



# Direct PLUS Loan Issues

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# Welcome



## *Agenda*

- Overview Of Changes
- Graduate PLUS
- Frequently Asked Questions and More
- Miscellaneous Topics



# Overview of Changes

## Adverse Credit



# Overview of Changes

## *Adverse Credit History*

- New credit criteria applies to all Direct PLUS Loan credit checks performed on or after March 29, 2015, regardless of the award year or loan period applicable to the loan.



# Overview of Changes

## *Adverse Credit History*

As of March 29, 2015, a Direct PLUS Loan applicant (either a parent of a dependent undergraduate student or a graduate/professional student) is considered to have an adverse credit history if as of the date of the credit report, the applicant has the following:



# Overview of Changes

## *Adverse Credit History*

- One or more debts that are 90 or more days delinquent or that are in collection or have been charged off during the two years preceding the date of the applicant's credit report; and
- A total combined outstanding balance of those debts greater than \$2,085.
- OR....



# Overview of Changes

## *Adverse Credit History*

... the applicant has been subject to any of the following conditions during the five years preceding the date of the credit report:

- Repossession
- Default Determination
- Foreclosure
- Bankruptcy Discharge
- Tax Lien
- Wage Garnishment
- Write-Off of a Title IV Debt



# Overview of Changes

## *Adverse Credit History*

Under the new standards, ***if there are no other adverse credit history conditions***, a Direct PLUS Loan applicant will **not** be considered to have an adverse credit history if any or all of the preceding conditions apply ***but*** the total combined outstanding balance of **those** debts are \$2,085 or less.



# Overview of Changes

## *Adverse Credit History*

- An applicant who is determined to have an adverse credit history but was previously approved for a Direct PLUS Loan first disbursed between July 1, 2010 and June 30, 2013, may still qualify for a Direct PLUS Loan under the existing reconsideration process.
- Applicants that are identified as eligible for reconsideration will continue to be notified by the Department.



# Overview of Changes

## *Adverse Credit History*

- Applicants may begin the process of documenting extenuating circumstances (or a request for reconsideration, if eligible) by using the “Document Extenuating Circumstances” link on the StudentLoans.gov web site
- Applicants may also begin the process by contacting the Student Loan Support Center at 1-800-557-7394.

*Additional information about the Direct PLUS Loan Reconsideration process is posted in an August 13, 2013 Electronic Announcement on the IFAP web site.*



# Overview of Changes

## *Adverse Credit History*

- *Exceptional Circumstances for PLUS Denial*
  - If a school can document that exceptional circumstances exist that would prevent a parent from repaying a PLUS, it may award a dependent student additional unsubsidized loan funds. *2014-15 FSA HB Vol 3, Pg 3-109 Calculating Awards & Packaging* lists some situations where this decision would be appropriate. The documentation collected would need to be supportive of the justification used.



# Overview of Changes

## *Adverse Credit History*

### **Documenting Exceptional Circumstances Continued....**

- The parent's unwillingness to borrow a Direct PLUS Loan, a school's decision not to participate in the Direct PLUS Loan program, nor the aid administrator's belief that a parent should not borrow a Direct PLUS Loan does not make the dependent student eligible.
- Before originating a loan for the increased Direct Unsubsidized Loan amounts based on a parent's ineligibility for a Direct PLUS Loan due to adverse credit or other exceptional circumstances, you must document the basis of the dependent student's eligibility.



# Overview of Changes

## *Adverse Credit History*

- Potential valid Exceptional Circumstances:
  - The parent is incarcerated
  - The parents' whereabouts is unknown
  - The parent has filed for bankruptcy and can provide a letter from the bankruptcy court indicating the parent may not incur additional debt.



# Overview of Changes

## *Adverse Credit History*

- Potential valid Exceptional Circumstances:
  - The parents' income is limited to public assistance or disability benefits, and you have documented that the parents are unable to repay the PLUS loan.
  - You have examined the family financial information and documented the parents' likely inability to repay due to existing debt burden.
  - The parent is not a US citizen or permanent resident or is not able to provide evidence of US Citizenship.



# Overview of Changes

## *Adverse Credit History*

- A dependent student may become eligible at any time during an academic year for the additional unsub loan like when a parent has first been approved and then later denied a Direct PLUS Loan based on a subsequent application. Under these circumstances, any previous Direct PLUS Loan funds received during the same period of enrollment are treated as estimated financial assistance in determining the student's remaining eligibility for additional unsubsidized loan amounts



# Overview of Changes

## Loan Counseling



# Overview of Changes

## *Loan Counseling Requirement*

- A new PLUS counseling requirement became effective for PLUS credit checks performed on or after March 29, 2015.
- The PLUS counseling is provided by the Department of Education (ED) on the StudentLoans.gov website effective as of March 30, 2015.



