

Glossary

- A -

Academic year (AY). A time period of at least 30 instructional weeks in which a full-time undergraduate student is expected to complete:

- ♦ at least 24 semester or trimester hours or 36 quarter hours at an institution using credit hours in an educational program whose length is measured in credit hours,
- or*
- ♦ at least 900 clock hours at an institution using clock hours.

There is an exception to the 30-week requirement for those schools with at least a 2-year or 4-year academic program with an associate or bachelor's degree. Those schools may request, in writing, that ED reduce the minimum period of instructional time of the academic year for any of its programs as long as they are at least 26 weeks in length.

Accredited institution. Any school or institution that meets standards established by a nationally recognized accrediting agency or association. See *Nationally recognized accrediting agency or association*.

Accrued interest. The interest that accumulates over time on the principal of a loan. See *Capitalized interest* and *Interest*.

ACH and ACH/EFT. See *Automated Clearinghouse (ACH)*.

Actual disbursement roster (ADR). A list that the Loan Origination Center (LOC) sends to Standard Origination schools and Origination

Appendix B



Option 1 schools four days before a loan disbursement. The list contains the names of borrowers, loan types, and amounts to be disbursed.

ADL. See *Anticipated disbursement listing*.

Administrative capability. A requirement an institution must meet to participate in any Title IV student aid program. Administrative capability covers specific areas in the management of an institution. These areas include:

- ♦ establishing and maintaining student records and financial records,
- ♦ submitting required ED reports,
- ♦ designating a capable Title IV aid administrator at an institution,
- ♦ writing procedures for school offices involved with Title IV programs,
- ♦ communicating to the financial aid administrator all information received by any school office that might affect a student's Title IV aid eligibility,
- ♦ dividing the functions of authorizing payments and disbursing funds, *and*
- ♦ employing an adequate number of qualified staff.

See also *Financial responsibility*

Administrative offset. An offset assessed by ED against a Title IV aid school to collect program review, audit, and formal fine debts. ED withholds a portion of a school's Grant Administration and Payment System (GAPS) payments and applies them toward the school's debt.

ADR. See *Actual disbursement roster (ADR)*.

Advance payment method. Under the advance payment method, a school may submit a request for funds to ED prior to disbursing aid to eligible students and parents. If the request is approved, ED will make an electronic funds transfer for the requested amount to the school's bank account.

Alternative repayment. A repayment plan the Direct Loan Servicing Center provides to a borrower who adequately demonstrates that the terms and conditions of the four Direct Loan repayment plans do not accommodate the borrower's exceptional circumstances.

Anticipated disbursement listing (ADL). A list that the Loan Origination Center (LOC) sends to Standard Origination schools and Origination Option 1 schools 30 to 45 days before a disbursement. The list contains anticipated disbursement amounts by borrower and loan type.

Audit. An independent examination of a school's financial transactions, accounts, reports, and compliance with applicable laws, regulations, and ED directives. A financial audit also studies and evaluates the institution's internal accounting and administrative controls, as well as the policies, procedures, and practices used in administering student financial assistance programs.

Automated Clearinghouse (ACH). A nationwide, electronic financial network providing a paperless, efficient means of making payments by electronically transmitting debits and credits through the Federal Reserve Communications System. ACH payments offer a wide range of applications, including direct deposit and preauthorized debits. Also referred to as Automated Clearinghouse/Electronic Funds Transfer (ACH/EFT).

Automated FEDWIRE system. A process that allows schools receiving funds by FEDWIRE to place payment requests via personal computer

directly into Grant Administration and Payment System (GAPS). This system allows payments to be made the same day, be made the next day, or warehouses a payment request for up to 30 days. See *FEDWIRE*.

Automated voice response. An option for placing requests for ACH payments through a service bureau. This request is made via a touch-tone telephone. It represents one of two payment-request modes available to schools. Compare *Operator-assisted mode*.

Award. As a noun, a specific amount of financial assistance to pay for education costs offered to a student through one or more financial aid programs. As a verb, the approval of financial assistance to students, as in one function of an institution is to award campus-based financial aid to students who meet all the eligibility criteria.

Award adjustment or revision. An action by a financial aid office resulting in an increase, decrease, program-source substitution, or cancellation of a student's financial aid award. This may be necessitated by factors such as a change in the student's enrollment status or a change in the financial circumstances of the student's family or the student.

Award packaging. See *Packaging*.

Award year. The time period from July 1 of one year through June 30 of the following year for which financial aid awards are made. The award year differs from the federal fiscal year. Compare *Federal fiscal year* and *Program year (PY)*.

AY. See *Academic year (AY)*.

- B -

Batch. A group of records assembled in a single file that is then transmitted electronically as one unit to ED.

Blueprint. See *Modernization blueprint*.

Booked loan. The process point that creates an official and permanent obligation for the borrower to repay a Direct Loan. A loan is booked when the Loan Origination Center (LOC) has accepted:

- ♦ the loan origination record,
- ♦ the signed promissory note, and
- ♦ the disbursement record.

Borrower. Person responsible for repaying a loan who has signed and agreed to the terms in the promissory note.

- C -

CAM. See *Client account manager*.

Campus-based programs. The term applied to three federal Title IV student aid programs administered on campus by eligible institutions of postsecondary education:

- ♦ Federal Perkins Loan Program,
- ♦ Federal Work-Study (FWS) Program, and
- ♦ Federal Supplemental Educational Opportunity Grant (FSEOG) Program.

See individual program names.

Capitalizing interest. Adding unpaid accrued (accumulated) interest to loan principal payments. Capitalizing interest increases the principal amount of the loan and, therefore, the total cost of the loan. See *Accrued interest* and *Interest*.

Cash advance. A transfer of funds from a federal agency (from an account in the U.S. Treasury through the Federal Reserve Bank) to a school.

Cash monitoring payment method. Under the cash monitoring payment method, a school either is paid in advance or reimbursed. Schools either request funds in advance to meet their immediate cash needs or schools spend their own funds for Title IV programs. After submitting the appropriate documentation to ED, the schools are then reimbursed. See *Advance payment method* and *Reimbursement payment method*.

Central Processing System (CPS). ED's application data processing facility. The CPS uses student information from the Free Application for Federal Student Aid (FAFSA) to calculate the student's official Expected Family Contribution (EFC), creates and transmits to schools the Institutional Student Information Record (ISIR), and prints and mails to the student the Student Aid Report (SAR). A series of edits is used to check the consistency of family-supplied and student-supplied information. Eligibility matches are also conducted with the U.S. Social Security Administration, the U.S. Department of Justice, the U.S. Immigration and Naturalization Service, and the U.S. Selective Service. In addition, each student is checked against ED's own loan-defaulter database. See *National Student Loan Data System (NSLDS)*.

CFR. See *Code of Federal Regulations (CFR)*.

Citizen. See *U.S. citizen or national* and *Eligible noncitizen*.

Client account manager (CAM). ED employees who help schools implement and operate the Direct Loan Program. CAMs provide customer service, training, and technical assistance, as well as answering questions about federal student financial aid programs and policy.

Clock hour. The period of time consisting of—

- ♦ a 50-minute to 60-minute class, lecture, or recitation in a 60-minute period; or
- ♦ a 50-minute to 60-minute laboratory, shop training, or internship in a 60-minute period; or
- ♦ 60 minutes of preparation in a correspondence course of study.

Compare *Credit hour*.

COA. See *Cost of attendance (COA)*.

Code of Federal Regulations (CFR). The compilation of federal regulations and rules. Regulations implementing Title IV programs appear in 34 CFR; the Direct Loan Program regulations are in 34 CFR 685.

Cohort default rate. For the Direct Loan Program, the FFEL Program, and the Federal Perkins Program, the percentage of an institution's current and former students who entered student-loan repayment in a specific fiscal year on loans received for attendance at that institution and who defaulted before the end of the following fiscal year. For any fiscal year in which fewer than 30 students from a school entered repayment, the percentage is determined on the basis of students who entered repayment as described above in any of the three most recent fiscal years and who defaulted before the end of fiscal year immediately following the year they entered repayment. See *Default*.

