

# GLOSSARY OF FINANCIAL AID TERMS

## Accrual

The date on which interest charges on an educational loan begin to accumulate (or accrue).

## Adverse Credit History

An adverse credit history is defined as being more than 90 days late on any debt or having any Federal (Title IV) debt within the past five years subjected to default determination, bankruptcy discharge, foreclosure, repossession, tax lien, wage garnishment, or write-off.

## Aggregate Direct Loan Limit

A student's Aggregate (maximum) Direct Loan limit is the total amount of Federal Direct Loans, both subsidized and unsubsidized, that a student can borrow while pursuing a degree(s).

## Bankruptcy

A legal proceeding in which an insolvent person, someone who cannot pay debts, may be relieved of financial obligations but loses control over bank accounts and future financial options. Bankruptcy is a last resort for those with debt problems, and although some debts may be discharged, bankruptcy affects a person's credit rating and financial opportunities for many years. Student loans, including alternative student loans, cannot be discharged through bankruptcy.

## Borrower

A borrower is the person who has signed and agreed to the terms in the master promissory note (MPN), and must repay the loan.

## Budget

A budget is a plan for the coordination of resources (income, checking/savings accounts, etc.) and expenses to prevent spending more than available resources.

## Cancellation

Some loan programs provide for cancellation, waiver of your requirements to repay the loan, under certain circumstances such as death or permanent disability of the borrower. Some types of federal student loans have additional cancellation provisions. For example, students who become teachers in certain national shortage areas may be eligible for cancellation of all or part of the balance of their educational loans. *See also forgiveness.*

Please check with your loan servicer to determine if you are eligible for partial or total cancellation. The following is a list of occupations, professions, and situations that may be eligible for cancellation: (Note: You may lose these privileges if you consolidate.)

- Teacher in a low-income school, or in subject areas such as special education, math, or science
- Head Start Administrator
- Law enforcement or corrections officer
- Military service in area of hostility
- Peace Corps volunteer
- Full-time nurse or medical technician
- Full-time employee of family services organization working with high-risk children
- Total and permanent disability
- Death

## Capitalization

Capitalization means that all interest accrued is added to the principal amount of your loan. Additional interest would then be based upon the higher principal amount. In other words, you would be paying interest on interest. If you are borrowing a Federal Direct Loan that is unsubsidized, you will be able to indicate on your master promissory note (MPN) whether you choose to pay your interest quarterly or have the interest capitalize while you are in school. Choosing to pay your interest quarterly will minimize your loan debt.

## Certification (of a loan)

When an educational institution certifies a loan, they notify and provide the lender with various pieces of information to complete the loan application including the student's enrollment status, expected graduation date, year in school, loan period and cost of attendance.

## Combined Total (Federal Direct Loan)

In some scenarios, the subsidized and unsubsidized portions of a Federal Direct Loan are added together to give you a combined total. This helps you to easily see your total (aggregate) loan borrowing without having to add up the subsidized and unsubsidized components. You can find combined Federal Direct Loan amounts on the student portal of the [National Student Loan Data System \(NSLDS\)](#).

## Consolidation

A consolidation loan combines several student loans into a larger loan with a single lender. The consolidation lender pays off the balances on the other loans giving the student the convenience of making one payment. Carefully review the advantages and disadvantages of consolidating.

## Consortium Agreement

A consortium agreement is a contract between two universities to disburse certain financial aid awards while you are taking courses at another institution.

## Co-signer

A term referring to a person, other than the principal borrower, who signs an agreement to repay a loan. The co-signer assumes equal liability for repayment of the loan.

## Cost of Attendance

The cost of attendance is an estimate of a student's educational expenses for a specific period of enrollment. Your cost of attendance varies based on the number of credits you take, the courses you choose, and your living arrangements. In addition to tuition and fees, living expenses such as meals, rent, transportation, and books are built into each cost of attendance.

The Cost of Attendance is comprised of both direct costs (those billed directly by the university) and indirect costs (*possible* costs incurred by a student while attending school, but not billed by the university).

Your total student aid can never exceed your cost of attendance.

## Credit

You are taking an initial step toward establishing credit when you borrow money. Credit is a promise to pay later for goods, services, or money you receive now. Establishing good credit is important. By repaying your loans on time and making informed decisions regarding your student loan needs, you will prevent future credit difficulties.

## Credit Limit/Line of Credit

An arrangement between a bank or credit card company and a customer which allows the customer to borrow up to a pre-specified amount as determined by the lender.

