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# Glossary



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**Ability to Benefit (ATB)** In order for a student to be eligible for Title IV program assistance, a student must have earned a high school degree, its equivalent, completed home schooling, or be beyond the age of compulsory school attendance and pass an independently administered examination as approved by the U.S. Secretary of Education.

**Academic Period** A measured term of enrollment (such as a semester, quarter, trimester, or clock or credit hour).

**Academic Year** A period that begins on the first day of classes and ends on the last day of classes or examinations and that is a minimum of 30 weeks (except as provided in 34 CFR 668.3) of instructional time during which, for an undergraduate educational program, a full-time student is expected to complete at least: (a) 24 semester or trimester hours; or (b) 36 quarter hours in an educational program whose length is measured in credit hours; or 900 clock hours in an educational program whose length is measured in clock hours.

**Acceleration** When the holder of a loan demands immediate repayment of the entire loan, including any late charges, collection costs and accrued interest. In the Federal Perkins Loan program, a school may accelerate a loan if the borrower does not: (a) make a scheduled repayment on time; or (b) file cancellation or deferment form(s) with the institution on time.

**Accounting Period** A time period for which financial records are maintained and at the end of which financial statements are prepared. See *Financial Statement*.

**Accrual Basis** The type of accounting under which incomes are recorded when earned (regardless of when cash is actually received) and expenses are recorded when liabilities are incurred (regardless of when cash is actually expended).

**Accrued Interest** Interest that accumulates on the unpaid principal balance of a loan.

**Accrued Salaries** Wages earned between the last pay date and the end of the accounting period being reported, but not yet paid to the appropriate students. Unpaid student wages are considered a school liability.

**Actual Disbursement Record** A disbursement record submitted to the COD System in order to request or substantiate funding. Actual Disbursement Records post to a student/borrower's award (loan or grant).

**Actual Interest Rate** The annual interest rate a lender charges on a loan, that may be equal to or less than the applicable, or statutory, interest rate on that loan.

**Additional Unsubsidized Federal Stafford Loan** The additional amount of unsubsidized Stafford loans available to independent undergraduate students, graduate/professional students, and dependent undergraduate students whose parents are unable to obtain a Federal PLUS Loan.

**Adjusted Gross Income (AGI)** All taxable income less IRS allowable adjustments to income. This figure is drawn from an individual's federal tax return.

**Adjusting Entry** A journal entry made for purposes of correcting an error (such as a transfer of funds between accounts) or recording an accrual (such as earned, but unpaid, student payroll at the end of an accounting period).

**Administrative Cost Allowance (ACA)** The allowance paid to schools by the Department of Education for participating in the Federal Pell Grant Program and the Campus-Based programs. This is money paid to schools to offset some of the cost of delivering financial aid to students.

**Administrative Relief Request** Generally, a school may not make a late disbursement later than 120 days after the date the student becomes ineligible. However, on an exception basis, the Department may approve a school's request to make a late disbursement after 120 days if the reason the disbursement was not made during the 120-day period was not the fault of the student or parent. See also *Extended Processing Request*.

**Administrative Offset** An offset assessed by ED against a Title IV participating school to collect program review, audit, and formal fine debts. ED withholds a portion of a school's Grant Administration and Payment System (GAPS) authorized payments and applies them toward the school's debt.

**Administrative Wage Garnishment** Process by which a guarantor (including ED), under federal law, may intercept a portion of the wages of a borrower with a defaulted FSA loan.

**Advance Payment Method** Under this payment method, a school may submit a request for funds to ED before disbursing aid to eligible students.

**Aggregate Loan Amount** The total amount disbursed (less any amount repaid or cancelled) to a borrower under a given loan type throughout the borrower's academic career. This amount must not exceed applicable total loan limits, which are based on the student's graduate/undergraduate status.

**Aging of Drawdown** The process of tracking the time elapsed from the date funds were drawn down to the date a school fully substantiates the drawdown by submitting actual disbursement records.

**American Institute of Certified Public Accountants (AICPA)** The national professional organization for Certified Public Accountants.

**Aid Package** A combination of financial aid (scholarships, grants, loans, and/or work-study) assembled by the financial aid office of a college or university for an eligible recipient.

**Allocation** A specific sum of money awarded to an institution for use during a specific period. Campus-Based funds (Federal Supplemental Educational Opportunity Grant [FSEOG], Federal Work-Study [FWS], and Federal Perkins Loan) are allocated to a school on an award-year basis. An allocation may also be referred to as obligation, award authorization, grant authorization, or Document Number.

**Allowable Charges** Educational expenses that a student incurs for which a school may credit a student's account with FSA funds. These charges may be credited to a student's school account and paid using FSA funds. These charges may include current charges for tuition and fees and room and board (if the student contracts with the school for these services). Other current charges that a student incurs for educationally related activities may be considered allowable charges if the school obtains the student's authorization (or parent's authorization for PLUS Loan funds) to have such charges paid with FSA funds. Allowable charges may also include certain minor charges for the previous award year. See *Current Charges*.

**Amortization** The process of repaying a loan over an extended period of time through periodic installment payments of principal and interest.

**Annual Award** The maximum Pell Grant a student would receive during a full academic year for a given enrollment status, EFC, and COA. (*For a full-time student, the annual award will be the same as the Scheduled Award.*)

**Annual Loan Limit** The maximum amount that a student may borrow at a particular grade level in one academic year.

**Annual Percentage Rate (APR)** Designed to measure the *true cost of a loan*, this is the equivalent interest rate including all added costs, e.g., fees and interest over the term of the loan. Usually expressed as a percentage.

**Anticipated Completion (Graduation) Date** The date on which a student is expected to complete an academic program.

**Anticipated Disbursement Record** Disbursement information submitted to COD on either an Edit Only record or an Origination Record that is not intended to request or substantiate funding. An anticipated disbursement does not post to a student/borrower's award (loan or grant).

**Applicable Interest Rate** The maximum annual interest rate that a lender may charge on a loan. Sometimes referred to as the statutory interest rate.

**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 year or award year. The dollar amount appropriated may be equal to or less than (but not more than) the total amount permissible under the authorizing statute.

**Assignment** A school's transfer of a defaulted National Defense Student Loan, National Direct Student Loan (NDSL), 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 FFEL Program loans to ED.

**Audit** An independent examination of a school's financial transactions, accounts, reports, and compliance with applicable laws and regulations.

**Audit Exceptions** Actions identified through an audit that are not in compliance with federal guidelines. These are often referred to as *Audit Findings*.

**(The) Audit Guide** A manual to be used by independent auditors performing audits of FSA funds at schools.

**Audit Report** A report prepared by an auditor after a federal audit is performed. In a nonfederal audit, this report is prepared by an auditor or audit firm according to the guidelines provided in the *Audit Guide* or according to OMB Circular A-133.

**Audit Trail** A clear, easy-to-follow path from summary reports and ledgers back to lower-level summary information and primary documentation of individual transactions.

**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)/Award** The approved expenditure level for a FSA program for an award year. Each award year, ED notifies participating schools of their authorized levels of expenditures for the Federal Pell Grant Program and the Campus-Based programs in which it participates. A legal document, issued by a program office or by the Grant Policy Oversight Staff, obligating the Department to provide funds, through GAPS, in support of education programs. Also used to refer to the funds themselves.

**Authorizing Official** The individual in the payee's organization who has the authority to approve those individuals who can request funds from the Department of Education. The chief financial officer is the authorizing official for most organizations.

**Automated Clearinghouse (ACH)** A computer-based clearing and settlement operation, often operated by a Federal Reserve Bank, established for the exchange of electronic transactions among participating depository institutions. Such electronic transactions can be substituted for paper checks used to make recurring payments, such as payroll or preauthorized insurance premiums. The U.S. Treasury uses the ACH extensively to pay certain obligations of the government.

**Automatic Debit** The automatic deduction of funds from the borrower's checking or savings accounts to cover monthly education loan payments. Borrowers may receive a 0.25 percentage interest rate reduction on eligible loans during active periods of repayment as long as payments are made on time.

**Automated Suspension of Funds** The automated decrease of an allocation (authorization amount) listed in the Grant Administration and Payment System (GAPS). This decrease occurs when an inactive award (allocation) is closed. As a result, the school must adjust its own expenditure records for that allocation to the appropriate disbursement amount.

**Automated Voice Response (AVR)** An option for placing requests for automated clearinghouse (ACH) payments through a service bureau. This request is made using a touch-tone telephone. It represents one of two payment-request modes available to schools.

**Available Balance** The difference between an obligation and net drawdowns for Pell Grants. Available balance does not include obligations supported by accepted actual disbursements.

**Average Daily Balance (ADB)** The sum of unpaid principal balance outstanding on all qualifying loans at each actual interest rate for each day of the quarter, divided by the sum of the number of days in the quarter.

**Award** As a noun, a specific amount of financial assistance to pay for education costs offered to a student through one or more financial aid programs. As a verb, approving financial assistance to students. A participating school makes a determination of the amounts and types of assistance it has available to offer to the student along with any other types of assistance the student may have received or will receive. Under 34 CFR 668.16(h), the school is required to provide information about the source and amount of each type of aid offered.

**Award Letter** An official document issued by a financial aid office listing the types and amounts of all the financial aid awarded to the student. Generally, the award letter includes information about the cost of attendance and terms and conditions for the financial aid.

**Award Periods** Varying by program, these periods include: Performance Period, Liquidation Period, Suspension Period, and Closeout Period.

**Award Year** The time period from 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 (October 1 through September 30). FFEL and Direct Loan funds are not tied to an award year.

**Bankruptcy** A person is declared bankrupt when found to be legally insolvent and the person's property is distributed among creditors or otherwise administered to satisfy the interests of creditors. Generally, FSA loans cannot be discharged through bankruptcy.

**Base Year** The 12-month period ending on December 31 of the calendar year that precedes an award year. For example, the calendar year 2004 is the base year for the 2005-2006 award year. Student applicants are required to provide base year data upon which eligibility is determined since tax records are available to verify the information provided on the FAFSA.

**Batch** A group of records assembled in a single file that is then transmitted electronically as one unit to ED for processing. Each batch contains a header record and a trailer record with information about the records in the batch, including the number of records and the school ID number.

**Begin/End Date** The month and year on which a grant award begins and ends. It is the funding period for the award, plus any amendments. Normally, the funding period is 12 months.

**Booked Loan** A Direct Loan award that has been linked to a promissory note and an accepted actual disbursement.

**Bookkeeping** Analyzing, classifying, and recording financial transactions according to an established plan. Provides a means by which an organization's business may be conducted in an orderly fashion and establishes a basis for reporting the financial condition of an organization and the results of its operation. The two methods of bookkeeping are single entry and double entry.

**Borrower** The person who receives loan funds and is legally obligated to repay those proceeds with interest at a future date per the conditions established in a promissory note.



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**Borrower Based Academic Year (BBAY)** One of two types of academic years a school can use in determining a period of enrollment or when another year will begin for the student: scheduled academic year (SAY) and borrower-based academic year (BBAY). Clock-hour and nonterm credit-hour programs must use the BBAY. Term-based credit-hour programs can use either SAYs or BBAYs if the program's academic year provides at least 30 weeks of instruction (unless ED grants a waiver for an academic year of less than 30 weeks). For a term-based credit-hour program, the school can use BBAYs for all its students, students enrolled in certain programs or on a student-by-student basis. The school can even alternate BBAYs with SAYs for a student, but the academic years must not overlap. Schools exercising these choices must have a written policy that explains how it applies these options when calculating loan eligibility.

**Borrower-specific deferment** Refers to the federal requirement that eligibility for deferment be applied to all of a borrower's loans, rather than to each separate loan. For example, a borrower who has used the maximum 24 months of internship deferment is not entitled to an additional internship deferment.

**Budget** The total cost of attending a post-secondary school for one academic year. The student's budget usually includes tuition, fees, room, board, books, supplies, travel, and personal expenses. Each school develops its own student budget.

**Budget Period** Usually, a 12-month period where a grant award has an approved budget. See also project period award.

**Bursar's Office, Business Office** The institutional office that is responsible for the billing and collection of school charges.

