



PARENT (PLUS) LOAN REQUEST GUIDE

PLUS vs. Alternative Loans: who should borrow?

Should the parent borrow? Or should the student be the borrower? Regardless of what opinion you may have on the topic, there are some things you should know first before you make this important decision.

What is a PLUS Loan?

Parents usually borrow from the **Federal Parent Loan for Undergraduate Students (PLUS)** program or obtain a home equity loan or other private bank product. Insured by the federal government, Federal PLUS Loans are low-interest loans for the parents of dependent undergraduate students. Unlike other loans, the Federal PLUS Loan is not asset-based; approval is based on creditworthiness. It picks up where financial aid leaves off, **enabling you to borrow up to 100% of your child's education expenses**, minus financial aid received.

Now, let's first outline Federal PLUS Loan eligibility. Parents may take out a PLUS Loan if the student is:

- an undergraduate, dependent student
- a U.S. citizen or permanent resident alien
- matriculated or is in a degree-seeking status
- making satisfactory progress
- attending school at least half-time
- under 24 years of age

In addition, the parent must be a U.S. citizen or permanent resident alien.

When parents do not qualify for a PLUS Loan, the student may be able to obtain an Unsubsidized Stafford Loan or alternative loan. Should parents still wish to assist, they can pursue consumer lending options.

So which is the best choice for you? ►

WHAT IS THE DIFFERENCE BETWEEN A BORROWER AND A CO-SIGNER?

Whether you're a borrower of a PLUS Loan or a co-signer on an alternative loan, you're agreeing to be responsible for repayment of the loan.

- Debt is reported on the credit report of both the borrower and co-signer once the loan has been fully disbursed.
- Should the loan become delinquent, the credit of both the borrower and the co-signer may be adversely affected.

UNDERSTANDING THE DIFFERENCE BETWEEN PLUS AND ALTERNATIVE LOANS

PLUS LOANS	ALTERNATIVE LOANS
<input checked="" type="checkbox"/> Rate cap at 9%	<input checked="" type="checkbox"/> No rate caps
<input checked="" type="checkbox"/> Parents responsible for repayment	<input checked="" type="checkbox"/> Student or parent may be responsible for repayment
<input checked="" type="checkbox"/> No debt-to-income ratio or credit scoring analysis required	<input checked="" type="checkbox"/> Credit checks more comprehensive
<input checked="" type="checkbox"/> May borrow up to total Cost of Education minus financial aid received	<input checked="" type="checkbox"/> Borrowing limits vary by lender
<input checked="" type="checkbox"/> Wider deferment and forbearance privileges available	<input checked="" type="checkbox"/> Limited deferment and forbearance options
<input checked="" type="checkbox"/> Federally insured against death & disability	<input checked="" type="checkbox"/> Not federally insured against death & disability
<input checked="" type="checkbox"/> Eligible for Federal Consolidation Program, capped at 8.25%	<input checked="" type="checkbox"/> Not eligible for Federal Consolidation (may consolidate through private programs)
<input checked="" type="checkbox"/> Commonly goes into repayment during enrollment	<input checked="" type="checkbox"/> In-school deferment options vary by lender
<h3>DON'T MISS THE REPAYMENT DIFFERENCE</h3> <p>Taking a look at the two programs, the PLUS Loan may appear to be the more desirable option for many families, except for the repayment issue. Many families may want to delay repayment while the student is in school, and often view alternative loans as their best option. Some lenders, however, offer an in-school deferment option to make repayment of PLUS loans more convenient.</p>	

Federal Parent Loan for Undergraduate Students (PLUS)

