Glossary - Appendix B

The symbol, Δ, indicates terminology that is no longer in use or programs that have been eliminated or renamed. The terminology is included as background information.

A-

Ability to Benefit (ATB) A postsecondary education eligibility standard for persons who:

(a) do not have a high school diploma or its recognized equivalent and

(b) are beyond the age of compulsory school attendance.

To be eligible to receive federal student financial aid, the Higher Education Act, as amended, requires these persons to pass an independently administered test approved by the U.S. Secretary of Education.

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

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

However, there is an exception for those schools with at least a two-year or four-year academic program with an associate or 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.

Acceptable Documentation Written documents, such as U.S. income-tax returns and signed statements from the applicant and the applicant's family, that substantiate information reported on a student aid application. The *Verification Guide* lists documents accepted as proof that applicant data are accurate. See also *Documentation* and *Verification.*

Accepted With Assumptions A category of Federal Pell Grant processed payment data that was found to be inaccurate but for which the Pell Grant Recipient and Financial Management System (PGRFMS) made certain assumptions during processing. A school must review the records carefully and resubmit them if corrections are necessary. See also *Processed Payment Data*.

Accepted Without Changes or Assumptions A category of Federal Pell Grant processed payment data returned to a school by the Pell Grant Recipient and Financial Management System (PGRFMS) that the school must keep on file. A school should not resubmit these records to the Central Processing System (CPS) unless the award-year data change. See also *Processed Payment Data.*

Accounting Period A time period for which financial records are maintained and, at the end of which, financial statements are prepared.

Accredited Institution Any school or institution that meets standards established by a nationally recognized accrediting agency or association. See also *Accrediting Agency, Nationally Recognized Accrediting Agency or Association*, and *Preaccredited Institution*.

Accrediting Agency An agency that sets educational standards, evaluates institutions, and certifies that institutions have met its standards and is recognized by the U.S. Secretary of Education as a reliable authority in evaluating the educational quality of programs offered by postsecondary institutions. See also *Nationally Recognized Accrediting Agency or Association*.

Accrued Salaries Wages earned by students between the date that the students were last paid and the end of the accounting period being reported, but not yet paid to the students. The unpaid wages are considered a school liability.

ACH and ACH/EFT See *Automated Clearinghouse (ACH).*

Actual Interest Rate The annual interest rate a lender actually charges on a loan, which may be equal to or less than (but not more than) the loan's applicable interest rate.

Adjusted Gross Income (AGI) A specific income figure taken from a completed federal income-tax form filed in compliance with IRS regulations and guidelines.

Administrative Capability An institution must demonstrate specific areas in its management of its federal student financial aid programs, including:

- establishing and maintaining student records and financial records,
- submitting required ED reports,
- designating a capable financial aid administrator at the institution,
- writing procedures for school offices involved with federal student financial programs,
- communicating to the financial aid administrator all information received by any school office that might affect a student's federal student financial aid eligibility,
- dividing the functions of authorizing payments and disbursing loan funds,
- employing an adequate number of qualified staff, *and*
- participating in ED-provided electronic processes.

It also includes:

- providing adequate checks and balances,
- establishing, publishing, and applying reasonable standards of satisfactory academic progress for students,
- developing an adequate system to identify and resolve inconsistent information on documents,
- providing adequate financial aid counseling,
- providing all program and fiscal reports and financial statements required for compliance, *and*
- referring any instance of suspected fraud or criminal conduct by a federal student financial aid applicant to ED's Office of Inspector General.

Also, an institution must:

- not demonstrate any evidence of significant problems that affect its ability to administer Title IV funds,
- not have a student-loan cohort default rate of 25 percent or higher, *and*
- not appear to lack the ability to administer Title IV programs competently.

Administrative Cost Allowance (ACA) An amount the federal government allows an institution to offset for the cost of administering a Title IV program.

Administrative Offset An offset assessed by ED against a Title IV aid school to collect program review, audit, and formal fine debts. ED withholds portions of a school's ED/PMS payments and applies them toward the school's debt.

Advance Payment Method See *Automated Clearinghouse.*

Allocation A specific sum of money awarded for an institution to use during a specific period.

Campus–based funds (Federal Supplemental Educational Opportunity Grant, Federal Work-Study, and Federal Perkins Loan) are allocated to an institution on an award-year basis. Allocation may also be referred to as obligation, award, grant, or Document Number.

Allocation Order A priority list, established by ED, that states the order in which refunds are to be made to federal financial aid program accounts if a student withdraws, drops below half-time status, is expelled, or drops out during the refund period. By law, refunds must be allocated to Title IV programs in a specified order, as follows:

(1) Federal Family Education Loan (FFEL) Program

(2) William D. Ford Federal Direct Loan Program

(3) Federal Perkins Loan Program

(4) Federal Pell Grant Program

(5) Federal Supplemental Educational Opportunity Grant (FSEOG) Program

(6) All other Title IV programs

See also *Refund* and *Refund Policy*.

Allowances Financial modifications included in need-analysis formulas to provide for a family's non-discretionary expenses or to allow them to shelter assets or income for retirement or emergency purposes. In establishing students' costs of attendance (COAs), allowances are reasonable amounts allotted by an institution to reflect most students' education expenses.

Appeal Procedure The process by which a school requests reconsideration of an adverse ED ruling, such as liabilities to redress audit or program review findings.

Appeal Process The process by which a student requests further consideration in the financial aid process after being denied aid.

Applicable Interest Rate The maximum annual interest rate that a lender may charge on a student loan.

Applicant Roster and Tape Service See *Institutional Student Information Record (ISIR)*.

Appropriation At the federal level, a congressional legislative act allocating a specific amount of public funds to be spent for a specific purpose during a fiscal or award year. See also *Continuing Resolution*.

Assets Financial holdings, such as cash on hand in checking and savings accounts, trusts, stocks, bonds, other securities, loans, receivables, real estate (excluding the home), business equipment, and business inventory that must be reported on a student financial aid application. These are considered in determining a student's Expected Family Contribution (EFC). See also *Expected Family Contribution (EFC)* and *Education Savings and Asset Protection Allowance.*

Assignment A school's transfer of a defaulted National Defense Student Loan, National Direct Student Loan, or Federal Perkins Loan to ED for collection. Once ED accepts a loan, it acquires all rights, title, and interest on the assigned loan. In certain cases, guaranty agencies also assign defaulted loans under the FFEL Program to ED.

Audit An independent examination of a school's financial transactions, accounts, reports, and compliance with applicable laws and regulations to determine whether the institution is maintaining effective control over revenues, expenditures, assets, and liabilities; whether the institution is properly accounting for resources, liabilities, and operations; whether financial reports contain accurate, reliable, and useful financial information and are accurately presented; and whether the institution is complying with applicable laws, regulations, and ED directives. 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 also *Independent Audit*.

Audit Exceptions School actions found through an audit that are not in compliance with federal guidelines.

Audit Guide The reference manual published by ED that is designed to assist independent auditors performing audits of Title IV student financial aid programs.

Audit Report A report prepared by ED after a federal audit is performed. In a nonfederal audit, an audit report is a report prepared by an auditor or audit firm according to the guidelines provided in the *Audit Guide* and ED's "Dear Colleague" Letter GEN-92-17 (Non-Federal Technical Bulletin 92-1) *or* according to OMB Circulars A-128 or A-133. See also *Federal Audit*.

Audit Trail A clear (easily followed) trail that is provided by maintaining required documentation to support each school transaction that deals with receiving and spending federal funds.

Authorization (legislative) At the federal level, a congressional legislative act that establishes a 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.

Authorization (spending) The approved expenditure level for a program for an award year. Each award year, ED notifies each participating institution of its authorized levels of expenditures for the Federal Pell Grant and the campus-based programs. See also *Official Notice of Funding* and *Statement of Account (SOA)*.

Automated Clearinghouse (ACH) A nationwide, electronic financial network providing a paperless, efficient means of making payments by electronically transmitting debits and credits through the Federal Reserve Communications System. ACH payments offer a wide range of applications, including direct deposit and preauthorized debits. Also referred to as Automated Clearinghouse/Electronic Funds Transfer (ACH/EFT).

Automatic Zero EFC (Expected Family Contribution) A dependent student qualifies if the student's parents filed, or are eligible to file, an IRS Form 1040A or 1040EZ or are not required to file and the sum of both parents' adjusted gross incomes or earned incomes is $12,000 or less. An independent student with dependents other than a spouse qualifies if the student (and spouse, if applicable) filed or is eligible to file an IRS Form 1040A or 1040EZ *or* the student (and spouse, if applicable) is not required to file and the student's (and spouse's, if applicable) adjusted gross income(s) or earned income(s) is $12,000 or less. See also *Expected Family Contribution (EFC).*

Award A specific amount of financial assistance to pay for education costs offered to a student through one or more financial aid programs.

Award Adjustment or Revision An action by a financial aid office resulting in an increase, decrease, program-source substitution, or cancellation of a student's financial aid award.

Award Letter A notification to student financial aid applicants outlining the types and amounts of aid being offered, as well as specific loan program information, student responsibilities, and the conditions that govern the award(s).

Award Packaging See *Packaging.*

Award Year The time period beginning July 1 of one year through June 30 of the following year for which financial aid awards are made. The award year differs from the federal fiscal year (beginning October 1 of one year through September 30 of the following year).

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Base Year (for financial aid awards) The 12-month period ending on December 31 of the calendar year that precedes an award year. For example, calendar year 1996 is the base year for the 1997-98 award year.

Batch Report See *IPS Batch Report (Institutional Payment Summary Batch Report).*

Bill At the federal level, proposed legislative measures before Congress are in the form of bills. They are designated as HR (House of Representatives) or S (Senate), according to the house in which they originate, and by a number assigned in the order in which they were introduced, starting from the beginning of each two-year congressional term. A bill becomes public law if it is approved by the Congress and signed by the President.

Billing Service A private-sector business organization that services loan accounts (billing and / or receiving) for lenders and schools. A fee is charged for the service.

Board (as in "room and board") The cost of a food allowance or meal plan. See also *Room*.

Branch Campus A location of a school that is geographically apart and independent of the school's main campus. To be independent, a location must be permanent in nature; offer courses in educational programs that lead to a degree, certificate, or other recognized educational credential; have its own faculty and administration; and have its own budget and hiring authority. Additionally, for accrediting purposes, the definition includes a location that offers at least 50 percent of an educational program. A branch campus must be individually certified to be eligible to participate in Title IV programs.

Budget Committees At the federal level, the House and Senate committees that prepare the budget resolutions determining the levels of funding for all federal programs.

Each committee holds hearings and reviews projections from Executive Departments, the Office of Management and Budget, and the Congressional Budget Office. See also *Budget Resolution*.

Budget Resolution (as in first and second budget resolution) At the federal level, the congressional measure that determines the total federal budget. The first budget resolution, generally passed in April or May, sets ceilings or spending targets for all federal programs. Its figures are not binding. The second budget resolution, generally passed in August or September, sets the limits of federal budget expenditures for the upcoming fiscal year, which starts on October 1. See also *Budget Committees*.