Collection costs. Costs the government incurs when collecting a delinquent or defaulted loan. These costs are charged to the borrower.

Combination school. See *Combo school*.

Combo school. A school that uses both mainframe computers and personal computers (PCs) to administer the Direct Loan Program. Also called "combination school."

Consortium. A group of two or more schools that interacts with the U.S. Secretary of Education (the Secretary) in the same manner as other schools, except that the electronic communication between the Secretary and the schools is channeled through a single point. Each school in a consortium signs a Direct Loan Program participation agreement with the Secretary and is responsible for the information it supplies through the consortium.

Corrective action. As a part of any fine, any limitation, suspension, or termination proceeding, or any adverse finding in a report or review, ED may require a postsecondary institution to take corrective action. This action may include making payments to eligible students or repaying any illegally used funds to ED. ED may offset any funds to be repaid against any benefits or claims due to the institution.

Cost of attendance (COA). Section 472 of the Higher Education Act sets forth specific statutory parameters for cost of attendance (COA) for Title IV aid programs. A student's cost of attendance includes tuition and fees, room and board expenses while attending school, allowances for books and supplies, computer, transportation, loan fees (if applicable), dependent-care costs, costs related to a disability, and other miscellaneous expenses. In addition, reasonable costs for a study-abroad program and costs associated with a student's employment as part of a cooperative education program may be included. There are also special rules for less-than-half-time students and correspondence-study students. The cost of attendance is estimated by the school. The cost of attendance is compared to a student's Expected Family Contribution (EFC) to determine the student's need for aid.

CPS. See *Central Processing System (CPS)*.

Credit hour. The unit of measuring educational credit based on the number of classroom hours per week throughout a semester, trimester, or quarter term. Compare *Clock hour*.

- D -

Data Universal Numbering System (DUNS) number. A distinctive nine-digit identifier assigned by Dun and Bradstreet to be used as the identifying number to access the Department of Education's Central Automated Processing System (EDCAPS) and Grant Administration and Payment System (GAPS).

Default. Failure to repay a loan according to the terms of the promissory note. For Direct Loans: Failure to make a loan-installment payment on a loan repayable in monthly installments for 270 days. There can be serious legal consequences for student-loan defaulters. See *Cohort default rate*.

Default rate. A percentage calculated each year for a postsecondary school on the basis of the number of former students who defaulted on FFEL Program and/or Direct Loan Program loans received while attending that school. See *Cohort default rate*.

Deferment (of a loan). The temporary postponement of loan payments. While a borrower does not pay interest on *subsidized* loans during deferment, interest expenses continue to accumulate during deferment of an *unsubsidized* loan. Compare *Forbearance (on a Loan)*.

Delinquency. Incidents of late or missed loan payments, as specified in the terms of the promissory note and the selected repayment plan.

Department of Education Central Automated Processing System (EDCAPS). A centralized financial management system designed to integrate ED's separate financial processes.

Dependent student. Generally, a spouse, child, or other household member for whom the parent (or aid applicant) provides more than one-half of the financial support. For the purposes of federal student financial aid, a student who does not meet any of the criteria for an independent student must be classified as a dependent student. Compare *Independent student*.

Destination point. An electronic mailbox that physically transmits and receives financial aid data via the Title IV WAN. Every destination point is administered by a destination point administrator (DPA) and has an electronic mailbox number that begins with the letters "TG." See *Destination point administrator*.

Destination point administrator (DPA). An individual representing an organization involved in administering Title IV student financial aid programs, (such as a postsecondary institution, a state scholarship agency, a third-party servicer, or a software provider) who is enrolled on the Title IV WAN and assigned a destination point. To enroll as a DPA on the Title IV WAN, an organization's representative must complete and submit the Enrollment to Participate in the U.S. Department of Education's Title IV Wide Area Network. See *Destination point*.

Direct Consolidation Loan. One or more federal education loans combined into a single loan under the Direct Loan Program. Only one monthly payment is made to the U.S. Department of Education. See *Federal Direct Loan Program*.

Direct Loan. See *Federal Direct Loan Program*.

Direct Loan amendment. An addendum to a school's Program Participation Agreement with ED that, when signed by a school's president/CEO and a representative of the U.S. Secretary of Education, permits a school to participate in the Federal Direct Loan Program. Among the items the school agrees to in the signed amendment are that it will refrain from charging fees for loan origination activities and Direct Loan information and that it will implement a quality assurance plan. See *Federal Direct Loan Program (William D. Ford Federal Direct Loan Program)*, *Program Participation Agreement (PPA)*, and *Quality assurance (QA)*.

Direct Loan School Account Statement (DLSAS). Similar to a bank statement for a checking account, the Direct Loan School Account Statement allows schools to balance their records with the Loan Origination Center's (LOC's). The LOC sends schools their DLSASs on a monthly basis.

Direct Loan Servicing Center (DLSC). Under contract with ED, the Direct Loan Servicing Center (DLSC) services Direct Loan Program loans. The DLSC's functions include all activities related to maintaining borrower accounts and responding to borrower inquiries.

Disburse. To pay out money. See *Disbursement*.

Disbursement. The process by which Title IV program funds are paid to a student or parent borrower. A school may:

- ♦ pay a student or parent directly,
- by check or other means payable to the student and requiring the student's endorsement or certification (or, in the case of a parent borrowing under the Direct Loan Program, requiring the endorsement or certification of the student's parent);

- by initiating an electronic funds transfer (EFT) to a bank account designated by the student (or, in the case of a parent borrower, an account designated by the parent); or
- by dispensing cash to the student for which the school obtains a signed receipt from the student: *or*
 - ♦ credit a student's account.

Discharge. The release of borrowers from their obligations to repay their Direct Loans. Borrowers must meet certain requirements to be eligible for discharges.

Disclosure statement. Statement of the actual cost of a loan, including the interest costs and the loan fee.

DLSAS. See *Direct Loan School Account Statement (DLSAS)*.

DLSC. See *Direct Loan Servicing Center (DLSC)*.

DPA. See *Destination point administrator (DPA)*.

Drawdown of funds. The process schools use to request Title IV funds. In the Direct Loan Program, Origination Option 2 schools make drawdown requests directly to the Grant Administration and Payment System (GAPS). For Origination Option 1 schools and Standard Origination schools, the Loan Origination Center (LOC) makes the drawdown requests. See *Grant Administration and Payment System (GAPS)*.

DUNS number. See *Data Universal Numbering System (DUNS) Number*.

- E -

ED. An abbreviation for U.S. Department of Education.

EDCAPS. See *Department of Education Central Automated Processing System (EDCAPS)*.

EDE. See *Electronic Data Exchange (EDE)*.

EDExpress. A free software product provided by ED that allows institutions to enter, edit, manage, and report Title IV student financial aid application data and Federal Pell Grant payment data. This software also has functions that institutions can use to package financial aid awards, originate Direct Loans, and print Direct Loan master promissory notes.

Educational program. A postsecondary course of study that generally leads to an academic or professional degree, vocational certificate, or other recognized educational credential. According to the U.S. Secretary of Education, a postsecondary school is not providing an educational program if it does not provide the program's instruction (including independent study) but merely gives credit for one or more of the following:

- ♦ instruction provided by other schools,
- ♦ examinations provided by agencies or organizations, or
- ♦ other accomplishments, such as "life experience."

EFA. See *Estimated financial assistance (EFA)*.

EFC. See *Expected Family Contribution (EFC)*.

EFT. See *Automated Clearinghouse (ACH)*.

Electronic Data Exchange (EDE). ED's process for institutions (and other participating destination points) to electronically transmit, receive, and correct application data, package student awards, and transmit Direct Loan and Federal Pell Grant payment information through Title IV WAN.

Electronic funds transfer (EFT). See *Automated clearinghouse (ACH)*.

