

## FINANCIAL AID VOCABULARY



### **Award Letter**

- Notification of the terms and requirements of the financial aid package offered by a college.

### **College Scholarship Service (CSS) Profile**

- A financial aid application, in addition to the FAFSA, required by some schools for dispensing institutional funds.

### **Cost of Attendance (COA)/ College Budget**

- The annual cost of attending college that is used to determine a student's financial need; includes tuition, books, fees, room and board, transportation and out-of-pocket expenses; also referred to as the student expense budget.

### **Commercial (or Private) Loans**

- These are available through several financial services providers. To qualify, you must pass a credit check and potentially have a co-signer. The interest rate may be higher than that of a Direct or FFEL Stafford or Perkins loan or may be a variable rate that changes over time.

### **Dependent Student**

- An unmarried student under the age of 24 who has no dependents and who has access to parental support.

### **Direct Loans**

- Direct Stafford Loans are low-interest education loans made by the federal government to students and parents. These loans may be either subsidized or unsubsidized and several repayment plans are available.

### **Expected Family Contribution (EFC = Student Income + Student Assets + Family Income + Family Assets)**

- The total amount a student's family are expected to pay toward college costs from their income and assets.

### **Federal Methodology**

- A formula established by Congress that evaluates the expected family contribution.

### **Federal Work-Study Program**

- A federally sponsored campus-based program that provides employment opportunities for students with demonstrated need.

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### Fees

- Fees can be charged for anything from damaging your residence hall room to returning your library books late. Additionally, you may see “student fees,” which cover some student services that the school provides and the basis for the student government budget.

### Financial aid

- The term ‘financial aid’ is used to describe the combination of loans, scholarships, grants, and work-study that will help you pay for college.

### Financial aid office

- The office that helps students obtain funds for their education and determines financial aid awards/packages.

### Financial Aid Package

- The total financial aid award received by the student.

### Financial Need

- The amount by which a student's family contribution falls short of covering the student 's total budget.

### FAFSA-Free Application for Federal Student Aid

- A form distributed by the federal government for use by students applying for federal financial aid programs; may be mailed or filed electronically using FAFSA on the Web.

### Gift Aid

- Student financial aid, such as scholarships and grants, which does not have to be repaid and does not require a student's being employed.

### Grant

- Money that is given to you for college expenses that DOES NOT HAVE TO BE REPAYED.

### Independent Student

- A student who is not dependent on parental support and meets one of several conditions established by the federal government.

### Loan

- Money borrowed that must be paid back with interest.

### Master Promissory Note

- If you choose to accept a student loan, you must sign a Master Promissory Note (MPN). A Master Promissory Note is a legally binding contract in which by signing you agree to pay back the student loan(s) you borrow and agree to all terms and conditions included. Once you sign your MPN, a new one is not required for any new loans. You can sign a new MPN each year if you want to do so. You can electronically sign (e-sign) your MPN or complete a paper copy. The electronic process is the fastest and most efficient method of meeting the MPN signature requirement. To e-sign, you will need a [PIN number](#) assigned by the U.S.

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Department of Education. (If you filed the FAFSA online, you will use the same PIN number to e-sign the MPN. If you completed the paper version of the FAFSA, you should have been mailed a PIN number by the federal aid processor. If you forgot, do not have, or wish to change your PIN number, go to [www.pin.ed.gov](http://www.pin.ed.gov).) Your school will provide you with specific instructions on when and how to complete your MPN.

### **Merit-based aid**

- Any form of financial aid awarded on the basis of personal achievement or individual characteristics without reference to financial need. Also known as scholarships. You may qualify for it by meeting a certain academic requirement, such as grade point average, test scores, or career goal. Your financial aid package may include both need- and merit-based aid.

### **Need-based Aid**

- If the Cost of Attendance (COA) for your college exceeds your Expected Family Contribution (EFC), you will be eligible for need-based aid to cover the difference. You may be awarded a financial aid package that consists of a combination of grants, scholarships, loans, and work-study. The total amount of your package will be determined by a combination of demonstrated financial need, federal award maximums, and your school's available funds.

### **Pell Grants**

- Given by the Federal Government, these grants are awarded to those students demonstrating exceptional financial need. Pell grants do not need to be paid back.

### **Perkins Loans**

- Awarded by the student's school, these low-interest loans (5%) are given to students (both undergraduate and graduate) that demonstrate exceptional financial need. Repayment of this loan begins nine months after the student graduates, leave school or drop to less than half-time student status.

### **Plus Loans (Parent Loans for Undergraduate Students)**

- This is a federal loan for parents or legal guardians of dependent undergraduate students. This loan allows parents to borrow all or some of the difference between financial aid received and the cost of attending the school, including room, board, and other charges. (For example, if your college costs total \$10,000 and you receive \$6,000 in financial aid, you could assume a PLUS loan of \$4,000.) The PLUS is not based on need, so the FAFSA is not required.
- Unlike Stafford loans—in which students themselves assume the loan—PLUS loans allow parents with acceptable credit histories to borrow educational funds on behalf of their children (if their children are enrolled at least half-time). PLUS loans are available both through the U.S. Government and through private lenders, and the eligibility requirements and loan limits are about the same. To be eligible, parents must be U.S. citizens, pass a credit check (although one that is generally much less stringent than required for a home mortgage), and not currently be in default of any of their existing loans. PLUS loan payments are sent directly to your college, and

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unlike other federal loans, your parents must begin paying both the interest and the principal amount of the loan while you're still in school.

### **PIN (personal identification number)**

- An electronic access code that serves as a personal identifier. A Department of Education PIN allows students and parents to sign a FAFSA electronically on the Web, access Student Aid Reports, and make online corrections.

### **Private Loans**

- Money that comes from banks, credit unions, life insurance policies or home equity loans. Parents or students must qualify for the loan (must be credit worthy). Students applying may need a co-signer.

### **Room and board**

- The cost of having a place to sleep (residence hall room) and food to eat (board) while in college.

### **Scholarship**

- Monetary gifts based on need and/or merit that do not have to be repaid.

### **Stafford loans**

- These loans, both subsidized (need based) and unsubsidized (non-need based), are guaranteed by the federal government and are available to students to fund education. The subsidized Stafford Loan is need-based, and the interest is paid by the government until the student leaves school. The non-subsidized Stafford Loan is not need-based and can be taken out by almost all students. Students can let the interest on the loan to accumulate until they graduate or leave school.
- Federal Stafford Loans are the most common source of education loan funds, and are low-interest loans. They are available to both graduate and undergraduate students. In most cases, repayment is not required until the student leaves school or graduates, and there are no interest charges while the student is in school. See also Direct Loans and FFEL

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

- A report produced by the U.S. Department of Education that outlines information provided on the FAFSA, requests corrections and reports the expected family contributions.

### **Student Expense Budget**

- See Cost of Attendance above.

### **Subsidized Stafford Loan**

- A federal loan based on financial need and borrowed for the purpose of attending college or an eligible training program. The federal government pays the loan's interest while the student is enrolled at least half time.

### **Tuition**

- The amount of money charged to students for instructional services. Tuition may be charged per term, per course, or per credit. This is only one part of the cost to attend college. Other costs include required fees, room and board, and books.

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### **Tuition Payment Plan**

- A method of payment offered by colleges, banks, insurance companies, and financial management organizations.

### **Unsubsidized Stafford Loan**

- A federal loan that is available to students, regardless of financial need; borrowed for the purpose of attending college or an eligible training program. The federal government does not pay the interest for you while you're in school, but you also don't need to demonstrate financial need.