

FINDING THE RIGHT WAY FOR YOU

The thought of paying for a graduate or professional program can be overwhelming, to say the least. But it may be more attainable than you think, thanks to PLUS loans and other types of financial aid. And with the information you need to make wise financial choices, you'll be able to pay for your program and experience all the benefits that come with it.

Here to Help

Great Lakes Higher Education Guaranty Corporation is here to help you through your education and beyond. As you evaluate your financial aid options, we can help you make sure you know everything you need to know along the way. As a nonprofit, we have no financial interest in your education—only human interest in your success.

Visit mygreatlakes.org for more on paying for college and building a bright financial future.

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PLUS LOANS for Graduate and Professional Students



Funding Your Pursuit of Excellence

BRIDGING THE GAP

You decided to go to graduate school to pursue your passion and establish a new professional identity. Financial aid can help you fund the investment in your professional future. If you need help bridging the gap between Stafford loans and the cost of a graduate or professional program, PLUS loans for graduate and professional students offer many advantages. As low-cost, fixed-rate loans, they make it easier to transition to your program and make your time as a student more productive.

The Advantages

Fixed Interest Rate. A PLUS loan allows you to lock in a low, fixed interest rate of 8.5 percent for the life of the loan.

Flexible Loan Amounts. You can borrow up to the total cost of attendance, minus any other financial aid you receive. The money can help pay for tuition, room and board, books, and other qualified education expenses.

Convenience. Many schools and lenders offer an online application process. You generally sign the promissory note only once with the lender at the beginning of your program. Then your promissory note is kept on file with the lender so you don't have to complete a new one each time you borrow.

Tax Benefits. The interest on your PLUS loan may be tax deductible, depending on your income.

In-School Deferment. You will automatically receive an in-school deferment on your loan while you are enrolled at least half-time. Once your in-school deferment ends, you'll be able to continue postponing your payments for six months. You can choose to decline the in-school deferment or the post-deferral six-month period by contacting your lender.

WORTH CONSIDERING

Fees. Besides interest, you will be charged a federal origination of 3 percent of the loan amount that is deducted from the loan amount prior to disbursement. Also, you may be charged a federal default fee on your PLUS loan that could add another 1 percent to the total fees.

Repayment Flexibility. If you have trouble making payments in the future, you may be eligible for other deferments or forbearance to temporarily reduce or suspend your monthly payments.

Interest. Interest begins to accrue from the date of the first disbursement. During the in-school deferment period, you can choose to pay the interest or have it added to your loan's balance (capitalized).

Eligibility. To qualify for a PLUS loan, you must be a U.S. citizen or eligible noncitizen, and be enrolled at least half-time in a graduate or professional school that participates in the federal student loan program.

You can receive an early estimate of your eligibility for federal aid by using the FAFSA4caster online at FAFSA4caster.ed.gov. Much of the information that you enter will populate your FAFSA online application when you are ready to fill it out.



GETTING A PLUS LOAN

1. Submit the FAFSA. To get a PLUS loan, or any other kind of federal student aid, you must first submit the Free Application for Federal Student Aid (FAFSA).

2. Review school requirements. Complete any additional financial aid forms required by your school or program.

3. Determine how much you need. After you submit the FAFSA, your school will notify you of the amount of financial aid you may receive, including Stafford loans, grants, and other school aid. Because Stafford loans have lower interest rates and other advantages over PLUS loans, you should borrow as much as possible in Stafford loans before considering a PLUS loan. Once you know how much other financial aid you qualify for, determine how much you will need to cover the gap. You have to pay back what you borrow, including interest, so borrow only as much as you really need.

4. Apply. Find a lender that is right for you. Ask your financial aid office if you need help making an informed decision. Your lender will provide a Federal PLUS Loan Application and Master Promissory Note (MPN) for you to complete. Depending on the school and the lender, you may be able to apply online.

Your lender will perform a mandatory credit check to look for any adverse credit. If you don't pass the credit check, explore other options for getting a PLUS loan, including enlisting the help of a credit-worthy endorser.

Once your PLUS loan is approved, the lender will send the money directly to your school. The money will cover any costs owed to the school, and any remaining money is returned to you. This money should be used to cover other educational costs, such as textbooks and living expenses.

REPAYING A PLUS LOAN

Payments on your PLUS loan will begin within 60 days after the six-month post-deferral period unless you choose to decline the additional postponement period and begin making payments. Contact your lender if you wish to begin making payments upon leaving school or while you are still enrolled. Remember that interest will still accrue while you are in school. You can pay this interest as it accrues or add it to your loan balance, which increases the amount you have to pay back.

In most cases, you will be expected to pay your PLUS loan back within 10 years (not counting any periods of deferment or forbearance). Your lender will offer you the opportunity to choose one of the following payment plans:

- **Standard.** Equal payments each month.
- **Graduated.** Payments that start out lower and gradually increase over the life of the loan.
- **Income-Sensitive.** Payments that are based on your monthly income, and are adjusted annually as your income rises or falls.
- **Extended.** Payments that are fixed or graduated over 25 years for loan debt that exceeds \$30,000. This plan is available to new borrowers on or after October 7, 1998.
- **Income-Based*.** Reduced monthly payments if you demonstrate a financial hardship (based on loan debt, income, and family size), with eligibility re-evaluated each year.

Whichever plan you choose, you can pay off your PLUS loan early without penalty. If you have trouble making payments, you may be eligible for deferments or forbearances to temporarily reduce or suspend your monthly payments.

* Plan to become available on July 1, 2009.

CONSEQUENCES OF DEFAULT

If you default, or fail to pay back, a PLUS loan, you will lose benefits like deferments and forbearance. You also won't be able to receive federal financial aid in the future, including additional Stafford or PLUS loans that you may need to continue your education or pay for your child's education.



Collection agencies may call you at home and at work, and the IRS may withhold your tax refunds until you pay off your loans. Your credit rating will also suffer, making it more difficult and costly to get new credit cards, car loans, and mortgages.

The bad credit that comes from defaulting on your loan can even make it difficult to advance your career. Many professional certification exams and potential employers require credit checks. As you work to establish your new professional identity, don't make it more difficult by defaulting on your student loans.

You can estimate your monthly payment (or the total interest you'll pay) using the Account Payment Plan Estimator in the Borrowers section of mygreatlakes.org.

WEIGHING OTHER OPTIONS

PLUS loans offer many advantages, but there are other education financing options you may wish to explore.

Private Loans

Private loans are offered by lenders without involvement of the federal government. Some students use private loans to bridge the gap between the cost of education and the amount of other financial aid available. Compare the interest rates and benefits of private loans to those of PLUS loans to decide which is best for you.

Home Equity Loans

If you own your home, you can borrow money against the equity you've built up to cover the costs of your graduate or professional program. However, doing so will tie up equity you might need someday. And if you fail to make payments, you risk losing your house. When considering a home equity loan, be sure to take closing costs and other fees into account, which can exceed the modest fees on PLUS loans.

Retirement Accounts

You may be able to borrow money from a retirement account to pay for education expenses. The interest you pay on the loan goes back into your retirement account to help compensate for the lost investment earnings on your nest egg. But there can be serious tax consequences if you fall behind on making payments.

If you have a Roth IRA, you can withdraw funds to pay for qualified education expenses without paying the 10% penalty. And if you're careful to withdraw only money you contributed, you can do so tax-free.

There are many things to consider before attempting to use retirement funds to pay for education, it might help to consult a financial planner or tax professional first.