

GLOSSARY (adapted from the *Common Manual*)

Academic Period: A measured period of enrollment (e.g., a semester, trimester, quarter, or clock hours).

Academic Year: For the purposes of Title IV aid, a period that begins on the first day of classes and ends on the last day of classes or examinations and that consists of at least 30 weeks of instructional time during which an undergraduate, full-time student is expected to complete either of the following:

- At least 24 semester or trimester hours, or 36 quarter hours in an educational program that measures program length in credit hours.
- At least 900 clock hours in an educational program that measures program length in clock hours.

The Department may, at its option, reduce the minimum number of weeks in an academic year.

Administrative Forbearance: A temporary suspension of, a reduction of, or an extension of time for making principal and/or interest payments on a Federal Stafford, SLS, PLUS, or Consolidation loan that is granted by the holder or lender, upon notice to the borrower or endorser, and that does not require a written request from the borrower or an agreement signed by the borrower before the forbearance is granted.

Administrative Wage Garnishment: Process by which a guarantor, under federal law, may intercept a portion of the wages of a borrower with a defaulted FFELP loan.

Application: The form the borrower uses to apply for a Federal Stafford, PLUS, or Consolidation loan, or a loan through an alternative loan program.

Award Year: The period between July 1 of a given calendar year and June 30 of the following calendar year.

Campus-Based Programs: The Federal Perkins Loan, Federal Work-Study, and Federal Supplemental Educational Opportunity Grant programs. These programs are administered by a school's financial aid office. A student's financial aid package may contain aid from one or more of these programs.

Capitalization: An increase in the principal balance of a loan that occurs when a lender adds the interest accrued on the loan to the outstanding principal balance.

Collection Charges: Costs incurred by the lender or its agents in collecting overdue payments. These charges may include, but are not limited to, attorney's fees, court costs, and telegrams; they may not include routine costs associated with preparing letters or notices or making telephone calls to the borrower.

Cost of Attendance (COA): An estimate of the student's educational expenses for a period of enrollment.

Default: The failure of a borrower (or endorser or comaker, if any) to make installment payments when due, or to meet other terms of the promissory note or other written agreement(s) with the lender under circumstances where the Department or guarantor of the loan reasonably concludes that the borrower no longer intends to honor the borrower's obligation to repay a loan, provided that this failure persists for the most recent consecutive 270-day period (for a loan repayable in monthly installments) or the most recent 330-day period (for a loan repayable in less frequent installments).

Deferment: A period of time during repayment in which the borrower, upon meeting certain conditions, is not required to make payments of loan principal.

Delayed Disbursement: The federally mandated delay of the first disbursement of loan funds for first-year, first-time undergraduate Stafford loan borrowers. The school is prohibited from scheduling the first disbursement of a loan to these students earlier than:

- The 28th day of the first payment period if the loan is disbursed by EFT or master check.
- The first day of the first payment period if the loan is disbursed by individual check.

Delinquency: A period that begins on the day after the due date of a payment when the borrower fails to make the equivalent of one full payment.

Dependent Student: A student who does not meet the eligibility requirements for an "Independent Student," under the Higher Education Act of 1965, as amended.

Disability: A medically determined condition that renders a person unable to work and earn money, or, in some cases, to attend school. A borrower (or his spouse or dependent) is considered to be *temporarily totally disabled* if the condition is expected to be of a short and finite duration; a borrower is considered *totally and permanently disabled* if this condition is expected to continue for a long or indefinite period of time, or to result in death

Disbursement: The transfer of loan proceeds by individual check, master check, or electronic funds transfer (EFT) by a lender to a borrower, a school, or an escrow agent. For a Consolidation loan, disbursement is the transfer of borrower loan proceeds from the consolidating lender to the current holder of the loan being consolidated.

Disbursement Date: For a loan disbursed by check or draft, the date the check or draft is issued. For a loan disbursed by electronic funds transfer (EFT) or wire transfer, the date the funds are transferred from the lender to the school or escrow agent.

Discharge: The release of a borrower from a loan obligation due to the borrower's bankruptcy, the closing of a borrower's school, the borrower's (or student's) death, the borrower's total and permanent disability, or the school's false certification of the borrower's eligibility for a FFELP loan.

Due Diligence: The procedures required for attempting to satisfactorily resolve a delinquency and prevent a default in accordance with federal regulations. The lender must document the performance of these attempts, and the attempts must be at least as forceful as those generally used for consumer loans.

