

STATE OF NEW JERSEY



FINANCIAL AID DICTIONARY





HESAA, the Higher Education Student Assistance Authority, is the only New Jersey state agency with the sole mission of providing students and families with financial and informational resources for students to pursue their education beyond high school.

The following booklet is provided to assist students and their families with essential financial aid terms when applying for a college education.

Accruing Interest (on a loan)

The cost of the loan, represented by the interest which is added to the loan amount prior to the repayment period or prior to a payment installment.

Adjusted Gross Income (AGI)

All taxable income as reported on a U.S. income tax return.

Adjustable (Variable) Rate Loan

The interest rate on an adjustable rate mortgage can vary, usually with the rate on the 1-year Treasury bill. The lender can let the rate adjust monthly, quarterly, annually, every 3 years or every 5 years, depending on the type of loan you get. The disadvantage is that the rate can go up if the Treasury bill rate increases, thus suddenly increasing your monthly payment. This rate fluctuates based on economic conditions, including interest-only mortgages, credit card debt and private student loans. Lenders typically add a point or two to create a profit. (***Also Known As: ARM, adjustable rate loan, variable rate mortgage, variable rate loan.***)

Army College Fund

A program that provides Army enlistees in certain job specialties with educational benefits to attend college. The money is combined with benefits from the Montgomery GI Bill. Participation requires a monthly contribution during the first year of military service.

Assets

Cash on hand in checking and savings accounts; trusts, stocks, bonds, other securities; real estate (excluding the home), income-producing property, business equipment, and business inventory. Assets are considered in calculating the SAI.

Associate's Degree

A degree given for successful completion of the Associate Curriculum at a two-year institution.

Award Letter

Official document issued by a college's Financial Aid Office. Lists all of the financial aid awarded to a student. Could be referred to as College Financing Plan or NJ Shopping Sheet

Bachelor's Degree

The degree given for successful completion of the undergraduate curriculum at a four-year college or a university. It is also called a baccalaureate degree.

Bankruptcy

A person is declared bankrupt, when found to be legally insolvent and the person's property is distributed among creditors or otherwise administered to satisfy the interests of creditors. Generally, federal student loans cannot be discharged through bankruptcy.

Borrower

The person who applies for a loan and receives the proceeds (or money) of the loan.

Business Assets

Property that is used in the operation of a trade or business, including real estate, inventories, buildings, machinery and other equipment, patents, franchise rights, and copyrights. Business assets are considered in the calculation of the SAI under the regular formula.

Campus-Based Programs

The term commonly applied to those federal student aid programs administered directly by institutions of postsecondary education.



Campus-based programs include: Federal Perkins Loan, Federal Supplemental Educational Opportunity Grant (FSEOG), and Federal Work-Study (FWS).

Capitalization

Addition of unpaid interest to the principal balance of a loan which increases the total outstanding balance due. *See also Interest Capitalization.*

Central Processing System (CPS)

The computer system to which the student's need analysis data is electronically transmitted by the Free Application for Federal Student Aid (FAFSA) processor. The Central Processing System performs database matches, calculates the student's official SAI, and generates the Student Aid Report (SAR).

Certificate

The formal acknowledgment of successful completion of a particular program or course of study, particularly at a vocational school, trade school, or junior college.

Claim

An application made to a guarantor for payment of an insured student loan for loss of payment due to borrower death, total and permanent disability, bankruptcy, default, or school closure.

Collection

The activities and/or actions associated with getting payment on unpaid loan principal and interest from a borrower after that borrower defaults on the loan. The players in the loan process that could be taking these actions include lenders, guarantors, servicers, and collection agencies.

Combined Billing

Lenders (or servicers) generally offer a combined bill for all of a borrower's loans serviced by that lender/servicer so that the borrower only needs to make one payment per month for all of the loans.

Commuter Student

A student who does not live on campus; typically, “commuter” refers to a student living at home with his or her parents, but can also mean any student who lives off campus.

Consolidation

Combining several loans into a single loan to reduce the monthly payment amount and/or increase the repayment period.

