

Glossary of College and Financial Aid Terms

Below are some terms you should know. Terms that are defined elsewhere are in ***bold italics***.

A

ACT

The test required or accepted at all public and many private universities in Kentucky. It has four sections — English, math, reading and science reasoning — and an optional writing exam. Scores are used for admissions purposes, awarding scholarships and placing students in special programs and honors courses.

Alternative loan

See private loan.

AP

The Advanced Placement Program lets high school students study college-level subjects for advanced placement and/or credit upon entering college.

Associate degree

Awarded after 15 months to 2 years of study. Associate degrees include:

- Associate of arts (AA) or associate of science (AS), often transferable to four-year colleges. Courses can be applied toward a bachelor's degree.
- Associate in applied science (AAS) in a technical area meant to lead directly to a job. Most courses cannot be applied toward a four-year degree.
- Associate in applied technology (AAT) in a technical area meant to lead directly to a job. Most courses cannot be applied toward a four-year degree.

B

Bachelor's degree

Generally awarded after four to five years of study. The most common are bachelor of arts (BA) and bachelor of science (BS).

C

Capitalization

Adding the interest on an unsubsidized loan to the principal instead of paying it while you're in school. This means your principal will be more, and so will your monthly payments.

Certificate

Given in a nondegree program, usually in a vocational or technical area, to prepare for a specific occupation. Certificate programs generally last 6 to 12 months.

CLEP

The College-Level Examination Program offers subject tests and general exams. Some colleges use the scores to award ***credit by examination*** to entering freshmen.

College

A school that offers ***postsecondary*** education or a large subdivision of a ***university***, like the College of Business or the College of Arts and Sciences.

Commuter students

Students who live at home instead of on campus.

Consolidation

Lets you combine several student loans into one loan. It can lower monthly payments and extend the repayment period, but you'll probably pay more interest.

Conversion scholarship/loan

Requires recipients to provide certain services or pay back the funds received with interest.

Cosigner

Someone other than you who may be required to sign your ***promissory note***. The cosigner has to pay the loan back if you don't. Sometimes called endorser.

Credit by examination

Process in which students can earn credit for college-level knowledge by passing a test. The ***CLEP*** and the ***AP Program*** allow students to earn college credit this way.

Credit hour or clock hour

Unit of measurement for an educational program. While most community colleges and four-year colleges and universities use credit hours, some ***proprietary schools*** use clock hours.

D

Default

If you don't repay a loan according to the terms agreed upon when you signed the promissory note, you're in default.

Deferment

Lets you put off paying ***principal*** and/or ***interest*** for awhile, depending on your type of loan.

Delinquency

When loan payments are late or missed. After 30 days, delinquency is reported to a credit bureau, which will hurt you if you try to borrow for a car or a house.

Diploma

Given in a nondegree program, usually a vocational or technical field, to prepare for a job. Diploma programs are generally 9 to 18 months long. This diploma is not the same as the diploma you receive when you graduate from high school.

Doctorate

A degree that usually takes three or more years after a **bachelor's** to complete.

Dual credit program

Program in which courses satisfy high school graduation requirements and earn college credit hours.

E

Entrance/exit counseling

Counseling sessions required before you get a federal student loan and when you leave school. They help you learn more about repayment and deferment options and what happens if you don't repay your loans.

Expected family contribution (EFC)

Amount you and your family are expected to pay toward yearly college costs. The EFC is derived from **need analysis** of the family's income and assets.

F

FAFSA

The Free Application for Federal Student Aid is the **need analysis** form all students must complete when applying for federal and state student aid. Some colleges also use the FAFSA to award **scholarships**.

Federal default fee

A fee charged to insure federal student loans in case you die, **default** or become permanently disabled.

Financial aid

Money from state and federal governments, colleges, private organizations, associations and companies to help pay the costs of a college education or technical training.

Financial aid package

Total financial aid a college awards a student. It may consist of several types of aid, including **grants, scholarships, loans, work-study** programs and others. **Financial need**, availability of funds, institutional aid policies and the number of students who need financial assistance all influence a financial aid package.

Financial need

The amount of higher education expenses that your **expected family contribution (EFC)** falls short of paying. Financial need equals the cost of education minus the EFC.

Forbearance

A period of time when the lender lets you suspend your payments or makes other financial arrangements based on your circumstances. Forbearance is granted at the lender's discretion. **Interest** continues to accrue.

G

GPA

A grade point average is the sum of the graded points earned (usually A=4, B=3, C=2, D=1, F=0) divided by the numbers of hours attempted for courses taken during a semester.

Grace period

The time between your leaving school and having to start paying back your student loans. It's usually six months, so it gives you time to begin work and establish cash flow before you have to make the first payment.

