

Financial Aid Guide: Loans and More

Financial Aid Terms

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

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

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

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

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

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

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

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

Financial Aid Terms: True or False?

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

1. If I win a scholarship, I have to pay it back. However, I can make payments interest free. TRUE or FALSE?
2. I must accept all the aid listed on my financial aid award letter. TRUE or FALSE?
3. PLUS stands for "Parent Loans for Undergraduate Students." TRUE or FALSE?
4. All federal loans have the same repayment terms. TRUE or FALSE?

1. FALSE! Scholarships do not require you to pay anything back. Once you are awarded a scholarship, there is nothing to pay back, as long as you meet the terms of the scholarship.

2. FALSE! You are not required to accept all of the aid. Your award letter lists the aid that the school is *offering* to you. Speak to your counselor or financial aid office if you have questions.

3. TRUE! The Parent Loans for Undergraduate Students loan is available to *parents* of dependent undergraduate students to cover costs not already covered by the student's financial aid package. Interest rate is variable. Generally, repayment begins 60 days after the loan is fully disbursed.

4. FALSE! Federal loan terms vary by the loan and recipient, for example:

- *Federal Stafford loan:* for students, currently 3.42% (cap: 8.25%)
- *Federal Perkins loan:* for students, fixed at 5%
- *Federal PLUS loan:* for parents, currently 4.22% (cap: 9%)

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Loan Terms

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

Commercial lender: A financial institution that lends loan funds to students and their families.

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

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

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

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

Disbursement: The release of funds by a lender.

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

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

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