

Paying FOR College

How Minnesota families make it happen

Financial Aid Glossary

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Accruing Interest (on a loan): The cost of the loan, represented by the interest which is added to the loan amount prior to the repayment period or prior to a payment installment.

Advanced Placement (AP): Credit and/or advanced standing in certain course sequences that postsecondary institutions may offer to high school students who have taken high-level courses and passed certain examinations.

Assets: Cash on hand in checking and savings accounts; trusts, stocks, bonds, other securities; real estate (excluding the home), income-producing property, business equipment, and business inventory. Small businesses and family operated farms are not reported as assets on the FAFSA. Assets are considered in calculating the EFC.

Associate's Degree: A degree given for successful completion of some courses of study at a two-year institution.

Award Letter: A method of notifying financial aid applicants of the assistance being offered by an institution. The award letter usually provides information on the types and amounts of aid offered, as well as specific program information, student responsibilities, and the conditions which govern the award. It generally provides students with the opportunity to accept or decline the aid offered. (See Financial Aid Notification)

Bachelor's Degree: The degree given for successful completion of the undergraduate curriculum at a four-year college or a university. It is also called a baccalaureate degree.

Campus-Based Programs: The term commonly applied to those federal student aid programs administered directly by institutions of postsecondary education. Campus-based programs include: Federal Perkins Loan, Federal Supplemental Educational Opportunity Grant (FSEOG), and Federal Work-Study (FWS).

Capitalization (of interest): The arrangement between borrower and lender whereby interest payments are deferred as they come due and are added to the principal amount of the loan.

Certificate: The formal acknowledgment of successful completion of a particular program or course of study, particularly at a vocational school, trade school, or junior college.

CLEP: See College-Level Examination Program.

COA: See Cost of Attendance.

College-Level Examination Program (CLEP): A series of examinations demonstrating a student's proficiency in a subject area, for which some postsecondary institutions offer credit.

Consolidation Loan: A loan made to enable a borrower with different types of loans or multiple loans to obtain a single loan with one interest rate and one repayment schedule. Federal Perkins Loans, Direct Subsidized and Direct Unsubsidized Loans, Health Education Assistance Loans (HEAL), Health Professions Student Loans (HPSL), and Loans for Disadvantaged Students may be combined for purposes of consolidation, subject to certain eligibility requirements. A consolidation loan pays off the existing loans; the borrower then repays the consolidated loan.

Cost of Attendance (COA): Generally, this includes the tuition and fees normally assessed a student, together with the institution's estimate of the cost of room and board, transportation and commuting costs, books and supplies, the cost of a computer, and miscellaneous personal expenses. In addition, student loan fees, dependent care, reasonable costs for a study abroad or cooperative education program, and/or costs related to a disability may be included, when appropriate. It is also referred to as "cost of education" or "budget."

Credit (or Credit Hour): The unit of measurement some institutions give for fulfilling course requirements.

Custodial Parent: The parent with whom a dependent student lives, and whose financial information is used in need analysis when parents are divorced or separated.

Deferment (of loan): A condition during which payments of principal are not required, and for Federal Perkins Loans and Direct Subsidized Loans, interest does not accrue. The repayment period is extended by the length of the deferment period.

Department of Education, U.S. (ED): The federal government agency that administers assistance to students enrolled in postsecondary educational programs under the following programs: Federal Pell Grant, Iraq and Afghanistan Service Grant (IASG); Teacher Education Assistance for College and Higher Education (TEACH) Grant, Federal Perkins Loan, Federal Supplemental Educational Opportunity Grant (FSEOG), Federal Work-Study (FWS), and William D. Ford Federal Direct Loan (Direct Loan) Program.

Departmental Scholarship: An award of gift assistance that is specifically designated for a recipient in a particular academic department within the institution.

Dependent Student: A student who does not qualify as an independent student and whose parental income and asset information is used in calculating the EFC (see Independent Student).

Direct PLUS Loan: Long-term loans made available to parents of dependent students and graduate/professional students. Interest rates are fixed at 7.9 %. May be used to replace EFC; amount borrowed is limited to the cost of attendance minus estimated financial assistance.

Direct Subsidized and Direct Unsubsidized Loans: Long term, low-interest loans administered by the Department of Education and institutions. Loans carry a fixed interest rate. Direct Unsubsidized Loans can be used to replace EFC.

Educational Benefits: Funds, primarily federal, awarded to certain categories of students (veterans, children of deceased veterans or other deceased wage earners, and students with physical disabilities) to help finance their postsecondary education regardless of their ability to demonstrate need in the traditional sense.

Educational Expenses: See Cost of Attendance.

EFC: See Expected Family Contribution.