Economic Hardship: A period during which the borrower is working full time but is earning an amount that does not exceed the greater of the minimum wage or the poverty line for a family of two. Economic hardship also exists if a borrower's monthly payments on federal education loans are equal to or greater than 20 percent of the borrower's monthly income, as defined in FFELP regulations.

Electronic Funds Transfer (EFT): The electronic transfer of Stafford or PLUS loan proceeds from the lender to an account at the school or the school's financial institution.

Estimated Financial Assistance (EFA): The school's estimate of the amount of financial assistance from federal, state, institutional, or other sources that a student (or parent on behalf of a student) will receive for a period of enrollment. This may include veterans' and national service awards and benefits (except when determining eligibility for a subsidized Stafford Loan), scholarships, grants, financial need-based employment, or loans. EFA does not include Federal Perkins Loans or Federal Work-Study funds that the student has declined or certain loans used to replace the expected family contribution.

Expected Family Contribution (EFC): The amount a student and the student's spouse or family are expected to pay toward the student's cost of attendance. The federal Need Analysis Methodology must be used to calculate the EFC.

Extended Repayment Schedule: A repayment schedule available to a new borrower on or after October 7, 1998, with outstanding principal and interest in FFELP loans totaling more than \$30,000. An extended repayment schedule may provide for standard or graduated installments over a period not to exceed 25 years.

Federal Family Education Loan Programs (FFELP): Loan programs authorized by Title IV, part B of the Higher Education Act of 1965, as amended, including the Federal Stafford, Federal PLUS, Federal SLS, and Federal Consolidation Loan Programs. These loan programs are funded by lenders, guaranteed by guarantors, and reinsured by the federal government. These programs are defined individually in 34 CFR 668.

Final Demand: A letter that the lender mails to the borrower demanding full payment of a delinquent or ineligible account. The letter is required as part of the due diligence procedures for collecting a loan that is seriously delinquent or ineligible. The final demand letter is mailed on or after the 241st day of delinquency for loans payable in monthly installments. The letter must be mailed at least 30 days before the lender files a default claim.

Financial Aid Package: The total amount of financial aid that a school awards a student. Federal and nonfederal aid such as loans, grants, or work-study are combined into a "package" to help meet the student's need. Using available resources to give each student the best possible aid package is one of the major responsibilities of a school's financial aid administrator.

Financial Need: The student's cost of attendance less the expected family contribution. In determining a student's eligibility for a subsidized Stafford loan and a FFELP borrower's total loan amount, the student's estimated financial assistance is also subtracted from the cost of attendance.

Forbearance: A period of time during which the borrower is permitted to temporarily cease making payments or reduce the amount of the payments. The borrower is liable for the interest that accrues on the loan during the forbearance period. Some forbearances are entitlements for eligible borrowers; others are granted at the discretion of the lender.

Free Application for Federal Student Aid (FAFSA): The form the student must complete to apply for federal Title IV financial assistance, including Stafford loans. The student must include financial information on the student's household so that the expected family contribution can be calculated.

Full-Time Student: A student enrolled in an institution of higher education (other than a student enrolled in a program of study by correspondence) who is carrying a full academic workload as determined by the school under standards applicable to all students enrolled in that student's particular program. The student's workload may include any combination of courses, work, research, or special studies, whether or not for credit, that the school considers sufficient to classify the student as a full-time student.

Grace Period: The period that begins the day after a Stafford loan borrower ceases to be enrolled at least half time at an eligible school, ends the day before the repayment period begins, and during which payments of principal are not required

Grade Level: A student's academic class level, as certified by a school official. Undergraduate students are *01* (freshman/first year) through *05* (fifth year/other undergraduate); graduate and professional students are *A* (first year) through *D* (fourth year and beyond).

Graduate or Professional Student: A student who:

- Is enrolled in a program or course above the baccalaureate level at an institution of higher education, or enrolled in a program leading to a first professional degree.
- Has completed the equivalent of at least three years of full-time study at an institution of higher education, either before entrance into the program or as part of the program itself.
- Is not receiving Title IV aid as an undergraduate student for the same period of enrollment.

Graduated Repayment Schedule: A repayment schedule under which the amount of the borrower's installment payment is scheduled to change (usually by increasing in two or more increments) during the course of the repayment period. The graduated repayment schedule cannot exceed 10 years (or 25 years for borrowers eligible for an extended repayment schedule), excluding in-school, grace, deferment, or forbearance periods.

Guarantor (or Guaranty Agency): A state or private nonprofit organization that has an agreement with the U.S. Secretary of Education to administer a loan guarantee program under the Higher Education Act.

