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 college credit upon entering college.

**Associate’s 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.

**CAI**
Cambridge Advanced International is a program that lets high school students take college-level subjects for advanced placement and/or college credit.

**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**
(1) 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.

(2) Given in a specialized field at the postgraduate level, as in certain fields of medicine.

**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.

### C

**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. CLEP and AP let 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 a period of time, 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.

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.

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.

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 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.

Higher education
Any education after high school.

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.

Kentucky Higher Education Student Loan Corporation (KHESLC)
Public agency that provides private education loans to help students and parents pay college expenses.

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.

Loan servicer
Whoever collects the money you pay on a student loan. It may not be the lender.

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 used for certain federal student loans.

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.

Origination fee
A fee charged by the lender.

P
Plain language disclosure
A statement that explains the terms and conditions of your student loan. It must be provided to you before or when the loan is disbursed.
Privately owned school that provides education in areas 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.

**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).

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

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

**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.

**Verification**
The process of making sure the information submitted on the FAFSA is correct. The U.S. Department of Education picks which students’ information will be verified.