



Glossary of Financial Aid Terms

KEY DEFINITIONS RELATED TO FINANCIAL AID APPLICATIONS

Award Letter

A financial aid award letter (also called a financial aid notification) is a paper or electronic document from a college that describes the types and amounts of student aid offered to the student.

Cost of Attendance (COA)

A college's cost of attendance, sometimes called the sticker price, includes the cost of tuition, fees, room, board, books, supplies, equipment, transportation, loan fees, dependent-care costs, disability-related costs, and miscellaneous/personal expenses.

CSS/Financial Aid PROFILE

The CSS/Financial Aid PROFILE is a financial aid application created by the College Scholarship Service of the College Board. The PROFILE is used by about 225 colleges and universities and 175 private scholarship programs to award their own student aid funds.

Dependency Status

A student is either dependent or independent. Dependent students must report parental information on the FAFSA.

Emancipated Minor

An individual (under the age of 18) who has legally been determined to be an adult by a court in his or her state of legal residence.

Expected Family Contribution (EFC)

The EFC is a measure of a family's financial strength and is used to determine eligibility for need-based student financial aid. Despite the name, most families pay more than the EFC because some colleges leave the student with unmet need and the financial aid package may include loans and student employment.

Financial Aid Package

A financial aid package is a collection of multiple types of financial aid from several sources to help the student pay for college. It is described in a financial aid award letter.

Foster Care

A temporary living arrangement for dependent children when their parents or another relative cannot take care of them.

Free Application for Federal Student Aid (FAFSA)

The FAFSA is a financial aid application form used to apply for student financial aid from federal and state governments and most colleges and universities. The FAFSA is available online at www.fafsa.ed.gov starting on October 1. The FAFSA asks questions about the student (and parents' or spouse's) income and assets, the family size and the number of family members (excluding the student's parents) who are enrolled in college.

Homeless

An individual is considered homeless if he or she lacks fixed, regular and adequate housing. You may be homeless if you are living in a shelter, park, motel or car, or temporarily living with other people because you have nowhere else to go.

Legal Guardianship

A relationship created by court order, through which the court appoints an individual other than a minor's parent to take care of the minor. A legal guardian is not considered a parent on the student's FAFSA. A student in legal guardianship does not need to report parent information on the FAFSA because he or she is considered an independent student.

Professional Judgment (PJ)

Families can appeal for more financial aid by asking for a professional judgment review of documented special circumstances affecting the student's ability to pay for college. The financial aid administrator may decide to make an adjustment to the COA or to the data elements that are used to calculate the EFC.

Special Circumstances

Special circumstances include significant changes in a family's financial circumstances from one year to the next or circumstances that differentiate the family from the typical family. Examples include job loss, salary reduction, death of a wage-earner, high unreimbursed medical and dental expenses, high dependent care costs and private elementary and secondary school tuition for a sibling.

Student Aid Report (SAR)

The Student Aid Report (SAR) summarizes the information submitted on the FAFSA and includes the student's EFC. The SAR is received soon after the FAFSA is processed. Applicants should review the SAR for accuracy and correct any errors.

Verification.

If a student's FAFSA is selected for verification, the college financial aid administrator will compare the information submitted on the FAFSA with independent documentation of the information, such as IRS tax transcripts and W-2 and 1099 forms. Approximately one third of FAFSAs each year are selected for verification using a risk-based model.

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TYPES OF STUDENT FINANCIAL AID

Student Financial Aid

Student financial aid is money given, earned or loaned to help a student pay for college. Financial aid can come from federal and state governments, colleges, businesses, and private and social organizations. Financial aid can include gift aid and self-help aid. Eligibility may be based on demonstrated financial need and/or merit.

Gift Aid

Gift aid is money that does not need to be repaid or earned, such as grants, scholarships, fellowships and tuition waivers.

Self-Help Aid

Self-help aid includes financial aid in the form of student employment and student loans.

Merit-Based Aid

Merit-based aid is awarded based on the student's talents, skills and achievements. Most private scholarships are awarded based on merit, such as academic, artistic or athletic talent.

Need-Based Aid

Need-based aid is awarded to students based on demonstrated financial need. Need-based aid usually comes in the form of grants, student employment opportunities and student loans.

Grant

A grant is a form of gift aid that is usually awarded based on demonstrated financial need. An example is the Federal Pell Grant.

Loan

Loans are borrowed money that must be repaid, usually with interest, over a specified period of time. Examples include the Federal Perkins, Stafford and PLUS loans and private student loans.

Scholarship

A private scholarship is a form of gift aid that is usually awarded by private organizations (e.g., foundations, corporations, associations, individual philanthropists and nonprofit organizations) based on merit or activities, such as community service. Renewable scholarships are available for all four years instead of just one year.

Student Employment

Student employment provides students with a part-time job, on- or off-campus, as part of their financial aid package. Federal Work-Study is a need-based student employment program.

Satisfactory Academic Progress (SAP)

Satisfactory academic progress includes quantitative and qualitative measures of a student's progress to a degree or certificate. Students must generally maintain at least a 2.0 GPA on a 4.0 scale and be passing enough classes to graduate within 150 percent of the normal timeframe for the degree or certificate.

Financial Aid Equations

Demonstrated Financial Need = Cost of Attendance (COA) - EFC

Financial Aid = Gift Aid + Self-Help Aid

Gift Aid = Grants + Scholarships + Tuition Waivers

Self-Help Aid = Student Loans + Student Employment

Net Cost = COA - Financial Aid = approx. the EFC

Net Price = COA - Gift Aid

Unmet Need (Gap) = Demonstrated Financial Need - Financial Aid

Unmet Need (Gap) = COA - Financial Aid - EFC