



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

Understanding the PLUS Loan Program

**The 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 PLUS Loan is available in the "Financial Aid: Helping you look into your options" booklet or by contacting the college's Financial Aid office.

## A Brief Review

- The Federal PLUS Loan is a **LOW INTEREST, FIXED RATE LOAN**.
- 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.
- 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, most PLUS lenders 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 unsubsidized Stafford Loan that is usually only available to independent students. The PLUS Loan can be used to cover both direct and some indirect costs.
- The interest rate for PLUS Loans currently is a low 8.5%.
- 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.
- Some lenders offer unique benefits and options such as postponing payments for a few years while the student is in school upon approval of annual application.
- Parents should carefully read the PLUS Master Promissory Note and disclosures for important information concerning their rights and responsibilities.

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

**A PLUS Loan has a low fixed rate of 8.5%. Some alternative loans have no rate caps, so rates may be higher and can potentially increase or decrease.**

Fees for PLUS Loans are 4%, but may be less at the lender's discretion. 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 PLUS process.

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 PLUS Loans.

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 PLUS Loan.

Interest and fees are more likely to be less with the 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 select a lender and complete the PLUS Loan preapproval process. If approved, complete the 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.

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

*\* 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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