## Credit Bureau

Credit bureaus and credit reporting agencies provide banks and businesses with a credit rating, which assists banks and businesses in deciding whether to issue a loan or extend credit. There are three nationwide consumer credit report companies:

- Experian - 888-397-3742
- Equifax - 800-685-1111
- TransUnion - 877-322-8228

## Credit Rating (Credit Score)

A credit rating or credit score is an evaluation of the likelihood of a borrower to default on a loan. Your credit rating may include your payment history, a list of current and past credit accounts and their balances, employment and personal information, and a history of past credit problems.

People who make all their payments on time are considered good credit risks. People who are frequently delinquent in making their payments are considered bad credit risks. Defaulting on a loan can hurt your credit rating.

## Default, Defaulter

A defaulter is a person who fails to meet his or her loan responsibilities. A default will remain on your credit history for up to seven years. Defaulters can be denied access to future credit or investments, and the federal government can deduct payments from wages or seize income-tax refunds. Also see Student Financial Aid Services for more information on the consequences of defaulting.

To avoid default, maintain contact with your lender. (To identify your lender, use NSLDS or the Loan Locator.) It is possible for your lender to change during your college career or during repayment (your loans may be sold to a third-party servicing agency). Keep a detailed file of loan information, and notify your lenders as your situation changes. It is your responsibility to contact your lender if there is a change in your name, address, or enrollment status. See also deferment, forbearance, and loan forgiveness.

## Deferment

Deferment is a period of time in which approved borrowers are not required to repay their loans (principal or interest). The following circumstances may enable you to pursue a deferment (note: You may lose these privileges if you consolidate):

- Full-time or half-time study
- Active military duty
- Peace Corps, Vista, ACTION, domestic service, or private/non-profit volunteer
- Engaged in service listed under cancellation privileges (see also forgiveness)
- National Oceanic & Atmospheric Administration Corps
- Graduate fellowship or Professional internship
- Advanced professional training
- Economic Hardship
- Hardship (interest accrues)
- Unable to find full-time employment
- Pregnancy, adoption, or child care
- Temporary or total disability

If you do not qualify for a deferment but are still unable to make satisfactory repayment, you may qualify for a forbearance. Also see grace period. For more information on deferment contact your lender. (To identify your lender, use the [National Student Loan Data System \(NSLDS\)](#).)

## Delinquency

Delinquency occurs when loan payments are late or missed, as specified in the terms of the promissory note and the selected repayment plan.

## Dependent

A dependent student is required to include both student and parent income information on the FAFSA (Free Application for Federal Student Aid). Dependency status is determined using federal guidelines on the FAFSA. Also see independent.

## Disbursement

Disbursement occurs when the lender releases the loan funds to the school for delivery to the borrower. At Millersville, educational loans are disbursed directly to the Office of Student Accounts (OSA) after the add/drop period has ended for each semester.

## Discharge

When a bankrupt person is legally free and clear of any obligation to repay certain debts. Student educational loans can never be discharged under current bankruptcy laws.

## Disclosure Statement

A disclosure statement is a statement of the actual cost of a loan, including the interest costs and the loan fee.

## Expected Family Contribution (EFC) and Financial Need

Your EFC is a calculated figure that is used to estimate your family's ability to contribute towards your education. This figure is derived from a formula established by Congress and federal law and is based on the information you submit on the FAFSA. The EFC is NOT the amount you are required to pay for school. This number is simply used to help the Office of Financial Aid determine what type of aid you are eligible for.

## FAFSA (Free Application for Federal Student Aid)

The FAFSA is the federal application that a student must complete to receive federal, state, or institutional aid. For more information, visit our [Applying for Financial Aid](#) section. The application is available October 1<sup>st</sup>, and must be completed each year you are enrolled in school.

## Federal Direct Student Loans

Federal Direct Loans are loans that are guaranteed to students who have completed a [FAFSA](#) application and meet all other [General Eligibility Requirements](#). Students must also be enrolled in at least 6 credits (half-time) and maintain [Satisfactory Academic Progress](#) (SAP).

## Federal Direct Parent PLUS Loans

A Parent PLUS Loan allows for a parent to help pay for their child's education through a fixed rate federal loan. PLUS Loans can help cover educational expenses not covered by other financial aid resources. The loan is in the parent's name; not the student's and in order to be approved the borrower must not have adverse credit. The US Department of Education is the lender for the loan and the parent is responsible for repaying any amounts borrowed. In order to have a PLUS Loan awarded on the student's account, the student *must* have a [FAFSA](#) application on file and meet all other [General Eligibility Requirements](#). Students must also be enrolled in at least 6 credits (half-time) and maintain [Satisfactory Academic Progress](#) (SAP).