**Call for Cash** Requirement that a school return unsubstantiated funds previously drawn down. Pertains to schools using the Advance Pay funding method.

**Campus-Based Programs** Federally funded financial aid programs that are administered by eligible participating schools. Campus-Based Programs include Federal Perkins Loans, Federal Supplemental Educational Opportunity Grants (FSEOG), and Federal Work-Study (FWS). Also see *Fiscal Operations Report and Application to Participate* (FISAP).

**Cancellation** Releasing a borrower from the obligation to repay all or a portion of his or her loan.

**Capitalizing Interest** A process in which interest that has accrued but has not been paid is added to the loan principal. By increasing the amount of the principal capitalization increases the total amount that must be repaid over time.

**Carry Forward/Carry Back** A special provision of the Federal Work-Study (FWS) Program and the Federal Supplemental Educational Opportunity Grant (FSEOG) Program that allows an institution to transfer up to 10 percent of its annual FWS and FSEOG allocations back to the previous award year or forward to the next award year. In addition, a school may carry back funds from the current award year to pay student wages earned from May 1 through June 30 of the previous award year.

**Case Management Team (CMT)** See *School Participation Team*.

**Cash Advance** A transfer of funds from a federal agency (from an account in the U.S. Treasury through the Federal Reserve Bank) to a school, or institutional funds used in advance of a school receiving FSA funds.

**Cash Basis** The basis of accounting where revenues are recorded when cash is received, and expenditures are recorded when cash is disbursed.

**Cash On Hand (COH)** The amount of federal funds in the depositor account at the payee's financial institution which have not been disbursed. Cash on hand is calculated as the total funds received less the Federal share of disbursements made plus refunds received. The balance does not include accruals, accounts payable, or funds belonging to the Department of Education (e.g., interest earned). See also Excess Cash.

**Cash Management** The federal regulations contained in Subpart K of 34 CFR 668. These regulations establish the rules and procedures a school must follow to request, maintain, disburse, and otherwise manage FSA funds.

**Cash Monitoring Payment Method** One of the types of heightened monitoring that ED uses to monitor the operation of schools about whose administration of the FSA programs it has concern.

**Cash Pooling** For institutions permitted to do so, depositing federal funds for all FSA programs (except Direct Loans) in a single bank account.

**Central Processing System (CPS)** The CPS processes information from the Free Application for Federal Student Aid (FAFSA), calculates the Expected Family Contribution (EFC) for each applicant, prints the Student Aid Report (SAR) that is sent to the student, and transmits the Institutional Student Information Record (ISIR) data electronically to the school(s) listed on the FAFSA. Data from the CPS system is used to verify eligible students.

**Certification** The act of attesting that something is true or meets a certain standard. For example, the school completes its section of a FFELP application, thereby confirming the borrower's eligibility for the guarantee and, if applicable, interest benefits and special allowance.

**Chart of Accounts** A list of financial account numbers, titles, and types of accounts arranged in a systematic way to help schools identify the accounts in their fiscal management system and ledgers. These accounts form the foundation for the school's FSA reporting process.

**Closeout Process** The process of closing a suspended grant award. The closeout process includes the following periods: liquidation, suspension, and closeout.

**Closeout Period** Closeout follows the suspension period. During this period, the award is closed and any remaining funds are de-obligated.

**Closing** The process of preparing, entering, and posting closing entries. A closing entry is a journal entry in which balances in revenue accounts and expense accounts are transferred to the fund balance at the end of the accounting period (calendar year or fiscal year). Because revenue accounts and expense accounts provide the information for a statement of operations of a given accounting period, it is essential these accounts have zero balances at the beginning of each new period. Asset, liability, and fund balance accounts are not closed at the end of the accounting period, as their balances carry over to the new period.

**Co-maker** One of two married individuals who jointly borrow a Consolidation loan, each of whom are eligible and who are jointly and separately liable for repayment of the loan. Also includes one of two parents who are joint borrowers as previously authorized in the PLUS Program.

**Code of Federal Regulations (CFR)** The codification of the rules published in the Federal Register by the executive departments and agencies of the Federal Government. Each volume of the CFR is updated once each calendar year and is issued on a quarterly basis. Education (Title 34) is updated on July 1<sup>st</sup> of each year. You can search the most recent CFR by accessing the following website: <http://www.access.gpo.gov/nara/cfr/cfr-table-search.html#page1>.

**Cohort Default Rate** A measurement of the percentage of a school's borrowers who enter repayment in a federal fiscal year and default on their loans before the end of the next federal fiscal year.

**Collection** The activities and/or actions by lenders, guarantors, servicers, and collection agencies to obtain payment on unpaid loan principal and interest from a borrower after that borrower defaults on the loan.

**Collection Agency** A business organization that receives delinquent or defaulted loan accounts from lenders and attempts to collect on those accounts. A fee is charged for the service.

**Collection Charges** Costs incurred by the lender or its agents in collecting overdue payments. These charges may include, but are not limited to, attorney's fees, court costs, and telegrams. They may not include routine costs associated with preparing letters or notices or making telephone calls to the borrower.

**Common Application** A standardized application and promissory note developed by FFELP participants and approved by the Department by which a borrower applies for a FFELP loan. Common applications are periodically revised and approved to reflect major changes in FFELP regulations.

**Common Origination and Disbursement (COD)** The system for processing origination and disbursement reporting. The COD System accommodates the COD Process for Pell Grant and Direct Loan funding.

**Common Origination and Disbursement Technical Reference** A document focusing on the technical requirements of the COD system. It provides a COD system overview, a list of changes, processing information (e.g., comment codes and edits), print specifications, and technical specifications (e.g., Common Record layout, XML information). Located at: [www.fsadownload.ed.gov](http://www.fsadownload.ed.gov).

**Common Record** The Common Record is a data transport mechanism used by trading partners participating in the FSA programs. The Common Record is a document formatted in Extensible Markup Language (XML).

**Community Service** A service identified by an institution of higher education, through formal or informal consultation with local nonprofit, governmental, and community-based organizations that is designed to improve the quality of life for community residents, particularly low-income individuals, or to solve particular problems related to their needs.

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

**Composite Score** A measure of financial responsibility for proprietary and private nonprofit institutions. ED uses the composite score to determine whether institutions demonstrate financial responsibility under the regulations in Subpart L of 34 CFR 668. Institutions provide the information that is used to perform these calculations in their required annual financial statement audits.

**Conflicting Information** Information held by any office at a school that bears upon a student's eligibility for Federal Student Aid and conflicts with the information on a student's FAFSA. Also see *Verification*.

**Confirmation** The process that takes the place of the previous requirement that the borrower sign a new note for each academic year (in Direct Loans) or period of enrollment (in FFEL). Schools must develop and document a confirmation process to ensure that a borrower wants subsequent loans. A student must accept, either actively or passively (i.e., through notification), the loan amount offered.

**Consolidation** Refinancing multiple education loans into one new loan with a new repayment term, monthly payments, and interest rate.

**Consortium Agreement** A written agreement between two or more eligible schools.

**Contra Account** The *other side of an account* where a reduction or offsetting deduction is recorded. For example, in Cash Control, if the GAPS account is debited, the contra account (the account to be credited) might be Accounts Receivable, GAPS.

**Contractual Agreement** A written agreement between an eligible school and an ineligible school.

**Control Account** A ledger account in which posting occurs simultaneously to a number of identical, similar, or related accounts, usually called subsidiary ledger accounts (the detail flows upward therefore supporting the control account). When these subsidiary ledger account balances are added together, the total should agree with the balance in the control account. A familiar example is accounts receivable. When several students have receivable balances in subsidiary accounts (an account receivable system), the sum of the balances for all the students agrees with the total in the general ledger, control account.

**Control Number** A 13-digit number assigned by GAPS to all payment requests. The control number is used to track the payment request during its processing by GAPS. It consists of the date of the request expressed as YYYYMMDD and a unique five-digit sequence number.

**Correction** Data on the SAR/ISIR that was changed to correct a FAFSA error.

**Corrective Action** As part of any fine, any limitation, suspension, or termination proceeding, or any adverse finding in a report or review. ED may require a postsecondary institution to take corrective action. This action may include making payments to eligible students or repaying any illegally used funds to ED. ED may offset any funds to be repaid against any benefits or claims due to the institution from ED.

**Corrective Action Plan (CAP)** A written plan an institution submits to ED, as required by an ED official, a hearing official, or the U.S. Secretary of Education. In this plan, the institution explains what reasonable and appropriate steps it will take to remedy any ED-determined violation(s) of applicable laws, regulations, special arrangements, agreements, or limitations based on present or prior financial aid audit or program review findings.

**Cosigner** A person who signs the promissory note in addition to the borrower and is responsible for the obligation if the borrower does not pay.

**Cost of Attendance (COA)** Costs related to a student's enrollment in a postsecondary school for a defined academic period. COA components include tuition and fees, room and board, allowances for books and supplies, transportation, and miscellaneous personal expenses, along with other applicable expenses such as loan fees, dependent-care costs, costs related to a disability, and study-abroad costs, as outlined in Section 472 of the HEA. The EFC is subtracted from the COA to determine the student's need for aid.

**Coverdale Education Savings Account (ESA)** A savings account set up to pay education expenses of a designated beneficiary who must be under 18 when the account is created. Distributions are tax free if they are not more than the adjusted qualified education expensed for the school year.

**Credit Balance (Title IV)** Refers to those Title IV funds that exceed the student's allowable charges. A school must pay this balance directly to the student (or parent, if PLUS Loan funds create the credit balance) as soon as possible, but no later than 14 days after the credit balance occurs (or no later than 14 days after the first day of classes of the payment period if the credit balance occurs on or before the first day of class).

**Credit Bureau** An agency that gathers and stores credit information on individuals. When a credit report is needed for a loan application, a credit bureau produces a report to the lender based on the gathered data. The lender also reports back to credit bureaus how much an individual borrowed and whether the individual makes payments when due.

**Current Charges** Charges assessed the student by the school for the current award year or the loan period for which the school certified or originated a FFEL or Direct Loan.

**Current Funding Level (CFL)** Total amount of cash available for a school to draw down at any point in time. A school's current funding level may be adjusted based on the amount of substantiated cash.

**Current Social Security Number** This is the number in the Current Social Security Number (SSN) field on the latest CPS Transaction used to establish an award for a student on the COD System. Current SSN is a component of the student identifier in the COD System.



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**Data Assumptions** Assumptions the Central Processing System makes about certain data values the student reported on the FAFSA when the information appears inconsistent/contradictory. For example, if a FAFSA indicates that the student is married and it reports two incomes, but only one in the household, the CPS assumes that the value for number in the household should be two. If the CPS assumption is incorrect, the student or the FAA can make corrections. FAAs can also override the assumptions on an initial FAFSA transaction. Assumptions are noted on the SAR and ISIR. On an ISIR, a field containing an assumed value is highlighted with an asterisk (\*).

**Data Rejects** Application data rejected by the CPS when required information is omitted, incomplete or inconsistent. Examples of reasons for rejects include: an application that is not signed by the student; and an application for a dependent student that omits parental information. When an application is rejected, the EFC is not calculated.

**Data Release Number (DRN)** Information on the Student Aid Report (SAR) found on the upper right corner of the first page. This number is required to accurately identify the appropriate FAFSA data for release to additional schools.

**Database Matches** CPS matches certain FAFSA information with other federal databases. As part of normal FAFSA processing, the CPS performs database matches to determine if an applicant meets certain eligibility criteria. These federal databases include the Social Security Administration (SSA), Selective Service (SS), Department of Veteran's Affairs (VA), Department of Homeland Security (DHS) [formerly Immigration and Naturalization Service (INS)], and National Student Loan Data System (NSLDS).

**Days Past Due** The number of days that have passed since the unsatisfied payment due date.

**Dear Colleague Letter (DCL)** ED posts Dear Colleague/Partner Letters related to various Title IV subjects to the IFAP website. These letters highlight important changes to, or clarification of, current regulations or requirements for the Title IV programs. IFAP includes the most recent three calendar years of DCLs as well as a history of DCLs dating back to 1995 at: <http://ifap.ed.gov/IFAPWebApp/currentDPCLettersPag.jsp>.

