

Glossary of Financial Aid Terms

Award Year: Timeframe for federal and institutional awards runs July 1-June 30 (Federal Direct Loan Interest Rate changes are effective July 1 annually).

Capitalization: Accrued interest is added to the loan principal (original amount) that you borrowed and will increase the total you repay.

Consolidation: Combining one or more loans into a new loan that typically carries a longer repayment term and one monthly payment. It can make repayment easier, but may add to the amount of interest you repay.

Co-Signer: A credit worthy person who assumes your repayment obligation if you fail to pay. U.S. Citizen Co-Signers are typically required for international students.

Cost of Attendance (COA) or Budget: The COA covers tuition and fees as well as living and other educational related expenses, within reason. SFS will occasionally consider increasing your COA if you can provide documentation which shows that your expenses exceed the set COA.

CSS/Financial Aid PROFILE®: A tool provided by the [College Board](#) and utilized by SFS to evaluate student (and parental) financial information and to determine both the EFC and Demonstrated Need.

Default: Failure to repay based on the terms of your promissory note, it can negatively impact your credit and professional career.

Deferment: Temporary postponement of monthly loan payments for a certain length of time provided you can meet specific criteria (i.e. in-school or hardship); while in deferment, interest does not accrue on subsidized loans.

Delinquency: Missing payments or making late or incomplete payments on outstanding debt.

Demonstrated Need: The difference between cost of attendance and your (and your parents') ability to pay that cost:

$$\text{Cost of attendance} - \text{family contribution} = \text{demonstrated need}$$

Direct Deposit: Funds deposited directly into a bank account. To obtain a direct deposit refund, visit the [Student Link](#), and under the green "Money Matters" tab, select "Student Account Inquiry," then "Request a Refund."

Estimated Financial Assistance (EFA): The amount of federal (and institutional aid when applicable) that has been awarded. This figure is used when certifying loan applications and when completing Federal Self-Certification paperwork.

Expected Family Contribution (EFC): Amount that your household can contribute to your education. EFC calculation items include but are not limited to income, assets and family size. In addition to the inclusion of income and asset information, students at some schools may be required to provide **parental** income and asset information (see your school for additional details).

Federal Direct Loan: A fixed-interest loan from the Department of Education for all U.S. citizens, permanent residents or eligible non-citizens. Other restrictions apply. The interest rate for new loans changes annually based on the 10-year Treasury bill; the Unsubsidized Loan rate for Graduate/Professional students can be found [here](#).

a) *Subsidized:* Interest does not accrue while you are in school or during deferment. (Effective July 1, 2012, subsidized loans are no longer offered to graduate students).

b) *Unsubsidized:* Interest begins accruing when the first disbursement is made.

Federal Graduate PLUS: A credit-based loan with a fixed interest rate. Based on current legislation, the Graduate PLUS Loan interest rate, like the Direct Loan interest rate is calculated based on the 10-year Treasury bill at a specific point in the year, changes annually on July 1, and is 1% higher than the Direct Loan – rate information is available [here](#).

Fixed Interest Rate: The rate will not change for the life of the loan. Your interest rate, and very likely, your monthly payment amount remain the same (except in the case of consolidation).

Forbearance: Temporary postponement or reduction of monthly payments. Interest continues to accrue on all loans, subsidized and unsubsidized.

Free Application for Federal Student Aid (FAFSA): A Department of Education application for Title IV (Federal) financial aid. The FAFSA uses EFC information to determine federal need and must be completed in order for the disbursement of federal funding such as Direct, Perkins and Graduate PLUS Loans. It can be accessed via www.studentloans.gov.

Grace Period: A period of time, beginning once you leave school or drop below half-time enrollment, when you are not required to make payments on your loans. Federal Direct Loan grace periods are typically six months; BU Loan grace periods are typically 12 months.

Loan Repayment Options: Different options for paying your federal loan; more detailed information can be found [here](#).

Standard – 10-year payment plan

Extended – 25-year repayment plan

Graduated – 10-year plan with gradually higher payments

Income Based – monthly payment plan based on a percentage of discretionary income

Pay as You Earn – monthly payment plan based on a percentage of discretionary income

Loan Servicer: Entity responsible for tracking and collecting a loan on behalf of a loan holder. The Department of Education assigns student loans to the servicers. More information on individual servicers can be found [here](#).

Origination Fee: Charged by a lender to process a loan and deducted from the gross amount of the loan prior to disbursement.

Period of Enrollment: The typical period of time during which you are considered to be enrolled full- or part-time, it varies by school, program and class. Refer to each school's budget page for dates.

Perkins Loan: A need based federal loan with a fixed 5% interest rate.

Principal: The original amount of a loan before any interest or penalties are added.

Promissory Note (PN): A legal document between the lender and the borrower which sets the terms of repayment. Federal Master Promissory Notes (MPN) can be completed on www.studentloans.gov (if you are taking Direct and Graduate PLUS Loans, you must complete two separate MPNs: one for Unsubsidized Loans and one for Graduate PLUS Loans). PNs for BU loans are paper documents typically issued when your loan is awarded; SFS requires original signatures on all BU PNs.

Public Service Loan Forgiveness Program (PSLF): PSLF was established in 2007 as an incentive for you to choose full-time public sector employment. Under the terms of the current program, if you make 120 consecutive, on-time monthly payments while employed full-time at a qualifying public service organization, the federal government will forgive the rest of your outstanding balance. More information on PSLF can found at [Federal Student Aid](#) and AAMC.org.

Refund Request: A method of obtaining any remaining funds after all PNs and loan checks have been signed (if necessary) and posted to your account. After approval by SFS, Student Accounting Services will issue a Direct Deposit for you within two to three business days. To request a refund, visit the [Student Link](#), 'Money Matters' tab.

Title IV Funding: Title IV funding refers to Federal funding as established by the Higher Education Act of 1965, as amended. On the graduate level, Title IV funding consists of Direct, Perkins and Graduate PLUS loans.

Title VII Funding: Title VII funding is provided by the Department of Health and Human Services, has different criteria than Title IV loans and includes Scholarships for Disadvantaged Students (SDS), Loans for Disadvantaged Students (LDS) and Primary Care Loans (PCL). Title VII funds are generally restricted to students whose FAFSAs demonstrate financial need; PCL funds carry a commitment to work in Primary Care.

Variable Interest Rate: A rate that changes periodically and is typically based on economic indicators.