# Student Loan Glossary

## Loan Types:

**Subsidized:** A Direct Subsidized Loan is a federal student loan for which a borrower isn't generally responsible for paying the interest while in an in-school, grace, or deferment period. Subsidized loans require the student to demonstrate financial need and are only available to undergraduate students. Subsidized loans have a fixed interest rate and do not require a credit check.

**Unsubsidized:** A Direct Unsubsidized Loan is a federal student loan where the borrower is responsible for paying all the accumulated interest, until the loan balance is paid off. This type of loan is available to undergraduate and graduate students regardless of their level of financial need, has a fixed interest rate, and does not require a credit check.

**PLUS:** A Direct PLUS Loan is a federal loan available to parents of dependent undergraduate students (Parent PLUS) OR graduate students (Grad PLUS). The PLUS loan requires a credit check for either the parent (Parent PLUS) or graduate student (Grad PLUS). The borrower may be denied a loan based on their credit history.

**Private:** Private loans are student or parent loans available from private lending companies to assist in paying for education costs. The terms of the loan vary by lender, and the loan does require a credit check for approval. Not all lenders "require" a cosigner, but the chances of being approved or receiving favorable interest rates tend to go up with a credit-worthy cosigner.

## Loan Terms:

**Award Year:** The academic year in which the loan may be applied.

**Borrower:** The person responsible for repaying the loan, who signed and agreed to the loan terms. The borrower is the party responsible for the loan, even if a parent or someone else offers to help the borrower repay their loan. Most lenders will only be able to speak to the borrower/co-borrower regarding the loan.

**Capitalization:** Accrued interest is added to the principal balance, increasing the overall balance.

**COA:** Cost Of Attendance. The estimate of total cost provided by the school to attend for the requested loan period. Ex: a fall semester loan would utilize the COA for the fall term only.

**Co-Borrower:** A person who applies with and shares same liability as another borrower.

**Cosigner:** A creditworthy person who agrees to share legal and financial responsibility for the loan if the borrower fails to repay the loan.

**Credit Check:** A credit check is a request from a lender or other party to review a customer's credit history. The lender or bank will look at items such as payment habits, existing credit, income, etc., to determine the level of "risk" in lending to the borrower. Borrowers with poor credit may have their application denied.

**Credit Score:** The number assigned to a borrower that lenders use to determine the borrower's ability to repay. The higher the credit score, the more likely a financial institution will be willing to lend to a borrower. Most scores range from 300 (poor) to 850 (excellent).

**Default:** Default is failure to repay a loan according to the loan terms. Defaulting on a federal student loan causes the student to lose eligibility to receive additional federal student aid, amongst other legal consequences. Default is reported to credit bureaus and can negatively impact credit.

**Deferment:** A deferment is a temporary postponement of payment on a loan that is allowed under certain conditions.

**Delinquent:** A loan is delinquent when a payment is not received by the due date. The loan generally remains delinquent until it either falls into default or the borrower brings their account current.

**Disbursement:** A loan is considered "disbursed" once the lender sends the funds to the school. A single loan can have more than one disbursement. Ex: a $10,000 loan that disburses as $5,000 in the fall and $5,000 in the spring.

**Fixed Rate:** An interest rate that does not change over the repayment period.

**Forbearance:** A forbearance allows a borrower to temporarily stop making monthly student loan payments or make smaller payments. Private lender options for forbearance depend on the loan servicer's policies.

**Grace Period:** The time before the borrower is required to begin making payments. Not all loan types offer a grace period.

**Interest:** Interest is the cost of borrowing money, that is paid to the lender in addition to what was originally borrowed. Interest may accrue at a fixed or variable rate. When a borrower first begins repaying a loan, more of the payment may be going to interest rather than principal.

**Lender:** The organization that lends the money.

**Loan Period:** The timeframe the loan will cover. This could be the entire academic year, or a single semester.

**Loan Servicer:** A company that collects payments, responds to customer service inquiries, and performs other administrative tasks on behalf of the lender. A lender may use an outside loan servicer, or service the loan in-house.

**Origination Fee:** An upfront fee charged by the lender for processing the loan. For federal loans, the origination fee is taken out of the disbursement. Some private lenders may add the fee on top of the overall loan amount owed.

**Principal:** The amount currently owed, minus the interest that has accrued.

**Variable Rate:** The interest rate can fluctuate (up or down) during the life of the loan.