

Terms

Asset - Assets are everything you own that has any monetary value, plus any money you are owed.

Award Letter - The award letter is sent by the Office of Financial Aid and provides information on the types and amounts of aid offered as well as specific program information, student responsibilities and the conditions that govern the award

Bankruptcy - Bankruptcy means being insolvent, or unable to pay your debts. In that case, you can file a bankruptcy petition to seek a legal resolution.

Budget - A budget is a written record of income and expenses during a specific time frame, typically a year.

Capital - Capital is money that is used to generate income or make an investment.

Capitalization of Interest - Capitalizing interest means adding unpaid, accumulated interest to the principal balance of your loan. Capitalization increases the total cost of your loan. If you choose to let your interest be capitalized, you repay more money in total than if you pay the interest while you are in school. Whichever option you choose, you are responsible for paying the full amount of all interest on the loan.

Cash flow - Money coming into your accounts and the money

Closing costs -Expenses paid to finalize a transaction over and above the cost of property/real estate.

Collateral -Assets with monetary value used

Collection Agency - A business organization that accepts from schools and lenders those loan accounts that have become delinquent or are in default and attempts to collect on these accounts.

Commuter Student -The definition of a commuter student at Hope College is a student who is enrolled in on-campus coursework but is not living in on-campus housing.

Compound interest - When the interest you earn on an investment is added to form the new base on which future interest accumulates

Cost of Attendance - Your cost of attendance includes tuition, activity fee, room/board charges, and allowances for books/supplies, transportation, and other miscellaneous expenses

Cost-of-living adjustment (COLA) -A wage or benefit increase that is designed to help you keep pace with increased living costs that result from inflation.

Credit rating -A credit rating is an independent evaluation of the credit risk, or likelihood of default, posed by an issuer of debt or by a specific debt issue.

Credit risk - Credit risk is the possibility that the issuer of a debt security will default, or fail to meet its obligation to make interest payments and repay principal to investors.

Credit score -Your credit score is a number, calculated based on information in your credit report, that lenders use to assess the credit risk you pose and the interest rate they will offer you if they agree to lend you money.

Debit card -A card that allows you to make point-of-sale purchases by swiping the card through the same type of machine you use to make credit card purchases.

Debt - A debt is an obligation to repay an amount you owe.

Default -When a borrower responsible for repaying a loan or making an interest payment fails to meet that obligation on time.

Deferment -A period of time during which students are not required to make loan payments, such as while enrolled at least half-time (six hours or more). Federal Direct Unsubsidized Loans do have interest accruing during periods of deferment (see Unsubsidized below).

Dependent Student - A student who does not qualify as a self-supporting/independent student by federal definition and whose parental income and asset information is used in calculating the Expected Family Contribution/EFC (see independent student).

Disbursement -The process by which your financial aid funds are applied to your account as credits to offset your billing charges. Typically, one-half of your financial aid award is credited to your fall semester charges and the other half is credited to your spring semester charges.

Disclosure -A document explaining how a financial product or offering works. It also details the terms to which you must agree in order to buy it or use it, and, in some cases, the risks you assume in making such a purchase.

Electronic Promissory Note - A Federal Direct Loan or Federal Perkins Loan Promissory Note that a borrower signs electronically on the Web (in lieu of a paper document). A PIN (Personal Identification Number) is required and serves as the borrower's electronic signature.

Electronic Signature -Student borrowers can electronically sign both their Federal Direct Loan and Federal Perkins Loan promissory notes online using provided PINs that serve as their electronic signature.

Emergency fund -An emergency fund is designed to provide financial back-up for unexpected expenses or for a period when you aren't working and need income.

Equity - refers to the difference between an asset's current market value -- the amount it could be sold for -- and any debt or claim against it.

For example, if you own a home currently valued at \$300,000 but still owe \$200,000 on your mortgage loan, your equity in the home is \$100,000. As the loan is paid off, your equity increases.

