

## Financial Aid Defined

### General Aid Types

**Federal Aid:** Aid that comes from the U.S. government. This aid is usually disbursed through your college.

**Gift Aid:** Financial aid that does not need to be paid back:

- *Grants:* Typically based on financial need.
- *Scholarships:* Typically based on achievement or talent.

**Loans:** Funds that must be paid back later, with interest. A loan can be from a private lender (such as a bank) or your college (federal loans are guaranteed by the government).

**Private Aid:** Financial aid that comes from non-government sources.

**Work-Study:** Provides students with part-time employment year-round. More under "Federal Work-Study."

### Federal Aid Programs

**Pell Grant:** Gift aid given based on financial need. How much aid you will be eligible to receive is based on your FAFSA results. Current max/yr is \$4,050.

**Federal Work-Study:** Provides jobs for students with financial need, allowing them to earn money to help defray college expenses. Jobs are available both on and off campus.

**Perkins Loan:** Fixed low interest (5 percent) loan through your college. You must demonstrate financial need. Current max/yr for undergrads is \$4,000 (max. total: \$20,000).

**Stafford Loan:** Variable interest rate loan. Stafford loans may be obtained from a private lender or your college. They can be either subsidized (no interest accrues while in school) or unsubsidized (interest accrues while in school).

### Loan Terms

**Annual percentage rate (APR):** Amount of interest (fee for borrowing money) associated with a loan. APR can change or remain the same during the year and term of the loan. If the interest rate is *variable*, the rate can change; if it is *fixed*, the rate will not change.

**Co-signer:** A person besides the borrower who signs a credit agreement and is legally obligated to repay the loan if the borrower does not make payments.

**Default:** Failure to repay your loan. It may lead to legal action to recover the money and can affect your credit rating.

**Delinquent:** When at least one loan payment is late or missed. Serious delinquency results in default.

**Disbursement:** Release of funds by a lender to the borrower.

**Grace period:** The time between when you leave school and before repayment begins.

**Principal:** The full amount borrowed. During repayment, it refers to the portion of the original amount still owed (not including interest).

**Promissory note:** A contract between the borrower and lender that reflects the terms and conditions under which the borrower promises to repay the loan.

### Financial Aid Terms

**Dependency Status:** Based on government standards, if you are considered a dependent student, colleges will consider parent financial resources when awarding financial aid.

**FAFSA:** Free Application for Federal Student Aid. The form the used to determine the amount of federal and state aid for which you are eligible.

**Financial Need:** The difference between your educational costs and the EFC (Expected Family Contribution: amount your family is expected to pay).

**Financial Aid Package:** The total financial aid you are offered, including scholarships, grants, work-study and loans. This information is typically summarized in an award letter. You may choose which aid you would like to accept.

**Professional Judgment:** Financial aid administrators may adjust your aid package and contribution when extenuating circumstances exist (e.g. loss of a parent, unemployment, unpaid medical expenses, etc.).

**Verification:** Review process in which the financial aid office requests documentation to verify the accuracy of FAFSA data (on average, about 1/3 of all applications are selected).

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