

Glossary of Key Financial Aid Terms

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Aid Transfer

Federal financial aid is disbursed to the institution through which the student applies. Students can then arrange for aid to be transferred to programs or other institutions for study abroad. There are various legal restrictions on release of student aid. Students must understand if they can designate individuals to receive their aid while they are abroad, and what restrictions apply in state or institutional regulations. Institutions must coordinate this activity to ensure accurate and timely release of aid for study abroad.

Alternate Loans

Alternate loans include private bank education loans that are not federally funded (outside of the federal Title IV system). Private bank loans are not guaranteed loans; students may be declined or required to have a cosigner. Interest rates may be higher or lower depending on the student's or cosigner's credit, and interest accrues while the student is in school. Most alternative loans are for students; there are certain types of loans available to parents and guardians as well.

Approved or Affiliated Program

A program is approved when the home institution agrees to grant credit for appropriate academic work successfully completed in that program. An affiliated program is one for which the institution has agreed to grant academic credit and with whom the home institution has a formal written agreement. Affiliation agreements may provide special advantages (e.g., preferential consideration of acceptance) to students from the home institution in addition to the credit issues.

Award Year

A 12-month academic period with a starting and ending date defined by the institution. For example, some schools begin the award year with the summer term(s); others end the award year with the summer term(s).

Award/Award Letter

The financial aid award letter or award package indicates all grants, loans, and work-study that the institution recognizes for the student. This includes federal and state aid, work-study, institutional grants and merit scholarships, and external grants administered through the university. The annual award letter lists these components of aid—including the offer of student and parent loans. The aid components may be declined by the student.

Billing Agreement

This type of agreement defines who is responsible for payment. Even in instances where aid payments are made directly to a program on behalf of the student, the student may still be held responsible for outstanding balances. In other instances, the home institution is billed

and pays all costs.

Cost of Attendance (COA)

The budgeted Cost of Attendance is a calculation of estimated total required cost that every Title IV aid-awarding institution must make to determine a student's eligibility for federal aid, including work-study and any need-based institutional aid. It is a total of tuition, mandatory fees, room, board (where applicable), and estimated cost of books and other living expenses (and sometimes travel) for students at the particular institution. Separate determinations can be made at the institution's discretion for students living at home or independently.

COA and Study Abroad

It is possible to adjust a student's Cost of Attendance (COA), and thus his or her financial aid award, to reflect a particular study abroad budget. Institutions and financial aid offices may not wish to engage in this type of customizing, or may adjust the package only when the budget submitted by the student for the period of study abroad results in a lower award (since need-based aid cannot exceed a student's demonstrated need.) In other cases, however, institutions may be willing to replace inapplicable work-study awards or respond to increased costs of study abroad by increasing loans and/or other types of financial aid.

Consortial Agreement/Written Agreement (Contractual Agreement)

Federal regulations stipulate that two or more institutions may enter into a consortial or contractual agreement so that a student can continue to receive federal aid while studying at a school or organization other than his or her home (degree-granting) institution. The home institution must give credit for the courses on the same basis as if the home school provided the training itself. A consortium agreement is signed between two schools that are both eligible to receive federal aid. Consortium agreements can be written for a single student, as a separate agreement with each school, or as a blanket agreement with a group of schools. The U.S. Department of Education does not specify the format of an agreement, so contents may vary. Consortium agreements should include the name of the institution that will grant the degree, tuition/fees/costs, enrollment status at each institution, institution responsible for disbursing aid and monitoring eligibility, and procedures for monitoring satisfactory progress. A contractual agreement is signed between a school eligible to receive aid and an ineligible school or program. The eligible school is considered the home school for aid processing, and is responsible for maintaining all of the records necessary for verification of student eligibility.

