

Financial Aid Glossary and Program Details

Assets:

an item of value, such as real estate, home equity, stocks, bonds, cash savings, trust funds, money market funds, college savings plans, retirement and prepaid tuition plans.

California residency:

you're considered a California resident if you're an unmarried student, under 18, and your parents have been legal California residents for one year prior to the year in which you are applying for financial aid; if you've lived for two years with a legal California resident, other than a parent; or if a parent is in the U.S. Armed Forces, stationed in California and on active duty when you enroll. All married students, regardless of age, and unmarried students 18 or older, must establish their own residency.

Campus-based aid:

the three federal programs administered by colleges: Federal Perkins Loan, Federal Supplemental Educational Opportunity Grant and Federal Work-Study.

Capitalization:

when interest is added to the principal balance of a loan rather than being paid as it accrues; any future interest is based on the higher loan amount.

Citizen/eligible non-citizen:

U.S. citizen includes citizens of the 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Guam and the Northern Mariana Islands. Generally, eligible non-citizens are U.S. permanent residents who have a Permanent Resident Card (I-551); conditional permanent residents (I-551C); or eligible non-citizens with an Arrival-Departure Record (I-94) from the Department of Homeland Security with one of the following designations: "Refugee," "Asylum Granted," "Parole," or "Cuban-Haitian Entrant." Those in the U.S. on an F-1 or F-2 student visa, a J1 or J2 exchange visitor visa, or a G series visa (pertaining to international organizations) are not U.S. citizens or eligible non-citizens. Citizens of the Federated States of Micronesia, Palau and the Marshall Islands, and natives of American Samoa and Swain's Island are eligible for most federal aid.

Cost of attendance:

the total cost of college for the school year, including tuition, fees, books, supplies, transportation, food, housing, personal expenses, and sometimes the rental or purchase of a computer; also known as the student budget.

CSS/Financial Aid PROFILE:

the financial aid application administered by the College Board often required by independent colleges and scholarship organizations to award private aid.

Default:

failure to make loan payments or otherwise honor a loan's terms; reported to credit bureaus, making it harder and more expensive to borrow later or receive financial aid, in addition to other serious consequences.



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Deferment:

a postponement of up to three years in repaying a loan approved by your lender.

Direct loans:

federal Stafford, PLUS and Consolidation loans offered under the William D. Ford Federal Direct Loan Program, for which the federal government acts as the lender and guarantor. [See more information about direct loans.](#)

Expected family contribution (EFC):

the portion of your and your family's financial resources that should be available to pay for college, based on a federal formula using the information on your FAFSA.

Federal Family Education Loan (FFEL) Program:

consists of the federal Stafford, PLUS and Consolidation loans which are made by commercial lenders, guaranteed by guaranty agencies and insured by the federal government. [See the loan programs page for more information.](#)

Federal methodology:

the formula the federal government uses to determine a family's ability to contribute toward college using the information on the FAFSA to calculate the expected family contribution (doesn't count home equity and certain other assets); also used by states and some colleges.

Federal processor:

the federal government's computer system that analyzes the information on your FAFSA, calculates your expected family contribution and sends out the Student Aid Report; also called central processing system.

Financial aid eligibility:

the difference between your expected family contribution and the college's cost of attendance; also known as your financial need.

Financial aid package:

the total amount of financial aid offered, usually a combination of grants, loans and work-study.

Forbearance:

when a lender allows you to temporarily postpone repaying your loan, but interest continues to accrue, even on subsidized loans.

GED:

General Educational Development test used to measure academic achievement at the high **school graduate level**.

Grace period:

the period after graduation or dropping below half-time enrollment during which you aren't required to begin repaying your loan-six months for Stafford loans, nine months for Perkins loans (PLUS loans have no grace period).

Grant:

financial aid that doesn't need to be repaid; usually based on financial need. [See the grant programs page for more information.](#)

Guarantee:

a promise to pay a debt if you fail to repay your loan (see "default").

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Guaranty agency:

the agency that guarantees loans made under the Federal Family Education Loan Program against default.

Home equity:

current home **value minus the amount still owed.**

Independent college:

a nonprofit, independent college that's not run by a government organization.

Institution-based aid:

financial assistance offered and controlled by the individual colleges, such as alumni scholarships and endowments from private donors; also called university or college-based aid.

Institutional methodology:

the formula used by independent colleges to determine your eligibility for institutional aid; usually counts home equity and other assets the FAFSA does not.

Interest:

the fee lenders charge you for using their money.

Merit-based aid:

financial aid that is based on merit — grades, test scores, athletic ability, heritage, talents or other criteria — and not income or assets.

Need-based aid:

financial aid that is based on your own or your family's income and assets; most government sources of financial aid are need-based.

PIN:

personal identification number from the U.S. Department of Education that serves as your e-signature on the electronic FAFSA.

Private career college:

a for-profit institution offering a course of study or vocational skills beyond high school.

Promissory note:

a legally binding contract between a borrower and lender listing all terms and conditions of a loan; federal loans have a master promissory note.

Satisfactory academic progress:

the progress you must maintain toward a degree or certificate to receive financial aid.

Scholarship:

free money awarded based on grades, test scores, major, heritage or other criteria, but usually not financial need.

Selective Service registration:

you must register, or arrange to register, with the Selective Service for military draft to receive federal student aid; applies to males born on or after January 1, 1960, who are at least 18 years old, citizens or eligible noncitizens, and not currently on active duty in the Armed Forces.

Student Aid Report (SAR):

the report summarizing the information you provide on your FAFSA.

Student budget:

the total costs of attending a college; also known as the cost of attendance.

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Verification:

the procedure by which a college checks the information you report on the FAFSA, usually by requesting a copy of your (or your parents') signed tax return.

Veteran:

for the FAFSA, a person who has engaged in active duty in the U.S. Armed Forces or is a National Guard or Reserve enlistee called to active duty, or was a cadet or midshipman at one of the service academies, and who was released under a condition other than dishonorable; or who'll be a veteran by June 30, 2007 (see the FAFSA).

Work-Study:

If you're offered Federal Work-Study as part of your financial aid package, your college will assist you in locating a part-time job on or off campus. If possible, you'll be placed in work related to your studies or career plans, or in community service. You'll earn at least the federal minimum wage.



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