

National Association of Student  
Financial Aid Administrators Presents...

# **PLUS Master Promissory Note**

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# PLUS MPN - Outline of Session

- Dear Colleague Letter
- Multi-Year Feature
- Form Design
- Requested Loan Amount
- Use of an Endorser
- Expiration Conditions
- Implementation Issues
  - Guarantor Perspective
  - Institutional Perspective

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# PLUS MPN – Dear Colleague Letter

- **Dear Colleague Letter**
  - GEN-03-03
  - Posted to IFAP on February 7, 2003
- **Transition Period**
  - PLUS MPN may be used for Federal PLUS Loans for loan periods beginning on or after July 1, 2003
  - PLUS MPN must be used for Federal PLUS Loans for loan periods beginning on or after July 1, 2004, or any loan certified after July 1, 2004 regardless of loan period

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# PLUS MPN - Multi-Year Feature

- All domestic schools who participate in FFEL Program can use the PLUS MPN as a multi-year note
- Foreign schools – Only if the school has been expressly approved by the Secretary
- Additional information contained in DCL GEN-02-10 published in November 2002

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# PLUS MPN - Form Design

- Multi-year use
- Addition of the borrower's e-mail address
- Addition of the reference's e-mail address
- Deletion of the state of legal residence
- Removal of school certification section (separate form created to accommodate the paper certification process)
- Elimination of lender section
- Deletion of the requested loan amount
- Revision of the student section

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# PLUS MPN Non-Data Item Changes

- Multi-year and multi-borrowing language added throughout the form
- Borrower certification and authorization information appears on the face of the form
- Default and overpayment question no longer a check-off box
- Authorization to permit schools to transfer loan proceeds to student's account incorporated in the Borrower Request, Certifications, and Authorizations

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# PLUS MPN - Requested Loan Amount

- Parent must indicate to either the school, the guarantor, or the lender the PLUS loan amount that he or she wants to borrow
- Must collect, for each PLUS Loan, the requested loan amount from the parent borrower prior to:
  - School certifying each loan
  - Lender approving each loan
- Must establish and document the process under which the requested amount will be collected
- Parent borrower must provide to the school or lender the amount of PLUS Loan funds requested for each separate loan for each dependent student

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# PLUS MPN - Requested Loan Amount

## Methods to Collect Requested Loan Amount:

- School Certification Form
- A separate PLUS Loan amount request form
- A parent response section on the institution's financial aid award letter
- Documented telephone or electronic requests

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# PLUS MPN - Use of an Endorser

- If parent has an adverse credit history an endorser can be used
- A separate Endorser Addendum is required for each PLUS Loan
- When an endorser is used the PLUS MPN becomes a “single-loan” promissory note

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# PLUS MPN - Expiration Conditions

- The date the lender receives written notification from the parent borrower requesting that a previously signed PLUS MPN no longer be used for additional loans
- Twelve months after the date the original PLUS MPN was signed if no disbursements were made under that MPN
- Ten years from the date the parent signed the PLUS MPN or the date the lender receives the PLUS MPN

# PLUS MPN – Guarantor’s Perspective

## Issues:

- Informing institutions, students and families
- Accommodating the various options selected by schools for the first year of implementation
- System Modifications
- Requested Loan Amount
- Serialization
- Credit Report Requirements

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# PLUS MPN – Guarantor’s Perspective

## Informing institutions, students and families

- Institution
  - School Portal
  - Loan Notes Publication
- Students and Parents
  - Institution
- Lenders
- Instructions with the PLUS MPN
  - On-line (Account Access)
  - PLUS Loan Wraps

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# PLUS MPN – Guarantor’s Perspective

## Accommodating Various Options

- b. For the 2003/2004 academic year, what type PLUS Application will you be using?**  
(Check one) \_\_\_\_\_ Application/Promissory Note \_\_\_\_\_ a multi-year note (Master Promissory Note) \_\_\_\_\_ an annual note (Master Promissory Note)
- 1. Based on the selection type you have indicated in (1b), please indicate how you want the system to process PLUS Promissory Notes when they are received.**
- \_\_\_\_\_ **1. Application/Promissory Note. Accept only APN’s. If an MPN is received change it to an APN generating an APN correction to the borrower.**
- \_\_\_\_\_ **2. Multi-Year Master Promissory Note. Accept only MPN’s. If an APN is received change it to an MPN generating an MPN correction to the borrower.**
- \_\_\_\_\_ **3. Annual Master Promissory Note. Accept only MPN’s . If an APN is received change it to an MPN generating an MPN correction to the borrower.**
- \_\_\_\_\_ **4. Accept whatever form is sent from the borrower APN or MPN generating the same Prom Note type back to the borrower if needed.**

