

*...in which nothing can be finally paid off*

*... in which nothing can be finally paid off* is a glossary of loan terms pertaining to contracts that are signed to go into debt for **BFA**, **MFA** or arts related **PhD** degrees. This project aims to draw attention to the burden of laws and legal agreements that underpin lending and collection for higher education in the United States, and the disproportionate benefits given to lending institutions versus the skills and economic advantages enabled by arts degrees.

**BFA: Baccalaureate Bond:** A zero-coupon bond issued by certain states to assist families in saving for college tuition by means of added tax benefits. Baccalaureate bonds are offered by many states and are tax-free securities that allow states to lend at reasonable rates, while issuing tax-free bullet bonds to citizens wishing to save over time for post secondary expenses, namely tuition. **Back Charge:** A billing made to collect expenses incurred in a previous billing period. A back charge may be an adjustment due to an error, or it may be to collect an expense that was not billable until a later period due to timing issues. **Back-to-Back Commitment:** A commitment to make a second take-out loan that piggybacks another loan. With a back-to-back commitment, once the terms of the first loan are satisfied, it will be rolled into the second loan. **Back-End Ratio:** A ratio that indicates what portion of a person's monthly income goes toward paying debts. Total monthly debt includes expenses such as mortgage payments (made up of PITI), credit-card payments, child support and other loan payments. **Bad Debt:** A uncollectible debt, therefore worthless to the creditor. **Bad Debt Recovery:** A debt from a loan or credit line that is recovered either in whole or in part after it has been written off or classified as a bad debt. Because it generally generates a loss when it is written off, a bad debt recovery usually produces income. **Balance Sheet:** Financial statement presenting measures of the assets, liabilities and owner's equity or net worth. **Balloon Payment:** A larger than usual payment used to pay off the outstanding balance of a loan without penalty. Not all loans allow balloon payments. Simple interest loans, like many educational loans, generally do allow balloon payments. **Bankruptcy:** Status that is assigned to a person or entity that is unable to repay his or her debts. There are several versions, or chapters, of bankruptcy. Filing for Chapter 7 bankruptcy, for example, turns over a person's available assets to his or her creditors to satisfy the debt. Student loans (both federal and private) generally cannot be cancelled through bankruptcy— except in extreme cases where repaying the loans is considered to be an undue hardship to the borrower. **Base Year:** The tax year prior to the academic year (award year) for which financial aid is requested. The base year runs from January of the junior year in high school through December of the senior year. Financial information from this year is used to determine eligibility for financial aid. **Borrower:** The individual who signed and agreed to the terms in the promissory note and is responsible for repaying a loan. **Borrower Benefits:** Incentives offered to borrowers designed to influence their choice in lender or to reward good behavior such as timely repayment of a loan. **Bridge Loan:** A short-term loan that provides temporary financing until more permanent financing is available. **Bursar's Office:** An office at a college or university responsible for the billing and collection of all outstanding funds due to the school. **BFA: FAFSA: Free Application for Federal Student Aid.** The FAFSA is a form that must be completed annually to help determine eligibility for federal student aid. **FASTAP Application:** Pre-printed application and promissory note requiring a signature. **Federal Student Aid for Eligible Non-Citizens:** United States permanent residents who are holders of valid green cards, United States nationals, holders of form I-94 who have been granted refugee or asylum status and certain other non-citizens are eligible. Non-citizens who hold a student visa or an exchange visitor visa are not eligible for Federal student aid. **Federal Student Aid PIN:** A number used in combination with a Social Security Number, name, and date of birth to identify you as someone who has the right to access your own personal information on Federal Student Aid Web sites. **Federal Direct Student Loan Program:** The Direct Student Loan Program consists of several types of student loans including: Direct Subsidized and Unsubsidized Student Loans,

