

Student loans: A demystified glossary

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Student loans don't have to be confusing. Whether they're art majors or math majors, most students would probably agree that student loans are incredibly confusing. After all, student loans are often young adults' first experiences with borrowing money, signing contracts and making monthly payments. But have no fear—below is a simplified glossary of key words you hear over and over again, but are too embarrassed to ask about.

Borrower The person who signed the name on your student loan. It could be you, your parents or a legal guardian. Legally, whoever's name is on the loan is the one who has to pay back the money.

Consolidation Loans Consolidation happens when you combine two or more separate loans into one loan and one monthly payment. After you consolidate all your loans, you must begin repaying them within 60 days.

Co-signer Someone who signs the loan in their name as well, usually a parent whose **credit score** gets you a lower interest rate.

Credit score Also called a credit rating. A measure of the likelihood or plausibility that you will pay back the money you borrowed. Credit scores generally range between the low 300s and the mid-800s.

Default The status of your loan if you fail to make your monthly payments the way your original contract was written. (Example: late payments, partial payments, etc.)

Deferment When you get permission to delay payment of a loan for a period of time after leaving or graduating from an educational program or due to special circumstances, like illness.

Delinquency Late or missed loan payments.

Direct Loans The same thing as a **federal loan**; that is, a loan made by the U.S. Department of Education (instead of a private lending institution like Sallie Mae).

FAFSA The U.S. Department of Education's Free Application for Federal Student Aid is a form every student must fill out online every year before school starts in order to qualify for federal student financial aid, such as a Pell grant, student loans, and college work-study.

Federal Direct Loan Program (FDLP) This is a broad category of federal aid programs. Several loan programs exist under the umbrella of FDLP, including the **Stafford Subsidized** loan program, the Stafford Unsubsidized loan program, the Parent Loan for Undergraduate Students (PLUS), and Consolidation loans.

Federal Family Education Loan Program (FFELP) As of July 2010, this category of loans has been discontinued. The same loan programs that exist under FDLP also exist under FFELP: the Stafford Subsidized program, the Stafford Unsubsidized program, the Parent Loans for Undergraduate Students (PLUS) and Consolidation loans.

Federal Student Loans Money that the federal government loans directly to students. These loans have more regulations than private loans.

Forbearance The same thing as **deferment**—getting permission to delay paying your loans for a while.

Grant Financial assistance that does not need to be repaid.

Interest/Interest Rate An additional fee you pay for the right to borrow the money. This fee is a percentage of the total amount you borrowed (example: 5.2%, 2.8% interest rate). These extra fees continue to add up (accrue) as long as you still owe money.

Lender The bank, credit union, private company or other entity from who you borrowed the money.

Perkins Loan Somewhat rare, this loan occurs when a college directly lends federal money to students who have exceptional financial need.

PLUS Loan Parent Loans for Undergraduate Students. Loans taken out by parents for the purpose of helping to pay for their children's undergraduate education. Parents are responsible for all interest charges.

Private Student Loans When a bank or other private entity (example: Sallie Mae, Freddie Mac) loans students money based on the student's **credit score**. Oftentimes, a student's parent will **co-sign** on a private loan.

Stafford Subsidized Loan A federal student loan given on the basis of your financial need and other merit. It's subsidized, which means the federal government pays for the **interest** on these loans while you are enrolled at least halftime, during the six-month grace period (when you don't have to pay anything) following graduation, or during authorized periods of not paying.

Stafford Unsubsidized Loan It's the same as the subsidized loan (above) except that you have to pay all the interest on your own.

Source: [The Project on Student Debt](#) and [SimpleTuition](#).