Employment: With reference to financial aid, the opportunity for students to earn money to help pay for their education. Federal and State work study programs assist needy students can work to help pay their educational expenses.

Estimated Financial Assistance (EFA): The total assistance that a student is receiving to offset the cost of a postsecondary education, including scholarships, Title IV aid, need-based work assistance, and private loans, that is subtracted from a student's need when determining eligibility for campus-based aid, Direct Subsidized and Unsubsidized Loans, and PLUS.

Expected Family Contribution (EFC): The amount a student and his or her family is expected to contribute toward the student's cost of attendance as calculated by a Congressionally-mandated formula known as Federal Methodology. The EFC is used to determine a student's eligibility for the student financial assistance programs.

FAFSA: See Free Application for Federal Student Aid.

FAFSA4Caster: Allows students and families to input financial information and receive an estimate of their federal aid eligibility before filing the FAFSA.

FAFSA on the Web (FOTW): Allows students to complete and file a FAFSA on-line at www.fafsa.gov.

Federal Direct Student Loan (Direct Loan) Program: The collective name for the Direct Subsidized, Direct Unsubsidized, Direct PLUS, and Direct Consolidation Loan Programs. Loan funds for these programs are provided by the federal government to students and parents through postsecondary institutions.

Federal Methodology (FM): A standardized method for determining a student's (and family's) ability to pay for postsecondary education expenses. The single formula for determining an EFC for Federal Pell Grants, campus-based programs, and Direct Loan programs; the formula is defined by law.

Federal Pell Grant: A federal grant program for needy postsecondary students who have not yet received a baccalaureate or first professional degree; administered by the U.S. Department of Education.

Federal Perkins Loan: One of the campus-based programs; a long term, low interest loan program for both undergraduate and graduate students at a current interest rate of 5%. At one time it was known as the Carl D. Perkins National Direct Student Loan Program (NDSL).

Federal Supplemental Educational Opportunity Grant (FSEOG): One of the campus-based programs; grants to undergraduate students of exceptional financial need who have not completed their first baccalaureate degree and who are financially in need of this grant to enable them to pursue their education. Priority for FSEOG awards must be given to Federal Pell Grant recipients with the lowest EFCs.

Federal Work-Study (FWS) Program: One of the campus-based programs; a part-time employment program which provides jobs for undergraduate and graduate students who are in need of earnings to meet a portion of their educational expenses.

Financial Aid: General term that describes any source of student assistance outside of the student or the student's family. Funds awarded to a student to help meet postsecondary educational expenses. These funds are generally awarded on the basis of financial need and include scholarships, grants, loans, and employment.

Financial Aid Administrator: An individual who is responsible for preparing and communicating information pertaining to student loans, grants or scholarships, and employment programs, and for advising, awarding, reporting, counseling, and supervising office functions related to student financial aid. A financial aid administrator is accountable to the various federal, state, and institutional entities that provide aid and interprets and implements federal, state, and institutional policies and regulations, and is capable of analyzing student and employee needs and making changes where necessary.

Financial Aid Award: An offer of financial or in-kind assistance to a student attending a postsecondary educational institution. This award may be in the form of one or more of the following types of financial aid: repayable loan, a non-repayable grant and/or scholarship, and/or student employment.

Financial Aid Consultant: A person who, for a fee, provides a variety of services to students and parents, including preparing the FAFSA and other financial aid forms, estimating the EFC, and estimating financial need.

Financial Aid Notification: The letter from a postsecondary institution that lets the student know whether or not aid has been awarded. If the student will be receiving assistance, the notification also describes the financial aid package. State agencies and private organizations may send students financial aid notifications separately from the postsecondary institution. Also see Award Letter.

Financial Aid Package: A financial aid award to a student that can be comprised of a combination of forms of financial aid (loans, grants and/or scholarships, and employment).

Financial Need: The difference between the institution's cost of attendance and the family's ability to pay (i.e., EFC). Ability to pay is represented by the EFC for federal need-based aid and for many state and institutional programs.

Financial Need Equation: Cost of attendance minus expected family contribution equals financial need (COA - EFC = Need).

FM: See Federal Methodology.

Forbearance: Permits the temporary cessation of repayments of loans, allowing an extension of time for making loan payments, or accepting smaller loan payments than were previously scheduled.

Free Application for Federal Student Aid (FAFSA): The financial aid application completed by the student, and the student's parents if applicable, that collects household and financial information. The FAFSA is the foundation document for all federal need analysis computations and database matches performed for a student.

FSEOG: See Federal Supplemental Educational Opportunity Grant.

Gift Aid: Educational funds such as grants or scholarships that do not require repayment from present or future earnings. See Grant.

