



The Student Loan Borrower's Glossary

Annual Percentage Rate (APR): a percentage that reflects all costs included in loan payments. Some lenders may charge origination or other fees in addition to the interest that accrues on a loan.

Capitalization: When unpaid interest is added to the principal amount.

Co-signer: Another individual who agrees to assume responsibility for loan payments if a borrower is unable to repay their loan.

Consolidation: Combining multiple loans into a single loan to simplify payments or pay under new repayment terms.

Credit Score: A calculation that estimates a borrower's creditworthiness and the likelihood they will repay their loan on time. Credit scores take into account a borrower's payment history, how much they currently owe, their credit history and other factors.

Default: When a borrower fails to repay their loan within the agreed terms. Defaulting on a student loan will severely damage credit scores and result in collection fees or an accelerated loan balance with payment due immediately.

Deferment: Temporarily postponing student loan payments and accrued interest. Qualifying events, like military service or residency, are usually required for eligibility.

Free Application for Federal Student Aid (FAFSA): An application every student must complete annually to be eligible for federal student aid, including Direct Loans and Public Service Loan Forgiveness (PSLF).

Fixed Interest Rate: An interest rate that stays the same for the entire loan term.

Forbearance: A temporary pause on loan payments for a set amount of time with continuous accruing interest. Forbearance is intended to help borrowers who need short-term financial assistance.

Forgiveness: When a lender cancels some or all of a debt balance. Students may qualify for forgiveness programs like PSLF that forgives student debt after a certain period of service working in public service.



Grace Period: The period between dental school and when loan payments begin. The federal student loan grace period is 6 months.

Interest: The cost paid to a lender for borrowing a loan. Interest accrues over time as a percentage of the principal amount initially borrowed.

Loan Term: The total amount of time a borrower has to repay their loan. Shorter terms usually mean higher monthly payments and less interest accrued while longer terms may offer lower monthly payments or forgiveness options, but borrowers would pay more in interest over time.

Principal: The amount of money borrowed in a loan.

Refinancing: Purchasing a new loan to pay off an existing loan. Borrowers usually refinance to take advantage of a lower interest rate or more favorable repayment terms for their financial situation.

Student Loan: An amount of money borrowed from the government, institution or private lender to pay for school. Loans may be limited to the cost of tuition, books and required fees.

Student Loan Marketplace: A company that helps borrowers navigate securing loans by negotiating on behalf of borrowers and comparing rates and terms from multiple lenders.

Student Line of Credit: A flexible borrowing option that allows students to borrow the exact amount they need as they need it, such as for costs excluded from a tuition statement.

Variable Interest Rate: An interest rate that fluctuates with the market.