**Stored-value Card** Traditionally a prepaid debit card that can be used to withdraw cash from an ATM or to purchase goods from a merchant. However, unlike a traditional debit card, a stored-value card is not tied to a checking or savings account. Before a school that enters into an agreement with a financial institution to disburse Title IV credit balances to its students by making them available through bank-issued stored-value cards can transfer a student's funds to the financial institution, the school must first obtain the student's permission as it would for any EFT.

**Debt-Management Counseling** Counseling provided to a student about debt and accumulated indebtedness. Counseling is required both before the student receives the first disbursement of the first loan, often referred to as *entrance counseling*, and when the student is scheduled to complete an academic program, commonly referred to as *exit counseling*.

**Default** Failure to repay a student loan according to the agreed-upon terms of a promissory note. Default occurs at 180 days when the delinquency date is prior to 10/7/98, and 270 days when the delinquency date is on or after 10/7/98. The school, lender, and state and federal governments may take legal action against the borrower to recover defaulted loan funds.

**Default Reduction Assistance Program (DRAP)** A program established by ED wherein a school can ask the Department to send a borrower a letter warning the borrower of the seriousness of default.

**Deferment** A period during which a borrower, who meets certain criteria, may suspend loan payments. For some types of loans, the federal government pays the interest during a deferment. On others, the interest accrues and is capitalized and the borrower is responsible for paying it.

**Delinquency** Failure to make monthly loan payments when due. Delinquency begins with the first missed payment.

**Department of Homeland Security (DHS)** The federal agency that has oversight of Immigration. The CPS conducts a match of FAFSA data against this agency's database to confirm immigrant student identification and eligibility for federal student financial aid.

**Department, The (ED)** The United States Department of Education or an employee of The Department authorized to act on its behalf.

**Dependency Override** Action taken by a Financial Aid Administrator (FAA) that changes a student's dependency status from dependent to independent.

**Dependent Student** A student who must provide parent information on the FAFSA. A dependent student is an undergraduate who is not married, is under 24 years of age, has no legal dependents, is not an orphan or ward of the court, nor a veteran of the U.S. Armed Forces.

**Destination Point Administrator (DPA)** The key school person responsible for the security of access to the Student Aid Internet Gateway (SAIG). The DPA is responsible for assigning and providing access to U.S. Department of Education systems for other employees of the school.

**DHS Secondary Confirmation Flag** An indicator on the ISIR reporting the results of subsequent CPS data matches with the DHS database (after the initial match fails) to confirm the status of an applicant for federal student aid as an eligible noncitizen.

**Direct Loan (DL)** A federal program, also called the William D. Ford Federal Direct Loan Program, through which the U.S. Government rather than a commercial lender provides four types of education loans to student and parent borrowers: Subsidized and Unsubsidized Stafford Loans for students, PLUS Loans for parents, and Consolidation Loans for all borrowers.

**Disabled** An individual who is unable to work and earn money or attend school, during a period of at least 60 days.

**Disbursement** The process through which FSA program funds are paid to a student (or parent for PLUS Loan funds).

**Disbursement Record** An electronic record sent from a school to COD notifying ED when a Pell or Direct Loan disbursement has been made to a student.

**Disbursement Release Indicator (DRI)** The Disbursement Release Indicator is a tag on the Common Record that designates a record as an Actual Disbursement Record. It signals the COD System to post the amount of disbursement to an award (loan/grant). Formerly referred to as the *Payment Trigger Flag*.

**Discharge** The release of a borrower from the obligation to repay their loan. See also *Cancellation*.

**Disclosure Statement** Summarizes the contents of a borrower's promissory note.

**Disposable Income** That part of a borrower's compensation from an employer and other income from any source that remains after the deduction of any amounts required by law to be withheld, or any child support or alimony payments that are made under a court order or legally enforceable written agreement. Amounts required by law to be withheld include, but are not limited to, federal and state taxes, social security contributions, and wage garnishment payments.

**Document Number** See *Grant Award Number*.

**Double-Entry Bookkeeping** The method of accounting in which each posted transaction involves a two-way, self-balancing journal entry with equal debit and credit amounts. This entry is then posted from the journal to the corresponding ledger accounts involved.

**Drawdown** A drawdown occurs when a school or COD, on behalf of a school, initiates a request for money through GAPS, and the funds are transmitted from the U.S. Treasury to the school's bank account.

**Due Diligence** If a borrower fails to make payments on his or her loan according to the terms of the promissory note, the federal government requires the lender, holder, or servicer of the loan to make frequent attempts to contact the borrower (via telephone and mail) to encourage them to repay the loan and make arrangements to resolve the delinquency.

**D-U-N-S Number** The acronym for the Dun and Bradstreet Data Universal Numbering System Number. The D-U-N-S number is a unique identification code that is assigned to an institution by Dun & Bradstreet, a nationally recognized credit rating bureau.

– E –

**EDCAPS** The acronym for the Education Department Central Automated Processing System. EDCAPS is a centralized financial management system designed to integrate the Department's separate financial processes including financial management, contracts and purchasing, grants administration, and payment management.

**ED Pubs** ED center online for ordering information products. All publications are provided at no cost to the general public by the U.S. Department of Education. See the Schools Portal (<http://fsa4schools.ed.gov>) and click on Publications and How to Order.

**EDExpress** A PC-based software package provided by ED for schools to use in managing and administering federal student financial aid information.

**EDExpress Verification Worksheets** A Web-based tool available through FAA Access online to compare ISIR data with data an applicant provides on verification documents, such as a Verification Worksheet. It displays the differences between the ISIR and the verification document. The FAA can tell if the differences are within the verification tolerance level. Available for download at <http://fsadownload.ed.gov>.

**EDE Technical Reference** A document focusing on the technical requirements of the EDExpress software and the EDConnect software (used for sending and receiving electronic files) for programmers and data processing staff. It includes record layouts, required edits, print assistance, and reject messages applicable to the electronic Free Application for Financial Student Aid (FAFSA), Institutional Student Information Record (ISIR), electronic corrections and signature records. Located at <http://fsadownload.ed.gov>.

**Education IRA** See *Coverdale Savings Account*.

**Electronic Access Conference (EAC)** Held by ED, these annual conferences help financial aid and business officers keep their FSA skills current.

**Electronic Data Exchange (EDE)** Process for institutions (and other participating destination points, such as third-party servicers) to electronically transmit, receive, and correct application data, package student awards, and transmit Federal Pell Grant and Direct Loan payment information through the Student Aid Internet Gateway (SAIG).

**Electronic Data Processing (EDP) System** An electronic system used to process FSA disbursement and accounting data, including electronic transmission and storage.

**Electronic Data Processing Controls** Internal controls that ensure the integrity and reliability of data. They encompass operating procedures, software security, data access, program modification, segregating computer security duties and responsibilities, backup and recovery plans, and physical computer security.

**Electronic Funds Transfer (EFT)** Transfer of funds initiated through electronic means, such as data transmission by computer rather than a paper-based transaction, such as a check.

**Electronic Master Promissory Note (eMPN)** A Web-based Master Promissory Note. A student can complete and sign an MPN electronically instead of using a paper MPN. Users must have a PIN to initiate the process. Also see *Master Promissory Note*.

**Electronic Statement of Account (ESOA)** The ESOA details a school's funding levels in the FSA programs.

**Eligibility and Certification Approval Report (ECAR)** Summary of a school's eligibility information, including the FSA programs in which the school is eligible to participate. Also includes information about the school's accreditor, state authorization, staff, additional locations, and eligible vocational programs.

**Eligible Applicant/Student** An eligible applicant is a student who has submitted a Free Application for Federal Student Aid (FAFSA) and who meets the eligibility requirements of the FSA programs. The student must be currently enrolled or be a prospective student at a postsecondary school eligible to participate in the FSA programs.

**Eligible Borrower** A borrower or potential borrower who meets federal eligibility criteria for a Federal Stafford loan or, in the case of a parent borrower, a Federal PLUS loan.

**Eligible Institution** An institution of higher education, a postsecondary vocational school, or a proprietary institution of higher education that meets all the eligibility requirements for participation in the FSA programs.

**Eligible Program** An educational program that meets federal regulatory requirements for participating in the FSA programs. (See *The Federal Student Aid Handbook, Volume 2 - School Eligibility and Operations*.)

**Emergency Action** An action for cause taken by ED against an eligible postsecondary institution. This action includes withholding funds from the institution or its students and withdrawing the authority of the institution to obligate federal funds under any or all of the FSA programs.

**Employer Identification Number (EIN)** The IRS issues EINs to businesses for tax filing purposes. The EIN preceded by the letters "ED" is the password for accessing the Electronic Application that schools use to apply for and in which they update institutional eligibility information.

**Endorser** An individual who signs a promissory note and agrees to repay the loan in the event that the borrower does not.

**Enrolled** Any student who has completed the registration requirements (except for the payment of tuition and fees) at the institution that he or she is attending. Also a student who has been admitted into an educational program offered predominately by correspondence and who has submitted one lesson, completed by him or her and without the help of an institutional representative.

**Enrollment Date** The first date that the student was enrolled in an eligible program for the designated award year.

**Enrollment Reporting** A process, required by law, by which schools confirm and report the enrollment status of students receiving FSA program assistance. Schools report the enrollment information to the National Student Loan Data System (NSLDS) and, in turn, NSLDS merges the reported enrollment information and reports the information to guarantors, lenders, and servicers of student loans. The Enrollment Reporting process was formerly known as Student Status Confirmation Report.

**Enrollment Status** An indication of a student's current status at the postsecondary institution. Status types include full-time, half-time, less than half-time, leave of absence, graduated, withdrawn, deceased, never attended, or no record found.

**Entitlement** Entitlement programs award funds to all qualified applicants. The Pell Grant is an example of such a program.

**Entity Identifier** On the Common Record, a unique Common School Identifier for each data exchange partner (e.g., school, third-party servicer, vendor, etc.). When performing entity searches via the COD Web site, the Entity ID is the school's Common School Identifier, Pell ID, Direct Loan ID or OPE ID.

**Entrance Counseling** First-year, first-time students borrowing federal educational loans are required to receive counseling before they receive their first loan disbursement, during which the borrower's rights and responsibilities and loan terms and conditions are reviewed.

**Entrance Interview (for a compliance audit)** A meeting, before the beginning of a financial aid audit, between the auditors, a school's senior management, and the school administrators who will be involved in the audit. Operating rules, an agenda, and a schedule for the on-site work are established. A similar interview is conducted by a federal official before conducting a program review. This meeting is sometimes called initial counseling.



**Escheat** When funds revert to a third party after not being claimed/used by the intended recipient. Title IV funds may **never** escheat to a school, state, or any third party.

**Estimated Financial Assistance (EFA)** The school's estimate of the amount of financial assistance that a student has been or will be awarded for the enrollment period for which a loan is sought. The EFA includes assistance from federal, state, institutional, scholarship, grant, financial need-based employment, or other sources.

**Excess Cash** Any amount of FSA program funds (other than FFEL Program or Federal Perkins Loan Program funds) that a school has not disbursed to students or parents by the end of the third business day following the date the school received the funds. There are penalties for holding excess cash.

**Excess Liquid Capital (in Perkins)** A school has excess liquid capital in its Federal Perkins Loan Fund if funds available (cash on hand, plus Federal Capital Contribution [FCC] and Institutional Capital Contribution [ICC], plus interest income and cancellation repayments) for the current award year significantly exceed the award year's total expenditures from the Fund.

**Exit Counseling (for a student borrower)** Institutions participating in the Federal Perkins Loan, FFEL, and Direct Loan Programs (excluding FFEL PLUS Loans and Direct PLUS Loans) must offer loan counseling called *exit counseling* to borrowers. For Federal Perkins Loan borrowers, the interview must take place before the borrower leaves school. In the case of FFEL and Direct Loan student borrowers, the interview must take place shortly before the borrower ceases to be enrolled at least half time.

**Exit Interview (for a compliance audit)** A meeting, following the completion of a financial aid audit between the auditors, a school's senior management, and the school administrators who were involved in the audit. General audit findings and conclusions that will be included in the audit report are discussed. A similar interview is conducted by a federal official after conducting a program review.

**Expected Family Contribution (EFC)** A calculated amount, based on a formula established by Congress, of how much the student's family can be expected to contribute toward the cost of the student's education in an award year. The EFC is calculated when the CPS successfully processes a student's FAFSA information and is one component schools use to determine the amount and type of aid the student can receive.

**Expenditure** Funds drawn and dispersed. The Department records drawdowns as expenses. See also disbursements.

**Extended Processing** The Direct Loan Program provides relief due to extenuating circumstances. A school may request extended processing if it is unable to meet the processing deadline (also known as Closeout Deadline). The Department of Education grants extended processing due to either an event, such as a natural disaster, or a processing error. The Federal Pell Grant Program also provides grant relief for extenuating circumstances. See also *Administrative Relief*.

**External Access System** The system that payees use to access GAPS to make payment requests and report expenditures.

## – F –

**Family Education Rights and Privacy Act of 1974 (FERPA)** Federal law that protects the privacy of student education records.

**Federal Audit** A financial and/or compliance 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 school's Federal Perkins Loan fund allocated to an institution by the federal government for a specific award year.

**Federal Family Education Loan Program (FFELP)** The Federal Stafford, Federal PLUS, Federal SLS, and Federal Consolidation Loan programs. These programs offer loans that are funded by private lenders, guaranteed by guarantors, and reinsured by the federal government.

**Federal Interest Subsidy** Assistance given by the federal government in which it pays the interest on a student's loan while the student is in school and during the grace period before loan repayment begins.

**Federal Loan** Loans guaranteed by the U.S. Government.

**Federal Pell Grant Payment Schedule** The schedule of Federal Pell Grant Awards. The Schedule is based on the EFC, the enrollment status, and the school COA. The schedule is usually posted in January on the IFAP Web site for the upcoming award year.

**Federal Pell Grant Program** A federal grant program for undergraduate students who have not received a bachelor degree (with one exception) or a first professional degree. It is designed to assist students with the greatest financial need meet their basic education expenses.

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

**Federal Processor** See *Central Processing System*.

**Federal Register** A federal government publication that contains regulations, regulatory amendments, notices and proposed regulatory changes for all federal executive agencies. It is published each business day. ED regularly posts Federal Register excerpts pertaining to federal student financial aid to the Information for Financial Aid Professionals (IFAP) Web site in order to make this information readily available to schools and the financial aid community.

**Federal Reserve Bank (FRB)** One of 12 banks set up under the Federal Reserve Act to hold government reserves. ED uses this system to deliver funds to schools.

**Federal School Code** A six-character number that ED assigns to each school that is eligible to participate in the FSA programs. A Federal School Code begins with 0 (zero), G, B or E and ends with a five-digit number. When applying for federal student financial aid, students may list up to six Federal School Codes on their FAFSA to indicate which

schools should receive their processed application data. The list of Federal School Codes is updated each year and is available online at: [www.fafsa.ed.gov](http://www.fafsa.ed.gov).

**Federal Student Aid (FSA)** The office within the U.S. Department of Education (ED) responsible for the overall management and administration of most of the Title IV programs and their operating systems.

**Federal Student Aid (FSA) Programs** Federal financial aid programs authorized by the Higher Education Act of 1965, as amended and administered by the U.S. Department of Education for the benefit of students attending postsecondary schools.

**Federal Student Aid Handbook** An ED publication that explains the procedures that schools must follow when administering the Federal Student Aid (FSA) programs.

**Federal Student Aid (FSA) Schools Portal** A Website used by FAAs to more efficiently manage the information provided by FSA. Located at: [www.fsa4schools.ed.gov](http://www.fsa4schools.ed.gov).

**Federal Supplemental Educational Opportunity Grant (FSEOG)** A federal Campus-Based grant program that provides grant assistance to undergraduate students who 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.

**Federal Work-Study (FWS) Program** A Federal Campus-Based employment program that provides funding to participating schools so that they can provide jobs to eligible undergraduate and graduate students with demonstrated financial need.

**FEDWIRE** This system provides for electronic funds transfer (EFT) through the Federal Reserve Communications System (FRCS). The system differs from the automated clearinghouse (ACH) in that funds are deposited directly into a school's deposit account the day the payment is sent through the FRCS. Financial institutions charge for this type of funds transfer. (There is no charge to a school for ACH transfer.)

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

**Final Audit Determination** ED's evaluation of findings and recommendations included in an audit report and the issuance of a final decision by ED management including actions determined to be necessary.

**Final Audit Determination Letter (FADL)** An official written notice responding to a school and detailing ED's evaluation of findings and recommendations included in the school's audit report. It includes ED's response to findings, including all necessary actions and financial adjustments necessary to resolve the findings in an external audit report.

**Final Demand** A letter that a lender sends to a borrower demanding full payment of a delinquent account. The letter is required as part of the due diligence procedures for collecting a loan that is seriously delinquent or ineligible.

**Final Funding Authorization** An electronic notification that tells a school the final allocations for each Campus-Based program in which it participates.

**Final Funding Worksheet** The final funding worksheet is sent in conjunction with a school's Final Funding Authorization. The worksheet explains in detail a school's allocation for each Campus-Based program and shows the figures used to make this determination.

**Final Program Review Determination (FPRD)** The letter ED sends to school officials to close out the program review process. The FPRD finalizes the status of findings that were outlined in the original Program Review Report, indicating issues that are considered "resolved" and those the school failed to resolve. This may include assessment of liabilities the school must pay to ED. The school has the right to appeal the FPRD.

**Final Regulations** Federal government operating rules published in the *Federal Register*. When published, final regulations have the force of law.

**Financial Accounting Standards Board (FASB)** A private sector organization in the U.S. that establishes financial accounting and reporting standards.

**Financial Aid** Financial assistance in the form of scholarships, grants, work-study, and loans for education.

**Financial Aid Administrator (FAA)** An individual employed by a school to administer student FSA programs. The FAA coordinates aid from these programs with the school-based aid and outside sources of assistance.

**Financial Aid Administrator Access to CPS Online** A Web tool that financial aid administrators use to enter application data, view student information, make corrections, check the status of applications, request ISIRS, and access the ISIR Analysis Tool and R2T4 on the Web. Located at: [www.fafsa.ed.gov/FOTWWebApp/faa/faa.jsp](http://www.fafsa.ed.gov/FOTWWebApp/faa/faa.jsp).

FAAs must have a PIN and be enrolled in the Student Aid Internet Gateway to use FAA Access to CPS Online.

**Financial Aid Administrator Adjustment** A change to either the student's FAFSA data or cost of attendance (COA) that the financial aid administrator makes when exercising professional judgment (PJ). The action taken must be documented. Also see *Professional Judgment*.

**(NSLDS) Financial Aid History** Section on the SAR and ISIR that reports a student's previous federal student financial aid, defaults, and overpayments as recorded in NSLDS. Also known as *Financial Aid History*. Also see *Financial Aid Transcript*.

**Financial Aid Management System (FMS)** This system is the general ledger for FSA. FMS works with GAPS to communicate financial information and to pay out disbursements to schools.

**Financial Aid Officer (FAO)** A college or university employee who is involved in the administration of financial aid. Synonymous with financial aid administrator.

**Financial Aid Package** The total amount of financial aid (federal and nonfederal) such as scholarships, grants, loans, and/or work-study awarded to a student.

**Financial Aid Transcript (FAT)** A document formerly used by schools to collect data about FSA and other financial aid received by a student at other educational institutions. This function is now available through NSLDS.

**Financial Need** The difference between the cost of attendance at a college and the expected family contribution.

**Financial Responsibility** One of the two sets of major requirements an institution must meet to participate in the FSA programs (the other is administrative capability).

The Department determines whether a school is financially responsible based on the school's ability to: (1) provide the services described in its official publications and statements; (2) properly administer the FSA programs in which the school participates; and (3) meet all of its financial obligations.

The financial responsibility standards can be divided into two categories: (1) general standards, which are the basic standards used to evaluate a school's financial health; and (2) performance and affiliation standards, which are standards used to evaluate a school's past performance and to evaluate individuals affiliated with the school.

**Financial Statement** A report prepared at the end of a school's fiscal year that provides an overview of the institution's financial health and activities for that fiscal year. Financial statements must be prepared on an accrual basis in accordance with generally accepted accounting principles (GAAP), and audited by an independent auditor in accordance with GAGAS and other guidance contained in OMB Circular A-133, or in audit guides from the ED's Office of the Inspector General, as applicable.

**Findings** See *Program Review Exceptions*.

**Fiscal Operations** Activities related to conducting and managing financial transactions.

**Fiscal Operations Report and Application to Participate (FISAP)** An annual report of expenditures in the Campus-Based programs during an award year combined with an application to participate in Campus-Based Programs in the upcoming award year. All schools that receive Campus-Based funds must submit this report to ED via the Web. Located at: [www.cbfnisap.ed.gov](http://www.cbfnisap.ed.gov). A PIN is required to access this site.

**Fixed Interest** On a fixed interest loan, the interest rate remains the same for the life of the loan.

**Forbearance** A temporary delay or reduction of loan payments agreed to by the lender and borrower. Interest continues to accrue during forbearance.

**Free Application for Federal Student Aid (FAFSA)** A student financial aid application form completed by students and parents to apply for federal student aid. The information provided is the source for all FSA need analysis computations, including the student's Expected Family Contribution (EFC).

**Freeze Cash** Period during which a school is temporarily prevented from drawing down cash until unsubstantiated cash previously drawn down is substantiated. Pertains to schools using the Advance Pay funding method.

**FAFSA on the Web (FOTW)** A Web-based program that allows students to complete their FAFSA faster and more easily than other application methods. Located at: [www.fafsa.ed.gov](http://www.fafsa.ed.gov).

**FSA Assessments** Web-based management assessment modules available to help schools assess their compliance with FSA requirements and enhance their services. There is a link to the Assessments from the FSA Schools Portal.



**FSA Tech Listserv** An Email listserv maintained by Federal Student Aid (FSA) as a way to share information about electronic systems with financial aid professionals. The updates provide accurate and timely answers to technical questions about FSA systems, software and mainframe products, and creates an environment where users of FSA systems can help one another resolve technical issues. Listserv subscribers also receive “hot” news flashes about processing and software issues. Register for FSATech Listserv at: <http://www.ed.gov/offices/OSFAP/services/fsatechsubscribe.html>.

**Full-time Student** A student enrolled in postsecondary education (other than a student enrolled in a program of study by correspondence) who is carrying a full academic workload as determined by the school under standards applicable to all students enrolled in that student’s particular program. The student’s workload may include any combination of courses, work, research, or special studies, whether or not for credit, that the school considers sufficient to classify the student as a full-time student.

**Fund** A self-balancing group of accounts that consists of: assets, liabilities, revenues, expenses, and fund balance. Funds separated in an institution’s books are limited to specific uses and are accounted for using a double-entry bookkeeping system.

## – G –

**GAPS Activity Report (Activity Report)** The Activity Report is the equivalent of a bank statement for a school’s GAPS awards. It displays both cumulative and detailed information on drawdown activity, re-funds, and authorization changes for each award.

**GAPS Award Balance Report (Balance Report).** The Balance Report lists the authorizations, net draws, and available balance in GAPS for each of a school’s awards.

**GAPS Payee Hotline** Department of Education office/service responsible for: assisting GAPS customers, accumulating financial data, and processing GAPS payments. The Hotline phone number is 1-888-336-8930.

**Generally Accepted Accounting Principles (GAAP)** Refers to a set of widely accepted accounting standards, set by the Financial Accounting Standards Board, and used to standardize financial accounting of public companies.

**Generally Accepted Government Auditing Standards (GAGAS)** The GAGAS requirements for audits are described in the U. S. General Accounting Office’s publication, General Auditing Standards, 2003 Revision (“the yellow book”).

