Glossary of Financial Aid Terms

Accrued Interest --- interest that has accumulated on the unpaid balance of a loan.

Adjusted Gross Income (AGI)—gross income minus deductions. This figure appears on IRS Forms 1040, 1040A, and 1040EZ. It is used in calculations to determine eligibility for financial aid.

Aggregate Loan Limit --- the maximum amount of federal loan funding (subsidized and unsubsidized) a student may borrow during their college career. The limit for a dependent student is $31,000. The limit for an independent student is $57,500. For graduate or professional degree students the limit is $138,500.

Alternative Loan—also known as a private education loan. It is an optional loan resource for students and is offered by private lenders, such as banks and credit unions. As a general rule, students should only consider a private loan if they have reached their aggregate loan limit on federal loans.

Annual Loan Limit—the maximum federal loan amount, subsidized and unsubsidized, students are allowed to borrow during an academic year. The limit is based on the student’s academic level as determined by the number of earned credit hours. For example, a student with 0-29 earned credit hours (a first year student) is limited to $5500. Of this amount, no more than $3500 may be in subsidized loans. A student with 60-91 credit hours (a third year student) may borrow a total of $7500 with no more than $5500 in subsidized loans.

Award Package— also called a financial aid award. This is the combination of federal, state, and institutional aid (grants, scholarships, work study, and loans) a student is eligible to receive. It will also include any scholarship funding received from sources outside of the university.

Billing Statement --- commonly referred to as “eBill.” Each month, currently registered students with outstanding balances on their student accounts receive an email notification from the Cashier’s Office informing them that a new statement is available online. The eBill reflects the charges and credits applied to the student’s account as of the date the bill was generated.

Borrower—the person who assumes the legal obligation to repay a loan plus interest. For Federal Direct Student Loans the borrower is the student. For PLUS loans, the borrower is the parent.

Capitalization—the addition of unpaid interest to the principal balance of the loan. This increases the outstanding principal amount due on the loan and will increase the total amount of money the student repays. It is best practice to make monthly interest payments rather than letting the accrued interest be added on to the principal.

Cost of Attendance (COA) – an estimate of the total costs for an academic year (fall & spring semesters). The COA figure includes tuition and fees, room and board, books and supplies, personal and miscellaneous expenses, transportation, and loan fees.
Data Retrieval Tool (DRT) --- The IRS Data Retrieval Tool is a quick and accurate way to import information from a federal tax return directly to the FAFSA. Students and parents are given the option to use the DRT when they submit the FAFSA. See [http://financialaid.ncsu.edu/application-process/irs-data-retrieval-tool/](http://financialaid.ncsu.edu/application-process/irs-data-retrieval-tool/).

Default --- failure to repay a loan in accordance with the agreed upon terms. For most federal loans, a loan is considered to be in default if a payment has not been made in more than 270 days. There are serious financial and legal consequences associated with default. Students having difficulty making payments should contact their loan servicer to discuss repayment options.

Deferment—postponement of payment on a loan allowed under specific conditions. During deferment, interest does not accrue on Federal Direct Subsidized loans or Federal Perkins loans. Interest does accrue on all other federal loans and may be capitalized (added to the principal of the loan). Borrowers must request a deferment from their lender and be approved.

Delinquent---as soon as a payment is missed or late, the borrower is considered delinquent. After a payment reaches 90 past due the delinquent status is reported to the three major credit bureaus.

Demonstrated Need--- the difference between the Cost of Attendance (COA) and the Expected Family Contribution (EFC).

Dependent Student ---a student who does not meet the federal criteria to be considered an independent student. See “Independent Student.”

Direct Costs—educational expenses that appear on the university billing statement. Direct costs include but are not limited to tuition and fees, housing and meals.

Disbursement--- the release of financial aid to the student’s university account. The funds are applied to the direct costs and other charges posted on the account. Any financial aid funding in excess of the costs/charges is refunded to the student to be used for other educational expenses.

eBill --- see Billing Statement.

Entrance Loan Counseling--- a mandatory information session for first-time borrowers which must be completed before federal loan funding can be disbursed. The information session explains the student’s rights and responsibilities as a loan borrower. The session can be completed online at [www.studentloans.gov](http://www.studentloans.gov).

Expected Family Contribution (EFC)--- the amount a student and his/her family is expected to contribute toward the student’s cost of attendance. This figure is calculated by the US Department of Education using data reported on the FAFSA. The EFC is used to determine a student’s eligibility for financial assistance.
Exit Loan Counseling--- a mandatory information session which takes place when a student loan borrower graduates or enrolls at less than half-time status. The session covers loan repayment responsibilities and can be completed online at www.studentloans.gov.

FAFSA--- see Free Application for Federal Student Aid.

Financial Aid---general term that describes financial assistance in the form of grants, scholarships, loans and employment from federal, state, university, and private sources.

Forbearance---a period during which monthly loan payments are temporarily suspended or reduced due to certain types of financial hardships. Interest continues to accrue.

Free Application for Federal Student Aid--- This U.S. Department of Education application is used to apply for federal grants, loans (need based, non-need based, and PLUS) and work study. It is also used to determine eligibility for state and institutional aid.

Gift Aid---financial assistance that does not require repayment or a work obligation. Scholarships and grants are types of gift aid.

Grace Period—period of time after a loan borrower graduates, leaves school, or drops below half-time enrollment before he/she must begin repayment of federal loans. The grace period for Direct Subsidized and Unsubsidized loans is six months. The grace period for the Federal Perkins loan is nine months.