# Overview of Changes

## *Loan Counseling Requirement*

- This new counseling applies to those borrowers who initially are denied due to an adverse credit history, but who are subsequently approved using one of the following methods:
  - An appeal process and satisfactorily meeting the “extenuating circumstances” provisions; or
  - Obtaining a credit worthy endorser.



# Overview of Changes

## *Loan Counseling Requirement*

- The Department will be releasing a new parent PLUS Loan specific counseling tool this summer that will include a repayment calculator where the borrower can get an estimate of monthly repayment amounts.
- The Department has announced an intent to provide access to extensive consumer information on all of the Title IV student aid programs to include the PLUS Loan program, information on borrower eligibility, repayment requirements and options, and interest rates via <http://studentloans.gov>



# Overview of Changes

## Duration of Credit Check



# Overview of Changes

## *Duration of a Credit Check*

- As of March 29, 2015, the duration of a credit check was changed from 90 days to 180 days.
- The change to 180 days will also be applied to all credit checks on the COD System prior to March 29, 2015.



# Overview of Changes

## *Duration of a Credit Check*

### *Example:*

- A credit check performed on November 30, 2014, would expire on February 28, 2015 under the current 90-day standard.
- After March 29, 2015, the credit check expiration date was updated from February 28, 2015 to May 29, 2015, 180 days from the date the initial credit check was performed.



# Overview of Changes

## *Duration of a Credit Check*

- COD provided schools with a list of borrowers that have a Direct PLUS Loan Request, Direct PLUS Loan, and/or COD Web Credit Checks on file for their school whose credit check expiration date was updated from 90 days to 180 days.
- An e-mail was sent to the school's Financial Aid Administrator with instructions on how to retrieve the list from the school's "File Share & Messages" page on COD Web site.



# Graduate PLUS



# *Graduate PLUS*

- If a school that offers graduate and professional degree programs chooses to participate in the Direct PLUS Loan Program, it must also offer Direct Unsubsidized Loans, since a condition for originating a Direct PLUS Loan for a graduate/professional student is that the school must first determine the student's eligibility for this loan (see 34 CFR 685.200(b)(4)).



# *Graduate PLUS*

- Under the Direct Loan Program regulations at 34 CFR 685.301(a)(3) and 685.304(a)(2), if a graduate/professional student is eligible for a Direct Unsubsidized Loan, but has not requested the maximum amount of the loan for which the student is eligible, **the school must, prior to originating a Direct PLUS Loan for the student,** notify the student of his or her maximum Direct Unsubsidized Loan eligibility.



# *Graduate PLUS*

- The school must also provide the student with information on the differences between the terms and conditions of a Direct PLUS Loan and the terms and conditions of a Direct Subsidized/Unsubsidized Loan.
- Note, however, that a graduate/professional student may decline a Direct Subsidized and/or a Direct Unsubsidized Loan and may choose to borrow only a Direct PLUS Loan.



# *Graduate PLUS*

First-time Direct Grad PLUS borrowers must complete entrance counseling before a disbursement can be made. (See FSA HB 2014-15 Volume 2, chapter 6.)



# Frequently Asked ?'s



# *Frequently Asked ?'s*

**If a student has borrowed in excess of aggregate loan limits, is she eligible to borrow a Graduate PLUS?**

No, the overage must be resolved. A student over the aggregate borrowing limit is unable to borrow additional Title IV funds until the overpayment is resolved. There are two ways to re-establish eligibility:

1. Repaying the excess amount in full; or
  2. Making satisfactory repayment arrangements with the holders of the loans. (This includes reaffirmation and loan consolidation)
- **FSA Handbook**, Vol 3 – Calculating Awards & Packaging, pg 3-126; **DCL GEN-13-02**.



## *Frequently Asked ?'s*

**When is a check of a Direct PLUS Loan applicant's credit record performed by COD to determine whether the individual has an adverse credit history?**

A credit check is generated when:

- the COD system receives a Direct PLUS Loan Award;
- the Direct PLUS Loan applicant completes a Direct PLUS Loan request via [studentLoans.gov](http://studentLoans.gov); or
- the school (after obtaining the applicant's authorization) initiates a credit check on the web through COD.



## *Frequently Asked ?'s*

### **Is a Parent PLUS Denial good for more than one award year?**

- A credit check denial is "valid" for the full academic year as a basis for awarding additional unsubsidized loan funds to the dependent student.
- Unless you document exceptional circumstances, you would need to run another credit check to determine additional unsubsidized eligibility for a new academic year.
- Based on BBAY or SAY as appropriate for your school.



