

## **Financial Aid and Financial Literacy Glossary**

### **Accrued Interest**

Interest that accumulates and is paid in installments at a later time (usually when the principal becomes due) rather than paid on a regular schedule from the time a loan is disbursed and interest begins. Accrued interest may be compound (interest computed on the sum of an original principal and accrued interest) or simple (interest computed on the original loan principal only).

### **Adjusted Gross Income (AGI)**

The total of an individual's income (wages, salaries, interest, dividends, etc.) on a tax return after all allowable deductions have been subtracted.

### **Aggregate Loan Limit**

The maximum Federal Stafford Loan amount, subsidized and unsubsidized, students attending a postsecondary educational institution are allowed to borrow throughout their educational careers. Also known as "cumulative loan limit".

### **Aid Year**

The time period from July 1 of one year through June 30 of the following year during which financial aid awards are made to students to help fund post-secondary education. At Washburn the aid year is made up of fall semester, the following spring semester, and the following summer session.

### **Alternative Loan**

An optional loan resource for college students, available through private agencies outside of Washburn University that are willing to lend to students for educational purposes. This type of loan is not usually based on financial need. Deferment of loan principal may be allowed while the student attends school, however, the student may be responsible for the interest while in school.

### **Amortization**

The gradual reduction of a loan debt by periodic (usually monthly) installment payments of principal and interest.

### **Annual Loan Limit**

The maximum Federal Stafford Loan amount, subsidized and unsubsidized, college students are allowed to borrow during a specified loan period. The annual loan limit for a Stafford Loan is determined by a student's grade level, which in turned is based on how many credits a student has earned.

### **Annual Percentage Rate (APR)**

The actual rate of simple interest (interest computed on the original loan principal only) paid by the borrower of a loan.

### **Assets**

With respect to financial aid, the property value and debt that must be reported on the FAFSA. These are financial holdings such as cash on hand in checking and savings accounts, trust funds, stocks, bonds, other securities, real estate (but excluding the family home), income-producing property, business equipment, and business inventory.

### **Award and Award Package**

Financial assistance offered to a student to help reduce the cost of postsecondary education. Types of awards include scholarships, grants, loans or work programs, and are funded by federal, state, and private sources. The combination of all awards is often referred to as the financial aid award "package".

#### Award Notification

The letter or electronic mail letter that notifies WU aid applicants of the financial assistance being offered. The award notification includes information on the types and amounts of aid being offered, specific loan programs, student responsibilities, and conditions that govern the awards. Students who apply for financial aid must be admitted to WU before an award notification can be produced.

#### Award Year

The fall and spring semesters of an academic year. Summer sessions are not considered part of the award year.

#### Borrower

An individual who agrees to take on the obligation of repaying a loan and accepts the terms of the loan by signing a promissory note. For financial aid purposes, students are borrowers of Federal Stafford Loans, subsidized and unsubsidized, and parents of legally dependent undergraduate students are the borrowers of the Federal Parent Loan for Undergraduate Students (PLUS). Graduate and graduate-professional students are the borrowers for both the Federal Stafford Loan and the Graduate PLUS.

#### Campus-Based Programs

The term commonly applied to federal student aid programs administered directly by financial aid offices at eligible postsecondary educational institutions. These include Federal Perkins Loan, Federal Work-Study, and Federal Supplemental Educational Opportunity Grant programs.

#### Cancellation (discharge) of a Federal Loan

The result of a borrower meeting specific requirements established by law that release the borrower from all obligation to repay a federal educational loan. Cancellation results in the principal and interest being paid by the federal government. Cancellation is not automatic, and the appropriate loan agency must be contacted for more information.

#### Capitalization of Loan Interest

The process of deferring interest payments as they come due and adding the accrued interest to the principal amount of the loan. Although capitalizing is a way to postpone interest payments, it adds to the amount of the principal and, consequently, increases both the interest (based on the higher principal) and the overall amount that must eventually be repaid.

#### Central Processing System (CPS)

The computer system to which the Federal Processing Center, as contract by the U.S. Department of Education, electronically transmits FAFSA need analysis data. The CPS performs computer database matches to ensure that a student meets certain eligibility requirements, calculates the official family contribution, and produces a web or paper SAR for the applicant.

#### College Work-Study

An employment program administered by postsecondary educational institutions that provides part-time jobs for students with financial need. To utilize the award a student would find a job with an eligible nonprofit organization (i.e. most on-campus and some off-campus employers). Community service work and work related to a student's course of study is encouraged. "Work study" does not mean that a student is paid to study; students must apply for a job, and satisfy the employer's requirements to be hired and maintain the job. Student employees receive a paycheck every other week and are responsible for using the money to help pay educational expenses.

