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## Glossary of Financial Aid Terms

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### Academic Year

September through May, when most schools are in session

### Accrual Date

When a loan's interest charges begin to accrue

### Adjusted Available Income

The income remaining after taxes and basic living allowances have been subtracted.

### Amortization

Payments made over a period of time on a loan's principal and interest

### Assets

When calculating the Expected Family Contribution (EFC), all assets are considered, including: bonds, checking and savings accounts, stocks, trusts, other securities, real estate (this does not include a person's home), income, business equipment, and inventory

### Asset Protection Allowance

The formula used by the U.S. Department of Education and a financial aid office to determine which parental assets to exclude when calculating a parent's financial contribution to a student's education (Expected Family Contribution)

### Assistantship

Student employment, usually referring to departmental research assistance or student teaching

### Associate Degree

A two-year college degree

### Award Letter

Separate, official notices sent to each student from the financial aid office at (each) college(s) where the student has applied for admission. They detail the student's financial need and the financial aid package awarded (amounts awarded and sources of the awards)

### Bachelor's Degree

A four-year college degree

### Bursar's Office

The college or university office responsible for billing and collections

### Campus-based Aid

Financial aid funds provided to a college from the government. Each college determines financial aid applicants' eligibility to receive the funding. Programs included in campus-based aid include Federal Work-Study, Pell Grants and Federal Supplemental Education Opportunity Grants (FSEOG)

## **Cancellation**

Dismissal of a loan due to circumstances such as death or total and permanent disability

## **Central Processing System (CPS)**

The Department of Education's computer system; matches and calculates the Expected Family Contribution (EFC) and delivers the Student Aid Report (SAR)

## **Citizen/Eligible Non-citizen**

To receive federal aid, an applicant must be a U.S. citizen, a U.S. national, or a permanent resident who has an I-151, I-551 or I-94

## **Commercial Lender**

Commercial institutions that loan money, including banks, credit unions, mutual savings banks, savings and loan associations, stock savings banks, or trust companies

## **Commuting Student**

A student that lives at home or off campus

## **Compound Interest (Capitalization)**

Interest paid on a loan's principal and on any unpaid interest. Compound interest (or capitalization) increases the amount of money the borrower must repay and increases monthly payments

## **Consolidation Loan**

Allows the borrower to combine a number of existing loans into one loan. Borrowers typically consolidate loans to lower monthly payments

## **Cooperative Education (Co-op)**

Colleges and universities pay students to work in a professional setting while attending school

## **Co-signer (Co-applicant)**

An individual who co-signs on a loan; if the first borrower on a loan defaults, the co-signer (in most cases) is responsible for repayment on that loan

## **Cost of Attendance (COA)**

A student's total cost of attending college. This figure includes books, fees, room and board, supplies, transportation, tuition, and other miscellaneous personal expenses. The COA also depends on marital and residency status

## **Credit Rating**

A numerical score based on credit limits, balances, and personal information assigned by credit bureaus and credit reporting agencies to measure individual's creditworthiness. Federal Stafford Loans do not require a credit score but credit checks are required for Federal PLUS Loans

## **Custodial Parent**

The parent that the student lived with the prior 12 months, in situations of divorce or separation

## Default

Non-payment or late payment of loan installments or failure to meet the terms and conditions of a loan. Typically, payments are considered in default after 270 days without payment. Lenders are entitled to all legal means necessary for debt recovery. This can include wage withholding (garnishing wages), withholding tax refunds, and even confiscation of collateral if any is attached to the loan. Defaulting on a government loan can eliminate future federal financial aid and will negatively affect credit rating

## Deferment

When a lender allows a borrower to postpone loan payments. A borrower must usually satisfy specific eligibility requirements for a loan deferment. If a loan is in default, the lender will not allow deferments

## Delinquent

A loan becomes delinquent when payments are not made on time. When delinquency occurs, the lender can add late fees to the loan payments

## Dependency Status

Whether or not the student is financially dependent on his or her parents based on federal guidelines. All students are considered dependents unless they are 24 years of age as of January 1, married, graduate or professional students, responsible for a legal dependent other than a spouse, Veterans of the U.S. Armed Forces, or orphans or wards of the court (currently or formerly)

## Dependent

Someone who depends on another for more than half of his or her financial support

## Direct Loans

Federal government funds loaned to students through institutions. This is referred to as the Direct Loan Program. If a student attends a school that participates in the Direct Loan Program, the student may not apply for federal loans through private lenders

## Disbursement

When a student's federal loan funds are sent to the student. Loan payments are co-paid to both the student and the school. These funds cover educational costs (tuition, fees, etc.) and related living expenses. Any excess funds are released to the student or applied to the student's account

## Eligible Program

A course of study that leads to a degree or certificate and meets the U.S. Department of Education's requirements for an eligible program

## Enrollment Status

A student's enrollment status indicates whether the student attends school full-, half-, or part-time. Full-time refers to a minimum of 12 credit hours. Half time usually refers to at least six credit hours. In most cases, a student must be enrolled at least half-time to qualify for financial aid

