

FINANCIAL AID GLOSSARY

Before you begin to apply for schools and scholarships, you should familiarize yourself with some basic terms and definitions. The following list isn't exhaustive, but it includes the terms you're most likely to come across during your search:

A

- **Additional Eligibility.** From the 2017–18 award year and forward, eligible students could receive up to one and one-half Federal Pell Grants within a single award year. The Additional Eligibility field on the “Grant Detail” page in a student’s “My Federal Student Aid” account indicates whether a student was eligible for one and one-half Pell Grants in a single award year.
- **Award letter** details all of the various forms of aid you’re eligible to receive through your prospective school, including grants, scholarships, and loans. It’s a statement of all the aid that you qualify for — you’re under no obligation to accept any of it.
- **Award Year.** School year for which financial aid is used to fund a student’s education. Generally, this is the 12-month period that begins on July 1 of one year and ends on June 30 of the following year.

B

- **Budget.** A financial plan that helps you track your money, make informed spending decisions, and plan for your financial goals.

C

- **Capitalization.** The addition of unpaid interest to the principal balance of a loan. When the interest is not paid as it accrues during the grace period or periods of in-school status, deferment, or forbearance, your lender may capitalize the interest. This increases the outstanding principal amount due on the loan and may cause your monthly payment amount to increase. Interest is then charged on that higher principal balance, increasing the overall cost of the loan.
- **Consolidation.** The process of combining one or more loans into a single new loan.
- **Cost of Attendance (COA)** is the total price for one year of college after all tuition, fees, and required personal expenses are calculated.

D

- **Data Release Number (DRN).** The four-digit number assigned to your FAFSA form that allows you to release your FAFSA data to schools you did not list on your original FAFSA form. You need this number if you contact the Federal Student Aid Information Center to make corrections to your mailing address or the schools you listed on your FAFSA form. You find this number below the confirmation number on your FAFSA submission confirmation page or in the top right-hand corner of your Student Aid Report (SAR).
- **Default.** Failure to repay a loan according to the terms agreed to in the promissory note. For most federal student loans, you will default if you have not made a payment in more than 270 days. If you default on a federal student loan, you lose eligibility to receive federal student aid and you may experience serious legal consequences.
- **Deferment.** A temporary postponement of payment on a loan that is allowed under certain conditions and during which interest generally does not accrue on Direct

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Subsidized Loans, the subsidized portion of Direct Consolidation Loans, Subsidized Federal Stafford Loans, the subsidized portion of FFEL Consolidation Loans, and Federal Perkins Loans. All other federal student loans that are deferred will continue to accrue interest. Any unpaid interest that accrued during the deferment period may be added to the principal balance (capitalized) of the loan(s).

- **Delinquent.** A loan is delinquent when loan payments are not received by the due dates. A loan remains delinquent until you make up the missed payment(s) or receive a deferment or forbearance that covers the period when you were delinquent. If you are having trouble making your monthly loan payments, you should contact your loan servicer to discuss options to keep the loan in good standing.
- **Dependency Status.** The determination of a Free Application for Federal Student Aid (FAFSA) applicant as dependent or independent.
- **Dependent Student.** A student who does not meet any of the criteria for an independent student. An independent student is one of the following: at least 24 years old, married, a graduate or professional student, a veteran, a member of the armed forces, an orphan, a ward of the court, someone with legal dependents other than a spouse, an emancipated minor or someone who is homeless or at risk of becoming homeless.
- **Demonstrated need.** The difference between your expected family contribution (see below) and the total cost of attendance.
- **Direct Cost.** An expense that is billed to your student account and paid directly to the school. Direct costs include tuition, fees, and on-campus housing/meal plan (if you live on campus).
- **Direct Loan.** An expense that is billed to your student account and paid directly to the school. Direct costs include tuition, fees, and on-campus housing/meal plan (if you live on campus).
- **Direct PLUS loan.** Federal loans available to parents or to graduate/professional students. The interest rate is higher than other loans available to undergraduate students, and borrowing limits are much higher. They're also frequently called Parent PLUS loans, and they're the only federal student loans that require a credit check.
- **Direct PLUS Loan for Parents.** A loan made by the U.S. Department of Education to parents of dependent undergraduate students to help their children pay for college or career school. A credit check is performed during the application process. Your parent could be eligible to borrow the amount of the remaining costs (i.e., the cost of attendance minus other aid).
- **Disbursement.** Payment of federal student aid funds to the student by the school. Students generally receive their federal student aid in two or more disbursements.

E

- **Expected Family Contribution (EFC)** is the amount of money the government expects your family to contribute to your tuition. They determine that contribution amount based on your parents' financial information that must be submitted as a part of the FAFSA.

F

- **Free Application for Federal Student Aid (FAFSA)** is the form used to apply for federal financial aid. The information you provide determines your Expected Family Contribution and your eligibility for grants and many scholarships.

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- **FAFSA4caster.** An online tool that provides an early estimate of your federal student aid eligibility to help you financially plan for college.
- **Federal Student Aid** consists of federal student loans, grants, and work studies that are awarded by the government based on financial need.
- **Federal Pell Grant.** A federal grant for undergraduate students with financial need.
- **Federal Perkins Loan.** A federal student loan, made by the recipient's school, for undergraduate and graduate students who demonstrate financial need. This program expired on Sept. 30, 2017, and loans are no longer being awarded.
- **Federal School Code.** An identifier that the U.S. Department of Education assigns to each college or career school that participates in the federal student aid programs. In order to send your FAFSA information to a school, you must list the school's Federal School Code on your application. A list of Federal School Codes is available at fafsa.gov.
- **Financial Aid Package/Offer** is the combination of all forms of aid, from all sources, that you are eligible to receive. Your aid package is detailed in the award letter sent to you by your prospective school.
- **Financial Need.** The difference between the cost of attendance (COA) at a school and your Expected Family Contribution (EFC). While COA varies from school to school, your EFC does not change based on the school you attend.
- **Forbearance.** A period during which your monthly loan payments are temporarily suspended or reduced. Your lender may grant you a forbearance if you are willing but unable to make loan payments due to certain types of financial hardships. During forbearance, principal payments are postponed but interest continues to accrue. Unpaid interest that accrues during the forbearance will be added to the principal balance (capitalized) of your loan(s), increasing the total amount you owe.
- **FSA ID.** The FSA ID is a username and password combination that serves as a student's or parent's identifier to allow access to personal information in various U.S. Department of Education systems and acts as a digital signature on some online forms.