IMPORTANT STEPS FOR APPLYING

You must return the following form to apply for a Federal PLUS Loan

Step 1: (for PLUS Loan borrowers in 2005-06): If you wish to reapply for a PLUS Loan, please complete the attached Loan Request/Pre-Approval Form (LRF) and return it to the Office of Student Financial Services at LMC. The PLUS Loan is still based on your credit so submission of the PLUS LRF does not guarantee the loan will be approved. The PLUS loan amount listed on the award letter is estimated to cover the direct cost. However, you may apply for a loan up to the cost of attendance minus financial aid. Contact the Business Office for actual charges. Skip to Step 3. **Please Note: If you are not the same parent who borrowed a PLUS loan for the 2004-05 academic year, you must contact our office before any further steps are taken.**

OR

Step 1: (for PLUS Loan borrowers who were denied in 2005-06): If you wish to reapply for a PLUS Loan, please complete the attached Loan Request/Pre-approval form and return it to the Office of Student Financial Services at LMC.

OR

Step 1: (for first time PLUS loan borrowers): If you wish to apply for a PLUS loan, please complete the attached Loan Request/Pre-approval form and return it to the Office of Student Financial Services at LMC.

Step 2: **CHOOSING A LENDER:** First-time Lees-McRae College borrowers must select a lender for his/her loan to be processed. You may choose any lender who participates in the PLUS program. However, we can not ensure the quick processing time or quality of service offered by a lender not on our preferred lender list.

Step 3: Upon receipt of your LRF, LMC will send loan information electronically to your lender.

Step 4: Your lender will notify you regarding your approval or denial.

IF APPROVED, you will be notified of your loan amount and disbursement dates.

IF DENIED, your lender will provide you with appeal options. Lees-McRae College will also mail a letter to you regarding the denial and a revised Award Letter notating the additional unsubsidized Stafford Loan (see Stafford Loan Request Guide) your son/daughter may apply for. Your son/daughter **MUST** sign and return the award letter to the Office of Student Financial Services before the additional unsubsidized loan can be processed. **Please note: If a PLUS loan is approved within the academic year, your son/daughter will NOT be eligible for the additional unsubsidized Stafford Loan.**

You can also check the status of your loan by going to: www.elmresources.com

Step 5: Your loan funds will be disbursed in two equal payments per loan period. The origination fee for PLUS is typically 3% of the principal loan amount. PLUS funds are disbursed to the student's Business Office account to cover billed charges. PLUS funds received in excess of the charges are refunded back to the student. Contact the Business Office regarding refunds.

PREFERRED LENDER LIST

SunTrust Education Loans
800-552-3006
www.suntrustededucation.com
Lender Code: 819873

AMS
800-637-3060
www.amsws.com
Lender Code: 833067

CFI
888-234-6400
www.cfnc.org
Lender Code: 807037

Citibank
800-967-2400
www.studentloan.com
Lender Code: 826878

Wachovia
800-776-2344
www.educaid.com
Lender Code: 830005

PLUS Loan Request Form (LRF)

(Please Print)

Section A: Student Information

1. Student Name (Last) (First) (Initial)	2. Social Security Number - -	
3. Permanent Address (Street) (City) (State, Zip)		
4. Permanent Telephone Number () -	5. Student Date of Birth	6. Expected Graduation Date

Section B: Parent Borrower: To be completed by the parent for the Federal PLUS Loan

7. ACADEMIC YEAR: _____ (e.g. 2006-07)		
8. Parent Name (Last) (First) (Initial)	9. Parent Social Security Number - -	
10. Address (Street) (City) (State, Zip)		11. Home Telephone Number () -
12. U.S. Citizenship Status <input type="checkbox"/> Yes <input type="checkbox"/> NO If no, Alien Registration # _____		13. Daytime Telephone Number () -
14. Lender Name: (See enclosed list. If you had a loan at Lees-McRae College (LMC) before, your loan will be processed through the last lender you used.)		15. Loan Period: <input type="checkbox"/> Full Year <input type="checkbox"/> Fall Only <input type="checkbox"/> Spring Only <input type="checkbox"/> Dec Grad <input type="checkbox"/> Spring Grad <input type="checkbox"/> Summer
16. Parent Date of Birth	17. Relationship to student (i.e., mother, father)	
18. Parent Driver's License State and Number State _____ Number _____		19. Requested Loan Amount \$ _____
<p>20. Borrower Certification: I understand that to obtain a loan through this process I must: 1) complete and return this form to Lees-McRae College and 2) Sign a Promissory Note. I also understand that this does not guarantee approval of the loan. By signing this Loan Request Form, I give my consent to Lees-McRae College to initiate the loan process, which includes a credit check, for the current academic year.</p>		
Parent Borrower's Signature: _____ Date: _____		