#### Co-Signer

An individual who, by signed a loan promissory note along with the borrower, becomes equally responsible for the loan debt.

#### Completed Credits

Credits that you carry throughout the term or subterm of the class(es) and for which you receive a numerical grade or a Pass or Credit grade.

#### Cost of Attendance (COA)

The average cost of a student's postsecondary education in a particular enrollment period, usually fall/spring, established by Washburn in accordance with federal regulations. Also referred to as "cost of education" or "budget". It is based on course of study, grade level, residency, and other factors, and includes the following components: average tuition and fees, allowances for room and board (either on or off campus), books and supplies, and miscellaneous personal expenses. In certain cases the COA may include other elements such as transportation, dependent care, and study abroad program expenses. The figure is used in a calculation to determine a student's eligibility for financial assistance programs. Also see "Financial Need".

#### Current Credits

Credits for which you are enrolled on your official schedule as of today.

#### Custodial Parent

With respect to financial aid, the parent with whom a dependent college student lives, and whose financial information must be reported on the FAFSA when parents are divorced or separated. If the custodial parent has remarried, federal regulations require that the stepparent's information must be included on the FAFSA as well, even if the custodial parent and stepparent file separate tax forms, and even if they have an agreement not to assist each other's children with college expenses.

#### Default on a Loan

The failure of a borrower to repay a loan according to the terms agreed to when the promissory note was signed. Usually default is established once loan payments are more than 180 days past due. Defaults are recorded on the permanent credit record and can result in serious legal consequences for the borrower.

#### Deferment of a Federal Loan

A limited and specified period of time during which a borrower of a federal educational loan is not required to make regular monthly payments. To qualify for deferment, the borrower must meet one or more of a number of requirements established by law. Interest payments may or may not be postponed depending on the type of loan. Deferment is not automatic, and the appropriate loan agency must be contacted for more information.

#### Delinquent on a Loan

The failure of a borrower to make a loan payment by the due date. Delinquencies greater than 30 days are reported to national credit bureaus.

#### Dependent Student

A college student who does not meet the criteria, as defined by federal law, to be considered an independent student for the purpose of receiving financial aid. A dependent student must report parental income and asset information on the FAFSA to be used in the calculation of the family contribution. The philosophy of the federal government is that the student and parents have the primary responsibility for funding the student's postsecondary education, with financial aid being a supplement to the family contribution.

#### Disbursement

The process by which financial aid is applied toward a student's postsecondary educational and related living expenses. Any credit balance in excess of charges owing to Washburn is refunded to the student to be used for other educational expenses.

#### Disclosure Statement

The document that provides information to a borrower about the terms of a loan and the consequences of default. It includes such items as the amount of the loan, the interest rate, fee charges, length of grace period (if any), the maximum length of the repayment period and the minimum annual repayment amount, deferment conditions, and the definition of loan default.

#### Dropped Credits

Credits that you drop from your official schedule any time after enrollment for the semester begins.

#### Enrollment

The process a Washburn student completes in order to obtain courses for a particular semester. The student schedules courses and is later sent a registration [bill](#). No payment is required at the point of enrollment. Also see "Registration".

#### Expected Family Contribution (EFC)

See "Family Contribution (FC)".

#### FAFSA

See "Free Application for Federal Student Aid".

#### FAFSA On The WEB

The electronic system available on the U.S. Department of Education web site where an individual can complete the FAFSA online and submit it via the Internet. Also see "Free Application for Federal Student Aid".

#### Family Contribution (FC)

The dollar amount the federal government expects that a student (and parents, if dependent, or spouse, if married) can contribute toward the student's postsecondary educational expenses. The FC is computed using the income and asset information reported on the FAFSA in a formula established by Congress as federal law. It is made up of two components: the Parent Contribution (if the student is dependent) and the Student Contribution. The FC is used in a calculation by schools to determine a student's eligibility for financial assistance programs. Also see "Financial Need".

#### Federal Processing Center (also called Federal Processor or FAFSA Processor)

An organization contracted by the U.S. Department of Education to process a financial aid applicant's completed FAFSA and electronically transmit the resulting need analysis data to the federal Central Processing System.

#### Federal Student Aid Information Center

The government agency to contact with general questions about the federal financial aid application process. Some of the services provided by counselors at this number (1-800-433-3243) include assistance with completing the FAFSA, explanation of the SAR and how to make corrections, and assessment of the status of FAFSA and SAR processing.