Grace Period: The period of time that begins when a loan recipient ceases to be enrolled at least half time and ends when the repayment period starts. Loan principal need not be paid and, depending on the loan, interest does not accrue during this period.

Grant: A type of financial aid that does not have to be repaid; usually awarded on the basis of need, possibly combined with some skills or characteristics the student possesses. Also see Gift Aid.

Income: Amount of money received from any or all of the following: wages, interest, dividends, sales or rental of property or services, business or farm profits, and subsistence allowances such as taxable Social Security benefits and child support.

Independent Student: A student who:

- (a) will be 24 years of age by December 31 of the award year;
- (b) is an orphan or a ward of the court;
- (c) is an orphan, in foster care, or a ward of the court, at any time when the student was 13 years of age or older;
- (d) is an emancipated minor or is in legal guardianship as determined by a court in the student's state of legal residence;
- (e) is an unaccompanied youth who is homeless or who is at risk of homelessness and is self-supporting, as documented during the school year;
- (f) is a veteran;
- (g) is serving on active duty in the U.S. Armed Forces for purposes other than training;
- (h) is married;
- (i) is a graduate or professional student;
- (j) has legal dependents other than a spouse;
- (k) has dependent children; or
- (l) presents documentation of other unusual circumstances demonstrating independence to the financial aid administrator.

Investment Plans: Coverdell Educational Savings Accounts and or state 529 plans are examples of educational investment plans that can be used to assist with higher education expenses, usually sponsored by commercial banking institutions.

Legal Dependent (of Applicant): A biological or adopted child, or a person for whom the applicant has been appointed legal guardian, and for whom the applicant provides more than half support. In addition, a legal dependent is a person who lives with and receives at least half support from the applicant and will continue to receive that support during the award year. For purposes of determining dependency status, a spouse is not considered a legal dependent.

Loan: An advance of funds evidenced by a promissory note and requiring the recipient to repay the specified amount(s) under prescribed conditions.

Loan Repayment Program: A special program available to qualified students who have attended college on federally-funded student loans and for whom loans are repaid based upon employment in a particular field or with a participating federal agency, including the Army, Navy, and Air Force.

Master Promissory Note (MPN): A promissory note for the Federal Perkins Loan and Direct Loan programs that allows borrowers to apply for multiple loans during a student's attendance at a postsecondary institution.

Merit-based Aid: Financial aid awarded because of a student's achievement or talent in a particular area, such as academics, athletics, music, etc.

Military Scholarships: Reserve Officer Training Corps (ROTC) scholarships available for the Army, Navy, and Air Force at many colleges and universities throughout the United States. These scholarships cover tuition and fees, books and supplies, and include a subsistence allowance.

Minnesota Dream Act: This law, passed in May 2013, extended eligibility for in-state tuition rates and state financial aid to undocumented students in Minnesota if they attended a Minnesota high school for at least three years and graduate or earned a GED. Males born 1960 or after must register with the Selective Service System.

Minnesota State Grant: A need-based grant available to Minnesota residents attending Minnesota colleges. The award amount varies based on the price of the college and enrollment level. Average award is \$1,700.

MN Dream Act Application: The application used by undocumented students in Minnesota to apply for state financial aid.

National and Community Service: A program established through the National and Community Service Trust Act of 1993 designed to reward individuals who provide community service with educational benefits and/or loan forgiveness or cancellation.

Need: See Financial Need.

Need Analysis: A system by which an applicant's ability to pay for educational expenses is evaluated and calculated. Need analysis consists of two primary components: (a) determination of an estimate of the applicant's and/or family's ability to contribute to educational expenses; and (b) determination of an accurate estimate of the educational expenses themselves.

Need Analysis Formula: Defines the data elements used to calculate the EFC; there are two distinct formulas: regular and simplified. The formula determines the EFC under the Federal Methodology.

Need-based Aid: Student assistance awarded because a student's financial circumstances would not permit him or her to afford the cost of a postsecondary education.

Non-Need-based Aid: Aid based on criteria other than need, such as academic, musical, or athletic ability. Also, refers to federal student aid programs where the EFC is not part of the need equation.

Packaging: The process of combining various types of student aid (grants, loans, scholarships, and employment) to attempt to meet the full amount of a student's need.

Parent Contribution: A quantitative estimate of the parents' ability to contribute to the postsecondary educational expenses of a dependent student.

PLUS: See Direct PLUS Loan.

Postsecondary Enrollment Options (PSEO): A Minnesota program that allows high school students to take college courses while in high school and earn college credit.

Principal (of a loan): The amount of money borrowed through a loan; does not include interest or other charges, unless they are capitalized.

