

Glossary

Student Loan Terms to Know

Following are the definitions of some common words and phrases used in this website.

- **Accrued Interest-** Interest calculated daily on the unpaid principal balance of your loan.
- **Adjusted Gross Income (AGI)** - All taxable income minus IRS allowable adjustment to income. This figure is from the U.S. IRS Income Tax return forms Form 1040, Form 1040A, or Form 1040EZ.
- **Borrower-** The person legally responsible for repaying a loan to a lender. That legal responsibility is documented by the borrower's signature on a promissory note.
- **Consolidation-** Your existing student loans are paid in full, which results in a new consolidation loan. Consolidating your student loans generally results in a lower monthly payment but higher total interest costs due to the extended repayment term. [Learn more](#)
- **Cosigner-** A creditworthy individual, usually a parent or spouse, who has agreed to share the responsibility for repayment of your student loan. [Learn more](#)
- **Cost of Attendance (COA)** - The cost for a student to attend a specific higher education institution. COA will vary from school to school. Cost of Attendance is the sum of your tuition and fees, the cost of room and board, the cost of books and supplies, an allowance for transportation and miscellaneous expenses.
- **Default** - Failure to make your loan payments or otherwise comply with the terms of your promissory note. Defaulted student loans are reported to national credit bureaus and can influence future credit opportunities. [Learn more](#)
- **Default Fee** - Insurance fee that the guaranty agency charges a borrower. This fee is deducted from the loan principal amount before the borrower receives his/her disbursement

- **Deferment** - An approved temporary postponement to repay loan principal for a specified period of time. Conditions for deferment vary by loan program. [Learn more](#)
- **Delinquency** - Failure to make your scheduled payment when due. [Learn more](#)
- **Dependent Student** - A student who is financially dependent upon his/her parents. Dependent students are required to submit parental income information on the FAFSA.
- **Disbursement** - Delivery of the loan proceeds. The Lender may disburse loan proceeds to the school by Electronic Funds Transfer (EFT) or by check.
- **Expected Family Contribution (EFC)** - The portion of a family's financial resources that should be available to help pay for college.
- **Federal Methodology** - The need analysis formula mandated by Federal law to determine a family's Expected Family Contribution (EFC).
- **Financial Need** - A calculation performed by the financial aid office - the difference between the Cost of Attendance (COA) and the Expected Family Contribution (EFC).
- **Forbearance** - A temporary agreement between the lender and borrower to postpone or reduce monthly loan payments for a specified period of time due to certain circumstances. [Learn more](#)
- **Free Application for Federal Student Aid (FAFSA)** - The form used to collect information to assess a family's financial need. This form is used to apply for a Pell Grant and indicate your interest in a student loan or work-study. [Learn more](#)
- **Grace Period** - The period of time that begins after a borrower graduates, withdraws or drops below half-time enrollment status and ends when the repayment period starts.
- **Graduated Repayment** - A repayment option that offers lower monthly payments in the beginning of the repayment term and gradually increases the monthly payment amount over the length of the repayment period. [Learn more](#)
- **Grant** - A financial aid award that is usually based on financial need and usually does not have to be repaid.

- **Guaranty Agency** - An agency that insures or "guarantees" student loans against death, disability or default on behalf of the federal government.
- **Income-Based Repayment** - Designed for borrowers experiencing a partial financial hardship, this plan is based on income and family size and caps monthly payments as a percentage of the borrower's discretionary income. [Learn more](#)
- **Income Sensitive Repayment** - The borrower must demonstrate eligibility to participate in this repayment option. The repayment plan allows the borrower's monthly payment to be adjusted annually based on the borrower's expected gross monthly income. [Learn more](#)
- **Independent Student** - A student who is not required to submit parental income information on the FAFSA. Under the Federal definition for an academic year you're an independent student IF at least one of the following applies to you:
 - You are or will be enrolled in a master's or doctoral degree program (beyond a bachelor's degree) at the beginning of the academic year.
 - You're married on the day you apply (even if you are separated but not divorced).
 - You have children who receive more than half their support from you.
 - You have dependents (other than your children or spouse) who live with you and who receive more than half their support from you at the time you apply.
 - Either your parents are deceased, or you are (or were until age 18) a ward or dependent of the court.
 - You are currently serving on active duty in the U.S. Armed Forces for purposes other than training.
 - You're a veteran of the U.S. Armed Forces. (A "veteran" includes students who attended a U.S. service academy and were released under a condition other than dishonorable.
- **Interest Subsidy** - The payment of interest on Subsidized Federal Stafford Loans by the federal government for student borrowers while they are in school and during the grace period and eligible periods of deferment.

- **Lender** - A financial institution (FFEL Program) or school (Federal Perkins Program) that provides money to a student on the condition that it will be repaid.
- **Merit-Based Financial Aid** - Financial aid, including scholarships, which are awarded based on the merit of the applicant (i.e. academic, special talent, competition), excluding athletic aid. The financial need of the applicant may or may not be taken into consideration.
- **Need Formula** - The calculation used to determine financial need. Cost of Attendance (COA) minus Expected Family Contribution (EFC) minus other financial aid equals financial need.
- **Origination Fee** - A fee charged by the federal government to offset the costs of interest, special allowance and reinsurance on a FFELP loan. This fee is deducted from the loan proceeds before disbursement.
- **Parents' Contribution** - The amount a student's parents can be expected to contribute to their dependent child's education; based on analysis of their income and assets calculated using the Federal Methodology formula using the data provided on the FAFSA.
- **Prepayment** - An amount of money that is paid by the borrower before it is due which decreases the total interests costs of the loan. There is not a penalty for prepayment of federal student loans.
- **Principal** - The amount borrowed by the student before any fees are deducted and prior to interest that is charged.
- **Promissory Note** - A legally binding contract between a borrower and lender promising to repay the loan. The promissory note contains the terms and conditions of your student loan.
- **Repayment Schedule** - Notification from the lender that your loan will soon be entering the repayment period. The schedule should inform you of the length of the repayment period, the monthly payment amount, number of payments required to pay your loan in full, the due date of each payment and the address where you should mail or make your payments.

- **Satisfactory Academic Progress (SAP)** - A standard for measuring a student's progress and continued eligibility for receiving federal student aid. A school's SAP policy must include both a qualitative measure (such as the use of a cumulative grade point average) and a quantitative measure (the number or percentage of courses, credit hours, or clock hours completed) of a student's progress.
- **Servicer** - An organization that is contracted to manage student loan accounts. Servicers send out monthly billing statements, process payments, make address changes, process requests for deferments and forbearances, and answer borrower's questions.
- **Standard Repayment** - A repayment plan that allows borrowers to make a standard consistent monthly payment throughout the entire repayment term.
[Learn more](#)
- **Student Aid Report (SAR)** - A report sent to the student by the processor of the student's Free Application for Federal Student Aid (FAFSA) that lists the student's Expected Family Contribution (EFC) and identifies the student's eligibility for a Pell Grant.
- **Student Contribution** - The amount a student may reasonably be expected to pay toward his/her educational expenses as determined by the Federal Methodology formula using the data provided on the FAFSA.
- **Tuition** - The cost charged by a college for courses.
- **Unmet Need** - The gap that occurs when a student receives less in financial need that he/she is eligible to receive.
- **Verification** - A school's procedure for checking the accuracy of information reported by the student on the FAFSA.