Business Assets Property used to operate a trade or business, including real estate, inventories, buildings, machinery and other equipment, patents, franchise rights, and copyrights. These are considered in determining a student's Expected Family Contribution (EFC). See also *Expected Family Contribution (EFC)*.

Business Office The school office responsible for an institution's financial accounting, including Title IV aid program activity. The office disburses financial aid award payments to students and student accounts and processes loan checks. At various schools, it is sometimes referred to as the fiscal office, finance office, bursar's office, treasurer's office, or student accounts office. See also *Separation of Functions*.

Robert C. Byrd Honors Scholarship A Title IV financial aid program that makes scholarships available to full-time postsecondary students with exceptional ability and promise. Students apply for the merit-based scholarships through their state education agencies.

-C-

Campus-Based Programs The term applied to three federal Title IV student aid programs administered on campus by eligible institutions of postsecondary education:

- the Federal Supplemental Educational Opportunity Grant (FSEOG) Program,
- Federal Work-Study (FWS) Program, *and*
- the Federal Perkins Loan Program.

See also individual program names.

Cancellation (of a loan) This occurs when a borrower meets specific requirements that permit nullifying the borrower's obligation to repay a designated portion of principal and

interest on a student loan. It may also be referred to as "discharge of a loan."

Capitalizing Interest A process in which a lender adds unpaid interest to the loan principal. Capitalizing is a way to postpone interest payment; it increases the amount of the principal and, consequently, the total loan amount that must be repaid.

Carry Back/Carry Forward A special provision of the Federal Work-Study (FWS) Program that allows an institution to transfer up to 10 percent of its annual FWS allocation back to the previous award year or forward to the next award year. In addition, a school may use carry-back funds from the current award year to pay student wages earned from May 15 through June 30 of the previous award year. See also *Federal Work-Study (FWS) Program.*

Cash Advance A transfer of funds from a federal agency account in the U.S. Treasury through the Federal Reserve Bank to a school.

Central Processing System (CPS) See *Federal Central Processing System (CPS).*

Certificate of Citizenship A document for U.S. citizens born outside the U.S. that certifies they are U.S. citizens.

Certificate of Naturalization A U.S. Immigration and Naturalization Service (INS) document given to individuals who were not born in the U.S. when they become naturalized U.S. citizens.

Clock Hour The period of time consisting of: a 50-minute to 60-minute class, lecture, or recitation in a 60-minute period; or a 50-minute to 60-minute faculty-supervised laboratory, shop training, or internship in a 60-minute period; *or* 60 minutes of preparation in a program of study by correspondence. Compare *Credit Hour***.**

Clock-Hour Schools Institutions that measure academic programs in clock hours. See also *Academic Year* (*AY*) and *Clock Hour*. Compare *Credit Hour* and *Credit-Hour Schools.*

Code of Federal Regulations (CFR) The compilation of published federal requirements that appear in the *Federal Register*. Regulations implementing Title IV financial aid programs appear in Title 34 CFR.

Cohort Default Rate For the Federal Perkins Loan, Federal Stafford Loan Program, and Federal Direct Loan Program, the percentage of an institution's current and former students who entered student-loan repayment in a specific fiscal year on loans received for attendance at that institution and who defaulted before the end of the following fiscal year. For any fiscal year in which fewer than 30 students entered repayment, the percentage is determined on the basis of students who entered repayment as just described in any of the three most recent fiscal years and who defaulted before the end of the fiscal year immediately following the year they entered repayment. See also *Default*.

Collection Agency A private-sector business organization that attempts to collect on delinquent or defaulted student loans referred to it by a lender or school. A fee is charged for the service.

Collection Costs Reasonable costs incurred by using a collection agency or commercial skip-trace agency in an attempt to recover delinquent or defaulted student loan funds. See also *Collection Agency* and *Skip Tracing*.

Co-Maker Either of two individuals who are joint borrowers on a loan and who are equally liable for its repayment. Compare *Endorser*.

Comment Period A time period, usually of 45 days or 60 days from the date a Notice of Proposed Rulemaking (NPRM) is published in the *Federal Register,* during which interested parties are invited to submit comments.

Comments and Responses A section of a final regulations package published in the *Federal Register* that summarizes comments received from the public about an earlier proposed version of the regulations. In U.S. Department of Education regulations, the Secretary's responses to these comments are also included in this section. (The section often is part of the

preamble that introduces the final version of the regulations; it also gives the date the rules become effective and a summary of the regulations' major provisions.) See also *Comment Period*.

Community Service Learning (CSL) A part of Federal Work-Study (FWS), Community Service Learning (CSL) jobs aim to develop, improve, and expand community services for low-income individuals and families to improve the quality of their lives. See also *Federal Work-Study*.

Commuting Student A student not living in housing provided by the postsecondary institution the student is attending.

Compliance Audit See *Audit* and *Independent Audit*.

Conference Committee On the federal level, a congressional committee made up of members of the House of Representatives and the Senate who meet to reconcile differences between the two houses' versions of a bill. Conference committee members are appointed by the Speaker of the House and the President of the Senate (the Vice President of the United States). See also *Bill*.

Confirmation Report See *Student Status Confirmation Report (SSCR).*

Conflicting Information Information, held by any office at a school, that conflicts with the information on a student's application for federal student aid. See also *Verification* and *Verification Items*.

Consolidation Loan A loan that combines multiple federal student loans into a single loan with one monthly payment. Title IV loan programs, the Health Professions Student Loan (HPSL) Program, the Health Education Assistance Loan (HEAL) Program, and the Nursing Student Loan Program (NSLP) may be consolidated. Compare *Federal Direct Consolidation Loan*.

Continuing Resolution At the federal level, congressional joint agreement between the House and Senate to continue appropriations for specific government agencies (at rates generally determined on the basis of previous fiscal-year appropriation levels) when Congress has not yet enacted an appropriation act for those agencies for the current fiscal year. A continuing resolution must pass both houses of Congress and be signed by the President. See also *Appropriation*.

Contribution from Earnings A percentage of a dependent student's base-year earnings that the student is expected to contribute to education costs. See also *Base Year*.

Corrective Action Plan (CAP) A written plan that an institution submits to ED to explain what reasonable and appropriate steps it will take to remedy any violation(s) of applicable laws or regulations.

Correspondence Course or Program A "home study" course provided by an institution to students who are partly or not at all physically attending classes. See also *Telecommunications Course.*

Cost of Attendance (COA) Tuition and fees, room and board expenses while attending school, allowances for books and supplies, transportation, loan fees (if applicable), dependent-care costs, costs related to a disability, study-abroad costs, and other miscellaneous expenses, as outlined in Section 472 of the HEA. See also *Source Document*.

Credit Hour The unit of measuring educational credit based on the number of classroom hours per week throughout a semester, trimester, or quarter term. Compare *Clock Hour*.

Credit-Hour Schools Schools with academic programs that measure progress by completed courses assigned specific numbers of credit hours. See also *Academic Year* and *Credit Hour*. Compare *Clock Hour* and *Clock-Hour Schools*.

-D-

Debt-Management Counseling Counseling for students on the subject of assuming debt and handling accumulated indebtedness.

Default For Perkins Loan: Failure of a borrower to make a loan-installment payment when due or to meet other terms of the signed promissory note or written repayment agreement.

For FFEL Program Loans: Failure to make a loan-installment payment (a) for 180 days on a loan repayable in monthly installments or (b) for 240 days on a loan repayable in less frequent installments.

For Direct Loans: Failure to make a loan-installment payment for 270 days on a loan repayable in monthly installments.

There can be serious legal consequences for student-loan defaulters. See also *Cohort Default Rate*.

Deferment (of a loan) A period of postponement during which repaying loan principal is suspended as a result of the borrower meeting one or more of a number of deferment requirements established by law. Interest continues to accumulate during deferment of an unsubsidized loan. Compare *Forbearance (on a loan)*.

Delinquent Borrower A student loan borrower who fails to make a loan-installment payment by or on its due date.

Delivery In the Federal Family Education Loan Program, the process of a school transmitting loan proceeds to a borrower. See also *Disbursement*.

Deobligation Action by ED reducing all or part of an institution's allocation for a Title IV program. Deobligation usually results from an institution releasing funds back to the federal government that will not be used during the period for which the funds were allocated. See also *Allocation* and *Supplemental Allocation*.

Departmental Scholarship An award of gift assistance specifically designated for a recipient in a particular department within the school, college, or university. It may be a need-based award, but it does not have to be.

Department of Education Payment Management System (ED/PMS) A financial management and grants payment system maintained by ED's Financial Services in the Financial Payments Group. See also *ED Central Automated Processing System (EDCAPS)* and *Grants and Payments System (GAPS)*.

Dependents Generally, spouse, children, and/or other household members for whom the parent (or aid applicant) provides more than one-half of the financial support.

Dependent Student For the purposes of federal Title IV financial aid, a student who does not meet any of the criteria for an independent student must be classified as a dependent student. Compare *Independent Student*.

Direct Loan Origination Center ED's agent responsible for functions associated with processing applications for and disbursing Direct Loan Program funds. See also *Direct Loan Servicing Center*.

Direct Loan Program A federal program where the U.S. government provides four types of education loans to student and parent borrowers directly through schools:

- the Federal Direct Stafford Loan (subsidized),
- the Federal Direct Unsubsidized Stafford Loan,
- the Federal Direct PLUS Loan (for parents), *and*
- the Federal Direct Consolidation Loan.

These loans are referred to collectively as "Direct Loans." See individual loan names.

Direct Loan Servicing Center ED's agents responsible for functions associated with repaying Direct Loans. See also *Direct Loan Origination Center*.

Disbursement Paying financial aid funds. See also *Delivery*.

Discharge See *Cancellation (of a loan.)*

Discharge Due To Bankruptcy Release from a student-loan obligation by action of a bankruptcy court.

Disclosure Statement A statement sent to the borrower by the lender before or at the time it disburses a loan, as well as at, or prior to, the beginning of the repayment period, containing information about the terms of their loans and the consequences of default.

Discretionary Items Applicant data items (such as untaxed income benefits, total income, or assets) used to determine a student's eligibility for federal financial aid that regulations do not require be verified. See also *Verification.*

Distribution Formula A formula that federal regulations specify be used to calculate the amounts of refunds or overpayments (repayments) that must be returned to individual federal student financial aid programs. See also *Refund Policy* and *Repayment Allocation Policy*.

Documentation Documents or signed statements presented as evidence in support of an action affecting a student's eligibility for financial aid. See also *Acceptable Documentation*.

Drop-Out Date A student's last recorded class-attendance date that can be documented by the school; this is not necessarily the same as the withdrawal date. If a student unofficially withdraws, the drop-out date determined by class attendance must be used in calculating refund and repayment amounts. Compare *Withdrawal Date.*

Due Diligence Full and timely disclosure to student borrowers of their rights and obligations, explained during entrance and exit interviews. Also the use of extensive, persistent, and forceful procedures for servicing and collecting student loans.