Contributor(s)

On the 2024–25 FAFSA form, a contributor refers to anyone (student, the student’s spouse, a biological or adoptive parent, or the parent’s spouse) who’s required to provide information on the FAFSA form.

Cosigner

A person who signs the promissory note in addition to the borrower and is responsible for the obligation if the borrower does not pay. A cosigner must be able to pass a credit review and must live in the United States.

Cost of Attendance

The TOTAL estimated costs associated with enrolling at a school for a specific enrollment period.

Credit (or Credit Hour)

The unit of measurement some institutions give for fulfilling course requirements.

Custodial Parent

The parent with whom a dependent student lives, and whose financial information is used in need analysis when parents are divorced or separated.

Default

Failure to repay a loan according to the terms agreed to when the borrower signed a promissory note for the loan. Default on federal student loans occurs at 270 days delinquent. Private loans may have different periods for default.



Deferment

A period during which a borrower, who meets certain criteria, may suspend loan payments. For some loans the federal government pays the interest during a deferment. On others, the interest accrues and is capitalized, and the borrower is responsible for paying it.

Delinquency

Failure to make monthly loan payments when due. Delinquency begins with the first missed payment.

Dependent Student

A student who does not meet the eligibility requirements for an “Independent Student”. Dependency status affects the maximum amount that a student may borrow in Stafford Loans and whether a parent may take out a PLUS Loan on behalf of the student.

Disbursement

The release of loan funds to the school for delivery to the borrower. Disbursements are usually made in equal multiple installments co-payable to the borrower and the school. Disbursement of funds may be sent electronically to the school.

Discharge

The release of a borrower from a loan obligation.

Educational Benefits

Funds, primarily federal, awarded to certain categories of students (veterans, children of deceased veterans or other deceased wage earners, and students with physical disabilities) to help finance their postsecondary education regardless of their ability to demonstrate need in the traditional sense.

Educational Expenses

See Cost of Attendance.

Entrance Loan Counseling

Students with federal educational loans are required to receive counseling before they receive their first loan disbursement and before

they graduate or withdraw, during which the borrower's rights and responsibilities and loan terms and conditions are reviewed with the student. These sessions may be conducted online, by video, in person with the FAA or FAO, or in a group meeting.

Exit Counseling

Students with federal educational loans are required to receive counseling before they graduate or withdraw (i.e., leave school), during which the borrower's rights and responsibilities and loan terms and conditions are reviewed with the student. This session may be conducted online, by video, in person with the FAA or FAO, or in a group meeting.

FAFSA

Free Application for Student Financial Aid – Required for all schools. The 2024-25 FAFSA will not be available until sometime in December 2023. The form online is role-based, student access and parent access.

FAFSA4Caster

Allows students and families to input financial information and receive an estimate of their federal aid eligibility before filing the FAFSA.

FAFSA on the Web (FOTW)

Allows students to complete and file a FAFSA on-line at www.studentaid.gov.

Federal Default Fee

The fee paid to the guaranty agency to insure the loan. This amount is deducted from the dollar amount of the loan.

Federal Direct Loans

Loans, both Subsidized (need-based) and Unsubsidized (non-need based), provided by the federal government and available to students to fund education.

Federal Loan Consolidation

Combining several federal loans from multiple lenders into a single loan to reduce the monthly payment amount and/or increase the repayment period.



Federal Methodology (FM)

A standardized method for determining a student's (and family's) ability to pay for postsecondary education expenses. The single formula for determining an SAI for Federal Pell Grants, campus-based programs, and Direct Loan programs; the formula is defined by law.

Federal PLUS Loan

Parent Loans for Undergraduate Students. Federally-insured loans for parents of dependent students and students who have been unable to acquire private student loan funds. The amount of a PLUS Loan can not exceed the cost of attendance minus all other financial aid.

Federal Supplemental Educational Opportunity Grant (FSEOG)

One of the campus-based programs; grants to undergraduate students of exceptional financial need who have not completed their first baccalaureate degree and who are financially in need of this grant to enable them to pursue their education. Priority for FSEOG awards must be given to Federal Pell Grant recipients with the lowest SAIs.