Direct PLUS loans for parents and graduate/professional students as well as Direct Consolidation Loans for both student and parents. Direct Loans are funded “directly” by the federal government. **Federal Family Education Loan Program:** Federal student loans borrowed through private lenders and guaranteed by the federal government. FFEL Loans, included the following types of federal student loans: Subsidized and unsubsidized Stafford Loans, Federal PLUS Loans and Federal Consolidation Loans. The FFEL Program ended July 1, 2010 and no new loans have been made since that date. **Federal Methodology:** A formula used to determine the estimated family contribution. Federal methodology takes into account assets, family size, taxable and non-taxable income, and how many family members are attending college (but not net value of a family’s residence). The Federal Methodology calculation is set each year by the US Department of Education. **Federal Register:** The government publication of regulations and regulatory amendments, notices, and proposed regulatory changes for all federal executive agencies. The Department of Education monitors educational institutions that participate in Title IV programs. Title IV funds include Pell, SEOG, Federal Perkins, and College Work Study programs. Each educational institution must follow the guidelines in the Federal Registrar to maintain eligibility to receive Title IV funds. **Federal Student Aid:** Financial aid offered through the Department of Education and authorized by the Higher Education Act of 1965 as amended. **Federal Supplemental Education Opportunity Grant:** A campus-based aid program. A student must file a FAFSA and demonstrate exceptional need to qualify for this program. The school where the student attends will determine the student’s eligibility as well as the amount awarded. Notice of the award of SEOG will be included on the student’s financial aid award letter. **Federal Work-Study:** A federal student aid program that provides funds for part-time employment for needy students. A student’s eligibility for FWS will be determined by the financial aid office at the school at which s/he attends and be offered as part of the financial aid award letter. **BFA: Ability to Benefit:** Basis on which students without high school diplomas or GEDs may qualify for federal student aid. If the school fails to verify a student’s ability to benefit—or does so inappropriately—an ATB application can be filed to discharge federal aid borrowed to attend that school. **Academic Year:** For purposes of the Teacher Loan Forgiveness Program, the academic year is defined as one complete school year at the same school, or two complete and consecutive half years at different schools, or two complete and consecutive half years from different school years (at either the same school or different schools). Half years exclude summer sessions and generally fall within a 12-month period. For the schools that have a year-round program of instruction, nine months is considered an academic year. **Acceleration:** Demand for immediate repayment of your entire federal student loan. The entire unpaid amount of your federal student loan becomes due and payable if you: receive loan money but do not enroll at least half-time at the school that determined you were eligible to receive the federal student loan, make a false statement that causes you to receive a federal student loan that you are not eligible to receive, or default on your federal student loan. **Account Access:** The Federal Loan Servicing’s online borrower portal. **Accreditation:** The process by which colleges and universities are reviewed by independent third parties and are deemed to have met specific standards. In order for an institution to be eligible for Title IV funding (part of the Higher Education Act of 1965), they must be reviewed and accredited by one of the regional accreditation agencies. This means that non-accredited institutions cannot provide federal financial aid to their students. **Accrual Date:** The date on which interest charges on an educational loan

begin to accrue. **Accrued Interest:** Interest that is added periodically to a loan's principal. **Additional Education Borrowing (Other Education Debt):** Refers to any other student loans – such as private student loans that you may have that you cannot consolidate with your federal student loans. This amount has an impact on the length of extended repayment for federal consolidation loans. Note that this additional borrowing is not calculated as part of a consolidation loan. **Additional Eligibility:** From the 2009–10 award year through the 2010–2011 award year, eligible students could receive up to two Federal Pell Grants within a single award year. The Additional Eligibility field indicates whether a student was eligible for two Pell Grants in a single award year. **Adjusted Available Income:** In the Federal Methodology, the remaining income after the allowances (taxes and a basic living allowance) have been subtracted. **Admit-Deny:** A practice in which a school admits marginal students, but then does not award them any financial aid. **Aggregator:** An aggregator is a student who wins many scholarships with a cumulative value of more than \$100,000. Most students will not be able to pay for college entirely through scholarships. More than 90% of students do not receive any private scholarships. The average amount received by students who do win scholarships is approximately \$2,000. **Aid Amount:** The difference between the total cost of education and the financial aid package offered to you by the school, including scholarships, grants, work-study and Stafford Loans. This amount is what you are expected to pay out of pocket or through other supplemental loan programs. **MFA: Marketing Association for Student Loans:** An organization that buys loans from lenders, thereby providing the lender with the capital to issue new loans. Selling loans is a common practice among lenders, so the bank you make payments to may change during the life of the loan. The terms and conditions of your loan do not change when it is sold to another holder. Sallie Mae, the nation's largest secondary market, holds approximately one third of all educational loans. **Master Promissory Note:** In the Direct Loan Program, a MPN is a borrower's promise to repay any loan provided under the program. The MPN can be enforced for multiple disbursements/loans under the Direct Loan Program and is good for period of ten years from the time at which the first loan under the program is taken. The MPN saves a borrower the trouble of having to sign a promissory note every time they need to borrow. **Loan Maturity Date:** The date when a loan comes due and must be repaid in full. **Marginal Lender:** A business that will only provide funds to a borrower in exchange for a certain interest rate. If the interest rate drops below the level set by that lender, then the transaction will not take place. **Maximum Loan Amount:** Describes the maximum amount that a borrower can borrow. The maximum loan amount is based on a combination of different factors involving the specific loan program and the borrower's credit history and qualifying ratios. Lenders typically offer various loan programs with maximum loan amounts that are tailored for different classes of borrowers. **Memorandum of Understanding:** A legal document outlining the terms and details of an agreement between parties, including each parties requirements and responsibilities. **Merit-based Awards:** Aid that is merit-based depends on what a given institution values as academic, artistic or athletic merit (can also include other criteria), and does not depend on the existence of financial need. **Military Deferment:** A deferment that is available in two loan programs, Direct, and Perkins. It is available to military service members on active duty during a war, other military operations or national emergencies, and to members of the National Guard called to active duty during a war, military operation or national emergency, and reserve or retired members of the Armed Forces called to active duty during a war, military