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# PLUS MPN – Guarantor’s Perspective

## System Modification

- PLUS MPN production
- System enhancements
  - Start-up process within timeframe needed for institution’s processing cycle
  - Not all financial aid systems could accommodate the PLUS MPN

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# PLUS MPN – Guarantor’s Perspective

## Requested Loan Amount

- Suggested and preferred method:
  - Online PLUS Pre-Approval Process
- Other Options:
  - Guarantor collects the amount on behalf of the school and lender partners
  - School Certification Form
  - School
  - Lender

Welcome to AES's PLUS Pre-Approval Request Form

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**Applicant Information**

Social Security Number: 182587915

First Name: Parent

Middle Initial: P

Last Name: Borrower

Address 1: 25 Main St

Address 2:

City: Harrisburg

State: PENNSYLVANIA

Zip: 17102

Applicant's E-Mail: PLUSloan@aol.com

Lender: PNC BANK (809921DP)

[Change Lender](#)

Loan Period (mmccyy): Begin: 08/2003 End: 05/2004

Requested Loan Amount: 7500

**Student Information**

Social Security Number: 123456789

First Name: Student

Middle Initial: P

Last Name: Borrower

School: UNIVERSITY C

[Change School](#)

# PLUS MPN – Guarantor’s Perspective

## Requested Loan Amount

### •Other Options:

- Guarantor collects the amount on behalf of the school and lender partners
- Paper PLUS MPN

Adobe Acrobat - [LN-PMN with marginal words.pdf]

File Edit Document Tools View Window Help

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18. Under penalty of perjury, I certify for any loan I receive under this MPN that:

- The information I have provided on this MPN and as updated by me from time to time is true, complete, and correct to the best of my knowledge and belief and is made in good faith.
- I am: (i) the biological or adoptive parent; or (ii) the spouse of a parent and my income and assets were reported on the Free Application for Federal Student Aid (FAFSA) or would be reported if a FAFSA were filed.
- Loan proceeds will be used for authorized educational costs incurred by the dependent student named in the Student Information Section and that I will immediately repay any loan proceeds that cannot be attributed to educational costs for attendance on at least a half-time basis at the school that certified my loan eligibility.
- (i) I do not now owe an overpayment on a Federal Pell Grant, Federal Supplemental Educational Opportunity Grant, or Leveraging Educational Assistance Partnership Grant (formerly State Student Incentive Grant); or, if I owe an overpayment, I have made repayment arrangements with the holder to repay the amount owed; (ii) I am not now in default on any loan received under the Federal Perkins Loan Program (including NPSL loans), the Federal Direct Loan Program, or the Federal Family Education Loan Program ("FFELP") as defined in the Borrower's Rights and Responsibilities Statement; or I am in default on a loan and I have made satisfactory payment arrangements with the holder of the defaulted loan.

information concerning my loan status to persons and organizations permitted by law to receive such information.

- I authorize the school to pay to the lender any refund that may be due up to the full amount of the loan(s).
- I authorize the school to transfer loan proceeds received by electronic funds transfer (EFT) or money check to my dependent student's account at the school.
- I may tell my lender that I want to pay the interest that accrues. However, in all cases, unless I pay the interest, my lender will add the unpaid interest that accrues during forbearance and delinquent and other periods on each PLUS Loan made under this MPN to the principal balance of that loan ("capitalization") as provided under the Act. Capitalization will increase the principal balance of my loan(s) and the total amount of interest costs I must pay.
- I authorize the release of information pertinent to my loan(s): (i) to the school, the lender, and the guarantor, or their agents; to the references on the applicable loan(s) and to members of my immediate family unless I submit written directions otherwise; and (ii) by and among the schools, lenders, guarantors, the U.S. Department of Education (the Department), and their agents.
- So that the loan(s) requested can be approved, I authorize the Department to send any information about me that is under its control, including information from the FAFSA, to the school, to the lender, and to state agencies and nonprofit organizations that administer financial aid programs under the REEL. I understand that information reported on this MPN may be shared with the Department, and that the Department has the authority to verify that information with other federal agencies.
- I authorize my lender to defer repayment of principal on my loan(s) based on my in-school status.

**Promise to Pay** In this MPN, "lender" refers to, and this MPN benefits, the original lender and its successors and assigns, including any subsequent holder of this MPN.