**Governmental Accounting Standards Board (GASB)** A private sector organization that establishes standards for accounting and financial reporting by state and local governments.

**Gift Aid** Financial aid, such as grants and scholarships, that does not need to be repaid.

**Grace Period** Specified period of time between the date a student graduates or drops below half-time status and the date loan repayment begins.

**Grade Level** A student’s academic class level, as provided by a school official on the student’s application and promissory note.

**Grade Point Average (GPA)** An average of a student’s grades where the grades have been converted to a numerical scale.

**Graduated Repayment** A repayment schedule where the monthly payments are smaller at the start of the repayment period and become larger later on.

**Grant** A form of financial aid that does not have to be repaid.

**Grant Administration and Payment System (GAPS)** GAPS is the part of the Education Central Automated Processing System (EDCAPS) that manages the complete grant cycle. Functions supported by GAPS include obligation of award authorizations, disbursement of funds, and final grant closeout. In addition, GAPS controls payments for the Department’s programs, including payments for FSA program grants, direct loans, and various other program-related obligations.

**Grant Award Number** The Department of Education assigns a unique, eleven-character number to identify a grant award issued by a specific program office to a specific grantee. Each grant award has a series of codes identifying: the program office issuing the award, the CFDA code, the funding fiscal year, and the organization receiving the grant. For example, the grant award number P063P9821111 refers to a grant issued by the Pell Grant program office within the Office of Postsecondary Education during the 1998 fiscal year.

**Grant Programs** Gift-aid programs that require neither repayment nor a work obligation from students. Federal Title IV grant programs are the Federal Pell Grant Program, the Federal Supplemental Educational Opportunity Grant (FSEOG) Program, and the Leveraging Educational Assistance Partnership (LEAP) Program

**Gross Income** Income before taxes, deductions, and allowances have been subtracted.

**Guarantee Fee** A fee charged by a guarantor for each loan it guarantees.

**Guarantor or Guarantee Agency** State or private non-profit agencies that insure student loans for lenders and administer the student loan insurance program for the federal government.

## – H –

**Higher Education Act (HEA)** Federal legislation passed in 1965, and its subsequent amendments and reauthorizations (most recently in 1998), authorizing the majority of Federal postsecondary student financial aid programs and mandating that the programs be regulated and administered by the Secretary of Education.

**Holder** The institution that owns a loan – usually a bank, school, guarantor, or the federal government.

**Home School** The school where a student attending through a contractual or consortium agreement is enrolled in a degree or certificate program. In a study abroad agreement, the home school must be located in the United States.

## – I –

**Idle Cash** All or part of disbursed funds if and when they are returned to the school's FSA account(s).

**Immediate Need** A school requests funds to meet its immediate need for disbursing Federal Pell Grant Program, Direct Loan Program, and Campus-Based program awards. Immediate need is defined as the amount of funds a school needs to make disbursements to students within the required three business days. (Note: Immediate need does not authorize an institution to maintain a federally funded cash-on-hand balance.)

**Immigration and Naturalization Service (INS)** Note: This agency has been renamed U.S. Citizenship and Immigration Services (USCIS) and is now a bureau of the Department of Homeland Security. Some FSA references still refer to INS.

**Incarcerated Student** Students incarcerated in federal or state correctional facilities are not eligible to receive most FSA aid. However, students incarcerated in local correctional facilities might be eligible for Federal Pell Grant, FSEOG, and LEAP funds.

**Income** The amount of money received from employment (salary, wages, and tips), profit from financial instruments (interest, dividends, and capital gains), or other sources (welfare, disability, child support, unemployment benefits, Social Security, and pensions).

**Independent Auditor** An accountant who is a certified public accountant or government auditor, who must be qualified under both generally accepted auditing standards and government auditing standards. An independent auditor must be free from personal and external impairments to independence, organizationally independent, *and* must maintain an independent attitude and appearance.

**Independent Student** An applicant for FSA program assistance who meets certain criteria. To be classified as an independent student for FSA purposes, a student must meet at least one 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 be (or have been until the age of 18) a ward of the court; (c) be a veteran of the Armed Forces of the United States; (d) have legal dependents other than a spouse; (e) be a graduate or professional student; or (f) be married.

**Individual Loan Check** A draft that is payable on demand and requires the personal endorsement or other written approval of the borrower to be cashed.

**Ineligible Borrower** A borrower or potential borrower who does not meet federal eligibility criteria for a FSA student loan or, in the case of a parent-borrower, a PLUS loan.

**Information for Financial Aid Professionals (IFAP)** A Federal Student Aid (FSA) online database/library that provides financial aid administrators access to current and archived FSA information/materials (e.g., technical publications, reference manuals, regulatory and policy guidance, Dear Partner and Action Letters) pertaining to the administration of FSA programs. Also provides automatic updates electronically to FAAs who subscribe to this service. Located at: [www.ifap.ed.gov](http://www.ifap.ed.gov). A user ID and password are required to enroll for electronic updates.

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

**In-School** The period during which borrowers are enrolled.

**Institutional Capital Contribution (ICC)** The portion of a school's Federal Perkins Loan fund contributed by an institution. Institutional Capital Contributions (ICCs) must be equal to at least one-third (33 and 1/3%) of the new Federal Capital Contribution (FCC) amount *or* one-quarter (25%) of the combined FCC *plus* ICC.

**Institutional Liability** Financial penalties or repayments that a school 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 in GAPS for an Obligation Document Number for the award year and the final allowable expenditures as determined by the auditor, program reviewer, or hearing official.

**Institutional Loan** Loans specific to a college, university, or other post-secondary school and made from school funds. Eligibility and loan characteristics will vary among schools.

**Institutional Methodology** The formula a college or university uses to determine financial need for allocating the school's own financial aid funds.

**Institutional Student Information Record (ISIR)** An electronic output document generated by the CPS that summarizes information provided on a student's FAFSA. Also provides the result of the EFC calculation, results of eligibility matches with certain databases, reject reasons, comments, and data assumptions. It is available to schools through the Electronic Data Exchange (EDE).

**Interest Benefits** The interest payments (benefits) made by ED to an FFEL Program lender on behalf of a student. These payments are based on the student's subsidized 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 period. Interest benefits are not paid on unsubsidized Federal Stafford Loans. See *Special Allowance*.

**Insurance Fee** A fee charged by guarantee agencies, which is deducted from loan proceeds and used to insure against defaulted loans.

**Interest** A fee charged to the borrower for use of a lender's money.

**Interest Rate** The percentage of a sum of money charged to a borrower for its use.

**Interest Subsidy** See *Federal Interest Subsidy*.

**Interest-only Payment** A payment that covers only accrued interest owed on a loan and none of the principal balance. Borrowers making interest-only payments may make larger payments at any time.

**ISIR Analysis Tool** A tool to help schools analyze FAFSA data reported on the ISIR. This tool can help determine the impact of changes to student-reported information on a student's EFC and Pell Grant eligibility. The current ISIR Analysis Tool is available through FAA Access to CPS Online.

**ISIR Guide** A reference that financial aid administrators (FAAs) use to interpret student information on the Institutional Student Information Record (ISIR). It also explains codes and flags that appear in the FAA Information section of the ISIR. Located at: [www.ifap.ed.gov](http://www.ifap.ed.gov), *Current publications by title*.

**Issuing Checks** Schools can issue checks to disburse funds directly to students and parents. A check is *issued* if a student (or parent for PLUS Loan funds) is notified that his or her check is available for immediate pickup, or the school can release or mail the checks to the students or parents.

## - 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 total allocation to expand off-campus job opportunities, including community-service jobs for its currently enrolled students. Jobs may be in either profit or nonprofit settings. Students in this program do not have to meet Federal Work-Study (FWS) criteria, show financial need, or meet other FSA student-aid eligibility criteria. See *Federal Work-Study (FWS) Program*.

**Journal** A record of original accounting entries, providing a chronological record of the debit and credit elements of each transaction. As transactions occur, they are entered initially into the journal. At frequent intervals, such as daily, weekly, or at least monthly, the debits and credits recorded in the journal are transferred (posted) to the individual accounts in a ledger.

**Just-In-Time Payment Method** Under this payment method, a school electronically submits a request for funds up to five days before the actual date of disbursement for the Federal Pell Grant Program. The school's request includes the date and amount of the disbursement it will make or has made to each student. ED places funds in the school's bank account immediately before the funds are needed to make student disbursements. Unlike schools using the advance payment method, these schools do not receive advance authorization of funds.

## - K -

## - L -

**Late Fee** A fee that may be assessed if a scheduled payment is not made by the due date.

**Leveraging Educational Assistance Partnership (LEAP)** Formerly known as State Student Incentive Grant (SSIG), this is a state-run financial aid program for residents of the state. The states receive matching funds from the federal government to help fund the program.

**Leave of Absence** A break in enrollment, not including semester or spring break(s), requested by the student and sanctioned by the school. A student on an approved leave of absence is not a withdrawal.

**Ledger** A book of accounts. Every financial transaction must be assigned as either a debit or credit to an account. Separate ledgers must be maintained for each FSA program.

**Lender** A financial institution that provides funds to a borrower.

**Letter of Credit** An instrument issued by a bank or other financial institution that serves the purpose of securing liquid funds against potential loss to the secured party. ED may require a school to post a letter of credit because the school has been late returning Title IV funds, is in a weakened financial condition or in order to secure a waiver of the annual audit requirement.



## – M –

**Level of Expenditure (LOE)** The total amount of Federal Perkins Loan funds a school is allowed to use to make loans to students and to pay administrative and collection costs in a given award year.

**Liquidation Period** Liquidation is the period immediately following the end of the performance period. During liquidation, no new expenditures may be made on an award, but payment requests and adjustments may still be processed for expenditures incurred during the performance period.

**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. A financial source that is available to students and their parents through student loan programs with varying interest rates and repayment provisions to supplement the family's financial resources, scholarships, and grants.

**Loan Balance** The total unpaid amount of a specific loan. This sum includes outstanding principal, capitalized interest, accrued interest, late charges, and any miscellaneous fees such as returned check fees.

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

**Loan Payoff Calculator** Online feature that displays how much a borrower would save by paying off his or her loan immediately.

**Loan Period** The period of enrollment for which a loan application is certified. Also known as period of enrollment.

**Mandatory Administrative Forbearance** Forbearance that a lender is required to grant for periods during which the borrower is involved in a local or national emergency or military mobilization, or resides in a designated disaster area. A lender is also required to grant a mandatory administrative forbearance for up to three years if the borrower's repayment period must be extended due to the effect of changes in the variable interest rate on standard or graduated repayment terms, and for up to five years to accommodate income-sensitive repayment schedules.

**Mandatory Forbearance** Forbearance that a lender is required to grant for internships and residencies, as well for service in AmeriCorps, for excess student loan debt burden, for participation in the student loan repayment programs as administered by the U.S. Department of Defense, and for nonmedical or dental internships.

**Master Calendar** To assure adequate notification about, and timely delivery of FSA program funds, ED operates using a master calendar defined in the 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 effective date for federal financial aid regulations, based on the date of their publication.

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

**Master Promissory Note (MPN)** The legal document that requires a student loan borrower to repay the funds borrowed under the Direct Loan Program or under the Federal Family Educational Loan Program. Use of the MPN form simplifies the loan process by eliminating the need for eligible students to complete a promissory note every year they borrow.

**Match Flag** Alphabetic or numeric code indicating the results of data matches the CPS performs against the databases of certain federal agencies to confirm the identification and eligibility of federal student aid applicants.

**Merit Based** A means of determining eligibility for certain types of financial aid using merit, such as a specific accomplishment or talent as the determining factor, rather than financial need.

**MPN ID** The unique identifier printed on the MPN.

**Multiple Disbursements** A requirement in the FSA programs (except FWSP) that the disbursement of annual awards to students be made in two or more installments of approximately equal increments.

