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Subject: Promissory Note Addenda and Revised Plain Language Disclosures for FFEL Program Loans; Awarding Federal PLUS Loans to Graduate and Professional Students

**SUMMARY:** This letter (1) announces promissory note addenda and revised Plain Language Disclosures that explain the changes to the terms and conditions of FFEL Program loans that were made by the Higher Education Reconciliation Act of 2005 (the HERA) and (2) provides guidance on awarding Federal PLUS Loans to graduate and professional students.

Posted on 04-25-2006

Dear Colleague:

Included with this letter are promissory note addenda and revised Plain Language Disclosures (PLDs) that explain the changes to the terms and conditions of Federal Stafford Loans, Federal PLUS Loans, and Federal Consolidation Loans that were made by the HERA. (See Dear Colleague Letter [GEN-06-02 \(FP-06-01\)](#) for detailed information on all of the changes made to the Title IV loan programs by the HERA.) The following documents are attached:

- Addendum to the Federal Stafford Loan Master Promissory Note (Stafford MPN)
- Addendum to the Federal PLUS Loan Application and Master Promissory Note (PLUS MPN) and Endorser Addendum
- Addendum to the Federal Consolidation Loan Application and Promissory Note (Consolidation Application/Note)
- Federal Stafford Loan Plain Language Disclosure (Stafford PLD)
- Federal PLUS Loan Plain Language Disclosure (PLUS PLD)

Until revised Stafford and PLUS MPNs are developed and approved for use, the attached addenda must be used with the current Stafford MPN, PLUS MPN, and Consolidation Application/Note to inform borrowers of the changes made to the terms of their loans by the HERA. The Stafford and PLUS PLDs have been revised to include information on the statutory changes for borrowers who are receiving second or subsequent Federal Stafford Loans or Federal PLUS Loans under a previously signed Stafford or PLUS MPN, or who may have signed an MPN for the first time before the addenda were available. The same PLUS MPN addendum and PLD will be used for both parent PLUS borrowers and graduate or professional student PLUS borrowers. The Secretary will be developing and using comparable forms in the William D. Ford Federal Direct Loan Program.

**Implementation of the Federal Stafford Loan and Federal PLUS Loan Addenda and Revised**

## **Plain Language Disclosures**

Program participants must begin using the addenda and revised PLDs as soon as possible.

### *Borrowers completing paper Stafford or PLUS MPNs*

For borrowers completing paper MPNs, a paper copy of the appropriate addendum must be provided to the borrower along with the MPN or promissory note.

### *Borrowers completing electronic Stafford or PLUS MPNs*

For borrowers completing an electronic MPN, the full text of the appropriate addendum must be incorporated in the electronic promissory note process and must be presented to the borrower before the borrower signs the note. In addition, when a borrower prints or downloads the MPN from a program participant's website, the full text of the addendum must print along with all other loan-related documents.

### *Borrowers receiving subsequent Stafford or PLUS loans under an existing MPN or borrowers who completed an MPN before the addenda were available*

The appropriate revised PLD must be provided to all borrowers who are receiving a subsequent Stafford or PLUS loan under a previously signed MPN, or who completed an initial MPN before the addenda were made available. The revised PLD must be provided to these borrowers in conjunction with the required disbursement disclosures or other existing processes.

### *Current borrowers who are not completing new Stafford or PLUS MPNs or receiving subsequent loans under an existing MPN*

Program participants must notify current borrowers who are not completing new promissory notes or receiving subsequent loans of the changes to loan terms and conditions that may apply to their loans (for example, the new military deferment and the new identity theft loan discharge provision). Program participants may use existing processes to notify borrowers of these changes, such as annual letters to borrowers, notices of changes in the variable interest rate, websites, publications, etc.

## **Implementation of the Federal Consolidation Loan Application and Promissory Note Addendum**

Program participants must begin providing the Consolidation Application/Note Addendum to all individuals who apply for Federal Consolidation Loans on or after July 1, 2006, in accordance with the guidance provided above for borrowers completing paper or electronic Stafford and PLUS MPNs. Program participants must notify current Federal Consolidation Loan borrowers of changes to loan terms and conditions that may apply to their loans through existing processes, as described above for Federal Stafford Loans and Federal PLUS Loans.

