

Financial Aid Terms and Definitions

Award Letter	A letter from the college Financial Aid Office to the student listing all financial aid awarded to the student. Award letters vary among institutions, but they generally list the expected family contribution, cost of attendance, and the terms of the aid awarded.
Cost of Attendance	The student's cost of attendance includes tuition, fees, and a standard allocation designed to cover reasonable living expenses while attending school. The cost of attendance is determined by the school using guidelines established by federal regulations.
Default	This term applies to loans. It is the failure to repay a student loan according to the terms of the loan. If you default, your school, the organization that holds your loan, the state, and the federal government can all take action to recover the money, including notifying national credit bureaus of your default.
Expected Family Contribution (EFC)	The total amount students and their families are expected to pay toward college costs. This is determined from family and student income and assets for the prior year. The amount is derived from a need analysis of the family's financial circumstances.
FAFSA®	The <i>Free Application for Federal Student Aid</i> (FAFSA) determines a student's financial aid. Get info and apply online at www.fafsa.gov .
Federal Pell Grant	A federal grant for undergraduate students with financial need.
Federal Perkins Loan	A federal student loan, made by the recipient's school, for undergraduate and graduate students who demonstrate financial need.
Financial Aid Package	The total financial aid a student receives. Federal and non-federal aid, such as grants, loans, work-study, and scholarships, are combined in a "package" to help meet the student's need.
Financial Need	The amount by which your family's contribution falls short of covering your college expenses. It is determined by subtracting the expected family contribution (EFC) from the total cost of attendance.
Gift Aid	Financial aid that does not have to be paid back, such as scholarships and grants

Grant	A type of financial aid award based on need or merit that does not require repayment
Interest	A fee charged when you take out a loan. Interest is calculated as a percentage of the principal loan amount. The rate may be constant throughout the life of the loan (fixed rate) or it may change at specified times (variable rate).
Loan	Borrowed money that must be repaid with interest. Can be either a private loan made by a lender such as a bank, credit union, state agency, or school, or a federal loan funded by the federal government
Merit-Based Aid	Financial aid that is awarded based on a student's academic, leadership, or artistic skill or ability, or some other criteria. Merit-based aid may consider a student's grades, test scores, special talents, or extracurricular activities to determine eligibility.
Need-Based Financial Aid	Financial aid that is awarded based on a student's financial circumstance. Need-based aid can be awarded in the form of grants, loans, or work-study.
Net Price	An estimate of the actual cost that a student and family need to pay in a given year to cover education expenses for the student to attend a particular school. Net price is determined by taking the institution's cost of attendance and subtracting any grants and scholarships for which the student may be eligible.
Net Price Calculator	A tool that allows current and prospective students, families, and other consumers to estimate the net price of attending a particular college or career school.
Room and Board	An allowance for the cost of housing and food while attending college or career school.
Scholarship	Money awarded to students based on academic or other achievements to help pay for education expenses. Scholarships generally do not have to be repaid.
Work-Study	A federal student aid program that provides an opportunity for a student to work part-time and attend college. Work-study is designed to help students fund their education expenses.

For additional terms, see the Federal Student Aid Glossary (<https://studentaid.ed.gov/sa/glossary>).