

STUDENT LOANS GLOSSARY

91 Day T-bill – The Treasury bill for a 91 day period, one of the market securities sold by the U.S. Department of Treasury and used as a base index for setting rates of some adjustable rate financial instruments.

Accrued Interest – The interest on a student loan that has accumulated as defined by the lender. This interest is charged on the principal amount of the loan.

Aggregate Limit – The total amount of this type of loan that may be borrowed over all the years of enrollment.

Annual Limit – The total amount of this type of loan that may be borrowed for one year of enrollment. The lender determines how the year is defined.

Annual Percentage Rate (APR) – The APR is the annual cost of your loan including fees, charges, and interest.

Borrower – Person who has signed the promissory note and is legally responsible for repaying a loan.

Cosigner – An additional person who signs the promissory note and is legally responsible for repaying a loan along with the borrower. A lender may require a co-borrower in order for the student to qualify for the loan or to reduce the costs of the loan. This is usually required if the borrower is not a U.S. Citizen or permanent resident.

Cosigner Release – The legal release of the co-borrower from the terms of the promissory note when certain conditions stipulated by the lender have been met.

Consolidation Loans – Consolidation occurs when a borrower with multiple loans requests that all of his or her loans be combined into one loan. Private loans cannot be consolidated into a Federal Consolidation Loan. Some private lenders offer Private Consolidation Loans.

Credit Rating - A credit rating assesses the credit worthiness of an individual, corporation, or even a country. Credit ratings are calculated from financial history and current assets and liabilities. A credit rating tells a lender or investor the probability of the subject being able to pay back a loan. Credit ratings have also been used to adjust insurance premiums, determine employment eligibility, and establish the amount of a utility or leasing deposit. To earn a good credit rating, pay bills on time, pay down any outstanding debt, and avoid taking on new debt or applying for too many new credit cards.

Deferment – The temporary postponement of loan payments. Interest may continue to accrue.

Disbursement – When loan proceeds are paid by the school to the student or parent borrower.

Enrollment – At least half-time enrollment means that an undergraduate student is enrolled for at least 6 credits per semester OR a graduate student is enrolled for at least 3 graduate credits per semester. If a graduate student is taking undergraduate courses, then the minimum for half-time enrollment is at least 6 credits per semester. A non-degree student is considered an undergraduate for enrollment.

Fees – Loan fees may be charged by the lender or the federal government to help offset the cost of providing the loan funds. The fees are subtracted from the loan disbursement.

Forbearance – An arrangement to postpone or reduce a borrower’s monthly payment amount for a limited and specified period, or to extend the repayment period. The borrower’s interest on the loan accrues during forbearance.

Grace Period – A period of time after the student leaves school and before the first payment is due as specified by the lender in the promissory note.

Interest – A loan expense charged by the lender and paid by the borrower for the use of borrowed money. The expense is calculated as a percentage of the principal amount (loan amount) borrowed. Interest may be fixed over the life of the loan or variable based on a certain index. A variable rate may be capped so that it cannot go beyond a certain limit.

Interest Capitalization – Interest on your loan is added to the principal amount of the loan and then the new interest is calculated on the new total. Interest may be capitalized annually or once when repayment starts.

International Student – A person who has been granted access to the U.S. for the purpose of studying in college. This permission is granted by the U.S. Department of Homeland Security.

LIBOR – An abbreviation for London Interbank Offered Rate and it is the interest rate offered by a specific group of London banks for U.S. dollar deposits of a stated maturity. LIBOR is used as a base index for setting rates of some adjustable rate financial instruments, including some private alternative student loans.

Prepayment Penalty – Some promissory notes assess an extra fee if the borrower pays the loan ahead of the repayment schedule.

Promissory Note – A legally binding contract between a lender and a borrower. The promissory note contains the terms and conditions of the loan including how and when the loan must be repaid.

Origination Fee – A fee charged and deducted from the proceeds of a loan before the loan is disbursed.

Permanent Resident – A person who has been granted legal permission to remain in the U.S. indefinitely. This permission is granted by the U.S. Department of Homeland Security.

Prime Rate – The base rate on corporate loans posted by at least 75% of the nation’s 30 largest banks. It changes when the nation’s largest banks decide on the need to raise, or lower, their base rate and is used as a base index for setting rates of some adjustable rate financial instruments, including some private alternative student loans.

Repayment Incentives – Financial rewards that may be offered to borrowers who pay on time or who set up automatic loan payments directly from their own bank accounts (auto debit or direct debit).

Repayment Period – The period during which the borrower is responsible for repaying his or her loans.

Satisfactory Academic Progress – The policy established by each college or university for measuring the academic progress of each student. In order to continue to be eligible for financial aid disbursements, each student must meet the minimum requirements for course completion, grade point average, and for finishing their program within a maximum time frame. If a student fails to meet these minimum requirements, their financial aid will be cancelled. Some private alternative student loan lender require the borrower to meet the policy standards for satisfactory academic progress and some do not have this requirement.

Variable Interest – Rate of interest on a loan that is tied to a stated index and changes periodically as stipulated by the lender.