**Multiple Reporting Record (MRR)** A record automatically generated by the Common Origination and Disbursement (COD) System when it receives origination and disbursement records from more than one school for the same student during the same payment period. It informs a school that other schools that have submitted origination and disbursement records for the same student during that period. Schools may also request MRRs. See also *Potential Overaward (POP)*.

**Multi-Year (MY) Feature** A feature of the Master Promissory Note, that allows multiple Direct Loans for the same student/borrower to link to the same MPN. Beginning in the 2003-2004 award year, all Direct Loan schools are eligible to use the Multi-Year Feature of the MPN. Once an MPN has been accepted and remains open, schools that choose to use this feature do not have to obtain a new promissory note each academic year. See also *Single-Year Feature*.

– N –

**National Association of Student Financial Aid Administrators (NASFAA)** Professional association representing the student financial aid interests of institutions of postsecondary education in the U.S.

**National Credit Bureau** A credit reporting agency with a service area encompassing more than a single region of the country.

**National Finance Center** A federal finance center, presently located in Louisiana to which schools, in exceptional circumstances, sometimes send cash.

**National Service Trust** A national community service program whereby students who participate in this program before attending school may be able to use Education Award funds provided by the Trust to pay educational expenses. If students participate after graduating, the funds may be used to repay their federal student loans. Eligible types of community service include education, human services, the environment, and public safety.

**National Student Loan Clearinghouse (NSLC)** Privately run organization that facilitates school reporting of degree and enrollment data.

**National Student Loan Data System (NSLDS)** An ED integrated system that collects and reports information about the financial aid history of students who receive federal student aid and maintains that information in an online database available to the financial aid community. The database stores information about loans, grants, students, borrowers, lenders, guaranty agencies (GAs), schools and loan servicers. The CPS conducts a match of FAFSA data against this database to confirm the student's identification and eligibility for federal student financial aid. Located at: [www.nslsdfap.ed.gov](http://www.nslsdfap.ed.gov). A user ID and Password are required to access the database.

**Need** The difference between the Cost of Education (COE) and the Expected Family Contribution (EFC) is the student's financial need. It is the gap between the cost of attending the school and the student's resources.

**Need Analysis** The process of determining the student's Expected Family Contribution (EFC) based on the formula established by Congress. Also known as *Federal Need Analysis Methodology* and *Federal Methodology*.

**Need-Based** A means of determining eligibility for certain types of financial aid using financial need as the determining factor.

**Net Accepted and Posted Disbursements** The sum of all student records submitted by a school and accepted by and posted to the COD system.

**Net Income Ratio** Under the financial responsibility regulations, the equity ratio is:

*For proprietary schools:*

$$\frac{\text{Income Before Taxes}}{\text{Total Revenue}}$$

*For private, nonprofit schools:*

$$\frac{\text{Unrestricted Net Assets}}{\text{Total Unrestricted Revenue}}$$

For further definitions and other information about the Net Income Ratio, refer to 34 CFR 668 – Subpart L, Appendix A (proprietary) and Appendix B (private, nonprofit).

**Nonfederal Audit** An institutional financial statement and/or compliance audit conducted by an independent public accountant (as defined by the audit standards of the U.S. General Accounting Office) who has been hired by the institution. Also called an independent audit or an OMB Circular A-133 audit.

**Nonfederal Share** The portion of Campus-Based program funds that a school must contribute from a nonfederal source (usually the portion comes from the school itself). A nonfederal source must constitute at least one-third (33 1/3%) of a school's Federal Perkins Loan fund; one-quarter (25%) of Federal Work-Study (FWS) awards; and one-quarter (25%) of Federal Supplemental Educational Opportunity Grant (FSEOG) awards.

**Non-Subsidized Loan** A loan that is not eligible for federal interest benefits. The borrower is responsible for paying the interest on the outstanding principal balance of a non-subsidized loan throughout the life of the loan. During the in-school, grace, and deferment periods, these interest payments are normally made on a monthly or quarterly basis, or are capitalized.

**Notice of Proposed Rulemaking (NPRM)** Notice printed in the *Federal Register* of proposed regulations from a government agency, such as ED. Interested parties are invited to submit comments and recommendations about proposed regulations. All proposed regulations are subject to this process, including issues to be negotiated. There is an exception if ED determines that it is impractical, unnecessary, or contrary to the public interest to publish proposed regulations and publishes the basis for its determination.

– O –

**Object Class (OC)** Also referred to as Objective Classification, this is a method of recording financial transactions in terms of the nature of the services or articles for which obligations are first incurred. This method is prescribed by the OMB circular A-12 and the Department of Treasury circular 1073. It is used throughout the federal government when submitting budgets.

**Obligation** An encumbrance of funds issued by the Department of Education to a grantee in support of education projects.

**Office of the Inspector General (OIG/IG)** An office within each federal department that investigates fraud, abuse, and misrepresentation. School officials are required to report suspected cases to the IG and to cooperate with the OIG in any investigations it conducts.

**Office of Postsecondary Education (OPE)** OPE directs, coordinates, and recommends policies for programs that are designed to provide financial assistance to eligible students; improve postsecondary educational facilities and programs; recruit and prepare disadvantaged students for postsecondary programs; and promote the domestic study of foreign languages and international affairs, research, and exchange activities.

**Office of Postsecondary Education Identifier (OPEID)** An eight-digit identification number assigned by ED's Office of Postsecondary Education to an institution that has been approved to participate in the FSA programs. Schools that don't administer FSA funds but want their students to qualify for in-school deferments also are assigned an OPEID number.

**OMB Circular A-133** A publication published by the Office of Management and Budget (OMB) that gives specific guidelines under limited circumstances to nonprofit postsecondary schools on procedures for conducting an audit. For A-133 audits, the auditor is required to report only audit findings of non-compliance.

**Operator-Assisted Mode** One of the two modes schools and other GAPS recipients use to request funds from GAPS when using the automated clearinghouse (ACH). As the name implies, recipients speak directly to an operator to request funds. Compare *Automated voice response (AVR)*.

**Order of Return of Title IV funds** A federally prescribed order for returning funds required as a result of a Return of Title IV funds (Return) calculation.

**Origination** When a school creates a new Pell Grant or Direct Loan in the COD system.

**Origination Fee** A fee paid by a borrower to help defray the cost of making a loan.

**Output Document** A record of a student's application data and need analysis (EFC calculation). Types of output documents include the Student Aid Report (SAR) and Student Aid Report Information Acknowledgment that the student receives, and the Institutional Student Information Record (ISIR) that the school receives.

**Overpayment** Any financial aid amount paid to a student in excess of the amount the student is eligible to receive.

**Override** A flag the financial aid administrator sets on an ISIR correction to instruct the CPS to use certain data provided in processing the student's record/transaction and calculating the EFC.

**Packaging** The process of determining the types and amounts of financial aid awards (loans, grants, scholarships, and employment) and offering those awards to a student.

**Parent** A student's biological or adoptive mother or father or the student's stepparent, if the biological parent or adoptive mother or father has remarried at the time of application.

**Parent Loans for Undergraduate Students (PLUS)** PLUS loans enable parents to borrow federal funds to pay the education expenses of each child who is a dependent undergraduate student.

**Parent's Contribution** The amount parents can be expected to contribute each year to the cost of the student's education as determined by the Federal Methodology.

**Pass-Through** An school may enter into a contract with a third party to provide institutional housing or board and credit FSA funds to the student's account to pay for institutional housing or board provided by the third party. In this case, the school is receiving the FSA funds from GAPS and passing the funds through the school's accounting system to the third party.

Only when a school enters into a contract with a third party to provide institutional housing or board may the school credit Title IV funds to a student's account to pay for those charges.

**Past Due Amount** The current amount delinquent on the loan.

**Payee** The recipient (organization or individual) of Department of Education funds who is responsible for accounting for those funds. The payee may be a single entity, such as a college, or a central finance office which requests funds and prepares financial reports for several organizations within its system.

**Payment** Funds that GAPS deposits into payees accounts. The payment must be disbursed within three business days.



**Payment Analyst (PA) Formerly, Reimbursement Analyst** An FSA employee that ensures that schools have accurately determined FSA eligibility of and payment to each student, with sufficient funds in the school's GAPS account, and submits documentation to that effect.

**Payment Period** A school-defined length of time for which financial aid funds are paid to a student. For programs using academic terms (semester, trimester, or quarter), a payment period is equal to a term. For programs not using academic terms, schools must designate at least two payment periods within an academic year that meets all applicable regulations.

**Payoff Amount** The total loan amount required to pay off a specific loan. This amount includes the loan principal, capitalized interest, borrower accrued interest, billed interest, any late charges, any returned check charges, any refinancing fees, and any collection costs. In order to allow time for the borrower to forward a check in the mail and not leave a small outstanding balance, the payoff amount is calculated based on what the accrued interest will be 10 days from the date the payoff amount is requested.

**Payoff Date** The date on which the loan payoff calculation is based.

**Peak Enrollment** A period of peak enrollment occurs when at least 25% of a school's students start classes during a given 30-day period.

**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. Peer evaluations allow firsthand observations and comparisons of how similar institutions carry out financial aid responsibilities.

**Performance Period** The period of time between the grant award begin date and the grant award end date during which the grantee satisfies the requirements of the grant award. During this time, a payee may make expenditures, request funds, modify payment requests, and adjust drawdown amounts on the award. Once the performance period ends, a grant award begins the closeout process.

**Period of Enrollment** The period for which a Stafford or PLUS loan is intended. Except at non-term schools, the period of enrollment must coincide with a bona fide academic term established by the school for which institutional charges are generally assessed (e.g. semester, trimester, quarter, length of the student's program or academic year). Also referred to as **the loan period**.

**Perkins Loans** See *Federal Perkins Loans*.

**Personal Identification Number (PIN)** An identifier that allows students and parents to access their personal information in ED systems. The PIN is also used to electronically sign the FAFSA and make corrections electronically to data submitted. A PIN should always be protected, and never provided to anyone other than the person for whom it was created.

**Policies And Procedures Manual** An in-house manual that helps an institution effectively and consistently manage financial aid using a set of written policies and procedures. Although ED does not require such a manual, it strongly recommends that a school compile one, especially since federal regulations require schools to have, maintain, and disclose certain policies in writing.

**Portable Document Format (PDF)** A file format developed by Adobe Systems, Inc. that presents a document electronically as it would appear on paper.

**Posting** Transferring debits and credits from a journal to the proper control and subsidiary ledger accounts. Each amount recorded in the debit column of a journal is posted by entering it on the debit side of the appropriate ledger account, and each amount recorded in the credit column of the journal is posted by entering it on the credit side of the appropriate ledger account.

**Postscreening** A process subsequent to prescreening whereby the NSLDS database is scanned regularly to check for changes to the eligibility of federal student aid applicants. These changes include loan aggregates and the student's moving into or out of a default or overpayment status, and are reported to the CPS, which in turn creates new record transactions and generates new SARs and ISIRs.

**Postsecondary Institution** An institution providing education beyond the high school level. The term refers to trade and technical schools, two-year colleges, community colleges, and four-year colleges and universities.

**Postsecondary Education Participants System (PEPS)** The Federal Student Aid (FSA) management information system for all organizations that have a role in administering federal student financial aid and other Higher Education Act programs. It maintains eligibility, certification, demographic, financial, review, audit and default rate data about schools, lenders, and guarantors participating in the FSA programs.

**Potential Overaward (POP)** Federal Pell Grant recipients are allowed to receive a maximum of one full Scheduled Pell Grant during an award year. The COD System is programmed to calculate the percentage of Scheduled Pell Grant used each time a school reports a disbursement to the student. Any amount exceeding 100% of a full Scheduled Pell Grant represents an overaward situation. The COD System allows a potential overaward situation to exist for 30 days and sends a warning to all schools involved before reducing all of the students Pell Grant disbursements for that award year to zero.

**Prepaid Tuition Plan** A qualified tuition program through which one buys tuition credits of certificates for a future date at current prices.

**Prepayment** Paying off all or part of a loan before it is due.

**Prescreening** The initial match of FAFSA data that CPS performs against the NSLDS database to identify applicants for federal student financial aid who are in default on an existing FSA loan; who owe overpayments on Federal Pell Grants, FSEOGs, and/or Perkins Loans; or who have exceeded maximum loan limits. Prescreening is performed before the CPS processing of FAFSA data is complete.