Half-Time Student: A student who is: (1) enrolled in a participating school; (2) carrying an academic workload that amounts to at least half of the workload of a full-time student, as determined by the school; and (3) not a full-time student. A student enrolled solely in an eligible program of study by correspondence is considered a half-time student.

Holder: The entity that holds a legally effective Promissory Note and has the right to collect from the borrower.

Income-Sensitive Repayment Schedule: A repayment schedule for some FFELP loans under which the borrower's monthly payment amount is adjusted annually, based solely on the borrower's expected total monthly gross income received from employment and other sources during the course of the repayment period.

Independent Student: A student who meets one or more of the following criteria:

- An individual who is at least 24 years old by December 31 of the award year.
- An orphan or ward of the court.
- A veteran of the U.S. Armed Forces.
- A graduate or professional student.
- A married person.
- An individual with legal dependents other than a spouse.
- A student for whom the school's financial aid administrator determines and documents the student's independent student status based on the administrator's professional judgment of the student's unusual circumstances.

In-School Period: The time during which a student is enrolled on at least a half-time basis at a participating school.

Interest Rate: The rate charged to a borrower for the use of a lender's money. Currently, interest rates carry a variable rate and are adjusted July 1st of each year.

Last Date of Attendance: The last day the student was physically present in class, as confirmed by the student's attendance records.

Leave of Absence: An approved leave of absence is a break in enrollment, not including a semester or spring break, that is requested by the student and approved by the school based upon the school's published leave of absence policy. An approved leave of absence may be no longer than 180 days. With limited exceptions, the student may be granted no more than one approved leave of absence during a 12-month period. The total number of days of all approved leaves of absence may never exceed 180 days in any 12-month period.

Lender: An entity that lends out money for the temporary use on the condition that this money will be repaid with interest.

Loan Limit: The maximum amount of loan funds a borrower may receive.

- **Aggregate Loan Limit:** The borrower's maximum allowable unpaid principal amount throughout the student's academic career.
- **Annual Loan Limit:** The maximum loan amount a student may borrow for each academic year of study under the Stafford Loan Program.

Loan Period: The period of time for which a loan application is certified.

Loan Proceeds: The guaranteed amount of the loan minus any applicable fees.

Mandatory Administrative Forbearance: Forbearance that a lender is required to grant for periods during which the borrower is involved in a local or national emergency or military mobilization or resides in a designated disaster area. A lender is also required to grant a mandatory administrative forbearance for up to three years if the borrower's repayment period must be extended due to the effect of changes in the variable interest rate on standard or graduated repayment terms and for up to five years to accommodate income-sensitive repayment schedules.

Mandatory Forbearance: Forbearance that a lender is required to grant for medical or dental internships and residencies after the borrower's in-school deferment period has expired, for service in AmeriCorps, for excess student loan debt burden, for participation in the student loan repayment programs as administered by the U.S. Department of Defense, and for nonmedical or dental internships.

Master Promissory Note (MPN): A promissory note under which the borrower may receive loans for either a single period of enrollment or multiple periods of enrollment. If used for attendance at a school eligible to use the multi-year feature, most borrowers sign the MPN once to receive maximum eligibility under the subsidized and unsubsidized Stafford loan programs. Otherwise the borrower must sign a new MPN for each new loan.

Multiple Disbursements: Disbursement at predesignated times of a Federal Stafford or PLUS loan —usually in two or more installments of approximately equal increments.

National Student Loan Data System (NSLDS): A database comprised of information from guarantors, schools, lenders, and the Department of Education which contains information on Title IV aid received by students.

Partial Cancellation: Cancellation of a disbursement or a portion of a disbursement rather than of an entire loan.

PLUS Loan: A loan available to an eligible parent of a dependent undergraduate student attending a participating postsecondary school.

Prepayment: A payment received when the borrower is not required to make either principal or interest payments; when a borrower is required to make interest payments, but previously authorized the lender to capitalize accruing interest; or when the borrower makes a payment that is greater than the amount of the borrower's regular installment or the amount due.

Principal Balance: The outstanding amount of the loan, on which the lender charges interest. As the loan is repaid, a portion of each payment is used to satisfy interest that has accrued, and the remainder of the payment is used to reduce the outstanding principal balance.

Promissory Note: A legally binding agreement the borrower signs to obtain a loan under the FFELP, in which the borrower promises to repay the loan, with interest, in periodic installments. The agreement also includes information about any grace period, deferment, or cancellation provisions and the student's rights and responsibilities with respect to the loan.

