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





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





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





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





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 checkoff box
- Authorization to permit schools to transfer loan proceeds to student's account incorporated in the Borrower Request, Certifications, and Authorizations





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





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





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 - 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





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





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





Accommodating Various Options

b. For the 2003/2	2004 academic year, what type PLUS Application will you be using?
(Check one)	_Application/Promissory Notea multi-year note (Master Promissory
· · · · · · · · · · · · · · · · · · ·	n annual note (Master Promissory Note)
	selection type you have indicted in (1b), please indicate how you want the ss PLUS Promissory Notes when they are received.
•	tion/Promissory Note. Accept only APN's. If an MPN is received change it
to an APN gene	rating an APN correction to the borrower.
2. Multi-Y	ear 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.
_	whatever form is sent from the borrower APN or MPN generating the same
Prom Note type	back to the borrower if needed.



System Modification

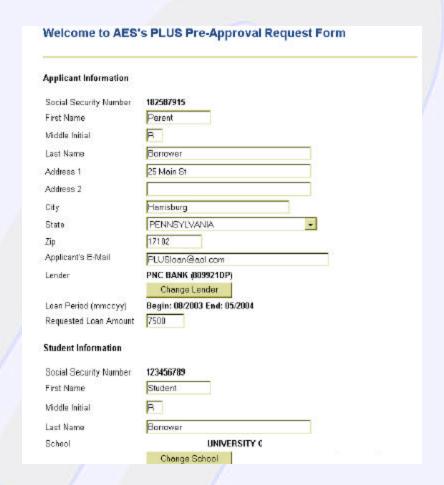
- PLUS MPN production
- System enhancements
 - –Start-up process within timeframe needed for institution's processing cycle
 - –Not all financial aid systems could accommodate the PLUS MPN





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

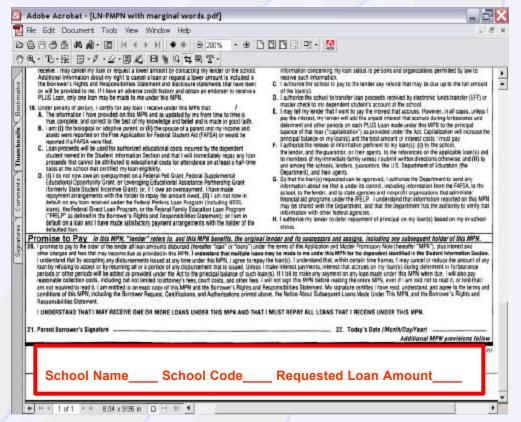






Requested Loan Amount

- Other Options:
 - •Guarantor collects the amount on behalf of the school and lender partners
 - Paper PLUS MPN







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





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





Penn State and the PLUS MPN

A School's Perspective On Implementing the PLUS MPN





- 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





- 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





 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





- 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





Rules of Thumb in the Planning Process:

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





- 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





- 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





- 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





- 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!





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







NATIONAL ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS