

# Financial Aid Dictionary

From CFNC.org

- **Capitalization** - The process of adding unpaid interest to the principal balance of an educational loan, increasing the amount of the loan that must be repaid.
- **College Foundation, Inc. (CFI)** - A nonprofit organization created by the State of North Carolina in 1955. CFI's sole purpose is to assist North Carolina students in paying their education expenses beyond high school.
- **Consolidation** - A loan program that allows a borrower to combine several educational loans into one new loan. This process extends the repayment period and allows for a single monthly payment. This simplifies the repayment process and sometimes results in a lower interest rate.
- **Cost of Attendance (COA)** - The total cost of an education - usually expressed as a yearly figure. COA includes tuition and fees, room and board, an allowance for books and supplies, transportation, and miscellaneous expenses and is determined by the financial aid office of the institution.
- **Default** - Failure to repay a student loan according to the terms of a promissory note signed by the student. The organization that holds the loan (the state or the federal government) can take action to recover the money, including notifying national credit bureaus of the default. Wages and/or tax returns of the defaulter may be garnished, and the borrower will no longer be eligible to receive federal financial aid until the defaulted loan is repaid or the borrower has made six consecutive monthly payments.
- **Deferment** - This is an authorized period of time during which a borrower may postpone principal and interest payments. Deferments are available to borrowers who are in school at least half time, enrolled in a graduate fellowship program, during periods of unemployment or economic hardship, undergoing cancer treatment, and in some cases, for teaching in shortage areas or low-income schools or for volunteering with the Peace Corps, etc.
- **Dependent Student** - For financial aid purposes, an undergraduate student is usually classified as a dependent and is expected to have access to parental financial resources if he/she is not married, does not have legal dependents, is not a veteran, and is not an orphan or ward of the court.
- **Entrance/Exit Interviews** - Federal Direct Loan borrowers are required to complete virtual counseling sessions before their first loan disbursement can be released and before the borrower leaves school.
- **Expected Family Contribution (EFC)** - Determined by a formula, this figure indicates how much of a family's financial resources should be available to help pay for the student's education. The EFC is used in determining eligibility for financial aid. Both FM (federal methodology) and IM (institutional methodology) use the EFC concept, although the calculated EFC under the two methodologies may differ.

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- **FAFSA (Free Application for Federal Student Aid)** - This is the federal aid application that must be completed by students who want to be considered for federal need-based financial aid.
- **FDSLP (Federal Direct Student Loan Program)** - Under this program education loans are made available directly from the U.S. government. Participating schools serve as agents for subsidized and unsubsidized Stafford Loans and Parent PLUS loans.
- **Financial Aid Package** - The total financial aid a student receives to meet educational expenses is called the "financial aid package." It may include federal, state, and private aid such as grants, loans, work-study, and scholarships.
- **Financial Need** - This is the difference between the Cost of Attendance and the Estimated Family Contribution and is used in determining what the student's aid package will be.
- **Forbearance** - When the lender agrees to temporarily postpone a borrower's principal repayment obligation for a period of time, this is called "Forbearance." Interest continues to accrue on the loan during the forbearance period.
- **Full-Time Student** - For undergraduate students, this is usually a minimum of 12 semester hours of enrollment in a degree-granting program.
- **FM (Federal methodology)** - This is an eligibility formula, mandated by the U.S. Congress, that determines the student's and the family's "expected family contribution" (EFC). This formula is used in making allocations of federal aid and, at some colleges and universities, for making institutional aid decisions as well.
- **General Education Development (GED)** - This is a certificate that students receive if they've passed a specific, approved high school equivalency test. Students who don't have a high school diploma but who have a GED may still qualify for federal and state student aid.
- **Gift Aid** - Gift aid usually refers to grants and scholarships. It is money offered to qualifying students that does not need to be repaid.
- **Grace Period** - Period of time when a borrower leaves school or drops below half-time enrollment and the borrower is not obligated to begin repayment of his/her loans - usually six or nine months.
- **Grant** - Financial aid that the student is not obligated to repay.
- **IM (Institutional methodology)** - This need-analysis formula was developed by College Board's College Scholarship Service. It determines the student's and the family's capacity to pay for college each year and is used by some postsecondary institutions for awarding institutional and private financial aid.
- **Independent Student** - For financial aid purposes, a student is classified as an independent student if at least one of the following applies: he/she is 24 years old or older, is married, is

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enrolled in a graduate or professional educational program (beyond a bachelor's degree), has legal dependents other than a spouse, is an orphan or ward of the court (or was a ward of the court until age 18), or is a veteran of the US Armed Forces ("veteran" includes a student who attended a US military academy who was released under a condition other than dishonorable).

