

## Key Words and Definitions for College

A Glossary of Terms You Need to Know in Your College Search

# Glossary

Find the meanings of common terms and acronyms used in education and college financing.

**A.A.** – This stands for an "associate of arts" degree, which can be earned at most two-year colleges.

**A.A.S.** – This refers to an "associate of applied science" degree, which can be earned at some two-year colleges.

**ACT** – This is a test published by American College Testing. It measures a student's aptitude in English, mathematics, reading, and science reasoning. Many colleges in the South and Midwest require students to take this test and submit their test scores when they apply for admission. Some colleges accept this test or the SAT I. (See below for explanation of SAT I.) Most students take the ACT or the SAT during their junior or senior year of high school.

**B.A. or B.S.** – B.A. stands for "bachelor of arts," and B.S. stands for "bachelor of science." Both degrees can be earned at four-year colleges. Some colleges only grant B.A.s and others only grant B.S.s – it depends on the kinds of courses offered at the particular college.

**Default Rate** – The default rate is the percentage of students who took out Federal student loans to help pay their expenses but did not repay them properly.

**Dividends** – Dividends are payments of part of a company's earnings to people who hold stock in the company.

**EFC (Expected Family Contribution)** – An amount, determined by a formula that is specified by law, that indicates how much of a family's financial resources should be available to help pay for school. Factors such as taxable and non-taxable income, assets (such as savings and checking accounts), and benefits (for example, unemployment or Social Security) are all considered in this calculation. The EFC is used in determining eligibility for Federal need-based aid.

**Fees** – These are charges that cover costs not associated with the student's course load, such as costs of some athletic activities, clubs, and special events.

**Financial Aid** – Financial aid refers to money available from various sources to help students pay for college.

**Financial Aid Package** – The total amount of financial aid a student receives. Federal and non-Federal aid such as grants, loans, or work-study are combined in a "package" to help meet the student's need. Using available resources to give each student the best possible package of aid is one of the major responsibilities of a school's financial aid administrator.

**Financial Need** – In the context of student financial aid, financial need is equal to the cost of education (estimated costs for college attendance and basic living expenses) minus the expected family contribution (the amount a student's family is expected to pay, which varies according to the family's financial resources).

**General Educational Development (GED) Diploma** – The certificate students receive if they have passed a high school equivalency test. Students who don't have a high school diploma but who have a GED will still qualify for Federal student aid.

**Grant** – A grant is a sum of money given to a student for the purposes of paying at least part of the cost of college. A grant does not have to be repaid.

**Interest** – This refers to the amount that your money earns when it is kept in a savings instrument.

**Investment** – An investment refers to using your money to invest in something that will enable you to earn interest or dividends over time.

**Liquidity** – A term that refers to how quickly you can gain access to money that you invest or deposit in some kind of savings instrument.

**Loan** – A loan is a type of financial aid that is available to students and to the parents of students. An education loan must be repaid. In many cases, however, payments do not begin until the student finishes school.

**Merit-based Financial Aid** – This kind of financial aid is given to students who meet requirements not related to financial needs. Most merit-based aid is awarded on the basis of academic performance or potential and is given in the form of scholarships or grants.

**Need-based Financial Aid** – This kind of financial aid is given to students who are determined to be in financial need or assistance based on their income and assets and their families' income and assets, as well as some other factors.

**Open Admissions** – This term means that a college admits most or all students who apply to the school. At some colleges it means that anyone who has a high school diploma or a GED can enroll. At other schools it means that anyone over 18 can enroll. "Open admissions," therefore, can mean slightly different things at different schools.

**Pell Grants** – These are federal grants intended to help the most financially needy students. The maximum set by Congress for 2003-2003 is \$4,000.

**Perkins Loans** – This is a Federal financial aid program that consists of low-interest loans for undergraduates and graduate students with exceptional financial need. Loans are awarded by the school.

**PLUS Loans** – These Federal loans allow parents to borrow money for their children's college education.

**Postsecondary** – This term means "after high school" and refers to all programs for high school graduates, including programs at two- and four-year colleges and vocational and technical schools.

**Principal** – This refers to the face value or the amount of money you place in a savings instrument on which interest is earned.

**Proprietary** – This is a term used to describe postsecondary schools that are private and are legally permitted to make a profit. Most proprietary schools offer technical and vocational courses.

**PSAT/NMSQT** – This stands for the Preliminary Scholastic Assessment Test/National Merit Scholarship Qualifying Test, a practice test that helps students prepare for the Scholastic Assessment Test (SAT I). The PSAT is usually administered to tenth or eleventh grade students. Although colleges do not see a student's PSAT/NMSQT score, a student who does very well on this test and who meets many other academic performance criteria may qualify for the National Merit Scholarship Program.

**Return** – Return refers to the amount of money you earn through a financial investment or savings instrument. You earn money on investments and savings instruments through interest earnings or dividends.

**Risk** – In reference to saving money or investing money, risk refers to the danger that the money you set aside in some kind of savings plan or investment could be worth less in the future.

**ROTC** – This stands for Reserve Officers Training Corps program, which is a scholarship program wherein the military covers the cost of tuition, fees, and textbooks and also provides a monthly allowance. Scholarship recipients participate in summer training while in college and fulfill a service commitment after college.

**SAT I** – This stands for the Scholastic Assessment Test, which is a test that measures a student's mathematical and verbal reasoning abilities. Many colleges in the East and West require students to take the SAT I and to submit their test scores when they apply for admission. Some colleges accept this test or the ACT. (See above for an explanation of

the ACT.) Most students take the SAT I or the ACT during their junior or senior year of high school.

**SAT II Subject Test** – SAT II Subject Tests are offered in many areas of study including English, mathematics, many sciences, history, and foreign languages. Some colleges require students to take one or more SAT II Tests when they apply for admission.

**Savings Instrument** – Savings instrument refers to any kind of savings plan or mechanism you can use to save money over time. Examples of savings instruments are savings accounts, certificates of deposit (CDs), and money market accounts.

**Scholarship** – A scholarship is a sum of money given to a student for the purposes of paying at least part of the cost of college. Scholarships can be awarded to students based on students' academic achievements or on many other factors.

**SEOG (Supplemental Educational Opportunity Grant)** – This is a Federal award that helps undergraduates with exceptional financial need, and is awarded by the school. The SEOG does not have to be paid back.

**Stafford Loans** – These are student loans offered by the Federal Government. There are two types of Stafford Loans – one need-based and another non-need-based. Under the Stafford Loan programs, students can borrow money to attend school and the Federal Government will guarantee the loan in case of default. Under the Stafford Loan programs, the combined loan limits are \$2,625 for the first year, \$3,500 for the second year, \$5,500 for the third or more years. An undergraduate cannot borrow more than a total of \$23,000.

**Transcript** – This is a list of all the courses a student has taken with the grades that the student earned in each course. A college will often require a student to submit his or her high school transcript when the student when the student applies for admission to the college.

**Tuition** – This is the amount of money that colleges charge for classroom and other instruction and use of some facilities such as libraries. Tuition can range from a few hundred dollars per year to more than \$20,000. A few colleges do not charge any tuition.

**William D. Ford Federal Direct Loans** – Under this new program, students may obtain Federal loans directly from their college or university with funds provided by the U.S. Department of Education instead of a bank or other lender.

**Work-Study Programs** – These programs are offered by many colleges. They allow students to work part time during the school year as part of their financial aid package. The jobs are usually on campus and the money earned is used to pay for tuition or other college charges.