

Student Loan Terms to Know

Definition of words related to federal student loans and the Nelnet payment process.

Accrue
The act of interest accumulating on the borrower's principal balance.

Aggregate Loan Limit
The maximum total outstanding loan debt the borrower is allowed when graduating or finishing school.

Adjusted Gross Income (AGI)
AGI is the adjusted gross income as reported by the Internal Revenue Service, and is calculated as gross income minus pre-tax deductions. The AGI can be found on a federal income tax return form (1040, 1040A, 1040EZ). This information is required when applying for repayment plans such as Income-Based Repayment or Income-Contingent Repayment.

Amount Due
Generally, the minimum monthly payment the borrower must make by the due date, not the total amount owed.

Annual Percentage Rate (APR)
The total annual interest cost of a loan.

Award Letter
An official document issued by the school's financial aid office listing all the financial aid awarded. The award letter details Cost of Attendance and terms and conditions for the financial aid.

Borrower
The individual who applies for, receives, and is responsible for paying back a loan.

Campus-Based Aid
Financial aid programs, like Perkins Loans and Federal Work-Study, administered by the college or university. The federal government provides each institution with a fixed annual allocation, often matched or exceeded by that institution, that is awarded to students based on financial need.

Capitalization
The addition of unpaid accrued interest to the principal balance of a loan. When the interest is not paid as it accrues during periods of in-school status, the grace period, deferment, or forbearance, your lender may capitalize the interest. This increases the outstanding principal amount due on the loan, and may increase your monthly payment amount. Interest is then charged on that higher principal balance, increasing the overall cost of the loan.

Certification
A process by which the school verifies that you are enrolled at least half-time, are making satisfactory academic progress, and are eligible for federal student loans Certification must be made prior to any disbursement of loan funds.

Co-Borrower/Co-Signer
An individual who signs the loan promissory note with the borrower and is equally responsible for repaying the debt.

Cost of Attendance (COA)
The estimated cost of educational expenses for a period of enrollment, which usually includes tuition, fees, room, board, supplies, transportation, and miscellaneous personal expenses as determined by the school.

Consolidation
Combining multiple loans reduces the monthly payment amount and/or increases the length of the repayment period.

Credit Report
A report produced by a credit bureau and provided to a lender for the lender to determine a borrower's creditworthiness. The report includes a listing of debts including accounts past due. The credit report will also include information about bankruptcy, if applicable.

Credit Bureau
An agency that collects personal and financial information from various sources about consumers. The agency retains information about the types and amounts of credit a borrower has obtained, as well as timeliness in making payments, as reported to the agency by the various lenders that have made loans to the borrower.

Credit Score

A number, generally between 300 and 850, provided in a credit report and used by a lender as a predictive indicator of the borrower's likelihood to repay a loan.

Data Release Number (DRN)

The four-digit number assigned to your FAFSA® that allows you to release your FAFSA data to schools you did not list on your original FAFSA. You need this number if you contact the Federal Student Aid Information Center to make corrections to your mailing address, or to the school information you listed on your FAFSA. You can find this number below the confirmation number on your FAFSA submission confirmation page, or in the top right-hand corner of your Student Aid Report (SAR).

Default

The failure of a borrower to repay a loan according to the terms of the promissory note. Default occurs at 270 days delinquent, and has a negative effect on a borrower's credit score.

Deferment

A period during which borrowers may postpone loan payments. For certain types of loans, the federal government pays the interest that accrues during a deferment period. For unsubsidized loans, borrowers are responsible for paying the interest that accrues during a deferment period, and any unpaid interest is added to the loan balance when the deferment ends (this is called capitalization).

Delinquency

Failure to make loan payments when due. Delinquency begins with the first missed payment.

Dependent Student

An undergraduate student whose parents provide over half of his or her financial support. If a student is single, under 24 years of age, has no legal dependents, is not an orphan or ward of the court, and is not a veteran of or serving on active duty in the U.S. Armed Forces, he or she is a dependent student. Parents of a dependent student must submit parental information on the FAFSA for their child to be considered for financial aid.

