Financial Aid Glossary of Terms for Students

Understanding financial aid terminology can help you make informed decisions about paying for college. Use this glossary as a quick reference guide.

A

Academic Year (AY)
The period of time a student is expected to complete coursework, typically fall and spring semesters, used to determine financial aid eligibility.

Award Letter (Financial Aid Offer)
A document from a college outlining the types and amounts of financial aid you are eligible to receive.

Award Year
The financial aid cycle for which aid is awarded, generally beginning July 1 and ending June 30 of the following year.

C

Cost of Attendance (COA)
The estimated total cost of attending a college for one academic year, including tuition, fees, housing, meals, books, supplies, transportation and personal expenses.

Credit Hour
A unit used to measure academic coursework and enrollment status.

D

Default
Failure to repay a student loan according to the terms of the promissory note.

Dependency Status
A student's classification as dependent or independent for financial aid purposes, which determines whether parent information is required on the FAFSA.

Direct Loan
A federal student loan borrowed directly from the U.S. Department of Education.

E

Enrollment Status
The number of credit hours a student is taking, such as full-time, three-quarter-time, half-time or less than half-time.

Entrance Counseling

A mandatory online session that first-time federal student loan borrowers must complete before receiving their loan funds. It explains a student's rights and responsibilities as a borrower, loan terms and conditions, interest, repayment options and the importance of borrowing responsibly.

Exit Counseling

A mandatory online session that students must complete when they graduate, leave school, or drop below half-time enrollment. It reviews loan repayment obligations, available repayment plans, loan servicer information, deferment and forbearance options and strategies for avoiding loan default.

F

FAFSA (Free Application for Federal Student Aid)
The application used to determine eligibility for federal, state and some institutional financial aid.

Federal Pell Grant
A federal grant awarded to eligible undergraduate students with exceptional financial need. Grants generally do not need to be repaid.

Federal Supplemental Educational Opportunity Grant (FSEOG)
A campus-based federal grant for students with exceptional financial need.

Federal Work-Study (FWS)
A federal program that provides part-time employment opportunities to eligible students to help pay educational expenses.

Financial Need
The difference between a student's Cost of Attendance and their Student Aid Index (SAI), along with other eligibility considerations.

G

Grant
Financial aid that generally does not need to be repaid.

I

Interest
The cost charged for borrowing money through a loan. Interest continues to accrue until the loan is paid in full.

L

Loan
Money borrowed to pay for educational expenses that must be repaid, usually with interest.

Loan Servicer
A company assigned to manage billing and repayment of federal student loans.

M

Master Promissory Note (MPN)
A legal document in which a borrower agrees to repay federal student loans and acknowledges the loan terms.

O

Origination Fee

A percentage of a federal student loan that is deducted by the U.S. Department of Education before the loan funds are disbursed. This fee helps cover the cost of administering the loan. Because the fee is subtracted from the loan amount, the student receives slightly less than the amount borrowed but is responsible for repaying the full loan amount.

P

Parent PLUS Loan
A federal loan available to parents of dependent undergraduate students.

Professional Judgment
The authority granted to financial aid administrators to adjust certain financial aid data based on special circumstances.

SAP (Satisfactory Academic Progress)
Standards students must meet to remain eligible for financial aid, including GPA, completion rate of attempted courses per semester and maximum timeframe requirements.

S

Scholarship
Financial aid awarded based on merit, talent, achievement, service or other criteria that generally does not need to be repaid.

Student Aid Index (SAI)
The number calculated from the FAFSA used to determine a student's eligibility for financial aid.

Subsidized Loan
A federal loan for eligible undergraduate students where the government pays the interest while the student is enrolled at least half-time and during certain deferment periods.

T

Tuition
The cost of instruction charged by a college or university.

U

Unsubsidized Loan
A federal loan available to eligible students regardless of financial need. Interest accrues from the date the loan is disbursed.

V

Verification
A process in which a college reviews FAFSA information and requests documentation to confirm its accuracy.

W

Withdrawal
When a student officially or unofficially stops attending classes. Financial aid may be affected and funds could require repayment.