operation or national emergency. **Minimum Monthly Payment:** The smallest amount of what is owed that you can pay to remain in good standing with the lender. The amount of the minimum monthly payment is calculated as a small percentage of your total balance. **Minimum Interest Rules:** A law that requires that a minimum rate of interest be charged on any loan transaction between two parties. The minimum-interest rules mandate that even if no rate is charged by the lender, an arbitrary rate shall then be automatically imposed upon the loan. **Modified Adjusted Gross Income:** The modified adjusted gross income is calculated by taking an individual's adjusted gross income and adding back certain items, for example, student-loan deductions and deductions for higher-education costs. **Moral Hazard:** The risk that a party to a transaction has not entered into a contract in good faith and has provided misleading information about his/her assets, liabilities or credit capacity. **MFA: Federal Processor:** The organization that processes the information submitted on the Free Application for Federal Student Aid (FAFSA) and uses it to compute eligibility for federal student aid. **Fellowship:** The form of aid given to graduate students to help support their education. Some fellowships include tuition waivers or payments to universities in lieu of tuition. Most fellowships include a stipend to cover reasonable living expenses. Fellowships are a form of gift aid that do not have to be repaid. **FICO Score:** A credit score, ranging from 300-850, devised to assist lenders in determining whether they will extend credit to a consumer and at what interest rates. **Financial Aid:** Assistance in the form of grants, scholarships, work-study, and loans that provide funding for an education. **Financial Aid Administrator:** A staff member at a school who administers financial aid programs. **Financial Aid Office:** A department at the school that provides assistance to students and parents about how to pay for school. **Financial Aid Package:** The total amount of monetary assistance a student can receive, including all grants, scholarships, work-study, and loans from school, state and federal programs, as listed in a college's financial aid award letter. It does not include private student loans. **Financial Aid Transcript:** A record of all federal aid received by a student for each school attended. **Finance Charge:** The cost of credit, as defined by the Federal Truth-in-Lending Act, includes loan origination fees, interest, points and certain other loan fees. Late fees and returned check fees are not finance charges. They are calculated thus: (average daily balance) x (daily periodic rate) x (number of days in billing cycle). **Financial Need:** The cost of attendance minus your expected family contribution. **Financial Safety School:** A school that you are certain will admit you, and which is inexpensive enough to attend even if you get no (or very little) financial aid. **First-Time Borrower:** A first-year undergraduate student who has no unpaid loan balances outstanding on the date he or she signs a promissory note for an educational loan. First-time borrowers may be subjected to a delay in the disbursement of loan funds. The first loan payment is disbursed thirty days after the first day of the enrollment period. If the student withdraws during the first 30 days of classes, the loan is canceled and does not need to be repaid. Borrowers with existing loan balances are not subject to this delay. **Fixed Interest Rate:** When a loan's interest rate stays the same throughout the term of the loan. **Forbearance:** Allows you to temporarily stop making payments or reduce your federal student loans' monthly payment. The Interest will continue to be charged on your subsidized, unsubsidized and PLUS loans. If you do not qualify for deferment, your loan servicer may be able to grant you a forbearance. This allows you to stop making payments for up to twelve months due to financial hardships or other circumstances, such as illness. Forbearance is not automatic and must be requested from your loan servicer.

