

# Federal Aid Glossary

**Academic Competitiveness Grant (ACG):** A federal grant awarded to first and second year students who are eligible for a Federal Pell Grant, enrolled at least half time, and who have successfully completed a rigorous secondary school program of study and, for second year students, have earned at least a 3.0 GPA.

**Acceptance Form:** The written acknowledgment by the student of receipt of an award letter. The form usually provides for acceptance of offered aid, possible declination of all or part of offered aid, and some means of requesting an appeal, if that is desired, to modify the award. Frequently, acceptance letters and award letters are combined into a single document.

**Accruing Interest (on a loan):** The cost of the loan, represented by the interest, that is added to the loan amount prior to the repayment period or prior to a payment installment.

**Adjusted Available Income:** The portion of family income remaining after deducting federal, state, and local taxes, a living allowance, and other factors used in Federal Methodology.

**Adjusted Gross Income (AGI):** All taxable income as reported on a U.S. income tax return.

**Advanced Placement (AP):** Credit and/or advanced standing in certain course sequences that postsecondary institutions may offer to high school students who have taken high-level courses and passed certain examinations.

**AmeriCorps:** A national work service program where full-time members who complete their service earn a Segal AmeriCorps Education Award of \$4,725 to pay for college, graduate school, or to pay back qualified student loans. Members who serve part-time receive a partial award. Some AmeriCorps members may also receive a modest living allowance during their term of service.

**Army College Fund:** A program that provides Army enlistees in certain job specialties and who score at least 50 on the Armed Forces Vocational Aptitude Battery educational benefits to attend college.

**Army Reserve Student Loan Repayment Program:** Student loan repayment program available to Army Reservists; amount of repayment is based on years of service and job specialty.

**Assets:** Cash on hand in checking and savings accounts; trusts, stocks, bonds, other securities; real estate (excluding the home), income-producing property, business equipment, and business inventory. Assets are considered in calculating the Expected Family Contribution (EFC).

**Associate's Degree:** A degree given for successful completion of some courses of study at a two-year institution.

**Award Letter:** A method of notifying successful financial aid applicants of the assistance being offered by the institution. The award letter usually provides information on the types and amounts of aid offered, as well as specific program information, student responsibilities, and

the conditions which govern the award. Generally provides students with the opportunity to accept or decline the aid offered. (See Financial Aid Notification)

**Bachelor's Degree:** The degree given for successful completion of the undergraduate curriculum at a four-year college or a university. It is also called a baccalaureate degree.

**BIE Grant:** See Bureau of Indian Education Grant.

**Budget:** See Cost of Attendance.

**Bureau of Indian Education (BIE) Grant:** A federal grant program administered by the Bureau of Indian Affairs for needy students who are members of an Indian, Eskimo, or Aleut tribe and enrolled in accredited institutions in pursuit of an undergraduate or graduate degree.

**Business Assets:** Property that is used in the operation of a trade or business, including real estate, inventories, buildings, machinery and other equipment, patents, franchise rights, and copyrights. Business assets are considered in the calculation of the Expected Family Contribution (EFC) under the regular formula.

**Byrd Scholarship:** A federally sponsored, merit-based scholarship for outstanding high school students.

**Campus-based Programs:** The term commonly applied to those U.S. Department of Education federal student aid programs administered directly by institutions of postsecondary education. Campus-based programs include: Federal Perkins Loan, Federal Supplemental Educational Opportunity Grant (FSEOG), and Federal Work-Study (FWS).

**Capitalization (of interest):** The arrangement between borrower and lender whereby interest payments are deferred as they come due and are added to the principal amount of the loan.

**Central Processing System (CPS):** The computer system to which the student's need analysis data is electronically transmitted by the FAFSA processor. The Central Processing System performs database matches, calculates the student's official Expected Family contribution (EFC), and generates the Student Aid Report (SAR).

**Certificate:** The formal acknowledgment of successful completion of a particular program or course of study, particularly at a vocational school, trade school, or junior college.

**CLEP:** See College-Level Examination Program.

**COA:** See Cost of Attendance.

**College-Level Examination Program (CLEP):** A series of examinations demonstrating a student's proficiency in a subject area, for which some postsecondary institutions offer credit.