Federal Tax Information (FTI)

Data received directly from the IRS to calculate to use in calculating student's SAI and Pell Grant award.

Federal Work-Study (FWS) Program

This program provides part-time employment to postsecondary students to help pay their educational expenses.

Financial Aid

Money to help pay for college or career school.

Financial Aid Package

The total amount of financial aid a student is offered by the school. This information which includes grants, scholarships, work-study and loans is listed in the college's financial aid "Award Letter."

Financial Need

The difference between the institution's cost of attendance and the

family's ability to pay (i.e., SAI). Ability to pay is represented by the SAI for federal need-based aid and for many state and institutional programs.

Fixed Interest

On a fixed interest loan, the interest rate remains the same for the life of the loan.

Forbearance

Temporary cessation of regularly scheduled payments or temporarily permitting smaller payments than were originally scheduled. Interest still accrues and you are responsible for the added interest.

FSA ID

consists of a username and password which gives you access to the U.S. Department of Education's online systems and can serve as your legal signature when completing electronic documents.

Garnish Wages

If you default on your student loan, money may be withheld from your paycheck and paid to your lender on your behalf.

Giving Consent

All contributors must give consent to access Direct Data Exchange (DDX) with IRS to move the FTI to the FAFSA.

Grace Period

The six-month period that begins the day after a Stafford Loan borrower ceases to be enrolled at least half-time at an eligible school. During the grace period, payments of principal are not required.

Graduate PLUS

Graduate PLUS loans allow students enrolled in graduate school to borrow up to the cost of attendance. After exhausting the maximum Stafford loan amount, this loan can be a useful alternative to private education loans.

Graduated Repayment

A repayment schedule where the monthly payments are smaller at the



start of the repayment period and increase later in payment.

Grants

A form of financial aid that doesn't have to be repaid. Usually awarded to students based on financial need.

Guaranty/Guaranty Agency/Guarantor

State agency or private non-profit institution that insures student loans for lenders and helps administer the FFELP.

Holder

The institution that owns a loan.

Independent Student

A student who meets one or more of the following criteria is considered to be independent for financial aid purposes:

- is at least 24 years old by December 31 of the financial aid award year;
- is a married person;
- is working on a master's or doctorate program;
- is currently serving on active duty in the U.S. Armed Forces for purposes other than training;
- is a veteran of the U.S. Armed Forces;
- has children for whom the student provides more than half of their support;
- has dependents (other than children or spouse) who live with the student and from whom they receive more than half of their support;
- at any time since the student turned age 13, both parents were deceased, the student was in foster care or was a dependent or ward of the court;
- is or was an emancipated minor as determined by a court in the student's state of legal residence;
- is or was in a legal guardianship as determined by a court in the student's state of legal residence;
- was determined to be an unaccompanied youth who was homeless by the student's high school or school district homeless liaison or by the director of an emergency shelter or transitional housing program funded by the U.S. Department of Housing and Urban Development;

- was determined to be an unaccompanied youth who was homeless or was self-supporting and at risk of being homeless by the director of a runaway or homeless youth basic center or transitional living program;
- is a student for whom the school's financial aid administrator determines and documents the student's independent-student status based on the administrator's professional judgment of the student's unusual circumstances.

Interest

An amount, calculated as a percent of the principal loan amount, that is charged for borrowed money. *See Fixed Interest and Variable Interest.*

Interest-Based Repayment

With an interest-only repayment option, the borrower only pays interest each month for a certain amount of time. Generally, an interest-only repayment term is in effect only while a student is in school at least half time. Typical education loans revert to principal and interest repayment once a student borrower is no longer enrolled in school or the enrollment status falls below half time. The interest-only repayment option accrues more interest over the life of the loan than the traditional principal and interest repayment options.

Interest Capitalization

Addition of unpaid interest to the principal balance of a loan which increases the total outstanding balance due. *See also Capitalization.*

Interest-Only Payment

A payment that covers only accrued interest owed on a loan and none of the principal balance. Interest-only payments do not prohibit borrowers from making additional or larger payments at any time if the borrower desires.

