



# Glossary

## Financial Aid & Student Loan Terms



### A

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#### **Academic year**

A period of time schools use to measure a quantity of study. For example, a school's academic year may consist of a fall and spring semester, during which a student must complete 24 semester hours. Academic years vary from school to school, and even from program to program at the same school.

#### **Accrued Interest**

The amount of interest, calculated daily, that has accumulated on the unpaid amount of your loan.

#### **ACT**

American College Testing (ACT) publishes the ACT Assessment Test, commonly known as the ACT. It is a standardized, multiple-choice test used by some colleges as part of the admissions process that is administered five times a year. The ACT measures academic achievement in four areas: English, Math, Reading, and Science.

#### **Aid package**

A combination of financial aid (scholarships, grants, loans, and/or work-study) determined by the financial aid office of a college or university.

#### **Amortization**

The reduction of loan balance by your monthly payment.

#### **Annual Loan Limit**

The maximum Federal Stafford, Federal SLS or Federal PLUS loan amount that a guarantor may guarantee for a borrower in an academic year.

#### **Annual Percentage Rate (APR)**

What you pay each year to use the money you were lent; the cost of obtaining a loan at a yearly rate.

#### **Award Letter**

This official document issued by a college's Financial Aid Office lists all of the financial assistance offered to a student.

#### **Award year**

The financial aid award year begins July 1 and ends June 30.

### B

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#### **Borrower**

The student or parent to whom a loan has been made. Students are the borrowers under the Federal Stafford and SLS Programs. Parents of a legally dependent undergraduate student are the borrowers under the current Federal PLUS loan program.

#### **Bursar's Office**

The university office that is responsible for the billing and collection of university charges.

### C

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#### **Capitalized**

An increase in the principal balance of a Stafford, PLUS, or Consolidation loan that occurs when a lender adds the interest accrued on the loan to the outstanding balance.

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

The total amount a student must pay to attend school for one academic year, including tuition, room and board, books, supplies, transportation, and personal expenses. A college's Financial Aid Office determines this figure.

### D

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#### **Default**

A student's loan is considered in default if the borrower does not honor his or her repayment obligation for 270 days and the guarantor concludes that the borrower does not plan on meeting his or her repayment obligation. Legal action may be taken to collect on a defaulted loan.

#### **Default Fee**

A fee charged to the borrower by a guarantee agency for each loan that it guarantees. Usually, the lender reduces a borrower's disbursement by this amount and remits the fee to the guarantor. This fee can be no more than one percent of the loan's principal. Also known as insurance fee.

#### **Deferment**

A period of time when a borrower is allowed to postpone student loan repayment (under certain conditions) without cost or penalty. The interest on unsubsidized loans continues to accrue during deferment at the

borrower's expense. Contact Great Lakes for specific deferment information.

### **Delinquent**

A loan is considered delinquent the day after a borrower fails to make his or her full loan payment on the agreed upon due date.

### **Dependent Student**

Any undergraduate student who does not meet the criteria for an "independent student". (See definition for "Independent Student.")

### **Direct Lending Schools**

Institutions of higher education which have chosen to place all of their students' federally insured student loans through the Federal Direct Lending Program. Such colleges or universities may either participate exclusively in the Direct Lending Program or allow student (borrowers) to choose the lending program from which to borrow.

### **Direct Lending Program**

*See Federal Direct Lending Program*

### **Disbursement**

The transfer of loan proceeds by check, master check, or electronic funds transfer (EFT) from a lender forth borrower to the school the student will attend.

### **Disbursement Notification**

A letter that is sent to you acknowledging that your loan is approved and letting you know when the money will be sent to your school, as well as the loan amount and any fees (origination or guarantee). This marks the successful completion of the loan application process.

### **Disclosure Statement**

A notification of the actual cost and terms of a loan, which includes the interest rate and any additional finance charge.

## **E**

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### **Economic Hardship**

A period during which the borrower is working full-time but is earning an amount that does not exceed the greater of the minimum wage or poverty line for a family of two. Economic hardship also exists if a borrower's monthly payments on federal education loans are equal to or greater than 20% of the borrower's total monthly gross income, as defined in FFELP regulations.