20. I promise to pay to the order of the lender all loan amounts disbursed (hereafter "loan" or "loans") under the terms of this Application and Master Promissory Note (hereafter "MPN"), plus interest and other charges and fees that may become due as provided in this MPN. I understand that multiple loans may be made to me under this MPN for the dependent identified in the Student Information Section. I understand that by accepting any disbursements issued at any time under this MPN, I agree to repay the loan(s). I understand that, within certain time frames, I may cancel or reduce the amount of any loan by refusing to accept or by returning all or a portion of any disbursement that is issued. Unless I make interest payments, interest that accrues on my loan(s) during delinquent or forbearance periods or other periods will be added as provided under the Act to the principal balance of such loan(s). If I fail to make any payment on any loan made under this MPN when due, I will also pay reasonable collection costs, including but not limited to lawyer's fees, court costs, and other fees. I will not sign this MPN before reading the entire MPN, even if I am told not to read it, or told that I am not required to read it. I am entitled to an exact copy of this MPN and the Borrower's Rights and Responsibilities Statement; My signature certifies I have read, understand, and agree to the terms and conditions of this MPN, including the Borrower Request, Certifications, and Authorizations printed above, the Notice About Subsequent Loans Made Under This MPN, and the Borrower's Rights and Responsibilities Statement.

I UNDERSTAND THAT I MAY RECEIVE ONE OR MORE LOANS UNDER THIS MPN AND THAT I MUST REPAY ALL LOANS THAT I RECEIVE UNDER THIS MPN.

21. Parent Borrower's Signature \_\_\_\_\_ 22. Today's Date (Month/Day/Year) \_\_\_\_\_

Additional MPN provisions follow

**School Name \_\_\_\_\_ School Code \_\_\_\_\_ Requested Loan Amount \_\_\_\_\_**

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# PLUS MPN – Guarantor’s Perspective

## Serialization

- Amount requested for subsequent borrowing:
  - Guarantor on behalf of the school and/or lender
    - Notification via mail and e-mail
    - Online PLUS Pre-Approval Process
  - School certification form
  - Institution
  - Lender

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# PLUS MPN – Guarantor’s Perspective

## Credit Report Requirements

- Timeframe in which to conduct the credit check
  - Credit check valid for 90 - 180 days
- Adverse credit report
  - Notification to borrower
  - Notification to school
- Credit history review for subsequent borrowing

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# Penn State and the PLUS MPN

## A School's Perspective On Implementing the PLUS MPN

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# PLUS MPN School Implementation Process

- Map out your current PLUS Process
  - Identify the players
  - Identify the action steps with each player
- Work with your partners
  - Lenders
  - Guarantors
- Meet with players to map out a new flow

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# PLUS MPN School Implementation Process

- Communication
  - How will you communicate the new process to families
- Identify the trigger
  - How will you prompt families to request PLUS in subsequent years
  - How will you collect “REQUESTED AMOUNT” in future years

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# PLUS MPN School Implementation Process

- Will any modifications or addendums to the new PLUS MPN form be used
- Where will the MPN data be stored
  - Direct borrower to student relationship
  - MPN date needs to be recorded for all

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# PLUS MPN School Implementation Process

- Take advantage of systems or technology already in place
  - Use the Web when possible
  - Implement PLUS Pre-Approval Process
    - A credit check will be needed each year
    - Check with each lender for specific requirements

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# PLUS MPN School Implementation Process

## Rules of Thumb in the Planning Process:

1. Think through the details
2. Keep it simple
3. Don't over-orchestrate!

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# 2003-04 Penn State Implementation Strategy

- **One Primary Lender**
  - 2002-03 / \$52 million / 6,500 borrowers
- **One Primary Guarantor**
  - Continual communication flow with both
- **Communication Pieces**
  - Information available on the Web
  - Prior borrowers received letter of instruction
  - New students received instructions with printed award letter

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# 2003-04 Penn State Implementation Strategy

- Year One (2003-04):
  - New PLUS MPN format is available in PDF format on the Web with e-Sign option
- Year Two and beyond:
  - PLUS Pre-approval on the Web will be used in subsequent year to collect requested amount
  - Trigger to lender/guarantor to approve funds

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# 2003-04 Penn State Implementation Strategy

- What problems have we experienced so far?
  - Not all lenders were ready with the MPN version of the PLUS
  - Families signed and processed APNs prior to the availability of the PLUS MPN
  - Communicating to families the why and how for the change

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# 2003-04 Penn State Implementation Strategy

- Guarantor will store MPN expiration date
  - Direct Borrower to student relationship
- No more paper to get lost or slow the process down
- However, the first year is always the hardest!

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# PLUS MPN – References

- Dear Colleague Letter – GEN 03-03
- Common Manual, July 2003
- PLUS Eligibility Regulations – 34CFR 682.201(b)
- Information from Guarantor
- Information from Lenders



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NATIONAL ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS