

---

## Appendix

# A

## GLOSSARY

### academic year

A time period of at least 30 instructional weeks in which a full-time undergraduate student is expected to complete:

- ◆ for an educational program whose length is measured in credit hours: 24 semester hours, 24 trimester hours, or 36 quarter hours *or*
- ◆ for an educational program whose length is measured in clock hours: at least 900 clock hours.

However, there is an exception for those schools that have at least a two-year program that awards an associate degree or a four-year academic program that awards a bachelor's degree. Those schools may request, in writing, that ED reduce the minimum period of instructional time of the academic year for any of its programs as long as they are at least 26 weeks in length.

### accrediting agency

An agency that sets educational standards for schools, evaluates schools, and certifies that schools have met these standards.

### administrative capability

A school must show that it has the administrative capability and the financial responsibility to participate in U.S. Title IV student aid programs.

Administrative capability covers specific areas in the management of an institution. These areas include:

- ◆ establishing and maintaining student records and financial records;
- ◆ submitting ED-required reports;
- ◆ designating a capable Title IV financial aid administrator at an institution;
- ◆ establishing school procedures for Title IV programs;
- ◆ communicating to the financial aid administrator all information received by any school office that might affect a student's Title IV aid eligibility;
- ◆ dividing the functions of authorizing payments for Title IV funds and disbursing Title IV funds;
- ◆ establishing an adequate satisfactory academic progress policy; *and*
- ◆ employing an adequate number of qualified staff.

For further information, refer to 34 CFR 668.16. See *financial responsibility*.

<b>aggregate loan limit</b>	The borrower's maximum allowable unpaid principal amount throughout the student's academic career. The outstanding principal is calculated by adding the total outstanding amount guaranteed after subtracting any refunds, prepayments, payments, cancellations, funds discharged, or any other reductions to the principal. Capitalized interest or any collection costs that may have been added to the principal balance are not included in the borrower's aggregate loan limit.
<b>allowable charges</b>	Educational expenses that a student incurs and that ED permits a school to charge to a student's school account and to pay using Title IV funds. These items may include current tuition and fees and room and board (if the student contracts with the school for these services). Other current charges that a student incurs for educationally related activities may be considered allowable charges if the school obtains the student's authorization (or parent's authorization for PLUS Loan funds) to have such charges paid with Title IV funds. Allowable charges may also include certain minor charges for the previous award year.
<b>audit</b>	<p>Independent examinations of a school's financial transactions, accounts, reports, and compliance with applicable laws and regulations to determine whether the school is:</p> <ul style="list-style-type: none"> <li>◆ maintaining effective control over revenues, expenditures, assets, and liabilities;</li> <li>◆ properly accounting for resources, liabilities, and operations;</li> <li>◆ producing financial reports that contain accurate, reliable, and useful financial information and that are accurately presented; <i>and</i></li> <li>◆ complying with applicable laws, regulations, and ED directives.</li> </ul> <p>A financial audit also studies and evaluates the institution's internal accounting and administrative controls, as well as the policies, procedures, and practices used in administering student financial assistance programs. See <i>independent audit</i>.</p>
<b>audit exceptions</b>	School actions identified through an audit that are not in compliance with U.S. guidelines.
<b><i>Audit Guide</i></b>	An ED reference manual designed to guide independent auditors who are performing audits of Title IV student financial aid program funds at institutions.
<b>audit report</b>	A report prepared by ED after an audit is performed. In a non-ED audit, this report is prepared by an auditor or audit firm according to the guidelines provided in the <i>Audit Guide</i> . See <i>federal audit</i> .

<b>audit trail</b>	A clear (easily followed) trail that maintains required documentation to support each school transaction that deals with receiving and expending U.S. federal funds.
<b>authorization (legislative)</b>	A U.S. congressional legislative act that establishes a funding program, specifies its general purpose and conduct, and unless open-ended, sets a ceiling for the dollar amount that can be used to finance it. An authorization must be enacted before dollar amounts can be appropriated for program spending.
<b>award</b>	As a noun, a specific amount of financial assistance to pay for education costs offered to a student through one or more financial aid programs. As a verb, approving financial assistance to students.
<b>business office</b>	The school office responsible for an institution's financial accounting, including Title IV aid program accounting. The office disburses financial aid award payments to students and processes loan checks. It is sometimes referred to as the fiscal office, finance office, comptroller's office, bursar's office, treasurer's office, or student accounts office. See <i>separation of functions</i> .
<b>cancellation (of a loan)</b>	Loan cancellation can occur with Federal Family Education Loans (FFELs). Students who are engaged in certain public services identified by ED may have their loans canceled. A student must make application and meet specific requirements set by ED to have all or part of his or her loan canceled (including interest). FFEL loans may also be canceled if the borrower dies or becomes totally or permanently disabled; if the loan is discharged in bankruptcy; if the school closed before the borrower completed his or her program; or if the school falsely certified or originated the loan.
<b>capitalizing interest</b>	A process in which interest that has accrued but has not been paid is added to the loan principal for the FFEL. Capitalizing is a consequence of delaying interest payments; it increases the amount of the principal and, consequently, the total amount that must be repaid.
<b>Case Management and Oversight Service</b>	A division in ED responsible for institutional audit resolution, program review, financial statement analysis, initial certification, and recertification.
<b>cash management</b>	A set of established rules and procedures a school must follow to disburse and return U.S. Title IV funds to ED.
<b>Central Processing System</b>	ED's Central Processing System (CPS) analyzes information from Free Applications for Federal Student Aid (FAFSAs) and calculates Expected Family Contributions (EFCs). A series of edits is used to check the consistency of family-supplied and student-supplied information. Eligibility matches are also conducted with the U.S. Social Security Administration, the U.S. Immigration and Naturalization Service, and the U.S. Selective Service. In addition, each student is checked against ED's National Student Loan Data System. See <i>National Student Loan Data System (NSLDS)</i> .