Duplicate (Pell Payment Data) A category of processed payment data that represents duplicates of "accepted without changes or assumptions" data that an institution has already sent to the Central Processing System (CPS). The data should not be resubmitted unless the award-year data changes. See also *Processed Payment Data.*

-E-

ED Central Automated Processing System (EDCAPS) An upgraded financial management system under development to replace ED's current system. See also *Department of Education Payment Management System (ED/PMS).*

EDExpress EDExpress is an ED-provided software package that schools use to administer the Title IV financial aid programs.

Edit Checks A series of data tests on financial aid applications run by the Central Processing System (CPS) to report incomplete or inconsistent data on applications. Edit checks are also part of processing an institution's Electronic FISAP (Fiscal Operations Report and Application to Participate) and are part of the William D. Ford Federal Direct Loan Program. See also *Federal Central Processing System (CPS)* and *Verification.*

ED/PMS See *Department of Education Payment Management System (ED/PMS).*

ED/PMS 272 Report See *Quarterly Report*.

Education Benefits Funds, primarily federal, awarded to certain students—veterans, children of deceased veterans or other deceased wage earners, and students with physical handicaps—to help finance their postsecondary education. The benefits are awarded without regard to financial need.

Education Savings and Asset Protection Allowance An allowance to protect a portion of family assets when considering assets as part of the Expected Family Contribution (EFC).

Educational Program A postsecondary course of study that generally leads to an academic or professional degree, vocational certificate, or other recognized education credential.

Electronic Data Exchange (EDE) An ED system that enables institutions to transmit, receive, and correct application data, package student awards, and transmit Federal Pell Grant and William D. Ford Direct Loan payment information via a telecommunications network.

Electronic FISAP (Fiscal Operations Report and Application to Participate) The computer application to continue participating in campus-based programs. See also *FISAP (Fiscal Operations Report and Application to Participate)*.

Electronic Funds Transfer (EFT) See *Automated Clearinghouse (ACH)*.

Eligible Institution A public or private nonprofit institution of higher education, a postsecondary vocational school, or a proprietary institution of higher education that meets all the criteria to continue participating in Title IV student financial aid programs and has been approved by the U.S. Secretary of Education to do so.

Eligible Noncitizen A student aid applicant who is not a U.S. citizen, but is eligible to receive Title IV assistance. Conditions that allow noncitizens to be considered for Title IV funds are listed in *The Federal Student Financial Aid Handbook*, Chapter 2.

Eligible Program An educational program that meets the regulatory requirements for participating in Title IV programs and has been approved by the U.S. Secretary of Education to do so.

Eligible Student The definition of a student eligible to receive federal financial aid from ED is discussed in detail in *The Federal Student Financial Aid Handbook*, Chapter 2, and in Subpart C of Section 668 of the Student Assistance General Provisions regulations.

Emergency Action Action 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:

- receives information that the institution is violating applicable laws, regulations, special arrangements, agreements, or limitations;
- determines that the likelihood of loss to the federal government outweighs putting in place limitation, suspension, or termination procedures; and
- determines that immediate action is necessary to prevent misuse of federal funds.

See also *Limitation, Suspension, or Termination (LS&T)* and *Program Participation Agreement (PPA)*.

Employment Expense An allowance in determining the Expected Family Contribution (EFC) for additional expenses relating to employment when both parents are employed or when one parent who qualifies as a surviving spouse or as head of a household under Section 2 of the Internal Revenue Code is employed. See also *Expected Family Contribution (EFC)*.

Endorser An individual who signs a promissory note agreeing to repay a loan if the borrower does not repay it. Compare *Co-Maker*.

Enrolled Completing registration requirements (except payment) at the institution the student is attending and beginning the attendance period *or* submitting one lesson in a correspondence course.

Enrollment Period For the William D. Ford Federal Direct Loan and Federal Family Education Loan (FFEL) Programs, the period of time for which a borrower's loan is intended and during which a student is enrolled.

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. Compare *Payment Period*.

Enrollment Status At institutions using semesters, trimesters, quarters, or other academic terms and measuring progress in credit hours, enrollment status equals a student's credit-hour course load. At these schools, a full-time undergraduate student enrolls in at least 12 semester hours or 12 quarter hours each term.

At institutions measuring progress in clock hours, enrollment status equals a student's clock-hour course load. At these schools, a full-time student receives at least 24 hours of instruction in one week.

At either type of school, student enrollment may be categorized as full-time, three-quarter-time, half-time, or less-than-half-time.

At institutions using a combination of both credit and clock hours, enrollment status for a full-time student is any combination of credit and clock hours where the sum of the following fractions is equal to or greater than one.

- For a program using a semester, trimester, or quarter system:

$$\frac{\textit{Number of credit hours per term}}{12}$$

plus

$$\frac{\textit{Number of clock hours per week}}{24}$$

- For a program not using a semester, trimester, or quarter system:

$$\frac{\textit{Number of semester or trimester hours per academic year}}{24}$$

plus

$$\frac{\textit{Number of quarter hours per academic year}}{36}$$

plus

$$\frac{\textit{Number of clock hours per week}}{24}$$

At nonterm institutions, enrollment status for a full-time student is 24 semester hours or 36 quarter hours per academic year or the prorated equivalent for a program of less than one academic year.

Entrance Counseling (for student borrowers) Required counseling prior to the first disbursement of SFA program funds that covers the borrower's rights and responsibilities, the terms and conditions of the loan, the average indebtedness of the school's borrowers, and the consequences of default. Compare *Exit Counseling (for student borrowers).*

Entrance Interview (for an audit) A meeting, prior to the beginning of a financial aid audit, between an auditor and school administrative officials concerning operating rules, an agenda, and a schedule for the on-site work. See also *Audit*. Compare *Exit Interview (for an audit).*

Estimated Financial Assistance (EFA) The estimated amount of assistance that an institution is aware a student will be awarded or has been awarded in federal, state, or privately supported scholarship, grant, work, or loan programs, including veterans' education

benefits and Social Security benefits.

Exit Counseling (for student borrowers) An interview that must take place before the borrower leaves school (Perkins) or ceases at least half-time enrollment (FFEL and Direct Loan) covering the borrower's rights and responsibilities, details about handling loan repayment, and the average indebtedness of the school's borrowers. Borrowers are also required to provide updated personal information, such as address, telephone number, expected employer, and driver's license number (and state where it was issued). See Chapters 6 and 10 in *The Federal Student Financial Aid Handbook* for complete information on exit interview requirements. Compare *Entrance Counseling (for student borrowers).*

Exit Interview (for an audit) A closing meeting, following completion of a financial aid audit, between an auditor and administrative officials during which general audit findings and conclusions are discussed. See also *Audit*. Compare *Entrance Interview (for an audit)*.

Expected Disbursement The sum of all expected Federal Pell Grant payments to a student during an award year.

Expected Family Contribution (EFC) The figure that indicates how much of a family's financial resources should be available to help pay a student's postsecondary education expenses. This figure, determined according to a statutorily defined method known as the Federal Need Analysis Methodology, is used for all students in determining eligibility for federal Title IV student financial aid. Some students will have both primary and secondary EFCs, with the financial aid administrator choosing between the two. See also *Automatic Zero EFC (Expected Family Contribution)* and *Simplified Needs Test Formula.*

-F-

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

FAFSA Express ED software that permits a student using a computer with a modem to enter FAFSA data and transmit it directly to the CPS.

FAFSA on the Web An on-line version of the FAFSA students can access and complete. It is located at www.fafsa.ed.gov. See also *FAFSA*.

FAFSA Processor An organization contracted by ED to process the Free Application for Federal Student Aid (FAFSA).

Federal Audit A financial audit conducted by an office or officer of a federal agency, such as a representative from ED's Office of Inspector General.

Federal Capital Contribution (FCC) The portion of a Federal Perkins Loan fund allocated to an institution by the federal government for a specific award year. Compare *Institutional Capital Contribution (ICC).*

Federal Cash Transaction Report The quarterly or monthly financial report institutions use to report expenditures of funds received from ED. It is known as the ED/PMS 272 Report, the ED/PMS 272A—Federal Cash Report (quarterly), or the MEERS report (monthly). See also *Department of Education Payment Management System (ED/PMS), Monthly Electronic Expenditure Reporting System (MEERS)*, and *Quarterly Report.*

Federal Central Processing System (CPS) ED's Central Processing System (CPS) analyzes information from Free Applications for Federal Student Aid (FAFSAs) and calculates the Expected Family Contributions (EFCs). See also *Edit Checks, Federal Output Document*, and *National Student Loan Data System (NSLDS).*

Federal Direct Consolidation Loan A loan arranged through ED's Direct Loan Servicing Center that combines several federal education loans (including non-Direct loans) into a single loan with one monthly repayment. Compare *Consolidation Loan*.

Federal Direct Loan Program See *Direct Loan Program.*

Federal Direct PLUS Loan Parents may borrow from this education loan program on behalf of their dependent children. Compare *Federal PLUS Loan*.

Federal Direct Stafford Loan (subsidized) On the basis of student financial need, this loan program provides federally financed loans to students who are in undergraduate, graduate, or professional programs. See also *Federal Direct Unsubsidized Stafford Loan*. Compare *Federal Stafford Loan (subsidized)*.

Federal Direct Unsubsidized Stafford Loan This loan program provides federally financed, low-interest loans to students who are in undergraduate, graduate, or professional programs. These loans are not based on financial need and are not government subsidized. The borrower pays the interest charges on the loan on a monthly basis or may allow the interest to accumulate and be capitalized by the lender (no more frequently than quarterly) and added to the loan principal when repayment begins. See also *Capitalizing Interest* and *Federal Direct Stafford Loan (subsidized)*. Compare *Federal Stafford Unsubsidized Loan*.

Federal Family Education Loan (FFEL) Program The FFEL Program is made up of Federal Stafford Loans (both subsidized and unsubsidized), Federal PLUS (parent) Loans, and Federal Consolidation Loans. All of these are long-term loans insured by state or private nonprofit guaranty agencies that are reimbursed by the federal government for all or part of the insurance claims paid to lenders. This government guarantee replaces the collateral or security usually required with long-term consumer loans.

Federal Need Analysis Methodology The statutory formula used to determine the Expected Family Contributions (EFCs) for all students applying for federal Title IV student financial aid. Information on it is found in HEA, Part F. See also *Full Data Element Formula* and *Simplified Needs Test Formula.*

Federal Output Document The Student Aid Report (SAR), SAR Information Acknowledgement, and Institutional Student Information Record (ISIR) generated by the Central Processing System (CPS) as a result of processing applicant data on the Free Application for Federal Financial Aid (FAFSA) or Renewal FAFSA.

Federal Pell Grant Payment and Disbursement Schedules Charts published annually by the U.S. Secretary of Education that determine the dollar value of student Federal Pell Grant awards on the basis of students' Expected Family Contributions (EFCs) and schools' costs of attendance (COAs).

Federal Pell Grant Program A grant program for undergraduate students who have not completed a first baccalaureate degree. It is designed to assist students with financial need who are the least able to contribute toward their education expenses. If students apply, meet all the eligibility criteria, and are enrolled in an eligible program at an eligible institution, they will receive Federal Pell Grants.