Please Complete and Return to the Lees-McRae College Office of Student Financial Services

Are You Concerned About Your Credit History?

There may be a way to help...

Parents who have an adverse credit history often think that they can't qualify to borrow, and therefore, their student will have to assume the debt. This may not be true. Consider these options before you apply:

- Eligibility requirements are typically less restrictive for PLUS Loans than for alternative loans. This means **the parent may stand a better chance of being approved as a borrower on a PLUS Loan than on an alternative loan.**
- If a parent is denied a PLUS Loan, he/she may obtain a "co-signer", called an endorser. This may be anyone; it does not necessarily have to be a family member. **Endorsers** promise to repay the loan if the parent fails to repay the debt. If you should be denied and wish to avail yourself of this option, ask the Office of Student Financial Services for an endorser form.
- If the student is denied an alternative loan based on his or her co-borrower's credit, the student may re-apply with another co-signer.
- **Students need to manage their credit very carefully.** If a student's credit has been damaged, very few lenders will loan more money, even if the co-signer has good credit. So watch your student's credit cards now! His/her future education may depend on it!

We hope that this information assists you in making a more informed choice about the financing options available to your family. There are clearly pros and cons to each option, and the choice is ultimately yours.

Contact Information

- For additional information regarding interest rates, repayment or eligibility for the PLUS, Stafford or alternative loans, contact your lender.
- For information regarding the status of your loan, go to www.elmresources.com.
- For information regarding scholarships and grants, contact the Lees-McRae College Office of Student Financial Services at 1-800-280-4562 or locally at 828-898-8793.
- For information regarding charges, contact the Lees-McRae College Business Office at 1-800-280-4562 or locally at 828-898-8740.

PLUS Loan In-School Deferment Option

Pay Now, Pay Later®

At SunTrust, we offer a flexible repayment option for PLUS loans with our Pay Now, Pay Later® program.

Pay Now – Parents can choose to enter repayment within 60 days of final disbursement.

Pay Later – Parents can choose to delay repayment while their child is in school at least half-time by applying for forbearance for a period of 12 months. This forbearance can be renewed annually to delay repayment up to four years while the child is in school. During any period of forbearance, interest will continue to accrue.

Review These CREDIT SMART Tips With Your Student

Use your credit the SMART way!

Learning how to manage your credit well now will pave your way to a better financial future.

- S** **Save your receipts for purchases and payments.** Compare your receipts to your statements each month to make sure there's not an error or an unauthorized charge.
- M** **Make sure you don't go over your credit limit.** Most credit card companies charge an extra fee if you exceed your credit limit. It's also not good for your credit standing.
- A** **Advances are costly.** While your credit card may offer a cash advance option, remember that you'll probably pay a high interest rate or fee to borrow money this way.
- R** **Read the fine print.** Know all the terms of your credit cards, especially the interest rates.
- T** **Try paying off your credit card balance each month instead of making minimum payments.** Check out the chart below to see how much more you'll pay by taking longer to pay off purchases.

Paying Off Your Debt*				
Original Balance	Monthly Payment	Total Number of Payments	Years to Pay Off	TOTAL COST
\$2,500	Minimum Payment	404	34	\$ 8,781
\$2,500	\$ 50	94	8	\$ 4,698
\$2,500	\$ 100	32	3	\$ 3,163

*Calculations based on APR of 18%. Example courtesy **FDIC Money Smart Take Home Guide.**



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