Direct Consolidation Loan

Offered by the Department of Education, this program lets borrowers combine one or more eligible federal student loans into one new Direct Consolidation Loan, with the Department of Education as the new lender. If borrowers have multiple loans with multiple lenders, this option offers the opportunity to make only one monthly payment to one servicer.

Disbursement

The release of loan funds to the school. Disbursements are usually made in equal, multiple installments co-payable to the borrower and the school.

Due Date (Payment Due Date)

The month, day, and year the next payment is due.

Expected Family Contribution (EFC)

Amount a student's family is expected to contribute to the cost of education based on the family's income, net assets, savings, size, and number of children in college.

Effective Date

The date that a purchase, cash advance, fee, service charge, or payment is effective on a charge or credit account.

Endorser

An individual who signs the loan promissory note with the borrower and is secondarily responsible for repaying the debt if the borrower does not.

Enrollment Status

Indicates whether a student is enrolled full-time or part-time. Generally, students must be enrolled at least half-time to qualify for financial aid. Schools may have differing criteria for half-time and full-time enrollment.

Entrance Counseling

Borrowers with federal education loans are required to receive counseling before the first loan disbursement is made. During this counseling, the borrower's rights, responsibilities, and loan terms and conditions are reviewed. This session may be conducted online, by video, in person with the financial aid administrator (FAA), or in a group meeting.

Exit Counseling

Borrowers with federal education loans are required to receive counseling before graduation or if they cease to be enrolled at least half-time. During this counseling, the borrower's rights, responsibilities, and loan terms and conditions are reviewed. This session may be conducted online, by video, in person with the financial aid administrator (FAA), or in a group meeting.

Financial Aid Administrator (FAA)

A college employee involved in the administration of financial aid.

Free Application for Federal Student Aid (FAFSA)

The free form that must be completed by students and parents applying for federal student aid.

FAFSA4caster

An online tool designed to help students financially plan for college and get an early estimate of federal student aid eligibility.

Federal Direct Loan Program (FDLP)

The William D. Ford Federal Direct Loan Program offers Stafford, PLUS, and consolidation loans directly from the federal government. The lender is the Department of Education. These are often referred to as Direct Loans, and are serviced by companies like Nelnet.

Federal Family Education Loan Program (FFELP)

The Federal Family Education Loan Program offered Stafford, PLUS, and consolidation loans financed by lenders and guaranteed by the federal government. This program ceased on June 30, 2010.

Federal Student Aid (FSA)

An office of the U.S. Department of Education that is responsible for administering the federal financial aid programs. The Department funds all Direct Loans, owns some FFELP loans, and utilizes various servicing companies, one of which is Nelnet.

Federal Student Aid ID

A number that serves as the borrower's identifier to allow access to personal information in various Department of Education systems, such as the National Student Loan Data System (NSLDS). Borrowers use their FSA ID to electronically sign the online FAFSA, consolidation loan application, promissory note, and deferment or forbearance forms.

Federal Work-Study Program

A federal program that provides part-time jobs, generally on campus, for undergraduate and graduate students with financial need, allowing students to earn money to help pay education expenses.

Finance Charge

The total amount of interest that will be paid over the life of a loan when the loan is repaid according to the repayment schedule.

Financial Aid

Financial assistance to pay for education expenses, which can include scholarships, grants, work-study, and loans.

Financial Aid Package

The combination of financial aid (loans, scholarships, grants, work-study) determined by the financial aid office of a college.

Financial Need/Eligibility

The difference between the Cost of Attendance (COA) at a college and the Expected Family Contribution (EFC).

Forbearance

Forbearance allows a borrower to temporarily postpone making payments, or to make lower payments, on a loan for a specific length of time.

General Educational Development Certificate (GED)

Certificate a student receives when passing the approved high school equivalency test. A student that does not have a high school diploma but has a GED can qualify for federal student aid.