**Forgiveness:** Certain circumstances, such as permanent disability, death, bankruptcy, and public service may qualify you to have your loans forgiven, cancelled, or discharged. In addition, if you qualify for one of the following circumstances, you are no longer required to make payments on your student loans: your school admitted you even though you did not have the ability to benefit from the coursework, your school falsely certified your qualifying status, your school falsely signed your promissory note, someone was convicted of stealing your identity and fraudulently taking out a loan in your name that you did not benefit from, your school owes your lender a refund.

**Funding from Endowments:** Many educational institutions use a portion of their endowment income for financial aid. A school with a larger ratio of endowment per student is more likely to give larger financial aid packages. **Funds**

**Transfer:** Used by some schools and lenders to wire funds for Stafford and PLUS loans directly to participating schools without requiring an intermediate check for the student to endorse. The money is transferred electronically instead of using paper, and hence is available to the student sooner. **MFA: Administrative Wage Garnishment:**

A tool that allows the federal government or a guaranty agency to have your employer withhold a portion of your earnings to collect unpaid non-tax debts that you owe to the federal government. If you have a federal student loan in default, up to 15% of your disposable pay could be taken by the federal government or the guaranty agency to repay your debt.

**Adverse Credit History:** Also called non-status credit history or impaired credit history. It can be caused by being in default on a previous debt, being more than 90 days late on any debt, bankruptcies or other adverse action on any Title IV debt. It is not the same as having a low credit score. PLUS Loans (Parent Loans for Undergraduate Students) and Graduate PLUS Loans perform a check only for adverse credit history - not for credit score. **Agreement to Serve:** The binding agreement signed to receive a TEACH Grant. By signing the ATS, you agree to teach (1) full-time (2) in a high-need field (3) at a low-income school or educational service agency that serves certain low-income schools, and (4) for at least four complete academic years within eight years after completing

(or ceasing enrollment in) the course of study for which you received the grant. If you do not complete your teaching service agreement, the amounts of the TEACH Grants you received will be converted to a Direct Unsubsidized Loan that must be repaid with interest charges from the date of each TEACH Grant disbursement. **Aid Amount:**

The difference between the total cost of education and the financial aid package offered to you by the school, including scholarships, grants, work-study and Stafford Loans. This amount is what you are expected to pay out of pocket or through supplemental loan programs. **Aggregate Loan Limits:** A limit on the total amount of subsidized

and/or unsubsidized loans that you can borrow for undergraduate and graduate study. If the total loan amount you receive over the course of your education reaches the aggregate loan limit, you are not eligible to receive additional loans. However, if you repay some of your loans to bring your outstanding debt below the aggregate loan limit, you could then borrow again, up to the amount of your remaining eligibility under the aggregate loan limit.

**Alternative Loans:** A loan made to a student or parent by a bank or other lender where the primary basis of consideration for the loan is the borrower's creditworthiness. **Amortization:** The process of paying back a loan over

a given set of months. Re-amortization means that once a borrower reward is applied to the loan, the loan will be recalculated to generate a new monthly payment amount. **Amount Due:** Generally, the minimum monthly payment the borrower must make by the due date, not the total amount owed. **Amount of Loan:** The maximum amount you

wish to borrow. You may borrow up to your estimated cost of attendance for the current (or upcoming) school year minus any estimated financial assistance you have or will be awarded during the period of enrollment, including other types of loans, scholarships, grants, and income from work-study. If you are unsure of what to enter, start with the total cost of attendance for the school year, including tuition and fees, room and board, books and materials, and travel to and from school. Then subtract any aid that has already been awarded in the form of federal loans, grants, and scholarships. The leftover amount is an approximation of the contribution you and your family is expected to make through loans, savings, and other income. You are advised to overestimate; the school can reduce the amount of the loan at the time of certification to account for additional aid and you, as the borrower, can reduce the amount of the loan if you should find you do not need to borrow as much.