## **Awarding Federal PLUS Loans to Graduate and Professional Students**

As explained in Dear Colleague Letter [GEN-06-02 \(FP-06-01\)](#), graduate and professional students are eligible to receive Federal PLUS loans effective with loans certified on or after July 1, 2006. The PLUS Addendum provides instructions for completion of the PLUS MPN by a graduate or professional student applicant so that a student PLUS borrower can be distinguished from a parent

PLUS borrower. FFEL school lenders are not authorized to make Federal PLUS loans to the school's graduate and professional students.

*Terms and conditions applicable to both parent and student PLUS borrowers*

The terms and conditions of Federal PLUS Loans made to graduate and professional students are the same as those that apply to Federal PLUS Loans made to parents of dependent undergraduates. These terms and conditions include the following:

- A graduate or professional PLUS borrower must not have an adverse credit history as that term is defined in the FFEL program regulations at 34 CFR 682.201(b)(2)(ii). To determine whether a borrower has an adverse credit history, a lender must obtain a credit report from at least one national credit bureau that ensures a current and accurate representation of the borrower's credit history as it relates to the first day of the period of enrollment for which the loan is sought. All other requirements concerning determinations of adverse credit also apply. As is the case with parent PLUS applicants, a graduate or professional student PLUS applicant who is determined to have an adverse credit history may receive a Federal PLUS Loan if he or she obtains an endorser who does not have an adverse credit history.
- The repayment period for a Federal PLUS Loan made to a graduate or professional student begins on the date of the final disbursement of the loan, and the first payment is due within 60 days after the date the loan is fully disbursed. Of course, a graduate or professional Federal PLUS Loan borrower may receive a deferment while he or she is enrolled on at least a half-time basis at an eligible school. Upon dropping to less than half-time enrollment status, the borrower is not entitled to a grace period and there is no authority for lenders to align payments of principal on a student PLUS borrower's Stafford and PLUS loans.
- The interest rate on the student PLUS loan is the same fixed rate as that for parent PLUS borrowers.
- Student PLUS borrowers may borrow up to the cost of attendance for the period of enrollment, minus other estimated financial assistance.
- The rules for multi-year use and expiration of the PLUS MPN are the same for both parent PLUS and graduate or professional student PLUS borrowers. If a graduate or professional student PLUS borrower is also a parent who is borrowing a Federal PLUS Loan for one or more dependent students, the borrower must sign one PLUS MPN to borrow for himself/herself and a separate PLUS MPN to borrow for each dependent student. As with the parent PLUS MPN, a student PLUS borrower may choose to sign a new PLUS MPN for each new loan period even if that would not otherwise be required. A school or lender may also require a new PLUS MPN before making a new PLUS loan to the student PLUS borrower.
- A graduate or professional student attending an eligible foreign institution will only be able to use the multi-year feature of the PLUS MPN if the school has been expressly approved by the U.S. Department of Education (the Department) to have its student and parent borrowers do so. No eligible foreign institution is approved for this purpose at the current time. As a result, a graduate or professional student PLUS borrower attending an eligible foreign institution will need to sign a new PLUS MPN for each new loan period.
- As is required for Federal PLUS Loans made to parent borrowers, the school or lender (depending on the party that has agreed to perform this function) must collect the requested PLUS loan amount from the graduate or professional student borrower prior to school certification or lender approval of each Federal PLUS Loan made to a graduate or professional student. Regardless of the party that has agreed to obtain the requested amount from the student

PLUS borrower, the school must certify the lesser of the maximum amount for which the student is eligible or the amount requested by the student PLUS borrower. As with Federal PLUS Loans made to parent borrowers, each school and lender must establish and document the process by which one of the parties will collect the requested loan amount from the student PLUS borrower.

In addition to the above requirements, a graduate or professional student PLUS borrower is subject to all Title IV student eligibility requirements as provided in 34 CFR Part 668.

*Terms and conditions applicable only to graduate and professional student PLUS borrowers*

Dear Colleague Letter [GEN-06-02 \(FP-06-01\)](#) also noted the following additional requirements that apply only to Federal PLUS Loans made to graduate or professional students:

- All graduate or professional student applicants for Federal PLUS Loans must complete the Free Application for Federal Student Aid (FAFSA).
- Before applying for a Federal PLUS Loan, a graduate or professional student must apply for and the school must determine the student's eligibility for the maximum annual subsidized and/or unsubsidized Federal Stafford Loan amount. However, a graduate or professional student is not required to receive Federal Stafford Loan funds as a condition for receiving a Federal PLUS Loan, and a school may not require a graduate or professional student to receive Federal Stafford Loan funds before the student may apply for a Federal PLUS Loan.
- Schools may not certify Federal PLUS Loans for graduate or professional students until on or after July 1, 2006. However, graduate or professional students may sign Federal PLUS MPNs before July 1, 2006, and schools may include estimated or recommended Federal PLUS Loan amounts in their award packages for graduate or professional students before that date.