Eligible institution. A public or private nonprofit institution of higher education, a postsecondary vocational school, or a proprietary institution of higher education that meets all the criteria to participate in Title IV student financial aid programs.

Eligible noncitizen. A student aid applicant who is not a U.S. citizen, U.S. national, or U.S. permanent resident, but is eligible to receive Title IV assistance.

An eligible noncitizen must have an Arrival-Departure Record (I-94) from the U.S. Immigration and Naturalization Service (INS) showing one of the following designations:

- ♦ "Refugee,"
- ♦ "Asylum Granted,"
- ♦ "Indefinite Parole and/or Humanitarian Parole,"
- ♦ "Cuban-Haitian Entrant, Status Pending," or
- ♦ "Conditional Entrant" (valid only if issued before April 1, 1980).

Conditions that allow noncitizens to be eligible for financial aid are listed in the *Student Aid Handbook*. See *U.S. citizen or national*.

Eligible program. A course of study that requires a certain minimum number of hours of instruction and period of time and that leads to a degree or certificate at a school participating in one or more of the Title IV programs. Generally, to get student aid, a student must be enrolled in an eligible program.

Eligible student. The definition of a student eligible to receive federal financial aid from ED is discussed in detail in the *Student Financial Aid Handbook: Student Eligibility*, and Subpart C of the Student Assistance General Provisions regulations (34 CFR 668).

Emergency action. Action taken by ED against an eligible postsecondary institution. This action includes withholding funds from the institution or its students and withdrawing the authority of the institution to obligate federal funds under any or all of the Title IV student aid programs. Emergency action is taken when ED:

- ♦ receives information that the institution is violating applicable laws, regulations, special arrangements, agreements, or limitations;
- ♦ determines that the likelihood of loss to the federal government outweighs putting in place limitation, suspension, or termination procedures; *and*
- ♦ determines that immediate action is necessary to prevent misuse of federal funds.

See *Limitation, suspension, or termination (LS&T)* and *Program Participation Agreement (PPA)*.

Endorser. An individual who signs a promissory note agreeing to repay a loan if the borrower does not repay it. See *Promissory note*.

Enrolled student. A student who has completed the school's registration requirements, except for paying tuition and fees.

Enrollment period. For the Direct Loan Program, the period of time for which a borrower's loan is intended and during which a student is enrolled. For a school that uses academic terms (semester, trimester, or quarter), an enrollment period must coincide with one or more terms or with an academic year. For a school that does not use academic terms, an enrollment period must coincide with the length

of a student's program of study or an academic year. Compare *Payment period*.

Enrollment status. At those institutions using semesters, trimesters, quarters, or other academic terms and measuring progress in credit hours, enrollment status is based on a student's credit-hour course load. At these schools, a full-time undergraduate student enrolls in at least 12 semester hours or 12 quarter hours each term.

- ♦ At those institutions measuring progress in clock hours, enrollment status equals a student's clock-hour course load. At these schools, a full-time student receives 24 hours of instruction in one week.
- ♦ At either type of school, student enrollment may be categorized as full-time, three-quarter-time, half-time, or less-than-half-time.
- ♦ At those institutions using a combination of both credit and clock hours, enrollment status for a full-time student is any combination of credit and clock hours where the sum of the following fractions is equal to or greater than one.

- For a program using a semester, trimester, or quarter system:

Number of credit hours per term

12

plus

Number of clock hours per week

24

- For a program not using a semester, trimester, or quarter system:

Number of semester or trimester hours per academic year

24

plus

Number of quarter hours per academic year

36

plus

Number of clock hours per week

24

- ♦ At non-term institutions, enrollment status for a full-time student is 24 semester hours or 36 quarter hours per academic year or the prorated equivalent for a program of less than one academic year.

Entrance counseling (for a student borrower).

Each institution participating in the Direct Loan Program must offer loan counseling to first-time student borrowers, excluding (parent) Direct PLUS Loan borrowers. This is known as “entrance” counseling. The institution must offer this counseling before the delivery of the first disbursement of any of these loans to a borrower at the institution. Entrance counseling covers the borrower’s rights and responsibilities, the terms and conditions of the loan, and the consequences of default.

Direct Loan schools have the option of using an alternative approach. (See CFR 685.304(a)(5).) Compare *Exit counseling (for a student borrower)*.

Estimated financial assistance (EFA). The estimated amount of assistance for a period of enrollment that a student (or parent on behalf of a student) will receive from federal, state, institutional, and/or other sources of financial aid, such as loans, employment, scholarships, and grants.

Excess cash. Any amount of Title IV program funds (other than FFEL Program or Federal Perkins Loan Program funds) that a school does not disburse to students by the end of the third business day following the date the school received the funds. Compare *Idle cash*.

Exit counseling (for a student borrower). A group or individual session during which Direct Loan borrowers who are leaving school or dropping below half-time enrollment receive important information about their repayment obligations and update information about themselves. Each institution participating in the Direct Loan Program must offer loan counseling to student borrowers, excluding (parent) Direct PLUS Loan borrowers.

This is known as “exit” counseling. For Direct Loan student borrowers, the interview must take place shortly before the borrower ceases at least half-time enrollment. During the interview, the borrower’s rights and responsibilities are reviewed, details about handling loan repayment are discussed, and the average indebtedness of the school’s borrowers must be disclosed. Borrowers are also required to provide updated personal information, such as address, telephone number, employer (if known), and driver’s license and state of issuance. See the *Student Financial Aid Handbook: Campus-Based Programs Reference* and *Direct Loan and FFEL Programs Reference* for complete information on loan counseling requirements. Compare *Entrance counseling (for a student borrower)*.

Expected Family Contribution (EFC). The figure that indicates how much of a family’s financial resources should be available to help pay a student’s postsecondary education expenses. This figure, determined according to a statutorily defined method known as need analysis, is used for all students in determining eligibility for most federal Title IV student financial aid.

Extended repayment plan. A plan that requires the borrower to pay at least \$50 a month and allows up to 30 years to repay, depending on the amount borrowed.

- F -

FAFSA. See *Free Application for Federal Student Aid (FAFSA)*.

FAT. See *Financial aid transcript (FAT)*.

Federal Direct Consolidation Loan. A loan, arranged through ED’s Loan Origination Center (LOC), that combines Title IV education loans (including non-Direct loans) into a single loan with one monthly repayment. Borrowers may also consolidate certain student loans provided by the U.S. Department of Health and Human Services.

Federal Direct Loan Program (William D. Ford Federal Direct Loan Program).

A federal program where the U.S. government (not a commercial lender) provides four types of education loans to student and parent borrowers:

- ♦ the Federal Direct Subsidized Stafford/Ford Loan,
- ♦ the Federal Direct Unsubsidized Stafford/Ford Loan,
- ♦ the Federal Direct PLUS Loan, and
- ♦ the Federal Direct Consolidation Loan.

These are also referred to collectively as Direct Loans. See individual loan names.

Federal Direct PLUS Loan. Parents may borrow from this education loan program on behalf of their dependent children. As part of the Direct Loan Program, Direct PLUS Loans are made directly by the federal government through students' schools.

Federal Direct Stafford/Ford Loan (subsidized).

Also referred to as "Direct Subsidized Loan." A federally financed and subsidized student loan made on the basis of the student's financial need and other specific eligibility requirements. The federal government does not charge interest on these loans while borrowers are enrolled at least half time, during the six-month grace period, or during authorized periods of deferment. See *Grace period* and *Deferment*.

Federal Direct Unsubsidized Stafford/Ford Loan.

Also referred to as "Direct 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 pay the interest charged on the loan or allow the interest to be capitalized (added to the loan principal) when the loan enters repayment. See *Capitalizing interest*.

Federal Family Education Loan (FFEL) Program.