<b>certificate- or degree-seeking student</b>	A student who is enrolled in a course for credit and who is recognized by the school as seeking a degree or certificate.
<b>Code of Federal Regulations</b>	The compilation of all U.S. regulations and procedural rules. Regulations implementing Title IV programs appear in Title 34.
<b>cohort default rate</b>	The percentage of a school's Stafford and SLS loan borrowers who default before the end of the fiscal year following the fiscal year in which they entered repayment on their loans. ED calculates this rate annually to determine the default experience of students who attended a particular school during a particular period of time. High default rates can result in the loss of a school's eligibility to participate in the FFEL Program.
<b>collection costs</b>	Reasonable costs incurred by using a collection agency or commercial skip-trace agency in an attempt to recover delinquent or defaulted student loan accounts.
<b>completor</b>	A student is counted as a completer if: <ul style="list-style-type: none"> <li>◆ the student completed his or her program within 150 percent of the normal time for completion from that program <i>or</i></li> <li>◆ the student has completed a transfer preparatory program within 150 percent of the normal time for completion from that program.</li> </ul>
<b>compliance audit</b>	See <i>audit</i> and <i>independent audit</i> .
<b>composite score</b>	ED uses the composite score to determine whether institutions demonstrate financial responsibility under the regulations in Subpart L of 34 CFR 668. Institutions provide the information that is used to perform these calculations in their required annual financial statement audits. See <i>financial responsibility</i> .
<b>corrective action</b>	As part of any fine, any limitation, suspension, or termination proceeding, or any adverse finding in a report or review, ED may require a postsecondary institution to take corrective action. This action may include making payments to eligible students or repaying any illegally used funds to ED. ED may offset any funds to be repaid against any benefits or claims due to the institution from ED.
<b>corrective action plan</b>	A written plan an institution submits to ED, as required by an ED official, a hearing official, or the U.S. Secretary of Education. In this plan, the institution explains what reasonable and appropriate steps it will take to remedy any ED-determined violation(s) of applicable laws, regulations, special arrangements, agreements, or limitations based on present or prior financial aid audit or program review findings.

**correspondence course**

A “home study” course provided by an institution where the institution provides instructional materials, including examinations on the materials, to students who are not physically attending classes at the institution. A home-study course that provides instruction in whole or part through the use of video cassettes or video discs in an award year is a correspondence course unless the institution also delivers the instruction on the cassette or disc to students who are physically attending classes at the institution during the same award year. A telecommunications course is a correspondence course if the sum of telecommunications and other correspondence courses offered by the institution equals or exceeds 50 percent of the total courses offered at the institution.

**cost of attendance**

Section 472 of the Higher Education Act of 1965, as amended (HEA), gives specific statutory parameters for determining a student’s cost of attendance (COA) for Title IV aid programs. A student’s COA includes tuition and fees, room and board expenses while attending school, allowances for books and supplies (which can include the cost of buying or renting a computer), transportation, loan fees (if applicable), dependent-care costs (if applicable), costs related to a disability (if applicable), and other miscellaneous expenses.

In addition, reasonable costs for a study-abroad program and costs associated with a student’s employment as part of a cooperative education program may be included. There are also special rules for less-than-half-time students and correspondence-study students. The COA is determined by the school. The COA is compared to a student’s Expected Family Contribution (EFC) to determine the student’s need for aid ( $COA - EFC = \text{student’s need}$ ).

**credit history**

A credit history is an informative listing detailing how a person pays his or her creditors and whether he or she is creditworthy. A credit history is requested when a parent applies for a Federal PLUS Loan on behalf of a student.

**“Dear Colleague” Letter**

See “*Dear Partner Letter*.”

**“Dear Partner” Letter**

A communication from ED, formerly known as a “Dear Colleague Letter,” that explains and clarifies ED’s guidance regarding U.S. regulations and statutes.

**default**

The failure of a borrower (or endorser or comaker, if any) to make installment payments when due or to meet other terms of the promissory note or other written agreement(s) with the lender under circumstances where ED or the guarantor of the loan reasonably concludes that the borrower no longer intends to honor the borrower’s obligation to repay a loan, provided that this failure persists for the most recent consecutive 270-day period (for a loan repayable in monthly installments) or the most recent 330-day period (for a loan repayable in less frequent installments).

<b>deferment (of a loan)</b>	A period during which repaying loan principal is suspended as a result of the borrower meeting one or more of a number of situations or categories established by law. The borrower does not pay interest on <i>subsidized</i> loans during deferment; interest continues to accumulate during deferment of an <i>unsubsidized</i> loan. Compare <i>forbearance (on a loan)</i> .
<b>delivery</b>	The process of FFEL loan proceeds being transmitted from a school to a borrower. See <i>disbursement</i> .
<b>delivery system</b>	The process by which students apply for U.S. student financial aid, are awarded funds, and use those funds to pay the cost of attendance they incur when they enroll in an eligible program of study at an eligible school.
<b>disbursement</b>	<p>The process by which Title IV program funds are transferred to a student (or parent borrower for PLUS Loan funds). A school that has received a disbursement may release the funds to the student or parent by:</p> <ul style="list-style-type: none"> <li>◆ paying a student or parent directly:           <ul style="list-style-type: none"> <li>▪ by check or other means payable to the student and requiring the student’s endorsement or certification (or, in the case of a parent borrowing from the FFEL PLUS Program, requiring the endorsement or certification of the student’s parent);</li> <li>▪ by initiating an electronic funds transfer (EFT) to a bank account designated in writing by the student (or, in the case of a parent borrower, an account designated in writing by the parent); or</li> <li>▪ by dispensing cash to the student for which the school obtains a signed receipt from the student; <i>or</i></li> </ul> </li> <li>◆ crediting a student’s school account and notifying the borrower.</li> </ul> <p>See <i>delivery</i>.</p>
<b>discharge</b>	See <i>cancellation (of a loan)</i> .
<b>disclosure statement</b>	A statement provided to the borrower by the lender that includes such items as the lender’s name, number, and correspondence address; notice of possible transfer or sale of loan; the principal amount of loan; any applicable charges; and the actual interest rate.
<b>earned aid</b>	The amount of financial aid a student is eligible for and entitled to based on the student’s period of enrollment. It is used to compute whether FFEL funds must be returned when a student withdraws. Compare <i>unearned aid</i> .
<b>electronic funds transfer (EFT)</b>	The electronic transfer of Stafford or PLUS Loan proceeds from the lender to an account at the school, to the school’s financial institution, or to the student.