Legal Dependent (of Applicant)

A biological or adopted child, or a person for whom the applicant has been appointed legal guardian, and for whom the applicant provides more than half support. In addition, a legal dependent is a person who



lives with and receives at least half support from the applicant and will continue to receive that support during the award year. For purposes of determining dependency status, a spouse is not considered a legal dependent.

Lender

The organization that funds private education loans for students and parents.

LIBOR

LIBOR is the interest rate that banks charge each other for one-month, three-month, six-month and one-year loans. LIBOR is an acronym for London InterBank Offered Rate. This rate is that which is charged by London banks, and is then published and used as the benchmark for bank rates all over the world. This rate fluctuates based on economic conditions and is used to guide banks in setting rates for adjustable-rate loans, including interest-only mortgages, credit card debt and private student loans. Lenders typically add a point or two to create a profit. LIBOR is compiled by the British Bankers Association (BBA), and is published 11am each day in conjunction with Reuters. It is comprised from a panel of banks representing countries in each currency.

Loan

A type of financial aid that is available to students and their parents. Student loan programs have varying interest rates and repayment provisions. An education loan must be repaid.

Loan Counseling

Students with federal educational loans are required to receive counseling before they receive their first loan disbursement and before they graduate or withdraw, during which the borrower's rights and responsibilities and loan terms and conditions are reviewed with the student. These sessions may be conducted online, by video, in person with the FAA or FAO, or in group meeting. ***See also Exit Counseling.***

Loan Proceeds

The money the borrower receives from a loan (or the amount borrowed minus fees).

Master Promissory Note (MPN)

Is a legal contract a student signs when taking out a Federal Student Loan. The Master Promissory Note covers both the Federal Subsidized and Unsubsidized Stafford Loans the student may receive for the same enrollment period. The Master Promissory Note covers Federal Subsidized and Unsubsidized Stafford Loans the student may receive for future enrollment periods. One note for Federal loans obtained to complete the degree at one institution.

Need

See Financial Need.

Need Analysis

A system by which an applicant's ability to pay for educational expenses is evaluated and calculated. Need analysis consists of two primary components: (a) determination of an estimate of the applicant's and/or family's ability to contribute to educational expenses; and (b) determination of an accurate estimate of the educational expenses themselves.

Need Analysis Formula

Defines the data elements used to calculate the SAI; there are two distinct formulas: regular and simplified. The formula determines the SAI under the Federal Methodology.

Need-based Aid

Student assistance awarded because a student's financial circumstances would not permit him or her to afford the cost of a postsecondary education.

NJ Financial Aid Management System (NJFAMS)

NJFAMS is New Jersey's online financial aid system which serves as a tool for students to view and manage their State grant and scholarship eligibility.

Non-Need-based Aid

Aid based on criteria other than need, such as academic, musical, or



athletic ability. Also, refers to federal student aid programs where the SAI is not part of the need equation.

Origination Fee

An amount, payable by the borrower and deducted from the principal of a loan prior to disbursement to the borrower. For federally backed loans, the origination fee is paid to the federal government to offset the cost of the interest subsidy to borrowers. For private loan programs, the origination fee is generally paid to the originator to cover the cost of administering and insuring the program.

Packaging

The process of combining various types of student aid (grants, loans, scholarships, and employment) to attempt to meet the full amount of a student's need.

Parent Contribution

A quantitative estimate of the parents' ability to contribute to the postsecondary educational expenses of a dependent student.

PELL Grant

A Pell Grant is money the government provides for students who need it to pay for college. Grants, unlike loans, do not have to be repaid. Eligible students receive a specified amount each year under this program.

Perkins Loan

A low-interest loan for undergraduate and graduate students with exceptional need. This is a campus based loan, where the school serves as the lender.

PLUS Loan

Parent Loans for Undergraduate Students. Federally-insured loans for parents of dependent students.

Provides Most Financial Support

For dependent students with separated parents, the parent providing the most financial support must be included on the new FAFSA. For many students, this will align with the previous requirement of including the

custodial parent – the parent living with the student.