CSS Financial Aid Profile ®

The College Scholarship Service, a division of the College Board, maintains an independent financial aid need calculation application. The CSS Financial Aid Profile ® is used mostly by selective, private institutions for the awarding of their own institutional aid (although not all such institutions require it). Unlike the FAFSA, there is a fee. Institutions requiring the profile with respect to their own grants to students generally do so because they regard its aid analysis as more comprehensive and equitable. The FAFSA methodology, in contrast to that of the profile, excludes any noncustodial parent (who could be a billionaire) and home equity (however great). It also applies different allowances with regard to siblings and their

educational expenses and student assets. The majority of institutions do not require the profile.

Dates of Disbursement

Defined by federal law and interpreted by individual institutions. In most instances, federal aid may not be disbursed earlier than 10 days before the first day of class, but individual institutions may delay release in order to verify proof of enrollment after the start of classes.

A school may be exempt from the delayed and multiple disbursement requirements if the school's cohort default rate is less than 5 percent for the single most recent fiscal year for students enrolled in a study abroad program approved by the home institution.

Deadlines for Federal and State Aid

Information on federal student financial aid deadlines is available on the Web at <http://www.fafsa.ed.gov>. In general, applications are due no earlier than January 1 and no later than June 30 of the year in which the filing occurs. The FAFSA guidelines indicate that students should check the definition of the application deadline with their home school (the deadline could be the receipt date and time or the process date and time). State deadlines may be earlier than federal guidelines. Each state has a different FAFSA submission deadline. (Visit <http://www.fafsa.org> for details.) Missing a state deadline can render a student ineligible for state aid for the entire academic year.

Direct Costs vs. Cost of Attendance in Award Letters

Whether or not an award meets "full need" can be confusing. Some award letters compare the Expected Family Contribution (EFC) plus the financial aid award only against "direct costs/direct charges" (i.e., tuition, fees, room and board). Genuinely meeting full demonstrated need, on the other hand, requires comparing the EFC plus the financial award with the Cost of Attendance (COA), not just with the direct costs.

Disability Support Services

The National Clearinghouse on Disability and Exchange (NCDE), a joint project of Mobility International USA (MIUSA) and the United States Information Agency (USIA), started a Campus Collaboration Campaign in 1998. Forty American college and university disability support services and education-abroad offices looked for new approaches to increase the number of students with disabilities in education abroad programs and to better serve those who were already involved. Information is available through the National Clearinghouse on Disability and Exchange at <http://www.miusa.org>

Expected Family Contribution (EFC)

Also referred to as FC (Family Contribution) or "Estimated" Family Contribution, the Expected Family Contribution (EFC) is the bottom-line result of the analysis performed on the financial information submitted on the FAFSA and, where required, the CSS/Financial Aid Profile®. The amount expected as the family's contribution in principle is the same regardless of the institution attended. The EFC is made up of two components, namely the PC (Parents Contribution) and the SC (Student Contribution). By the federal methodology, the SC starts from the student's income (for the preceding tax year), less any taxes, social

security withholding, and a small income protection allowance. The SC is half the remainder, plus 35 percent of any assets in the student's name. Thus, by the federal methodology and for federal aid eligibility, the SC often could be as low as zero; for purposes of institutional aid, institutions often assume a standardized minimum student contribution based on expected summer earnings (a kind of institutional SC). For example, this figure might be \$2,000—meaning that every student is expected to have earned and saved \$2,000 toward his or her college expenses during the summer.

Eligibility During Study Abroad:

- Section 668.39 of the Higher Education Act (HEA) states that “A student enrolled in a program of study abroad is eligible to receive title IV, HEA program assistance if:
 - The student remains enrolled as a regular student in an eligible program at an eligible institution during his or her program of study abroad; and
 - The eligible institution approves the program of study abroad for academic credit. However, the study abroad program need not be required as part of the student's eligible degree program.”
- The student must appropriately apply and qualify for aid.
- The student must be enrolled for an appropriate minimum number of hours during the term abroad.

Eligible/Ineligible Institutions

An eligible institution is one that has been accredited by an appropriate accrediting body within the United States. An ineligible institution is one that is not accredited within the United States. A foreign university may be recognized by the appropriate educational ministry within that country but not be an eligible institution.