## Fixed Interest Rate

A fixed interest rate is locked in at the origination of the loan and does not change during the term of the loan. See also variable interest rate.

## Forgiveness (Loan)

Loan forgiveness occurs when the federal government cancels all or part of an educational loan because the borrower meets certain criteria, e.g., is performing military or volunteer service. See also cancellation. (Note: You may lose these privileges if you consolidate.)

## Forbearance

Forbearance is a temporary postponement of loan payments for a period of time. Unlike deferment, interest accrues on your loans (whether they are subsidized or unsubsidized) during forbearance. If this interest is not paid off within the period of forbearance, it will be added to the principal, thereby increasing the total amount owed.

*To determine whether or not you are eligible for a deferment or forbearance, contact your lender or loan servicer:*

Federal Perkins Loans: contact the Office of Student Accounts at 717-871-5101 for specific information on repayment, deferment, and forbearance.

Federal Direct Subsidized and Unsubsidized Loans (formerly Stafford Loans): contact the U.S. Department of Education at 800-848-0979 or your loan servicer for specific information on repayment, deferment, and forbearance.

Federal Direct Parent PLUS Loan: Parents may contact the U.S. Department of Education at 800-848-0979. See also deferment.

## FSA ID

Your FSA ID is the unique username and password combination created by you and used to securely access online resources and applications relating to student aid. The FSA ID has replaced the Federal Student Aid PIN. If you are a dependent student, your parents should also apply for an FSA ID so they can access your financial aid applications online.

## Full-time

Certain aid programs require full-time enrollment. For undergraduate students, full-time enrollment is at least 12 credits; for graduate students, full-time enrollment is at least 9 graduate credits. Also see half-time.

## Garnishment of Wages

Garnishment is the practice of withholding a portion of a defaulted borrower's wages to repay his or her loan, without consent.

## Grace Period

In most cases, student loans offer a grace period, a period of time immediately following separation from school during which the borrower is not required to begin repayment. This period allows the borrower to find a job and establish a budget before repayment begins. Federal Direct Loans offer a six-month grace period. Federal Perkins Loans offer nine-month grace periods. Grace periods for Private/Alternative Loans may vary.

## Gross

The term gross refers to an overall total, excluding deductions. Your gross income, for example, is your total income without taxes or other items deducted from it.

The gross amount of your Federal Direct Subsidized and Unsubsidized Loan or Federal Direct PLUS Loan is the full amount you borrow, not including loan processing fees (1 to 4 percent). Once these fees are deducted, the net amount of your loan will be disbursed into your Office of Student Accounts (OSA) account to cover University charges, and any excess will be available as a refund. Also see net.

## Guarantor/Guaranty Agency

The loan guarantor is the agency or institution that insures up-to-permissible limits against loss to lenders in the event of a default. The loan guarantor often reviews and approves the loan on a lender's behalf, where such arrangements have been made between the guarantor and the lender. See also loan servicer.

## Half-time

To be eligible for most federal student aid, a student must be enrolled at least half-time. For undergraduate students, half-time enrollment is at least 6 credits; for graduate students, half-time enrollment is at least 6 graduate credits. Also see full-time.

## Hold

In the event that a student does not complete specific University-related requirements, a hold may be placed on the student's University record(s), which prevents certain student actions or requests from occurring, such as future registration or the release of transcripts.

## Independent

Independent students only submit student income information on the FAFSA (Free Application for Federal Student Aid) and are not required to include parent information. The criteria for determining that a student is independent have been determined by the federal government and are as follows:

- The student is or will be 24 years old during the academic year
- The student is enrolled in a master's or doctoral program
- The student is married when he or she completes the FAFSA
- The student has a child or other dependent who receives more than half of his or her support from the student
- The student is an orphan or ward of the court
- The student is an active member (for purposes other than training), or veteran of the U.S. Armed Forces

If one or more of these criteria apply to a particular student, that student will be considered independent and will not be required to include parent information on the FAFSA. The student will also be able to borrow a larger Federal Direct Loan. Also see dependent.