### **Electronic Funds Transfer (EFT)**

The process whereby your bank sends the loan proceeds electronically to your school if the school participates in this program.

### **Eligible Citizen**

A United States citizen, U.S. national, or resident of

certain U.S. territories who qualify to borrow under the FFEL or FDL student lending programs.

### **Eligible Non-Citizen**

A permanent resident of the United States who is able to present evidence from the Immigration and Naturalization Service that he or she is in the US for other than a temporary purpose with the intention of becoming a citizen or permanent resident.

### **Endorser**

A co-signer of a PLUS Master Promissory Note who agrees to pay the loan if the borrower defaults.

### **Entrance Counseling**

Students with federal educational loans are required to receive counseling before they receive their first loan disbursement, during which the borrower's rights and responsibilities and loan terms and conditions are reviewed with the student. This session may be conducted online, by video, in person with the FAA or FAO, or in a group meeting.

### **Exit Interview**

An in-person or online counseling session with the school's Financial Aid Office before graduation or withdrawal to review the terms and obligations of your student loan.

### **Expected Family Contribution (EFC)**

The portion of a family's financial resources which should be available to help pay for school. Used to determine financial need.

## **F**

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### **Federal Direct Lending Program (FDLP)**

The Federal Direct Lending Program is a program initiated by the federal government and designed to enable students to borrow directly from the government through campus financial aid offices.

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

Loan programs authorized by Title IV, part B of the higher Education Act of 1965, as amended, that includes the Federal Stafford, Federal PLUS, Federal SLS, and Federal Consolidation Loan Programs. These loan programs are funded by lenders, guaranteed by guarantors, and reinsured by the federal government.

### **Federal PLUS Loan Program**

The Federal PLUS Loan Program (Parent Loan for Undergraduate Students) is a loan for parents of students. They are made available to parents of full-time or half-time dependent undergraduate students. They are also made available to professional/graduate students. Eligibility is determined by the Financial Aid Administrator, and the amount borrowed may not exceed the cost of education less any other aid received.

This loan can be used to pay the Expected Family Contribution.

### **Federal Stafford Loan Program**

The Federal Stafford Loan Program is a loan for students. They are made available to students enrolled at least half-time at an eligible college. Eligibility is determined by the Financial Aid Administrator. There are two types of Stafford loans:

- **Subsidized Stafford Loan** – A need-based, low-interest federal loan designed to provide students who need help the most with additional funds for college. Subsidized means the interest on the loan is paid by the government while the student is in school and during periods of grace and deferment.
- **Unsubsidized Stafford Loan** - A non need-based, low-interest loan designed to provide students who do not qualify for other financial aid, or who still need more money, with additional funds for college. The unsubsidized Federal Stafford loan can be made in conjunction with a subsidized Federal Stafford Loan as long as the maximum annual or aggregate loan limits for subsidized Federal Stafford Loans have not been exceeded.

### **Financial Aid Office**

The office at a college, university, vocational school, or community college that determines a student's eligibility for financial assistance. If a student has specific questions about his or her individual financial aid package, the student should contact his or her financial aid office.

### **Financial Need (or Aid Eligibility)**

The difference between the Expected Family Contribution (the portion of a family's financial resources which should be available to help pay for school), and cost of education (includes tuition and fees, books and supplies, room and board, transportation and personal expenses). This is the amount of aid a student is eligible to receive.

### **Forbearance**

A period of time during which the borrower is permitted to temporarily cease making payments or reduce the amount of his or her payments. The borrower is responsible for the interest that accrues on the loan during the forbearance period.

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

The Free Application for Federal Student Aid (FAFSA) is a standard federal form used to determine your eligibility for most types of financial aid including Federal Government backed loans. The FAFSA is typically completed early in the year and it requires income, asset, and tax information from the students and/or parents.

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## **G**

### **Gift Aid**

Financial aid in the form of grants and scholarships that does not have to be repaid. It is available through colleges and universities, federal and state programs and private sources.

