

Direct PLUS Loans and Adverse Credit

One of the eligibility requirements to receive a Direct PLUS Loan is that the applicant must not have an adverse credit history. A credit check is performed to determine whether a Direct PLUS Loan applicant meets this requirement. Below are answers to common questions about adverse credit and Direct PLUS Loans.

The information below is accurate for Direct PLUS Loan credit checks performed on or after March 29, 2015.

Q: What is considered to be an adverse credit history?

A: For purposes of qualifying for a Direct PLUS Loan, you're considered to have an adverse credit history if

- you have one or more debts with a total combined outstanding balance **greater than \$2,085** that are 90 or more days delinquent as of the date of the credit report, or that have been placed in collection or charged off (written off) during the two years preceding the date of the credit report; **or**
- during the five years preceding the date of the credit report, you have been subject to a
 - default determination,
 - discharge of debts in bankruptcy,
 - foreclosure,
 - repossession,
 - tax lien,
 - wage garnishment, or
 - write-off of a federal student aid debt.

The standard applies to both parent and graduate or professional student Direct PLUS Loan applicants.

Q: If I have an adverse credit history, is there any way I can still get a Direct PLUS Loan?

A: There are two ways that you may still be able to qualify for a Direct PLUS Loan.

First, you can receive a Direct PLUS Loan if you obtain an endorser (similar to a cosigner) who does not have an adverse credit history. (A credit check will be performed on the endorser.) An endorser is someone who agrees to repay the Direct PLUS Loan if you do not repay it. If you're a parent Direct PLUS Loan applicant, the endorser can't be the child on whose behalf you are borrowing.

Second, you have the option of trying to qualify by documenting to the satisfaction of the U.S. Department of Education that there are extenuating circumstances related to your adverse credit history.

If you qualify by obtaining an endorser or by documenting to the satisfaction of the U.S. Department of Education that there are extenuating circumstances related to your adverse credit history, you'll also be required to complete PLUS counseling before you can receive a Direct PLUS Loan.

If you apply for a Direct PLUS Loan and are notified that you have an adverse credit history, you'll be given detailed information on the options for qualifying by obtaining an endorser or submitting documentation of extenuating circumstances, along with instructions on how to complete the required PLUS counseling.

For more information about the ways you can qualify for a Direct PLUS Loan, contact Student Loan Support at studentloansupport@ed.gov.

Q: I'm a parent who can't qualify for a Direct PLUS Loan to help pay for my child's college expenses. Where can we get the additional funding my child needs for school?

A: If you're unable to obtain a Direct PLUS Loan, your child may be eligible to receive additional Direct Unsubsidized Loan funds to help pay for his or her education. Contact the financial aid office at your child's school for more information.

Find this fact sheet at StudentAid.gov/resources.