## Interest

Interest on loans is a fee the lender charges for borrowing money. Interest is charged on loans from the time you sign a promissory note until the time you completely repay the loan. See interest rate information for Federal Direct Subsidized and Unsubsidized Loans, Direct PLUS, Perkins and Private/Alternative loans.

## Interest Rate

The percentage at which interest is calculated on your loan(s). For Federal Direct Subsidized and Unsubsidized Loans, and Federal Direct PLUS Loan interest rates are fixed and subject to change July 1st of each year. The interest rate on Private/Alternative loans are subject to credit approval and vary for each borrower.

## Lender

A lender is the financial institution that provides the money to be borrowed through a student loan program. The lender approves the loan and applies for the loan guarantor. See also loan servicer.

## Lien

The right to take and hold or sell the property of a debtor as security or payment for a debt or duty.

## Loan

A loan is money borrowed that must be repaid.

## Loan Fee

A loan fee is the expense of borrowing. This fee is deducted from each loan disbursement. Not all loans have fees.

## Loan Servicer

A loan servicer is a company hired by your lender to process loan repayments. See also loan guarantor.

## Loan Origination

Loan origination is the process by which a lender brings a loan into existence and involves certification of the loan, guaranty, and completion of the master promissory note (MPN).

## Master Promissory Note (MPN)

The Federal Direct Loan MPN is the legal contract requiring you to repay the loan. It is valid for 10 years while you are enrolled as a student. Once you complete the Federal Direct Loan MPN, you will not need to sign another one to borrow in future years. Also see promissory note.

The Federal Direct PLUS Loan MPN is a legal contract requiring your parents to repay the Federal Direct Parent (PLUS) Loan. Once a parent completes the PLUS Loan MPN, he/she will not need to sign another one to borrow in future years unless they have obtained an endorser on their loan. If a parent has two students attending college, a separate MPN is required for each student. Likewise, if a mother and father both borrow a PLUS Loan for one student, a separate MPN is required for each borrower. Although the PLUS Loan MPN remains in effect for 10 years, parents need to complete the Online PLUS Pre-approval every year to activate a new PLUS Loan for each loan term and to ensure that credit standards continue to be met.

The Federal Perkins Loan MPN is the legally binding documents that are evidence of a borrower's indebtedness to a school. If awarded a Perkins Loan, you must sign the MPN before receiving funds. Perkin's Loans are no longer available as of the 2018-2019 academic year. For questions regarding previous Perkins Loan awards and repayment, please contact the Office of Student Accounts (OSA) for more information.

## Maturity

The maturity date is when the grace period on a loan has ended and the loan officially moves to repayment status.

## National Student Clearinghouse

The National Student Clearinghouse is a national database, which lenders, loan servicers, guaranty agencies, schools, and students can access to verify student degree and enrollment information.

## National Student Loan Data System (NSLDS)

NSLDS is the U.S. Department of Education's central database for student aid. It receives data from schools, agencies that guaranty loans, the Direct Loan program, the Pell Grant program, and other U.S. Department of Education programs. NSLDS provides a centralized, integrated view of Title IV loans and Pell grants that are tracked through their entire cycle; from aid approval through closure. For more information, visit [National Student Loan Data System \(NSLDS\)](#). A [FSA ID](#) is required to view this site.

## Net

The term net is used to refer to the amount remaining after all charges or fees have been deducted from the total. For example, your net income is your total income minus the amount of taxes you pay.

The net amount of your Federal Direct Loan is the amount that is disbursed into your Office of Student Accounts (OSA) account to cover University charges. It is the amount that you borrowed, i.e., the gross amount, with the loan processing fees deducted. Also see gross.

## Online Courses

Millersville's online courses are offered in a time frame that is comparable to a traditional semester schedule, with fixed start and end dates. Course content and activities are available in electronic media. Access to the web is required for course completion. Student aid *may* be available. Contact the Office of Financial Aid to discuss your aid options.

## Origination Fee

Origination fees are loan fees paid to the bank to compensate them for the cost of administering the loan. The origination fees are charged as the loan is disbursed, and typically run approximately 0-5 percent of the amount disbursed. This fee is recouped by the federal government to compensate for loans in default.

## Prepayment

Prepayment loans indicate that the borrower is paying off all or part of a loan before it is due.

## Principal

The term principal refers to a sum of money borrowed, due, or used as a fund. The principal amount of your Federal Direct Loan is the total amount you have borrowed and must repay, with interest charges.