### **Grace Period**

This is the period that begins the day after you graduate, withdraw, or drop below half-time enrollment status before repayment initially begins on a Stafford loan. For most Stafford loans, this period is six months.

### **Grants**

A form of financial aid, similar to scholarships that do not have to be repaid.

### **Guaranty Agency**

A state or non-profit organization, which has an agreement with the Secretary of Education under the Higher Education Act to insure student loans made by lenders.

### **Guarantor**

A state or private nonprofit organization that agrees to reimburse the holder of a loan if the borrower does not honor his or her repayment obligation.

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## **H**

### **Holder**

The holder of a loan is any organization that owns the promissory notes signed by the borrower. Lenders sometimes sell loans to other organizations (called secondary markets) and thus transfer the ownership of their promissory notes. A borrower is required to repay his or her loan to the new holder of the loan.

### **HOPE Scholarship Tax Credit**

This tax credit is available to those taxpayers who are paying education expenses for students enrolled in their first two years of college.

The Hope Tax Credit is available for up to 100% of the first \$1,000 of qualified tuition and related expenses (i.e. tuition and fees, but not room and board and books) and 50% of the second \$1,000.

The Hope Scholarship Tax Credit is for expenses paid after December 31, 1997. It will be reduced on a pro-rata basis for those who file a single tax return with incomes of \$40,000 - \$50,000 and for those who file joint tax returns with incomes of \$80,000-\$100,000. (Single return tax filers with incomes of \$50,000 and joint return tax filers with incomes of \$100,000 and above will not be eligible for a deduction.) The Hope Scholarship Tax Credit is part of the Taxpayer Relief Act of 1997.

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## I

### **Independent Student**

A student who meets one of the following criteria: (1) Age 24 or older as of Dec. 31 of the award year, (2) Orphan or ward of the court, (3) Veteran, (4) Graduate or professional student, (5) Married student, (6) Student with legal dependents other than a spouse, or (7) Person with unusual circumstances determined by the financial aid administrator.

### **Interest**

The fee charged to borrow money, usually a percent of the outstanding amount, which accrues and is paid over the life of a loan.

### **Interest Rate – Fixed**

An interest rate that remains the same for the life of the loan. FFELP loans disbursed on or after 07/01/06 have fixed rates.

### **Interest Rate – Variable**

An interest rate that is recalculated on a periodic basis, usually based on the prime rate or the T-Bill rate. For FFELP loans disbursed between 07/01/98 and 06/30/06, this rate changes yearly on July 1.

### **Interim Period**

The period of time from the date a loan is disbursed until the loan enters repayment. The interim period may range from six months to seven years, depending on the type of loan and the student's educational program.

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## L

### **Lifetime Learning Tax Credit**

The Lifetime Learning Tax Credit is available to people beyond the first two years of undergraduate studies, graduate students or working U.S. citizens taking classes to improve or upgrade their job skills.

It can be used for qualified tuition and related expenses (i.e.: tuition and fees, but not room and board and books) paid by taxpayers. The tax credit equals 20% of the first \$5,000 of expenses paid by the taxpayer after June 30, 1998 through December 31, 2002 and 20% of the first \$10,000 after January 1, 2003.

The tax credits are reduced on a pro-rata basis for single return tax filers with incomes of \$40,000 - \$50,000 and for joint return tax filers with incomes of \$80,000 - \$100,000. (Single return tax filers with incomes of \$50,000 and joint return tax filers with incomes of \$100,000 and above will not be eligible for a deduction.) The Lifetime Learning Credit is part of the Taxpayer Relief Act of 1997.

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## M

### **Master Promissory Note (MPN)**

A Master Promissory Note is a legally binding agreement the borrower signs, in which the borrower promises to pay the loan with interest in periodic installments. Under a MPN, the borrower may receive loans for either a single period or multiple periods of enrollment. If used as a multi-year note, most borrowers will sign the MPN once and the note remains valid for a 10 year period.