**Commuter Student:** A student who does not live on campus; typically, "commuter" refers to a student living at home with his or her parents, but can also mean any student who lives off-campus.

**Consolidation Loan:** A loan made to enable a borrower with different types of loans to obtain a single loan with one interest rate and one repayment schedule. Federal Perkins, Federal Stafford (subsidized and unsubsidized), Direct Subsidized and Direct Unsubsidized, Health

Education Assistance Loans (HEAL), Health Professions Student Loans (HPSL), and Loans for Disadvantaged Students may be combined for purposes of consolidation, subject to certain eligibility requirements. A consolidation loan pays off the existing loans; the borrower then repays the consolidated loan.

**Cooperative Education:** A program through which a college student alternates periods of classroom instruction with periods of related employment.

**Cost of Attendance (COA):** Generally, this includes the tuition and fees normally assessed a student, together with the institution's estimate of the cost of room and board, transportation and commuting costs, books and supplies, the cost of a computer, and miscellaneous personal expenses. In addition, student loan fees, dependent care, reasonable costs for a study abroad or cooperative education program, and/or costs related to a disability may be included, when appropriate. It is also referred to as "cost of education" or "budget."

**CPS:** See Central Processing System.

**Credit (or Credit Hour):** The unit of measurement some institutions give for fulfilling course requirements.

**Custodial Parent:** The parent with whom a dependent student lives, and whose financial information is used in need analysis when parents are divorced or separated.

**Deferment (of loan):** A condition during which payments of principal are not required, and, for Federal Perkins and subsidized Federal Stafford and Direct Subsidized Loans, interest does not accrue. The repayment period is extended by the length of the deferment period.

**Department of Education, U.S. (ED):** The federal government agency that administers assistance to students enrolled in postsecondary educational programs under the following programs: Federal Pell Grant, Academic Competitiveness Grant (ACG), National Science and Mathematics Access to Retain Talent (SMART) Grant, Teacher Education Assistance for College and Higher Education (TEACH) Grants, Federal Perkins Loan, Federal Supplemental Educational Opportunity Grant (FSEOG), Federal Work-Study (FWS), Federal Family Education Loan (FFEL) Programs, and William D. Ford Federal Direct Loan (Direct Loan) Program.

**Departmental Scholarship:** An award of gift assistance that is specifically designated for a recipient in a particular academic department within the institution.

**Dependent Student:** A student who does not qualify as an independent student and whose parental income and asset information is used in calculating the Expected Family Contribution (see Independent Student).

**Direct PLUS Loan:** Long-term loans made available to parents of dependent students. Interest rates are linked to 52-week Treasury bill rates, but may not exceed 9%. May be used to replace EFC; amount borrowed is limited to the cost of attendance minus estimated financial assistance.

**Direct Subsidized and Direct Unsubsidized Loans:** Long term, low-interest loans administered by the Department of Education and institutions. Loans carry a fixed interest rate of 6.8%. Direct Unsubsidized Loans can be used to replace EFC.

**Educational Benefits:** Funds, primarily federal, awarded to certain categories of students (veterans, children of deceased veterans or other deceased wage earners, and students with physical disabilities) to help finance their postsecondary education regardless of their ability to demonstrate need in the traditional sense.

**Educational Expenses:** See Budget and Cost of Attendance.

**EFC:** See Expected Family Contribution.

**Employment:** With reference to financial aid, the opportunity for students to earn money to help pay for their education. Federal Work-Study (FWS) is one program by which needy students can work to defray their educational expenses.

**Employment Allowance:** An allowance to meet expenses related to employment when both parents (or a married independent student and spouse) are employed or when one parent (or independent student) qualifies as a surviving spouse or as head of a household. It is used in the need analysis formula for parents and student, if eligible.

**Estimated Financial Assistance (EFA):** The total assistance that a student is receiving to offset the cost of a postsecondary education, including scholarships, Title IV aid, need based work assistance, most forms of veteran aid, and private loans, that is subtracted from a student's need when determining eligibility for campus-based aid and Stafford Loans.