**Primary Reserve Ratio** Under the financial responsibility regulations, the primary reserve ratio is:

**Prime Rate** The prime interest rate is the rate

charged by commercial financial institutions for short-term loans to corporations or individuals whose credit standing is sufficiently high that little risk to the lender is involved in making the loan. This rate fluctuates based on economic conditions and may be different among financial institutions. The prime rate serves as a basis for the interest rates charged for other higher-risk loans.

**Principal Balance** The outstanding amount of the

*For proprietary schools:*

$$\frac{\text{Adjusted Equity}}{\text{Total Expenses}}$$

*For private, nonprofit schools:*

$$\frac{\text{Expendable Net Assets}}{\text{Total Expenses}}$$

For further definitions and other details refer to 34 CFR 668–Subpart L, Appendix A (proprietary) and Appendix B (private, nonprofit).

loan on which the lender charges interest. As the loan is repaid, a portion of each payment is used to satisfy interest that has accrued and the remainder of the payment is applied to the outstanding principal balance.

**Prior-Year Recoveries** Funds a school recovers in a given award year from money disbursed in prior award years. Institutions must adjust award expenditures and administrative cost allowances (ACAs) in award years in which recoveries are made.

**Private Loans** Private loans provide supplemental funding when other financial aid does not cover costs. Banks or other financial institutions and schools offer these loans (not sponsored by government agencies) to parents and students.

**Professional Judgment (PJ)** A provision in the Higher Education Act allowing financial aid administrators to adjust the data elements used to calculate the student's EFC. The exercise of professional judgment may increase a student's eligibility for financial aid. Professional judgment can be used only on a case-by-case basis, and the reason must be documented in the student's file.

**Program Participation Agreement (PPA)** A written agreement that must be signed by both a top official at an institution and ED that permits the institution to participate in one or more FSA programs. The signed agreement makes the institution's initial and continued eligibility to participate in FSA programs conditional on compliance with all provisions of the applicable laws and program regulations. This agreement may have to be updated periodically due to changes at the institution. Schools must apply for recertification at regular intervals.

**Program Review** The process in which the management of one or more federal financial aid programs at an institution is reviewed by ED or a guaranty agency. A program review assesses the institution's compliance with federal laws and regulations and its own school policies. The process may also review the institution's overall management and administrative capabilities.

**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 (P-Note)** The promissory note is the legally binding document that is evidence of a borrower's indebtedness to the school (for Perkins Loans), the lender (for FFEL program loans) and the federal government (for Direct Loans).

**Proprietary School** Post-secondary schools that are private and are legally permitted to make a profit. Most proprietary schools offer technical and vocational programs.

**Proration** A reduction of the standard annual loan limit for an undergraduate student. Proration of the loan amount is required if the student's program, or the remainder of the student's program, is less than a full academic year in length.

## – Q –

**Quality Assurance Program (QA)** The QA Program designed to help schools attain, sustain, and advance exceptional student aid delivery and service excellence.

**Quality Analysis Tool** A stand-alone software tool that is part of the EDExpress Suite software. The software provides schools with data about their FSA recipient population by comparing data from initial ISIR transactions and data from a sample selection of chosen recipients. The data provide schools with reports that identify changes in Pell Grant eligibility, problematic application data elements, and areas where school verification procedures can be improved or enhanced.

## – R –

**Reauthorization** The process of continuing and changing current legislation because the existing law has expired and has to be reenacted. It is conducted every five to seven years in the case of the Higher Education Act (HEA). The most recent HEA reauthorization was in 1998.

**Recipient System** A system that contains a list of all organizations doing business with the Department of Education. The system maintains each organization's name, address, and D-U-N-S Number or SSN.

**Reconciliation File (Reconciliation Report)** A one-record summary of the award and disbursement data in COD for an individual Pell Grant recipient.

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

**Reconciliation of Federal Funds** Balancing the school's records of federal funds received, expended, and returned against ED's records. Reconciliation should be performed monthly, and a yearly reconciliation of the same items should be conducted as part of the school's most recent audit.

**Reference** An individual to whom inquiries may be made regarding another person's character, ability, or whereabouts. A lender generally will ask a borrower to provide the names, phone numbers, and addresses of at least three individuals to be used as references for the borrower. In the event that the lender loses track of the borrower's whereabouts, the lender will contact these individuals to try to find the borrower.

**Refund** The return of interest or excess cash to ED from GAPS drawdowns or the return of audit and program review liabilities and fines. For a student who withdraws, the required return of funds by a school to the Title IV programs is called the "Return of Title IV funds."

Sometimes used by schools to refer to the distribution of a credit balance to a student.

**Refund Policy** A school policy that determines the conditions under which a student is entitled to a refund of payments made to the school, or whether the student owes the school for outstanding charges.

Participating schools are required to have school refund policies and to describe them in their consumer information.

**Regular Student** A person who is enrolled or accepted for enrollment at a school for the purpose of obtaining a degree, certificate, or other recognized educational credential offered by that school.

**Rehabilitation (of a defaulted loan)** A process by which a borrower may bring a loan out of default by adhering to specified repayment requirements.

**Reimbursement Analyst** See Payment Analyst.

**Reimbursement Payment Method** One of the methods under which ED provides funds to participating schools. A school on reimbursement must disburse assistance from its own funds and document that it has made appropriate disbursements to eligible students in eligible programs before ED will reimburse the school for its expenditures.

**Reinstatement (of borrower FSA eligibility)** A process by which a borrower with a defaulted FSA loan may regain eligibility for FSA aid by adhering to strict repayment requirements.

**Rejected ISIR/SAR** When significant information is missing, incomplete, or contradictory, the CPS cannot calculate an EFC and the record is rejected.

**Release of Proceeds** Disbursement of loan proceeds by the school to the borrower. Release of proceeds is not disbursement of proceeds by the lender.

**Release Record** In the COD Process, a record that changes an *Edit Only* or *Anticipated Disbursement* to an *Actual Disbursement Record*.

**Releasing Campus-Based Program Funds** Action by ED that reduces all or part of a school's allocation for a Campus-Based program. This reduction 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.

**Renewal FAFSA** A FAFSA that is pre-populated with the student's prior year data and used for updating for the upcoming (next) award year. To use the Renewal FAFSA, the student must have an eligible FAFSA transaction for the preceding award year. The student may access the Renewal FAFSA via the Web.

**Repayment** The time during which a borrower actively pays back an education loan.

**Repayment Period** The period during which interest accrues on a borrower's loan and principal payments are required. The repayment period excludes any period of authorized deferment or forbearance.

**Repayment Schedule** A legal addendum to a Promissory Note stating the terms of loan repayment and fulfilling disclosure requirements. The Repayment Schedule is a plan that indicates the total principal and interest due, an installment amount, and the number of installments required to pay the loan in full. The Repayment Schedule also contains the interest rate for the loan(s) included on the schedule, the due date of the first and subsequent installments, and the frequency of installments.



## – S –

**Repayment Start Date** The date the repayment period begins. For Federal Stafford loans, repayment begins on the day following the last day of the grace period. For Federal PLUS, repayment begins on the date the loan is fully disbursed.

**Reporting School** The school that sends and receives data for the campuses or students it serves. The reporting school must be a school and cannot be a third-party servicer.

**Restricted Fund** A restricted fund is made up of a self-balancing group of accounts: assets, liabilities, capital (fund balance), revenues, and expenses. It is important to note that individual funds are separated completely from one another and from the general fund of the school and are self-balancing.

**Return of Title IV Funds (R2T4)** When a recipient of Title IV aid withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must calculate the amount of Title IV aid the recipient earned and return the unearned portion that it is responsible for and notify the student of any amount the student must return.

**Roster File** This file is the output document from the Enrollment Reporting Process. The Roster File lists all Direct Loan Program and Federal Family Education Loan (FFEL) Program borrowers at a school who were last reported as enrolled at the school. Formerly known as Student Status Confirmation Report (SSCR). Also see *Enrollment Reporting*.

**Routing Identifier** An identifier established by the U.S. Department of Education in award year 2002-2003 as an identifier assigned to schools and Third Party Servicers that is common across the Pell Grant and Direct Loan programs. A randomly generated eight-digit number that replaces the Pell Institution Number and Direct Loan (E/G) School code for the reporting of Pell Grant and Direct Loan data. Previously referred to as the *Common School Identifier* (CSID).

**SAR/ISIR Comment Codes and Text** Companion document to the EDE Technical Reference. It can be used as a stand-alone guide for interpreting the Student Aid Report (SAR) and ISIR comment codes and text.

**Satisfactory Academic Progress (SAP)** The qualitative (grade point average) and quantitative (time limit) measure of a student's progress toward completing a program of study. To maintain eligibility for FSA program assistance, the student must show continued progress. Schools must establish policies regarding satisfactory academic progress and must check the progress of FSA recipients at least once each academic year.

**Satisfactory Repayment Arrangement** A specified number of consecutive, on-time, voluntary, reasonable, and affordable payments made directly to the guarantor by a borrower with a loan or loans in default. The borrower must make three such payments to become eligible to consolidate a defaulted loan, six such payments to regain eligibility for the FSA programs, and 12 such payments to rehabilitate a defaulted loan.

**Scheduled Academic Year (SAY)** In the FFEL and Direct Loan programs, one of two types of academic years (the other a borrower-based academic year (BBAY)) a school can use in determining a period of enrollment or when another year will begin for the student. Clock-hour and nonterm credit-hour programs must use the BBAY. For term-based credit-hour program, a school can use BBAYs for all its students, students enrolled in certain programs or the school can make an election on a student-by-student basis. Schools must have a written policy that explains how they apply these options when calculating loan eligibility.

**Scheduled Award** In the Pell Grant program, the amount a student may receive during an academic year for a given cost of attendance (COA) and Estimated Family Contribution (EFC). The Scheduled Award assumes a student is enrolled full time for a full academic year.

**Scholarships** A form of financial assistance that does not have to be repaid. Scholarships may be awarded based on any number of criteria, such as academics, achievements, hobbies, talents, and affiliations with various groups, or career aspirations.

**School Closeout** The process of identifying and submitting any outstanding records for an award year and returning any money for which there are no records to substantiate its use.

**School Lender** A school that has been approved as a lender under the FFELP and has entered into a contract of guarantee with the Department or a similar agreement with a guarantor.

**School Participation Team (SPT)** There are 10 School Participation Teams within FSA that assist participating schools with eligibility issues, including management improvement services, program review, financials, eligibility and recertification, and audits. Formerly known as *Case Management Team*.

**School Transfer Profile** The information a school provides to NSLDS pertaining to its participation in the Transfer Student Monitoring Process. The profile designates the school's contact person, email address for receipt of Alert Notification Messages and Inform and Alert options. Also see *Alert Notification Message* and *Transfer Student Monitoring Process*.

**Section 529 Plans** Prepaid tuition plans and college savings plans, named for the section of the IRS code that authorizes them. Also known as *Qualified Tuition Programs (QTPs)*.

**Self-Evaluation** A school's regularly scheduled in-house evaluation of the way it administers its student financial aid program. A self-evaluation is undertaken in an effort to detect any problems early on and resolve them.

**Self-Help Aid** Financial aid in the form of loans or student employment.

**Separation of Functions** As a part of administering the FSA programs, a school is required to establish and maintain a checks-and-balances, internal-control system ensuring that no single school office or individual can both authorize payments of FSA funds and disburse those 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.

**Servicer** An organization or individual contracted by a recipient to perform financial or other services which may include interacting with offices at the Department of Education on the recipient's behalf.

**Simplified Needs Test** A formula under the Federal Methodology that ignores the asset information reported on the FAFSA in calculating a student's Expected Family Contribution (EFC). It is also referred to as a simplified formula. Also see *Federal Methodology (FM)*.

**Single-Entry Bookkeeping** The system, for example, in a personal checkbook, where generally only records of cash and of personal accounts are maintained. Where transactions are infrequent and receivables, payables, and assets other than cash are few, carefully maintained single-entry records may be adequate.