If you have chosen to capitalize the interest on a Federal Direct Unsubsidized Loan (rather than paying it quarterly as it accrues), the principal will include the amount you originally borrowed plus interest that has capitalized. When you graduate and use your grace period, you will then begin payments of principal and interest.

If you are receiving a Federal Direct Subsidized Loan, the government will pay the interest on the principal amount while you are in school. Once you graduate or are no longer enrolled at least part-time and use your grace period, you will then begin payments of principal and interest.

## Private/Alternative Loan

Private Education Loans, also known as Alternative loans are educational loan programs established by private lenders to supplement the funding that students and parents receive from federal and state sources. Private loans have different lending criteria than government lending programs.

Some families turn to private education loans when the federal loans don't provide enough money or when they need more flexible repayment options. However, since federal education loans are less expensive than and offer better terms than private student loans, you should exhaust your eligibility for federal student loans before resorting to private student loans. These loans are credit based and in the student's name. The student may need to obtain a co-signer to qualify for the loan. Most Lenders offer both fixed and variable interest rates. The rates offered will be based on the individual's credit.

## Promissory Note

A promissory note is a legal contract requiring a borrower to repay a loan. When you sign a promissory note, you agree to repay the amount borrowed under the terms outlined in the promissory note. Repayment follows the grace period or deferment period that begins when you leave school or drop below half-time enrollment — even if you do not finish your program of study or obtain a job in your major. See also Master Promissory Note (MPN).

## Repayment

A loan in repayment status, after the expiration of the grace period, is being billed by the loan holder and the borrower must begin to make payments on the loan.

## Repayment Schedule

A repayment schedule is a statement provided by the lender or loan servicer that lists the amount borrowed, the amount of monthly payments, and the date payments are due.

## Repayment Term

The repayment term of a loan is the period during which the borrower is required to make payments on the loan. When the payments are made monthly, the term is usually given as a number of payments or years.

## Satisfactory Academic Progress (SAP)

The Office of Financial Aid is required by federal regulation to monitor student progression toward completion of degree and certificate programs at both the undergraduate and graduate levels. This Satisfactory Academic Progress Standard requires that a specific percentage of completed credits and GPA are necessary each academic year to remain eligible for student financial aid, and an academic degree needs to be completed in a timely fashion. See Maintaining Eligibility.

## Separation

The date when a student ceases being enrolled at least half-time. This is the time when a loan officially ends its initial "in-school" period, which can occur because of graduation, withdrawal, termination, or enrollment of less than half-time.

## Subrogation

Subrogation is the substitution of one lender for another. The current lender assumes the terms and conditions of the previous lender.

## Subsidized, Subsidy

If you are borrowing a subsidized Federal Direct Loan, the interest on the loan is paid by the federal government on your behalf while you are in school. Once you graduate or leave school and your grace period has expired, you will begin making monthly payments on both the interest and the principal (the amount borrowed). See also unsubsidized.

## Unsubsidized

If you are borrowing a Federal Direct Loan that is unsubsidized, the federal government will not pay the interest on your loan while you are in school or during your six-month grace period.

You will be able to indicate on your Federal Direct Loan Master Promissory Note (MPN) whether you choose to pay the interest on your loan quarterly or allow it to capitalize while you are in school. Choosing to pay the interest quarterly will minimize your loan debt. Payments of principal and interest begin once the six-month grace period expires. See also subsidized.

## Variable Interest Rate

A variable interest rate is the rate of interest on a loan that is tied to a stated index and changes annually, every July 1, as the index changes. See also fixed interest rate.

## Verification

Federal regulations require that the Office of Financial Aid reviews all student financial aid applications, like your FAFSA information, to make sure it is accurate and consistent. The Office of Financial Aid is required to resolve any inconsistencies or errors made on FAFSA applications to ensure the integrity of federal student financial aid programs. You may be selected for verification if:

- Your Social Security number, veteran status, or citizenship status reported on the FAFSA does not match the federal government's data.
- You completed the FAFSA using estimated income information or income information is inconsistent, for example: your reported adjusted gross income is less than taxes paid. You may be asked to supply copies of federal tax returns.
- Millersville operates as a Quality Assurance School in association with the Department of Education. As a result, you do not need to submit verification documents unless Millersville contacts you. You must respond to requests for verification within the stated deadlines to avoid cancellation of your student aid.

## Yearly Maximum Loan Limit

The total amount of Federal Direct Loans, both subsidized and unsubsidized, that a student can borrow each year (summer/fall/spring).