The Federal Family Education Loan (FFEL) Program is made up of Federal Stafford Loans (both subsidized and unsubsidized), Federal PLUS (parent) Loans, and Federal Consolidation Loans. All of these are long-term loans insured by state or private nonprofit guaranty agencies that are reimbursed by the federal government for all or part of the insurance claims paid to lenders. This guarantee replaces the collateral or security usually required with long-term consumer loans.

Federal fiscal year. The time period from October 1 of one year through September 30 of the following year for which federal monies are made available. Compare *Award year and Program year (PY)*.

Federal Pell Grant Program. A grant program for undergraduate students who have not completed a first baccalaureate degree. It is designed to financially assist students with need who are the least able to contribute toward their basic education expenses. If students apply, meet all the eligibility criteria, and are enrolled in an eligible program at an eligible institution, they will receive Federal Pell Grants. Formerly, this grant was called the Basic Educational Opportunity Grant (BEOG). In 1982, it was renamed to honor Senator Claiborne Pell; the word "Federal" was added to its name in 1992.

Federal Perkins Loan Program. This campus-based loan program provides low-interest student loans to undergraduate and graduate students with financial need. Formerly, it was called the National Direct Student Loan (NDSL) Program and the National Defense Student Loan Program. In 1987, it was renamed to honor Congressman Carl D. Perkins; the word "Federal" was added to its name in 1992. See *Campus-based programs*.

Federal Register. The government publication, published each weekday (except federal holidays), that prints regulations, regulatory amendments, notices, and proposed regulatory changes for all federal executive agencies. ED sends reprints of

excerpts from the *Federal Register* that pertain to federal student financial aid to all institutions participating in Title IV programs.

Federal Reserve Bank (FRB). A bank that is part of the U.S. Federal Reserve System. ED uses this system to deliver Direct Loan funds to schools.

Federal Student Financial Aid Handbook. See *Student Financial Aid Handbook*.

Federal Supplemental Educational Opportunity Grant (FSEOG) Program. A campus-based aid program that provides grant assistance to students with financial need who are in undergraduate programs and have not earned a bachelor's degree or first professional degree. Priority in awarding Federal Supplemental Educational Opportunity Grant (FSEOG) funds is given to students who have exceptional financial need and are Federal Pell Grant recipients. See *Campus-based programs*.

Federal Work-Study (FWS) Program. A campus-based, federally funded employment program that provides paid jobs for undergraduate or graduate students who need such earnings to meet a portion of their education expenses. See *Campus-based programs*.

FEDWIRE. This system provides for the electronic transfer of funds (EFT) through the Federal Reserve Communications System (FRCS). The system differs from the automated clearinghouse (ACH) in that funds are deposited directly into a school's deposit account the day the payment is sent through the FRCS. Financial institutions charge for this type of funds transfer. (There is no charge to a school for ACH transfer.)

The U.S. Treasury Department's Financial Communications System (TFCS) Deposit Message Retrieval System (DMRS) uses FEDWIRE for returning funds to ED, including:

- ♦ a liability or combination of liabilities totaling \$100,000 or more for a prior award year (except for some Federal Perkins Loan liabilities);
- ♦ excess cash in, or liquidation of, a Federal Perkins Loan fund; *and*
- ♦ ED-proposed or assessed fines of \$100,000 or more.

See *Automated FEDWIRE System*. Compare *Automated Clearinghouse (ACH)*.

FFEL Program. See *Federal Family Education Loan (FFEL) Program*.

Final regulations. Federal government operating rules published in the *Federal Register*. Final regulations, which have the force of law, usually take effect 45 days after the date they are published. There are exceptions to the 45-day period because of the master calendar of the Higher Education Act (HEA). The master calendar gives specific dates by which federal forms are to be developed and distributed. See *Federal Register* and *Notice of Proposed Rulemaking (NPRM)*.

Financial aid transcript (FAT). A document used by institutions to collect data about Title IV aid and other financial aid received by a student at other educational institutions. Institutions must provide completed financial aid transcripts (FATs) at no charge to students and former students.

Financial need. The difference between the student's cost of attendance (COA) at a specific institution and what the student's family is able to pay—the Expected Family Contribution (EFC). [COA – EFC = student's financial need.] See *Cost of attendance (COA)*, *Expected Family Contribution (EFC)*, and *Need analysis*.

Financial responsibility. An institution must show that it has the financial responsibility to participate in federal Title IV student aid programs. Financial responsibility covers general standards as well as exceptions institutions can meet as alternatives. The standards include those for for-profit, nonprofit, and public institutions and cover the past performance of an institution or persons affiliated with an institution. For further information, refer to Subpart L of the Student Assistance General Provisions regulations (34 CFR 668). See also *Administrative capability*.

FISAP (Fiscal Operations Report and Application to Participate). A computer-based report on fiscal operations and an application to participate in the upcoming award year that must be submitted by schools that participate in campus-based programs. A school may submit the data using either a personal computer (PC) or a mainframe computer.

Forbearance (on a loan). An arrangement to postpone or reduce a borrower's monthly payment amount for a limited and specified period, or to extend the repayment period. The borrower is charged interest during forbearance. Compare *Deferment (of a loan)*.

William D. Ford Federal Direct Loan Program. See *Federal Direct Loan Program*.

Form PMS 270. See *Reimbursement payment method*.

FRB. See *Federal Reserve Bank (FRB)*.

Free Application for Federal Student Aid (FAFSA). A student financial aid application form completed by a student and his or her family. It is the ED input document that serves as the foundation for all need analysis computations. The FAFSA gathers all the data to calculate the Expected Family Contribution (EFC). See *Expected Family Contribution (EFC)*, *Need analysis*, and *Renewal FAFSA*.

FSEOG Program. See *Federal Supplemental Educational Opportunity Grant (FSEOG) Program*.

Full-time student. A term defined by each institution of higher education. For Title IV eligibility, a full-time undergraduate student cannot be taking less than 12 semester, trimester, or quarter hours per academic term in credit-hour schools or less than 24 clock hours per week in clock-hour schools. See *Clock hour* and *Credit hour*.

FWS. See *Federal Work-Study (FWS) Program*.

- G -

GAPS. See *Grant Administration and Payment System (GAPS)*.

Gift aid. Financial aid that a student is not required to repay or earn through employment. Generally, gift aid is in the form of a grant or scholarship. Compare *Self-help aid*.

Grace period. A six-month period before a loan enters repayment. The grace period starts the day after a borrower ceases to be enrolled at least half time and ends the day before the loan repayment period starts. During the grace period on a Direct Unsubsidized Loan, accumulating interest must be paid or it will be capitalized. See *Capitalizing Interest*.

Graduate or professional student. A student enrolled in a program that leads to a degree higher than a baccalaureate degree or first professional degree. A graduate or professional student must have completed at least three years of full-time study at an institution of higher education and may not be concurrently receiving Title IV aid as an undergraduate student.

Graduated repayment plan. A plan that allows monthly payment amounts to start low and then increase, generally every two years. Borrowers have up to 30 years to repay, depending on the amount they borrowed. The *minimum* payment must cover interest that accumulates monthly and must be at least half of the payment that would be required under the standard repayment plan. The *maximum* amount may not be more than 1-1/2 times the payment that would be required under the standard repayment plan.

Grant Administration and Payment System (GAPS). The ED payment system that provides financial management support services for the Title IV funds delivery system. Functions supported by GAPS include planning grant awards, obligation of award authorizations, disbursing funds, and final grant closeout for Title IV programs.

Grant programs. Gift aid programs that require neither repayment nor a work obligation from students. Federal Title IV grant programs for students include:

- ♦ Federal Pell Grant Program,
- ♦ Federal Supplemental Educational Opportunity Grant (FSEOG) Program, and
- ♦ Leveraging Educational Assistance Partnership (LEAP) Program.

See individual grant program names.

Guaranty agency. A state agency or private, nonprofit institution or organization that administers the financial aid programs within the Federal Family Education Loan (FFEL) Program. A major function is to insure Federal Family Education Loans. Guaranty agencies are reimbursed by the federal government for all or part of insurance claims they pay to lenders. The Direct Loan Program is administered by schools and ED, not by guaranty agencies.