Entitlement Aid vs. Campus-Based (Institutionally Discretionary) Federal Aid

This is a distinction that some institutional financial aid offices may apply when interpreting the federal law and U.S. Department of Education regulations regarding the application of a student's federal aid for study abroad. Pell Grants and Stafford loans are entitlement aid—the funds are transmitted to the institution in amounts fully matching student eligibility (within eligibility and up to the amount of the student's loan application in the case of Stafford) and only for use by particular students—they cannot be utilized for anyone else. These always should be applied to a student's study abroad costs. On the other hand, Federal Supplemental Education Opportunity Grants (FSEOG or SEOG) and Federal Perkins Loans (annual federal allocations to the institution's Perkins pool require a 25 percent capital match from the institution) are awarded from fund pools that generally are not nearly sufficient to cover all eligible students. The *FAFSA* analysis determines eligibility for these awards, but it is to some degree an annual matter of institutional (financial aid office) discretion to determine who among all eligible students actually will be awarded shares of the too-limited pools. (Discretion is limited by the federal expectation that SEOG, which is limited to Pell recipients, should go to the neediest of the needy, and that Perkins Loans should go to the next neediest—that is, to the neediest who did not receive SEOG). While institutions may in varying degrees maintain the continuity of such awards from year to year, and to the extent that they do so it seems fair as well as consistent with law and regulations to make the annual award and to maintain awards for students going abroad, a financial aid office might choose

to limit awards from these limited and insufficient pools to students on campus and regard it as a matter of setting priorities, not as denying aid for study abroad, particularly if determined at the time of the annual aid award. Federal work-study funding also is of this discretionary (campus-based) type, but in most cases will not be applicable to study abroad for other reasons.

External Aid

External aid—generally any aid other than federal, state, and institutional funds—may come from sources such as corporations, foundations, fraternal and religious organizations, or individual donors. In most cases it can be applied to study abroad, but this depends on the terms set by the external donor, and some of the most generous private donor scholarships are confined to study within particular institutions or particular states. For students with federal aid, any external grants or scholarships must be applied toward meeting the demonstrated need. If the student's total aid, including such an external grant, would exceed the student's demonstrated need, the federal aid would have to be reduced by a corresponding amount. State aid and the institution's own aid may apply a similar principle. Even a student whose full costs are covered by financial aid, however, might receive substantial assistance from an external scholarship if it first substitutes for loans within her overall aid award, but what part of an award it replaces (loan or grant) is a matter of institutional financial aid office policy or discretion.

FAFSA

The *Free Application for Federal Student Aid (FAFSA)* is the required application form that must be submitted by the student in order to determine the Expected Family Contribution (EFC) and thus the student's eligibility for federal grants, loans, or work study. The FAFSA is required even for the unsubsidized version of the Stafford Loan, despite this loan requiring no financial need in order for the student to be eligible. The FAFSA is available on the Web at <http://www.fafsa.ed.gov>. Paper copies may be obtained at any college or university financial aid office. The aid eligibility analysis resulting from the FAFSA usually is the basis for determinations of state and institutional aid as well. A new FAFSA must be submitted each year.

Federal Work Study

A federal program that allows students to earn money to cover the cost of education, usually through jobs on campus. Students must qualify for need-based aid to apply for Federal Work Study. Students earn at least a minimum wage and the school may limit the number of hours. The total amount of money that can be earned is limited by the student's need and the funding level of the school.

FM vs. IM (Federal Methodology vs. Institutional Methodology)

Federal Methodology is prescribed by law. It refers to the rules and principles used for the need analysis performed on data submitted on the FAFSA to determine the Expected Family Contribution (EFC) along with the institutional determination of the student's need (if any) and the amount of eligibility for federal financial aid. Institutional Methodology refers to any alternative principles of need analysis used by the institution to determine its own financial

aid to the student. It may also refer to CSS methodology (see definition for CSS/Financial Aid Profile), and probably does so at any institution that requires submission of the profile.