Gift Aid

Financial aid, such as grants and scholarships, which does not need to be repaid.

Grade Point Average (GPA)

An average of a student's grades, where the grades have been converted to a numerical scale, such as 4.0 being an A, 3.0 being a B, 2.0 being a C, 1.0 being a D, and 0 being an F.

Grace Period

Specified period of time, usually six months, between the date a student graduates or drops below half-time status and the date loan repayment begins on certain types of federal student loans. Borrowers do not have to make payments during this time, but can get started in order to pay less interest.

Graduate Student

A student who has obtained a bachelor's degree and is seeking an advanced degree.

GradPLUS Loan for Graduate and Professional Students

Federal loans available to graduate and professional students to pay for education expenses.

Grants

Financial aid awards that do not have to be repaid. Grants are available through the federal government, state agencies, and colleges.

Gross Income

Income from all sources prior to deductions for taxes and other elections like 401(k) contributions.

Guarantee

An agreement between a FFELP lender and a guarantor that states the guarantor will reimburse the lender for some portion of a loan if the borrower fails to repay a loan and the lender has met all servicing requirements.

Guarantor/Guaranty Agency

State agency or private non-profit organization that administers the FFEL Program and guarantees student loans made under this program on behalf of the federal government.

Half-Time Enrollment

An academic workload, as determined by the school, which includes at least half of the academic workload required by federal regulations for full-time enrollment in a program of study. Students must attend school at least half-time to be eligible to receive federal student loans. The number of classes that must be taken to be considered half-time is determined by the school.

In-School

Student status when enrolled at least half-time.

Inbox

The secure online inbox that stores correspondence and statements from Nelnet if a borrower opts to receive them electronically.

Income

The amount of money received from employment, profit, or other sources (welfare, disability, child support, Social Security, and pensions).

Income-Based Repayment (IBR)

Monthly payments based on the adjusted gross income (AGI), family size, and poverty guidelines for a borrower's state of residence, rather than the amount of the loan. Any debt remaining after 25 years of payments under IBR is forgiven (FFELP and Direct Loans).

Income-Contingent Repayment (ICR)

Monthly payments based on the adjusted gross income (AGI), family size, poverty guidelines for the borrower's state of residence, and Direct Loan debt at the time of repayment. Any debt remaining after 25 years of payments under ICR is forgiven (Direct Loans only).

Income-Driven Repayment (IDR)

This repayment plan is for both FFELP and Direct Loans. Monthly payments based on your adjusted gross income (AGI), family size, and total indebtedness. After 20 or 25 years (depending on the terms of your loans) of qualifying payments, your remaining loan balance is eligible for forgiveness. Parent PLUS Loans and consolidation loans (which includes at least one Parent PLUS Loan) do not qualify for this plan.

Independent Student

If a student is married, 24 years of age or older, enrolled in a graduate or professional education program, has legal dependents other than a spouse, is an orphan or ward of the court, currently serves active duty in the U.S. Armed Forces for purposes other than training, or is a veteran of the U.S. Armed Forces, he or she is an independent student.

Initial Disclosure Statement

A statement provided to the borrower prior to or at the time of a loan's first disbursement that lists the lender name and contact information, the principal loan amount, the dates when loan funds will be disbursed, interest rate, and amount of any loan fees collected by the lender.

Institutional Loan

Loans made by a school to its students. The school is the lender, and the funds must be repaid to the school.

Interest

The rate at which interest is calculated on a borrower's loans.

Interest Rate

The rate at which interest is calculated on a borrower's loans.

Internship

Part-time or full-time job during the academic year or the summer months in which a student receives supervised practical training in a field of interest.

Lender

A bank, agency, or school that loans money to a borrower. The Department of Education is also a lender.

