



PARENT LOAN OPTIONS

If you are looking for help to finance some or all of the cost your child's education, there are four sorts of education loans available:

- Federal Direct Student Loans (if your son or daughter has not maximized the annual loan limit for his/her grade level)
- Federal Direct Parent PLUS Loans (available for 2019-20 after April 1, 2019)
- Private alternative student loans (the student is the primary borrower and the parent is the cosigner)
- Private alternative parent loans (the parent is the primary borrower)

This information sheet provides a very general overview of these four loan types. The common advice is that the student should borrow first from any remaining funds he has available to him through the Federal Direct Student Loan program since federal student loans are required by law to provide a range of flexible repayment options, including, but not limited to, income-based repayment and income-contingent repayment plans, and loan forgiveness benefits, which other student loans are not required to provide; and federal student loans are available to students regardless of income.

But when the loan limits on the Direct Student Loans are maximized and/or parents prefer to be the primary borrower, parents may want to consider the tradeoffs between a Federal Direct Parent PLUS Loan and private alternative loans.

In broad strokes, federal education loans (the Direct Student Loan and the Direct Parent PLUS Loan) are easier to qualify for and have more repayment options, while private alternative education loans may have a lower interest rate and lower origination fees, depending on the borrower's creditworthiness.

Comparison of Education Loans

| | Federal Direct Student Loans | Federal Direct Parent PLUS Loans | Private Alternative Student Loans | Private Alternative Parent Loans |
|---|--|--|---|--|
| Primary Borrower | Student | Parent | Student | Parent |
| Cosigner Required | No | Only if parent borrower has an adverse credit history | Yes | No |
| Lender | Department of Education | Department of Education | Commercial Banks and Credit Unions | Commercial Banks and Credit Unions |
| Credit Criteria | Borrower cannot have a defaulted student loan | Borrower cannot have an adverse credit history (if so, he must have a creditworthy cosigner) | Credit scores, Debt-to-Income Ratios No adverse credit history | Credit scores, Debt-to-Income Ratios No adverse credit history |
| Requires School Certification | Yes | Yes | Usually, but varies by lender | Usually, but varies by lender |
| FAFSA Required | Yes | Yes | No | No |
| Interest Rate Type | Fixed | Fixed | Fixed and variable options | Fixed and variable options |
| Interest Rate | Fixed (4.53% in 2019-20) | Fixed (7.08% in 2019-20) | Rate depends on borrower and cosigner credit; As of this writing, Fixed rates as low as 5.29% and Variable rates as low as 3.95% (Check for current rates.) | Rate depends on borrower credit; As of this writing, Fixed rates as low as 4.50% and Variable rates as low as 3.15% (Check for current rates.) |
| Subsidized Interest | Yes | No | No | No |
| Loan Fees | 1.062% | 4.248% | Varies by lender; often 0% | Varies by lender; often 0% |
| Annual Loan Limits | Yes, based on grade level | Cost of Attendance minus aid | Cost of Attendance minus aid | Cost of Attendance minus aid |
| Deferment Options While Student Is In School | Deferment available while the student is in school and during a 6 month grace period after graduation. Interest continues to accrue on unsubsidized loans. | Deferment available while the student is in school and during a 6 month grace period after graduation. Interest continues to accrue. | Varies by lender. Some products offer deferment while the student is in school. Interest continues to accrue. | Varies by lender. Some products offer deferment while the student is in school. Interest continues to accrue. |

For more information about Federal Direct Student Loans and Federal Direct Parent PLUS Loans visit <https://studentaid.ed.gov>. The reverse side of this sheet provides more information about the Federal Direct Parent PLUS Loan.

For more information about some of the more popular private alternative education loans offered to parents and students, visit Thomas Aquinas College's website (<https://thomasaquinas.edu>) and enter "Alternative Lender Comparison Tool" in the search box. Or use your web browser to search for "private alternative education loans."