- H -

Half-time student. A student who is not a full-time student and who is enrolled in a school participating in the Direct Loan Program and is carrying an academic workload that is at least one-half of the workload of a full-time student, usually equaling or exceeding the following minimum requirements:

- ♦ 6 semester, trimester, or quarter hours per academic term for schools using credit hours and a standard academic term;
- ♦ 12 clock hours per week for schools using clock hours;
- ♦ 12 semester hours or 18 quarter hours per academic year for schools using credit hours but not a standard academic term; or
- ♦ 12 hours of preparation per week in a correspondence course of study.

Compare *Full-time student*.

HEA. See *Higher Education Act of 1965, as amended (HEA)*.

HEAL Program. See *Health Education Assistance Loan (HEAL) Program*.

Health Education Assistance Loan (HEAL) Program. A loan program for health profession students that was administered by the U.S. Department of Health and Human Services. HEAL funds are no longer available. Students who would have been eligible may borrow additional Direct Unsubsidized Loans.

Higher Education Act of 1965, as amended (HEA). Landmark national higher education legislation passed by Congress and signed by President Lyndon B. Johnson in 1965, as well as subsequent amendments and reauthorizing (extending) legislation of the statute. Title IV of the

HEA authorizes the majority of the nation's federal postsecondary student financial aid programs and mandates that they be regulated by the U.S. Secretary of Education. The HEA is effective for approximately five years, requiring Congress to reauthorize it every five years or so or to extend the legislation for up to one additional year. The most recent reauthorization was in 1998. The statute's most current version, as amended, always stands as the official version of the law. See *Reauthorization* and *Title IV student financial aid*.

Holder. A person or institution that has the legal right to enforce a promissory note. For Direct Loans, the holder or owner of the signed promissory note is the U.S. Department of Education. See *Lender*.

- | -

ICR. See *Income contingent repayment (ICR) plan*.

Idle cash. Disbursed cash if and when it is returned to the school's Title IV account(s). This return may be due to a refund or other circumstances. For example, a student might receive a disbursement but later decide to return all or a portion of the loan and send the funds to the school. A school is allowed to maintain idle cash in its federal bank account for up to seven calendar days to disburse to, or on behalf of, the student or other students. Compare *Excess cash*.

Immediate need. A school requests funds to meet its "immediate need" for disbursing Federal Direct Loan Program, Pell Grant Program, and campus-based program awards. Immediate need is defined as the amount of funds a school needs to make disbursements to students within three days of receiving the funds. A school may request funds as needed, for example, every three days, once a week, or whatever is appropriate. (NOTE: Immediate need does not authorize an institution to maintain a federally funded cash-on-hand balance.)

See *Automated Clearinghouse (ACH)* and *Automated FEDWIRE System*.

Incarcerated student. A student who is serving a criminal sentence in a federal, state, or local correctional facility. A student in a less formal arrangement, such as a halfway house, home detention, or sentenced to serve only weekends, is not considered to be incarcerated. Students incarcerated in federal or state correctional facilities are not eligible to receive Title IV aid; however, students incarcerated in local correctional facilities are eligible for Federal Pell Grants, FSEOG, and LEAP Program funds.

Income contingent repayment (ICR) plan. A plan that allows the monthly loan payment amount to vary with a borrower's income. The payment amount varies based on three criteria: the borrower's income, family size, and educational debt. A borrower has up to 25 years to repay.

Independent student. To be classified as an independent student for Title IV aid, a student must meet **one** or more of the following criteria:

- ♦ be at least 24 years old by December 31 of the award year for which aid is sought;
- ♦ be an orphan or ward of the court through the age of 18;
- ♦ be a veteran of the U.S. Armed Forces;
- ♦ have legal dependents other than a spouse (for example, dependent children or an elderly dependent parent);
- ♦ be a graduate or professional student; or
- ♦ be married.

If the student meets any one of these criteria, he or she is classified as an independent student, even if the student is still living with his or her parents. If there are compelling reasons to do so, a dependent student may be classified as an independent student by a school's financial aid administrator. Compare *Dependent student*.

Institutional liability. Financial penalties or repayments that an institution must pay to ED as a result of incorrect institutional action or actions. A liability is the difference between the actual expenditures reported by the institution in GAPS for an Obligation Document Number for the award year and the final allowable expenditures as determined by the auditor, program reviewer, or hearing official.

Institutional Participation and Oversight Service (IPOS). A division in ED responsible for audit resolution, program review, financial statement analysis, initial certification, and recertification.

Institutional Quality Assurance Program (IQAP). See *Quality Assurance Program (QAP)*.

Institutional Student Information Record (ISIR). An electronic output document generated by ED's Central Processing System (CPS) that summarizes information submitted on a student's Free Application for Federal Student Aid (FAFSA) and provides financial-need calculations (including the student's Expected Family Contribution [EFC]) on the basis of the submitted figures. It is available to schools through the Electronic Data Exchange (EDE). The ISIR includes full applicant data, information on reject reasons, comments, and assumptions. See *Student Aid Report (SAR)*.

Institution of higher education. A public or private nonprofit educational institution located in a state, that—

- ♦ admits as regular students only persons with a high school diploma (or its recognized equivalent) or persons beyond the age of compulsory school attendance in the state where the institution is located;
- ♦ is legally authorized to provide a postsecondary educational program in the state where the institution is located;

- ♦ provides a program leading to an associate, baccalaureate, graduate, or professional degree, or
 - at least a two-year program that is acceptable for full credit toward a baccalaureate degree, or
 - at least a one-year training program that leads to a degree or certificate and prepares students for gainful employment in a recognized occupation;
- ♦ is a public or a private nonprofit institution to which contributions are tax deductible under section 501(c)(3) of the Internal Revenue Code; and
- ♦ is accredited or preaccredited by a nationally recognized accrediting agency or association or is a public postsecondary vocational school approved by a state agency approved by ED.

Interest. In the Direct Loan Program, a loan expense charged by the U.S. Department of Education and paid by the borrower for the use of borrowed money. The expense is calculated as a percentage of the principal amount (loan amount) borrowed.

IPOS. See *Institutional Participation and Oversight Service (IPOS)*.

IQAP. See *Quality Assurance Program (QAP)*.

ISIR. See *Institutional Student Information Record (ISIR)*.

- J -

Just-in-time payment method. Under this payment method, a school electronically submits a request for funds on or near the actual date of disbursement. The request includes the date and amount of the disbursement it will make or has made to each student or parent.

- K -

No entries.

- L -

LEAP Program. See *Leveraging Educational Assistance Partnership (LEAP) Program*.

Legal guardian. A person with the legal authority to have the care of another. For the purpose of completing a Free Application for Federal Student Aid (FAFSA), a legal guardian is not considered to be a student's parent. See *Parent*.

Lender. A person or institution that lends money (makes a loan) and collects payments on the borrowed money. For Direct Loans, the lender is the U.S. Department of Education. For FFEL funds, the lender is generally a financial institution, such as a bank or credit union. See *Holder*.

Leveraging Educational Assistance Partnership (LEAP) Program. A Title IV gift-aid program jointly funded by the federal government and participating states. It provides state scholarship or grant assistance to students who show financial need. (Formerly, the State Student Incentive Grant [SSIG] Program.)

Limitation, suspension, or termination (LS&T).

Actions undertaken by ED against a postsecondary institution that has either:

- ♦ violated the laws or regulations governing Title IV student financial aid programs or the Program Participation Agreement or any other agreement made under the law or regulations; *or*
- ♦ substantially misrepresented the nature of its educational program, its financial charges, or the employability of its graduates.

These ED actions against the institution may include proceedings on limitation, suspension, or termination (LS&T) of the school's participation in federal student financial aid programs; assessing fines up to \$25,000 for each statutory or regulatory violation; and/or implementing emergency action.