Lifetime Learning Tax Credit

A federal income tax credit that can be claimed for qualifying tuition and education expenses paid by a borrower during the tax year. The credit is equal to 20% of out-of-pocket expenses for qualifying tuition and education expenses of all eligible family members, up to a maximum of $10,000 in expenses. Only one credit may be claimed per tax year.

Loan Discharge

Federal student loans can be discharged (written off) in the event that a school closes while a borrower is attending, the loan is falsely certified by a school official, the school fails to pay a refund, or the borrower is a victim of identity theft, becomes totally and permanently disabled, or dies.

Loan Fee

A fee a borrower pays. It is deducted proportionately from each loan disbursement.

Loan Servicer/Servicer

An organization hired by a lender or the Department of Education to administer student loans. Loan servicing includes disbursing loan funds, monitoring enrollment status, collecting payments, and assisting borrowers during repayment of their loans.

Merit-Based

A means of determining eligibility for certain types of financial aid using merit, such as talents or accomplishments, as the determining factor.

Master Promissory Note (MPN)

The promissory note a student or parent borrower signs when taking out a Stafford or PLUS Loan. Borrowers may obtain multiple loans under a single Master Promissory Note.

Need-Based

A means of determining eligibility for certain types of financial aid using financial need as the determining factor.

National Student Loan Data System (NSLDS)

A centralized database that stores information on all federal loans and grants. NSLDS also contains borrowers' school enrollment information.

Origination Fee

Fee payable by the borrower and deducted from the principal of a loan prior to disbursement. For federal loans, the origination fee is paid to the federal government to offset the cost of the borrower's interest subsidy. For private loan programs, the origination fee is generally paid to the lender to cover the cost of administering and insuring the program.

Parent Borrower

Parents who have at least one Federal PLUS Loan to finance their dependent child's education.

Partial Financial Hardship

A calculation using the difference between the borrower's adjusted gross income (AGI) and the poverty guideline for his or her family size and state of residence. The result determines eligibility for income-driven repayment plans.

Pay As You Earn

Caps monthly payments at 10% of your discretionary income or, if married and filing a joint federal income tax return, 10% of your combined discretionary income. Under this plan, the borrower's remaining student loan balance will be forgiven after they have made the equivalent of 20 years of qualifying payments.

Pell Grant Program

A federal program that provides need-based grants to low-income students in order to provide access to higher education. Grant amounts are dependent on your Expected Family Contribution (EFC), the Cost of Attendance (COA) as determined by the school, enrollment status (full-time or part-time), and whether a student attends for a full academic year or less.

Federal Perkins Loan Program

The Federal Perkins Loan Program offers low-interest loans funded by the federal government and administered by the school to undergraduate and graduate students. The loan amount received depends on the student's financial need and the availability of funds at the school.

PLUS Loan for Parents

Federal loans available to parents of dependent students to pay education expenses. In the case of parent PLUS Loans, the parent is responsible for the debt, not the student.

Posting Date

The date that a purchase, cash advance, fee, service charge, or payment is recorded on a charge or credit account.

Prepayment/Paid Ahead

The amount paid in excess of the monthly payment amount due on a loan. A prepayment will first be applied to any outstanding fees and charges, next to outstanding interest, and then to the principal balance of the loans.

Private Loan

Loans offered by banks, other financial institutions, and schools to parents and students to pay educational expenses. Private loans are based on credit, more expensive, and not guaranteed by the federal government.

Promissory Note

The binding legal document a borrower signs for a student loan, which lists the terms and conditions of the loan as well as the borrower's rights and responsibilities. For federal loans, the promissory note is also known as the Master Promissory Note (MPN).

Reference

A person the borrower lists on a loan promissory note as someone who knows and can provide information about him or her. References are not co-signers and are not responsible for repaying the loan.

Refund

The total amount of unused education expenses. These funds are often returned to the borrower via paper check, direct deposit, or prepaid debit card. Some schools make the borrower request the proceeds, while others automatically send the refund.

Regular Monthly Payment Amount

The monthly payment amount that can be made for a loan account to remain in a current repayment status.