G

- **Grants** are a form of tuition assistance typically awarded by federal and state governments based on financial need and demographic requirements. Unlike federal loans, they don't need to be repaid.

H

I

- **Independent Student.** An independent student is one of the following: at least 24 years old, married, a graduate or professional student, a veteran, a member of the armed forces, an orphan, a ward of the court, or someone with legal dependents other than a spouse, an emancipated minor or someone who is homeless or at risk of becoming homeless. Get additional information to determine your dependency status.
- **Indirect Cost.** An estimate of personal and educational expenses that is not directly billed by the school. Indirect costs include books, transportation, and other living expenses (e.g., rent and food). Although financial aid may cover some of these indirect costs, you're responsible for paying them.

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- **Interest.** A loan expense charged for the use of borrowed money. Interest is paid by a borrower to a lender. The expense is calculated as a percentage of the unpaid principal amount of the loan.
- **Interest Rate.** The percentage at which interest is calculated on your loan(s).

J

K

L

- **Legal Guardianship.** A relationship created by court order, through which the court appoints an individual other than a minor's parent to take care of the minor. A legal guardian is not considered a parent on the student's FAFSA form. In fact, a student in legal guardianship does not need to report parent information on the FAFSA form because he or she is considered an independent student.
- **Loan.** Borrowed money that must be repaid with interest. Students and/or parents are required to sign a promissory note when accepting an educational loan.

M

- **Merit aid/non-need-based aid.** This is money awarded without regard to financial need. It can be based on academic achievement, artistic abilities, leadership skills, or any other characteristic.
- **My Federal Student Aid.** This feature, available at [StudentAid.gov/login](https://studentaid.gov/login), provides access to information on federal grants and loans as stored in the National Student Loan Data System (NSLDS®) database. "My Federal Student Aid" contains information on how much aid you've received, your enrollment status, and your loan servicer(s). You can access "My Federal Student Aid" using your FSA ID.

N

- **Need-aware admission.** A policy in which colleges consider applicants' ability to pay when admitting or rejecting them. Few colleges are completely need-aware or need-blind (see below).
- **Need-based aid.** Money awarded to students when their family can't afford to pay the full price. Need-based aid may come in the form of grants or scholarships, but it can also be loans with lower interest rates.
- **Need-blind admission.** A policy in which students are accepted without regard to their financial need. Unless a college is extremely wealthy and generous with its aid, though, this can mean that a student may be accepted but not have enough money to attend.
- **Net price** is the true cost of college after all gift aid and educational tax benefits are deducted. It's what's left for you to pay out of pocket.

O

P

- **Perkins loan.** Federal loans that are reserved for low-income students. The interest rate is relatively low and the time before your first payments are due is longer than with other loan programs.

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- **Private Loan.** A nonfederal loan made by a lender such as a bank, credit union, state agency, or school.

Q

R

- **Room and board** is the cost to live on campus.

S

- **Scholarships** are a form of financial aid that doesn't need to be repaid. Unlike grants, they are most often merit-based (academic achievement, volunteer work, etc.).
- **Student Aid Report (SAR)** is the notice sent to you after completing the FAFSA. Unlike an award letter, it doesn't list the aid you're eligible for. It is simply a copy of your processed FAFSA that now includes your official EFC.
- **Student loans** are tuition money that must be paid back to the lender over time with interest
- **Subsidized Stafford loan.** Also known as a direct subsidized loan, these federal loans have slightly better terms, than the similar-sounding unsubsidized Stafford loans (see below). Subsidized loans are only for undergraduate students and are awarded based on financial need. Interest doesn't start accruing until you enter repayment after leaving college.

T

- **TRIO.** Program outreach and student services programs designed to identify and provide services for individuals from disadvantaged backgrounds. TRIO includes eight programs targeted to serve and assist low-income individuals, first-generation college students, and individuals with disabilities in progressing through the academic pipeline from middle school to postgraduate programs.
- **Tuition** is the money charged for class instruction. It's either charged on a per-credit basis or as a flat fee. It doesn't include room and board, textbooks, supplies, or other fees.
- **Tuition reimbursement** or tuition assistance is when a company refunds some or all of the cost of tuition for employees studying in a work-related area.

U

- **Unsubsidized Stafford loan.** Also known as a direct unsubsidized loan, these federal loans are available to undergraduate or graduate students, and there is no financial need requirement, so anyone can use them. Historically, interest rates on unsubsidized loans were slightly higher than those for subsidized loans, though the rates have been equal in recent years. Still, unlike subsidized loans, interest on unsubsidized loans starts adding up from the day you take out the loan.

V

- **Verification.** The process your school uses to confirm that the data reported on your FAFSA form is accurate. Your school has the authority to contact you for documentation that supports income and other information that you reported.

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W

- **Work-study or work award** is a form of federal financial aid in which students are given tuition funds in exchange for part-time employment.

X

Y

Z