

Financing Your **NEC** Education

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A Message from the Director of Financial Aid

Dear Students, Parents, and Families:

Welcome!

The New England Conservatory recognizes that furthering one's education is both a personal and a financial decision. Pursuing a college degree entails a great deal of responsibility, and both prospective and currently enrolled students require a commitment and sensitivity to their personal and financial needs. The NEC Financial Aid Office makes every effort to assist qualified students in finding the financial resources necessary to meet their educational costs.

In order to help you understand the terms and conditions of your awards, as well as the financial aid process, my office has produced this comprehensive financial aid award guide for your reference. Topics include the types of financial aid available, when your financial aid funds will disburse, and what you can expect to repay on federal student loans that you may choose to borrow.

Accompanying the guide is your Financial Aid Award Letter; please read the letter and guide carefully. Do not hesitate to contact us for assistance. We always welcome student questions and look forward to working with you over the course of your academic program at New England Conservatory.

Sincerely,

Lauren Urbanek
Director of Financial Aid

Financing Your NEC Education

The Role of the Financial Aid Office

The Financial Aid Office at NEC offers assistance to current and prospective students with regard to financing their education. The Financial Aid staff is committed to providing students with the information they need to make informed decisions about financing programs at NEC. The Financial Aid Office awards financial aid to eligible applicants and transmits this aid to the NEC Business Office. Financial Aid staff work with students and parents to resolve balances owed on student accounts; authorize refunds (where applicable); and administer NEC's student employment program in cooperation with the Payroll Office.

Office Hours

The Financial Aid Office is located in room 103 of the St. Botolph Building. Office hours are Monday through Friday from 9:00 AM to 5:00 PM. Evening hours are available by appointment only.

Contact Information

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Introduction

Purpose

This guide is provided as an accompaniment to your Financial Aid Award Letter. Upon signing your award letter, you are not only agreeing to the award values indicated but also certifying to the NEC Financial Aid Office that you have read and understood the information in this guide. *Financing Your NEC Education* is produced to help students become familiar with NEC's Financial Aid policies and procedures. In addition, this guide should assist you in planning for the financing of your education at NEC.

Student Responsibility

The Financial Aid Office is committed to making its services easily accessible to all students. We understand that the financial aid process can sometimes be confusing and that students may require our guidance. It is also important for students to understand their level of responsibility when dealing with the financing of an NEC education.

The primary mode of communication from the Financial Aid Office is in written form. It is each student's responsibility to read and act upon any correspondence mailed or emailed to him or her. Should any information seem unclear, please email finaid@necmusic.edu or call the Financial Aid Office at 617-585-1110 for clarification.

During the summer months, we will use your email or permanent mailing address for all correspondence. While classes are in session, depending on the nature of the communication, information will be sent via email or mailed to your local address. It is the student's responsibility to notify NEC of any changes to mailing or email addresses. All NEC students must check their necmusic.edu email addresses regularly.

You may forfeit all or a portion of your financial aid if you do not follow all instructions or respond to requests from the Financial Aid Office. New England Conservatory is not responsible for losses that occur due to negligence on your part.

Understanding Your Financial Aid Award Letter

The Award Letter

Your NEC Financial Aid Award letter reflects the financial assistance that we are able to offer you for the 2010-2011 academic year. Your award package may include a variety of funding from several sources, including scholarships, grants, loans, and part-time student employment from NEC or the federal and/or state government.

To accept your awards, you must sign, date, and return one copy of the letter to the NEC Financial Aid Office. Cross out any awards that you wish to decline. If you would like to accept less than an amount offered, cross out the original amount and write in

the amount that you wish to accept. Retain a copy of the award letter for your records. Financial Aid award acceptance must be in writing only; verbal acceptances will not be processed. *Please respond even if you wish to decline your awards.*

Eligibility

The NEC Financial Aid Office awards need-based federal financial aid according to Title IV Federal Student Aid regulations. The Financial Aid Office uses the Free Application for Federal Student Aid (FAFSA) as a tool to determine each student's eligibility for financial aid. U.S. citizens and permanent residents must file the FAFSA in order to be considered for federal and state financial assistance, as well as for any kind of institutional funding (including merit-based awards). All students seeking *any* type of financial aid must file the *NEC Application for Financial Aid and Scholarships*.