**Expected Family Contribution (EFC):** The amount a student and his or her family is expected to pay toward the student's cost of attendance as calculated by a Congressionally-mandated formula known as Federal Methodology. The EFC is used to determine a student's eligibility for the student financial assistance programs.

**FAFSA:** See Free Application for Federal Student Aid.

**FAFSA on the Web (FOTW):** Allows students to complete and file a FAFSA on line at [www.FAFSA.ed.gov](http://www.FAFSA.ed.gov).

**Federal Family Education Loan (FFEL) Programs:** The collective name for the Federal Stafford (subsidized and unsubsidized), Federal PLUS Loan, and Federal Consolidated Loan programs. Funds for these programs are provided by private lenders and the loans are guaranteed by the federal government.

**Federal Methodology (FM):** A standardized method for determining a student's (and family's) ability to pay for postsecondary education expenses. The single formula for determining an Expected Family Contribution (EFC) for Pell Grants, campus-based programs, FFEL programs, and Direct Loan program; the formula is defined by law.

**Federal Pell Grant:** A federal grant program for needy postsecondary students who have not yet received a baccalaureate or first professional degree; administered by the U.S. Department of Education.

**Federal Perkins Loan:** One of the campus-based programs; a long term, low interest loan program for both undergraduate and graduate students at a current interest rate of 5%. At one time it was known as the Carl D. Perkins National Direct Student Loan Program.

**Federal PLUS Loan (PLUS):** Long-term loans made available to parents of dependent students. Interest rates may not exceed 9%. PLUS Loans may be used to replace the EFC; annual loan amount limited to the cost of attendance minus estimated financial assistance (EFA).

**Federal Stafford Loan (subsidized and unsubsidized):** Long term, low interest loans administered by the Department of Education through private guarantee agencies. These loans used to be known as Guaranteed Student Loans (GSLs). Loans have a fixed interest rate of 6.8%. Unsubsidized Federal Stafford Loans may be used to replace the EFC.

**Federal Supplemental Educational Opportunity Grant (FSEOG):** One of the campus-based programs; grants to undergraduate students of exceptional financial need who have not completed their first baccalaureate degree and who are financially in need of this grant to enable them to pursue their education. Priority for FSEOG awards must be given to Federal Pell Grant recipients with the lowest EFCs.

**Federal Work-Study Program (FWS):** One of the campus-based programs; a part-time employment program which provides jobs for undergraduate and graduate students who are in need of such earnings to meet a portion of their educational expenses.

**FFELP:** See Federal Family Education Loan Programs.

**Financial Aid:** General term that describes any source of student assistance outside the student or the student's family. Funds awarded to a student to help meet postsecondary educational expenses. These funds are generally awarded on the basis of financial need and include scholarships, grants, loans, and employment.

**Financial Aid Administrator:** An individual who is responsible for preparing and communicating information pertaining to student loans, grants or scholarships, and employment programs, and for advising, awarding, reporting, counseling, and supervising office functions related to student financial aid. Accountable to the various publics which are involved and is a manager or administrator who interprets and implements federal, state, and institutional policies and regulations, and is capable of analyzing student and employee needs and making changes where necessary.

**Financial Aid Award:** An offer of financial or in-kind assistance to a student attending a postsecondary educational institution. This award may be in the form of one or more of the following types of financial aid: repayable loan, a non-repayable grant and/or scholarship, and/or student employment.

**Financial Aid Consultant:** A person who, for a fee, provides a variety of services to students and parents, including preparing the FAFSA and other financial aid forms, estimating the Expected Family Contribution (EFC), and estimating financial need.

**Financial Aid Notification:** The letter from a postsecondary institution that lets the student know whether or not aid has been awarded. If the student will be receiving assistance, the notification also describes the financial aid package. State agencies and private organizations may send students financial aid notifications separately from the postsecondary institution. Also see Award Letter.

**Financial Aid Package:** A financial aid award to a student comprised of a combination of forms of financial aid (loans, grants and/or scholarships, and employment).

**Financial Need:** The difference between the institution's cost of attendance and the family's ability to pay (i.e., Expected Family Contribution). Ability to pay is represented by the expected family contribution for federal need-based aid and for many state and institutional programs.