## Expected Family Contribution (EFC)

The government determines the amount of money a student and their family must pay toward the student's education costs. The EFC depends on a student's dependency status, the size of the student's family, whether or not there are other family members in school, taxable and nontaxable income, access to parent's assets, and other factors

### **FAFSA (Free Application for Federal Student Aid)**

The submission of the FAFSA is required to determine eligibility for virtually all forms of government financial aid. The FAFSA form is available from the U.S. Department of Education or any financial aid office. Find the FAFSA online by visiting [www.nextstudent.com](http://www.nextstudent.com)

### **Federal Family Education Loan Program (FFELP)**

This federal program includes Federal Stafford Loans (Subsidized and Unsubsidized) and Parent Loans for Undergraduate Students (PLUS). Since FFELP loans are guaranteed against default by the federal government, they usually have low interest rates

### **Federal Direct Student Loan Program (FDSLPL)**

A federal program in which certain institutions ("Direct Lenders") are provided federal government funds to loan to students

### **Federal Loan**

A loan guaranteed by the federal government

### **Federal Stafford Loan**

A low-interest federally guaranteed loan for students. Stafford Loans are either subsidized (need-based) or unsubsidized (non-need-based). The government pays the interest on a subsidized loan while a student is in school plus a six-month grace period after leaving school. Interest accrues on unsubsidized Stafford Loans from the disbursement date. A student can receive a subsidized loan and an unsubsidized loan for the same enrollment period

### **Federal Supplemental Educational Opportunity Grant (FSEOG)**

A grant for undergraduates with exceptional financial need. Federal Pell Grants recipients often get priority for a FSEOG, which has no repayment requirement

### **Federal Work-Study**

A federal program that provides jobs for undergraduate and graduate students with demonstrated financial need. The Federal Work-Study Program allows the student to earn money while encouraging community service work and often the employment relates to a student's course of study

### **Fellowship**

Free aid that covers full or partial tuition and reasonable living expenses, usually awarded to students who display proven potential in their field of study

### **Financial Aid Administrator**

Is responsible for advising and counseling students regarding financial aid, and overseeing their financial aid packages

### **Financial Aid Package**

The total amount and sources of financial aid (federal and non- federal) a student receives

### **Financial Need**

The Cost of Attendance (COA) minus the Expected Family Contribution (EFC)

### **Fixed Interest**

Loan interest rates that do not change over the loan's lifecycle

### **Forbearance**

Temporarily allows a borrower to postpone principal payments on a loan due to financial hardship. However, the borrower is still responsible for the interest that accrues during the forbearance period

### **Free Application for Federal Student Aid (FAFSA)**

The submission of the FAFSA is required to determine eligibility for virtually all forms of government financial aid. The FAFSA form is available from the U.S. Department of Education or from any campus financial aid office. Find the FAFSA online by visiting [www.nextstudent.com](http://www.nextstudent.com)

### **Grace Period**

The time lapsed between a student's graduation (or termination) and the beginning of loan repayments (usually six to nine months)

### **Graduated Repayment**

When a borrower's required monthly loan payments increase over time

### **Grant**

Need-based financial aid requiring no repayment

### **Guarantee Fee**

Usually one percent of the loan amount; paid to the guarantee agency to insure against loan default

### **Guaranty Agency or Guarantor**

Approves and insures federal loans against default

### **Home Equity**

A mortgage's unpaid principal subtracted from the home's current market value

### **Income-sensitive Repayment**

Loan repayment plan under which the borrower's monthly payment amount adjusts annually, based solely on the borrower's expected total gross monthly income

### **Institutional Methodology**

The formula certain schools use in determining a student's financial need for non-portable financial aid

### **Interest**

The amount of money charged for borrowing from a lender. Interest charges are usually included in each month's payments

### **Internships**

Part- and/or full-time professional work opportunities for students. Interns are usually paid or they gain college credits

### **Lender**

Any institution that loans money, such as banks, credit unions, savings and loans associations, organizations like NextStudent, and schools (under the Federal Direct Loan Program)

### **Line of Credit**

A source of credit with a predetermined limit that can serve as a loan. Once qualified, the lender allows the borrower to borrow up to that predetermined limit. Lines of credit are usually activated when the borrower writes a check against his/her line of credit

### **Loan**

The temporary use of money provided by a lender

### **Maturity Date**

The date a loan reaches its maximum payment period and must be paid in full

### **Merit-based Aid**

Financial aid based on special talent or ability instead of financial need. Money for education awarded through contests, competitions, or certain scholarships is an example of merit-based aid

### **Need**

The Expected Family Contribution (EFC) subtracted from the Cost of Attendance (COA)

### **Needs Analysis**

How much a student or a student's family can afford to pay towards the student's college education, as determined by the financial resources reported on the FAFSA form

### **Need-based Aid**

The cost of education compared to a student's (or a student's family's) ability to meet those costs

### **Need-blind Admissions**

An admissions policy in which the ability or inability to pay college costs is not considered when determining a student's eligibility for admission