### **School Participation in the Federal PLUS Program**

Some schools participating in the Title IV loan programs may have never participated in the Federal PLUS Program. A school can check to see if it is currently approved for participation in the Federal PLUS Program by reviewing Section A, Title IV Student Financial Assistance Programs, of its Eligibility and Certification Approval Report (ECAR). A school may view an electronic copy of its ECAR at [www.eligcert.ed.gov](http://www.eligcert.ed.gov). Click on "Display your PPA/ECAR", then go to Section A of the ECAR, under Title IV Student Financial Assistance Programs. If the Federal PLUS Program is identified with a "Y" under "certified" and there is an "approval date" for this program, the school is already approved to award Federal PLUS Loans to its graduate and professional students.

If there is an "N", a missing approval date, or the Federal PLUS Program does not appear on the ECAR, the school must apply for approval to participate in the Federal PLUS Program at [www.eligcert.ed.gov](http://www.eligcert.ed.gov). Once at that website, the school should select "Add/Drop a Title IV, HEA Program" as the application purpose. The school will then be directed to a question that asks which title IV program(s) the school wishes to participate in, and then directed to the signature page. Upon submission of the application to add the additional program, the Department will review the request, generate an approval letter, and update the school's ECAR. A school must have the Department's approval letter before certifying Federal PLUS Loans for its graduate and professional students, and lenders and guaranty agencies must verify that a school is eligible to participate in the Federal PLUS Program before making Federal PLUS Loans to the school's graduate and professional students. Lenders and guaranty agencies may verify a school's eligibility at

[www.ed.gov/offices/OSFAP/PEPS](http://www.ed.gov/offices/OSFAP/PEPS).

A school that participates in the Federal PLUS Program must make PLUS loans available to both parent and graduate or professional student borrowers, as applicable. That is, a school may not choose to make Federal PLUS Loans available only to its parent borrowers, or only to its graduate and professional student borrowers.

### **Printing Instructions**

No changes to, deletions from, or additions to the language of the Stafford MPN, PLUS MPN and Consolidation Application/Note addenda and revised Stafford and PLUS PLDs are permitted.

The Stafford MPN, PLUS MPN, and Consolidation Application/Note addenda must be printed using black ink on white paper. The typeface, point size, and general presentation of the addenda may not be changed from the documents that the Department has approved.

The text of the revised PLDs may be enhanced by printing in any format or colors and may be combined with other information or graphics.

### **Obtaining Copies for Reproduction**

The addenda and PLDs are available in PDF format on the Department's IFAP website (<http://ifap.ed.gov>) and as attachments to this letter. In addition, the documents are available on the National Council of Higher Education Loan Programs (NCHELP) website at [www.nchelp.org](http://www.nchelp.org).

Guaranty agencies and lenders are responsible for ensuring that the addenda and PLDs they use are identical to the documents approved by the Department. No changes may be made to the documents except as expressly authorized above.

Sincerely,

Susan Beaudoin  
Office of  
Postsecondary Education

Theresa S. Shaw  
Chief Operating Officer  
Federal Student Aid

Attachments/Enclosures:

[FP-06-05: Promissory Note Addenda and Revised Plain Language Disclosures for FFEL Program Loans; Awarding Federal PLUS Loans to Graduate and Professional Students in PDF Format, 802KB, 6 pages](#)

[Addendum to the Federal Stafford Loan Master Promissory Note \(Stafford MPN\) in PDF Format, 95KB, 1 page](#)

[Addendum to the Federal PLUS Loan Application and Master Promissory Note \(PLUS MPN\) and Endorser Addendum in PDF Format, 125KB, 1 page](#)

[Addendum to the Federal Consolidation Loan Application and Promissory Note \(Consolidation Application/Note\) in PDF Format, 80KB, 1 page](#)

[Federal Stafford Loan Plain Language Disclosure \(Stafford PLD\) in PDF Format, 161KB, 1 page](#)

[Federal PLUS Loan Plain Language Disclosure \(PLUS PLD\) in PDF Format, 167KB, 1 page](#)

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