#### Financial Aid

The general term that describes financial assistance offered to a student to help reduce the cost of postsecondary education. Programs can include scholarships, grants, loans or work programs, and are funded by federal, state, and private sources. They are meant to supplement what the student (and parents, if dependent, or spouse, if married) is expected to contribute toward educational expenses.

#### Financial Need

The difference between the cost of a student's postsecondary education and the dollar amount the federal government determines from data reported on the FAFSA that a student (and parents, if dependent, or spouse, if married) can contribute toward those costs. Eligibility for need-based financial aid programs is determined using the resulting figure.

#### Forbearance of a Federal Loan

A limited and specified period of time during which a borrower of a federal educational loan, because of hardship, is permitted to postpone or reduce loan payments. Also, forbearance may be given for circumstances that are not covered by deferment. To qualify for forbearance, the borrower must meet one or more of a number of requirements established by law. Usually the borrower is charged for the interest that accrues on the loan during the forbearance period. Forbearance is not automatic, and the appropriate loan agency must be contacted for more information.

#### Free Application for Federal Student Aid (FAFSA)

The standard federal form that a student attending a postsecondary educational institution must complete each award year to be considered for financial aid. The FAFSA collects income and asset data that allows for a determination of the family contribution figure. Once the applicant submits the FAFSA to the federal government's processing center, the data is prepared for release to the schools and state agencies listed on the application. The school or agency is then responsible to determine the student's financial aid eligibility.

#### Gift Aid or Gift Assistance

Funding for postsecondary education, such as grants or scholarships, that does not require repayment or a work obligation.

#### Grace Period

The time period that begins the day a borrower no longer qualifies for loan deferment at a postsecondary educational institution: the date of graduation, or the last day of attendance, or the date a student's enrollment drops to below half-time status. The grace period is six months for Federal Stafford Loans, subsidized and unsubsidized, and nine months for Federal Perkins Loans. During the grace period, repayment of loan principal (and, in some cases, interest) is not required.

#### Grade Point Credits

Total number of credits in all Washburn University classes for which a numerical grade was recorded.

#### Grant

Funding for postsecondary education, usually awarded on the basis of need, that does not require repayment or a work obligation. Federal Title IV grant programs include Pell Grant and Supplemental Educational Opportunity Grant (SEOG).

#### Higher Education Act (HEA) of 1965

Landmark national higher education legislation passed by Congress and signed by President Lyndon B. Johnson in 1965. Title IV of the HEA authorizes the majority of the nation's federal postsecondary financial aid programs and mandates that they be regulated and administered by the U.S. Secretary of Education. The HEA is effective for approximately five years, requiring Congress to reauthorize it, that is, review and then renew, terminate, or amend existing programs. The statute's most current version, as amended, always stands as the official version of the law.

#### Independent Student

For financial aid purposes, a student who meets one or more of the following criteria:

- Age 24 by December 31 of the award year for which aid is being pursued
- Orphan or ward of the court
- Active Duty member or Veteran of the U.S. Armed Forces
- Graduate or professional student
- Married prior to signing and filing the FAFSA
- Has legal dependents other than a spouse
- At any time since age 13 was in foster care
- As determined by a court in the student's state of legal residence, is now or was upon reaching the age of majority either an emancipated minor or was in legal guardianship
- Is determined by a qualified third party to be an unaccompanied youth who is homeless or at risk of being homeless
- Deemed to be independent by the school's financial aid administrator based on special circumstances. Contact the Washburn Office of Financial Aid to discuss your special circumstance with a financial aid advisor. (Note: The federal government does not consider a parent's refusal to provide financial assistance or to provide the required FAFSA information a valid reason for this situation.)
-

#### Interest on a Loan

The fee a lender charges a borrower for using money. In regard to federal student loans, the interest that is accruing while the borrower is enrolled at least half time, during the grace period and during any other approved deferment period is: a) paid by the federal government on the borrower's behalf for the Federal Stafford Subsidized Loan and Perkins Loan, or b) billed to the student for the Federal Stafford Unsubsidized Loan. For all loan programs, once repayment of loan principal begins, interest is charged.

#### Lender

The organization that furnishes loan funds, whether it be a bank, college, the government, or another establishment.

#### Lifetime Learning Credit

An income tax credit available to taxpayers financing a student's postsecondary education. The credit is based on a student's college tuition and fee charges, minus grants and scholarships, and other tax-free educational assistance. It is available for any level of postsecondary study, up to a current maximum of \$1,000.

