

# SP<sup>3</sup> - Student Planning Pointers for Parents



## Important Terms to Know

**Accrued Interest** – interest income earned on a debt that has yet to be collected.

**Annual Percentage Rate (APR)** – the cost of your credit as a yearly rate.

**Cost of Attendance** – an estimate of all of the costs, both direct and indirect, for being enrolled one year (not including a winter or summer term). Costs include but are not limited to: tuition, fees, housing and meals, books and supplies, transportation, and personal expenses.

**Direct Costs** – the costs for services the college offers that the student is using and being billed for, such as tuition, fees, on campus services, on campus housing and meal plans, etc.

**Estimated Family Contribution (EFC)** – resulting from completion of the FAFSA, the EFC is what parent(s) and student are expected to contribute toward paying for college. The EFC is based on a formula-driven process within the FAFSA that takes parent and student income and assets into consideration. \*\*Every college selected to receive the FAFSA results is working with the same EFC when reviewing a student's eligibility for financial aid.

**FAFSA (Free Application for Federal Student Aid)** – the application to gain eligibility for the federal aid programs, as well as some state and individual college financial aid programs.

**Federal Direct Subsidized Loan** – a loan available to an undergraduate student who demonstrates financial need by completing the FAFSA. Loan amounts are limited based upon a student's year in school: \$3500 first year; \$4500 second year; \$5500 third year and above. The borrower isn't generally responsible for paying the interest on this loan while in an in-school, grace or deferment period.



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Federal Direct PLUS Loan – a loan made to graduate or professional students and parents of dependent undergraduate students to help pay for education expenses not covered by other financial aid. Eligibility is not based on financial need, but a credit check is required. Borrowers who have an adverse credit history must meet additional requirements to qualify.

Federal Direct Unsubsidized Loan – a loan available to undergraduate and graduate students without a requirement to demonstrate financial need. However, the FAFSA must be completed to have eligibility determined. Limited loan amounts exist for both categories of students. The borrower is responsible for paying all the accumulated interest until the loan balance is paid off, and during in-school, grace and deferment periods. Refer to [Federal Student Aid](#) for a chart.

Financial Aid – money from federal, state, college or local resources that is meant to help pay for college expenses: tuition, housing and meals, books and supplies, etc. Financial aid comes in the form of grants, scholarships and loans.

Financial Need – determined by the college’s financial aid office by subtracting the Estimated Family Contribution (EFC) received from the FAFSA from the school’s cost of attendance [ $COA - EFC = \text{Financial Need}$ ].

Fixed Interest Rate – an unchanging rate charged on a loan.

Indirect Costs – costs that a college student typically has that are not charged by the college and will not appear on their college bill, such as transportation and personal expenses, etc.

Net Costs – the money that’s actually paid for various college expenses, rather than the estimated indirect costs featured in each school’s cost of attendance.

Net Tuition – the amount of college tuition actually paid to the college after financial aid is received.

Origination Fee – a fee charged by a lender on entering into a loan agreement to cover the cost of processing the loan.

Variable Interest Rate – an interest rate on a loan that fluctuates over time.