**Single Year (SY) Feature** A feature of the Master Promissory Note which allows multiple Direct Loans for the same student/borrower with the same academic year from the same school to link to the same MPN. The Single Year Feature applies to schools that choose not to use the Multi-Year Feature. Schools that choose to use this feature must obtain a new promissory note for each academic year.

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

**Skip Tracing** Diligent efforts to locate a borrower's telephone number or address when such information is unknown.

**Social Security Administration (SSA)** The federal agency that establishes and coordinates Social Security earnings and benefits. The CPS conducts a match of FAFSA data against this agency's database to confirm the student's identification and eligibility for federal student financial aid.

**Social Security Number (SSN)** The nine-digit number assigned to an individual by the Social Security Administration. The SSN is used as a student identifier in all the federal student aid programs.

**Special Leveraging Educational Assistance Partnership (SLEAP) Program** State grant programs that provide: (1) aid to students with financial need to help pay postsecondary education expenses; and (2) help states provide programs that strengthen opportunities for elementary school and secondary school students with financial need to enter postsecondary education. The SLEAP Program is funded only when Leveraging Educational Assistance Partnership (LEAP) Program funding is greater than \$30 million. By law, the excess amount must be applied to the SLEAP Program.

**Standard Repayment Schedule** A repayment schedule under which the borrower pays the same amount for each installment payment throughout the entire repayment period, or pays an amount that is adjusted to reflect annual changes in the loan's variable interest rate. The length of repayment for a loan being repaid using a Standard Repayment Schedule cannot exceed 10 years, excluding in-school, grace, deferment, or forbearance periods.

**State Lender** In any state, a single state agency or private not-for-profit agency designated by the state that has been approved as a lender and that has entered into a contract of guarantee with the Department or a similar agreement with a guarantor.

**Statutory Interest Rate** The maximum annual interest rate (under the Higher Education Act) that a lender may charge on a loan.

**School-issued Smart Cards** Issued by a school and used by students to: (1) access facilities like science labs; (2) take books out from the library; (3) enter athletic events, etc. Some schools pay Title IV credit balances to students by making those funds available through such school-issued smart cards. Since schools exercise control over these cards, the school is, in effect, holding a student's Title IV credit balance, and must obtain a student's permission before doing so.

**Student Aid Internet Gateway (SAIG)** ED vehicle for electronically transmitting and receiving data for the FSA programs. Entities exchanging data through the SAIG include the CPS, NSLDS, COD, schools, third-party servicers, state agencies, lenders and guarantors. Enrollment in the SAIG (formerly known as the Title IV WAN) is available at: [www.fsawebenroll.ed.gov](http://www.fsawebenroll.ed.gov).

**Student Aid Master Record** A school record containing information for an in-school student for each award year. The school 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 output document that the CPS sends to a student after a FAFSA is processed. It summarizes the information the student submitted on the FAFSA; reports the student's calculated EFC; provides comments to the student as well as information for the financial aid administrator; and reports the student's NSLDS financial aid history. Also see *Output Document* and *Institutional Student Information Record (ISIR)*.

**Student Identifier (SID)** A unique identifier for each applicant, made up of an applicant's Social Security Number (SSN), and the first two letters of the applicant's last name.

**Student Loan Interest Statement** IRS Form 1098-E, issued by an individual or institution that receives more than \$600 in student loan interest during a calendar year to the borrower.

**Student Right-to-Know Act** The Student Right-to-Know Act requires disclosure of information on Graduation, Completion, and Transfer-Out Rates; and the Graduation, Completion, and Transfer-Out Rates for Student Athletes at schools that award athletically related aid.

**Subsidiary Accounts** Accounts related to a control account that support in detail the summary transactions posted in the control account.

**Subsidiary Records** Institutional records that must exist to support the totals in each Title IV financial aid program account. Reconciliation between accounts and subsidiary record detail should be performed at least once a month.

**Subsidized Loan** A FFEL or Direct Loan that is eligible for interest benefits paid by the federal government. The federal government pays the interest that accrues on subsidized loans during an in-school, grace, authorized deferment, and (if applicable) post-deferment grace periods if the borrower meets certain eligibility requirements.

**Substantiation of Cash** The act of accounting for funds already drawn. In the COD Process, schools can substantiate disbursements by sending in an Actual Disbursement Record that includes the disbursement amount and date.

**Supplemental Appropriation** 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 schools release unexpended Campus-Based funds at the end of an award year.

**Suspension Period** The suspension period follows liquidation. During the suspension period, no new payment actions can take place without the approval of the program office.

**T-Account** A short method accountants use to illustrate ledger accounts, alleviating the tedious reproduction of accounts as they actually appear in an institution's ledger. Accountants use the T-account as a worksheet to check the debit and credit balances of individual ledger accounts and to trace posting of transactions to the various ledger accounts.

**Taxpayer Identification Number (TIN)** A unique nine-digit number assigned by the Internal Revenue Service used by ED to identify organizations receiving funds from the Department.

**Teacher Shortage Area** A federally designated geographic area, grade level, academic, instructional, subject matter, or discipline that has been classified as a shortage area as defined by the Department.

**Three-Day Rule** Schools operating under advanced payment method must disburse federal cash no later than three business days following its receipt.

**Third Party Servicer** An individual or organization that enters into a contract (written or otherwise) with a school to administer any aspect of the institution's FSA participation.

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

**Transfer** To help meet their students' need, schools may transfer funds from certain Campus-Based programs into certain other Campus-Based programs. In all cases, funds transferred that are unexpended at the end of the award year must be transferred back to the original program, and all transfers must be reported on the FISAP.

**(NSLDS) Transfer Student Monitoring Process** The four-step process FAAs use to automatically receive information from the NSLDS database pertaining to the federal student aid eligibility of midyear transfer students. The four steps to the process are: Inform, Monitor, Alert and Review.



**Transaction Number** Transaction numbers show the number of times the student's FAFSA information has been processed. New transactions can be caused by corrections made by either the student or a school, or they can be caused by automatic functions in the U.S. Department of Education, such as a change in the reported loan information and status with the National Student Loan Data system (NSLDS). Each time a FAFSA or a correction to a SAR/ISIR is processed, a transaction number is created. The transaction number is located in the lower right corner on each page of a paper Student Aid Report (SAR), right after the Social Security Number (SSN) and the first two letters of the last name.

**Trial Balance** A comparison of debit, credit, and account balances. A successful trial balance for the FSA programs is a confirmation that accounts receivable, program expenditures, and cash balances equal the amounts authorized. The purpose of a trial balance is to check that the dollar amounts of debits and credits are equal in the general ledger accounts. This is a useful tool for catching many types of errors, but having a trial balance in balance, in and of itself, is not an assurance that other accounting errors haven't been made. Taking a trial balance should be performed at least monthly.

**Tuition** The amount of money charged for instruction and use of educational facilities such as libraries.

## – U –

**Unearned Aid** In a Return calculation, the difference between Title IV aid that was disbursed or could have been disbursed for the payment period or period of enrollment and the amount of Title IV aid that was earned when a student withdrew.

**Uniform Commercial Code Statement (UCC-1)** A UCC-1 statement discloses to the appropriate state or local government entity that the school's account contains federal funds. If required, the school must retain a copy of these notices in its records.

**U.S. Department of Education (ED, The Department)** Federal department that administers the Title IV programs.

**Unbooked Loan** A Direct Loan that does not have an accepted actual disbursement and/or is not linked to an accepted promissory note.

**Undergraduate Student** A degree-seeking student at a college or university who has not earned a first bachelor's degree.

**Unemployment Benefits** Temporary and partial wage replacement to workers who have become unemployed.

**Unprocessed Deobligations** In the Pell Grant Program negative available balances in the Pell Grant program that are generally created when a school submits disbursement decreases and those decreases cause the CFL to fall below the amount already sent to the school by GAPS. In the Campus-Based Programs, an unprocessed deobligation occurs when the net amount of funds drawn through GAPS for a particular program and year exceeds the total expenditures reported on the school's FISAP.

**Unsubsidized Loan** An unsubsidized (unsub) loan is a loan given to a student not eligible for (or who has exhausted his/her eligibility for a subsidized loan) that will begin accruing interest charges from the disbursement date forward. Interest is charged on these loans from the date of disbursement. While the student is in school, in the grace period, or in deferment, students may elect to make pay the interest or have it capitalized and added to the principal.

**Unsubstantiated Cash** Calculated as net cash at school (i.e., net excess cash returns) received for the award year, not including cash at schools for the last 30 days minus total accepted disbursements (booked disbursements for DL) for award year.

**Update** Data on the SAR/ISIR that has been updated to reflect changes in a student's situation after the FAFSA was signed. Allowable updates are limited to changes in dependency status (for reasons other than a change in the student's marital status), household size and number in college.

**U.S. Citizenship and Immigration Services (USCIS)**

The agency of the Department of Homeland Security (DHS) responsible for enforcing the laws regulating the admission of foreign-born persons (i.e., aliens) into the United States. The CPS conducts a match of FAFSA data against this agency's database to confirm the student's identification and eligibility for federal student financial aid. This match is known as the "DHS Match."

**User Identification, User ID** A unique eight-character identifier issued to payees by the Department of Education. The GAPS User ID and password are required for a payee to access GAPS.

**User's Guide** A technical reference publication produced by ED and designed to support or assist recipients using electronic systems such as EDE, SAIG, and GAPS.

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**Valid ISIR/SAR** Institutional Student Information Record (ISIR) or Student Aid Report (SAR) having a calculated EFC, accurate and complete data, and no "C" codes. Also referred to as *Valid Output Document*.

**Variable Interest Rate** An interest rate that is recalculated on a periodic basis, usually based on the prime rate or the T-bill rate. For FSA loans, this rate changes yearly on July 1.

**Verification** The process a school follows to check the accuracy of the information reported by the student on the FAFSA. The information reported is compared against documents, such as signed federal tax forms and signed Verification Worksheets, the student provides to the school.

**Verification Status Code** A field through which a school reports to FSA the verification status of a student to whom the school disburses a Pell Grant. For 2005-2006, the Verification Status Codes are: W – Without Documentation, V – Verified, S – Selected not verified, Blank – Not selected or verified.

**Verification Tolerance** The acceptable dollar limit for small dollar-value errors that are detected when verifying a student's FAFSA data but that do not significantly affect the student's eligibility. The tolerance limit is \$400 and applies to the net difference between the sum of applicant-reported (incorrect) AGI, plus untaxed income, less U.S. income tax paid; and the sum of the verified (correct) AGI, plus untaxed income, less the verified U.S. income tax paid. If the difference between the incorrect total and the verified total is \$400 or less, and only dollar-value errors are detected, the errors are within tolerance, and the student's EFC does not have to be recalculated.

**Verification Tracking Flag** A field on the Institutional Student Information Record (ISIR) that prioritizes applications according to their potential for significant errors. If a school limits the number of students it verifies to 30% of its total, the school can use the tracking flag to help determine the students it chooses to verify.

**Verification Worksheet** A form sent by a school to students who are selected for verification by the Department of Education's Central Processing System (CPS).

**Veteran** For FSA purposes, such as determining dependency status, a veteran is a former member of the U.S. Armed Forces who served on active duty (other than for training purposes) and was discharged other than dishonorably.

**Veterans Affairs (VA)** The federal agency responsible for administering and managing the education, health care and financial assistance benefits of U.S. veterans and their families. The CPS conducts a match of FAFSA data against this agency's database to confirm the student's veteran status.

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**Withdrawal Date** The date the student withdraws, as determined by the school.

**Work College** An eligible public or private, non-profit school with a commitment to community service.

**Federal Work-Study Program** A Campus-Based program, awarded by the college, in which eligible students work part-time to help fund their education.

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**Year-to-Date Record (YTD Record)** A YTD Record in the Pell Grant program contains more detailed origination and disbursement data than a Reconciliation Report. The YTD Record can be requested for an individual student or for all Pell Grant recipients at a school with accepted data in COD.

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