- ♦ A *limitation* means the postsecondary institution agrees to abide by certain specific restrictions or conditions in its administration of student financial aid programs so that it can continue to participate in any of those programs. A limitation lasts for at least 12 months and, if a postsecondary institution fails to abide by the limitation's conditions, termination proceedings may be initiated.
- ♦ A *suspension* removes an institution from participating in Title IV student financial aid programs for a period not to exceed 60 days, unless a limitation proceeding has begun. Suspension actions are used when a postsecondary institution can be expected to correct a program violation in a short time.
- ♦ A *termination* ends a postsecondary institution's participation in Title IV programs.
- ♦ A *terminated institution* can be reinstated at a later date by ED to participate in Title IV programs.

At least three (3) months must elapse from the school's suspension and at least eighteen (18) months must elapse from the school's limitation or termination before an institution can request reinstatement. The request must be in writing. See *Emergency action* and *Program Participation Agreement (PPA)*.

Loan. An advance of funds guaranteed by a signed promissory note in which the recipient of the funds promises to repay a specified amount under prescribed conditions. A loan is borrowed money that must be repaid.

Loan disclosure statement. A statement sent to a loan borrower by the lender before or at the time it disburses a loan, as well as before the start of the repayment period. The purpose of the disclosure is to provide the borrower with thorough and accurate information about the loan terms and the consequences of default. It includes information such as the:

- ♦ amount of the loan,
- ♦ interest rate,
- ♦ fee charges,
- ♦ length of the grace period (if any),
- ♦ the maximum length of the repayment, *and*
- ♦ the minimum annual repayment, deferment conditions, and the definition of default.

Loan fee. An expense of borrowing deducted proportionately from each loan disbursement.

Loan Origination Center (LOC). Under contract with ED, the Loan Origination Center (LOC).

- ♦ reviews and accepts or rejects loan origination records, promissory notes, actual disbursement records, and all other related records;
- ♦ prints and distributes promissory notes for Standard Origination schools and for Origination Option 1 and Option 2 schools (if requested by the school);
- ♦ conducts credit checks for Direct PLUS Loan borrowers;
- ♦ books a borrower's loan, thus making it an official and permanent obligation of the borrower;
- ♦ determines the school's financial needs and requests funding for Standard Origination schools and Origination Option 1 schools;
- ♦ performs accounting and reconciliation for the Direct Loan Program;

- ♦ provides consolidation information to borrowers; and
- ♦ provides customer service to school representatives.

Loan origination record (LOR). Document containing a borrower's demographic, financial, and statistical information necessary to make a permanent borrower record in ED's loan database.

Loan postponement. See *Deferment* and *Forbearance*.

Loan principal. The total amount of money borrowed plus any subsequently capitalized interest that has been added.

LOC. See *Loan Origination Center (LOC)*.

LOR. See *Loan origination record (LOR)*.

LS&T. See *Limitation, suspension, or termination (LS&T)*.

- M -

Master calendar. To assure adequate notification about and timely delivery of Title IV financial aid, ED operates using a master calendar defined in the Higher Education Act (HEA). This calendar gives specific dates by which federal forms will be developed and distributed, as well as dates campus-based funds will be allocated and Federal Pell Grant funds will be authorized for an award year. The master calendar determines by what dates federal financial aid regulations must be published.

Master promissory note (MPN). The written document that a borrower signs that obligates him or her to repay the loan according to its terms. ED introduced the master promissory note in 1999-2000 so students will not have to sign more than one note in an academic year. For 2000-01, the master promissory note will allow students at certain schools to accept multiple loans over multiple years without signing a new note. See *Promissory note*.

Modernization blueprint. A plan documenting ED's design for computer systems architecture and how ED will move from stovepipe systems to an integrated system.

MPN. See *Master promissory note (MPN)*.

- N -

National Student Loan Data System (NSLDS).

An ED database that collects and maintains data on student-loan-level information and selected grant data on recipients from:

- ♦ the William D. Ford Federal Direct Loan Program,
- ♦ the Federal Family Education Loan (FFEL) Program,
- ♦ the Federal Perkins Loan Program (including National Direct, National Defense, and Income Contingent Loans),
- ♦ the Federal Pell Grant Program, and
- ♦ the Federal Supplemental Educational Opportunity Grant (FSEOG) Program.

Nationally recognized accrediting agency or association. An independent organization that monitors schools' practices and that certifies or approves schools to operate and/or offer certain programs of study. For schools participating in Title IV programs, these organizations must be approved by the U.S. Secretary of Education. See *Accredited institution*.

Need. See *Financial need*.

Need analysis. The statutorily defined method of analyzing household and financial information on a student's federal financial aid application and calculating an Expected Family Contribution (EFC) to determine the student's need for student financial need for postsecondary education costs. See *Cost of attendance (COA)*, *Expected Family Contribution (EFC)*, and *Estimated financial aid (EFA)*.

Notice of proposed rulemaking (NPRM). Notice printed in the *Federal Register* of proposed regulations from a government agency, such as ED. Interested parties are invited to submit comments and recommendations about proposed regulations. All proposed regulations are subject to this process, including issues to be negotiated.

- ♦ The exception is if ED determines that it is impractical, unnecessary, or contrary to the public interest to publish proposed regulations and publishes the basis for its determination.

See *Federal Register* and *Final Regulations*.

NPRM. See *Notice of Proposed Rulemaking (NPRM)*.

NSLDS. See *National Student Loan Data System (NSLDS)*.

- O -

Operator-assisted mode. One of the two modes schools and other GAPS recipients use to request funds from GAPS under the automated clearinghouse (ACH). As the name implies, recipients speak directly to an operator to request funds. Compare *Automated voice response (AVR)*.

Origination Option 1. Under this loan origination option, a school may perform the following functions,

- ♦ creates a loan origination record,
- ♦ transmits the record to the servicer,
- ♦ prepares the promissory note,
- ♦ obtains a completed and signed promissory note from a borrower,
- ♦ transmits the promissory note to the servicer,
- ♦ receives Direct Loan funds electronically,
- ♦ disburses a loan to a borrower,
- ♦ creates a disbursement record,
- ♦ transmits the disbursement record to the servicer, and
- ♦ reconciles on a monthly basis.

The Loan Origination Center (LOC) initiates the drawdown of funds for schools participating in Option 1. See *Loan Origination Center (LOC)*. Compare *Origination Option 2* and *Standard Origination*.

Origination Option 2. Under this loan origination option, a school performs the following functions,

- ♦ creates a loan origination record,
- ♦ transmits the record to the servicer,
- ♦ prepares the promissory note,
- ♦ obtains a completed and signed promissory note from a borrower,
- ♦ transmits the promissory note to the servicer,
- ♦ determines funding needs,
- ♦ initiates the drawdown of funds,
- ♦ receives Direct Loan funds electronically,
- ♦ disburses a loan to a borrower,
- ♦ creates a disbursement record,

- ♦ transmits the disbursement record to the servicer, and
- ♦ reconciles on a monthly basis.

The school can choose to have the Loan Origination Center (LOC) perform some of these functions. See *Loan Origination Center (LOC)*. Compare *Origination Option 1* and *Standard Origination*.

Overaward. Generally, any Direct Loan, campus-based, or FFEL funds disbursed in excess of the student's financial need. (Overawards do not apply to the Federal Pell Grant Program.)

Overpayment. Any financial aid amount paid to a student in excess of the amount the student is eligible to receive. An overpayment may be the result of an overaward, an error in the cost of attendance (COA) or Expected Family Contribution (EFC), or a student not meeting other eligibility criteria, such as citizenship or enrollment in an eligible program. An overpayment also can occur if there's a change in the student's enrollment status, the student withdraws from school, or there's a change in the student's financial situation. Except for Federal Work-Study funds, the student would be required to repay excess funds received *unless* adjustments could be made to the student's aid during subsequent payment periods within the same award year. See *Repayment*.