Federal Perkins Loan Program This campus-based loan program provides low-interest student loans to undergraduate and graduate students with financial need. See also *Campus-Based Programs.*

Federal PLUS Loan Parents may borrow from this education loan program on behalf of their dependent children. Loans are made by lenders such as banks, credit unions, or savings and loan associations. Compare *Federal Direct PLUS Loan*.

Federal Register The government publication, published each weekday (except federal holidays), that prints regulations, regulatory amendments, notices, and proposed regulatory changes for all federal executive agencies. ED sends reprints of excerpts from the *Federal Register* that pertain to federal student financial aid to all institutions participating in federal student financial aid programs.

Federal Stafford Loan (subsidized) A loan program providing federally subsidized, low-interest loans to students in undergraduate, graduate, or professional programs. Subsidized loans are awarded on the basis of student

financial need. See also *Federal Stafford Unsubsidized Loan*. Compare *Federal Direct Stafford Loan (subsidized)*.

Federal Stafford Unsubsidized Loan The unsubsidized Federal Stafford Loan Program provides loans to students who do not meet the financial-need criteria for a subsidized Federal Stafford Loan. An unsubsidized Federal Stafford Loan may be substituted for all or part of the Expected Family Contribution (EFC) and is referred to as a "non-need-based" loan. These loans may be borrowed by undergraduate, graduate, and professional students. See also *Federal Stafford Loan (subsidized)*. Compare *Federal Direct Unsubsidized Stafford Loan*.

The Federal Student Financial Aid Handbook An ED publication that explains procedures schools should follow in administering federal student financial aid (SFA) programs. Some of these procedures are required by laws and regulations, while other procedures are required by the various reporting systems of each Title IV program. The most current edition is *The 1997-98 Federal Student Financial Aid Handbook*.

Federal Student Financial Aid Programs See *Title IV Student Financial Aid.*

Federal Supplemental Educational Opportunity Grant (FSEOG) A campus-based aid program that provides grant assistance to students with financial need who are in undergraduate programs and have not earned a bachelor degree or first professional degree. Priority in awarding Federal Supplemental Educational Opportunity Grant (FSEOG) funds is given to students who have exceptional financial need and are Federal Pell Grant recipients. See also *Campus-Based Programs.*

Federal Supplemental Loans for Students Δ An unsubsidized loan program that has been replaced by the Federal Direct Unsubsidized Loan and the Federal Stafford Unsubsidized Loan.

Federal Work-Study (FWS) Program A campus-based federally funded employment program that provides paid jobs for undergraduate or graduate students who need such earnings to meet a portion of their education expenses. See also *Campus-Based Programs* and *Carry Back/Carry Forward*.

FEDWIRE The U.S. Treasury Department's Financial Communications System (TFCS) Deposit Message Retrieval System (DMRS) uses FEDWIRE for returning funds to ED, including:

- a liability or combination of liabilities totaling $100,000 or more for a prior award year (except for some Federal Perkins Loan liabilities);
- excess cash in, or liquidation of, the Federal Perkins Loan Fund; *and*
- ED-proposed or assessed fines of $100,000 or more.

Fees (institutional) To be an element of a school's cost of attendance (COA), fees must be mandatory, institution-based charges required as part of a student's program of study and charged to all students in that educational program. See also *Cost of Attendance (COA).*

Final Regulations Federal government operating rules published in the *Federal Register.* Final regulations, which have the force of law, usually take effect 45 days after the date they are published. (However, there are exceptions to the 45-day period because of the master calendar of the Higher Education Act [HEA]). See also *Comment Period*, *Interim Final Regulations*, *Notice of Proposed Rulemaking (NPRM)*, and *Master Calendar.*

Financial Aid Award An offer of financial aid or in-kind assistance to a student attending a postsecondary educational institution. This award may be in the form of one or more of the following types of financial aid: a repayable loan, a grant and/or scholarship, or student employment. Examples of in-kind assistance are tuition waivers or fee waivers.

Financial Aid History Data on the Student Aid Report (SAR) or Institutional Student Information Record (ISIR) generated by the National Student Loan Data System (NSLDS) that shows a student's previous financial aid,

defaults, and overpayments. Compare *Financial Aid Transcript (FAT).*

Financial Aid Package An assistance offer by an educational institution to a student aid applicant that consists of one or more forms of financial aid, such as loans, grants, scholarships and/or employment.

Financial Aid Transcript (FAT) A document used by educational institutions to collect data about Title IV aid and other financial aid received by a student at other educational institutions. Institutions must provide financial aid transcripts (FATs) at no charge to students and former students. Compare *Financial Aid History*. See *National Student Loan Data System (NSLDS).*

Financial Audit See *Audit* and *Independent Audit*.

Financial Need The difference between the institution's cost of attendance (COA) and what the student's family is able to pay—the Expected Family Contribution (EFC). (COA - EFC = Need) See also *Cost of Attendance (COA)* and *Expected Family Contribution (EFC)*.

Financial Responsibility An institution must show that it has the financial responsibility to participate in federal Title IV student aid programs. Financial responsibility covers general standards (as well as exceptions institutions can meet as alternatives). These standards cover ones for for-profit, nonprofit, and public institutions and cover the past performance of an institution or persons affiliated with an institution. For further information, refer to 34 CFR, Section 668.15, of the Student Assistance General Provisions and Chapter Two of *The Blue Book*.

Financial Statement 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 a Certified Public Accountant (CPA) and submitted to the U.S. Department of Education in accordance with applicable regulations. See also *Audit* and *Independent Audit*.

First-Time Student A student who has not previously attended at least one class at the institution or who received a 100 percent refund of his or her tuition and fees (less any permitted administrative fee) under the institution's refund policy for previous attendance at the institution. A student remains a first-time student until the student either withdraws, drops out, or is expelled from the institution after attending at least one class *or* completes the period of enrollment for which he or she has been charged.

FISAP (Fiscal Operations Report and Application to Participate) See *Electronic FISAP (Fiscal Operations Report and Application to Participate)*.

Floppy Disk Data Exchange (FDDE) An automated system by which institutions can submit Federal Pell Grant payment data on IBM-compatible computer diskettes to ED. ED provides a database management system to each FDDE participant. ED returns payment data on diskette.

Forbearance (on a loan) A lender's option of allowing a *temporary* cessation of payments of subsidized or unsubsidized Federal Stafford, Federal PLUS, or Federal Direct Loans *or* allowing an extended period for making payments *or* accepting smaller payments than were previously scheduled. Forbearance may be given for circumstances that are not covered by deferment. Interest continues to accumulate during forbearance. Compare *Deferment (of a loan)*.

William D. Ford Federal Direct Loan Program See *Direct Loan Program*.

Form ED/PMS 270 See *Reimbursement Payment Method.*

Form G-8455 A form a school submits to the U.S. Immigration and Naturalization Service (INS) for "Secondary Confirmation" to confirm that an alien noncitizen's documentation is valid for Title IV eligibility purposes. See *Eligible Noncitizen*.

Forward Funding At the federal level, the congressional funds appropriation in the fiscal year prior to the award year in which they will be disbursed. For example: the amount of public funds Congress allocates to Federal Pell Grant and campus-based funds in 1997 to be used in the 1998-99 award year.

Free Application for Federal Student Aid (FAFSA) This ED input document is the foundation for all Title IV need analysis computations. The application form is completed by the student and his or her family. It gathers data to calculate the Expected Family Contribution (EFC), which is used to determine eligibility for Federal Pell Grant, campus-based, Federal Stafford Loan, and Federal Direct Loan awards. See also *Renewal FAFSA, Expected Family Contribution (EFC),* and *Need Analysis*.

Full Data Element Formula A formula that uses the full range of data elements in calculating a student's Expected Family Contribution (EFC) under the Federal Need Analysis Methodology. Also called the "regular formula." See also *Expected Family Contribution (EFC).*

Full-Time Student A term defined by each institution of higher education. For Title IV student aid eligibility, however, a full-time undergraduate student cannot be taking fewer than 12 semester, trimester, or quarter hours per academic term in institutions with standard academic terms or fewer than 24 clock hours per week in institutions that measure progress in clock hours.

-G-

General Education Development (GED) Certificate A nationally recognized equivalent of a high school diploma granted after a student has passed a standardized examination.

General Institutional Eligibility Requirements Federal regulations governing institutional eligibility to apply to participate in Title IV programs.

General eligibility requirements are established by statutory definition and refer to:

- location,
- student admissions policy,
- authorization to provide a postsecondary educational program,
- accreditation,
- types, lengths, and levels of educational programs within the institution,
- the institution's type,
- the institution's control, and
- how long the institution has existed.

Gift Aid Financial aid that a student is not required to repay or earn through employment. Generally, gift aid is in the form of a grant or scholarship. Compare *Self-Help Aid.*

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

Graduate or Professional Student Student enrolled in a program that leads to a degree higher than a baccalaureate or to a first professional degree. A graduate or professional 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.

Grant (programs) Gift-aid programs that require neither repayment nor work from students. Federal Title IV grant programs include the Federal Pell Grant, Federal Supplemental Educational Opportunity Grant (FSEOG), and State Student Incentive Grant (SSIG) Programs. See also *Gift Aid.*

Guaranty Agency A state agency, *or* a private, nonprofit institution, *or* an organization that administers federal student financial aid programs under the Federal Family Education Loan (FFEL) Program. One major function is to insure Federal Family Education Loans.

Guaranty agencies are reimbursed by the federal government for all or part of the insurance claims they pay to lenders on distributed loans.

Guaranty Fee See *Insurance Premium.*

-H-

Half-Time Student For the Federal Family Education Loan (FFEL) Program, a half-time student is one who is carrying a half-time academic workload (as determined by the school) that equals at least one-half the workload of a full-time student. For the remaining Title IV programs, a student is considered half time by carrying a half-time academic workload (as determined by the school), generally equaling or exceeding the following minimum requirements:

(a) 6 semester, trimester, or quarter hours per academic term for an institution using standard terms;

(b) 12 clock hours per week for schools using clock-hour measurement;

(c) 12 semester hours or 18 quarter hours per academic year for an institution using credit hours to measure progress but not using standard academic terms; *or*

(d) enrollment in an eligible correspondence program requiring at least 12 hours of preparation per week.

Hand Calculation On-campus calculation (manual or by computer program) of the Expected Family Contribution (EFC), in contrast to the official EFC calculation provided by the Central Processing System (CPS).

Higher Education Act of 1965, as amended (HEA) Legislation passed in 1965, as well as all subsequent amendments and reauthorizing (extending) legislation of the statute. Title IV of the HEA authorizes the majority of the nation's federal 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 about every five years or to extend the legislation for up to one additional year. The statute's most current version, as amended, always stands as the official version of the law. See also *Reauthorization* and *Title IV Student Financial Aid.*

Higher Education Amendments of 1992 Changes to the Higher Education Act of 1965, as amended (HEA), made by Congress during the 1992 reauthorization of the HEA. They became federal law on July 23, 1992. Sometimes referred to as "the 1992 Amendments" or "the Amendments."

Higher Education Technical Amendments of 1993 Corrections to the 1992 reauthorization of the Higher Education Act (HEA).