<b>eligible institution</b>	A public or private nonprofit institution of higher education or a graduate proprietary medical or veterinary school that meets all the criteria to participate in Title IV student financial aid programs. Some guarantors may require schools to complete a separate agency-specific participation agreement.
<b>eligible student</b>	The definition of a student who is eligible to receive federal financial aid from ED is discussed in detail in 34 CFR 668.7.
<b>emergency action</b>	<p>An action for cause taken by ED against an eligible postsecondary institution. This action includes withholding funds from the institution or its students and withdrawing the authority of the institution to obligate federal funds under any or all of the Title IV student aid programs. Emergency action is taken when ED:</p> <ul style="list-style-type: none"> <li>◆ receives information that the institution is violating applicable laws, regulations, special arrangements, agreements, or limitations;</li> <li>◆ determines that the likelihood of loss to the federal government outweighs putting in place limitation, suspension, or termination procedures; <i>and</i></li> <li>◆ determines that immediate action is necessary to prevent misuse of U.S. funds.</li> </ul> <p>See <i>limitation, suspension, or termination (LS&amp;T)</i> and <i>Program Participation Agreement</i>.</p>
<b>enrolled</b>	The status of a student who has completed the registration requirements (except for the payment of tuition and fees) at the institution he or she is attending.
<b>enrollment period</b>	The period of time for which a borrower's loan is intended. For a school that uses academic terms (semester, trimester, or quarter), an enrollment period must coincide with one or more terms or with an academic year. For a school that does not use academic terms, an enrollment period must coincide with the length of a student's program of study or an academic year.
<b>enrollment status</b>	At those institutions using semesters, trimesters, or quarters, and measuring progress in credit hours, enrollment status equals a student's credit-hour course load. At those institutions measuring progress in clock hours, enrollment status equals a student's clock-hour course load.
<b>entrance counseling</b>	Each institution participating in the FFEL Programs (excluding Federal PLUS Loans) must offer loan counseling, called "entrance counseling," to first-time loan borrowers. The institution must offer this counseling before the first disbursement of any of these loans to a borrower at the institution. Entrance counseling covers the borrower's rights and responsibilities, the terms and conditions of the loan, the use of a Master Promissory Note, and the consequences of default. Compare <i>exit counseling</i> .

<b>entrance interview</b>	A meeting conducted before the beginning of a financial aid audit between an auditor and school administrative officials involved in the audit. Operating rules, an agenda, and a schedule for the on-site work are established. A similar interview is conducted by an ED official before conducting a program review. See <i>audit</i> . Compare <i>exit interview</i> .
<b>equity ratio</b>	<p>One of the ratios used by ED to gauge a school’s financial responsibility. The equity ratio is:</p> <ul style="list-style-type: none"> <li>◆ <i>For proprietary schools:</i>                    <u>Modified Equity</u> Modified Assets</li> <li>◆ <i>For private, nonprofit schools:</i>           <u>Modified Net Assets</u> Modified Assets</li> </ul> <p>For further definitions and other details, refer to 34 CFR 668.172 and 34 CFR 668–Subpart K, Appendix F (proprietary) and Appendix G (private, nonprofit).</p>
<b>estimated financial assistance</b>	The school’s estimate of the amount of financial assistance from federal, state, institutional, or other sources that a student (or parent on behalf of a student) will receive for a period of enrollment. This may include veterans’ and national service awards and benefits (except when determining eligibility for a subsidized Stafford Loan), scholarships, grants, and financial need-based employment.
<b>exit counseling</b>	Each institution participating in the FFEL Programs (excluding Federal PLUS Loans) must offer loan counseling called “exit counseling” to loan borrowers. In the case of FFEL student borrowers, the interview must take place shortly before the borrower ceases to be enrolled at least half time. During the interview, the borrower’s rights and responsibilities are reviewed, details about handling loan repayment are discussed, and the consequences of default are explained. The availability of ED’s Student Loan Ombudsman’s Office is also discussed. The average anticipated monthly repayment amount and the average indebtedness of the school’s borrowers must be disclosed. Borrowers are also required to provide updated personal information, such as address, telephone number, employer (if known), and driver’s license and the state where it was issued (if the student has a license). Compare <i>entrance counseling</i> .
<b>exit interview</b>	A closing meeting, following the completion of a financial aid audit, between an auditor and administrative officials of the school involved in the audit. General audit findings and conclusions that will be included in the audit report are discussed. A similar interview is conducted by an ED official after conducting a program review. See <i>audit</i> . Compare <i>entrance interview</i> .



<b>Expected Family Contribution (EFC)</b>	The figure that indicates how much of a family’s financial resources should be available to help meet a student’s postsecondary education expenses. This figure, determined according to a statutorily defined method known as need analysis, is used for all students in determining the amount the student is eligible to borrow.
<b>federal audit</b>	A financial and/or compliance audit conducted by an office or officer of a U.S. federal agency, such as a representative from ED’s Office of Inspector General.
<b>Federal Family Education Loan Program</b>	<p>The Federal Family Education Loan (FFEL) Program is made up of:</p> <ul style="list-style-type: none"> <li>◆ Federal Stafford Loans (subsidized),</li> <li>◆ Federal Stafford Loans (unsubsidized),</li> <li>◆ Federal PLUS Loans (for parents), <i>and</i></li> <li>◆ Federal Consolidation Loans.</li> </ul> <p>All of these are long-term loans insured by state or private nonprofit guaranty agencies that are reimbursed by the U.S. government for all or part of any insurance claims paid to lenders. This insurance replaces the collateral or security usually required with long-term consumer loans.</p>
<b>Federal PLUS Loan</b>	Parents may borrow this FFEL Program loan on behalf of their undergraduate dependent children. Loans are made by lenders such as banks, credit unions, or savings and loan associations. Parents must not have an adverse credit history.
<b>Federal Register</b>	The government publication, published each weekday (except U.S. federal holidays), that prints regulations, regulatory amendments, notices, and proposed regulatory changes for all federal executive agencies. ED makes appropriate <i>Registers</i> available on ED’s Web site at <a href="http://SFA4Schools.ed.gov">http://SFA4Schools.ed.gov</a> .
<b>Federal Stafford Loan (subsidized)</b>	An FFEL Program loan that provides federally subsidized, low-interest loans to students in undergraduate, graduate, or professional programs. Subsidized loans are awarded on the basis of student financial need. The loan formerly was part of the Guaranteed Student Loan Program. In 1987, it was renamed to honor Senator Robert T. Stafford; later, the word “Federal” was added to its name. See <i>Unsubsidized Federal Stafford Loan</i> .
<b>Final Audit Determination Letter</b>	ED’s evaluation of findings and recommendations included in an audit report and the issuance of a final decision by ED management, including actions determined to be necessary.

<b>Final Program Review Determination</b>	The letter ED sends to school officials to close out the program review process. The FPRD finalizes the status of findings that were outlined in the original Program Review Report, indicating issues that are considered “resolved” and those the school failed to resolve (for example, assessment of liabilities the school must pay to ED). The school has the right to appeal the FPRD with ED’s internal appeal procedures.
<b>final regulations</b>	U.S. government operating rules published in the <i>Federal Register</i> . When published, final regulations have the force of law; generally they take effect on the date published in the <i>Federal Register</i> . See <i>Federal Register</i> and <i>Notice of Proposed Rulemaking</i> .
<b>financial aid history</b>	A financial aid history is a document that lists a borrower’s total outstanding balance of loans borrowed as well as his or her most recent loans. It also tells the institution if the student owes an overpayment or is in default on Title IV funds and is therefore ineligible for further Title IV aid.
<b>financial aid transcript</b>	A document formerly used by institutions to collect data about Title IV aid and other financial aid received by a student at other educational institutions. Schools now retrieve a student’s prior award-year data from the National Student Loan Data System (NSLDS).
<b>financial need</b>	The difference between the student’s cost of attendance (COA) at a specific institution and the student’s Expected Family Contribution (EFC) plus the student’s estimated financial assistance. [COA – (EFC + EFA)= student’s financial need.] See <i>cost of attendance</i> and <i>Expected Family Contribution</i> .
<b>financial responsibility</b>	An institution must show that it has the financial responsibility and the administrative capability to participate in U.S. Title IV student aid programs. Financial responsibility covers general standards that institutions must meet. The standards include those for proprietary, private nonprofit, and public institutions and cover the past performance of an institution and persons affiliated with an institution. For further information, refer to 34 CFR 668, Subpart K; <i>Federal Register</i> , November 25, 1997; see also <i>administrative capability</i> .
<b>financial statement</b>	A report prepared at the end of a school’s fiscal year that provides an overview of the institution’s financial activities for that fiscal year. Financial statements are audited by an independent public accountant and submitted to ED according to applicable regulations.
<b>findings</b>	See <i>program review exceptions</i> .
<b>fiscal operations</b>	Activities related to managing and completing financial transactions. Funds management, including student accounts, is the primary responsibility of an institution’s business office.
<b>fiscal year</b>	A 12-month period between settlements of financial accounts.

**forbearance (on a loan)**

When a Federal Family Education Loan (FFEL) Program lender allows a *temporary* cessation of payments or reduction of payment amounts for subsidized or unsubsidized Federal Stafford or Federal PLUS Loans. In doing so, it allows an extended period for making payments or accepts smaller payments than were previously scheduled. Forbearance may be given for circumstances that are not covered by deferment. Interest expenses continue to accrue during forbearance. Forbearance is an option of the FFEL Program lender or ED. However, there are a few circumstances where granting forbearance to FFEL borrowers is mandatory. See 34 CFR 682.211(i). Compare *deferment (of a loan)*.

**Free Application for Federal Student Aid (FAFSA)**

A student financial aid application form completed by a student and his or her family. It is the ED input document that serves as the foundation for all need analysis computations. The FAFSA gathers all the data to calculate the Expected Family Contribution (EFC). See *Expected Family Contribution, need analysis*, and *renewal FAFSA*.

**full-time student**

A student enrolled in an institution of higher education (other than a student enrolled in a program of study by correspondence) who is carrying a full academic workload as determined by the school under standards applicable to all students enrolled in that student's particular program. The student's workload may include any combination of courses, work, research, or special studies, whether or not for credit, that the school considers sufficient to classify the student as a full-time student. See *enrollment status* for certain requirements that undergraduate students must meet to qualify as full time for purposes of the Title IV programs. At schools using semesters, trimesters, quarters, or other academic terms and measuring progress in credit hours, a full-time undergraduate student enrolls in at least 12 semester hours or 12 quarter hours each term.

At nonterm institutions using credit hours, enrollment status for a full-time undergraduate student is 24 semester hours or 36 quarter hours for an academic year.

At schools measuring progress in clock hours, a full time undergraduate student receives 24 clock hours of instruction in one week.

For a program using both credit and clock hours and either a semester, trimester, or quarter system, an undergraduate student is full time if the following exceeds one (1):

*Number of credit hours per term*

12

plus

*Number of clock hours per week*

24

For other programs using both credit and clock hours but not using a semester, trimester, or quarter system, an undergraduate student is full time if the following exceeds one:

*Number of semester or trimester hours  
per academic year*

24

plus

*Number of quarter hours per academic year*

36

plus

*Number of clock hours per week*

24

A school is responsible for determining the minimum number of credit or clock hours for a full-time graduate student.

**General Education Development (GED) Certificate**

A state certificate received by a student after the student has passed a state-authorized examination that the state recognizes as the equivalent of a high school diploma.

**generally accepted accounting principles (GAAP)**

A common set of standards that is generally accepted and universally practiced in the United States. These accounting standards indicate how to report economic events.

**grace period**

The time period relating to Stafford Loans that begins the day after a loan recipient ceases to be enrolled at least half time and ends the day before the loan repayment period starts.

**graduated repayment**

A repayment schedule under which the amount of the borrower's installment payment is scheduled to change (usually by increasing in two or three increments) during the course of the repayment period. The *minimum* payment must cover interest that accumulates monthly. No scheduled payment can exceed an amount three times any other scheduled payment.

**graduate or professional student**

A student enrolled in a program that leads to a degree higher than a baccalaureate degree. To be classified as a graduate or professional student, the student must have completed at least three years of full-time study at an institution of higher education and may not be concurrently receiving Title IV aid as an undergraduate student.

<b>guaranty agency</b>	A state agency or private, nonprofit institution or organization that administers financial aid programs within the Federal Family Education Loan (FFEL) Program. A major function is to insure FFEL Program loans. The U.S. government reimburses guaranty agencies for all or part of insurance claims they pay to lenders.
<b>Higher Education Act of 1965, as amended (HEA)</b>	Landmark national higher education act passed by the U.S. Congress and signed by President Lyndon B. Johnson in 1965, as well as subsequent amendments and reauthorizing (extending) legislation of the statute. Title IV of the HEA authorizes the majority of U.S. postsecondary student financial aid programs and mandates that they be regulated and administered by the U.S. Secretary of Education. The HEA is effective for approximately five years, requiring Congress to reauthorize it every five years or to extend the legislation for up to one additional year. The most recent reauthorization was in 1998. The statute's most current version, as amended, always stands as the official version of the law. See <i>reauthorization</i> and <i>Title IV student financial aid</i> .
<b>Higher Education Amendments of 1992</b>	Congressional amendments and changes to the Higher Education Act of 1965, as amended (HEA), put in place during the 1992 reauthorization of the HEA. They became U.S. law on July 23, 1992. Sometimes referred to as “the 1992 Amendments.”
<b>Higher Education Amendments of 1998</b>	Changes, additions, and reauthorization of the Higher Education Act of 1965, as amended (HEA), made in 1998. Although President Bill Clinton signed the bill on October 7, 1998, most of the amendments became effective on October 1, 1998. The 1998 amendments to the HEA are also known as Public Law 105-244.
<b>income sensitive repayment</b>	A repayment schedule for some FFEL Program loans under which the borrower's monthly payment amount is adjusted annually, based on the borrower's expected total monthly gross income received from employment and other sources during the course of the repayment period.
<b>independent audit</b>	See <i>audit</i> and <i>nonfederal audit</i> .
<b>independent auditor</b>	An accountant who is a public accountant or government auditor who: <ul style="list-style-type: none"> <li>◆ is free from personal and external impairments to independence;</li> <li>◆ is organizationally independent; <i>and</i></li> <li>◆ maintains an independent attitude and appearance.</li> </ul> <p>For foreign schools that receive \$500,000 or more in Title IV, HEA program funds during their most recent fiscal year, the auditor must meet the U.S. government auditing standards, qualification and independence standards, including standards relating to organizational independence. For the remaining foreign schools the auditor must meet the standards generally accepted in the institution's home country. See <i>nonfederal audit</i>.</p>

**Institutional Student Information Record (ISIR)**

An electronic output document generated by ED's Central Processing System (CPS) that summarizes information submitted on a student's Free Application for Federal Student Aid (FAFSA) and provides financial-need calculations, including the student's Expected Family Contribution (EFC), on the basis of the submitted data. It is available to schools through the Electronic Data Exchange (EDE). The ISIR includes full applicant data and information on reject reasons, comments, and assumptions. See *Student Aid Report (SAR)*.

**interest**

The charge made to a borrower for the use of a lender's money.

**interest benefits**

The interest payments (benefits) made by ED to an FFEL Program lender on behalf of a student receiving a subsidized loan. These payments are based on the student's subsidized Federal Stafford Loan interest rate but pertain only to certain periods: the student's enrollment (at least half time), the grace period, and authorized deferment periods. Interest benefits are not paid on unsubsidized Federal Stafford Loans. See *special allowance*.

**limitation, suspension, or termination (LS&T)**

Actions undertaken by ED against a postsecondary institution that has either:

- ◆ violated the laws or regulations governing Title IV and/or Title VII student financial aid programs, the Program Participation Agreement (PPA), or any other agreement made under the law or regulations *or*
- ◆ substantially misrepresented the nature of its educational program, its financial charges, or the employability of its graduates.

These ED actions against the institution may include proceedings to limit, suspend, or terminate (LS&T) the school's participation in U.S. student financial aid programs; to assess fines up to \$25,000 for each statutory or regulatory violation; and/or to implement emergency action, including an immediate withholding of additional Title IV, HEA program funds.

A *limitation* means the postsecondary institution must abide by certain specific restrictions or conditions in its administration of student financial aid programs as a condition of continued participation in any of those programs. If a postsecondary institution fails to abide by the limitation's conditions, loss of eligibility may result. An institution cannot apply for removal of the limitation earlier than 12 months from its date.

A *suspension* removes an institution from participating in Title IV and Title VII student financial aid programs for a period not to exceed 60 days unless a limitation or termination proceeding has begun. In general, suspension actions are used when a postsecondary institution can be expected to correct a program violation in a short time.