# *Frequently Asked ?'s*

## **Should we include PLUS loan fees in the Cost of Attendance (COA)?**

The wording in Section 472 of the Higher Education Act of 1965, as amended (HEA) is as follows: "SEC. 472. [20 U.S.C. 1087II] COST OF ATTENDANCE.

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(12) for a student who receives a loan under this or any other Federal law (or, at the option of the institution, a conventional student loan incurred by the student to cover a student's cost of attendance at the institution) an allowance for the actual cost of any loan fee, origination fee, or insurance premium charged to such student or such parent on such loan, or the average cost of any such fee or premium charged by the Secretary, lender, or guaranty agency making or insuring such loan, as the case may be." [HEA 472(12)]



## *Frequently Asked ?'s*

**If a student's NSLDS history indicates a Parent PLUS Loan in default, is the student eligible for other Title IV aid?**

If the student had previously borrowed a PLUS Loan for one of his or her own dependent children, and is now in default status on the PLUS Loan, he or she would not be eligible to receive any Title IV aid until the default is cleared. Please see pages 1-45 to 1-48 of the 2013-14 **FSA Handbook**.



## *Frequently Asked ?'s*

**If a parent is in default on her own student loan, can her child receive the additional unsubsidized loan?**

- If a potential parent PLUS borrower is in default on his or her own student loan, the parent would be unable to borrow a parent PLUS and since the parent is ineligible due to adverse credit history or other exceptional circumstances the student is eligible for additional unsubsidized loan.
- It is important to document the reason for the denial, and any supporting documentation, such as an NSLDS screen print, in the student's file, if the parent isn't being denied through the typical adverse credit process.



## *Frequently Asked ?'s*

**Must a Parent PLUS be returned if it was disbursed before the student became independent? For instance, if a student's sole parent dies after the loan is fully disbursed.**

- No, as long as the student was eligible for the parent PLUS as a dependent student at the time of disbursement, the parent PLUS does not have to be canceled or returned.



## *Frequently Asked ?'s*

**Must a Parent PLUS be returned if it was NOT disbursed before the student became independent? For instance, if a students parent borrower died after the fall disbursement was paid but prior to the spring disbursement.**

- Yes, if the parent borrower dies prior to a disbursement being paid, that portion of the loan paid to the account after the date deceased must be cancelled and returned to the Department.



## *Frequently Asked ?'s*

**A college does not participate in PLUS. Can a dependent student receive the higher unsubsidized Loan Limit if her parents have bad credit?**

Dependent student borrowers at a school that does not participate in the Direct PLUS Loan Program are not eligible for the increased Direct Unsubsidized Loan amounts that are available to dependent students at schools that are participating in the Direct PLUS Loan Program and whose parents are unable to obtain a Direct PLUS Loan.

**GEN-11-07**



## *Frequently Asked ?'s*

- **Can a dependent student be the endorser on a Parent PLUS Loan?**
- The endorser on the parent PLUS Loan may not be the dependent student for whom the parent is borrowing the PLUS.



## *Frequently Asked ?'s*

**Are Graduate PLUS Loans available to undergraduates who have received a first bachelors degree, or only to students enrolled in a graduate or professional program?**

- You can only originate graduate PLUS for students enrolled in a graduate or professional program in accordance with the Title IV definition of graduate or professional student in 34 CFR 668.2(b):
  - "Graduate or professional student: A student who-- (1) Is not receiving title IV aid as an undergraduate student for the same period of enrollment; (2) Is enrolled in a program or course above the baccalaureate level or is enrolled in a program leading to a professional degree; and (3) Has completed the equivalent of at least three years of full-time study either prior to entrance into the program or as part of the program itself.



# Frequently Asked ?'s

## Can schools have a policy to limit Graduate PLUS borrowing?

There is no aggregate limit on this loan. Students applying for graduate PLUS can borrow the difference between the cost of attendance (COA) minus any estimated financial assistance (EFA) as long as they meet the qualifications for this loan. As an institution, you are not allowed to set a policy with regards to refusing to certify or limiting a graduate PLUS.

However, according to CFR 34 685.301(a)(8), "A school may refuse to originate a Direct Subsidized, Direct Unsubsidized, or Direct PLUS Loan or may reduce the borrower's determination of need for the loan *if the reason for that action is documented and provided to the borrower in writing, and if--the determination is made on a case-by-case basis;*



## *Frequently Asked ?'s*

**Are graduate students who have reached their aggregate Direct Subsidized and Unsubsidized loan limit eligible to borrow Graduate PLUS?**

Yes, a student would be eligible to borrow a graduate PLUS Loan, as long as she has not exceeded both the aggregate total of \$138,500 and the subsidized loan aggregate of \$65,500. If either has been exceeded, full repayment of or a satisfactory arrangement to repay the excess funds must occur before additional Title IV aid may be disbursed to the student.