Full Demonstrated Need and Study Abroad

It should be recognized that even institutions that refer to meeting full demonstrated need do not, in most cases, apply this principle to terms of study abroad. (See definitions for COA and Study Abroad.) The phrase indicates that an institution provides a financial aid award package fully equivalent to the student's need (aid award equals COA less EFC, without any "gap"). An institution can be "need-blind" in its admission procedure without meeting full demonstrated need (relatively few institutions are able to meet full need, and many—especially among public institutions—have little or no aid to administer other than federal and state aid.) Conversely, an institution can commit to meeting full need for the students it accepts without being need-blind in its admission policy (a still smaller set of institutions). However, the assertion of meeting full need can mean different things. An institution could, for example, include additional loans—including a large Parent Loan (PLUS)—into an award to eliminate the appearance of any gap.

Full-time Enrollment, Half-time Enrollment, Part-time Enrollment

Definitions of full-time, half-time, and part-time enrollment are based on minimums set by the U.S. Department of Education. For standard term, credit-hour programs, full time is defined as 12 credit hours per term; half time is defined as six credit hours per term. Definitions must be consistently applied within an institution (semester hours for semesters/quarter hours for quarters). Students must be enrolled at least half time to receive many types of aid.

Gap/Gapping

The term "gap" refers to any difference between a student's "need" or "demonstrated need" and the actual amount of the financial aid award. In order to attend, the student or family must find the means over and above its EFC to cover the gap. Gapping is more the rule than the exception for most institutions—due to the limits of endowment and budgetary resources—but even the limited number of institutions that generally do not gap often effectively will leave a gap between the student's aid award and any higher cost of a study abroad term.

Host vs. Home Institution

The home institution is the one that will grant a student's degree. The host institution is the college or university providing the educational component (for example, the overseas institution).

Institutional Aid Application

An institution may, but most often does not, require its own form as a supplement to the FAFSA with respect to awarding its own institutional grants. This might be a brief form seeking limited additional information regarded as significant to the particular institutions; it might be a form required for reasons similar to those for institutions requiring the CSS/Financial Aid Profile®, but avoiding the cost to the student.

ISIR/Institutional Student Information Record

The ISIR is the institution's equivalent of the Student Aid Report (SAR). It reports the student's Expected Family Contribution (EFC) and related data to each institution for which the student supplied a School Code when submitting the FAFSA.

Leveraging

Depending on the particular institution and its policies, an understanding of financial aid leveraging may be requisite to understanding the variation in aid packages seen among the study abroad professional's advisees. Leveraging refers to financial aid/enrollment management strategies to maximize the enrollment and retention of students deemed most desirable to the institution. Leveraging essentially makes financial aid award packages as attractive as possible to those students most desired and less attractive to those least desired. This is accomplished by the combination of grants and scholarships (as opposed to loans) and by differentiating the size of gaps. There are various reasons for deeming applicants "most desirable" to an institution. These reasons may range from academic credentials or special talents to diversity considerations to a student's ability to pay the bulk of his or her costs.

Need/Financial Need/Student Need/Demonstrated Need

In principle, an applicant's demonstrated need at any particular institution is that institution's Cost of Attendance (COA) less the Expected Family Contribution (EFC.) The EFC is fixed, but any student's "need" varies by institution as determined by the specific institution's Cost of Attendance. A student with no need at a local community college might be nearly a full-need student at a more expensive institution.

Need-based vs. Merit Aid

All federal aid is based on need analysis, but institutions may include additional awards to cover need not met within the limits of federal and state programs. Such need-based awards often are called "grants." They also are frequently called "scholarships," which tends to obscure the difference between need-based and merit awards. Merit awards (merit scholarships) are awarded independent of need analysis; they may be awarded on the basis of academic achievements or special talents (traditional meanings of merit) or on the basis of any characteristic desired by the awarding institution. They generally are awarded as incentives to enrollment and are a principal instrument of leveraging strategies (see "Leveraging"). Even institutional loan programs may take on a merit aspect, with more attractive terms for students with certain characteristics.

