

Glossary of Federal Student Loan Terms

Stafford Loan –

A federal loan awarded based on financial need. The Federal Stafford Loan can be subsidized, unsubsidized, or a combination of both.

****Subsidized Stafford Loan–** The government pays the interest while student is in school at least half time and during periods of grace and deferment.

****Unsubsidized Stafford Loan –** The student is responsible for paying the interest on the loan from the date of disbursement through repayment.

Capitalization –

With Unsubsidized Loans, if you choose to defer paying interest on your loan while in school, the interest is capitalized or added to the principal when you enter repayment.

Consolidation loan–

Combining outstanding federal education loans into a single monthly payment. A consolidation loan generally has a longer repayment period with a lower monthly payment. This usually results in higher total interest costs as well as higher total repayment costs.

Default –

Failure to make scheduled loan payment for 270 consecutive days or failure to honor the other terms of your loan agreement.

Deferment –

A deferment is an entitlement which allows you to temporarily postpone payments for a variety of reasons, including unemployment, disability, and returning to school.

Delinquent –

When loan payments are late or unpaid. Delinquent loans are reported to credit bureaus and can harm your ability to obtain credit. Delinquent loans can become defaulted loans.

Disclosure Statement –

A statement of the estimated cost of the loan, including the interest and any additional fees.

FFELP (Federal Family Education Loan Program) –

A loan program authorized by the federal government under the Higher Education Act. This program include Federal Stafford, PLUS, and Consolidation Loans. These loans are funded by banks, guaranteed by guaranty agencies, and ultimately insured by the federal government.

Forbearance –

A forbearance is an agreement with your lender, at its discretion, to postpone payments when you are having financial difficulty.

Grace Period –

The amount of time allowed before principal repayment of loan must begin after the student graduates, leave school or drops below half-time status.

Guaranty Agency –

An agency that insures the student loans made by lenders.

Interest –

The Fee charged to borrow money, usually a percent of the outstanding loan amount, which accrues and is paid over the life of the loan. All *federal* student loans have fixed interest rates.

Master Promissory Note (MPN) –

The binding document that a borrower signs before receiving the loan proceeds. The note include information about the terms and conditions of the loan and the borrower's promise to pay.

Ombudsman –

A person who investigates complaints and mediates fair settlements, especially between aggrieved parties. (EG. A consumer or student, and the institution or organization)

Payment Schedule –

A summary of terms of a loan, which includes the total principal amount, the date payment begins, the monthly payment amount, and the interest rate.

Principal –

The amount of the loan that must be repaid upon maturing, and the amount upon which the interest will be charged.

Servicer -

An agency that administers loans on behalf of a lender. If a lender uses a servicer to administer repayment, the rights and responsibilities to repay the loan do not change, except that loan payments are made directly to the servicer, not the lender.