**Financial Need Equation:** Cost of attendance minus Expected Family Contribution equals financial need (COA - EFC = Need).

**FM:** See Federal Methodology.

**Forbearance:** Permits the temporary cessation of repayments of loans, allowing an extension of time for making loan payments, or accepting smaller loan payments than were previously scheduled.

**Free Application for Federal Student Aid (FAFSA):** The financial aid application completed by the student, and the student's parents if applicable, that collects household and financial information. The FAFSA is the foundation document for all federal need analysis computations and database matches performed for a student.

**FSEOG:** See Federal Supplemental Educational Opportunity Grant.

**Gift Aid:** Educational funds such as grants or scholarships that do not require repayment from present or future earnings. See Grant.

**Grace Period:** The period of time that begins when a loan recipient ceases to be enrolled at least half-time and ends when the repayment period starts. Loan principal need not be paid and, generally, interest does not accrue during this period.

**Grant:** A type of financial aid that does not have to be repaid; usually awarded on the basis of need, possibly combined with some skills or characteristics the student possesses. Also see Gift Aid.

**Health and Human Services, U.S. Department of (HHS):** The federal government agency that provides assistance to future health care practitioners. The Nursing Student Loan, Health Profession Student Loan, and Health Education Assistance Loan are among some of the aid programs administered by HHS.

**Health Professions Programs:** Federal student assistance programs administered by the U.S. Department of Health and Human Services for students preparing for careers in the health sciences.

**HHS:** See Health and Human Services, U.S. Department of.

**Income:** Amount of money received from any or all of the following: wages, interest, dividends, sales or rental of property or services, business or farm profits, certain welfare programs, and subsistence allowances such as taxable and non-taxable Social Security benefits and child support.

**Income Protection Allowance (IPA):** An allowance against income for the basic costs of maintaining family members in the home. The allowance is based upon consumption and other cost estimates of the Bureau of Labor Statistics for a family at the low standard of living.

**Independent Student:** A student who:

- (a) will be 24 years of age by December 31 of the award year;
- (b) is an orphan or a ward of the court;
- (c) is an orphan, in foster care, or a ward of the court, at any time when the student was 13 years of age or older;
- (d) is an emancipated minor or is in legal guardianship as determined by the court;
- (e) is an unaccompanied youth who is homeless or who is at risk of homelessness and is self-supporting, as verified during the school year;
- (f) is a veteran;
- (g) is serving on active duty in the U.S. Armed Forces for purposes other than training;
- (h) is married;
- (i) is a graduate or professional student;
- (j) has legal dependents other than a spouse;
- (k) has dependent children; or
- (l) presents documentation of other unusual circumstances demonstrating independence to the financial aid administrator.

**Investment Plans:** Educational savings programs, usually sponsored by commercial banking institutions.

**Legal Dependent (of Applicant):** A biological or adopted child, or a person for whom the applicant has been appointed legal guardian, and for whom the applicant provides more than half support. In addition, a legal dependent is a person who lives with and receives at least half support from the applicant and will continue to receive that support during the award year. For purposes of determining dependency status, a spouse is not considered a legal dependent.

**Loan:** An advance of funds evidenced by a promissory note and requiring the recipient to repay the specified amount(s) under prescribed conditions.

**Loan Repayment Program:** A special program available to qualified students who have attended college on federally-funded student loans and who subsequently enlist in the Army for at least three years in any job specialty.

**Master Promissory Note (MPN):** A promissory note for the Federal Perkins Loan, FFEL, and Direct Loan programs that allows borrows to apply for multiple loans during a student's attendance at a postsecondary institution.

**Means-Tested Federal Benefit Program:** A federal benefit program for which the applicant must demonstrate financial need.

**Merit-based Aid:** Student assistance awarded because of a student's achievement or talent in a particular area, such as academics, athletics, music, etc.

**Methodology:** Refers to the system used to calculate the expected family contribution See Federal Methodology.

**Military Scholarships:** Reserve Officer Training Corps (ROTC) scholarships available for the Army, Navy, and Air Force at many colleges and universities throughout the United States. These scholarships cover tuition and fees, books and supplies, and include a subsistence allowance.