NEC Funding

In addition to administering Federal Student Aid programs, the Financial Aid Office administers limited funds from the Conservatory itself. Eligibility for this funding is determined based on a student's talent/merit, with strong consideration given to those with financial need. U.S. citizens and permanent residents must file the FAFSA in order to be considered for any kind of institutional funding, including merit-based awards. All students seeking any type of financial aid must also file the *NEC Application for Financial Aid and Scholarships*. NEC funds are limited; not all applicants will receive financial assistance from the Conservatory.

Verification

The U.S. Department of Education selects approximately one-third of all federal aid applications for review in a process called "Verification." If you are selected, the Financial Aid Office will request documentation from you that may include signed copies of 2009 federal income tax returns for both the student and parent (if applicable), copies of all 2009 W2 information for both the student and parent (if applicable), and the completion of a Verification Worksheet. Students who are admitted into a new program will be offered financial aid funds before the Verification process has been completed. All financial aid award offers are considered tentative until Verification has been completed. Returning students will not receive a renewal financial aid package until Verification has been completed. All students selected for Verification will not have any financial aid funds disbursed until Verification is complete.

Types of Financial Assistance

Federal Pell Grant

The Federal Pell Grant is a need-based federal grant that does not have to be repaid. Eligibility is based on a student's Expected Family Contribution (EFC), which is calculated when the student's Free Application for Federal Student Aid (FAFSA) is

processed. Pell Grants are only awarded to undergraduate students who have not yet earned a bachelor's degree. To be considered for this grant, students must complete the FAFSA and *NEC Application for Financial Aid and Scholarships* annually.

Federal Supplemental Educational Opportunity Grant

SEOG is a need-based federal grant that does not have to be repaid. Recipients are selected in accordance with federal regulations, which require SEOG to be awarded to students with exceptional financial need, typically Federal Pell Grant recipients. To be considered for this grant, students must complete the FAFSA and *NEC Application for Financial Aid and Scholarships* annually.

Federal Academic Competitiveness Grant (ACG)

The Academic Competitiveness Grant is a federal grant that is awarded to first- and second-year degree-seeking students. Recipients must be eligible for a Federal Pell Grant, be enrolled at least half time, and have successfully completed a rigorous secondary program of study. First-year students must not have been previously enrolled in an undergraduate program. Second-year students must have earned at least a 3.0 GPA during their first year. To be considered for this grant, students must complete the FAFSA and *NEC Application for Financial Aid and Scholarships* annually.

State Grants

State grants are issued by the state in which the student permanently resides. An estimate of the grant may appear on the student's award letter. However, the state agency will notify the student of actual award amounts, at which time adjustments to the student's award letter may need to be made. State Grants do not typically need to be repaid. To be considered for a state grant, students must complete the FAFSA annually no later than the state deadlines posted on www.fafsa.ed.gov.

NEC Merit Award

The NEC Merit Award is awarded to full-time students based on their merit/talent. These awards are decided upon by the Financial Aid Committee and will not exceed 50% of the student's tuition. Not all students will receive an NEC Merit Award, as funds are extremely limited. NEC Merit Awards do not need to be repaid. To be considered for this award, students who are U.S. citizens or permanent residents must complete the FAFSA and *NEC Application for Financial Aid and Scholarships* annually. International students must complete the *NEC Application for Financial Aid and Scholarships* annually.

NEC Scholarship

NEC Scholarship Awards are awarded to full-time students based on talent/merit and financial need. These awards are determined based on the student's NEC audition, as well as the results of his or her processed FAFSA and *NEC Application for Financial Aid and Scholarships*. To be considered for this award, students who are U.S. citizens or

permanent residents must complete the FAFSA and *NEC Application for Financial Aid and Scholarships* annually. International students must complete the *NEC Application for Financial Aid and Scholarships* annually.