-I-

Immediate Need A school requests funds to meet its "immediate need" for disbursing Federal Pell Grant and campus-based program awards. For schools under Automatic Clearinghouse/Electronic Funds Transfer (ACH/EFT), "immediate need" is three business days. Under ACH/EFT, recipients request funds as needed, for example, every three days, once a week, or whatever is appropriate. See also *Automated Clearinghouse (ACH).*

Incarcerated Student For purposes of institutional eligibility, a student serving a criminal sentence in a federal, state, or local correctional facility. For purposes of Pell Grant eligibility, a student serving a criminal sentence in a federal or state facility only. A student in a less formal arrangement, such as a halfway house, home detention, or sentenced to serve weekends only, is not considered to be incarcerated.

Income Protection Allowance An allowance for the basic costs of maintaining family members at home and in college that is taken into account when considering family income as part of the Expected Family Contribution (EFC).

Independent Audit An audit conducted by an

independent public accountant (IPA), as defined by the audit standards of the U.S. General Accounting Office, who has been hired by the institution. Also called a "nonfederal audit." See also *Audit* and *Independent Public Accountant (IPA).*

Independent Public Accountant (IPA) An accountant who is a Certified Public Accountant (CPA) or state auditor, *or* an accountant who was licensed before December 31, 1970 who meets the audit independence standards of the U.S. General Accounting Office. See also *Independent Audit*.

Independent Student To be classified as an independent student for federal Title IV financial aid, a student must meet one or more of the following criteria:

(a) be at least 24 years old by December 31 of the award year for which aid is sought;

(b) be an orphan or ward of the court until the age of 18;

(c) be a veteran of the Armed Forces of the United States;

(d) have legal dependents other than a spouse (for example, dependent children or an elderly dependent parent);

(e) be a graduate or professional student;

(f) be married; or

(g) be deemed independent by the school's financial aid administrator.

Compare *Dependent Student*.

Information Summary Part 1 of the Student Aid Report (SAR). This section informs students of their eligibility for a Federal Pell Grant and shows the student's Expected Family Contribution (EFC). The Information Summary can become a part of the student's financial aid file. See also *Student Aid Report (SAR).*

In-House Control Documents Documents a school uses to meet recordkeeping requirements for federal financial aid programs, provide data needed for aid-related reports, and maintain a clear audit trail.

Institution of Higher Education A public or private nonprofit educational institution located in a state, that:

(a) admits as regular students only persons with a high school diploma (or its recognized equivalent) or persons beyond the age of compulsory elementary / secondary school attendance in the state where the institution is located;

(b) is legally authorized, in the state where it offers postsecondary education, to provide a postsecondary educational program;

(c) provides a program leading to an associate, baccalaureate, graduate, or professional degree, or at least a two-year program that is acceptable for full credit toward a bachelor's degree or at least a one-year training program that leads to a degree or certificate and prepares students for gainful employment in a recognized occupation;

(d) is a public institution or a private nonprofit institution to which contributions are tax deductible under section 501(c)(3) of the Internal Revenue Code; and

(e) is accredited or preaccredited by a nationally recognized accrediting agency or association or is a public "postsecondary vocational school" approved by a state agency listed by ED as a reliable authority on the quality of public postsecondary vocational education in that state.

See also *Postsecondary Vocational Institution* and *Proprietary Institution of Higher Education*.

Institutional Capital Contribution (ICC) The

portion of a school's Federal Perkins Loan fund contributed by the institution. Loans made with the Federal Capital Contribution (FCC) must consist of Institutional Capital Contribution (ICC) equal to at least one-third (33 1/3 percent) of the new Federal Capital Contribution amount *or* one quarter (25 percent) of the combined FCC *plus* ICC. Compare *Federal Capital Contribution (FCC)*.

Institutional Eligibility Notice A letter sent to an institution by ED's Institutional Participation and Oversight Service (IPOS) designating the institution as eligible to apply to participate in federal student financial aid programs. See also *Institutional Participation and Oversight Service (IPOS)* and *Program Participation Agreement (PPA)*.

Institutional Liability Financial penalties or repayments that an institution must pay to ED as a result of incorrect institutional action or actions. A liability is the difference between the actual expenditures reported by the institution on its quarterly report (ED/PMS 272) or MEERS report for an Obligation Document Number for the award year and the final allowable expenditures as determined by the auditor, program reviewer, or hearing official. See also *Quarterly Report*.

Institutional Participation and Oversight Service (IPOS) The division in ED responsible for determining the eligibility of postsecondary institutions to participate in federal student financial aid programs and maintaining oversight of institutions participating in federal student financial aid programs. See also *Institutional Eligibility Notice*.

Institutional Payment Summary (IPS) An electronic transmission that summarizes and accompanies each individual batch of institutionally completed Federal Pell Grant Payment Data. See also *IPS Batch Report* and *Payment Data*.

Institutional Quality Assurance Program (IQAP) Δ Now called *Quality Assurance Program*.

Institutional Student Information Record (ISIR) The Institutional Student Information Record (ISIR) is generated by ED's Central Processing System (CPS) and is available to schools through the Electronic Data Exchange (EDE) in the form of Full Data Tapes or Full Data Magnetic Disks. The ISIR includes full applicant data, information on reject reasons, comments, and assumptions. See *Student Aid Report (SAR)*.

Institution's Aid Disbursement/ Delivery Policy A policy specifying the earliest dates in each payment period that a school will credit aid to accounts and/or deliver aid as direct payments to students.

Institution's Aid Priority Policy A recommended written school policy clearly specifying the order in which financial aid awards will be applied to cover students' institutional charges.

Institution's Refund Policy Each school must have a refund policy that states the amount or percentage of charges to be cancelled for students who terminate their enrollment prior to the end of a payment period. Under the law, a school's policy must provide a refund of the [school's] unearned tuition, fees, room and board, and other charges assessed a student who received Title IV assistance (including Federal PLUS and Federal Direct PLUS Loans received by parents on a student's behalf and excluding Federal Work-Study funds). Such refunds must be provided for students who do not complete the attendance period for which the Title IV aid was intended.

Institution's Repayment Policy A school's consistently applied policy on the amount of non-institutional, education-related expenses incurred by students for a payment period.

Insurance Premium An insurance fee charged a lender by a guaranty agency. The fee is usually passed along to the borrower. In most cases, a lender reduces the amount of the loan disbursement by the fee amount; however, a student is still responsible for repaying the entire amount of the loan. Also known as a

guaranty fee. See also *Loan Fee* and *Origination Fee*.

Interest (subsidized) The interest (subsidy) payment covered by ED on a subsidized student loan on a borrower's behalf. ED covers the payments for certain specific periods, such as during the borrower's enrollment (at least half time), the grace period, or any deferment period. An interest subsidy *is paid* to lenders of subsidized Stafford Loans during qualifying periods; the borrower *is not charged* interest on subsidized Direct Loans during qualifying periods.

Interest Benefits The interest (benefit) payments made by ED to a Federal Stafford Loan lender on behalf of a student. These payments are made by ED at the student's Federal Stafford Loan interest rate, but only during certain periods: the student's enrollment (at least half time), the grace period, or any authorized deferment.

Interim Disbursement A single first disbursement of Federal Pell Grant, Federal Supplemental Educational Opportunity Grant (FSEOG), and/or Federal Perkins Loan funds to a student who has not completed application verification. The institution is responsible for recovering payment if the student never completes verification or if the amount for which the student is deemed eligible lessens as a result of verification. Interim disbursements are made at the discretion of the institution; they are optional.

Interim Final Regulations Regulations, published in the *Federal Register*, that have the effect of law when published. Interim final regulations often are created when there is need for quick action responding to newly passed legislation. They may also be issued, pending further policy review, after a Notice of Proposed Rulemaking (NPRM) elicits comments that raise new policy questions. Compare *Final Regulations* and *Notice of Proposed Rulemaking (NPRM)*.

IPS Batch Report (Institutional Payment Summary Batch Report) A report notifying an institution that ED has completed processing its Institutional Payment Summary (IPS) submission and providing a summary report on the batch processing. It also gives the net adjustment ED made to the payment data and alerts the institution to differences between its records and the data accepted by ED. Any differences must be reconciled by the institution. See also *Institutional Payment Summary*.

-J-

Job Location and Development (JLD) Program Under the Job Location and Development (JLD) Program, an institution can use up to 10 percent or $50,000 (whichever is less) of its annual Federal Work-Study (FWS) Program allocation to expand off-campus job opportunities, including community-service jobs (CS/JLD), for its currently enrolled students. Jobs may be in either profit or nonprofit settings. Students in this program do not have to meet FWS criteria, show financial need, or meet other Title IV student eligibility criteria. See also *Federal Work-Study (FWS) Program*.

-K-

No entries

-L-

Legislative Amendment A revision or change in a legislative measure that adds, deletes, or modifies a law's text.

Limitation, Suspension, or Termination (LS&T) Actions undertaken by ED against a postsecondary institution that has either:

- violated the laws or regulations of Title IV student financial aid programs, its Program Participation Agreement, or any other agreement made under 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 on limitation, suspension, or termination (LS&T) of the school's participation in federal student financial aid programs; the assessment of fines of up to $25,000 for each statutory or regulatory violation; and/or implementing emergency action.

- A limitation means the postsecondary institution agrees to abide by certain specific restrictions or conditions in its administration of student financial aid programs so that it can continue to participate in any of those programs. A limitation lasts for at least 12 months and, if a postsecondary institution fails to abide by the conditions of the limitation, termination proceedings may be initiated.
- A suspension removes an institution from participating in Title IV programs for a period not to exceed 60 days, unless a limitation proceeding has begun. 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 programs.

A terminated institution can be reinstated at a later date by ED to participate in Title IV programs. In general, however at least two years (24 months) must elapse from the school's termination before an institution can request reinstatement. See also *Emergency Action* and *Program Participation Agreement (PPA)*.

Loan An advance of funds guaranteed by a signed promissory note in which the recipient of the funds promises to repay a specified amount under prescribed conditions.

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

- amount of the loan,
- interest rate,
- fee charges,
- length of the grace period (if any),
- the maximum length of the repayment period,
- the minimum annual repayment amount,
- deferment conditions, and
- the definition of default.

Loan Fee A loan expense charged the borrower by the lender; it is deducted proportionately from each loan payment paid to the borrower. See also *Insurance Premium* and *Origination Fee*.

-M-

Master Calendar To assure adequate notification about and timely delivery of federal student financial aid, ED operates using a master calendar defined in the Higher Education Act (HEA). This calendar gives specific dates by which federal forms will be developed and distributed, as well as dates campus-based funds will be allocated and Federal Pell Grant funds will be authorized for an award year. The master calendar determines the dates that federal financial aid regulations must be published.

Matching (Fund) Requirement See *Nonfederal Share*.