Rehabilitation (of a defaulted loan): A process by which a borrower may bring a FFELP loan out of default by adhering to specified repayment requirements

Reinstatement (of borrower Title IV eligibility): A process by which a borrower with a defaulted FFELP loan may regain eligibility for Title IV aid by adhering to strict repayment requirements.

Repayment Period: The period during which payments of principal and interest are required. The repayment period follows any applicable in-school or grace period and excludes any period of authorized deferment or forbearance.

Repayment Schedule: The legal addendum to the Promissory Note stating the terms of loan repayment and fulfilling disclosure requirements. The Repayment Schedule is a plan that indicates the total principal and interest due, an installment amount, and the number of installments required to pay the loan in full. The Repayment Schedule also contains the interest rate for the loan(s) included on the schedule, the due date of the first and subsequent installments, and the frequency of installments.

Return of Title IV Funds: The federally mandated process by which a school calculates the amount of federal funds to be returned for a Title IV aid recipient who withdraws or who ceases attendance during a payment period or period of enrollment. The calculations may result in a reduction of the student's Title IV loan and grant aid to reflect the percentage of the payment period or period of enrollment that the student attended, if he or she attended 60% or less of the period. Based on these calculations, the school and the student may be required to return "unearned" federal assistance.

Satisfactory Academic Progress (SAP): The level of academic progress required of a student by the Higher Education Act in order to receive Title IV aid, including Federal Stafford, PLUS, or SLS loans. Each school must establish a standard for evaluating a student's efforts to achieve an educational goal within a given period of time. In making this evaluation, the school must establish the normal time frame for completion of the course of study in which the student is enrolled, and a method, such as grades or work projects completed, to measure the quality of the student's performance. Students who exceed one and a half times the normal time required to complete their academic program are not eligible for additional Title IV assistance for that period that is in excess of 150% of the academic period normally required.

Satisfactory Repayment Arrangement: A specified number of consecutive, on-time, voluntary, reasonable and affordable full monthly payments made by a borrower to the holder of any loan or loans in default. Satisfactory repayment arrangements may be established by a borrower either to regain eligibility for Title IV funds, to rehabilitate a defaulted loan, or to consolidate a defaulted loan. The loan holder's determination of a "reasonable and affordable" payment amount is based on the borrower's total financial circumstances. "Voluntary" payments are payments made directly by the borrower, and do not include payments obtained by tax offset, garnishment, or income or asset execution. An "on-time" payment is a payment received by the guarantor within 15 days before or after the scheduled due date.

Secondary Market: An entity that purchases education loans from eligible lenders in order to increase the amount of funds available for education loans. The secondary market obtains funds from investors and uses those funds to purchase existing education loans from lenders. The lenders then use the proceeds of those sales to make new education loans.

Separation Date: The date the student ceases to be enrolled on at least a half-time basis at an eligible school.

Servicer (or Third-Party Servicer): The entity designated to administer a loan on behalf of the holder/lender.

Stafford Loan Program: The loan available to an eligible student attending a participating postsecondary school.

- **Subsidized Loan:** A loan eligible for interest benefits paid by the federal government. The federal government pays the interest that accrues during the student's in-school, grace, and authorized deferment periods.
- **Unsubsidized Loan:** A non-need-based loan in which the borrower is responsible for paying the interest that accrues during the in-school, grace, and deferment periods, in addition to repayment periods.

Standard Repayment Schedule: A repayment schedule under which the borrower pays the same amount for each installment payment throughout the entire repayment period or pays an amount that is adjusted to reflect annual changes in the loan's variable interest rate. The Standard Repayment Schedule cannot exceed 10 years, excluding in-school, grace, deferment, or forbearance periods.

Student Aid Report (SAR): The student's need analysis report, which is generated by the Department's central processing system or MDE processor. The SAR summarizes information that the student reported on the FAFSA. An electronic version sent to the school is called an ISIR (Institutional Student Information Record).

Totally and Permanently Disabled: The condition of an individual who is unable to work and earn money due to an injury or illness that is expected to continue indefinitely or result in death.

Undergraduate Student: A student who is enrolled at a school in a course of study, at or below the baccalaureate level, that usually does not exceed four academic years, or is up to five academic years in length and is designed to lead to a first degree.

Withdrawal Date: The date the student withdraws, as determined by the school. The requirements that the school must follow for determining the student's withdrawal date depend upon whether the school is required to take attendance.