From the Top Scholarship

Students who performed on the From the Top! Program and have been admitted to NEC are guaranteed scholarship funds of at least \$7,500. This funding is included *as part of* the student's overall scholarship from the Conservatory and will appear on the student's award letter as "NEC Scholarship," "NEC Merit Award," or a combination of the two funds. There is not a separate fund name for From the Top Scholars. The total amount awarded is NEC funding includes the From the Top award.

Federal Direct Stafford Loan

The Direct Stafford loan is a low-interest federal loan that is made *to the student*; the student is responsible for repayment. There are two types of Stafford loans: subsidized and unsubsidized. To qualify for a subsidized Stafford loan, a student must demonstrate financial need. The federal government pays the interest on subsidized Stafford loans while the student remains enrolled at least half-time. If a student does not demonstrate financial need, he or she will qualify for an unsubsidized loan. Unsubsidized Stafford loans accrue interest while the student is in school; the student may pay the interest periodically while in school or capitalize it and repay it along with the principal. Loan repayment begins six months after the student ceases to be enrolled at least half-time.

Interest Rates

For 2010-2011, the interest rate for subsidized Stafford loans *for undergraduate students only* is fixed at 4.5%. The interest rate for subsidized Stafford loans for *graduate* students is fixed at 6.8%. The interest rate for *all unsubsidized* Stafford loans is fixed at 6.8%.

Application

To apply for a Direct Stafford loan, all borrowers must complete a Direct Stafford loan Master Promissory Note (MPN). An MPN is a legal document in which you promise to repay the loan, plus any accrued interest and fees, to the lender. The MPN also explains the terms and conditions of the loan. Typically, once your MPN has been submitted and accepted by the lender, you will not have to complete a new MPN to obtain future Direct Stafford loans. To sign your Direct Stafford loan MPN, visit www.dlenote.ed.gov.

All Direct Stafford loan borrowers must complete Entrance Counseling before loan funds can be sent to the school. To complete Entrance Counseling, visit www.dl.ed.gov.

Loan Limits

Annual Stafford loan limits are based on the student's year in school, which is determined based on the number of credits he or she has successfully completed. The federal government deducts 0.50% in fees from the gross loan amount before

forwarding the balance to NEC. The government limits the amount of a student's total Stafford loan funding that can be subsidized, as shown in the chart below.

Stafford Loan Limits

Year in School	Maximum Annual Loan Limit*	Maximum Amount of Limit That May Be Subsidized
First Year Undergraduate	\$5,500	\$3,500
Second Year Undergraduate	\$6,500	\$4,500
Third/Fourth Year Undergraduate	\$7,500	\$5,500
Graduate	\$20,500	\$8,500

**Independent undergraduate students are also eligible to borrow funds through the unsubsidized Stafford loan program. These loan amounts are capped at \$4,000 for first-year and sophomore students and \$5,000 for juniors and seniors. Independent students' financial aid award letters will reflect these additional amounts. Students whose parents have been denied a PLUS loan may be eligible for additional unsubsidized Stafford loan funds; please contact us to determine if you qualify.*

Federal Perkins Loan

The Federal Perkins loan is a low-interest (5% fixed) federal loan program for students with exceptional financial need. Recipients are required to sign a separate Perkins loan promissory before loan funds can be disbursed.

Federal Direct PLUS Loan

The Direct PLUS loan is a low-interest federal education loan available to graduate students and to the parents of dependent, undergraduate students to help pay for the student's educational costs. Borrowers with no adverse credit history may apply for up to the cost of education (for one academic year at a time), less any other financial aid.