### **Non-portable Funding**

College funding that can't be transferred to another college or university. For example, many colleges have scholarship funds that are specific to that particular college. If a student leaves or transfers, the money remains at that school

### **Origination Fee**

A fee paid by the borrower to the lender to cover administrative fees for his or her loan

### **Parental Contribution**

An estimate of a parent's ability to contribute to a student's educational expenses

### **Pell Grant**

Need-based financial aid awarded to undergraduate students completing a four-year bachelor's degree. Repayment of these grants is not required

### **Perkins Loan**

A low-interest federal loan available to both undergraduate- and graduate-level students demonstrating extreme financial need. To apply for the Perkins Loan, a student must have already applied for the Federal Pell Grant. Perkins Loans are administered by financial aid offices

### **PLUS Loan (Parent Loan for Undergraduate Students)**

A federal loan made available to parents of dependent undergraduate students. The parent may borrow up to the cost of education less the student's financial aid package to cover the student's total educational expenses

### **Portable Funding**

College funding that can be used at any college or university regardless of whether a student transfers or remains at his or her original school

### **Prepaid Tuition Plan**

Savings plan that guarantees the same rate of increase on a student's savings as college costs increase. Regardless of whether college costs increase at a faster rate, it is guaranteed that a student's invested money will be sufficient for college costs when he or she enters college

### **Prepayment**

Loan repayment ahead of schedule

### **Principal**

The unpaid or original dollar amount on a loan

### **Professional Judgment**

When a financial aid administrator adjusts the EFC, COA, or dependency status of a student or a family. It typically occurs in the event of extreme changes in the student's personal situation, such as a death in the family, unemployment, disability, etc

### **Promissory Note**

The legal binding contract the borrower signs. It states the terms, details, and obligations of the borrower to repay the lender

### **Renewable Scholarships**

Scholarships awarded over more than one year. Some renewable scholarships are automatically renewed, which means a student need not resubmit paperwork

### **Repayment Schedule**

The designated term and payment amounts for a loan, including interest rates, monthly payments, and payment due dates. The repayment schedule is documented in the promissory note

### **Research Assistantship**

A form of college funding typically reserved for graduate-level students that allows participants to perform research duties for their supervisors or professors. In exchange, students are usually awarded tuition reductions. These positions are administered by colleges

### **Satisfactory Academic Progress**

Most federal aid requires satisfactory academic progress, which is based on maintaining a specific grade point average set forth by the institution. If the student does not show satisfactory academic progress, federal aid can be denied

### **Scholarships**

Free student aid based upon merit. Corporations, organizations, foundations, etc., will typically award scholarships to students based on grades, community involvement, extracurricular activities, athletics, and arts

### **Secondary Market**

When the original lender sells an education loan to another lender, the purchaser of the loan is in the secondary market. The terms of the loan will not change in the secondary market and the borrower will be notified whenever a sale has occurred

### **Secured Loan**

Loans secured by collateral such as houses, cars, or other assets. If the borrower defaults on this type of loan, the lender reserves the right to confiscate or sell the collateral used in acquiring the loan

### **Servicer**

The party paid by the lender to oversee the status of a loan, distribute funds, collect payments, and handle deferments, forbearances, and other related issues

### **Simple Interest**

Interest charged on the principal balance of a loan, but not charged on interest that has accrued over time

### **State Student Incentive Grants**

Matching funds provided by the federal government to state governments to help state residents with financial aid

### **Student Aid Report (SAR)**

The official summary of eligibility for financial aid sent to the student by the government after needs analysis is performed

### **Subsidized Loan**

A need-based loan with interest paid by the federal government while the student is in school, in the grace period and during authorized periods of deferment

### **Teaching Assistantship (TA)**

A form of college funding that provides a partial/full tuition waiver and a small stipend to supplement the cost of living. Teaching assistantships are often reserved for graduate-level students

### **Term of a Loan**

The length of time allowed for repayment

### **Title IV Programs**

Programs created by Title IV of the Higher Education Act of 1965 (as amended), including Federal Pell Grants, Federal Supplemental Educational Opportunity Grants (FSEOGs), Federal Work-Study, Federal Perkins Loans, Federal Stafford Loans, Federal PLUS Loans, Direct Stafford Loans, and Direct PLUS Loans

### **Tuition**

The enrollment fee charged by an institution

### **Undergraduate Student**

A student studying towards a four-year baccalaureate degree

### **Unmet Need**

Funding needed in addition to scholarships, grants, loans, or other financial aid awards, to cover a student's total cost of attendance

### **Unsecured Loan**

A type of loan that does not require the borrower to provide the lender with collateral. Typically, unsecured loans carry higher interest rates and often require a co-signer

### **Unsubsidized Loan**

A student is responsible for paying the interest on an unsubsidized loan while attending school or while the loan is in deferment

### **Variable Interest**

Interest that can fluctuate. Most variable-interest loans have an annual or maximum cap, which prevents interest rates from exceeding a specified amount within a specified period of time

### **Verification**

Proper documentation required by a financial aid officer to verify the accuracy of information reported on a financial aid application