- **Interest** – The amount of money charged to borrowers for use of loan proceeds. Interest on education loans is simple interest calculated on the daily unpaid principal balance. The interest rate may be constant throughout the life of the loan (fixed rate) or it may change at specified times (variable rate) as specified by the terms of the loan.
- **Monthly Payments** – A minimum monthly payment of \$50 is required for Stafford and PLUS Loans under a standard repayment schedule.
- **Months to Repay** – The number of months in which a borrower has to repay a loan. The maximum number of months to repay is 120 months.
- **Needs Analysis** – This is the process of reviewing a student's aid application to determine the ability of the family to contribute to the costs of education. Completing a needs analysis form (e.g., FAFSA or PROFILE) is the required step in applying for most types of financial aid.
- **North Carolina State Education Assistance Authority (NCSEAA)** – The state agency in North Carolina that insures federal student loans and is authorized by the North Carolina General Assembly to administer over 30 postsecondary financial aid programs funded by federal, state, and private sources (including the FFELP program). NCSEAA is involved in outreach projects, providing opportunities for North Carolina school counselors so that they can better assist students and their families in planning for college. NCSEAA has implemented a new long-term parental savings trust fund to assist North Carolina families in paying for their children's education (see North Carolina's National College Savings Program). NCSEAA also maintains an aggressive student loan collection system for the recovery of defaulted and matured student loan obligations.
- **Principal** – The outstanding amount of the student loan. Interest is charged on this amount. As the loan is repaid, a portion of each payment goes to pay the interest and reduce the outstanding principal balance.
- **Profile (College Board's CSS Profile™)** – A need-analysis form required by some institutions for non-federal aid and processed through the College Scholarship Service (CSS).
- **Promissory Note** – A borrower must sign a legal document when he/she receives an educational loan that lists conditions under which the money is borrowed and the terms under which he/she agrees to repay the loan with interest. The borrower's promissory note is usually returned to him/her when the loan is repaid in full.
- **Residency** – In North Carolina, a person does not necessarily have to be a U.S. citizen in order to be classified as a North Carolina resident for tuition purposes. However, a person

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must complete the NC Residency Determination Service to determine if they are eligible for in-state tuition and benefits. NC Residency Determination Service

- **Satisfactory Academic Progress (SAP)** - A student must be making satisfactory academic progress in order to continue receiving federal aid. Each institution develops its own satisfactory academic progress standards for financial aid eligibility.
- **Scholarship** - A form of financial aid given to students on the basis of need or merit (or a combination of both) to help pay for their education expenses. Some scholarships have community service requirements and geographic, institutional or academic major restrictions. Most scholarships require the student to maintain satisfactory academic progress for renewal.
- **Scholarship/Loan** - A form of financial aid that has a service and/or cash repayment obligation as a condition for receiving the funds. A student must promise to repay the money upon graduation or withdrawal from the program within a specified time period either through service in a certain geographical and/or subject area or in cash at a predetermined interest rate.
- **Selective Service Registration** - A male student must register with the Selective Service to receive federal and/or state student aid. The requirement applies to males who were born on or after January 1, 1960, are at least 18 years old, are citizens or eligible non-citizens, and are not currently on active duty in the armed forces.
- **Self-Help Aid** - Self-help aid is money offered to students that must either be paid back or requires something in return, such as volunteer hours or a certain number of work hours.
- **Student Aid Report (SAR)** - After the student submits the FAFSA to the federal processor, this form is returned to the student. The SAR reports the information that was processed and indicates federal eligibility. It may also be used by the institutional financial aid office in determining a student's eligibility for other state or private programs of financial assistance.
- **Subsidized Loan** - This is a need-based loan on which the interest is paid by the federal government while the borrower is enrolled in school or during grace and deferment periods.
- **Unsubsidized Loan** - This is a non-need-based loan for which borrowers are responsible for the interest from the date the loan is disbursed.
- **Verification** - This is a review process to determine the accuracy of the information on a student's financial aid application. If a student is selected for verification, he/she is required to submit documentation (such as federal tax returns) to support information on his/her federal aid application.