Graduate student

Student who has earned a **bachelor's degree** and is working toward a **master's, doctorate** or **professional** degree.

Grant

Financial aid award, generally based on **financial need**, to help pay the cost of higher education. A grant generally does not have to be repaid.

H

Higher education

Any education after high school.

I

IB

The International Baccalaureate Program lets students earn college credit while in high school. Some schools require students to participate for two years, others allow them to take classes only one year.

Institution

Often used to refer to a school that offers **higher education**.

Institutional aid

Student **financial aid** administered by the school.

Interest

A charge for a **loan**, usually a percentage of the amount borrowed.

K

Kentucky Higher Education Assistance Authority (KHEAA)
State agency that helps students plan and pay for college by providing **financial aid** programs and free materials and information.

L

Lender
Whoever loans you money for **higher education**. It can be the federal government, a college, a bank, a nonprofit state corporation, a credit union or some other financial institution.

Loan
Money borrowed to help pay higher education costs. Loans must be repaid with **interest**.

M

Major
Primary academic field of study in college.

Master's
A degree that takes at least a year after the **bachelor's** to complete.

Matriculation
Another word for enrollment.

Merit-based
Financial aid based on academic, athletic or some other type of achievement.

Minor
Secondary academic field of study in college.

MPN
The Master Promissory Note, a **promissory note** good for 10 years if you don't change lenders or schools.

N

Need analysis
Used to determine how much students and their families can reasonably be expected to pay toward college expenses. Updated each year to reflect changes in the economy.

Need-based
Financial aid based on the government's **need analysis** formula.

Notification
The process by which the school or lender tells you about your loan type and amounts. You have to accept, reject or adjust the type or amount of the loan.

O

Origination fee
A fee charged by the lender.

P

Plain language disclosure
A statement that discloses loan terms and conditions that must be provided to you before or at the time of **disbursement** on a federal student loan. The wording is set by the U.S. Department of Education and can't be changed.

Postbaccalaureate
After a **bachelor's** degree.

Postsecondary
"After high school." Postsecondary education can be received at a college, university, community and technical college, **proprietary trade school** or off campus.

Pre-college curriculum
Specific credits high school students are required to complete for admission into Kentucky's public universities.

Prepayment

Making loan payments before the due date. All or part of a student loan may be prepaid without penalty. Also called accelerated payment.

Principal

The basic amount of a **loan** before **interest** is added and/or fees are deducted. Also called the face amount.

Private loan

A loan from a bank or lender other than the federal government.

Professional degree

A degree in such fields as dentistry, law and medicine. These usually take at least six years to complete.

Promissory note

A legally binding contract between you and the lender. It establishes the conditions under which you borrow money and the terms under which you have to repay it.

Proprietary trade schools

Privately owned schools that provide a wide range of courses of study, such as cosmetology, business and broadcasting. Programs range from 2 to 24 months and lead to **certificates**, **diplomas** or degrees in a variety of subjects.

R

Repayment schedule

A repayment summary that discloses your monthly payment amount, the due date for payments, the **interest** rate, the total amount you owe and the length of the repayment term. The holder sends this to you.

S

SAT I

A college entrance exam with multiple-choice questions in math and verbal sections and an essay. Scores are used for admissions purposes and in awarding **scholarships**.

SAT II

One-hour tests in specific subjects such as mathematics, science, English or foreign languages. More selective schools require two or three for freshman placement.

Satisfactory academic progress

A school's written standard of how it expects students to progress. To continue receiving federal student aid, you have to meet certain requirements regarding grade level, credits earned and grade point average.

Scholarship

A **financial aid** award to help pay for higher education. Scholarships generally do not have to be repaid and are normally based on ability, talent or achievement.

School certification

The process a school uses to document your eligibility for a student **loan**. It is required for all federal student loans and for some private loans.

Student Aid Report (SAR)

Document produced from information provided on the **FAFSA** and sent to the student. The SAR reports the student's eligibility for aid and **expected family contribution (EFC)**.

T

Technical school

A school that provides training in technical fields. Often called a trade school.

Transcript

Cumulative academic record that lists courses taken, grades received and credits or **credit hours** received.

Tuition

The amount schools charge for instruction and for the use of certain school facilities, such as libraries.

U

Undergraduate

College student who has not yet earned a degree.

University

A school that offers degrees beyond a **bachelor's**, such as a **master's** or a **doctorate**.

W

Waiver

Arrangement under which a school does not charge specific costs if a student meets certain qualifications.

Work-study

Employment that lets students earn money to help pay the cost of higher education.

The next pages are for your use. Tear them out and put them somewhere handy to help with your college planning.