PLUS/Parent Loan

A federal PLUS Loan may not exceed the student's Cost of Attendance less any other aid the student receives. In other words, the PLUS enables the parent to meet the EFC with a loan rather with cash. The loan is in the parent's name and requires a credit check. The U.S. Department of Education is the lender.

Power of Attorney

When you authorize someone to act on your behalf, you grant power of attorney. A Limited Power of Attorney legally assigns specifically limited rights to a designated individual. For instance, a student might authorize a parent to endorse checks in his or her absence or to

manage other business matters on his or her behalf. This authority is generally granted for a limited period of time.

Professional Judgment

Federal regulations permit the financial aid officer a degree of professional judgment to adjust the EFC and the student's federal aid eligibility in light of additional information and changing circumstances (e.g., a parent's loss of a job). The manner and degree of exercising such judgment varies. Still, the reasons for the adjustment must be documented and are reviewed in federal financial aid audits.

ROTC/NROTC scholarships

The Reserve Officers Training Corps (ROTC) or Naval Reserve Officers Training Corps (NROTC) provides funds for college education in exchange for a service commitment. Students generally take one military science course in addition to other college courses; after graduation they enter the service as commissioned officers. Full ROTC scholarships pay for most tuition and fees and can be applied to study abroad programs.

SAR/Student Aid Report

The Student Aid Report (SAR) is the response that the applicant receives upon reporting the EFC calculated by analysis of his or her FAFSA data. It also allows the student and family to review the data and make corrections.

State Aid

States constitute an important source of financial aid. While the variability of state programs cannot be fully represented here, state aid programs generally are either need-based, merit-based, or a combination of the two. In most but not all cases, state aid applicable at your institution will be available for approved study abroad from your institution. Keep in mind that this is not true with every state or aid program. Consult with your campus financial aid office regarding your state. Where relevant, consult with the office regarding other states that are most prominently represented at your institution.

Stafford (Subsidized and Unsubsidized) Loan

- Stafford Loans are part of a federal "self-help" program intended to make higher education more accessible by providing access to low-interest educational loans.
- A Direct Stafford Loan (from the William D. Ford Federal Direct Loan Program) is usually called a **Subsidized Stafford Loan**. It is awarded on the basis of demonstrated "need." Students begin repayment of the loan six months after graduating, leaving school, or dropping below half-time enrollment. No interest is charged before repayment begins because the interest in that period is "subsidized" by the federal government.
- FFEL Stafford Loans (Federal Family Education Loan Program) are called **Unsubsidized Stafford Loans**. An unsubsidized loan is not awarded on the basis of need. Students also begin repayment of this loan six months after graduating, leaving school, or dropping below half-time enrollment. However, interest for this type of loan is added from the date of disbursement until the loan is paid in full. Students may choose either to make interest-only payments from the date of disbursement or to

- have the interest added to the principal of the loan (capitalized) until repayment begins.
- A student may have both a subsidized and an unsubsidized loan for the same enrollment period.

Title IV Aid

Title IV is the section under the Higher Education Act that provides for federally funded, need-based aid to assist students enrolled at an accredited institution of higher learning with the expenses of higher education.

Title IV School Code

School codes are six-digit codes that are unique to each institution eligible for participation in federal financial aid programs. Applicants must use the codes on the *FAFSA* to identify the institutions to which he or she would like the aid eligibility analysis sent. The codes are provided on the *FAFSA* application (available in print or electronic format).

Vocational Rehabilitation

The Rehabilitation Act of 1973 (with subsequent amendments) authorizes allocation of federal funds for administration and operation of vocational rehabilitation programs to help individuals with disabilities prepare for gainful employment. To be eligible for vocational rehabilitation, the individual must have a physical or mental impairment that would represent a significant impediment to employment.

Veteran's Benefits

Educational benefits for veterans are offered through the U.S. Armed Forces. These can include up to 36 months of education benefits for eligible veterans in college courses. Tuition assistance plans for enlisted service members can cover up to 100 percent of courses at accredited colleges and universities. Information is available from the U.S. Department of Veterans Affairs.