**National Health Service Corps Scholarship (NHSC):** Scholarship program for students who pursue full-time courses of study in certain health professions disciplines, and are willing to serve as primary care practitioners in underserved areas after completing their education.

**National and Community Service:** A program established through the National and Community Service Trust Act of 1993 designed to reward individuals who provide community service with educational benefits and/or loan forgiveness or cancellation.

**National Science and Mathematics Access to Retain Talent (SMART) Grant:** A federal grant awarded to third and fourth year students who are eligible for a Federal Pell Grant, enrolled at least half time, maintain at least a 3.0 GPA, and a major in a designated field of study.

**Need:** See Financial Need.

**Need Analysis:** A system by which an applicant's ability to pay for educational expenses is evaluated and calculated. Need analysis consists of two primary components: (a) determination of an estimate of the applicant's and/or family's ability to contribute to educational expenses; and (b) determination of an accurate estimate of the educational expenses themselves.

**Need Analysis Formula:** Defines the data elements used to calculate the expected family contribution (EFC); there are two distinct formulas: regular and simplified. The formula determines the EFC under the Federal Methodology.

**Need-based Aid:** Student assistance awarded because a student's financial circumstances would not permit him or her to afford the cost of a postsecondary education.

**Non Need-based Aid:** Aid based on criteria other than need, such as academic, musical, or athletic ability. Also, refers to federal student aid programs where the expected family contribution (EFC) is not part of the need equation.

**Packaging:** The process of combining various types of student aid (grants, loans, scholarships, and employment) to attempt to meet full amount of student's need.

**Parent Contribution:** A quantitative estimate of the parents' ability to contribute to postsecondary educational expenses.

**PDF FAFSA:** A version of the FAFSA viewed using Adobe Acrobat which may be completed and filed like a paper FAFSA.

**PLUS:** See Federal PLUS Loan.

**Principal (of a loan):** The amount of money borrowed through a loan; does not include interest or other charges, unless they are capitalized.

**Professional Judgment (PJ):** The financial aid administrator's discretion, based on the special circumstances of the student, to change the data elements used in determining eligibility for federal student aid or adjust a student's costs, for example.

**Promissory Note:** The legal document which binds a borrower to the repayment obligations and other terms and conditions which govern a loan program.

**Repayment Schedule:** A plan that is provided to the borrower at the time he or she ceases at least half-time enrollment. The plan sets forth the principal and interest due on each installment and the number of payments required to pay the loan in full. Additionally, it includes the interest rate, the due date of the first payment, and the frequency of payments.

**Reserve Officer Training Corps Scholarship Program:** See ROTC Scholarship Program.

**ROTC Scholarship Program:** Competitive scholarship that pays for tuition, fees, books, and a monthly living stipend and other benefits in exchange for participating in drills and classes during the academic year, military camp during the summer, and, upon graduation, full-time active duty in the military for at least four years.

**SAR:** See Student Aid Report.

**SAR Acknowledgment:** A non-correctable one-page Student Aid Report. Students who file a FAFSA on the Web (FOTW) and do not provide an email address or who make corrections on line to applicant information receive this acknowledgment.

**Scholarship:** A form of financial assistance that does not require repayment or employment and is usually made to students who demonstrate or show potential for distinction, usually in academic performance.

**Scholarship Search Services:** Organizations that may help students find little-known and unused financial aid funds. Families who are interested in using such a service should carefully investigate the company first.

**Service Academy:** The five postsecondary institutions administered by branches of the military [U.S. Military Academy, U.S. Air Force Academy, U.S. Naval Academy, U.S. Coast Guard Academy, U.S. Merchant Marine Academy].

**Simplified Needs Test (SNT):** An alternate method of calculating the expected family contribution (EFC) for families with adjusted gross incomes of less than \$50,000, who have filed, or are eligible to file, an IRS Form 1040A or 1040EZ, are not required to file an income tax return, or who have a household member who received benefits through a federal means-tested benefit program. The SNT excludes all assets from consideration in the calculation of the EFC.

