

# “What is a...?”

## A glossary of financial aid terms

### **Expected Family Contribution (EFC)**

Your Expected Family Contribution is calculated from the information you provide on the Free Application for Federal Student Aid (FAFSA). The formula used to calculate your EFC is established by law and is used to measure your family's financial strength based on their income and assets. The EFC is used to determine your eligibility for federal student aid. Thus the EFC is not necessarily the amount you will pay for college; that amount is determined by a number of factors. The EFC is the government's estimation of your ability to pay for school, and is used to determine your eligibility for financial aid.

### **Federal Pell Grant**

Pell Grants are provided to students with significant financial need by the Federal Government. They do not have to be repaid. Eligibility is determined by the results of the FAFSA, as well as by factors such as Cost of Attendance and enrollment status (full or part time). Only undergraduate students who have not completed a prior bachelor's degree are eligible. Pell Grants for 2008-2009 for full time students range from \$890 to \$4731. If your Expected Family Contribution (EFC) is over 4041, you will not qualify for a Pell Grant.

### **Federal SEOG Grant**

SEOG stands for Supplemental Educational Opportunity Grant. These grants are for undergraduate students with exceptional financial need – that is, with the lowest EFCs. The money is provided by the federal government and distributed by the school. SEOG funds are typically given to any student who qualifies for a Pell Grant; however, funds are limited and there is no guarantee of availability for those who apply late. Awards are typically between \$200 and \$473.

### **Federal Subsidized Stafford Loan**

Federal Stafford Loans are made available to eligible students without regard to credit. This is made possible by the federal government. The government sets annual limits on the amount students may borrow through the Stafford Loan program based on the student's year in school. The limits are as follows: freshman, \$3500; sophomore, \$4,500; junior and senior, \$5,500. Interest rates are fixed and set annually by the federal government; for 2008-2009, the rate was 6.0% while in school and 6.0% while in repayment. Rates can never exceed 8.25%. While the student is in school, payment on Stafford Loans is deferred. Repayment begins six months after the student leaves school. For *Subsidized* Stafford Loans, there is no interest while in school. Eligibility for

Subsidized Stafford Loans is based on financial need as determined by the results of the FAFSA and the Office of Financial Aid.

### **Federal Unsubsidized Stafford Loan**

Unsubsidized Stafford Loans are identical to Subsidized Stafford Loans, with one exception: they are not based on financial need, and therefore the government does not subsidize the interest. Therefore, interest does accrue while the student is in school. This interest may be paid or capitalized (added to the principle of the loan).

### **Federal Perkins Loan**

A Federal Perkins Loan is a low-interest (5 percent) loan for students with financial need. The loan is made with government funds, and ENC contributes a share. ENC serves as your lender, and you must repay this loan to ENC. Amounts typically range from \$500 to \$1300 per year, and cannot exceed \$4000 in any given year. Funds are limited and there is no guarantee of availability for those who apply late. Under certain, limited conditions Perkins Loans can be canceled. Repayment of Perkins Loans begins nine months after the student leaves school.

### **Federal Work Study Award**

The Federal Work-Study Program provides jobs for students with financial need, allowing them to earn money to help pay for education expenses. Funds are paid directly to the student, unless he or she requests to have them applied to his or her student account. Work-study funds are not guaranteed; jobs must be arranged for by the student, and students are paid only for the hours they work. A list of available jobs is maintained in the Student Employment Office.

### **Parent PLUS Loan**

PLUS loans are loans parents can take out to pay for their child's education expenses, if their child is a dependent undergraduate student enrolled at least half time. Parents are eligible to borrow up to the cost of attendance minus any other aid received. Parents must pass a credit check in order to qualify. Students whose parents cannot obtain a PLUS loan for credit reasons qualify for additional Stafford loan funds. The interest rate on PLUS loans is fixed and set annually by the federal government; the rate for 2008-2009 is 8.5%, and the rate for 2008-2009 will be set in May 2008. Rates can never exceed 9.00%. Repayment begins 60 days after the final loan disbursement is made; typically, this means that repayment would begin around March.

**Signature Loan \ Private Loan \ Student Loan**

This group of loans are in the student's name; students with poor or non-existent credit histories will need an eligible co-borrower. In most cases the PLUS loan will cost the family less than this group of loans. Students may be eligible to borrow up to the total cost of attendance, minus financial aid. Eligibility is based on at least half-time enrollment and credit-worthiness. Interest rates are tiered based on credit, and are variable. Repayment may be deferred until six months after the student leaves school. Many students use the loans to cover the difference between the cost of school and what financial aid is able to provide.

**Entrance Interview**

All first-time Stafford Loan borrowers are required by the federal government to complete an entrance interview that is designed to provide pertinent information to all new borrowers. Until this requirement is fulfilled, Stafford Loan proceeds cannot be disbursed to the borrower's account. ENC's Entrance interviews can be done online at [www.nelliemae.com/schools/enc/enc.html](http://www.nelliemae.com/schools/enc/enc.html) or at new student orientation.

**Promissory Note**

A promissory note is a loan application, whether for Stafford, Perkins, PLUS, or Signature loans. Stafford loan promissory notes only need to be filled out once and are good for as long as a student remains at ENC. The Stafford Promissory Note is completed during the online application for the loan. New Perkins, PLUS, and Signature loan promissory notes must be filled out each year.