Grant—financial assistance, usually need-based, that does not require repayment. Examples are the Federal Pell and the Federal Supplemental Educational Opportunity grants.

Independent Student---for financial aid purposes, a student who meets one or more of the following criteria is considered independent and is not required to submit parent financial information on the FAFSA: Age 24 by December 31 of the award year; an orphan or ward of the court; active duty military or veteran of the U.S. armed services; graduate student or professional student; married prior to signing and filing the FAFSA; has legal dependents other than a spouse; was in foster care any time since age 13; is or was upon reaching the age of majority either an emancipated minor or was in legal guardianship; is an unaccompanied youth who is homeless or at risk of being homeless; deemed independent by a financial aid administrator due to unusual circumstances.

Indirect Costs— expenses included in the cost of attendance that do not appear on the billing statement such as off-campus housing (rent and utilities), personal expenses, and transportation.

Interest---a loan expense charged by the lender and paid by the borrower for the use of the borrowed money.

IRS Tax Transcript – document requested by university financial aid offices for students selected for verification. It is a line-by-line record of the completed tax returns filed by the parents and student. The transcript is an official IRS record of the tax return.
Lender—the financial institution that provides loan funds to students or parents. A lender can be a bank, private company, government, or educational institution.

Loan—borrowed money that must be repaid, with interest, within a specific period of time.

Loan Servicer—an agent that collects payments, responds to customer service inquiries, and performs other administrative tasks associated with maintaining a federal student loan on behalf of a lender.

Master Promissory Note (MPN) – A binding legal document that a student must sign to get a federal student loan. The MPN can be used to make or more loans for one or more academic years (up to ten). It lists the terms and conditions under which the borrower agrees to repay the loan and explains the borrower’s rights and responsibilities. It is important to read and save a copy of the MPN.

Merit-based Aid—awards based on a student’s achievements, talent or ability in a particular area, such as academics or athletics.

National Student Loan Database Service (NSLDS)—a centralized federal database which stores information on federal grants and loans. Students may access the database using their FAFSA PIN to get information on their loans.

Need-based aid—eligibility is based solely on the assets and income of the student and family.

Need-based merit awards—these are merit-based awards that include a need component. The student must meet both merit and need requirements.

Non-need based aid—aid that does not require the student to have demonstrated financial need. The Federal Direct Unsubsidized loan and private loans are examples of non-need based aid.

Outside Scholarship—a scholarship awarded by an entity other than the University. Scholarships awarded by service clubs (Rotary, Kiwanis), religious organizations, or private foundations are examples of outside scholarships.

Pell Grant—a federal grant program offered to high-need students working on their first bachelor’s degree. This grant is not available to second degree students or graduate students.

Perkins Loan—low interest, federal loan program for undergraduate and graduate students with exceptional need.

Personal Identification Number (PIN)—financial aid applicants are assigned a personal identification number from the Department of Education. This number allows the student to sign the FAFSA electronically, sign a promissory note for federal loans, and access loan information on the National Student Loan Database Service (NSLDS). Students can get a PIN at www.pin.ed.gov. Parents of dependent students must also apply for a PIN in order to sign the FAFSA.

PLUS Loan—a federal loan for parents of dependent undergraduate students and for graduate students. Financial need is not required.
Principal---the total sum of money borrowed.

Promissory Note--- a binding legal document that a student must sign to get a federal student loan. It lists the terms and conditions under which the borrower agrees to repay the loan and explains the borrower’s rights and responsibilities. The borrower promises to repay the loan, with interest, in periodic installments within a given timeframe. It is important to read and save a copy of the promissory note.

Refund--- When the total amount of financial aid exceeds the charges on the account, a credit balance is created. The credit balance is released to the student to be used for other educational expenses.

Satisfactory Academic Progress---the academic standard, as determined by NC State University in compliance with federal regulations, that a student must meet in to continue receiving financial aid.

School Code---federal ID number assigned to the University. NC State’s school code is 002972.

Scholarship---a form of financial assistance that does not require repayment or employment and is usually awarded to students who demonstrate or show potential for academic performance.

Self-help Aid---financial assistance in the form of loans or employment.

Student Aid Report (SAR)---a summary of the information submitted on the FAFSA. The SAR is reported via email a few days after the FAFSA is processed or by mail within 7-10 days if the applicant did not provide an email address.

Subsidized Loan—also known as a Federal Direct Subsidized Loan. This a need-based loan offered to undergraduate students with demonstrated financial need who are enrolled at least part time (6 credit hours per semester). The government pays the interest on the loan while the student is in school, during the six-month grace period, and during any deferment periods.

Supplemental Educational Opportunity Grant (SEOG)---federal grant awarded to undergraduate students with exceptional need.

Tax Transcript—a line-by-line record of one’s completed tax return available from the IRS. The transcript is an official IRS record of the tax return.

Unmet Need--- the difference between the cost of attendance and the student’s total resources.

Unsubsidized Loan-- A Federal Direct Unsubsidized Loan is a non-need based loan available to undergraduate and graduate students. The government does not pay the interest on the loan. The student is responsible for paying the interest and has the option to either pay the accruing interest monthly or allow the interest to capitalize (added to the principal).

Verification--- The federal government requires colleges and universities to verify or confirm the accuracy of the data reported by students and their parent(s) on the FAFSA. As part of the verification
process, NC State University will request additional documentation. For details, see http://financialaid.ncsu.edu/application-process/verification/.