

## GLOSSARY FOR THE FINANCIAL AID PROCESS

**Award letter** - An official document, issued by the financial aid office that lists all the financial aid awarded to the student. This letter generally provides the expected family contribution, cost of attendance and the terms of the aid awarded.

**Commercial loans** - Commercial loans, also known as private or alternative loans, are available through several financial services providers. To qualify, you must pass a credit check, and the interest rate will be higher than that of a Direct or FFEL Stafford or Perkins loan. For these reasons, it is wise to investigate such low-interest, federally sponsored options before applying for a commercial loan. In addition, beware of scholarship scams that are simply commercial loans in disguise.

**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.

**CSS Profile** - The CSS/Financial Aid PROFILE is a customized financial aid need-analysis form required at certain colleges for non-federal aid. It collects additional financial information to determine eligibility for institutional aid and process by the College Scholarship Service (CSS).

**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.

**Direct loans** - Direct Stafford Loans are low-interest education loans made by the federal government to students and parents. These loans may be either subsidized or unsubsidized and several repayment plans are available.

**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. A family's EFC is recalculated each year after the FAFSA is filed.

**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.

**Federal Family Education Loan Program** - Education loans made by private lenders and guaranteed by the state designated guaranty agencies on behalf of the federal government. Subsidized and Unsubsidized Federal Stafford Loans and Parent PLUS loans are included in this program. There are several repayment plans available.

**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.

**Federal Supplemental Educational Opportunity Grants** - FSEOG's are government-sponsored, college-administered loans awarded to exceptionally needy students. The federal government determines eligibility for FSEOGs and the program gives priority to students receiving federal Pell Grants. Each school awards FSEOGs from available federal funds. There is no guarantee that each school will have enough funding to award an FSEOG to every eligible student.

**Financial aid** - The term "financial aid" is used to describe the combination of loans, scholarships, grants, and work-study that will help you pay for college.

**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 (COA) and the Estimated Family Contribution (EFC) and is used in determining what the student's aid package will be.

**Free Application for Federal Student Aid** - The Free Application for Federal Student Aid (FAFSA) is used to apply for federal student financial aid, including grants, loans, and work-study. In addition, it is used by most states and schools to award non-federal student financial aid. The form is a snapshot of your family's financial situation including income, debt, assets, etc., for both the parents and the student. You will have to fill out the FAFSA every year that you would like to be considered for need-based financial aid.

**Gap** – The amount of need not met by an institution after the estimated family contribution and the financial aid awarded by the college are subtracted from the cost of attendance.

**Grant** - Financial aid awarded on the basis of need or merit that the student is not obligated to repay. It may come from your school or the federal government. Federal grants include the need-based Pell and Federal Supplemental Educational Opportunity (FSEOG) grants.

**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 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).

**In-state Student** - A student whose permanent residence is in the same state as the college or university he or she attends. In-state students pay lower tuition than do out-of-state students at public universities.

**Institutional methodology** - A particular school's method for determining the financial need of a family. Very often information obtained from the CSS Profile is included in this need-analysis formula. Some postsecondary institutions use it for awarding institutional and private financial aid.

**Merit-based aid** - In general terms, merit-based aid is any form of financial aid not based on demonstrated financial need. Each school and/or its alumni associations and wealthy benefactors generally grant merit-based aid, which can take the form of grants, scholarships, or loans on favorable terms. You may qualify for it by meeting certain academic requirements, such as grade point average, test scores, or career goal. Alternatively, you may qualify through an essay competition or the like. Your financial aid package may include both need- and merit-based aid.

**Need** - The difference between a student's Cost of Attendance (COA) and the expected family contribution (EFC).

**Need-based aid** - If the Cost of Attendance (COA) for your college exceeds your Expected Family Contribution (EFC), you will be eligible for need-based aid to cover the difference. You may be awarded a financial aid package that consists of a combination of grants, scholarships, loans, and work-study. The total amount of your package will be determined by a combination of demonstrated financial need, federal award maximums, and your school's available funds.

**Need-blind admission** - A philosophy followed by schools that adhere to the policy that the student's ability to pay would in no way affect the admission decision.

**Need-aware admission** – A philosophy followed by schools that at some point in the process, a student's ability to pay may affect the admission decision.

**Needs analysis** - This is the process of reviewing a student's aid application to determine the ability of the family to contribute to the cost of attendance. Completing a needs analysis form (e.g., FAFSA or PROFILE) is the required step in applying for most types of financial aid.

**Pell grants** - Given by the Federal Government, these grants are awarded to those students demonstrating exceptional financial need. Pell grants do not need to be paid back. The Pell Grant may be applied against tuition, fees, room and board and many other expenses.

**Perkins loans** - Awarded by the student's college, these low-interest loans are given to students (both undergraduate and graduate) that demonstrate exceptional financial need. Repayment of this loan begins 9 months after the student graduates, leaves school or drops to less than half-time student status.

**PIN** - Your Personal Identification Number serves as your electronic signature and provides access to your personal financial aid records. For more information about the PIN see [www.fafsa.ed.gov](http://www.fafsa.ed.gov).

**PLUS loans** - This is an unsubsidized federal loan for parents or legal guardians of dependent undergraduate students. This loan allows parents to borrow all or some of the difference between financial aid received and the cost of attending the school, including room, board, and other charges. The PLUS is not based on need, so the FAFSA is not required.

**Principal** - The initial amount of the student loan. Interest is charged on this amount, and guaranty and origination fees are deducted prior to disbursement.

**Priority filing date** - Date by which the processors must receive financial aid applications in order to be considered on time.

**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.

**Stafford loans** - These loans, both subsidized (need based) and unsubsidized (non-need based), are guaranteed by the federal government and available to students to fund education. Federal Stafford Loans are the most common source of education loan funds. They are available to both graduate and undergraduate students. See also Direct Loans and Federal Family Education Loan Program.

**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 interest from the date the loan is disbursed although you can waive the payments and the interest will be capitalized.

**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 within 90 days of receipt of request.

**Work-study** - An institutionally or federally-funded employment program that provides student with part-time jobs—generally 10 to 15 hours per week—for students who are in need of earnings to help meet a part of their educational cost.