A *termination* ends a postsecondary institution's participation in Title IV and Title VII programs.

**loan disclosure statement**

A *terminated institution* can be reinstated at a later date by ED to participate in Title IV and Title VII programs.

However, at least 18 months must elapse from the school's termination before an institution can request reinstatement. The request must be in writing. See *emergency action* and *Program Participation Agreement (PPA)*.

A statement sent to a loan borrower by the lender before or at the time it disburses a loan, as well as before the start of the repayment period. The purpose of the disclosure statement is to provide the borrower with thorough and accurate information about the loan terms and the consequences of default. It includes information such as the:

- ◆ amount of the loan;
- ◆ interest rate;
- ◆ fees and charges;
- ◆ date repayment must begin;
- ◆ maximum length of the repayment;
- ◆ minimum annual repayment;
- ◆ deferment conditions; *and*
- ◆ definition of default.

**master check**

A master check is a single check, written by a lender, that contains all the lender's FFEL Program funds for the school's borrowers as of a given disbursement date. A master check must be accompanied by a list of names, Social Security numbers, and loan amounts of borrowers who are to receive a portion of the master check.

**Master Promissory Note (MPN)**

A legal and binding document between the borrower and the lender that obligates him or her to repay the loan according to its terms.

**multiple disbursement**

Disbursement at predesignated times of a Federal Stafford or PLUS Loan, usually in two or more installments of approximately equal increments. The requirement does not apply to foreign schools.

**National Student Loan Data System (NSLDS)**

An ED database that collects and maintains data on recipients from:

- ◆ the Federal Family Education Loan (FFEL) Program;
- ◆ the William D. Ford Federal Direct Loan Program;
- ◆ the Federal Perkins Loan Program (including National Defense Student Loans, NDSLs, and Income Contingent Loans);
- ◆ the Federal Pell Grant Program; *and*
- ◆ the Federal Supplemental Educational Opportunity Grant (FSEOG) Program.

This database receives reports weekly or monthly using information provided by:

- ◆ ED’s Central Processing System (CPS);
- ◆ ED’s Debt Collection Service (DCS);
- ◆ ED’s Postsecondary Education Participant System (PEPS);
- ◆ ED’s Direct Loan Servicing Center (DLSC);
- ◆ ED’s Recipient Financial Management System (RFMS);
- ◆ schools;
- ◆ lenders; *and*
- ◆ guaranty agencies.

**need analysis**

The method defined in the Higher Education Act of 1965, as amended (HEA), for determining financial need based on Expected Family Contributions (EFCs) for all students applying for U.S. student financial aid. See *cost of attendance* and *Expected Family Contribution*.

**net income ratio**

Under the financial responsibility regulations, the net income ratio is:

- ◆ *For proprietary schools:* 
$$\frac{\text{Income Before Taxes}}{\text{Total Revenue}}$$
- ◆ *For private, nonprofit schools:* 
$$\frac{\text{Change in Unrestricted Net Assets}}{\text{Total Unrestricted Revenues}}$$

For further definitions and other details, refer to 34 CFR 668–Subpart K, 668.172 and Appendices F (proprietary) and G (private, nonprofit).

**nonfederal audit**

An institutional financial statement and/or compliance audit conducted by an independent public accountant who has been hired by the institution. Also called an independent audit. See *audit* and *independent auditor*.

**nonprofit**

Any school or organization that, under applicable law, is neither formed nor maintained with the purpose of making a profit.



**normal time**

Normal time is the amount of time ordinarily necessary for a student to complete all requirements for a degree or certificate according to the school's catalog. This typically is:

- ◆ four years (eight semesters or trimesters, or 12 quarters, excluding summer terms) for a bachelor's degree in a standard term-based school;
- ◆ two years (four semesters or trimesters, or six quarters, excluding summer terms) for an associate degree in a standard term-based school; *and*
- ◆ the various scheduled times for certificate programs.

**Notice of Proposed Rulemaking (NPRM)**

Notice printed in the *Federal Register* of proposed regulations from a government agency, such as ED. Interested parties are invited to submit comments and recommendations about proposed regulations.

All proposed regulations are subject to this process, including those produced through negotiated rulemaking.

- ◆ An exception to the notice and comment requirement is if ED determines that it is impractical, unnecessary, or contrary to the public interest to go through this process. When this exception applies, ED publishes the basis for its determination.

See *Federal Register* and *final regulations*.

**ombudsman**

An official employed by ED to help students resolve disputes related to an FFEL loan. The ombudsman informally conducts impartial fact-finding about borrower complaints and recommends solutions, but he or she does not have authority to reverse decisions.

**order of return of Title IV funds**

A prescribed order of returning unearned Title IV funds to ED. It requires that funds are credited first to outstanding loan balances for the enrollment period for which a return is required and that the funds are returned in the following order:

1. Unsubsidized Federal Stafford Loans
2. Subsidized Federal Stafford Loans
3. Federal PLUS Loans received on behalf of the student.

Because foreign schools are not eligible to participate in other Title IV programs, returns made in the order just stated should include the total amount of unearned funds.

**overaward**

Any amount of a student's total financial assistance that exceeds the loan limit requirements.