FEDERAL DIRECT PARENT PLUS LOANS (OPTIONAL)

GENERAL INFORMATION AND HOW TO APPLY

General Information About Parent PLUS Loans

The parents of a dependent student may borrow funds from the U.S. Federal Direct Parent PLUS Loan Program to finance some or all of the cost of their child's education. The maximum loan amount is the difference between the cost of attendance and the total amount of financial aid and scholarships awarded to the student. The interest rate is determined at the end of May for new loans that will be borrowed in the coming school year. (Rates are based on the final 10-year Treasury Note auction in May plus 4.60%.) Rates are fixed for the life of the loan. The 2019-20 interest rate is 7.08 percent and there is an origination fee of 4.248 percent.

For more information about the Direct PLUS Loan Program, visit <https://studentaid.ed.gov>. Click on "Types of Aid / Loans."

How to Apply for a PLUS Loan

Step One: (Student and Parent) File a FAFSA

If your child hasn't done so already, he/she must complete a *Free Application for Federal Student Aid* (FAFSA) before you (the parent) can apply for a Federal Direct PLUS Loan. This can be done at <https://fafsa.ed.gov>.

Step Two: (Parent) Completes the PLUS Request Process On-line

Log into the Direct Loan website, <https://studentloans.gov>, and click on "Apply for a Direct PLUS Loan." Find the **Direct PLUS Loan Application for Parents** module at the bottom of the page and click "Start". Fill in and submit the necessary information.

You will be asked to specify whether you want to borrow the maximum Direct PLUS Loan amount for which you are eligible or a specific amount. If you choose a specific amount, bear in mind that a 4.248% origination fee will be retained by the lender. So if you request \$10,000, you will actually receive 95.752% of that amount, or \$9,575.20.

This step is repeated each year so that you can request a specific loan amount and consent to have a current credit check performed.

After the parent completes the PLUS Request, the Department of Education will perform a credit review. They will issue the result (either an approval or a denial) to you and to the school(s) you indicated on the request.

If your PLUS Loan is **denied** the student becomes eligible to borrow additional unsubsidized Direct Student Loan funds on top of his/her normal Direct Loan limits: \$4,000 more for students in the first two years of undergraduate study and \$5,000 more for students in subsequent years. The student should contact the Financial Aid Office if he/she wishes to borrow this additional amount.

If your PLUS Loan is **approved**, go on to step three.

Step Three: (Parent) Completes the Federal Direct Parent PLUS Master Promissory Note (MPN) On-line

While still logged in on the Direct Loan website (<https://studentloans.gov>), click on "Complete Loan Agreement (Master Promissory Note)." Find the **PLUS MPN for Parents** module at the bottom of the page and click on "Start". Fill in and submit the necessary information. An electronic notification of your completion will be sent to the Financial Aid Office. The MPN must only be completed once during the student's time at Thomas Aquinas College.

Step Four: Complete the Parent PLUS Loan Supplemental Form

Complete the *Parent PLUS Loan Supplemental Form* found on Thomas Aquinas College's website under **Home > Admissions > Financial Aid > Forms and Publications**. Return this form to the Financial Aid Office. After the College receives this form, the Financial Aid Office will send the student an updated *Financial Aid Award Letter* that includes the Parent PLUS Loan and the Business Office will send the student and parents an updated *Payment Plan and Promissory Note* in which the Balance Due is reduced by the net amount anticipated from the Parent PLUS Loan.

Step Five: Sign and return the updated Financial Aid Award Letter and Payment Plan and Promissory Note

The student must sign and return the updated *Financial Aid Award Letter* to the Financial Aid Office and the student and parent(s) must sign and return the updated *Payment Plan and Promissory Note* to the Business Office.

Step Six: The Financial Aid Office Processes the PLUS Loan

The Financial Aid Office will begin processing your PLUS Loan, and the Business Office will apply the funds to any outstanding charges owed to the College for the current academic year. Any remainder will be given to the parent or student according to the directions provided by the parent on the *Parent PLUS Loan Supplemental Form* (see Step Four).

After the Financial Aid Office has processed the loan, you will be able to track your PLUS Loan information through the National Student Loan Data System (NSLDS), the U.S. Department of Education's central database for financial aid records. You can access NSLDS through <https://nslds.ed.gov>.

Questions? Contact the Financial Aid Office by phone at (805) 525-4417, extension 5936 or by email at FinAid@ThomasAquinas.edu.