Rehabilitation

The process of bringing a loan out of default and removing the default notation on a borrower's credit report.

Repayment

The period of time during which the borrower is required to make payments on a loan. The repayment period can be shortened if the borrower makes additional payments.

Repayment Incentive

A benefit that a lender offers borrowers to encourage them to repay their loans on time. For example, under a repayment incentive program, the interest rate charged on borrowers' loans might be reduced if they make automatic monthly payments, or the principal balance on the loan might be reduced after making a certain number of on-time consecutive payments. Note: These incentives are not available for Direct Loans.

Repayment Plan

A schedule agreed upon by both a borrower and a lender regarding repayment of a loan. Changing repayment plans is a good way to manage your loan debt when your financial circumstances change to be less favorable. For example, borrowers can usually lower their monthly payment by changing to another repayment plan, if eligible, that has a longer term in which to repay the loan. There are no penalties for changing repayment plans.

Repayment Schedule

A statement provided by the loan servicer to the borrower that lists the amount borrowed, the amount of monthly payments due, and the date payments are due.

Student Aid Report (SAR)

A report sent to the borrower by the federal government, which summarizes financial and other information reported on the Free Application for Federal Student Aid (FAFSA). The report includes the Expected Family Contribution (EFC).

Schedule of Repayment Disclosure

A statement provided to the borrower prior to the loan entering repayment. The statement lists the principal amount, payment amount, payment due date, finance charge, and interest rate.

Scholarships

Financial aid awards that do not have to be repaid. Scholarships are typically reserved for students with special qualifications, such as academic, athletic, or artistic talent or who are part of a cultural, ethnic, or geographic group.

Selective Service Registration

Registration with the federal agency that administers the military draft, which is required to receive federal financial aid. The requirement to register applies to males who were born on or after January 1, 1960, are at least 18 years old, are United States citizens or eligible non-citizens, and are not currently on active duty in the U.S. Armed Forces.

Servicer

A loan servicer is a company that is contracted by the federal government to handle billing and other services for federal student loans.

Social Security Number (SSN)

Unique nine-digit number assigned by the Social Security Administration. The SSN is used as an identifier for students and parents seeking any type of federal financial aid.

Stafford Loans

Federal loans available to students to pay education expenses. For certain types of loans, the Department of Education pays the interest that accrues during in-school and deferment periods.

Student Loan

A type of financial aid that is available to students and their parents. Student loan programs have varying interest rates and repayment provisions. Student loans must be repaid.

Subsidized

Refers to the interest that the borrower is not responsible for paying on their student loan. While the borrower is in school, the federal government pays the accrued interest on subsidized loans. Subsidized loans are awarded based on financial need.

Transcript

A list of all the courses that a student has taken at a particular high school or college, with the grades earned in each course. Transcripts are usually required for college admission.

Total Amount Repaid

The total amount borrowers are expected to pay over the life of the loan (the full repayment term), including principal and interest.

Truth in Lending Disclosure

A statement provided to the borrower prior to or at the time of disbursement of a private loan that lists the lender name and contact information, amount financed, annual percentage rate (APR), finance charge, payment amount and schedule, and total repayment amount.

Tuition

The amount charged by colleges for classroom and other instruction.

Undergraduate Student

A degree-seeking student at a college or university who has not yet earned a bachelor's degree.

Unsubsidized

Interest on unsubsidized loans will accrue interest from the time the loan is disbursed to the school. Borrowers have the option to pay the interest as it accrues. If not paid while in school, it is added to the principal balance (capitalized) when it's time to repay the loan.

Variable Interest

The rate of interest charged on a loan. The rate changes annually and fluctuates with a stated index.

Verification

A process used by schools to ensure information reported on the Free Application for Federal Student Aid (FAFSA) is accurate, such as requesting a copy of the student's or parents' tax returns.

W-2

The federal form that lists an employee's wages and taxes withheld. The IRS requires employers to issue a W-2 for each employee generally by January 31.