#### Loan

Money borrowed to assist with the financing of a student's postsecondary education. By signing a promissory note, the borrower promises to repay a specified amount under prescribed conditions. The lender usually charges interest for use of the money, and the amount borrowed is typically repaid with interest over a period of time.

#### Loan Period

The time frame covered by an educational loan, generally two semesters in length, beginning at the start of the one semester and running through the last day of the next consecutive semester. However, a loan period can also be only one semester in length.

#### Loan Servicer

The agent designated to track and collect a loan on behalf of a lender.

#### National Student Loan Database Service (NSLDS)

A system of the federal government which houses a student's federal educational loan borrowing history. All lenders are required to report a student's loan information to this database system.

#### Need Analysis (Federal Need Analysis Methodology)

The federally regulated method of determining the family contribution for a student applying for financial aid. The need analysis formula uses income and asset information, as provided on the FAFSA, to calculate the dollar amount the government expects that a student (and parents, if dependent, or spouse, if married) can contribute toward postsecondary educational expenses.

#### Need-Based Aid

Any form of monetary assistance awarded by a postsecondary educational institution on the basis of a student's demonstrated financial need. Need is established by subtracting the family contribution figure, as calculated from the FAFSA data, from the average cost of attendance figure. If a positive amount remains, the student may be eligible for a number of need-based aid programs. Also see "Financial Need".

#### Parent Contribution (PC)

See "Family Contribution".

#### Pell Grant

A federal grant program offered to high-need students who are working toward a first bachelor's degree at a postsecondary educational institution. It is designed to assist students with the least ability to contribute toward their basic educational expenses. This grant is considered gift assistance and does not require repayment or a work obligation.

#### Perkins Loan

Federally subsidized long term, low interest educational loan available to students attending a postsecondary educational institution full time. Students are required to file the FAFSA and must be pursuing an undergraduate, a graduate, or a professional degree, or a certificate program, to be considered for the loan. Eligibility for this loan is based on financial need. The loan principal and interest is deferred until nine months (the grace period) after the student graduates, leaves school, or ceases at least half-time enrollment. The school is the student's lender and the loan must be repaid to the school.

#### PLUS Loan

A federal loan program, the PLUS may be borrowed by a parent on behalf of the undergraduate child or by a graduate student on his or her own behalf. Interest accrues on the loan from the point of disbursement. A FAFSA must be filed to determine other aid eligibility before a PLUS loan will be processed.

#### Postsecondary Educational Institution

An institution providing education beyond the high school level. The term is used to refer to community colleges and to four-year colleges and universities, as well as trade and technical schools.

#### Preliminary Aid or Award

An estimate of the financial aid that will be offered to a student. A preliminary award is made when review of data is required. **The award is an estimate** based on the original data from the student's FAFSA. Normally a preliminary award notification letter or electronic mail notice is produced to give students and parents the best available data at the time in order to assist them in financial planning for the award year. It should be noted that the awards may change once the required review process has been completed.

#### Principal of a Loan

The amount of money borrowed through a loan, excluding interest or other charges (unless they are capitalized).

#### Professional Judgment

Financial aid administrator discretion, based on the special circumstances of a student, to change data elements used in determining financial aid eligibility for a student attending a postsecondary educational institution. Also see "Special Condition Application".

#### Promissory Note

The contract between a lender and a borrower that contains the terms and conditions governing the loan program, including the repayment obligations. It becomes legally binding when signed (executed) by the borrower. The borrower promises to repay the loan, with interest, in periodic installments. (confirm attendance), a student's status will not be converted from enrolled to registered.

#### Repayment of a Federal Loan

The process of paying back an educational loan to the lender (e.g. college or federal government) in periodic (usually monthly) installments of principal and interest. A choice of repayment plans or consolidation may be available. A federal educational loan must be repaid even if the student doesn't complete a school's program of study, doesn't like the school or the program of study, or doesn't obtain employment after completing the program of study.

#### Satisfactory Academic Progress (SAP)

A satisfactory rate of student course completion. By law, postsecondary educational institutions whose students receive federal Title IV funds must create policies for monitoring a financial aid recipient's level of academic progress toward a degree or certificate within a given period of time. Items for consideration can include a student's GPA, the completion rate or pace, and/or the number of semesters it is taking a student to complete a program.