Monthly Electronic Expenditure Reporting System (MEERS) This system enables ED/PMS recipients, including schools, to report expenditures electronically through the service bureau to ED/PMS each month. Like those schools reporting expenditures each quarter, through the submission to ED of paper ED/PMS 272 reports, reporting also includes federal financial student aid reporting for programs other than Title IV, such as discretionary grants

and Title III. See also *Department of Education Payment Management System (ED/PMS).* Compare *Quarterly Report.*

Multiple Data Entry (MDE) Processor Δ See *FAFSA Processor.*

-N-

Nationally Recognized Accrediting Agency or Association An independent organization that monitors school practices and that certifies or approves schools to operate and offer certain programs of study. These organizations must be approved by the U.S. Secretary of Education for schools participating in federal student financial aid programs. See also *Accredited Institution, Accrediting Agency,* and *Preaccredited Institution.*

National Student Loan Data System (NSLDS) An ED database established to collect and maintain student loan information from guaranty agencies, lenders, institutions, and ED's program and Title IV default file. Information on all students who previously borrowed under Title IV programs is also maintained in the database. See also *Student Status Confirmation Report (SSCR).*

Need The difference between a school's cost of attendance (COA, also called a student budget) and a student's Expected Family Contribution (EFC). (COA-EFC = student financial need.)

Need Analysis The statutorily defined method for determining Expected Family Contributions (EFCs) for all students applying for federal student financial aid. See also *Cost of Attendance (COA), Expected Family Contribution (EFC),* and *Federal Need Analysis Methodology.*

Need-Based Assistance Any form of financial aid awarded on the basis of demonstrated financial need. Need is established by subtracting a student's Expected Family Contribution (EFC) from the school's cost of attendance (COA). (COA - EFC = student financial need.)

Negotiated Rulemaking A process by which a government agency convenes meetings to discuss proposed regulatory matters with appropriate constituent groups. ED's Office of Postsecondary Education (OPE) convenes representatives of various groups involved in delivering and administering federal student financial aid programs. During the public meetings, held in various regions of the country, the contents of proposed regulations are discussed/negotiated prior to the U.S. Secretary of Education publishing notices of proposed rulemaking (NPRMs) and/or final regulations.

Nonfederal Audit See *Audit* and *Independent Audit.*

Nonfederal Share The portion of Title IV campus-based program funds that a school must contribute from a nonfederal source (usually the portion comes from the school itself). For 1997-98, a nonfederal source must contribute at least one-third (33 1/3 percent) of the federal contribution to the school's Federal Perkins Loan fund; one quarter (25 percent) of Federal Work-Study (FWS) awards; and one quarter (25 percent) of the Supplemental Educational Opportunity Grant (FSEOG) awards.

Notice of Proposed Rulemaking (NPRM) Notice printed in the *Federal Register* of proposed regulations from a government agency, such as ED. Publishing a notice of proposed rulemaking (NPRM) begins an official comment period (which is usually 45 days or 60 days long, but may range from 30 days to 120 days in length) during which interested parties are invited to submit comments about the proposed regulations. Compare *Final Regulations* and *Interim Regulations.*

-O-

Off-Campus Agency An external agency that employs a school's Federal Work-Study (FWS) student(s) and pays the nonfederal share of the wages. See also *Federal Work-Study (FWS).*

Official Notice of Funding A computer-generated letter a school receives from ED that lists the final allocation amounts for each federal campus-based student financial aid program the school administers. The notice, which ED must send by April, notifies the school of the

allocation amounts it will receive for the upcoming award year, which begins the following July 1.

One-Academic-Year Training Program A program consisting of at least 24 semester/trimester hours or 36 quarter hours at institutions using credit hours to measure progress; 900 clock hours of supervised training at an institution using clock hours to measure academic progress; or 900 clock hours in a program of study by correspondence. The program must include at least 30 weeks of instructional time.

Origination Fee A cost of borrowing a loan calculated as 3 percent of the loan principal borrowed under any Federal Family Education Loan (FFEL) Program loan and charged to the student by the lender. This fee is usually subtracted from the student loan amount before the student receives the loan money. See also *Insurance Premium* and *Loan Fee.*

Overaward The condition that exists when an institution awards financial assistance to a student that, in combination with all of the resources made available to that student from federal and nonfederal sources, exceeds the difference between the student's cost of attendance (COA) and the Expected Family Contribution (EFC).

Overpayment Any financial aid amount paid to a student in excess of the amount the student is entitled to receive. This situation may arise due to a student's change in enrollment status, withdrawal, or change in financial situation. In any of these instances, the student would be required to repay excess funds received unless adjustments could be made to the student's aid during subsequent payment periods within the same award year. See also *Repayment* and *Repayment Allocation Policy*.

-P-

Packaging The process of assembling one or more financial aid awards of loans, grants and/or scholarships, and employment for a student; also referred to as award packaging.

Parents' Contribution A quantitative estimate, according to the Federal Need Analysis Methodology, of parents' ability to contribute to postsecondary education expenses of their dependent child. See also *Expected Family Contribution (EFC).*

Payment and Disbursement Schedules See *Federal Pell Grant Payment and Disbursement Schedules.*

Payment Data (Federal Pell Grant) Formerly Payment Voucher. The Payment Data record is an electronic record that contains recipient identifiers, Expected Family Contribution, cost of attendance, enrollment status, and disbursement information for each Pell Grant recipient.

Payment Period The length of time for which all Title IV financial funds (except for Federal Work-Study) is paid to students. It is defined in 34 CFR, Section 668.4 of the Student Assistance General Provisions and depends on whether the school's academic program is (1) term-based, credit hour or (2) nonterm, credit/clock hour.

Payment Voucher (Federal Pell Grant) Δ Formerly Part 3 of the Student Aid Report (SAR); a machine-readable form, coded with an individual student's payment data at the institution before being submitted to ED. The Payment Voucher was replaced by the electronic payment data record in the 1996-97 award year. See also *Payment Data (Federal Pell Grant)* and *Processed Payment Data.*

Peer Evaluation An objective review of an institution's policies, procedures, and practices by a financial aid administrator from another school or by a consultant.

Pell Grant See *Federal Pell Grant Program.*

Pell Payment Data See *Processed Payment Data.*

Period of Enrollment See *Enrollment Period.*

Perkins Loan See *Federal Perkins Loan Program.*

PLUS Loan See *Federal PLUS Loan* or *Federal Direct PLUS Loan.*

Policies and Procedures Manual A manual an institution develops that helps effectively and consistently manage financial aid using a compilation of written policies and procedures.

Postsecondary Institution An educational institution providing education beyond the high school level. The term is used to refer to trade and technical schools, as well as to two-year colleges, community colleges, and four-year colleges and universities.

Postsecondary Vocational Institution An educational institution that:

(a) admits as regular students only persons with a high school diploma (or its recognized equivalent) or persons beyond the age of compulsory school attendance in the state where the institution is located;

(b) is legally authorized, by the state where it offers postsecondary education, to provide a postsecondary educational program;

(c) provides at least a six-month program, leading to a degree or certificate, that prepares students for gainful employment in a recognized occupation;

(d) is a public institution or a private nonprofit institution to which contributions are tax deductible under section 501(c)(3) of the Internal Revenue Code;

(e) is accredited or preaccredited by a nationally recognized accrediting agency or association or is a public postsecondary vocational institution approved by a state agency listed by ED as a reliable authority on the quality of public postsecondary vocational education in that state; and

(f) has been giving instruction for at least two years.

See also *Institution of Higher Education* and *Proprietary Institution of Higher Education.*

Preaccredited Institution An interim status granted by a nationally recognized accrediting agency or association to an unaccredited public or private nonprofit institution that is expected to receive accreditation within a reasonable time period. See also *Accredited Institution, Accrediting Agency,* and *Nationally Recognized Accrediting Agency or Association.*

Primary and Secondary EFCs (Expected Family Contributions) See *Expected Family Contribution (EFC).*

Principal and Interest Principal is the loan amount borrowed. Interest is the amount the lender charges the borrower for using the money. Loan payments are applied to interest first and principal second.

Prior Year Recoveries Funds a school recovers in a given award year from financial aid money disbursed in prior award years. Institutions must adjust award expenditures and administrative cost allowances (ACAs) in award years in which recoveries are made. See also *Administrative Cost Allowance (ACA).*

Processed Payment Data Formerly Processed Payment Voucher. Specifically, the indicator of whether Pell Grant payment data records are accepted or rejected. The records sent to a school by the Central Processing System (CPS) that list the official status of reported Pell Grant payments after processing the school-reported Pell data. There are four categories: Accepted With Assumptions, Accepted Without Changes or Assumptions, Duplicate, or Rejected. See also individual voucher-category names.

Processed Payment Voucher Δ See *Processed Payment Data.*

Program Authorization See *Authorization (legislative)* and *Authorization (spending).*

Program Determination Letter (PDL) An official letter sent to a school by ED as a final result of an audit or program review. The letter

outlines any specific steps the school must take to reimburse ED for improperly spent funds, adjust both institutional and ED records and reports, and assure compliance with federal student financial aid program regulations.

Program Participation Agreement (PPA) A written agreement that must be signed by both a top official at an institution and on behalf of the U.S. Secretary of Education that permits the institution to participate in one or more federal student financial aid programs (other than the State Student Incentive Grant [SSIG]). See also *Emergency Action; Limitation, Suspension, or Termination (LS&T);* and *Institutional Eligibility Notice.*

Program Review An assessment by ED of an institution's compliance with federal laws and regulations and its own school policies.

Program Review Exceptions Institutional policies, procedures, or actions related to federal student financial aid programs cited in a program review report as being contrary to federal laws or regulations that govern the programs. Also referred to as findings.

Promissory Note A legally binding contract between a lender and a borrower that contains the terms and conditions of the loan, including how the loan must be repaid.

Proprietary Institution of Higher Education An educational institution other than a public or private nonprofit institution located in a state that:

(a) admits as regular students only persons with a high school diploma (or its recognized equivalent) or persons beyond the age of compulsory school attendance in the state where the institution is located;

(b) is legally authorized, by the state where it offers postsecondary education, to provide a postsecondary educational program;

(c) provides at least a six-month program of training, leading to a degree or certificate, that prepares students for gainful employment in a recognized occupation;

(d) is accredited by a nationally recognized accrediting agency or association;

(e) has been giving postsecondary instruction (and has been legally authorized to give postsecondary instruction) for at least two years; and

(f) has at least 15 percent of its revenues derived from non-Title-IV funds.

See also *Institution of Higher Education* and *Postsecondary Vocational Institution.*

-Q-

Quality Assurance Program An ED quality-control program with an oversight strategy that focuses on results. Within established parameters, Quality Assurance Program (QAP) participants develop their own procedures for achieving award accuracy, measure the effectiveness of their systems, and design and target corrective actions through continuous improvement efforts.

Quarter A standard academic term, usually 10 to 15 weeks in length. At institutions using quarters to measure student progress, an academic year is defined as the time period in which a full-time student is expected to complete the equivalent of three quarters. (For fiscal reporting, quarters in the federal student financial aid award year are July-September, October-December, January-March, and April-June.) See *Academic Year (AY).*

Quarterly Report A quarterly financial aid report, known as the ED/PMS 272 Report or the ED/PMS 272 Federal Cash Transaction Report, sent from ED and completed by aid recipients, including schools, that reflects the expenditure of funds for each allocation received from ED. See also *Department of Education Payment Management System (ED/PMS).* Compare *Monthly Electronic Expenditure Reporting System (MEERS).*

-R-

Reauthorization The process of continuing and changing legislation because the existing law is expiring and needs to be reenacted. It is conducted every five to seven years in the case of the Higher Education Act (HEA). (July 23, 1992 was the date the most recent HEA reauthorization was enacted.) See also *Higher Education Act of 1965, as amended (HEA)*.