- P -

Packaging. The process of assembling one or more financial aid awards of loans, grants and/or scholarships, as well as employment for a student; also referred to as award packaging.

Parent. For the purpose of completing the FAFSA, the term "parent" is not restricted to a biological or adoptive parents. There are several instances in which a person other than the student's biological parent is treated as the student's parent. If a parent

is widowed or divorced and has remarried, then the stepparent would be considered a parent.

- ♦ If the student's parents are both living and married to each other, the student answers the questions about them.
- ♦ If the student's parent is widowed or single, the student answers the question about that parent.
 - If the widowed parent has remarried as of the day the FAFSA is completed, the student answers the questions about that parent and the person whom that parent married.
- ♦ If the student's parents are divorced or separated, the student answers the question about the parent he or she lived with most during the past 12 months.
 - If the student did not live with one parent more than the other, he or she answers in terms of the parent who provided the most financial support during the past 12 months or during the most recent year that the student actually was supported by a parent.
 - If this parent has remarried as of the day the FAFSA is completed, the student answers the questions on the rest of the form about that parent and the person whom that parent married.
- ♦ If the student's parents are living together and are not married, and if the state does not consider the situation to be a common-law marriage, then the parent information should be filled out as if they are separated.
- ♦ If the student's parents are living together and are not married but meet the criteria in their state for a common-law marriage, the parents should be reported as married.

See *Legal guardian*.

Pell Grant. See *Federal Pell Grant Program*.

Period of enrollment. See *Enrollment Period*.

Perkins Loan. See *Federal Perkins Loan Program*.

PLUS Loan. See *Federal Direct PLUS Loan*.

Policies and procedures manual. An in-house manual that helps an institution effectively and consistently manage financial aid using a compilation of written policies and procedures. Although ED does not require such a manual be used, it recommends that a school compile one, especially as federal financial aid regulations require schools to have and maintain certain written policies.

PPA. See *Program Participation Agreement (PPA)*.

Prepayment. Any amount paid on a loan before it is required to be paid under the terms of the promissory note. There is never a penalty for prepaying principal or interest on Direct Loans.

Principal and interest. Principal is the loan amount borrowed. Interest is the amount ED (for Direct Loans) charges a borrower for using the money. Interest rates are usually stated in annual percentages. A loan must be repaid; both principal and interest are included in the repayment made by the borrower to ED.

Program Participation Agreement (PPA). A written agreement that must be signed by both a top official at an institution and a representative of the U.S. Secretary of Education that permits the institution to participate in one or more federal student financial aid programs (other than the Leveraging Educational Assistance Partnership [LEAP] Program). The signed agreement makes the institution's initial and continued eligibility to participate in Title IV programs conditional on compliance with all provisions of the applicable laws and program regulations. This agreement may have

to be updated periodically due to changes at the institution; schools also have to be recertified at regular intervals. See *Emergency action and Limitation, suspension, or termination (LSE&T)*.

Program review. The process in which the management of one or more federal financial aid programs at an institution is reviewed by ED or a guaranty agency. A program review assesses the institution's compliance with federal laws and regulations and its own school policies. It may also review the institution's overall management and administrative capabilities.

Program review exceptions. Institutional policies, procedures, or actions related to federal student financial aid programs cited in a program review report as being contrary to federal laws or regulations that govern the programs. Also referred to as "findings."

Program year (PY). In the Direct Loan Program, defined according to the award year (July 1 through June 30). It is the time frame schools use to track loans, drawdowns, and disbursements. Compare *Award year* and *Federal fiscal year*.

Program year closeout (PYCO). The yearly process that a school and the Loan Origination Center (LOC) use to account for all loans, drawdowns, and disbursements to borrowers. Ideally, the cash balance should result in \$0.

Promissory note. A contract between a lender and a borrower that contains the terms and conditions of the loan, including how the loan must be repaid. It becomes legally binding when signed (executed) by the borrower. See *Master promissory note (MPN)*.

PY. See *Program year (PY)*.

PYCO. See *Program year closeout (PYCO)*.

- Q -

QA. See *Quality Assurance (QA)*.

QAP. See *Quality Assurance Program (QAP)*.

Quality assurance (QA). A management process that relies on continuous self-assessment and improvement.

Quality Assurance Program (QAP). An ED quality-control program with an oversight strategy that focuses on results. Within established parameters, schools designated as Quality Assurance Program (QAP) participants develop their own procedures for achieving award accuracy, measuring the effectiveness of their systems, and designing and targeting corrective actions through continuous improvement efforts. Formerly, Institutional Quality Assurance Program (IQAP).

- R -

Reauthorization. The process of continuing and changing current legislation because the existing law has expired and has to be reenacted. It is conducted every five to seven years in the case of the Higher Education Act (HEA), during which time Congress reviews and then renews, terminates, or amends existing programs. (The most recent HEA reauthorization was in 1998.) See *Higher Education Act of 1965, as Amended (HEA)* and *Title IV Student Financial Aid*.

Reconciliation. The monthly process by which a school compares its monthly Direct Loan cash balance with the cash balance reported by the Loan Origination Center (LOC) on the Direct Loan

School Account Statement (DLSAS). See *Direct Loan School Account Statement (DLSAS)*.

Reconciliation of cash. A confirmation that the cash amount shown in a school's accounting records agrees with the cash amount reported by the bank. Prompt and thorough cash reconciliation helps ensure the ongoing accuracy of a school's internal-control accounting system.

Refund. This often refers to that portion of funds credited to a student's school account to cover institutional charges that the school returns to ED, a lender, or the student, if the student withdraws from, is expelled from, or drops out of school. If the student received any federal Title IV aid (other than Federal Work-Study), by law, a part of the refund must go to that Title IV program(s). "Refund" also can mean the return of interest or excess cash to ED from GAPS drawdowns or the return of audit and program review liabilities and fines.

Reimbursement payment method. A method certain schools are required to use to request federal financial aid funds from ED. Rather than drawing down Title IV funds *before* disbursing them to students, a school submits a request to ED to be reimbursed for the funds it expended *after* making aid disbursements to students. Payment is made by ACH/EFT.

Renewal FAFSA. A partially completed application form to be updated by a current federal financial aid applicant to be eligible to receive Title IV financial aid for the upcoming (next) award year. To use the Renewal FAFSA, the student must have submitted a FAFSA for the preceding award year. A student may access his or her Renewal FAFSA on the Web. Alternatively, a renewal aid application can be mailed directly to the student by the school or Central Processing System (CPS) to be completed and returned to the CPS. See *Free Application For Federal Student Aid (FAFSA)*.

Repayment schedule. A statement provided by the Direct Loan Servicing Center to a borrower that lists the amount borrowed, the amount of monthly payments, and the date payments are due.

- S -

SAIG. See *Student Aid Internet Gateway (SAIG)*.

SAP. See *Satisfactory Academic Progress (SAP)*.

SAR. See *Student Aid Report (SAR)*.

SAR Information Acknowledgement. A federal "output" document, similar to the Student Aid Report (SAR), that ED's central processor sends to a student who files the FAFSA with ED through a postsecondary school's Electronic Data Exchange (EDE). See *Electronic Data Exchange (EDE)* and *Student Aid Report (SAR)*.

Satisfactory academic progress (SAP). A satisfactory rate of student course-completion determined using qualitative and quantitative measures. By law, schools whose students receive Title IV funds must create policies for monitoring satisfactory academic progress (SAP). Schools must check at least once a year and document for each payment period that their Title IV aid students are making satisfactory academic progress.

Satisfactory repayment arrangement. A borrower making six consecutive, voluntary, on-time, and full monthly payments on a defaulted Direct Loan. Also, for the purpose of consolidating a loan, a borrower making three consecutive, voluntary, on-time, and full monthly payments on a defaulted loan. (On-time means within 15 days of the scheduled due date.) The resulting required monthly payment may not be more than is reasonable and affordable based on the borrower's financial circumstances.