**Annual Loan Limit:** The maximum federal student loan eligibility per academic year. These amounts vary by type of loan and grade level. The school will tell you how much you are eligible to receive each academic year.

**Annual Fee:** The bank charge for use of the credit card levied each year. These fees can range from \$15 - \$300, and are billed directly to the customer's monthly statement. This is relevant to students who are partially subsidizing their education and lives on credit cards while in school.

**Annual Percentage Rate:** Takes into account principal, interest rate and structure, fees and other costs of the loan, and length of repayment. Some lenders offer various borrower rewards (or borrower benefits) that might result in a lower effective APR. You may not be eligible for all borrower rewards or you might lose those benefits, which would result in your effective APR being different. It is important to consider these results, including APR, as estimates to help compare one loan to another. With variable rate loans, the APR will increase if the interest rate increases. The APR on a loan can vary among lenders because of differences in up-front fees, deferment periods, capitalization of interest, interest compounding, loan terms, and repayment terms, even if the interest rates are the same.

**Appeal:** A formal request to have a financial aid administrator review aid eligibility and possibly adjust the figures. For example, if you believe the financial information on your financial aid application does not reflect your family's current ability to pay (e.g., because of death of a parent, unemployment or other unusual circumstances), you can make an appeal.

**Application Processing 24/7:** Lender capacity to accept applications and do preliminary approvals of applications seven days a week.

**Assets:** Any real or personal property that can be appropriated for the payment of debt. For federal financial aid purposes, assets are things such as cash, savings and checking accounts, as well as investments including stocks, bonds and real estate (other than the home you live in or a farm which serves as your home), and businesses with more than 100 full time employees.

**Asset Protection Allowance:** A portion of parents' assets that are not included in the calculation of their contribution, as calculated by the Federal Methodology need analysis formula. The asset protection allowance increases with the age of the parents.

**Amount Lent:** The principal or initial amount of the loan, on which the interest is calculated.

**Assignment of a loan:** An institution may submit a loan that has been defaulted on to the Education Secretary for assignment to the United States Department of Education if the institution has been unable to collect on the loan when the loan has become accelerated, and the amount of the borrower's account is \$25 or greater.

**Assistantship:** An arrangement that allows graduate students to assist in the teaching of an undergraduate class. Assistantships can be granted as financial aid, with the student receiving a full or partial tuition waiver, fee payment, and/or a small stipend.

