

Glossary of Financial Aid Terms

Many different terms are used in financial aid. This is a list of the meanings of the most common terms that are utilized.

Alternative Loan - An optional loan resource for college students established by private lenders to supplement the student and parent education loan programs available from the federal government.

Award - The amount of financial assistance offered to a student to help reduce the cost of post-secondary education. Types of awards include scholarships, grants, loans, and federal work study.

Award Notification - The letter sent to students informing them of the financial assistance they are being offered. This notice includes types and amounts of aid being offered, standard budget, family contribution, minimum required credit hours, residency, award period, and terms and conditions.

Award Period or Award Year - The time from July 1 of one year through June 30 of the following year during which financial aid awards are made. At PVCC the award year is made up of Fall Semester, Spring Semester, and the following Summer Semester.

Borrower - The person who receives the loan.

Capitalization of Loan Interest - The process of deferring interest payments as they come due and adding the accrued interest to the principal amount of the loan. Although capitalizing is a way to postpone interest payments, it adds to the amount of the principal and, consequently, increases both the interest (based on the higher principal) and the overall amount that must eventually be repaid.

Cost of Attendance - (Also known as the cost of education or budget) The total amount it will cost the student to go to school, including tuition and fees, room and board, books and supplies, transportation, and personal expenses. Loan fees, if applicable, may also be included in the COA. Child care may also be included at the discretion of the financial aid office. At PVCC different standard budget amounts are established for students living with parents and off-campus, and in-state and out-of-state students.

Consortium Agreement - An agreement that allows a student to take courses at two or more different colleges during the same semester and receive aid based on the combined enrollment at these institutions. As the "parent" school, PVCC may enter into consortium agreements with any of the Maricopa Community Colleges and Arizona State University.

Default - Failure to repay a loan according to the terms agreed to when you signed a promissory note. The consequences of default are severe. If you default on a loan, the holder of the loan and the federal government can take legal action to recover the money, including garnishing your wages and withholding income tax refunds. Defaulting on a government loan will make you ineligible for future federal financial aid, unless a satisfactory repayment schedule is arranged, and can affect your credit rating.

Direct Loans - The William D. Ford Federal Direct Loan Program (aka the Direct Loan Program) is a federal program where the school becomes the lending agency and manages the funds directly, with the federal government providing the loan funds. The terms for Direct Loans are the same as for the Stafford Loan program. PVCC participates in the Direct Loan program.

Disclosure Statement -The Disclosure Statement provides the borrower with important loan-specific information, such as the anticipated loan disbursement amounts, the anticipated loan disbursement dates and the amount of the borrower's loan fee. It must be provided to the borrower before or at the time of the first disbursement of a Direct Loan.

Eligible non citizen - Someone who is not a US citizen but is nevertheless eligible for Federal student aid. Eligible non-citizens include US permanent residents who are holders of valid green cards, US nationals, holders of form I-94 who have been granted refugee or asylum status and certain other non-citizens. Non-citizens who hold a student visa or an exchange visitor visa are not eligible for Federal student aid.

Entrance Counseling

Before a first disbursement may be made to a first-time Stafford (or DL Subsidized/Unsubsidized) borrower, the student must receive entrance counseling that explains the loan obligation. The counseling must be conducted in person, by audiovisual presentation, or by interactive electronic means.

Before a first-time FFEL, or Federal Direct Loan borrower takes out a loan, the school must ensure that the student receives entrance counseling. Entrance counseling must include:

- 1) an explanation of the use of an Master Promissory Note
- 2) the importance of the repayment obligation
- 3) a description of the consequences of default
- 4) providing sample repayment schedules
- 5) familiarization with a borrower's rights and responsibilities as well as other terms and conditions

Enrollment Status - The status used by the financial aid office to determine your award. Types of statuses include full time (12 or more credit hours), three-quarter time (9-11 credit hours), half time (6-8 credit hours), and less than half time (1-5 credit hours). **Students must be enrolled at least half-time to be eligible for student loans.**

Exit Counseling

Loan (exit) counseling must also be provided before the borrower completes his or her course of study or otherwise leaves the school. The following information must be provided as a part of exit counseling:

- 1) Review information from entrance counseling.
- 2) Provide an average anticipated monthly repayment amount.
- 3) Review repayment options.

