If the additional financial aid received by the student results in aid that is in excess of your student's cost of attendance, our office will automatically reduce the appropriate loan fund. These loan funds will appear as a charge on the student's monthly account statement.

What if I want to apply for additional PLUS Loan funds?

You may apply for additional PLUS loan funds by completing another PLUS loan application/credit authorization. The total amount of a PLUS loan may not exceed the cost of attendance minus all other financial aid. You must list the additional amount you wish to borrow and indicate on the application that you are requesting additional funds. Please note that your credit history may be reviewed again to determine your eligibility.

What am I consenting to by signing the credit authorization?

Your consent verifies that you have read the privacy act disclosure as follows and gives Northwestern College permission to authorize the U.S. Department of Education to review your credit report:

The Privacy Act of 1974 (5 U.S.C. 552a) requires that the following notice be provided to you. The authority for collecting the information requested on this form is §451 et seq. of the Higher Education Act of 1965, as amended. Your disclosure of this information is voluntary. However, if you do not provide this information, you cannot be considered for a Direct PLUS. The information on this form will be used to determine your eligibility for a Direct PLUS. The information in your file may be disclosed to third parties as authorized under routine uses in the Privacy Act notices called "Title IV Program Files" (originally published on April 12, 1994, Federal Register, Vol. 59 p. 17351) and "National Student Loan Data System" (originally published on December 20, 1994, Federal Register, Vol. 59 p. 65532). Thus, this information may be disclosed to federal and state agencies, private parties such as relatives, present and former employers and creditors, and contractors of the Department of Education for purposes of administration of the student financial assistance program, for enforcement purposes, for litigation where such disclosure is compatible with the purposes for which the records were collected, for use by federal, state, local, or foreign agencies in connection with employment matters or the issuance of a license, grant, or other benefit, for use in any employee grievance or discipline proceeding in which the Federal Government is a party, for use in connection with audits or other investigations, for research purposes, for purposes of determining whether particular records are required to be disclosed under the Freedom of Information Act, and to a Member of Congress in response to an inquiry from the congressional office made at your written request. Because we request your social security number (SSN), we must inform you that we collect your SSN on a voluntary basis, but section 484(a)(4) of the HEA (20 U.S.C. 1091 (a)(4)) provides that, in order to receive any grant, loan, or work assistance under Title IV of the HEA, a student must provide his or her SSN. Your SSN is used to verify your identity, and as an account number (identifier) throughout the life of your loan(s) so that data may be recorded accurately.

What if my credit is denied?

If your application is denied due to credit, you will receive notification from the Direct Loan Servicer. You may then choose from the following options:

- You may try to have a credit status override completed by the servicer. Please contact the Direct Loan Servicer at 1-800-557-7394 and Equifax (their credit bureau) at 1-800-685-5000.

- You may provide documentation to the Direct Loan Servicer if you have extenuating circumstances. You request for a PLUS loan will be reviewed again by the servicer.

- You may have a third party endorser co-sign the PLUS loan application with you. In this case, please contact the Direct Loan Servicer at 1-800-557-7394

- You may choose not to pursue any of the options listed above to obtain approval of your PLUS loan. Instead your student may be able to borrow additional funds for the current academic year through the Unsubsidized Federal Direct Stafford Loan Program. Please contact the Financial Aid Office to discuss this option.

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