**Attendance Costs:** The total cost to attend school for

the academic year, as determined by your school. **Auto-Debit:** Setting up a payment by having it automatically taken from a checking or savings account. **Award Letter:** An official document issued by a school's financial aid office that lists all of the financial aid awarded to the student. This letter provides details on their analysis of your financial need and the breakdown of your financial aid package according to amount, source and type of aid. The award letter will include the terms and conditions for the financial aid and information about the cost of attendance. You are required to sign a copy of the letter, indicating whether you accept or decline each source of aid, and return it to the financial aid office. Some schools call the award letter the "Financial Aid Notification". **PhD: Packaging:** The process of assembling a financial aid package. **Paid in Full:** A loan that has had its principal and interest paid entirely. **Parental Leave Deferment:** Loan postponement that is available if a student is pregnant or caring for a newborn or newly adopted child. **Partial Financial Hardship:** An eligibility requirement for the Income-Based Repayment and Pay As You Earn plans. Income-Based Repayment is defined as a circumstance in which the annual amount due on eligible loans, (as calculated under a ten-year Standard Repayment Plan), exceeds fifteen percent of the difference between your adjusted gross income and one hundred and fifty percent of the poverty line for your family size in the state where you live. Pay as you Earn is defined as a circumstance in which the annual amount due on your eligible loans, (as calculated under a ten-year Standard Repayment Plan), exceeds ten percent of the difference between your adjusted gross income and one hundred and fifty percent of the poverty line for your family size in the state where you live. For both plans, the amount due under a ten-year Standard Repayment Plan is calculated based on the greater of the amount owed on your eligible loans when you originally entered repayment, or the amount owed at the time you selected the Income-Based Repayment Plan or Pay As You Earn plan. **Past Due:** Any obligation that is not paid on time. **Payment:** In general, money or something of value given in exchange for goods and/or services. Payments received on student loans are first applied to (collection) fees, then to accrued interest, and finally to the outstanding principal balance. **Payment Amount:** In relation to student loans, the minimum amount established by an institution and periodically due according to a student's repayment plan. **Payment Advance:** A payment that is designated for application toward future installments after all current and past due amounts are cleared. **Payment Cycle:** The quarterly frequency at which a borrower is billed. The cycle is determined by the separation date of the borrower. For most June graduates, the payment cycle is every January, April, July, and October. **Payment Frequency:** The set time interval that dictates how often you will make your loan payments. **Payment Interest-Only:** A payment that covers only the interest due on a loan and none of the principal balance. If eligible under certain deferment benefits, the borrower may pay interest only, and defer the payment of principal until a later date. **Payment Minimum:** The smallest allowable amount established in a repayment plan, at a set amount of principal and interest to ensure the loan is repaid within ten years. **Payment Schedule:** An itemized list of payments in a loan repayment plan, showing payment frequency, payment due date, and number of payments; governed by regulations and discussed in the promissory note. **Payoff Balance:** The total amount a borrower owes to pay off a loan in full. It includes the outstanding principal plus any unpaid accrued interest and late fees. **Peace Corps/ACTION/Tax-exempt Volunteer Deferment:** Postponement available if you are serving as a full-time, paid volunteer for a tax-exempt organization. You can use this deferment for up to three years. You must have had your Supplemental Loan

for Students or Stafford Loan disbursed prior to July 1, 1993, or your PLUS loans disbursed prior to August 15, 1983.

**Perkins Loan:** A loan made under the Federal Perkins Loan Program for students with exceptional financial need.

Perkins Loans are administered by the school. **PLUS Loan:** Direct PLUS Loans are loans for eligible graduate or professional students and eligible parents of dependent undergraduate students to help pay for the cost of the student's education at participating schools. Graduate or professional students are advised to exhaust unsubsidized and subsidized loans before taking out Direct PLUS Loans. **Post Active Duty Deferment:** Loan postponement is available if enrolled at least half time at an eligible school at the time of, or within six months prior to, being called to active duty service. You can use this deferment for up to thirteen months after active duty service.

**Poverty Guidelines:** The poverty guidelines are issued every year by the U.S. Department of Health and Human Services. They are used to determine, for example, financial eligibility for federal educational loan programs, and are adjusted for families of different sizes and by geographic location, (with different guidelines for the 48 contiguous states and the District of Columbia; Alaska; and Hawaii).

**Prepaid Tuition:** Prepaid tuition plans let you lock in future tuition rates at in-state public colleges at current prices and are usually guaranteed by the state. **Prepayment:** Payment on a loan before it is due or in excess of the amount due. **Prime Rate:** An index (reference) rate lenders use to establish the interest rate for some private student loans. Generally, the prime rate runs about three percent higher than the federal funds rate which is the rate banks charge each other for overnight borrowing used to fulfill reserve funding requirements.

**Principal:** In commercial law, the principal is the amount that is received, in the case of a loan, or the amount from which flows the interest. **Private Educational Loan:** Education loan programs established by private lenders to supplement the student and parent education loan programs available from federal and state governments. **Professional Judgment:** For need-based federal aid programs, the financial aid administrator can adjust the Expected Family Contribution, adjust the Cost Of Attendance, or change the dependency status (with documentation) when extenuating circumstances exist. For example, if a parent becomes unemployed, disabled, or deceased, financial aid administrators can decide to use estimated income information for the award year instead of the actual income figures from the base year. This delegation of authority from the federal government to the financial aid administrator is called Professional Judgment.

