



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 2022-23 after April 1, 2022)
- 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 (4.99% in 2022-23)	Fixed (7.54% in 2022-23)	Rate depends on borrower and cosigner credit; As of this writing, Fixed rates as low as 2.84% and Variable rates as low as 1.190% (Check for current rates.)	Rate depends on borrower credit; As of this writing, Fixed rates as low as 2.84% and Variable rates as low as 1.190% (Check for current rates.)
Subsidized Interest	Yes	No	No	No
Loan Fees	1.057%	4.228%	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.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

The 2022-23 Federal Direct Parent PLUS Loan application will be available after April 1, 2022.

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 2022-23 interest rate is 7.54 percent and there is an origination fee of 4.228 percent.

For more information about the Direct PLUS Loan Program, visit <https://studentaid.gov>. Click on "Understand 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://studentaid.gov/afsa>.

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

Log into the Direct Loan website, <https://studentaid.gov>, and click on "APPLY FOR AID / Apply for a Parent PLUS Loan." 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 4.228% origination fee will be retained by the lender. So if you request \$10,000, you will actually receive 95.772% of that amount, or \$9,577.20. Use this calculation:

$$\frac{\text{Net amount you want after loan fees}}{0.95772} = \text{Gross amount you need to borrow}$$

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. You will be told immediately whether your request is approved or denied.

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://studentaid.gov>), click on "COMPLETE AID PROCESS / MPN for Parents" (Master Promissory Note), then click "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 be completed only once during the student's time at Thomas Aquinas College.

Step Four: The Financial Aid Office Contacts the Parent

When the Financial Aid Office receives notification that you have completed steps two and three, we will contact you to confirm the amount you wish to borrow. Once the amount is confirmed, we will send a revised *Financial Aid Award Letter* (that includes the PLUS Loan) to the student, together with a *Parent PLUS Loan Confirmation Form*.

Step Five: Sign and return the revised Financial Aid Award Letter and Parent PLUS Loan Confirmation Form

The student must sign the revised *Financial Aid Award Letter* and the parent must sign the *Parent PLUS Loan Confirmation Form*. Return them to the Financial Aid Office by the deadline.

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 Confirmation Form*.

After the Financial Aid Office has processed the loan, you will be able to track your PLUS Loan information through your dashboard on <https://studentaid.gov/>.

Questions? Contact the Financial Aid Office by phone at (805) 421-5936 or by email at finaid@ThomasAquinas.edu.