



# SPRING CONFERENCE

Kansas City, Missouri

*2003*





# Session 19

## FFELP Update PLUS MPN

# PLUS MPN

- **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

# PLUS MPN

## Multi-year Use of the PLUS MPN

- Multi-year feature note for one dependent student
- New PLUS MPN required when:
  - Change of Lender
  - Change of Parent Borrower
  - Parent borrows for more than one dependent student
  - Lender, school, or borrower may request a new PLUS MPN for each new loan period
  - Use of an endorser

# 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

# PLUS MPN

## Form Design (continued)

- Removal of school certification section
  - Separate form created to accommodate the paper process
- Elimination of lender section
- Deletion of the Requested Loan Amount
- Revision of the Student Section

# 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

# PLUS MPN

- 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

# 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

# PLUS MPN

## Requested Loan Amount

- 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

# PLUS MPN

## 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

# PLUS MPN

## School Certification:

- Electronically
- Federal PLUS Loan Information and School Certification

# PLUS MPN

## Requirement for PLUS MPN and Expiration Conditions:

- Prior to disbursing a PLUS loan, the lender must determine that the loan is supported by a signed PLUS MPN and
- None of the expiration conditions apply

# 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

## PLUS Credit Report Requirements

- FFEL program regulations at 34 CFR 682.201(b)(1)(vii) require the lender to determine whether the parent applicant is ineligible based on an adverse credit history
- The regulations require the lender to obtain a credit report from at least one national credit bureau
- By signing the PLUS MPN, the parent applicant acknowledges this review of their credit history

# 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

# PLUS MPN

## **Borrower's Rights and Responsibilities**

- Two standard disclosures:
  - Borrower's Rights and Responsibilities Statement
  - Plain Language Disclosure

# PLUS MPN What are the implementation issues?

- Informing Institutions and Parents
- Multiple Options
  - PLUS APN
  - PLUS MPN
- Establishing a process to accommodate:
  - Multiple Options for all types of institutions with varying methods of processing

# What are the PLUS MPN implementation issues?

- System Modification
- Requested Loan Amount
- Serialization
- Credit Report Requirements



# Informing Institutions and Parents

- Institution - Loan Notes
- Institution – Notify students and parents
- Lender
- Instructions with the PLUS MPN

# Multiple Options

- PLUS APN only
- PLUS MPN only
  - Annual or serial
- PLUS APN or PLUS MPN

# Multiple Options

- Options selected by institution
  - Mailing in December to institutions to select options to be used for 2003-2004

# Multiple 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.**

# Requested Loan Amount

- Who collects the amount requested?
  - Guarantor on behalf of the school and/or lender
  - School certification form
  - Online via the PLUS Pre-Approval Process
  - Institution
  - Lender

# System Modification

- PLUS MPN production
- System enhancements
  - Start-up process within timeframe needed for institutions

# Serialization

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

# Credit Report Requirements

- Timeframe in which to conduct the credit check
- Notification of an adverse credit report
- Credit Report for subsequent borrowing



# **Implementing the PLUS MPN:**

## **A School's Perspective**

### **Penn State and the PLUS MPN**

**Melissa Kunes**

**Penn State University**

# PLUS MPN

## 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

# PLUS MPN

## 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

# PLUS MPN

## 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

# PLUS MPN

## 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, or for each loan period that is over 90 days beyond prior credit check

# PLUS MPN

## Implementation Process

Keep it simple -  
Don't over-orchestrate!

# 2003-04 Penn State Implementation Strategy

- One Primary Lender
- One Primary Guarantor
  - Continual communication flow with both
- Communication Pieces
  - Information available on the Web
  - Prior borrowers will receive letter of instruction
  - New students will receive instructions with printed award letter

# 2003-04 Penn State Implementation Strategy

- Year One:
  - New PLUS MPN format will be available in PDF format on the Web
- Year Two:
  - PLUS Pre-approval on the Web will be used in subsequent year to collect requested amount
  - Trigger to lender/guarantor to approve funds

# 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
- Funds will arrive in record time!



# Contact Us

We appreciate your feedback and comments. We can be reached:

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