

Glossary of Terms

Accreditation:

The procedure by which an impartial organization or body thoroughly assesses a school's ability to provide appropriate faculty, curriculum, and facilities for you to pursue a particular field of study. Standards for accreditation may vary significantly among organizations. Generally, an institution must be accredited by a nationally recognized accrediting agency or association to be eligible for federal student aid funds. The U.S. Department of Education periodically publishes a list of recognized accrediting bodies in the Federal Register. To see the most current list, [click here](#).

Accrued Interest:

Unpaid interest that accumulates on the principal balance of a loan.

Annual Percentage Rate (APR):

The interest maintained on a loan for a one-year period.

Capitalization:

The addition of unpaid accrued interest applied to the principal balance of a loan that increases the total debt outstanding.

Consolidation:

Combining several education loans into a new loan with a new payment schedule and interest rate.

Default:

The failure to repay a loan in accordance with the terms of the promissory note. Default occurs after 270 days of non-payment on an account for Title IV loan programs.

Deferment:

An approved temporary suspension of loan payments based on certain events and criteria.

Delinquency:

The failure to make scheduled loan payments when due, as specified in the promissory note.

Disbursement:

A transaction that occurs when a lender releases loan funds.

Expected Family Contribution (EFC):

An amount, established by law, that is a measure of a family's financial strength. This calculation is based on family earnings, assets, number of students in college, and size of family. The EFC is used in determining financial need for federal student aid.

FAFSA:

Free Application for Federal Student Aid. This application must be submitted to receive any form of federal student aid. Schools and states also frequently use FAFSA data in awarding state and private aid.

Financial Need:

The difference between a student's educational costs and the Expected Family Contribution (EFC).

Forbearance:

The approved temporary suspension, reduction, or extension of loan payments due to a financial hardship. During forbearance, interest continues to accrue.

Free Application for Federal Student Aid (FAFSA):

The federal application students must complete to apply for virtually all forms of financial aid

assistance.

Grace Period:

The period between when a student graduates, leaves school (unofficially or officially), or drops below half-time and when loan payments must begin. The length of the grace period depends on the type of federal student loan.

Grant:

Financial aid that does not have to be repaid. Generally, grants are for undergraduate students, and the grant amount is based on need, school cost, and enrollment status.

Guarantor: The agency or institution that repays lenders in the event of a default in the FFEL Program.

Interest:

The dollar amount charged to borrow money

Lender:

The institution that provides the student loan money to be borrowed.

Loan:

Borrowed money that must be repaid with interest. Both undergraduate and graduate students may borrow money. Parents may also borrow to pay education expenses for dependent undergraduate students who are enrolled at least half-time. Maximum loan amounts increase with each year of completed study.

National Student Loan Data System (NSLDS):

A database of federal student loan borrowers. If you are a borrower and would like to find out information about your student loans, use the NSLDS Financial Aid Review service, operated by the U.S. Department of Education. By entering your social security number, date of birth, and PIN, you will be able to access your current loan information online. Note that NSLDS has information only on loans the U.S. Department of Education administers.

PIN: Personal Identification Number.

Your PIN serves as your electronic signature and gives you access to your personal records with the Department of Education. A pin allows applicants to complete the FAFSA online.

Promissory Note:

The binding legal contract between the lender and the borrower. By signing this note, the borrower is obligated to repay the loan as agreed upon in the terms of the contract.

Scholarships:

Awards that do not usually have to be paid back. They are given to students who demonstrate or show promise of high achievement in areas such as academics, athletics, music, art or other disciplines. The U.S. Department of Education does not provide scholarships, but many schools, states, and private organizations do.

Servicer:

An organization that acts on behalf of the lender to administer a student loan account. Often the borrower deals with the loan service when there are questions about repayment.

Stafford Loans:

Loans made available to students through the Direct Loan Program and the Federal Family Education Loan Program (FFEL).

State Grant Program:

State funding coordinated by the state agency that provides grants to needy state residents who meet certain eligibility criteria and are pursuing post-secondary education.

Student Aid Report (SAR):

The report you receive after you submit your FAFSA. The SAR summarizes the information on your FAFSA. The schools you list on your application receive electronic copies of your SAR. If that information is complete and accurate, and if you're eligible, your school will use your SAR in awarding federal student aid.

Subsidized Loans:

Loans on which the federal government pays the interest until the student enters repayment, as well as during deferment. A subsidized loan is awarded on the basis of financial need.

Undergraduate:

A student who has not yet received a first bachelor's degree.

Unsubsidized Loans:

Loans on which the student is responsible for paying from the date of disbursement until the loan is paid in full, regardless of enrollment status. The federal government does not pay the interest on these loans, and they are not made on the basis of financial need.

Work Study:

The Federal Work-Study program provides jobs for undergraduates and graduate students who demonstrate financial need, allowing them to earn money to help pay education expenses. Jobs are either on campus or off campus. Off-campus jobs must be related to community service.

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