**Student Aid Report (SAR):** The official notification sent to a student as a result of the Central Processing System (CPS) receiving an applicant record (FAFSA) for a student. The SAR summarizes applicant information, provides the Expected Family Contribution (EFC) for a student, and displays other special messages related to the student's application. In some instances the SAR may need to be submitted to the financial aid office at the school the student plans to attend, but only if the school requests it.

**Student Contribution:** A quantitative estimate of the student's ability to contribute to postsecondary expenses for a given year.

**Subsidy:** The money the federal government uses to help underwrite student aid programs; primarily refers to government payments to lenders of the in-school interest on Federal Stafford Loans.

**Taxable Income:** Income earned from wages, salaries, and tips, as well as interest income, dividend income, business or farm profits, and rental or property income.

**Teacher Education Assistance for College and Higher Education (TEACH) Grants:** A federal grant awarded to undergraduate and graduate students who want to pursue a teaching career in a high need field and who agree to teach in a school serving low income students (Title I schools) after graduating. If a recipient does not fulfill the service requirement, funds convert into a Direct Unsubsidized Loan.

**Title IV Programs:** Those federal student aid programs authorized under Title IV of the Higher Education Act of 1965, as amended. Includes: the Federal Pell Grant, Academic Competitiveness Grant (ACG), National Science and Mathematics Access to Retain Talent (SMART) Grant, Teacher Education Assistance for College and Higher Education (TEACH) Grants, Federal Supplemental Educational Opportunity Grant, Federal Work-Study, Federal Perkins Loan, Federal Stafford Loan, Federal PLUS Loan, Direct Loan, Direct PLUS Loan, and SSIG.

**Tuition Payment Plans:** A strategy by which payment for present costs of postsecondary education is extended into a future period of time.

**Unmet Need:** The difference between a student's total cost attendance at a specific institution and the student's total available resources.

**Untaxed Income:** All income received that is not reported to the Internal Revenue Service (IRS) or is reported but excluded from taxation. Such income would include but not be limited to any untaxed portion of Social Security benefits, Earned Income Credit, welfare payments, untaxed capital gains, interest on tax-free bonds, dividend exclusion, and military and other subsistence and living allowances.

**Veterans Educational Benefits:** Assistance programs for eligible veterans and/or their dependents for education or training.

**Vocational Rehabilitation:** Programs administered by state departments of vocational rehabilitation services to assist individuals who have a physical or mental disability which is a substantial handicap to employment.

**William D. Ford Federal Direct Loan (Direct Loan) Program:** The collective name for the Direct Subsidized, Direct Unsubsidized, Direct PLUS Loan, and Direct Consolidation Loan Programs. Loan funds for these programs are provided by the federal government to students and parents through postsecondary institutions that participate in the program. With the exception of certain repayment options, the terms and conditions of loans made under the Direct Loan Program are identical to those made under the FFEL program.

## **Abbreviations Commonly Used in Financial Aid Administration**

**ACG:** Academic Competitiveness Grant

**ACT:** American College Testing Program

**AGI:** Adjusted Gross Income

**BA:** Bachelor's Degree

**BIE:** Bureau of Indian Education

**CLEP:** College-Level Examination Program

**COA:** Cost of Attendance

**CPS:** Central Processing System

**ED:** Education Department, U.S.

**EFC:** Expected Family Contribution (also FC, Family Contribution)

**FAFSA:** Free Application for Federal Student Aid

**FFELP:** Federal Family Education Loan Program

**FM:** Federal Methodology

**FOTW:** FAFSA on the Web

**FSEOG:** Federal Supplemental Educational Opportunity Grant

**FWS:** Federal Work Study

**GPA:** Grade Point Average

**HHS:** Department of Health and Human Services

**IPA:** Income Protection Allowance

**IRS:** Internal Revenue Service

**PC:** Parental Contribution

**ROTC:** Reserve Officer Training Corps

**SAR:** Student Aid Report

**SC:** Student Contribution

**SMART:** (National) Science and Mathematics Access to Retain Talent Grants

**TEACH:** Teacher Education Assistance for College and Higher Education Grants