### **Merit-Based Financial Aid**

Financial aid granted based on merit (i.e., talents or accomplishments) rather than financial need.

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## N

### **Need Analysis**

A process, based on detailed family financial information, to determine the amount of financial aid a student qualifies for.

### **Need-Based Financial Aid**

Financial aid granted based on financial need.

### **Notice of Loan Guarantee and Disclosure Statement**

Statement sent to borrower at the time the loan is disbursed. It includes information on the total loan amount, fees, and disbursement dates. Also included on this statement is information regarding total indebtedness and repayment.

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## O

### **Origination Fee**

Lenders charge this fee to borrowers. The lender is then required to pay this fee to the federal government to help reduce the costs of the program. The percentage is determined by federal law and is typically a percentage of a borrower's disbursement.

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## P

### **Pell Grants**

One of the largest sources of grants, Pell Grants are distributed by the Federal Government and are designed to help students with financial need pay for college.

### **Perkins Loans**

A campus-based, low interest loan for graduate and undergraduate students. The college acts as the lender using a limited pool of funds provided by the federal government. These loans are awarded based on exceptional financial need.

### **PLUS**

*See Federal PLUS Loan Program.*

## **PSAT**

The Preliminary Scholastic Assessment Test (PSAT) is a two-hour test given once a year in October. As with the SAT, you receive separate math and verbal scores. In addition, the test also includes a third score section testing English grammar. Each subject is scored on a scale of 20 to 80 and these scores are combined to create your National Merit Scholarship selection index.

## **R**

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### **Repayment Period**

The period which interest accrues on the borrower's loan and principal and interest payments are required. The repayment period excludes any period of authorized deferment or forbearance; however, interest continues to accrue at the borrower's expense for unsubsidized loans during this time.

## **S**

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### **Satisfactory Academic Progress (SAP)**

The level of academic progress required of a student by the Higher Education Act in order to receive Federal Stafford, PLUS, or SLS loans. Each school has established a standard for evaluating a student's efforts to achieve an educational goal within a given period of time.

### **Scholastic Aptitude Test (SAT)**

College Board Scholastic Aptitude Test is required by some colleges for admissions

### **Scholarships**

Scholarships, like grants, are a form of financial aid that does not have to be repaid. These are available from many sources including community groups, schools and private corporations. Scholarships can be awarded based on a variety of criteria including scholastic achievement, hobbies and college majors.

### **Servicer**

The organization that services your student loan. Servicing activities include repayment billing, forbearance processing, deferment processing, and collecting on delinquent loans. Some lenders and holders service their own loans. Many others hire companies to do the servicing for them. These companies are called loan servicers. If a lender or holder of a loan uses a servicer, the borrower should send repayment checks, deferment forms, and forbearance requests, along with other correspondence to the loan servicer.

### **Stafford**

*See Federal Stafford Loan Program*

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

A report that is sent to students who complete the paper or electronic FAFSA. The SAR summarizes expected family contribution and other items dealing with financial eligibility.

### **Subsidized Stafford Loan**

*See Federal Stafford Loan Program.*

### **Supplemental Loan for Students (SLS)**

A federal loan available before July 1, 1994 to independent undergraduate, graduate, and professional students.

## **T**

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### **Treasury Bill**

Treasury bills (or T-bills) are marketable securities the U.S. government sells in order to pay off maturing debt and raise the cash needed to run the federal government. They are short-term obligations issued with a term of one year or less. The U.S. Treasury Department sells Treasury bills at auctions held throughout the year. For federal student loans, the variable interest rate is based on the auction rate of the 91-day T-bill auctioned at the final auction prior to June 1 each year.

## **U, V & W**

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### **Unsubsidized Stafford**

*See Federal Stafford Loan Program*

### **Veteran**

For Federal financial aid purposes, such as determining dependency status, a veteran is a former member of the US Armed Forces who served on active duty and was discharged other than dishonorably.

### **Work-Study**

Part of the Federal Student Financial Assistance Program that provides part-time employment for post-secondary students who need income to help meet education costs.