Provisional Independence Status:

Otherwise dependent students who indicate that they have unusual circumstances that prevent them from providing parent data.

Aid administrators will need to make a final determination whether these students should receive a dependency override.

Prepayment

Payment received for a borrower account for more than the amount due.

Prime Rate

The prime interest rate is the rate charged by commercial financial institutions for short-term loans to corporations or individuals whose credit standing is so high that little risk to the lender is involved in making the loan. This rate fluctuates based on economic conditions and may be different among financial institutions. The prime rate serves as a basis for the interest rates charged for other, higher-risk loans.

Principal

Amount borrowed, which may increase as a result of interest capitalization, and the amount on which interest is calculated.

Also known as principal balance.

Private Loans

Private loans can provide supplemental funding when other financial aid does not cover costs. These loans are offered by banks, other financial institutions, and schools to parents and students.

Professional Judgment (PJ)

The financial aid administrator's discretion, based on the special circumstances of the student, to change the data elements used in determining eligibility for federal student aid or adjust a student's costs.

Promissory Note

Contract between a borrower and a lender that includes all the terms and conditions under which the borrower promises to repay the loan.



Repayment

The time during which a borrower actively pays back an education loan.

Scholarship

Gifts that don't have to be repaid and are designed to help students pay for an undergraduate degree. They can be a one-time gift or are renewable, depending on the scholarship.

Secondary Market

An organization that purchases education loans from lenders in order to replenish the supply of funds for new education loans. The secondary market obtains funds from investors and uses those funds to purchase existing education loans from lenders. The lenders then use the proceeds of those sales to make new education loans.

Serialization

Combining several loans into one account so that the borrower only pays one monthly bill. Original loan terms do not change with serialization.

Servicer

Organization that administers and collects loan payments. May be either the loan holder or an agent acting on behalf of the holder. The Federal Government contracts with multiple entities to administer and collect.

Standard Repayment

A repayment schedule reflecting equal monthly payments over the term of the loan.

Student Aid Index (SAI)

Calculation for federal student aid eligibility using the Student Aid Index beginning in the 2024-25 award year FAFSA. Formally the EFC (Expected Family Contribution)

Student Aid Report (SAR)

This report is sent to you by the government 7-10 days after your FAFSA has been processed. This report will show all the information you provided on your FAFSA and will contain your SAI.

Subsidized Stafford Loans

Subsidized Stafford Loans are awarded to students who demonstrate financial need (i.e., need-based loans). Because the U.S. Department of Education subsidizes the interest, borrowers are not charged interest while they are enrolled in school at least half-time and during grace and deferment periods.

Taxable Income

Income earned from wages, salaries, and tips, as well as interest income, dividend income, business or farm profits, and rental or property income.

Term

A length of time in which to repay a loan. The term is usually agreed to by lender and borrower within the borrower's contract or promissory note. Also refers to language used in legal documents, such as the promissory note, that defines how a loan will be borrowed and repaid. (Also refers to some postsecondary educational institutions' academic period.)

Tuition Aid Grant (TAG)

A program that provides grants, based on financial need, to New Jersey residents attending participating New Jersey colleges or universities.

Tuition Payment Plans

A strategy by which payment for present costs of postsecondary education is extended into a future period of time.

Unmet Need

The difference between a student's total cost of attendance at a specific institution and the student's total available resources.

Unsubsidized Stafford Loans

Unsubsidized Stafford Loans are available to students regardless of financial need (i.e., non-need based). Borrowers are responsible for the interest that accrues during any period.



Untaxed Income

All income received that is not reported to the Internal Revenue Service (IRS) or is reported but excluded from taxation. Such income would include but not be limited to untaxed capital gains, interest on tax-free bonds, dividend exclusion, and military and other subsistence and living allowances.

Variable Interest Rate

With a variable interest loan, the interest rate changes periodically. For example, the interest rate might be affected by the cost of U.S. Treasury Bills (e.g., T-Bill rate plus 1.7%) and be updated monthly, quarterly, semi-annually, or annually.