<b>overpayment</b>	Any financial aid amount paid to a student in excess of the amount the student is eligible to receive. This situation may arise due to a student's change in enrollment status, withdrawal, or change in financial situation. The student would be required to repay excess funds received <i>unless</i> adjustments could be made to the student's aid during subsequent payment periods within the same award year. See <i>repayment</i> .
<b>period of enrollment</b>	See <i>enrollment period</i> .
<b>personal identification numbers</b>	Personal identification numbers (PINs) are 4-digit numbers assigned to students by ED. PINs are used to electronically identify a student. Students can use their PINs to access their FAFSA data, to make corrections to that data, and to electronically sign an initial FAFSA on the Web or Renewal FAFSA on the Web.
<b>PLUS Loan</b>	See <i>Federal PLUS Loan</i> .
<b>policies and procedures manual</b>	An in-house manual that helps an institution effectively and consistently manage financial aid using a compilation of written policies and procedures. Although ED does not require that such a manual be used, it recommends that a school compile one, especially as U.S. financial aid regulations require schools to have, maintain, and disclose certain written policies.
<b>primary reserve ratio</b>	<p>Under the financial responsibility regulations, the primary reserve ratio is:</p> <ul style="list-style-type: none"> <li>◆ <i>For proprietary schools:</i>                    <math display="block">\frac{\text{Adjusted Equity}}{\text{Total Expenses}}</math></li> <li>◆ <i>For private, nonprofit schools:</i>            <math display="block">\frac{\text{Expendable Net Assets}}{\text{Total Expenses}}</math></li> </ul> <p>For further definitions and other details, refer to 34 CFR–Subpart K, 668.172 and Appendices F (proprietary) and G (private, nonprofit).</p>
<b>principal and interest</b>	Principal is the loan amount borrowed. Interest is the amount the FFEL lender charges a borrower for using the money. Interest rates are usually stated in annual percentages. A loan must be repaid; both principal and interest are included in the repayment made by the borrower to the lender.
<b>Program Participation Agreement (PPA)</b>	A written agreement that must be signed by both a top official at an institution and ED that permits the institution to participate in Title IV's FFEL Programs. The signed agreement makes the institution's initial and continued eligibility to participate in the Title IV programs conditional on compliance with all provisions of the applicable laws and program regulations. This agreement may have to be updated periodically due to changes at the institution. Schools also have to be recertified as Title IV-eligible by the U.S. Secretary of Education at regular intervals, which also requires re-execution of the agreement. See <i>emergency action and limitation, suspension, or termination (L&amp;T)</i> .

<b>program review</b>	The process in which the management of one or more U.S. financial aid programs at an institution is reviewed by ED or a guaranty agency. A program review assesses the institution's compliance with U.S. laws and regulations and certain school policies. The process may also review the institution's overall management and administrative capabilities.
<b>program review exceptions</b>	Institutional policies, procedures, or actions related to U.S. student financial aid programs cited in a program review report as being contrary to U.S. laws or regulations that govern the programs. Also referred to as findings.
<b>promissory note</b>	A contract between a lender and a borrower that contains the terms and conditions of the loan, including how the loan must be repaid. It becomes legally binding when signed (executed) by the borrower.
<b>reauthorization</b>	The process of continuing and changing current legislation because the existing law has expired and has to be reenacted. It is conducted every five to six years in the case of the Higher Education Act (HEA), during which time Congress reviews and then renews, terminates, or amends existing programs. (The most recent HEA reauthorization was in 1998.) See <i>Higher Education Act of 1965, as amended (HEA)</i> , and <i>Title IV student financial aid</i> .
<b>refund policy</b>	A school policy that determines the conditions under which a student is entitled to a refund of payments made to the school by or on the student's behalf. The policy also determines the amount of that refund.
<b>regular student</b>	A person who is enrolled or accepted for enrollment at an institution for the purpose of obtaining a degree, certificate, or other recognized educational credential offered by that institution.
<b>Renewal FAFSA</b>	A partially completed application form that a current U.S. student financial aid applicant updates to be eligible to receive Title IV financial aid for the (next) award year. To use the Renewal FAFSA, the student must have submitted a FAFSA applying for (although not necessarily receiving or accepting) U.S. financial aid for the preceding award year. A student may access his or her Renewal FAFSA on the Web. Alternatively, a paper renewal aid application can be mailed directly to the student by the school or ED's Central Processing System (CPS). Completed Renewal FAFSAs are then returned to the CPS. See <i>FAFSA (Free Application for Federal Student Aid)</i> .
<b>repayment period</b>	The period during which payments by the borrower of principal and interest on a loan are required. The repayment period follows any applicable in-school or grace period and excludes any period of authorized deferment or forbearance.
<b>repayment schedule</b>	A specific timetable that details the amount due in each repayment installment and the number of payments that will be required to pay off the loan in full. Additionally, a repayment schedule lists the loan's interest rate, the due date of the first loan payment, and the frequency of loan payments.

**return of Title IV funds**

When a recipient of Title IV aid withdraws from an institution during a payment period or an enrollment period in which the recipient began attendance, the institution must calculate the amount of Title IV aid the recipient did not earn. Unearned Title IV funds must be returned to the appropriate Title IV programs.

**satisfactory academic progress**

A satisfactory rate of student course completion determined using qualitative and quantitative measures. By law, schools whose students receive Title IV funds must create policies for monitoring satisfactory academic progress (SAP). Schools must check at least once a year or halfway through the published length of the program, whichever is shorter, and document that students who are receiving Title IV aid are making satisfactory academic progress.

**selective service**

A system existing under U.S. law that provides manpower to the U.S. Armed Forces in an emergency and serves as an Alternative Service Program for men classified as conscientious objectors during a draft.

**separation of functions**

As a part of administering U.S. student financial aid programs, a school is required to establish and maintain a checks-and-balances, internal-control system that ensures that no single school office or individual can both authorize payments of Title IV aid and disburse or deliver those funds to students or student accounts. Often this required separation is created by dividing the functions between the school's financial aid office and the school's business office.

**site visit**

A visit to a school during which an independent auditor, nationally recognized accrediting agency, and/or ED seeks to understand the school's physical plant, enrollment, student financial aid application process, and methods of monitoring student attendance. See *independent audit*.