## *Frequently Asked ?'s*

- **What do we do when a full-year parent PLUS is approved and a spring-only Parent PLUS is denied?**
- The undisbursed Spring semester amount of parent PLUS must be cancelled if the school is proceeding to offer the additional Direct Unsubsidized Loan to the student for the Spring semester, based on the parent's recent adverse credit denial. Be sure to change the loan period for the approved parent PLUS to reflect the end date of the Fall term in your scenario, in accordance with **GEN-13-13**.



## *Frequently Asked ?'s*

### **What do we do if a parent requested reconsideration of a PLUS Loan Denial in error and was approved?**

- As a result of the parent receiving approval as a result of the reconsideration of the original Direct PLUS Loan denial, the student is no longer eligible to receive additional Direct Unsubsidized Loan funds. This applies even though the parent did not intend to request reconsideration, but did so by mistake. As explained below, documentation is not necessarily required to request reconsideration of a Direct PLUS Loan denial.



## *Frequently Asked ?'s*

Continued.....

The student can keep any previously disbursed additional unsubsidized loan funds; however, the school must cancel any pending additional unsubsidized loan disbursements that have not yet been made at the time the new PLUS is approved. The school must also adjust the loan period in accordance with guidance provided in **GEN-13-13**.



## *Frequently Asked ?'s*

May a student decline a Parent PLUS after the parent has asked for the loan and been approved without the parent's approval?

- A PLUS cannot be declined or reduced without the parent's approval because the parent is the borrower, not the student.



## *Frequently Asked ?'s*

**Is a biological parent eligible to borrow PLUS if the student has been adopted?**

No, The biological parent would not be eligible to borrow a Direct PLUS Loan in the situation you have described. Regardless of whether or not a relationship exists with a biological parent, once an adoption occurs, the biological parent forfeits all parental rights and is no longer considered an eligible borrower.



## *Frequently Asked ?'s*

**What do we do if two parents apply and one is approved and the other is denied? Can the parent refuse the approved loan so the student can use the Unsub?**

- If only one of a student's two parents has applied for a Direct PLUS and been denied based on adverse credit, you may award additional Direct Unsubsidized Loan funds on that basis.
- If both parents apply independently and one is approved and the other denied, the dependent student is not eligible for the additional unsubsidized loan amounts.



# Miscellaneous Topics

## REFERRAL OF FRAUD CASES

Suspected fraud should be referred to ED's Office of Inspector General. Referral information may be found on page AVG-126 of the 2014-15 [FSA Handbook](#).

- 1-800-MIS-USED
- (1-800-647-8733)
- Hours: M, W 9–11am T, Th 1–3pm
- To submit a complaint online at any time, go to <http://www.ed.gov/about/offices/list/oig/hotline.html> and click on the appropriate link.



# Miscellaneous Topics

## Current Loan Origination Fees

According to [GEN-14-10](#), for Direct Loans disbursed on or after October 1, 2014 and before October 1, 2015:

- The loan fee for Direct Subsidized Loans and for Direct Unsubsidized Loans is 1.073%.
- The loan fee for Direct PLUS Loans (for both parent and graduate/professional student borrowers) is 4.292%.



# Miscellaneous Topics

## Current Loan Interest Rates

According to the [May 15, 2014 Electronic Announcement](#), the interest rate for Direct Loans disbursed on or after July 1, 2014 and before July 1, 2015 are as follows:

- Undergraduate Direct Loans (subsidized and unsubsidized) = 4.66%
- Graduate Direct Unsubsidized Loans = 6.21 %
- Direct PLUS Loans (parent and graduate/professional student borrowers) = 7.21%

*New rates and fees are expected in May 2015.*



# Helpful Websites

- [www.nasfaa.org](http://www.nasfaa.org)
- [www.ifap.ed.gov](http://www.ifap.ed.gov)
- [www.fsa.ed.gov](http://www.fsa.ed.gov)



# Resources



- [February 27, 2015, Electronic Announcement](#)—Direct PLUS Loan Changes - COD System Changes for PLUS Counseling to be Implemented March 27-29, 2015;
- [January 27, 2015, Electronic Announcement](#)—Early Implementation of Changes in Regulations on Adverse Credit History Under the Direct PLUS Loan Program;
- [January 14, 2015, Federal Register](#)—Notice: Early Implementation of PLUS Loan Adverse Credit Regulation; and
- [October 23, 2014 Federal Register](#)—Direct PLUS Loans: Final Regulations.



# CONTACT INFORMATION

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