Wage Garnishment

If you default on your student loan, money may be withheld from your paycheck and paid to your (lender on your behalf.)

Financial Aid Acronyms

A

ACG	Academic Competitiveness Grant
ACH	Automated Clearing House
ACT	American College Testing Program
AGI	Adjusted Gross Income

B

BA	Baccalaureate Degree
BIA	Bureau of Indian Affairs

C

CLEP	College - Level Examination Program
COA	Cost of Attendance
CPS	Central Processing System

D

DISB Disbursement

E

E-APPS Electronic Applications
ED U.S. Department of Education
EDCAPS ED Central Applications Processing Systems
EDE Electronic Data Exchange
EDP Electronic Data Processing
EOF Educational Opportunity Fund

F

FAA Financial Aid Administrator
FAFSA Free Application for Federal Student Aid
FFELP Federal Family Educational Loan Program
FM Federal Methodology
FOTW FAFSA on the Web
FSEOG Federal Supplemental Educational Opportunity Grant
FWS Federal Work Study

G

GPA Grade Point Average
GSL Guaranteed Student Loan
GUI Graphical User Interface

H

HEA Higher Education Act
HESAA Higher Education Student Assistance Authority
HHS Department of Health and Human Services

I

IFAP Information for Financial Aid Professionals
IPA Income Protection Allowance
IRS Internal Revenue Service
ISIR Institutional Student Information Record



L

LIBOR	London InterBank Offered Rate
LEAP	Leveraging Educational Assistance Partnership
LOA	Leave of Absence
LEOMS	Law Enforcement Officer Memorial Scholarship

M

MIS	Management Information System
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N

NSLDS	National Student Loan Data System
NJCLASS	New Jersey College Loans to Assist State Students
NJEI	New Jersey Eligibility Index
NJ STARS	New Jersey Student Tuition Assistance Reward Scholarship
NJASFAA	New Jersey Association of Student Financial Aid Administrators
NJFAMS	New Jersey Financial Aid Management System

O

OIG	Office of Inspector General
OPE	Office of Postsecondary Education

P

PC	Parental Contribution
PDF	Portable Document Format
PM	Payment Methodology
PO	Potential Over-Award
PLUS	Parent Loan for Undergraduate Students

Q

QA	Quality Assurance
QC	Quality Control

R

ROTC	Reserve Officer Training Corps
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S

SAI	Student Aid Index
SAIG	Student Aid Internet Gateway
SAR	Student Aid Report
SAR ID	Student Aid Report Identification
SAT	Scholastic Assessment Test
SC	Student Contribution
SEOG	Supplemental Educational Opportunity Grant
SFAP	Student Financial Assistance Programs
SSN	Social Security Number
SMART	Science and Mathematics Access to Retain Talent
STB	Survivor Tuition Benefits

T

TAG	Tuition Aid Grant
TEACH	Teacher Education Assistance for College and Higher Education



Important to NOTE

Helpful Web Sites

HESAA - Higher Education Student Assistance Authority

609-584-4480

Monday through Thursday 8 a.m.- 8 p.m.,

Friday 8 a.m. - 5 p.m.

Bilingual experts are available to answer your questions

www.hesaa.org

TDD System for the Hearing Impaired

609-588-2526 Monday through Friday 8 a.m. - 5 p.m.

U.S. Department of Education

Federal Student Aid Programs

1-800-4-FED-AID (1-800-433-3243)

TTY 1-800-730-8913 | www.ed.gov

Complete the FAFSA Online

www.studentaid.gov

NJ Colleges and Universities

www.njedge.net

Private Career School Association of NJ

www.pcsanj.com

College Planning and Money Management

www.mappingyourfuture.org

Free Scholarship Searches

www.fastweb.com

Online Guide to Financial Aid

www.finaid.org

NJ College Credit Transfer Information

www.njtransfer.org

Consumer Protection/Financial Aid and Scholarship Fraud

www.ftc.gov



HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY

**New Jersey Higher Education Student
Assistance Authority**

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Friday
8:30 a.m. to 5 p.m.**