Self-evaluation. A school’s in-house evaluation of the way it administers its student financial aid program. A self-evaluation is undertaken in an effort to detect any problems early on and resolve them.

Self-help aid. Student financial aid loan programs where funds must be repaid *or* employment-opportunity programs awarded to students. Compare *Gift aid*.

Separation of functions. As a part of administering federal student financial aid programs, a school is required to establish and maintain a checks-and-balances internal-control system ensuring that no single school office can both authorize payments and disburse funds to students. Often, this required separation is created by dividing the functions between the school’s financial aid office and the school’s business office.

Servicer. See *Third-party servicer*.

SFA. Acronym that stands for student financial aid.

Skip tracing. Traditionally, searching for someone with unpaid debts who has left hurriedly or secretly (“skipped”) without leaving a forwarding address. In a federal financial aid context, this is when, for whatever reason, a loan borrower no longer lives at the address where the Direct Loan Servicing Center or a lender or school is sending loan billing notices, and the Direct Loan Servicing Center or lender or school must attempt to locate the borrower’s correct address. In the search, the law allows the use of any information obtained from the borrower while the borrower was at the school (such as data taken from applications and files), as well as information gleaned from any school office (including the registrar’s office and the alumni office). If the borrower still cannot be located using information from the school (or otherwise available to the lender), the lender or school must use ED’s free skip-tracing service to try to locate the missing loan borrower.

SSCR. See *Student Status Confirmation Report (SSCR)*.

Stafford Loan. See *Federal Direct Stafford/Ford Loan (subsidized)* and *Federal Direct Unsubsidized Stafford/Ford Loan*.

Standard Origination. Under this loan origination option a school performs the following functions,

- ♦ creates a loan origination record,
- ♦ transmits the record to the servicer,
- ♦ receives Direct Loan funds electronically,
- ♦ disburses a loan to a borrower,
- ♦ creates a disbursement record,
- ♦ transmits the disbursement record to the servicer, and
- ♦ reconciles on a monthly basis.

The Loan Origination Center (LOC) prepares the promissory note, obtains a completed and signed promissory note from a borrower, and initiates the drawdown of funds for schools participating in standard origination. See *Loan Origination Center (LOC)*. Compare *School Origination Option 1* and *School Origination Option 2*.

Standard repayment plan. A plan that requires a borrower to pay at least \$50 a month and allows up to 10 years to repay.

Student Aid Internet Gateway (SAIG). The new name for the Title IV Wide Area Network (Title IV WAN or TIV WAN). It is the ED network that provides an electronic link between schools and ED’s databases. SAIG links thousands of destination points across the United States, its territories, and certain ED-designated foreign countries to the federal student financial aid programs and delivery system. Organizations enroll individuals as destination point administrators (DPAs) on SAIG. DPAs are assigned destination points (electronic mailboxes) that receive and

transmit data for various Title IV student aid program system services such as NSLDS, Direct Loan, and CPS. See *Destination point* and *Destination point administrator (DPA)*.

Student Aid Report (SAR). The report sent directly to a student from ED's Central Processing System (CPS) that summarizes information submitted on the student's Free Application for Federal Student Aid (FAFSA) and provides financial-need calculations (including the student's Expected Family Contribution [EFC]) on the basis of the submitted figures. The SAR has two parts: Part 1 is the Student Information Summary. Part 2, the Information Review Form or Information Request Form, is where the student can make any needed corrections or information changes. If needed, the student provides corrections and returns Part 2 of the SAR to the CPS. The CPS will then send the student a copy of the corrected SAR. See *Institutional Student Information Record (ISIR)* and *SAR Information Acknowledgement*.

Student Financial Aid Handbook. An ED publication that explains procedures schools should follow in administering federal student financial aid programs. Some of these procedures are required by laws and regulations, while other procedures are necessary for the various reporting systems of Title IV programs.

Student Financial Aid (SFA) Programs. See *Title IV student financial aid*.

Student Status Confirmation Report (SSCR). A report generated by the National Student Loan Data System (NSLDS) to monitor when student borrowers must begin repaying their student loans. The SSCR lists all Direct Loan and FFEL borrowers at a school who were last reported as enrolled at the school. The school must provide NSLDS with certain enrollment information about each of the borrowers.

- T -

Third-party servicer. An individual, state, or organization (whether private, profit, or nonprofit) that enters into a contract with a school to administer through manual or automated processes any aspect of the Title IV program in which the school participates.

Title IV student financial aid. Federal financial aid programs for students attending postsecondary educational institutions, authorized under Title IV of the Higher Education Act of 1965, as amended (HEA). The programs are administered by the U.S. Department of Education. Title IV programs consist of:

- ♦ Academic Achievement Incentive Scholarship Program,
- ♦ Federal Pell Grants,
- ♦ Federal Supplemental Educational Opportunity Grants (FSEOGs),
- ♦ Federal Work-Study (FWS),
- ♦ Federal Perkins Loans,
- ♦ Federal Family Education Loan (FFEL) Program loans,
- ♦ Federal Consolidation Loans,
- ♦ Gaining Early Awareness and Readiness for Undergraduates Program (GEAR-UP),
- ♦ Leveraging Educational Assistance Partnership (LEAP) Program (formerly State Student Incentive Grants [SSIG]),
- ♦ William D. Ford Federal Direct Loans, *and*
- ♦ Robert C. Byrd Honors Scholarships.

See *Higher Education Act of 1965, as amended (HEA)*.

Title IV WAN. See *Title IV Wide Area Network*.

Title IV WAN User. An individual allowed access to a destination point by an assigned destination point administrator (DPA). A Title IV WAN user must read and sign a Title IV WAN User Statement which the DPA must maintain.

Title IV Wide Area Network (Title IV WAN or TIV WAN). ED network that provides an electronic link between schools and ED's databases. The Title IV WAN links thousands of destination points across the United States, its territories, and certain ED-designated foreign countries to the federal student financial aid programs and delivery system. Organizations enroll individuals as destination point administrators (DPAs) on the Title IV WAN. DPAs are assigned destination points (electronic mailboxes) that receive and transmit data for various Title IV student aid program system services such as NSLDS, Direct Loan, and CPS. The network's name is scheduled to change to the Student Aid Internet Gateway (SAIG). See *Destination point* and *Destination point administrator (DPA)*.

TIV WAN. See *Title IV Wide Area Network (Title IV WAN or TIV WAN)*.

- U -

Undergraduate student. A postsecondary student who does not have a first baccalaureate degree or a first professional degree.

U.S. citizen or national. A student must be one of the following to receive federal student aid:

- ♦ U.S. citizen,
- ♦ U.S. national (includes natives of American Samoa or Swain's Island),
- ♦ U.S. permanent resident who has an I-151, I-551, or I-551C (Alien Registration Receipt Card).

A student (noncitizen) is ineligible for federal student aid, if:

- ♦ he or she has only a Notice of Approval to Apply for Permanent Residence (I-171 or I-464),
- ♦ he or she is in the U.S. on an F1 or F2 student visa, or on a J1 or J2 exchange-visitor visa only, or
- ♦ he or she has a G series visa (pertaining to international organizations).

See *Eligible noncitizen*.

- V -

Variable interest. Rate of interest on a Direct Loan that is tied to a stated index and changes annually every July 1 as the index changes.

Verification. A procedure where a school checks the information a student reported on the FAFSA when applying for Title IV aid, usually by requesting a copy of signed tax returns filed by the student and, if applicable, the student's parent(s) and spouse. Schools must verify information about students selected for verification by ED's Central Processing System (CPS), following procedures established by federal regulations. It is a technical and administrative process of detecting and resolving inaccuracies in data a student (and family) supplied on the FAFSA. The CPS prints an asterisk next to the Expected Family Contribution (EFC) on SARs and SAR Information Acknowledgements and flags ISIRs to identify students selected for verification. Many schools also select certain other students for verification themselves in addition to those selected by the CPS.

- W, X, Y, Z -

No entries.

