

# Common Loan Definitions and Glossary

**Acceleration:** Demand for immediate repayment of the entire unpaid balance of the loan.

**Accrued Interest:** Amount of interest that accumulates on an unsubsidized, Graduate PLUS or Parent PLUS loan while in school, grace and forbearance periods.

**Borrower:** Person responsible for repaying a loan that has signed and agreed to the terms of the promissory note.

**Capitalized Interest:** Unpaid accumulated interest added to the loan principal. Capitalizing interest increases the principal amount of the loan and, therefore, the total cost of the loan.

**Charge Off:** A debt that a creditor has written off as a loss, but that is still subject to collection action.

**Consolidation:** The process of combining one or more Federal student loans into a single new loan.

**Default:** Failure to repay a loan in accordance with the terms of the promissory note.

**Deferment:** The temporary postponement of loan payments.

**Delinquency:** This occurs when payments are late or missed, as specified in the terms of the promissory note and the selected repayment plan.

**Disbursement:** When the school pays loan proceeds to the student or the parent borrower, or posts the funds to the student's account.

**Discharge (Cancellation):** The release of a borrower from their obligation to repay their loans. A borrower must meet certain requirements to be eligible for discharge.

**Disclosure Statement:** Statement of the actual cost of the loan, including the interest costs and the loan fee.

**Endorser:** An endorser is someone who does not have an adverse credit history and agrees to repay the loan if the borrower does not repay it.

**Entrance Counseling:** A mandatory information session which takes place before you receive your first federal student loan that explains your responsibilities

**Exit Counseling:** A mandatory information session which takes place when you graduate or attend school less than half-time that explains your loan repayment responsibilities and when repayment begins.

**FAFSA ID:** Your username and password that give you access to Federal Student Aid's online systems (including the FAFSA) and serve as your signature.

**Federal Direct Loan Program:** The William D. Ford Federal Direct Loan Program, referred to as Direct Loan Program, is a federal program that provides loans to student and parent borrowers directly through the U.S. Department of Education. The loans are Federal Direct Stafford/Ford Loans, Federal Direct Unsubsidized Stafford/Ford Loans, Federal Direct PLUS Loans, and Federal Direct Consolidation Loans.

**Forbearance:** An arrangement to postpone or reduce a borrower's monthly payment amount for a limited or specified period, or to extend the repayment period. The borrower is charged interest during forbearance.

**Grace Period:** A specified period of time before the first payment must be made on a loan. Typically, the grace period starts the day after a borrower ceases to be enrolled at least half time.

**In Collection:** A debt that has been placed with a collection agency by a creditor or that is subject to more intensive efforts by a creditor to recover amounts owed from a borrower who has not responded satisfactorily to the demands routinely made as part of the creditor's billing procedures.

**Interest:** A loan expense charged by the lender 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.

**Loan:** Money that must be repaid.

**Loan Fee:** An expense of borrowing deducted proportionately from each loan disbursement.

**Loan Principal:** The sum of money borrowed.

**Master Promissory Note (MPN):** The Master Promissory Note (MPN) is a promissory note that can be used to make one or more loans for one or more academic years (up to 10 years). There are two types of MPNs in the Direct Loan Program: one for student loans and one for parent PLUS loans.

**National Student Loan Data System (NSLDS):** A centralized database which stores information on federal grants and loans. NSLDS contains information on how much aid you've received, your enrollment status, and your loan servicer(s). You can access NSLDS using your Federal Student Aid PIN.

**Prepayment:** Any amount paid on a loan by the borrower before it is required to be paid under the terms of the promissory note.

**Promissory Note:** A legally binding contract between a lender and a borrower. The promissory note contains the terms and conditions of the loan, including how and when the loan must be repaid.

**Rehabilitation:** A program that enables defaulted borrowers of federal Perkins loans to bring their accounts current, to remove previously reported derogatory credit information, and to reinstate the remaining balance of privileges and benefits of the loan. Borrowers must request rehabilitation from their lender in writing. Additional information and/or rehabilitation agreements can be obtained from the Loan Office

**Servicer:** A company that collects payments on a loan, responds to customer service inquiries, and performs other administrative tasks associated with maintaining a loan on behalf of a lender.