

The More Things Change, the More They Stay the Same

A Checklist of Similarities and Differences Between Existing Stafford and New PLUS MPN

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STAFFORD MPN

Implementation Timeline & Transition

- ✓ One year implementation – schools can choose for year of introduction but the following academic year (July) had to certify using the MPN.

Multi-Year Use

- ✓ Initially, only 4-year schools could use multi-year function.
- ✓ If the student changes lenders, a new MPN must be signed.
- ✓ Any of these three parties can request a new MPN be signed: borrower, lender, or school.
- ✓ Any lender merger or acquisition activity or any loan sales where the purchasing lender assumes the right to offer subsequent loans may result in still using the original MPN.
- ✓ Each loan under the “bracket” of the MPN is considered a separate and distinct loan, and is therefore subject to the prevailing terms (interest rate, fees, etc.) at the time the loan is made.

Requested Loan Amount

Requested loan amount box is retained on form for 1st year students to complete, and renewal borrowers undergo the notification and/or confirmation process for subsequent borrowing.

PLUS MPN

Implementation Timeline & Transition

- ✓ This is the same – schools may opt for new MPN upon availability of supplies, but must use for loan periods beginning on/after 7/1/04. Must also use for all loans certified on/after 7/1/04.

Multi-Year Use

- ✓ DIFFERENT from Stafford in that all domestic schools may use multi-year function immediately.
- ✓ Designed for use by the same parent borrower for ONE dependent student. Those borrowing for multiple students must sign a new MPN for each student.
- ✓ If any changes are made to which parent borrows, or for which student, or the lender changes, a new MPN must be signed.
- ✓ Any of these three parties can request a new MPN be signed: borrower, lender, or school
- ✓ Any lender merger or acquisition activity or any loan sales where the purchasing lender assumes the right to offer subsequent loans may result in still using the original MPN.
- ✓ Each loan under the “bracket” of the MPN is considered a separate and distinct loan, and is therefore subject to the prevailing terms (interest rate, fees, etc.) at the time the loan is made.

Requested Loan Amount

- ✓ DIFFERENT from Stafford in that requested loan amount box is eliminated from form. Parent borrower must communicate requested loan amount to school, the guarantor or the lender. This must be done before disbursement and/or certification. To accommodate this new procedure, PHEAA will print school name, code, and parent loan amount requested fields on bottom of form.
- ✓ Other means of collecting requested loan amount are:
 - Paper school certification form
 - Institutional PLUS loan amount request form
 - Parent response section on award letter
 - Documented telephone or electronic requests

- ✓ School or lender must certify or disburse the lesser of: a) loan amount requested b) eligibility.

School Certification

- ✓ Dropped from MPN. Paper forms available, but most schools are anticipated to certify electronically.

Lender Determination of valid MPN

- ✓ Open receiving certification or notice of guarantee, lender must determine whether he has valid MPN on record for student borrower.
- ✓ Lender may not make subsequent loans on MPN if:
 - Received written notification from borrower withdrawing consent to use.
 - 12 months after date original MPN signed if no disbursements were ever made.
 - 10 years from date of original MPN (fully disbursed loans).

Credit Report Requirements

None.

Endorser Provisions

None.

Communications Required as part of MPN

- ✓ Borrower's Rights & Responsibilities included with MPN.
- ✓ Initial Disclosure, required by Section 433 of HEA, before or at time of disbursement.

- ✓ School or lender must certify or disburse the lesser of: a) loan amount requested b) eligibility.
- ✓ Parents may request adjustments to loan amount in writing, by telephone, or electronically. These requests must be documented and records maintained.

School Certification

- ✓ Dropped from MPN. Paper forms available, but most schools are anticipated to certify electronically.

Lender Determination of valid MPN

- ✓ SAME as Stafford, with one twist – lender must determine if he has valid MPN for parent borrower for the same dependent student.
- ✓ Lender may not make subsequent loans on MPN if:
 - Received written notification from borrower withdrawing consent to use.
 - 12 months after date original MPN signed if no disbursements were ever made.
 - 10 years from date of original MPN (fully disbursed loans).

Credit Report Requirements

- ✓ DIFFERENT from Stafford in that lender is required to obtain at least one credit report from one national credit bureau within timeframe that ensures an accurate representation of applicant's credit history to determine if adverse credit exists.

Endorser Provisions

- ✓ DIFFERENT from Stafford in that if a parent borrower has been denied a PLUS loan based on adverse credit, they may elect to use an endorser. A separate Endorser Addendum must be used for each PLUS Loan. Any loan that uses this provision must also have a new MPN with a new Endorser Addendum, because the PLUS MPN becomes a "single-loan" promissory note when an endorser is used.
- ✓ The Endorser Addendum still includes the Requested Loan Amount field. Any increase requested by the parent borrower must be approved by the Endorser and requires yet a new MPN and Endorser Addendum.

Communications Required as part of MPN

- ✓ Borrower's Rights & Responsibilities included with MPN.
- ✓ Initial Disclosure, required by Section 433 of HEA, before or at time of disbursement.

- ✓ Plain language disclosure provided when any subsequent loans are made to the original MPN, or along with initial disclosure.

Repayment & Enforceability

- ✓ All loans made under the MPN are governed by and enforceable in accordance with the terms and conditions of the MPN.
- ✓ Any regulatory or statutory changes that affect subsequent loans must be disclosed to borrower at or before time of disbursement of new loan.
- ✓ Lenders may file an insurance claim for some of all of the loans made under a single MPN, if they need to do so.
- ✓ Borrower's obligation to repay is evidenced by accepting any disbursements issued at any time under the Note.
- ✓ Nothing exempts the lender or guarantor from having to repay insurance or reinsurance if the Department cannot enforce the loan due to lack of documentation that borrower accepted or received benefit of funds.

Form Design

- ✓ Inclusion of e-mail addresses for borrower & references. If there are none, borrower is to write, "N/A". Failure of doing so will not stop processing of application.
- ✓ Deletion of State of Legal Residence. Permanent address is sufficient.
- ✓ Removal of school certification and lender sections to simplify the form.
- ✓ The Borrower Certifications and Authorizations section appears right above "Promise to Pay".
- ✓ Default and overpayment question now incorporated into the Borrower Certifications and Authorizations section.
- ✓ Authorization to permit schools to transfer EFT disbursements or master check proceeds to student accounts now incorporated into Borrower Certification and Authorizations section.
- ✓ No changes may be made by those printing the federal MPN, or any disclosure. Only exception is upper right corner may contain logos and other parochial information.

- ✓ Plain language disclosure provided when any subsequent loans are made to the original MPN, or along with initial disclosure.

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- ✓ Deletion of State of Legal Residence. Permanent address is sufficient.
- ✓ Removal of school certification and lender sections to simplify the form.
- ✓ DIFFERENT from Stafford in revision of the Student Section. Student signature deleted. Only requires identifying information such as name, SSN, and DOB.
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- ✓ SAME as Stafford with one addition: No changes may be made by those printing the federal MPN, or any disclosure. Only exception is upper right corner may contain logos and other parochial information. ALSO bottom margin of PLUS MPN may be used to collect additional data, such as discussed above.