ESAR (electronic Student Aid Report) - A summary of the information that the applicant put on the FAFSA. The CPS electronically provides a link to the eSAR to each federal aid applicant that has provided an email address on the form. If the applicant did not provide an email address, the CPS will send a paper version.

Expected Family Contribution (EFC) -The amount a student and his/her family are expected to contribute toward the student's cost of attendance as calculated by the congressionally mandated formula known as the Federal Methodology. This EFC is derived from the data you submit on the FAFSA.

Face value -The dollar value of a bond or note, the amount the issuer has borrowed, usually the amount you pay to buy the bond at the time it is issued, and the amount you are repaid at maturity, provided the issuer doesn't default.

FAFSA (Free Application for Federal Student Aid) - To apply for federal student financial aid, and to apply for many state student aid programs, students must complete a Free Application for Federal Student Aid (FAFSA). The information you provide on your FAFSA determines if you are eligible for financial aid.

FICO score - Based on the information in your credit report, is calculated weighing the amount of debt you carry relative to your available credit, the timeliness of your payments, the type of debt you carry, and a great many other factors to assign you a credit score between 300 and 850.

Finance charge - The total dollar amount you pay to borrow that includes the interest that's charged plus any fees for arranging the credit, if they apply.

Financial Need - The difference between the school's cost of attendance (COA) and the family's ability to pay (or EFC). Can be expressed using the following formula, $COA - EFC = \text{Financial Need}$.

Financial plan - A document that describes your current financial status, your financial goals and when you want to achieve them, and strategies to meet those goals.

Forbearance -Permitting the temporary halting of loan repayments, allowing an extension of time for making loan payments, or accepting smaller loan payments than were previously scheduled.

Fulltime Enrollment - Enrolling for 12 or more credit hours in a given semester.

Gift Aid -Normally refers to scholarships and grants that are non-repayable forms of financial aid. Some of these awards have grade point renewal criteria while others do not.

Grace period -The number of days between the date a card issuer sends your billing statement and the date your payment is due. By law, it must be at least 21 days. The grace period on a student loan allows you to defer repayment so that the first installment isn't due until six or nine months after you graduate or are no longer enrolled at least half time. The timing depends on the type of loan. There's also a grace

period in which to pay an insurance policy premium before the policy is canceled. It may be as long as one month after the due date.

Identity theft -Identity theft is the unauthorized use of your personal information, such as your name, address, Social Security number, or credit account information.

Individual retirement account (IRA) -Individual retirement accounts are a type of individual retirement arrangements (IRAs) that provide tax advantages as you save for retirement.

Institutional Student Information Record (ISIR) - The electronic format of a student's FAFSA information from CPS (see above) used by a school to determine the student's eligibility for financial assistance.

Insufficient funds -When one does not have enough money available in a checking account to cover the checks you've written or electronic debits you've authorized.

Interest - What you pay to borrow money using a loan, credit card, or line of credit.

Lease - A legal agreement that provides for the use of something -- typically real estate or equipment -- in exchange for payment. A lease is usually legally binding, which means you are held to its terms until it expires. If you break a lease, you could be held liable in court.

Liability -The amounts you owe to creditors, or the people and organizations that lend you money. Typical liabilities include your mortgage, car and educational loans, and credit card debt.

Line of credit - A revolving credit arrangement you establish with a lender. The lender sets the credit limit, which is the most you can borrow under the arrangement.

Loan -A form of financial assistance that requires repayment, generally after the student graduates or ceases to be enrolled at least half-time (six hours or more).

Master Promissory Note/Direct Loans -This document acts as a student's promise to repay Federal Direct subsidized and unsubsidized loans. The master note feature allows the student to sign only once for her/his first loan proceeds, and continues to bind the student to repay all future amounts borrowed under the program. Master Promissory Notes are made available online and can be electronically signed using a PIN.

Matching contribution -Money your employer adds to your retirement savings account, such as a 401(k).

Mutual fund -A professionally managed investment product that sells shares to investors and pools the capital it raises to purchase investments typically buys a diversified portfolio of stock, bonds, or money market securities, or a combination of stock and bonds, depending on the investment objectives of the fund.

