

# Highlights of The Federal Direct Parent Loan For Undergraduate Students (Federal Direct PLUS)

Understanding the Federal Direct  
PLUS Loan Program

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The Federal Direct PLUS Loan Program is a popular federal financial aid resource that many find an attractive solution to help meet The Art Institutes schools' tuition and expenses.

Many students and parents throughout the USA have found this resource to be a sensible component for paying for college.

This fact sheet will help you with key attributes of this loan program. Further information on the Federal Direct PLUS Loan is available in our financial aid booklets or by contacting the college's Financial Aid office.

## A Brief Review

- ✚ The Federal Direct PLUS Loan is a LOW INTEREST, FIXED INTEREST RATE LOAN with a 7.9% interest rate.
- ✚ Parents\* of dependent students are eligible to apply.
- ✚ Parent borrowers need to be US citizens or permanent residents and have a child enrolled at least half time in an undergraduate program.
- ✚ Federal Direct PLUS Loans require a basic credit check, but are not based on income or assets and require no collateral. If there are minor credit issues, the parent can request credit approval when the lender will attempt to help the parent resolve any issues.

- ✚ If for some reason a parent may not be approved for the loan, they may still receive a loan if they obtain an endorser (co-signer) who does not have adverse credit.
- ✚ If the parent applies but is not approved, the student will then be immediately eligible for the additional Direct Unsubsidized Stafford Loan that is usually only available to independent students. The Direct PLUS Loan can be used to cover both direct and some indirect costs.
- ✚ The interest rate for Federal Direct PLUS Loans currently is 7.9%.
- ✚ There is a variety of repayment plans available to parents.
- ✚ There are possible deferment and forbearance options due to health issues and unforeseen personal problems if the candidate qualifies.
- ✚ Parents should carefully read the Direct PLUS Master Promissory Note and disclosures for important information concerning their rights and responsibilities.



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## How is the Federal Direct PLUS Loan different from alternative loans?

A Federal Direct PLUS Loan has a fixed rate of 7.9%. Some alternative loans have no interest rate caps, so rates may be higher and can potentially increase or decrease.

Fees for the Federal Direct PLUS Loans are 4%. Depending on the lender, alternative loan fees may be higher and can depend on the borrower's and/or the co-borrower's credit history.

The credit review process for alternative loan approvals is more comprehensive than the Federal Direct PLUS process.

Federal Direct PLUS Loans may allow the parent to borrow more than the direct cost of attendance to college (minus any other financial aid received). Alternative loan borrowing amounts may be limited.

Because it is a federal loan, there tend to be more deferment and forbearance options available with Federal Direct PLUS Loans.

Federal Direct PLUS Loans are eligible for the federal consolidation programs; alternative loan programs only allow consolidation through private programs, usually with higher interest rates than the federal program, and with variable interest rates.

Eligibility requirements are less restrictive for the Federal Direct PLUS Loan.

## How do I apply?

1. The first step is to complete the Free Application for Federal Student Aid (FAFSA).
2. The second step is to complete the PLUS Loan preapproval process. If approved, complete the Federal Direct PLUS Loan Master Promissory Note.
3. After completing the preapproval process, contact the college's Financial Aid department with the results. Results and borrowing options will be discussed with you in your individual financial planning session.

*More PLUS Loan information, forms, and promissory notes are available in the Financial Aid Office at your Art Institutes school.*

*\* To qualify as a parent for the purpose of borrowing a PLUS Loan, the borrower must be the biological or legally adoptive parent of the student. A stepparent also qualifies as a PLUS Loan borrower if the stepparent's information was used on the FAFSA.*



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