

Financial Aid and Loan Glossary

Types of Aid

Merit-Based Aid: Financial aid based on academic, artistic, athletic or other merit-oriented criteria (not financial need).

Scholarship: Financial aid that does not have to be paid back. Typically based on merit.

Grant: Financial aid that does not have to be paid back. Grants are usually based on financial need.

Loans: Financial aid that needs to be paid back over time.

Work-Study: Earn financial aid by working on- or off-campus.

Financial Aid Terms

Award Letter: Official letter from the college financial aid office that lists all the financial aid awarded to the student.

Bursar's Office: The school office responsible for the billing and collection of school charges.

Cost of Attendance: Includes tuition, fees, room, board, transportation some costs for books and supplies. There also may be charges for computer fees and child care.

Expected Family Contribution (EFC): The amount a family is expected to pay toward a student's educational costs.

Free Application for Federal Student Aid (FAFSA): The form that the federal government uses to determine your eligibility for federal student aid. Complete FAFSA on the Web: www.fafsa.ed.gov or call 1-800-4-FEDAID.

Financial Aid Package: Amount of financial aid a student receives, includes grants, scholarships, loans & work-study.

Financial Need: Cost of Attendance - EFC = Financial need.

Independent vs. Dependent: If you are considered a dependent student according to federal rules, colleges will consider parent financial resources when figuring financial aid.

Professional Judgment: Allows financial aid administrators to adjust a student's aid package when extenuating circumstances (e.g. a deceased parent).

Unmet Need: Difference between a student's cost of attendance and the sum of EFC and the financial aid.

Verification: The process in which the financial aid administrator requests documentation to check the accuracy of the application (about 1/3 of applications are selected).

Types of Federal Loans

Stafford Loan:

Federally-guaranteed, low-interest rate loan for students. A student can defer payments until he or she leaves school. There are two types of Stafford Loans:

- **Subsidized loan:** The federal government pays the interest while a student is in school (also during grace and deferment periods; see definitions at below).

- **Unsubsidized loan:** Interest accrues from the first disbursement (see definition below) until the loan is paid in full. Interest rate is variable; the student pays the interest.

Perkins Loan:

Low-interest federal loan for students with exceptional financial need. The interest rate is fixed at five percent.

PLUS Loans (Parent Loans for Undergraduate Students):

Federal loans available to parents of dependent undergraduate students for their child's education. Parents can borrow money to cover any costs not already covered by the student's financial aid package. Interest rate is variable.

Loan Terms

Annual percentage rate (APR): Interest associated with a loan. It can change (variable) or remain the same (fixed) during term of the loan.

Consolidation loan: Loan that allows borrowers to lower their monthly payments by replacing their original loans with one single loan. There are some restrictions on this type of loan.

Co-signer: A person besides the borrower who is legally obligated to repay the loan if the borrower does not.

Default: Failure to repay your loan. This can lead to legal action by the school, the lender, the state or the federal government to recover the money.

Deferment: Temporary postponement of student loan repayment.

Delinquent: When at least one loan payment is late or missed. Serious delinquency results in default.

Disbursement: The release of funds by a lender.

Entrance/exit interview: Counseling sessions that are required for federal student loan borrowers.

Forbearance: The permission to postpone, reduce or extend loan payments because of serious economic hardship.

Grace period: The time between leaving school and when payment is to begin on the loans.

Guarantor: A state agency or private, nonprofit organization that administers a student loan insurance program.

Origination fee: A charge deducted from the loan to help cover the costs of making the loan.

Principal: The full amount borrowed. During repayment, it refers to the portion of the original amount still owed.

Promissory note: A contract between borrower and lender that reflects the terms and conditions of the loan.

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