Interest Rates

The interest rate for Direct PLUS loans is fixed at 7.9%; interest begins to accrue on the date of the loan's first disbursement. Loan funds are disbursed directly to NEC. Direct PLUS loan borrowers must also pay a loan origination fee of 2.5%. *Note: your lender deducts this fee before disbursing any loan money, so the loan amount disbursed will be less than the required repayment amount.*

Application

To apply for a Direct PLUS loan for the first time, you must complete a Direct PLUS loan Master Promissory Note (MPN). An MPN is a legal document in which you promise to repay the loan, plus interest and fees, to the lender. The MPN also explains the terms and conditions of the loan. Typically, once your MPN has been submitted and accepted by the lender, you will not have to complete a new MPN to obtain future PLUS loans.

Borrowers should complete the Direct PLUS loan MPN online at www.dlenote.ed.gov. Upon application, the Department of Education will check your credit history; to be eligible for a PLUS loan, you must not have an adverse credit history.

Disbursement

For students enrolled for a full year, the Direct PLUS loan funds will be sent to NEC in two equal disbursements (typically, one at the start of each semester). NEC will first credit loan funds to the student's NEC account to pay for billable charges. (tuition, fees, room, board, etc.). If the loan disbursement amount exceeds your charges, NEC will refund you the remaining balance of the disbursement.

Repayment

After disbursement, PLUS loan borrowers may contact their loan servicer to arrange repayment immediately (based on a standard 10 year repayment plan), or pay interest only, or defer repayment until the student is no longer enrolled at least half time.

Private/Alternative Loan Programs

A variety of private/alternative loan options are available to undergraduate and graduate students and/or their families. Alternative loans are offered by private lenders and are usually credit-based. Borrowers should only use private loans as supplemental funding after having exhausted all other sources of financial aid.

The NEC Financial Aid Office's web page offers a list of private loan companies that have made loans to NEC students in the past. Students are welcome to borrow from other lenders programs as well. When researching your loan options, it is advisable to take into consideration the loans' interest rates as well as any origination, disbursement, and repayment fees. We are happy to answer questions or provide information as you work to identify the program(s) that best suit your family's needs.

Tuition Management Systems (TMS)

TMS is a private company not affiliated with NEC, that contracts with the Conservatory in order to offer students and families a monthly payment plan for paying direct educational costs (tuition, room, board, fees). This is not a loan program. There is a \$90 enrollment fee to participate. For more information on TMS, visit www.afford.com, call the NEC Business Office at 617-585-1221, or call TMS at 888-216-4258.

Student Employment

The Federal Work-Study Program (FWS) provides part-time employment opportunities within New England Conservatory to eligible students to help pay for incidental expenses during the year. In order to be eligible for a FWS award, a student must demonstrate financial need, as determined by his or her FAFSA results. Students who are ineligible for the Federal Work-Study program may be employed on campus under the Student Aid program. Student employment funds are not directly credited to the student's term bill account. Rather, these funds must be earned. Earnings will be paid directly to the student in the form of a bi-weekly paycheck.

Estimated Cost of Attendance (COA)

Each year, the New England Conservatory establishes student expense budgets based on the average cost of attendance for most students. The tuition and fees that we use are based each student's program and expected enrollment status. Room and board estimates are based on the cost of living in a Residence Hall double room. Other costs associated with attendance, including books and supplies, transportation, and personal expenses are based on historical averages.

2010-2011 Cost of Attendance (Budget)

	BM, Undergraduate Diploma, GD, MM, AD, and DMA Programs	Graduate Diploma Program
Tuition	\$34,500	\$31,500
Student Services/Technology Fee	\$450	\$450
Health Insurance ¹	\$2,046*	\$2,046*
Room & Board	\$12,100	\$12,100
Books & Supplies ²	\$700	\$700
Local Transportation ²	\$420	\$420
Personal Expenses ²	\$2,200	\$2,200
Total	\$52,416	\$49,416

¹ 2010-2011 health insurance costs, which were not available at the time of this printing, are estimated based on actual 2009-2010 costs. Massachusetts law requires all students enrolled in Massachusetts colleges to have appropriate health insurance coverage. If you have appropriate health insurance coverage, you may receive a credit for this charge by filing a waiver with the NEC Business Office.

