

Financial Aid Guide: Loans and More

Financial Aid Terms

Financial Need: The difference between a student's educational costs and the EFC (Expected Family Contribution: amount a student's family is expected to pay).

Financial Aid Package: The total financial aid a student is offered, including scholarships, grants, work-study and loans.

FAFSA: Free Application for Federal Student Aid. The form the federal government uses to determine the amount of aid for which a student is eligible.

Federal Aid: Aid that comes from the U.S. government. This aid is sometimes disbursed through your college.

Private Aid: Financial aid that comes from sources that are non-government related.

Award letter: List of aid that the school is offering to you. You are not required to accept all aid.

Verification: Review process in which the financial aid office requests documentation to verify the accuracy of FAFSA data (about 1/3 of applications are selected).

Professional Judgment: Financial aid administrators may adjust a student's aid package and contribution when extenuating circumstances exist (e.g., loss of a parent, unemployment, unpaid medical expenses, etc.).

Dependency Status: Based on government standards, if you are considered a dependent student, colleges will consider parent financial resources when awarding financial aid.

Work-Study: This program provides students with part-time employment year-round. Eligibility is based on financial need.

Gift Aid: Financial aid that does not need to be paid back:
- *Grants:* Typically based on financial need
- *Scholarships:* Typically based on achievement or talent

Know Your Loans: True or False?

Test your knowledge on the following true/false loan questions.

1. Students must begin paying off their Stafford loans while still in school. TRUE or FALSE?
2. In a subsidized loan, the government pays the interest while you're in school. TRUE or FALSE?
3. Loans are not financial aid. TRUE or FALSE?
4. PLUS stands for "Parent Loans for Undergraduate Students." TRUE or FALSE?

1. FALSE! A student can defer Stafford payments until he or she leaves school. This loan is a federally-guaranteed, low-interest loan for students.

2. TRUE! On a *subsidized* loan, the federal government pays the interest on your loan while you're in school. If you have an *unsubsidized* loan, you pay the interest starting with the first disbursement.

3. FALSE! Loans ARE a type of financial aid. Although you do have to pay loans back, the low interest rate makes loans a sound alternative when scholarships and grants run out.

4. TRUE! The Parent Loans for Undergraduate Students loan is available to *parents* of dependent students. The interest rate is variable. Generally, repayment begins 60 days after the loan is fully disbursed.

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Loan Terms

Annual percentage rate (APR): Amount of interest (fee for borrowing money) associated with a loan. It can change or remain the same during the year and term of the loan. If the interest rate is *variable*, the rate can change; if it is *fixed*, the rate will not change.

Consolidation loan: Loan that allows borrowers to lower their monthly payments by combining their original federal loans into a single loan. You may only consolidate once. Contact your financial aid office for more information. Check out www.loanconsolidation.ed.gov.

Co-signer: A person besides the borrower who signs a credit agreement and is legally obligated to repay the loan if the borrower does not make payments.

Disbursement: The release of funds by a lender to the borrower.

Default: Failure to repay your loan; it may lead to legal action to recover the money and can affect your credit rating.

Delinquent: When at least one loan payment is late or missed. Serious delinquency results in default.

Grace period: The time between when you leave school and before repayment begins.

Principal: The full amount borrowed. During repayment, it refers to the portion of the original amount still owed (not including interest).

Promissory note: A contract between the borrower and lender that reflects the terms and conditions under which the borrower promises to repay the loan.