**Promissory Note:** The binding legal document that you must sign when you get a federal student loan. It lists the terms and conditions under which you agree to repay the loan and explains your rights and responsibilities as a borrower. It's important to read and save this document because you'll need to refer to it later when you have to begin to repay your loan, or at other times when you need information about the provisions of the loan, such as deferments or forbearances. **Proprietary Institution:** Private for-profit educational institution. Students at for-profit schools average more debt than those at non-profit institutions. **Public Service Loan Forgiveness:** In 2007, Congress created the Public Service Loan Forgiveness Program to encourage individuals to enter and continue to work full-time in public service jobs. Under this program, borrowers may qualify for forgiveness of the remaining balance due on their eligible federal student loans after they have made one hundred and twenty payments on those loans under certain repayment plans while employed full time by certain public service employers. **Publication 970:** Federal tax information form that outlines tax benefits for educational expenses. **Public Health Services Deferment:** Postponement available if you are serving full-time

in the Commissioned Corps of the United States Public Health Service. You can use this deferment for up to three years. To qualify, you must have an outstanding balance on a Federal Family Education Loan Program loan that was made prior to July 1, 1993. **PhD: Half-Time Enrollment:** The minimum hours or credit hours you need to be enrolled to be eligible for a federal student loan. **Higher Education Act of 1965:** Legislation that enables students attending postsecondary schools to receive financial assistance. The HEA was reauthorized in 1968, 1972, 1976, 1980, 1986, 1992, 1998, and 2008. **Hold On Account:** A notation and code “flag” in a student’s file which prevents registration, or release of records like transcripts, diploma etc., due to unpaid tuition and fees. **Holder of the Note:** The institution or agency that owns the loan. **Horizontal Equity:** The principle of horizontal equity is that families with similar financial circumstances should pay the same amount, regardless of how their assets, investments and income are defined. **PhD: Debt:** An amount owed for funds borrowed. The debt may be owed to individuals, banks, or other institutions. Generally the debt is secured by a note or other instrument that states repayment and interest provisions. The note, in turn, may be secured by a lien against assets. **Debt Management Plan:** A repayment plan that helps students pay off their debts over a set period of time with consolidated payments, often with reduced monthly payments, interest rates, and fees. **Debt Service:** The Amount of payment due regularly to meet a debt agreement; usually a monthly, quarterly or annual obligation. **Debt Settlement Company:** Debt settlement companies are for-profit companies or law firms that offer to arrange settlements of your debts with creditors or debt collectors for a fee. They typically offer to pay off your debts with lump sum payments that are less than the full amounts you owe. For example, for every \$100 of a loan that a creditor agrees to forgive, the debt settlement company will charge you some portion in fees. **Debt-to-Income Ratio:** The amount of debt compared to your overall income. Lenders use this ratio when determining whether to lend you money. A low debt-to-income ratio is more desirable. **Default:** Failure to repay a loan based on the terms agreed to in the promissory note. For most federal student loans, you will default if you have not made a payment in more than two hundred and seventy days. You may experience serious legal consequences if you default. Your lender is required to report the default to at least one national credit bureau. **Default Fee:** A small percentage of the loan that is paid to the guarantee agency to insure the loan against default. The insurance fee is usually 1% of the loan amount. **Default Rate:** The percentage of borrowers who fail to repay their loans according to the terms of their promissory notes. **Default Purchase Rate:** If you default on your account, your lender may sell your debt to another company or collection agency. If that happens, you could be responsible for a different, and higher rate. **Deferment:** A postponement of payment on a loan that is allowed under certain conditions and during which interest does not accrue on Direct Subsidized Loans, Subsidized Federal Stafford Loans, and Federal Perkins Loans. All other federal student loans that are deferred will continue to accrue interest. Any unpaid interest that accrued during the deferment period may be added to the principal balance (capitalized) of the loan(s). If you live in a federally declared disaster area, you may be eligible for relief that would temporarily suspend your federal student loan payments. **Deficiency:** Any amount one still owes on a loan after the creditor sells the collateral and applies the proceeds to the unpaid obligation. **Delinquent:** A loan is delinquent when loan payments are not received by the due dates. A loan remains delinquent until the borrower makes up the missed payment(s) through payment, deferment, or forbearance. If the borrower is unable to make

payments, he or she should contact his or her loan servicer to discuss options to keep the loan in good standing.

**Department of Education:** The federal agency that establishes financial aid programs and processes financial aid applications. **Dependent Student:** A student who does not meet any of the criteria for an independent student.