² Books and supplies, local transportation, and personal expenses are not directly billed on the student's tuition bill.

Adjustments to Estimated Cost of Attendance

The NEC Financial Aid Office urges students to manage their money wisely, taking care not to borrow more than is needed to cover educational costs. However, we recognize that occasional adjustments may need to be made to a student's estimated Cost of Attendance. Any student who wishes to make adjustments to his or her overall estimated Cost of Attendance must contact the Financial Aid Office for assistance. Students requesting COA increases may be asked to submit documentation of their costs (e.g. utility bills and/or lease agreement for COA increases based on housing costs).

Satisfactory Academic Progress

To qualify for continued financial assistance, students are expected to make satisfactory academic progress, which NEC defines as the successful completion of at least 67% of all credit hours attempted over the course of the semester, as well as any promotional evaluation. Additionally, undergraduates must maintain a minimum cumulative GPA of

2.0; graduate students must maintain a minimum cumulative GPA of 3.0. Please refer to the *Academic Catalog* for NEC's full Satisfactory Academic Progress policy.

Academic Review Committee

Each semester, the Conservatory's Academic Review Committee, which is composed of faculty and staff, reviews student records and decides on appropriate action, including probation and/or suspension. If the student fails to meet these criteria, he or she may be placed on Academic Probation. For more information, refer to the *Academic Catalog*.

Academic Probation & Suspension

A student who has remained on academic probation for two consecutive semesters will not be eligible to receive financial aid in subsequent semesters until he or she is returned to good academic standing. When the student has regained good academic standing, he or she will be returned to an eligible status for financial aid.

Examples: *Jane Doe is placed on academic probation for the Fall 2009 semester. She remains on probation for the Spring 2010 semester.*

- If Jane is suspended for the 2010-2011 academic year, she will be ineligible for financial aid during her suspension. She will also be ineligible to receive financial aid during the first semester that she returns to NEC. She must return to good academic standing before she can become eligible to receive financial aid in future semesters.
- If Jane enrolls for Fall 2010, she will not be eligible to receive financial aid during that semester. She must be returned to good academic standing before she can become eligible to receive financial aid in future semesters.

Qualifying Degree Requirement

All students enrolling in NEC programs must provide proof of a qualifying degree by providing the Office of Admission with a final high school or college transcript with the degree posted (e.g. proof of receipt of a high school diploma or equivalent for applicants to our undergraduate programs). Students who fail to provide this documentation are not eligible for the disbursement of *any* financial assistance, including NEC funding. The Financial Aid Office will cancel financial aid awards for students who fail to provide a qualifying degree by the end of their first semester.

Appealing Your Financial Aid Award

All appeals for additional financial assistance must be made in writing and include supporting documentation. All appeals should also include a dollar amount requested. If approved, increases typically range from \$1,000 to \$5,000. Appeals are reviewed continually; responses will typically be mailed or emailed to the student within 10 business days.

New Student Appeals

New students may appeal their financial aid package by submitting a letter to the Financial Aid Office describing their situation. Appeals that document a change in the student's financial situation, or that disclose information not previously provided to the Financial Aid Office, must be detailed in the *NEC Financial Aid Appeal Form*. This form is available for download at necmusic.edu/financial-aid or upon request from Financial Aid.

Returning Student Appeals

Returning students may file appeals as part of the financial aid renewal process by completing the "special circumstances" section within the *NEC Application for Financial Aid and Scholarships*. Returning students who wish to appeal only for additional merit/talent-based aid do not need to provide additional financial information. Students/families whose appeals are based on significant changes to their financial situation must complete the *NEC Financial Aid Appeal Form*. This form is available for download at necmusic.edu/financial-aid or upon request from the Financial Aid Office. Faculty letters and recommendations are not necessary for appeals. The Financial Aid Office will consult with faculty, as needed.

