

Question and Answers PLUS and Private Educational Loans



Parent PLUS, GradPLUS and Private Educational Loans

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PLUS and Private Educational Loans

In addition to the Federal Direct Subsidized and Unsubsidized Student Loan Programs there are additional types of educational loans for both parents and students. Information below will provide information, comparisons and application procedures for these loans.

Costs and benefits for private or alternate loans often change. To the best of our knowledge the information in this document is accurate as of this writing. Applicants are encouraged to look on line or speak to lender representatives to keep current.

PLUS and private educational loans may be used to help meet tuition and fee payments as well as for other educationally related expenses such as housing, books and transportation.

The following information will give you an overview of some of your choices, show a preferred lender list that includes the lenders most frequently selected by our students in prior years. There is also a comparison between private educational loans and the Federal GradPLUS Loan Program available at <https://www.elmselect.com/oll/Agreement>

What should I know about PLUS and Private Educational Loans?

ParentPLUS Loan Features

- No cumulative limit
- Loans are the responsibility of the parent - not the student
- Interest rate is fixed at 8.5%
- Interest is not subsidized like the Stafford Direct Loans
- Interest continues to accrue while deferred and is capitalized when the loan enters repayment

- PLUS charges of 4% is deducted from each payment
- Repayment begins 60 days after funds are fully disbursed
- Repayment terms are for up to 10 years
- Parents have the option to defer payments on the ParentPLUS while the undergraduate students on whose behalf they borrowed the PLUS loan, is in school and for a six month grace period after the student graduates or drops below full-time enrollment
- An application for in-school deferment is required and available from the lender program. More information will be provided in your Student Loan Exit Packet when you leave school.

GradPLUS Loan Features

- Most features as with the ParentPLUS
- Graduate students may defer repayment while in school
- No 6 month grace period as with the Stafford loans
- Consolidating PLUS loans provides access to alternate repayment terms, such as extended repayment, graduated repayment, and income contingent repayments
- Income contingent repayment is available for GradPLUS loans
- Consolidation loans have an interest rate that is capped at 8.25%
- Consolidation would reduce the interest rate by .25%, but it is best to consolidate separately from Stafford or Perkins loans to maximize the benefit of this interest rate reduction

Q&A

Eligibility Questions for PLUS Loans

Do PLUS loans have a full credit check policy?

PLUS loans have a more modest credit check looking for adverse credit history than private educational loans. A borrower may have problems:

- Being 90 days or more late on any overpayment
- Defaulting on prior student loans
- If a parent is denied a PLUS loan the undergraduate student becomes eligible for increased unsubsidized Stafford loan limits.
- Only one parent needs to apply for and be denied a PLUS loan to qualify
- If one parent is denied and the other is approved for a PLUS loan, the student is not eligible for increased Stafford loan limits
- If the dependent student receives the additional unsubsidized Stafford loan eligibility and the parent subsequently receives a PLUS loan, the student may not receive any subsequent disbursements on the additional unsubsidized Stafford loan but may keep any amounts already disbursed

I have read about consolidating PLUS loans. What does consolidate mean for loans? It sounds simple but doesn't seem that way.

- Consolidating federal loans means merging loans together, generally to receive better benefits, to qualify for newer features than the old loans or to make one payment on a loan instead of multiple payments to different lenders.
- PLUS loans can be consolidated just like Stafford and Perkins
- ParentPLUS cannot be consolidated with the student's Stafford and Perkins Loans since the borrowers are different
- Parents with their own Stafford loans can consolidate them together with any PLUS loans they have borrowed to pay for their children's education
- Consolidating PLUS loans provides access to alternate repayment terms, such as extended repayment, graduated repayment, and income contingent repayments
- Consolidation loans have an interest rate that is capped at 8.25%
- Consolidation could reduce the interest rate by .25%
- GradPLUS students please see bullet points on the previous page
- The only option for consolidating federal loans is now with the Department of Education
- More information is available at www.studentloans.gov. There are also links to consolidation as well as a phone number for your questions
- Consolidation would be available after the loan period is over

Private Educational Loans

Banks no longer are allowed to participate in the federal loan programs and many have pulled out of educational lending altogether. Those lenders who have stayed in the market are finding it necessary to become more competitive. The information below may help you explore whether these loans are right for you or your family.

Private Educational Loans

- Offered by private lenders (banks)
- No federal forms to complete
- Eligibility generally depends on borrower's credit score
- May offer more flexible payment options
- Tend to be more expensive than federal loans
- Interest rates set by credit review with three to five categories depending on lender
- Top tier credit may actually be less expensive

What happens if I am denied credit?

Lenders will generally offer the chance to have a co-signer if the private educational loan is denied. Some lenders will release the co-signer after a number of on time payments. Check with the lenders for more information.

How do I apply for a private educational loan?

Go to <https://www.elmselect.com/oll/Agreement> for information and the application. One application takes care of the credit check and promissory note too.

How does the school know I have completed a loan application?

When a private educational loan is approved the school receives an electronic request to certify the loan.

The loan funds are split over the academic year and arrive at the start of each semester. The Financial Aid Office informs the HNU Student Accounts Office that the funds are expected.

OK, but how do I really choose a lender ?

At the ELM Select web site you will see a number of lenders. These are banks that have worked with our families in the past and have done a good job.

On the side of the section for each lender there is a little box. Click on the box for each loan you would like to compare and the software will help compare one lender's benefits to the next.

Lenders changes benefits and will take care of updating their own data at the Elm Select site.



Some Consumer Information

How much can I borrow under the Alternate Loan Programs?

Eligibility Formula	
Cost of Attendance - On the Financial Aid Notification Letter	\$
Less Stafford Loans	\$
Less Fellowships, Grants, Scholarships, etc. From PGSP or other sources	\$
Less other state or federal aid	\$
Maximum Alternate Educational Loan Eligibility	\$

The values for the Eligibility Formula will be found in the financial aid notification letter and the information packet that was included with that letter.

Just because a student may be eligible for large sums does not mean one should borrow to those levels.

Alternate educational loans do not carry the same six month grace period as the Stafford Loan Program. Loans go into immediate repayment after

graduating or otherwise leaving school.

Students are encouraged to do their own research to make sure they are making the best decision in their own case. Students should note that they are not required to use any lender on our list. Borrowers may choose the lender of their choice. If your lender does not use ELM to allow HNU our certification of your loans it make take longer for the process to complete. If you wish to select a lender not on our list be sure to ask if they use ELM for processing. If not please let the Financial Aid Office know how the lender would like us to certify your loan.

Loan Fees

Private educational loans may or may not have fees deducted up front or when the loan goes into repayment.

Fees may vary among lenders and can be up to three percent for some lenders.

Contact your proposed lender for information on interest and fees when you have questions for your private loan planning.

HNU FINANCIAL AID

Please direct all correspondence , email and telephone calls to the address or contacts listed below:

Financial Aid Office
3500 Mountain Blvd
Oakland, CA 94619
Phone: 510-436-1327
FAX 510-436-1199

financialaid@hnu.edu

Office Hours

During the academic year
Monday through Friday
9:30 to 5:30

Closed on Wednesdays in the summer

Saturday hours will be posted each semester