An independent student is one of the following: at least twenty-four years old, married, a graduate or professional student, a veteran, a member of the armed forces, an orphan, a ward of the court, someone with legal dependents other than a spouse, an emancipated minor or someone who is homeless or at risk of becoming homeless. **Diploma**

**Mill:** Defined as an unaccredited school (or a business claiming to be a school) that awards a degree or another kind of credential for a fee while requiring little or no classwork meeting college-level standards. **Direct Consolidation**

**Loan:** A federal loan made by the U.S. Department of Education that allows you to combine one or more federal student loans into one new loan. As a result of consolidation, you will only have to make one monthly payment on your federal loans and the amount of time you have to repay your loan will be extended. **Direct Loan:** A

federal student loan, made through the William D. Ford Federal Direct Loan Program, for which eligible students and parents borrow directly from the U.S. Department of Education at participating schools. Direct Subsidized Loans, Direct Unsubsidized Loans, Direct PLUS Loans and Direct Consolidation Loans are types of Direct Loans. **Direct**

**PLUS Loan:** A loan made by the U.S. Department of Education to graduate or professional students and parents of dependent undergraduate students for which the borrower is fully responsible for paying the interest regardless of the loan status. **Disbursement:** Payment of federal student aid funds to the student by the school. Students

generally receive their federal student funds in two or more disbursements. **Disbursement Amount:** The quantity of federal student aid funds disbursed (paid out) to a student by the school. Generally, federal student aid funds are made in two or more disbursements. **Disbursement Date:** Date federal student aid funds were credited to a

student's account at a school or paid to the student or borrower directly, as reported by the school. **Discharge:** The release of a borrower from the obligation to repay his or her loan. **Discharge Application:** Perkins loans are not

eligible for the following forms of discharge. How to qualify: You may have a portion or all of your federal student loan debt obligation discharged if your school knowingly allowed you to enroll in a career program despite the fact that you were unable to meet the state's legal requirements for working in that field—because of a disability, criminal

record, or other disqualification. Parent PLUS loan borrowers would be eligible for this discharge if the student that the loan was borrowed for qualifies based on the above criteria. What you'll need: Documentation of your status upon enrolling in the program and receiving your loan. A copy of the law or regulation that you could not meet but

was required for employment in that occupation. **Discharge Criteria:** (1) Your school closes while you're enrolled, and you do not complete your program because of the closure. If you were on an approved leave of absence, you are

considered to have been enrolled at the school. (2) Your school closes within one hundred and twenty days after you withdraw. (3) You are not eligible for discharge of your loans if your school closes and any of the following is true:

a. You withdraw more than one hundred and twenty days before the school closes. b. You are completing a comparable educational program at another school through a teach-out agreement with the school, by transferring

academic credits or hours earned at the closed school to another school, or by any other comparable means. c. If your loan is discharged and you complete a comparable program at another school through any means by which you

are completing a comparable program at another school through any means by which you

benefit from the training provided by the closed school, you might have to pay back the amount that was discharged.

d. You have completed all the coursework for the program, even if you have not received a diploma or certificate. To summarize: You are not eligible for a discharge if you are completing a teach-out agreement or otherwise benefiting from the credits earned at the closed school. **Disclosure Statement:** A Statement that provides the borrower with information about the actual cost of the loan, including the interest rate, origination, insurance, loan fees and any other types of finance charges. Lenders are required to provide the borrower with a disclosure statement before issuing a loan. **Discount:** A discount is a reduction in the interest rates and/or fees paid on a loan. Federal law sets the maximum interest rates and fees charged on Stafford, PLUS and Consolidation loans. Many lenders offer a variety of complex and convoluted loan discounts, sometimes called borrower benefits, in order to attract potential borrowers. Loan discounts may be contingent on specific borrower behavior, such as repaying the loan through direct debit from the borrower's bank account or making a number of consecutive payments. **Discretionary Income:** For Income-Based Repayment and Pay As You Earn, discretionary income is the difference between your income and one hundred and fifty percent of the poverty guideline for your family size and state of residence. For Income-Contingent Repayment, discretionary income is the difference between your income and one hundred percent of the poverty guideline for your family size and state of residence.

#### Sources

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