National Student Loan Data System (NSLDS) -A U.S. Department of Education web database that allows students to access their federal grant and loan information with use of a PIN (see below).

Need Analysis - A congressionally mandated formula that analyzes students' and their parents' household and financial information reported on the FAFSA, to determine a family's estimated ability to contribute to the cost of education. Schools use the resulting EFC to determine aid eligibility based on the cost of attendance.

Net income -The amount of money a corporation has earned after subtracting all of the expenses of producing its goods or services from the income or revenue it has realized from sales of those goods or services.

Net worth -The value of the assets you own (including cash, securities, personal property, real estate, and retirement accounts) minus your liabilities (what you owe in loans and other obligations).

Note - A debt security that promises to pay interest during the term that the issuer has use of the money, and to repay the principal on or before the maturity date.

Origination fee - An amount, usually calculated as a percentage of a mortgage loan or home equity loan, which a lender charges for processing your application.

Outside Scholarship -A form of financial assistance from a source other than the traditional federal, state and institutional student assistance programs (e.g, from a church, a foundation, etc.), that usually does not have to be repaid. Outside scholarships must be considered when calculating a student's eligibility for need-based aid.

Over award -Occurs when a student receives financial assistance in excess of demonstrated need, requiring a reduction or repayment of some aid funds.

Part-time Enrollment - Enrollment level less than 12 credits during a semester or term.

PIN -A student's or parents Personal Identification Number from the U.S. Department of Education that allows the student to access her/his student aid application and federal assistance information on the Internet.

Pretax income -Sometimes described as pretax dollars, is your gross income before income taxes are withheld.

Price-to-earnings ratio (P/E) - The relationship between a company's share price and its earnings. It is calculated by dividing the current price per share by the earnings per share.

Prime Interest Rate - A financial index to which many adjustable rate loans are tied when they have short-term adjustment periods.

Principal - An amount of money you invest, the face amount of a bond, or the balance you owe on a debt, distinct from the finance charges you pay to borrow.

Profit -Also called net income or earnings, is the money a business has left after it pays its operating expenses, taxes, and other current bills.

Promissory Note/Perkins Loan - Students who borrow under the Federal Perkins Loan program are required to sign a promissory note documenting their loan along with their promise to repay upon graduation or less than half-time enrollment (less than six hours). Student borrowers are able to secure a PIN number via the Web and to sign their notes electronically.

Rate of return - Income you collect on an investment expressed as a percentage of the investment's purchase price.

Repayment Schedule - A calculated list of monthly loan payments over a certain period of time based on the student's total amount borrowed and the interest rate in effect at the time of repayment.

Return - The profit or loss you have on your investments, including income and change in value.

Risk - The possibility one will lose money if an investment you make provides a disappointing return. All investments carry a certain level of risk, since investment return is not guaranteed

Satisfactory Academic Progress - Federally required minimal standards of academic progression toward a degree that student aid applicants must meet to remain eligible for financial aid funds.

Scholarship - A form of student assistance based on academic achievement or some other form of talent or accomplishment. Scholarships usually do not have to be repaid.

Spending plan - A plan that can help you manage your money more effectively, live within your income limits, reduce your reliance on consumer credit, and save for the things you want.

Subsidized Loan - A student loan based on demonstrated financial need on which no interest is charged while the student maintains at least half-time enrollment (six hours or more.)

Underwater - Describes when an asset has lost value. You are underwater if you owe more on a loan secured by a home or other real estate than the current market value of the property.

Unsubsidized Loan - A loan that students may receive in addition to need-based financial assistance where interest charges accumulate while the student is enrolled. The student may choose to make interest and principle payments, interest payments only, or have interest accumulate and be "capitalized" (see above) while enrolled at least half-time (six hours or more).

Verification - A federally required quality control measure to ensure the accuracy of data reported on the FAFSA. Students with applications selected by the CPS (see above) for verification must submit household and financial information to the Office of Financial Aid as requested.