Recipient Data Exchange (RDE) A computer-system procedure for transmitting Federal Pell Grant payment data between an institution and ED using machine-readable magnetic tape.

Recognized Occupation An occupation that is either listed in an "occupational division" in the latest edition of the *Dictionary of Occupational Titles* published by the U.S. Department of Labor or is recognized by the U.S. Secretary of Education in consultation with the U.S. Secretary of Labor.

Reconciliation of Cash A confirmation that the cash amount shown in a school's accounting records agrees with the cash amount reported in the school's bank statement.

Reconciliation of Federal Funds Balancing a school's records of federal funds received, expended, and returned against ED's records. A reconciliation should be performed monthly to ensure that reported expenditures, the trial balance, ED/PMS 272 Federal Cash Transaction Report, ED's Student Payment Summary, the school's FISAP (Fiscal Operations Report and Application to Participate), and any other allocation (other than Title IV student financial aid) are in agreement. A yearly reconciliation of the same items should be included in the school's most recent audit.

Refund This often refers to the portion of funds credited to a student's school account to cover institutional charges that a school returns to ED, a lender, or the student, if the student withdraws from, is expelled from, or drops out of school. If the student received any federal student financial aid (other than Federal Work-Study), by law, a part of the refund must go to those programs. "Refund" also can mean the return of interest or excess cash to ED from ED/PMS drawdowns or the return of audit and program review liabilities and fines. See also *Timely Processing of Refunds and Repayments*.

Refund Policy A "fair and equitable" policy that ensures a refund that is at least as much as the amount derived using:

(1) the requirements of applicable state law,

(2) the refund requirements established by the school's nationally recognized accrediting agency and approved by ED, *or*

(3) the statutory *pro rata* refund calculation defined by the Higher Education Amendments of 1992.

Regular Formula See *Full Data Element Formula*.

Regular Student A person enrolled or accepted for enrollment in an eligible program at an eligible postsecondary institution for the purpose of obtaining a degree or certificate offered by that institution.

Reimbursement Payment Method A method in which the institution, after making aid disbursements to students, submits Form ED/PMS 270, "Request for Advance or Reimbursement," to ED to be reimbursed for the funds it has expended. Payment is by ACH/EFT. See also *Automated Clearing House (ACH)* and *Monthly Electronic Expenditure Reporting System (MEERS)*.

Rejected (Pell Payment Data) A category of Federal Pell Grant processed payment data containing unacceptable or incomplete information that is rejected by the Central Processing System (CPS). An institution must correct the records and resubmit them to the CPS. See also *Processed Payment Data*.

Renewal FAFSA A pre-printed application form mailed to the student or his/her school by the CPS that must be updated for the student to be eligible for federal student financial aid. See

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

Repayment Funds owed when the cash disbursement (excluding Federal Work-Study [FWS], Federal Direct Loans, and FFEL Program loans) to a student was greater than the amount of the student's living expenses before the student withdrew from school. See also *Distribution Formula*, *Overpayment*, and *Timely Processing of Refunds and Repayments.*

Repayment Allocation Policy A policy a school must develop that specifies the order in which federal student financial aid repayments will be returned to the federal financial aid programs from which they were received. Allocating repayments is statutorily prescribed by the Higher Education Act (HEA). While an institution may determine its own allocation priorities, under no circumstances may a repayment to a particular aid program exceed the amount the student received from that program. See also *Distribution Formula*, *Overpayment*, and *Repayment.*

Repayment Period The period during which a borrower (student or parent) is scheduled to repay a student loan.

Repayment Plan The *overall timetable* by which a borrower is to pay back a student loan, which may include a standard repayment plan, an extended repayment plan, a graduated repayment plan, or an income-contingent repayment plan. See also *Repayment Schedule*.

Repayment Schedule The *specific timetable*, using the borrower's repayment plan as its basis, that details the amount of loan principal and interest 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 traditionally lists the loan's interest rate, the due date of the first loan payment, and the frequency of loan payments. See also *Repayment Plan*.

Resident Student A student who lives on campus or in housing owned and/or maintained by the institution.

Robert C. Byrd Honors Scholarship See *Robert C. Byrd Honors Scholarship* under "Byrd."

Room (as in "room and board") The cost of a student's on-campus housing or off-campus housing. See also *Board*.

-S-

SAR Information Acknowledgement See *Student Aid Report (SAR) Information Acknowledgement.*

Satisfactory Academic Progress (SAP) A measure of whether a student is progressing adequately toward completion of his or her course of study. It is determined in terms of grade point average and course completions.

Scheduled Award See *Scheduled Federal Pell Grant Award.*

Scheduled Cash Payment The total institutional cost for a student minus the total aid paid to institutional costs for the payment period.

Scheduled Federal Pell Grant Award (Scheduled Award) The Federal Pell Grant amount that would be paid to a full-time student for a full academic year.

Secondary EFC See *Expected Family Contribution (EFC).*

Secondary Markets Purchasers of student loan notes, such as the Student Loan Marketing Association (Sallie Mae) or other institutions. In this process, loan (promissory) notes are purchased for the face value of a multi-loan portfolio or at a negotiated price. Once sold, the secondary-market purchaser becomes the holder of the loan notes and has total responsibility for future loan servicing and assuring that the loans are repaid. In addition to Sallie Mae, there are approximately 30 secondary markets operating at state or regional levels; a number of commercial lenders also purchase loans.

Self-Evaluation A school's regularly scheduled in-house evaluation of the way it administers its student financial aid program.

Self-Help Aid Student financial aid loan programs or employment-opportunity programs awarded to students. Compare *Gift Aid.*

Separation of Functions As part of administering federal student financial aid programs, a school is required to establish and maintain a check-and-balance internal-control system ensuring that no single school office can both authorize payments and disburse funds to students. Often this required separation is created by dividing the functions between the school's financial aid office and the school's business office.

Simplified Needs Test Formula A statutorily created simplified financial-need analysis formula. A part of the Federal Need Analysis Methodology, it uses a limited number of data elements to calculate a student's Expected Family Contribution (EFC). The calculation then is used in assessing a student's need for postsecondary education financial assistance.

For the 1997-98 award year, a dependent student qualifies for the simplified EFC formula if all of the following are true:

- the student's parents filed or are eligible to file a 1996 IRS Form 1040A or 1040EZ (meaning they are not required to file a 1996 IRS Form 1040) or the parents are not required to file any income tax return; and
- the student filed or is eligible to file a 1996 IRS Form 1040A or 1040EZ (meaning he or she is not required to file a 1996 IRS Form 1040) or he or she is not required to file any income tax return; and
- the 1996 income of the student's parents from one of the two sources below is $50,000 or less (excluding any income of the dependent student)—
  - ◊ the parents' adjusted gross income from the 1996 IRS Form 1040A or 1040EZ, or
  - ◊ for parents who are not tax filers, the income shown on the 1996 W-2 forms of both parents (plus any other earnings from work not included on the W-2s).

For the 1997-98 award year, an independent student qualifies for the simplified EFC formula if both of the following are true:

- the student filed or is eligible to file a 1996 IRS Form 1040A or 1040EZ (meaning he or she is not required to file a 1996 IRS Form 1040), income tax return; and
- the student's (and spouse's) 1996 income from one of the two sources below is $50,000 or less—
  - ◊ the student's (and spouse's) adjusted gross income from the 1996 IRS Form 1040A or 1040EZ, or
  - ◊ for non-tax filers, the income shown on the student's (and spouse's) 1996 W-2 forms (plus any other earnings from work not included on the W-2s).

See also *Federal Need Analysis Methodology*. Compare *Full Data Element Formula.*

Site Visit A visit to a school during which an independent auditor, nationally recognized accrediting agency, state agency, or ED seeks to understand the school's physical plant, enrollment, student financial aid application process, and methods of monitoring student attendance. See also *Independent Audit* and *Nationally Recognized Accrediting Agency or Association*.

Six-Month Program An instructional program consisting of at least 16 semester or trimester hours or 24 quarter hours at an institution that uses credit hours to measure progress; 600 clock hours of supervised training at an institution that uses clock hours to measure progress; 600 clock hours in a correspondence program; or a program that the U.S. Secretary of Education determines to be a six-month program on the basis of the Secretary's agreement plus certification by the institution's nationally recognized accrediting agency or association that the program is equivalent in course content

and student workload to a comparable six-month credit-hour or clock-hour program.

Skip Tracing The process of searching for a borrower's address and telephone number for the purpose of collecting an outstanding student loan. Any information found in the borrower's school file may be used.

Source Document When estimating a student budget to use in determining cost of attendance (COA) at a school, this is the original supporting data for an item's cost or estimated cost and/or back-up material detailing why a certain expense decision was made or a specific dollar value was selected. See also *Cost of Attendance (COA).*

Special Allowance A percentage of the average unpaid principal balance paid by ED to the lender of a FFEL Program loan. In effect, ED pays extra interest on the loan to the lender in addition to the basic interest charged on subsidized 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 using 91-day Treasury bill rates.

SSIG See *State Student Incentive Grant (SSIG*).

Stafford Loan See *Federal Direct Stafford Loan, (subsidized), Federal Direct Unsubsidized Stafford Loan, Federal Stafford Loan,* and *Federal Stafford Unsubsidized Loan.*

Statement of Account (SOA) An official Federal Pell Grant statement from ED that sets a school's Pell authorization level for the upcoming award year and projects adjustments to the school's Pell funding needs. See also *Federal Pell Grant Program.*

Statement of Educational Purpose A statement on the FAFSA that the student must sign in which he/she agrees to use federal student financial aid solely for education expenses.

State Student Incentive Grant (SSIG) A need-based, gift-aid program jointly funded by the federal government and participating states.

Student Aid Master Record An institutional record containing information for an in-school student for each award year. The institution records all basic information relating to all student aid programs, including institutional and other aid programs, on the master record.

Student Aid Report (SAR) The report sent directly to a student from ED's Central Processing System (CPS) that summarizes the 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 these submitted figures.

The SAR includes:

- the Student Information Summary;
- the Information Review Form (IRVF) *or* the Information Request Form (IRQF); and
- financial aid history.

See also *Institutional Student Information Record (ISIR), Payment Data,* and *Student Aid Report (SAR) Information Acknowledgement.*

Student Aid Report (SAR) Information Acknowledgement A non-correctable Student Aid Report (SAR) sent to students who transmit the Free Application for Federal Student Aid (FAFSA) electronically through their school. See *EDExpress.*

Student Budget See *Cost of Attendance* and *Source Document.*

Student Confirmation Report See *Student Status Confirmation Report (SSCR).*

Student Contribution The dollar figure a student is expected to contribute toward postsecondary education costs from base-year income (taxed and untaxed) and assets. This amount is determined by analyzing the student's income and assets in tandem with provided allowances designed to ensure that the student actually can contribute the necessary expenses. See also *Assets, Base Year (for financial aid awards), Taxed Income,* and *Untaxed Income.*

Student Financial Aid Programs (SFA Programs) Another term for Title IV student financial aid programs.

