



## Student Loan Terms

Federal Stafford and PLUS loans come from the federal government and are administered by your college. Private or alternative education loans come from private lenders, not the federal government. Here is some loan terminology you need to know.

### **Annual Percentage Rate (APR)**

The total annual cost of borrowing money, including principal, interest and fees.

### **Consolidation**

The process of combining one or more eligible education loans into a single new loan.

### **Default**

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. Federal education loans are considered to be in default after 270 days of nonpayment.

### **Deferment**

A time period, during which, payment of principal is not required. For subsidized loans, interest does not accrue.

### **Forbearance**

A time period, during which, the lender allows the borrower to temporarily postpone repayment of the loan principal. However, interest charges continue to accrue during this time, even on subsidized loans. Forbearances are granted at the lender's discretion, usually in cases of financial hardship or when the borrower does not qualify for a deferment.

### **Interest**

The amount paid for borrowing money that is paid to and determined by the lender. Interest rates are expressed as percentages and are either variable (the interest rate can change) or fixed (the interest rate will not change).

### **Loan Fees**

One-time charges to originate or guarantee a loan, expressed as a percentage of the amount of the loan.

### **Principal**

The full amount borrowed. During repayment, it refers to the portion of the original amount still owed (not including interest).

### **Promissory Note**

A binding legal document you sign when you borrow a student loan. It contains the loan terms and conditions under which you are borrowing and the terms under which you agree to pay back the loan. It will include deferment and cancellation provisions available to the borrower.