**skip tracing**

Traditionally, searching for someone with unpaid debts who has left without leaving a forwarding address ("skipped"). In a U.S. student financial aid context, this occurs when, for whatever reason, a loan borrower no longer lives at the address where the lender is sending loan billing notices, and the lender or school must attempt to locate the borrower's correct address. In the search, the law allows the use of any information obtained from the borrower while the borrower was at the school (such as data taken from applications and files), as well as information gleaned from any school office (including the registrar's office and the alumni office). If the borrower still cannot be located using information from the school or information otherwise available to the lender, the lender or school can use ED's free skip-tracing service to try to locate the missing loan borrower.

<b>special allowance</b>	A percentage of the average unpaid principal balance that may be paid to the lender of FFEL Program loans by ED. In effect, ED pays extra interest on the loan to the lender in addition to the base interest charged on subsidized and unsubsidized loans. This amount makes up the difference between the rates charged to FFEL Program borrowers and market interest rates. The amount of the special allowance is set by a statutory formula related to 91-day Treasury bill rates.
<b>Stafford Loan</b>	See <i>Federal Stafford Loan (subsidized)</i> , and <i>Unsubsidized Federal Stafford Loan</i> .
<b>standard repayment</b>	A repayment schedule under which the borrower pays the same amount for each installment payment throughout the entire repayment period or pays an amount that is adjusted only to reflect annual changes in the loan's variable interest rate. The standard repayment schedule cannot exceed 10 years, excluding in-school, grace, deferment, and forbearance periods.
<b>Student Aid Internet Gateway (SAIG)</b>	ED network that provides an electronic, Web-based link between schools and ED's various databases. Formerly called the Title IV Wide Area Network (TIV WAN).
<b>Student Aid Report (SAR)</b>	The report sent directly to a student from ED's Central Processing System (CPS) that summarizes information submitted on the student's Free Application for Federal Student Aid (FAFSA). It also provides financial-need calculations, including the student's Expected Family Contribution (EFC) based on the submitted figures. The student can make the corrections and return pages 5 through 8 of the SAR to the CPS. The CPS will then send the student a copy of the corrected SAR. See <i>Student Aid Report (SAR) Information Acknowledgement</i> .
<b>Student Aid Report (SAR) Information Acknowledgement</b>	The report sent directly to a student from ED's Central Processing System (CPS) that summarizes information submitted electronically (either by the student through FAFSA on the Web or by the school through ED's Electronic Data Exchange) on the student's Free Application for Federal Student Aid (FAFSA). It also provides financial-need calculations, including the student's Expected Family Contribution, based on the submitted figures. A student cannot use this document to make corrections. See <i>Student Aid Report</i> .

**Student Status Confirmation Report (SSCR)**

The SSCR is a monitoring device to help determine when student borrowers must begin repaying their student loans. All schools participating in any of the Title IV programs, as well as nonparticipating schools eligible to process Title IV loan deferments, must submit a Student Status Confirmation Report (SSCR).

Most foreign schools will receive paper SSCRs directly from guaranty agencies. Within 30 calendar days of receiving the SSCR the schools must review the data, make any necessary corrections, and return the SSCR.

A school that is fully operational in reporting SSCR data to the National Student Loan Data System (NSLDS) will receive the SSCR electronically. The school must update the information and return the SSCR to NSLDS within 30 days.

**third-party servicer**

An individual, a state, or a private, for-profit or nonprofit organization that enters into a contract with Title IV eligible institutions to administer or service any aspect of the institution's participation in any Title IV program.

**Title IV programs**

Federal financial aid programs for students attending postsecondary educational institutions, authorized under Title IV of the Higher Education Act of 1965, as amended (HEA). The programs are administered by the U.S. Department of Education (ED). Title IV programs consist of:

- ◆ the Academic Achievement Incentive Scholarship Program;
- ◆ the Federal Pell Grant Program;
- ◆ the Federal Supplemental Educational Opportunity Grant (FSEOG) Program;
- ◆ the Federal Perkins Loan Program;
- ◆ Federal Family Education Loan (FFEL) Program loans;
- ◆ Gaining Early Awareness and Readiness for Undergraduates Program (GEAR UP) grants;
- ◆ the Leveraging Educational Assistance Partnership (LEAP) Program;
- ◆ the Special Leveraging Educational Assistance Partnership (SLEAP) Program grant;
- ◆ William D. Ford Federal Direct Loans; *and*
- ◆ Robert C. Byrd Honors Scholarships.

See *Higher Education Act of 1965, as amended (HEA)*.

**Title IV Wide Area Network (TIV WAN)**

See *Student Aid Internet Gateway*.

<b>transfer preparatory program</b>	A transfer preparatory program is at least a two-year academic program that is acceptable for full credit toward the equivalent of a bachelor's degree in the United States and qualifies a student for admission into the third year of the equivalent of a bachelor's degree program in the United States.
<b>transfer-out student</b>	A student is counted as a transfer-out student if, by the end of the 12-month period ending August 31 during which 150 percent of the normal time for completion or graduation from his or her program has elapsed, the student has transferred out of the program and enrolled in any program of another eligible institution for which the prior program provides substantial preparation. A school must document that the student actually transferred.
<b>undergraduate student</b>	A student who is enrolled at a school in a course of study above the secondary level, but at or below the baccalaureate level, that usually does not exceed four academic years or is up to five academic years in length and is designed to lead to a first degree.
<b>unearned aid</b>	The amount of Title IV aid that must be returned because a student is not entitled to it. The amount is based on the student's withdrawal date. See <i>earned aid</i> .
<b>Unsubsidized Federal Stafford Loan</b>	A U.S. student loan (part of the FFEL Program) that provides low-interest loans to students in undergraduate, graduate, and professional programs. Unsubsidized loans are not awarded on the basis of financial need. Interest on an unsubsidized loan is charged to the borrower throughout the life of the loan. See <i>capitalizing interest</i> and <i>Federal Stafford Loan (subsidized)</i> .
<b>User's Guide</b>	A technical reference publication produced by ED and designed to support or assist recipients using electronic systems such as EDE, SAIG, and FEDWIRE.