Professional Judgment (PJ): The financial aid administrator's discretion, based on the special circumstances of the student, to change the data elements used in determining eligibility for federal student aid or adjust a student's costs.

Promissory Note: The legal document which binds a borrower to the repayment obligations and other terms and conditions which govern a loan program.

Repayment Schedule: A plan that is provided to the borrower at the time he or she ceases at least half-time enrollment. The plan sets forth the principal and interest due on each installment and the number of payments required to pay the loan in full. Additionally, it includes the interest rate, the due date of the first payment, and the frequency of payments.

Reserve Officers Training Corps Scholarship Program: See ROTC Scholarship Program.

ROTC Scholarship Program: Competitive scholarship that pays for tuition, fees, books, and a monthly living stipend and other benefits in exchange for participating in drills and classes during the academic year, military camp during the summer, and, upon graduation, full-time active duty in the military for at least four years.

SAR: See Student Aid Report.

SAR Acknowledgment: A non-correctable one-page Student Aid Report. Students who file a FAFSA on the Web (FOTW) or submit on-line corrections without providing a valid e-mail address receive this acknowledgment.

Scholarship: A form of financial assistance that does not require repayment or employment and is usually made to students who demonstrate or show potential for distinction, usually in academic performance.

Scholarship Search Services: Organizations that may help students find little-known and unused financial aid funds. Families who are interested in using such a service should carefully investigate the company first.

SELF Loan: Minnesota state loan program available to Minnesota residents attending college in any state or all students attending Minnesota colleges. Loan eligibility is not based on financial aid, but does require a credit-worthy cosigner.

Simplified Needs Test (SNT): An alternate method of calculating the EFC for families with incomes of less than \$50,000, and who meet one of the following conditions: filed, or are eligible to file, an IRS Form 1040A or 1040EZ, are not required to file an income tax return, who have a household member who received benefits through a federal means-tested benefit program, or is a dislocated worker. The SNT excludes all assets from consideration in the calculation of the EFC.

Student Aid Report (SAR): The official notification sent to a student as a result of the CPS receiving an applicant record (FAFSA) for a student. The SAR summarizes applicant information, provides the EFC for a student, and displays other special messages related to the student's application. In some instances the SAR may need to be submitted to the financial aid office at the school the student plans to attend, but only if the school requests it. Depending on how the student submits the FAFSA, the SAR is either a paper or electronic document.

Student Contribution: A quantitative estimate of the student's ability to contribute to postsecondary expenses for a given year.

Teacher Education Assistance for College and Higher Education (TEACH) Grants: A federal grant awarded to undergraduate and graduate students who want to pursue a teaching career in a high-need

field and who agree to teach in a school serving low-income students (Title I schools) after graduating. If a recipient does not fulfill the service requirement, funds convert into a Direct Unsubsidized Loan.

Title IV Programs: Those federal student aid programs authorized under Title IV of the Higher Education Act of 1965, as amended. Includes the: Federal Pell Grant, Iraq and Afghanistan Service Grant (IASG), Teacher Education Assistance for College and Higher Education (TEACH) Grant, Federal Supplemental Educational Opportunity Grant, Federal Work-Study, Federal Perkins Loan, Direct Loan, and Direct PLUS.

Tuition Payment Plans: A strategy by which payment for present costs of postsecondary education is extended into a future period of time.

Unmet Need: The difference between a student's total cost of attendance at a specific institution and the student's total available resources.

Untaxed Income: All income received that is not reported to the Internal Revenue Service (IRS) or is reported but excluded from taxation. Such income would include but not be limited to untaxed capital gains, interest on tax-free bonds, dividend exclusion, and military and other subsistence and living allowances.

Veterans Educational Benefits: Assistance programs for eligible veterans and/or their dependents for education or training.

Vocational Rehabilitation: Programs administered by state departments of vocational rehabilitation services to assist individuals who have a physical or mental disability which is a substantial handicap to employment.

Abbreviations Commonly Used in Financial Aid Administration

ACT: American College Testing Program

AGI: Adjusted Gross Income

BA: Baccalaureate Degree

CLEP: College-Level Examination Program

COA: Cost of Attendance

EFC: Expected Family Contribution (also FC, Family Contribution)

FAFSA: Free Application for Federal Student Aid

FM: Federal Methodology

FOTW: FAFSA on the Web

FSEOG: Federal Supplemental Educational Opportunity Grant

FWS: Federal Work-Study

GPA: Grade Point Average

PC: Parental Contribution

PSEO: Postsecondary Enrollment Options

ROTC: Reserve Officer Training Corps

SAR: Student Aid Report

SAT: Scholastic Aptitude Test

SC: Student Contribution