

# FINANCIAL GLOSSARY OF TERMS

Accrued Interest	The interest that accumulates on the unpaid principal balance of a loan.
Anticipated Completion (Graduation) Date	The date on which you are expected to complete an academic program. This date is provided by a school official on your loan application and in subsequent enrollment status updates.
Automatic Payment	Student loan payments paid automatically to the lender or servicer by electronic transfer from a checking or savings account.
Capitalized Interest	The accrued interest added to your outstanding principal. Subsequent interest accrues on the new total principal balance, which includes any capitalized interest.
Consolidation	You may obtain a federal consolidation loan to combine several types of federal student loans with varying repayment terms into a single, new loan, even if current student loans are held by more than one lender.
Default	Failure to make payments when due or to meet other terms of the promissory note. By law, default occurs at day 270 of delinquency for Stafford Loans, PLUS, SLS and consolidation loans.
Deferment	A period of time during repayment in which you, upon meeting certain conditions, are not required to make loan payments. For subsidized loans, the federal government pays the interest during a deferment. For others, the interest accrues and is capitalized, and you are responsible for paying it.
Delinquency	A period that begins on the day after the due date of a payment when you fail to make the equivalent of one full payment.
Electronic Funds Transfer (EFT)	The electronic transfer of Stafford Loan or PLUS Loan proceeds from the lender to an account at the school or the school's financial institution.
Federal Direct Loan Program (FDLP or Direct Lending)	The Federal Direct Loan Program offers Direct Stafford (subsidized and unsubsidized), PLUS (Parent and Graduate/Professional) and consolidation loans. The funding comes directly from the U.S. Treasury rather than from private lending institutions.
Federal Family Education Loan Program (FFELP)	The Federal Family Education Loan Program offers Stafford (subsidized and unsubsidized), PLUS (Parent and Graduate/Professional) and consolidation loans. This loan program is funded by lenders, guaranteed by guarantors and reinsured by the federal government. As of July 1, 2010, no new loans can be processed through FFELP; rather, all federal student loans are processed through FDLP.
Federal Privacy Act Waiver	Written authorization from the borrower giving someone other than the borrower legal permission to obtain information on the loan.
Forbearance	A period of time during which you are permitted to temporarily cease making payments or reduce the amount of the payments. Forbearances are not automatically granted and are allowed solely on the lender's discretion.
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 and ends the day before the repayment period begins. During this time, payments of principal are not required.
Graduated Repayment Schedule	A repayment schedule under which the amount of your installment payment is scheduled to change during the course of the repayment period.
Guarantor (or Guarantee Agency)	A guarantor is a person, company or entity who agrees to assume responsibility for a debt in the event that the party actually responsible for that debt fails to pay it.

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Income-Contingent Repayment Schedule	A repayment schedule for some FDLP loans under which your monthly payment amount is adjusted annually, based on the total amount of your direct loans, your family size and the adjusted gross income reported on your most recent income tax return.
Income-Sensitive Repayment Schedule	A repayment schedule for some FFELP loans under which your monthly payment amount is adjusted annually, based solely on your expected total monthly gross income received from employment and other sources during the course of the repayment period.
Interest	The charge made to a borrower for use of a lender's money.
Late Charges (fees)	A fee charged when a payment is not received on time. Some common bills which almost always have a late fee policy are student loan payments, credit card payments, mortgage/rent payments and car loan payments.
Lender	A bank, credit union or other financial institution from which a borrower obtains a private loan. In the case of the FDLP, the federal government is the lender of Title IV loans.
Loan Term	The period of time for which a loan application is certified.
Master Promissory Note (MPN)	A contract between a borrower and lender that legally obligates the borrower to repay a loan. It also includes loan details, including lender information, terms and conditions.
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 you sign to obtain a loan, in which you promise to repay the loan, with interest, in periodic installments.
Rehabilitation (of a defaulted loan)	A process by which you may bring a federal 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 federal loan may regain eligibility for Title IV aid by adhering to strict repayment requirements.
Repayment Period	The period during which interest accrues on your loan and principal payments are required.
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 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.
Servicer	An entity that enters into a contract with a program participant to administer any aspect of its participation in a student loan program.
Standard Repayment Schedule	A repayment schedule under which you pay the same amount for each installment payment throughout the entire repayment period or pay 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.

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Subrogation	A transfer in ownership of a defaulted FFELP loan from a guarantor to the Department of Education.
Subsidized Loan	A loan eligible for interest paid by the federal government. The federal government pays interest that accrues on subsidized loans during your in-school, grace, authorized deferment and (if applicable) post-deferment grace periods, if the loan meets certain eligibility requirements.
Title IV	A section of the Higher Education Act of 1965, as amended, that authorizes federal loan, work and grant education financial assistance programs.
Unsubsidized Loan	A non-need-based loan such as an unsubsidized Stafford Loan or PLUS Loan. You are responsible for paying the interest on an unsubsidized loan during in-school, grace and deferment periods, in addition to the repayment periods.
Variable Interest Rate	An interest rate that changes, usually annually, according to prescribed methods.