

Glossary of Financial Aid Terms



Accrued Interest - Interest which accrues on the loan and is payable by the borrower or, in the case of subsidized Federal Stafford Loans, by the federal government during in-school, grace and any deferment periods.

Borrower - A student who obtains money from a lending institution by the extension of credit for a period of time. The borrower signs a promissory note as evidence of the debt.

Budget Category - Indicates the Student Budget and categories. You must live within this total budget, but not necessarily in the dollar amount for each category. Example – if you buy used books the money you save could cover other expenses.

Capitalization - Accrued interest on a loan is added to the principal balance.

Credit Bureau - An agency that compiles, maintains and distributes credit and personal information to creditors. This information may include a borrower's payment habits, place of credit accounts, balance of those accounts, place of employment, length of employment, and records of financial transactions. Lenders check with credit bureaus to learn whether a potential customer seeking a loan is likely to repay, based on the way other credit obligations have been handled in the past

Note. You have the right to examine your credit file and to explain or correct the information contained in the file. Usually a fee is charged when you exercise that right. However, no fee is charged if you have recently been denied credit based on information in the file.

Default - The failure of a borrower either to make installment payments when due, or to comply with other terms of the promissory note.

Deferment - A period during which the repayment of the principal amount of the loan is suspended as a result of the borrower meeting one of the requirements established by law and/or contained in the promissory note. During this period, the borrower may or may not have to pay interest on the loan.

Entrance Interview - A loan repayment and debt management counseling session required by federal regulations that is arranged and conducted by a school's financial aid administrator for students who are receiving their first federally guaranteed student loans associated with attendance at the school.

Exit Interview - A loan repayment by federal regulations that is arranged and conducted by a school's financial aid administrator for students who have received federally guaranteed loans while attending school.

Family Contribution - This usually is equal to the student contribution since the student (and spouse if married) are now the family and will not include your parents since graduate students are all Independent. As in Student Contribution, Unsub Stafford should cover this amount.

Federal Perkins Loan - A need-based federal loan awarded by any school participating in the Federal Perkins loan program.

Federal Stafford Loans - A federal education loan issued by a participating lender. There are two types, subsidized and unsubsidized.

Subsidized Federal Stafford Loans are need-based, and the interest is paid by federal government while the student is in school.

Unsubsidized Federal Stafford Loans are not need based and the borrower is responsible for the interest. The student can elect to pay the interest while in school or during residency.)

Fixed Interest - Interest stays the same the entire loan and repayment period.

Forbearance - At the lenders option (lenders are required to grant forbearance to medical residents during residency) an agreement to accept a temporary cessation of loan payments, an extension of time for making payments, or smaller payments that were previously scheduled.

Independent Student - All graduate and professional students are considered to be independent students. Therefore, only their income and assets, and those of their spouse if they are married, are considered in determining eligibility for federal education loans.

Need - The need is the Estimated Budget minus the Resources indicated on the Award Letter – but keep in mind that we will award funding to cover the total Estimated Budget listed on your Award Letter.

Parental Contribution - Will only apply if you give us your parent's information on the FAFSA. If there is an amount indicated in this area – you or your parent's **are not required** to pay this amount. The amount is indicated only in regards to your eligibility for University funding. As a graduate student you are considered. **Independent by the Federal government and thus your parents are not responsible for your education.**

Principal and Interest - Principal refers to the total amount borrowed plus any capitalized fees and interest. Interest refers to the amount charged for the use of the money over time, and is usually stated as an annual percentage of the principal amount.

Private Loan - Used to replace federal loans if student does not qualify for federal money. If student requires a private loan, a loan application will be sent with the award letter. **Must be credit worthy!**

Sources of Awards -

Subsidized Loans - Stafford Subsidized, Perkins and University

Unsubsidized Loans - Unsub Stafford or Private Loans

Scholarships - University, Military, NHSC or anything you find on your own. Everything but University Scholarship must be reported to the Financial Aid Office upon receipt.

Student Contribution - You are not responsible for the amount (you should be eligible for Unsub Stafford to cover the amount. Your total award should cover the entire amount of your Estimated Student Budget. There are some rare exceptions when total funding is not available. Please call the Financial Aid Office for an explanation if you have questions.

Subsidized Loan - During the in-school and deferment/grace periods, any accrued interest payments are made to the holder of the loan by a party other than the borrower (e.g. the federal government for Stafford or Perkins loans or Penn State University for University Loans)

Unsubsidized Loan - Interest will accrue on the loan amount until repayment begins. Interest payments may be made on these loans before official re-payment begins.

Variable Interest - Rate of interest which is tied to a certain index (depending on the loan) and which changed periodically.

[For more financial aid terms, visit University Park's Student Aid Glossary](#)