## Important Loan Terms You Should Know

Accrued Interest:	Interest which accrues on the loan and is payable by the borrower or, in the case of subsidized Federal
7.00.4040.001	Stafford Loans, by the federal government, during in-school, grace, and deferment periods.
APR (Annual Percentage Rate):	The APR is the overall cost of borrowing money, expressed as an annual percentage of the loan balance.  The APR calculates the combined impact of the interest rate, loan fees, capitalization of interest (the
Capitalization:	addition of unpaid interest to the principal) and other repayment terms.  Capitalization is the practice of adding unpaid interest charges to the principal balance of an education loan, thereby increasing the size and cost of the loan. Interest is then charged on the new balance, including both the unpaid principal and the accrued interest. Interest can be capitalized monthly, quarterly, annually or when the loan enters repayment. Capitalization causes interest to be charged on top of interest.
Consolidation:	A consolidation loan combines one or more eligible federal educational loans into a single new loan.
Cosigner:	A signer in addition to the principal signer for borrowers who do not meet the minimum credit requirements. The cosigner assumes liability for repayment of a loan in the event the principal signer does not repay the loan.
Consumer Reporting Agency:	An agency, such as Equifax, Transunion, or Experian, that compiles, maintains, and distributes credit and personal information to creditors.
Credit Report:	A summary of your credit history. It is maintained by an authorized consumer reporting agency and sent to potential creditors, when requested.
Default:	Default is the failure to repay your loan according to the terms. It may lead to legal action to recover the money and can negatively affect your credit rating. Private student loans are considered to be in default after 120 days of nonpayment, while federal education loans are considered to be in default after 360 days of nonpayment.
Deferment:	A deferment is a postponement of payment on a federal loan that is allowed under certain conditions and during which the government pays the interest on any subsidized loans. The borrower is responsible for the interest on any unsubsidized loans during a deferment. The economic hardship deferment has a three-year limit. Deferments during the in-school period are unlimited.
Deferred Interest:	Interest that accrues, but on which payment is delayed until a later date. Such deferred (accrued) interest may be capitalized.
Disclosure Statement:	A statement of the actual loan costs, including the interest rate and any additional fees, which is presented to the borrower at the time the loan is made.
Endorser:	A signer in addition to the principal signer for Federal PLUS Loans for those borrowers who do not meet the minimum credit requirements. The endorser signs a promissory note and agrees to repay the loan in the event that the borrower does not.
Forbearance:	A forbearance is a period during which your monthly loan payments are temporarily suspended or reduced. Interest continues to accrue and will be capitalized if unpaid by the borrower. You may qualify for a forbearance if you are willing but unable to make loan payments due to certain types of financial hardships.
Grace Period:	A period of time that begins when you graduate, leave school, or your enrollment status drops below half- time, whichever comes first, and ends when your first loan payment is due. Interest continues to be deferred on subsidized loans during the grace period.
Interest:	Interest is a periodic fee for borrowing money, expressed as a percentage of the loan balance. Interest rates are either variable (the rate can change) or fixed (the rate will not change). The interest rate on a variable rate loan can reset (change) annually, quarterly or monthly.
Loans:	Loans are borrowed funds that must be repaid over time, usually with interest.
Loan Fees:	Loan fees are one-time charges to originate or guarantee a loan, expressed as a percentage of the loan balance, and typically deducted prior to loan disbursement.
Loan Period:	The academic year or portion thereof for which the student loan applicant is enrolled and is seeking one or more loans. Loan period typically coincides with the beginning and ending of a term or academic year.
MPN (Master Promissory Note):	The legally binding contract between the borrower and the lender of a Federal Loan. By signing the MPN, the borrower agrees to all terms and conditions, including the responsibility to repay all borrowed funds along with any interest and fees that are charged. Unlike other promissory notes where only one loan can be borrowed per signed note, the MPN allows a school to make multiple Federal Loans to a borrower using the single note.
Principal:	The principal is the full amount borrowed. During repayment, it refers to the portion of the original loan amount still owed (not including interest or fees).
Promissory Note:	A promissory note is a binding legal document you sign when you get a student loan. It contains the loan terms and conditions under which you're borrowing and the terms under which you agree to pay back the loan. It may also mention deferment and cancellation provisions available to the borrower.
Servicer:	Companies that specialize in handling billing, collections, deferments, etc., for student loans.
Subsidized:	The government pays the interest on subsidized loans while the student is in school, during the six-month grace period and during any deferment periods. Subsidized loans are awarded based on demonstrated financial need.
Terms:	The specific conditions of a loan, including the requirements governing receipt and repayment of a loan.
Unsubsidized:	An unsubsidized loan is a loan for which the government does not pay the interest. The borrower is responsible for the interest on an unsubsidized loan from the date the loan is disbursed, even while the student is still in school. Students may avoid paying the interest while they are in school by capitalizing the interest, which adds the interest to the loan balance. These loans are not based on financial need or income. Examples of unsubsidized loans include the unsubsidized Stafford loan and the PLUS loans.