

## Direct Federal Graduate PLUS Loan

The Federal Graduate PLUS Loan program provides graduate and professional students with the opportunity to borrow funds to meet the difference between the Cost of Attendance Budget (tuition, fees, books, supplies, room, board, transportation, and personal/miscellaneous costs related to the student's attendance in school) and other financial aid, such as scholarships, loans, and work-study employment. Starting in the 2009-2010 aid year, the University of Detroit Mercy will begin processing Federal Graduate PLUS Loans under the Direct Loan program. This means that the school will receive all loan funds directly from the US Department of Education. The new program requires that all borrowers complete a new Federal Direct Graduate PLUS Loan Master Promissory Note for loans for 2009-10 and beyond. This Master Promissory Note is to be completed online through your TitanConnect link.

The Direct Federal Graduate PLUS Loan has a 7.9% fixed interest rate. The Federal Direct PLUS Loan Program requires a 3% origination fee and a 1% default fee. There is an up-front rebate of 1.5%, so the net disbursement is 97.5% of the gross loan amount. The borrower must make the first 12 payments on time to keep the rebate. While some alternative loan programs may offer rates competitive with or lower than this rate, most alternative loan lenders use a variable rather than a fixed interest rate.

Unlike the Federal Stafford Loan, there is no grace period on the Graduate PLUS Loan. This means that the loan comes due immediately after the student graduates, leaves school, or otherwise ceases to be enrolled at least half time. Students who are unable to begin repayment at that time should immediately contact any bank lenders as well as their Federal Direct Loan servicer to determine if they may qualify for loan deferment based on economic hardship or other factors. Students may defer payments on the Graduate PLUS Loan while they are enrolled at least half time in an eligible institution of higher education; or they may pay principal and interest as they go; or pay interest while they are in school to reduce the amount added to the loan when it goes into repayment.

Some students have Graduate PLUS loans from periods before the 2009-2010 academic year through the Federal Family Education Loan (bank loan) Program. A few lenders may have special repayment incentive programs for timely repayment of these loans. Students should contact their lender(s) for information about any special repayment options offered.

Like most federal loans, Graduate PLUS loans have a standard ten-year repayment period. Students who have federal loans totaling more than \$30,000 may use the extended repayment plan, which allows students to extend their repayment period to 25 years, thus lowering their monthly payments.

Graduate PLUS loans may be consolidated with other federal loans such as Federal Stafford, Federal Perkins, Health Professions Assistance Loans, Nursing Student Loans, etc., to stretch out the payments for up to 30 years (for borrowers who owe \$60,000 or more in federal loans) and reduce the amount due each month; or to take advantage of the Federal Public Interest Loan Forgiveness Program. Consolidating loans results in the loss of most if not all repayment incentives, so it is important investigate any repayment incentives you currently have before pursuing a consolidation loan. It is strongly recommended that you consult with your financial advisor, tax planner, and lender or financial aid administrator before deciding to consolidate your loans. Once you consolidate, your existing loans are paid off, and you can't "un-consolidate" them to get back any repayment incentives you may have had under the original loan terms.