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Oklahoma Money Matters

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ON TRACK FOR STUDENT LOAN SUCCESS

STUDENT LOAN TERMINOLOGY

Are you thinking about taking out a federal student loan to help pay your college expenses? Do you already have student loans, or are you in repayment? Wherever you are in your higher education journey, understanding basic loan terminology can assist you in making informed decisions through this process. Here's a list of common student loan terms, defined by the U.S. Department of Education.

Aid Offer: An offer from a college or career school that states the type and amount of financial aid the school is willing to provide if you accept admission and register to take classes at that school.

Capitalized Interest: The addition of unpaid interest to the principal balance of a loan. When the interest is not paid as it accrues during periods of in-school status, the grace period, deferment, or forbearance, your lender may capitalize the interest. This increases the outstanding principal amount due on the loan and may cause your monthly payment amount to increase. Interest is then charged on that higher principal balance, increasing the overall cost of the loan.

Consolidation: The process of combining one or more loans into a single new loan.

Cost of Attendance (COA): COA is the amount it will cost a student to go to school. Most two-year and four-year colleges calculate their COA to show the total cost for the school year (for instance, for the fall and spring semesters). Schools with programs that last a different period of time (for instance, an 18-month certificate program) might show a COA that covers a time period other than a standard academic year. If you're attending school at least half time, the COA is the estimate of tuition and fees, books, course materials, supplies, and equipment; cost of housing and food (or living expenses); transportation expenses; loan fees (excluding any loan fees for non-federal student loans); miscellaneous expenses (including a reasonable amount for the documented cost of a personal computer); allowance for childcare or other dependent care; costs related to a disability; costs of obtaining a license, certification, or a first professional credential; and reasonable costs for eligible study abroad programs.

Default: Failure to repay a loan according to the terms agreed to in the promissory note. For most federal student loans, you will default if you have not made a payment in more than 270 days. You may experience serious legal trouble if you default.

Deferment: A postponement of payment on a loan that is allowed under certain conditions and during which interest does not accrue on Direct Subsidized Loans, Subsidized Federal Stafford Loans, and Federal Perkins Loans. All other federal student loans that are deferred will continue to accrue interest. Any unpaid interest that accrued during the deferment period may be added to the principal balance (capitalized) of the loan(s).

Delinquent: The first day after you miss a student loan payment, your loan becomes past due, or delinquent. Your loan account remains delinquent until you repay the past due amount or make other arrangements, such as deferment or forbearance, or change repayment plans.

Disbursement: Payment of the loan funds to the borrower by the college. Students generally receive their federal student loan in two or more disbursements.

Financial Aid Offer: An offer from a college or career technology center that states the type and amount of financial aid the school is willing to provide if you accept admission and register to take classes at that institution.

Forbearance: A period during which your monthly loan payments are temporarily suspended or reduced. Your lender may grant you a forbearance if you are willing but unable to make loan payments due to certain types of financial hardships. During forbearance, principal payments are postponed but interest continues to accrue. Unpaid interest that accrues during the forbearance will be added to the principal balance (capitalized) of your loan(s), increasing the total amount you owe.

Grace Period: A period of time after borrowers graduate, leave school, or drop below half-time enrollment where they are not required to make payments on certain federal student loans. Some federal student loans will accrue interest during the grace period, and if the interest is unpaid, it will be added to the principal balance of the loan when the repayment period begins.

Grad PLUS Loan: The Grad PLUS loan program, which previously allowed graduate students to borrow up to the full cost of attendance, will be eliminated for new borrowers starting July 1, 2026. Graduate and professional students will now have borrowing limits through the Direct Unsubsidized Loan program: Graduate Students: $20,500/ year ($100,000 lifetime); Professional Students: $50,000/ year ($200,000 lifetime).

Interest: A loan expense charged for the use of borrowed money. Interest is paid by a borrower to a lender/servicer. The expense is calculated as a percentage of the unpaid principal amount of the loan.

Interest Rate: The percentage at which interest is calculated on your loan(s).

Lender: The U.S. Department of Education is the lender for Direct Loans. There are four types of Direct Loans: Subsidized, Unsubsidized, PLUS, and Consolidation Loans.

Loan Servicer: A loan servicer is a company that is assigned to handle the billing and other services on your federal student loan, at no cost to you.

Master Promissory Note (MPN): The Master Promissory Note (MPN) is a legal document in which you promise to repay your loan(s) and any accrued interest and fees to the U.S. Department of Education. It also explains the terms and conditions of your loan(s). You may receive more than one loan under an MPN over a period of up to 10 years to pay for your or your child's educational costs, as long as the school is authorized to use the MPN in this way and chooses to do so. The school will tell you which loans, if any, you are eligible to receive.

Net Price: An estimate of the actual cost that a student and their 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.

Satisfactory Academic Progress: A school's standards for satisfactory academic progress toward a degree or certificate offered by that institution. Check with your college to find out its standards.

StudentAid.gov: A centralized database, available at www.StudentAid.gov, which stores information on federal grants and loans, a total of how much aid you've received, your enrollment status, and your loan servicer(s). You can access StudentAid.gov using your account username and password.

Subsidized Loan: Subsidized loans are federal loans available to undergraduate students with demonstrated financial need (as determined by the Free Application for Federal Student Aid, or FAFSA®). The main benefit of subsidized loans is that the government pays the interest while you're enrolled at least half-time, during your grace period, and if you defer the loan.

Unsubsidized Loan: A loan for which the borrower is fully responsible for paying the interest regardless of the loan status. Interest on unsubsidized loans accrues from the date of disbursement and continues throughout the life of the loan.

For a complete glossary, visit https://studentaid.gov/glossary.

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