Expected Family Contribution - The amount of money that the family is expected to be able to contribute to the student's education, as determined by the Federal Methodology need analysis formula approved by Congress. The EFC includes the parent contribution and the student contribution, and depends on the student's dependency status, family size, number of family members in school, taxable and nontaxable income and assets.

Federal Work Study (FWS) - A financial aid program that provides a student with part-time employment during the school year. Eligibility for FWS is based on need. At PVCC students receiving FWS are paid every two weeks.

Financial Need - The difference between the COA and the EFC is the student's financial need -- the gap between the cost of attending the school and the student's resources. Eligibility for need-based financial aid programs is determined using this figure.

Free Application for Federal Student Aid (FAFSA) - The application used to apply for Pell Grants, Direct Loans, and all other need-based aid. There is no fee to file a FAFSA.

Grace Period - A six-month period before the first payment must be made on a Direct Subsidized or Unsubsidized Loan. The grace period begins the day after the borrower ceases to

be enrolled at least half time.

Grant - A type of financial aid based on financial need that the student does not have to repay. The grants available at PVCC include Pell Grant, Supplemental Educational Opportunity Grant (SEOG), and the Leveraging Education Assistance Partnership (LEAP) Grant.

Independent Student - For financial aid purposes, an independent student is one who meets one or more of the following criteria:

- 24 years old as of January 1 of the academic year
- Married prior to signing and filing the FAFSA
- A graduate or professional student
- Have children who receive more than half their support from you
- Have dependents (other than a spouse or child) who live with you and receive more than half their support from you
- A veteran of the US Armed Forces
- Currently serving on active duty in the U.S. Armed Forces for purposes other than training
- At age 13 or older both your parents were deceased, you were in foster care or you were a dependent/ward of the court
- An emancipated minor as determined by a court in your state of legal residence
- In legal guardianship as determined by a court in your state of legal residence
- An unaccompanied homeless youth (for additional details of this requirement, see the FAFSA)

A parent refusing to provide support for their child's education is not sufficient for the child to be declared independent.

Interest - Amount charged to the borrower for the privilege of using the lender's money. Interest is usually calculated as a percentage of the principal balance of the loan. The percentage rate may be fixed for the life of the loan, or it may be variable, depending on the terms of the loan. All federal loans issued since October, 1992 use variable interest rates that are pegged to the cost of US Treasury Bills.

Loan - A type of financial aid which must be repaid, with interest.

National Student Loan Database Service (NSLDS) - A system of the federal government which houses a student's federal educational loan borrowing history. All lenders are required to report a student's loan information to this database system.

Pell Grant - A federal grant program offered to high-need students who are working toward their first undergraduate degree.

Professional Judgment - Financial aid administrator discretion, based on documented special circumstances of a student, to change data elements used in determining financial aid eligibility for a student.

Promissory Note - (Also referred to as MPN- Master Promissory Note) A legally binding contract between the U.S. Department of Education and a borrower. The promissory note contains the terms and conditions of the loan, including how and when the loan must be repaid.

Satisfactory Academic Progress (SAP) - A student must maintain SAP in order to continue receiving federal aid. PVCC's SAP Policy can be found [here](#).

Selective Service - Registration for the military draft. Male students who are US citizens and

have reached the age of 18 and were born after December 31, 1959 must be registered with Selective Service to be eligible for federal financial aid. Students needing help resolving problems concerning their Selective Service registration should call 1-847-688-6888.

Subsidized Loan - A federally financed student loan made to students meeting eligibility requirements. The federal government does not charge interest on these loans while the borrowers are enrolled at least half time, during the grace period, or during authorized periods of deferment. Eligibility for a subsidized loan is based on need.

Unsubsidized Loan - A federally financed student loan made to students meeting eligibility requirements. Students need not demonstrate financial need. Interest is charged throughout the life of the loan. The borrower may choose to repay the interest charged on the loan or allow the interest to be capitalized when the loan enters repayment.

Verification - The process the U.S. Department of Education uses to make sure that the information reported on the FAFSA is accurate. Technical and administrative procedures are used by the educational institution to detect and resolve inaccuracies in the data supplied on the FAFSA. Evaluation of tax and asset documentation is required.