### Scholarship

A form of educational financial assistance that does not require repayment or a work obligation. A "merit-based" scholarship is awarded to a student who demonstrates potential for distinction, usually in academic performance. A "need-based" scholarship is awarded to a student who demonstrates financial need. Some scholarships may require both academic proficiency and demonstrated financial need.

### Scholarship Search Services

Online systems available through the Internet that help students find sources of funding for postsecondary education. An applicant provides information regarding such things as academic achievement, heritage, artistic talents, athletic ability, educational goals, or career plans. In turn, the data is transmitted to a national computer database, and soon after the student is presented with a list of sources or organizations that offer scholarships for which the student may be eligible. In most cases, search services do not provide any awards directly to applicants. It is up to the student to follow through and apply for the scholarships. Note: A student should be wary of any service that guarantees a scholarship, charges a large fee, or requires that a credit card or bank account number be provided, since the same information is available for low or no cost. Also, the U.S. Department of Education does not evaluate private scholarship search services. A student should check the reputation of a service by contacting the Better Business Bureau or a State Attorney General's Office.

### Selective Service Certification

Documentation that must be collected to verify that all male students (who were born on or after 1/1/60) are registered with Selective Service. If required by law, a student attending a postsecondary educational institution must register with the Selective Service before receiving federal financial aid.

### Self-Help Aid

Financial aid loan programs or employment opportunity programs awarded to a student by a postsecondary institution as a form of educational financial assistance.

### Special Condition Application (SCA)

The application a student uses to report special family circumstances that are not recognized on the original financial aid application (FAFSA). If unusual circumstances have occurred for a student and family, the SCA must be completed and documentation provided to support such claims. The SCA is obtained at Washburn Office of Financial Aid and returned to that office for processing.

### Stafford Loan

A federal loan, borrowed by a student for educational costs. See the [Stafford Loan](#) page for details.

### Statement of Educational Purpose

A statement a student must sign in order to receive federal student aid at a postsecondary educational institution. By signing, a student agrees to use federal Title IV financial assistance solely for educational expenses. The statement appears on the FAFSA.

### Student Aid Report (SAR)

The official notification from the federal government that summarizes the information submitted on the FAFSA. The document is paper if the FAFSA was submitted on paper, and is a secure web document if the FAFSA was completed online. The SAR displays the entered data, the family contribution figure and any special messages related to the student's application. Review the SAR to ensure it is accurate.

### Subsidized Loan

A type of Stafford Loan where the interest is paid by the federal government while the student is attending at least half-time.

### Supplemental Educational Opportunity Grant (SEOG)

A federal grant program offered to high-need students who are working toward a first bachelor's degree at a postsecondary educational institution. It is designed to assist students with the least ability to contribute



toward their basic educational expenses. This grant is considered gift assistance and does not require repayment or a work obligation.

#### Title IV Funds

Federal financial aid programs authorized under Title IV of the Higher Education Act of 1965, as amended, and regulated and administered by the U.S. Department of Education.

#### Transfer Credits (Academic)

Transfer credits for academic purposes include credits taken at any other postsecondary institution, and transferred in as equivalent to a course at Washburn. These credits are a part of your cumulative attempted credits.

#### Transfer Credits (Financial Aid)

Transfer credits for financial aid purposes include all credits taken at any other postsecondary institution, and are a part of your cumulative credits when evaluating Satisfactory Academic Progress maximums.

#### Unsubsidized Loan

A type of Stafford Loan where interest accrues on the outstanding loan balance while the student is in school. Interest may be paid while the student is attending or may be capitalized. See "Capitalization of Loan Interest".

#### Untaxed Income

Income (earnings) or resources that are not reported to the Internal Revenue Service and therefore not subject to federal tax, or are reported but excluded from taxation. Examples of untaxed income are child support, interest on tax-free bonds, some Social Security benefits, certain unemployment compensation, and military and other subsistence and quarters allowances.

#### U.S. Department of Education

The branch of the federal government that administers the federal financial assistance programs for students attending postsecondary educational institutions. These programs include: Pell Grant, Perkins Loan, Supplemental Educational Opportunity Grant, Work-Study, and all loans under the Federal Direct Student Loan Program.

#### Variable Interest on a Loan

Interest rates that change periodically (i.e., quarterly, annually, etc.). The interest rates for Federal Stafford Loans, subsidized and unsubsidized, and Parent PLUS Loans borrowed before July 1, 2006 were variable rate loans.

#### Verification

The process used to check that the information reported on the FAFSA is accurate by comparing it to tax returns and other income and asset documentation.

Source: <https://finaid.msu.edu/glossary.asp>