Loan Application and Disbursement

Stafford Loan Application Process (New for 2010-2011)

Beginning with the 2010-2011 academic year, NEC is participating in the Federal Direct Student loan program. As such, we can no longer accept bank-issued Stafford loan promissory notes. To complete the application for a Stafford loan for 2010-2011, both new and returning NEC students must take the following steps:

1. Sign a new Federal Direct Stafford Loan Master Promissory Note online at www.dlenote.ed.gov. (Select "Complete New MPN for Student Loans.") You will need to provide the names and addresses of two references (typically, a parent and another adult living at a different address). If you would like to borrow less than the loan amount(s) offered to you in your financial aid award letter, please notify the Financial Aid Office in writing.
2. Complete Entrance Counseling online at www.dl.ed.gov. The Counseling session takes approximately 15 minutes and will be followed by a short quiz.

You will be required to use your Department of Education issued PIN (which you used to file the FAFSA) in both steps. You may request a PIN online at www.pin.ed.gov.

The Direct Loan servicer will notify the Financial Aid office electronically when your MPN and Entrance Counseling are completed. After both steps have been completed and your financial aid file is otherwise complete, the net amount of his or her loan will be credited to the student's account with the NEC Business Office.

Loan Disbursements

Federal Student Aid regulations mandate that all students cannot have their federal aid disbursed onto their student accounts until the first day of classes. Students are expected to plan accordingly. Students who borrow loan funds to cover living expenses will not receive refunds until three business days from the date that loans are posted onto their student account. Therefore, for planning purposes, students should not plan on getting a refund check until approximately the second week of classes.

When Can I Expect my Funds to Disburse?

If the student (and parent, where applicable) have completed all required paperwork to ensure a complete financial aid file (i.e. signed and returned award letter, completed all required promissory notes and entrance counseling) the student can refer to the chart below to determine approximately when funds will be posted to their account with the NEC Business Office. For students enrolled for both fall and spring semesters, all federal, state, and institutional funding must be disbursed in two equal disbursements, typically at the start of each semester.

Estimated Disbursement Schedule

Fund Type	Anticipated Disbursement Dates
Federal Stafford loan	First day of classes for both fall and spring terms, pending the student's completion of all required paperwork.
Federal PLUS loan	First day of classes for both fall and spring terms, pending the student's (and, where applicable, the parent's) completion of all required paperwork. Note: PLUS loans that are borrowed by a parent on behalf of a student and are disbursed by check must have both the parent and student signature in order to be processed. Refunds created by such loans will be made payable to both the student and the parent.
Federal Perkins loan	First day of classes for both fall and spring terms, pending the student's completion of all required paperwork.
Federal grants	First day of classes for both fall and spring terms, pending the student's completion of all required paperwork.
NEC funding	First day of classes for both fall and spring terms, pending the student's completion of all required paperwork.
State funding (grants and loans)	Varies; anticipated by October for fall term and February for spring term.
Work-Study	Not disbursed. Paid directly to the student through campus payroll system.
Private loans	Varies; largely depends on when student submits loan application and certification forms.

Reapplying for Financial Aid

All financial aid recipients, including those receiving only NEC funding, must reapply for financial aid on an annual basis. Students who are meeting NEC's academic standards,

are registered, apply for financial aid on time, and remain in relatively the same financial situation will be eligible for renewal of the initial financial aid package. NEC funding is increased proportionally (not dollar for dollar) based on the percentage increase in tuition from year to year. Students remain eligible for renewal for as long as they are working toward the same degree/diploma and are enrolled at least half-time.

Students who are returning from inactive status are included in the renewal policy, provided they have notified the Dean of Students of their return, completed the financial aid process on time, and have registered for classes. Students returning from suspension, or who have been on academic probation for two consecutive semesters, are not eligible for financial aid until they return to good academic standing. Current NEC students who are applying to another degree program (e.g. Bachelor's students who reapply for graduate programs) are subject to the deadlines set for *new* students.