Student Loan Reform Act of 1993 (SLRA) Federal legislation modifying the Higher Education Act (HEA); it was enacted on August 10, 1993. It created the Federal Direct Student Loan Program (since renamed the William D. Ford Federal Direct Loan Program) and eliminated the Federal Supplemental Loans for Students (SLS) Program. See also *Higher Education Act of 1965, as amended (HEA).*

Student Payment Summary (SPS) A listing retained in ED's records of a school's Federal Pell Grant recipients and their award information. The list is based on the payment data submitted by the school. It can be used to assist the school in reconciling Pell payment activity. The summary is sent to the institution at least three times during the award year, as well as at the end of the award year.

Student Status Confirmation Report (SSCR) A National Student Loan Data System (NSLDS) report (either printed or on magnetic tape) that is sent to educational institutions at least twice a year. It lists all the Direct Loan and FFEL Program Loan borrowers at the institution who:

(a) have loans guaranteed by a guaranty agency and

(b) were last reported as enrolled at the school.

The institution is required to provide guaranty agencies with certain enrollment information about each of their borrowers. Lenders use the SSCRs as a monitoring device to help determine when student borrowers are required to begin repaying their student loans.

Supplemental Allocation An additional allocation of available funds for one or more campus-based programs that may be given to a school on the basis of the school's need for additional funds. Supplemental allocations are made after some schools release unexpended campus-based funds at the end of an award year. See *also Allocation, Appropriation,* and *Deobligation.*

Supplemental Educational Opportunity Grant (SEOG) See *Federal Supplemental Opportunity Educational Grant (FSEOG).*

Supplemental Loans for Students (SLS) Δ See *Federal Supplemental Loans for Students (SLS).*

-T-

Taxed Income Personal income (earnings) subject to federal tax. Compare *Untaxed Income.*

Telecommunications Course A course offered principally by television, audio, or computer transmission, including open broadcast, closed circuit, cable, microwave or satellite, audio conferencing, computer conferencing, or videocassettes or videodiscs. The term does not include a course that is delivered by videocassettes or disc recordings unless that same course is delivered to students physically attending classes at the institution during the same award year. See also *Correspondence Course or Program.*

Term-Based Schools Institutions that measure academic progress in either standard terms—quarters, trimesters, or semesters—or nonstandard terms (any terms that are not one of the three listed above).

Third-Party Servicer An individual, a state, or a private profit or nonprofit organization that contracts with an eligible postsecondary educational institution to administer any aspect of the institution's participation in a federal student financial aid program. Not included in this definition: publishing ability-to-benefit (ATB) tests; performing FAFSA processing; performing a financial compliance audit; mailing documents prepared by the institution; and warehousing institution records.

Timely Processing of Refunds and Repayments Schools must notify students and loan lenders in writing when financial aid is refunded or repaid to federal student financial aid programs. Schools must return refund or repayment portions to the Federal Pell Grant

Program, the Direct Loan Program, and the campus-based programs within 30 days of a student's withdrawal date and, under the FFEL Program, return proceeds to the lender within 60 days of a student's withdrawal date. If an audit or program review reveals that a school is not meeting the deadlines for returning refunds and repayments to federal student financial aid accounts, the school incurs a financial liability. See also *Refund* and *Repayment.*

Title IV Student Financial Aid Federal financial aid programs for students attending postsecondary educational institutions that are authorized to award federal aid under Title IV of the Higher Education Act of 1965, as amended. The programs are administered by the U.S. Department of Education. Title IV programs consist of: the campus-based programs, the FFEL Program, the William D. Ford Direct Loan Program, the Federal Pell Grant Program, SSIG, and the Robert C. Byrd Honors Scholarship.

Title IV Wide Area Network (TIV WAN) The system that connects a school's financial aid office with other ED Title IV systems. TIV WAN uses store-and-forward technology to allow schools to pass data to various ED contractors and allow contractors to pass data back to schools. Each school has a mailbox, or destination point, on the Title IV WAN. Schools use Title IV telecommunications software, or their own software, to dial up their mailbox and send or receive Title IV data.

Tolerance Levels (verification) A dollar-value level of errors in the income or asset information used to calculate the Expected Family Contribution. If the error level is at or below the maximum tolerance level for a given year, student applicant information does not need to be reprocessed. The *Verification Guide* provides important details on tolerance levels. See also *Verification.*

Transfer of Funds Moving a statutorily allowable percentage of financial aid allocations from Perkins Loan funds to Federal Work-Study (FWS) funds and from Perkins Loan funds and FWS funds to Federal Supplemental Educational Opportunity Grant (FSEOG) funds.

Two-Academic-Year Transfer Program A formal education program of two academic years that is acceptable for full credit toward a bachelor's degree.

-U-

Undergraduate A postsecondary-education student who does not have a first baccalaureate degree or a first professional degree.

Underutilization Disbursing a smaller amount of campus-based program financial aid funds to eligible students during an award year than the institution's allocated funding level allowed.

Unmet Need The remaining need from a student's cost of attendance (COA) at a specific school after subtracting the student's Expected Family Contribution (EFC) and Estimated Financial Assistance (EFA). (COA - EFC - EFA = student's unmet financial need.)

Untaxed Income Income (earnings) or resources that are not subject to federal tax and are not reported on a tax form. Examples of untaxed income are welfare benefits, child support, interest on tax-free bonds, some Social Security benefits, certain unemployment compensation, and military and other subsistence and quarters allowances. Compare *Taxed Income.*

Update Requirement Required notification to ED of a change in the information originally reported on a student's aid application. Updates are required for changes in household size, number of family members enrolled in postsecondary education, and dependency status. If the numbers in these items change, it might cause a significant change in the student's Expected Family Contribution (EFC).

U.S. Code (U.S.C.) The federal government's compilation of public laws.

-V-

Verification The technical and administrative procedures for detecting and resolving

inaccuracies in the data a student (and family) supplied on the Free Application for Federal Student Aid (FAFSA). ED publishes a Verification Guide each year that details verification guidelines and procedures. See also *Conflicting Information, Edit Checks,* and *Tolerance Levels (verification).*

Verification Items Specific student (and family) applicant information that must be checked for accuracy during the federal student financial aid verification process. Verification may extend to other items on the Free Application for Federal Student Aid (FAFSA) at the discretion of the financial aid administrator. See also *Conflicting Information* and *Verification.*

Verification Worksheet The worksheet students and parents complete for the verification process.

-W-

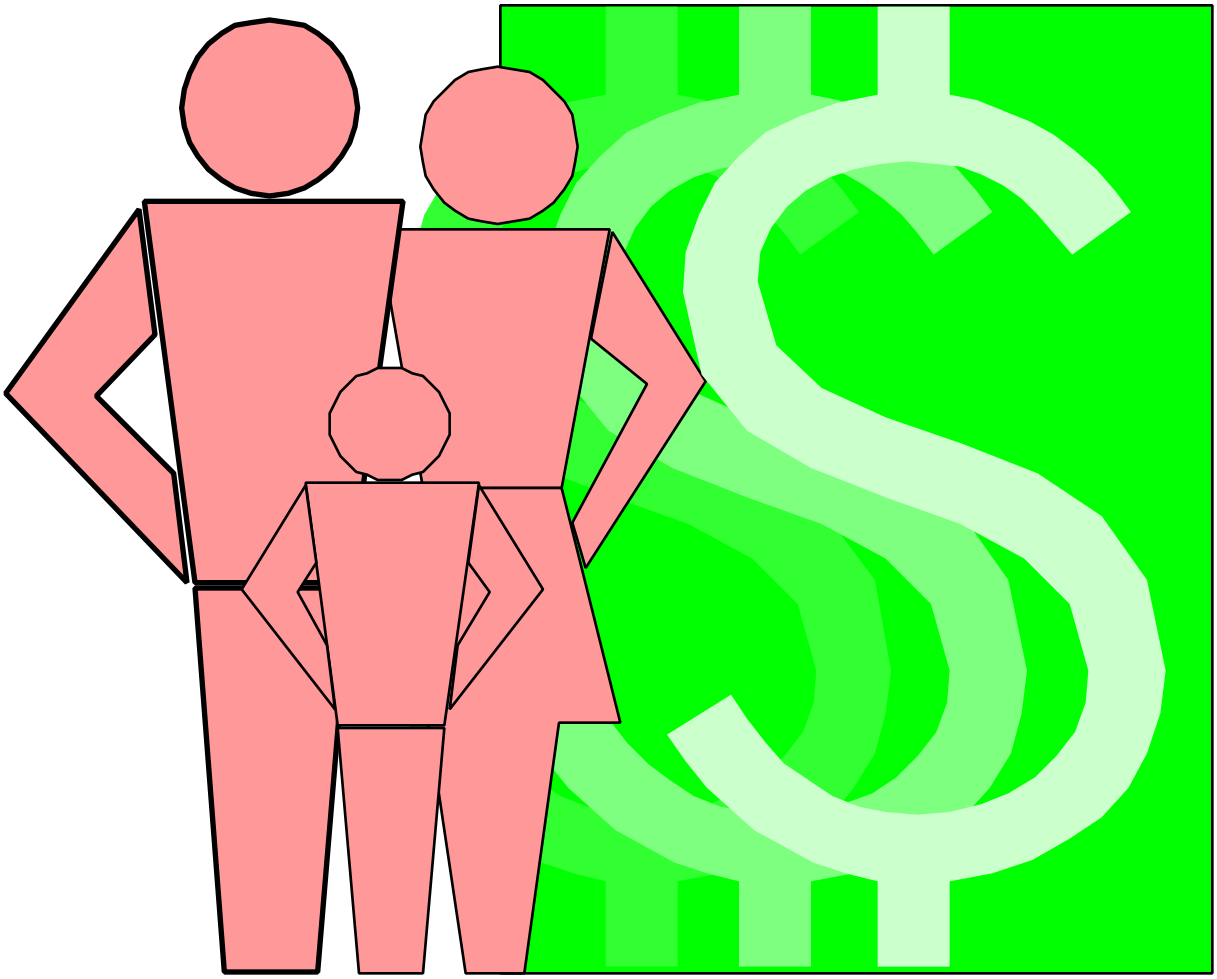
William D. Ford Federal Direct Loan Program
See *Direct Loan Program.*

Withdrawal Date The latest of the date a student notifies a school of his/her withdrawal, or the date specified by a student, or the last date of a student's recorded attendance. If a student is enrolled in a correspondence program, the withdrawal date is the date of the last lesson submitted by the student if the student failed to submit the subsequent lesson according to the school's schedule. Compare *Drop-Out Date.*

-X, Y, Z-

No entries

Glossary



Appendix B

Training and Program Information Division
Student Financial Assistance Programs
Office of Postsecondary Education
U.S. Department of Education