Financial Aid decisions will be made in accordance with the applicant's strengths and financial need relative to the pool of new applicants. This policy includes current Master's students applying for a second Master's degree in another major.

Important Deadlines:

February 1, 2011: 2011-2012 *NEC Application for Financial Aid* due from returning students

February 1, 2011: 2011-2012 FAFSA due from both new and returning students

Stafford Loan Repayment Schedule

The table below outlines a sample repayment schedule for Federal Stafford loan borrowing. The examples outlined here are based on a fixed interest rate of 6.8%, a standard 10-year repayment term, and a \$50 minimum monthly payment. Typically, manageable student loan payments can range from 5%-15% of income.

Sample Stafford Loan Repayment Schedule

Loan Amount	Minimum Monthly Payment	Years in Repayment	Total Interest Paid	Total Amount Paid
\$2,500	\$50	4.9	\$447	\$2,947
\$5,000	\$58	10	\$1,904	\$6,904
\$7,500	\$86	10	\$2,857	\$10,357
\$10,000	\$115	10	\$3,809	\$13,809
\$12,500	\$144	10	\$4,762	\$17,262
\$15,000	\$173	10	\$5,714	\$20,714
\$20,000	\$230	10	\$7,619	\$27,619
\$35,000	\$403	10	\$13,334	\$48,334
\$50,000	\$575	10	\$19,048	\$69,048

Glossary

Accrued Interest: Interest that builds gradually on a loan. Each day, or after some other specified period of time has passed, interest is calculated on the unpaid principal balance and becomes accrued interest.

Capitalized Interest: Accrued interest that is added to a borrower's outstanding principal. Subsequent interest accrues on the new total principal balance.

Cost of Attendance (COA): Generally, this includes the tuition and fees normally assessed a student, together with the institution's estimate of the cost of room & board, books & supplies, a computer, and miscellaneous personal expenses. In addition, student loan fees, dependent care, and reasonable costs for a study abroad program may be included, when appropriate. Also referred to as "cost of education" or "budget."

Default: The failure of a borrower to make installment payments when due, or to meet other terms of the promissory note or agreements with a lender, under circumstances where the U.S. Department of Education or the loan guarantor reasonably concludes that the borrower no longer intends to honor his or her obligation to repay a loan, provided that this failure persists for the most recent period of 270 consecutive days.

Deferment: A period of time during repayment in which the borrower, upon meeting certain conditions, is not required to make payments of loan principal.

Dependent Student: A student who does not qualify as an independent student and whose parental income and asset information is used in calculating the EFC.

Disbursement: The transfer of loan proceeds by individual check, master check, or electronic funds transfer (EFT) by a lender to a borrower or a school.

Expected Family Contribution (EFC): The amount a student and his or her family is expected to pay toward the student's cost of attendance, as calculated by a Congressionally-mandated formula known as Federal Methodology. The EFC is used to determine a student's eligibility for need-based student financial assistance programs.

Financial Aid: General term that describes any source of student assistance outside the student or the student's family. Funds awarded to a student to help meet postsecondary educational expenses. These funds are generally awarded on the basis of financial need and include scholarships, grants, loans, and employment.

Financial Aid Package: A financial aid award to a student comprised of a combination of forms of financial aid (loans, grants/scholarships, and employment).

Financial Need: The difference between a college's cost of attendance and the family's ability to pay (i.e. EFC). Ability to pay is represented by the EFC for federal need-based aid and for many state and institutional programs.

Forbearance: A period of time during which the borrower is permitted to temporarily cease making payments or reduce the amount of the payments. The borrower is liable for the interest that accrues on the loan during this period.

Free Application for Federal Student Aid (FAFSA): The financial aid application completed by the student (and the student's parents, if applicable), that collects household and financial information. The FAFSA is the foundation document for all federal need analysis computations and database matches performed for a student.

Grace Period: The period of time that begins when a borrower ceases to be enrolled at least half-time and ends when the repayment begins. During this period, loan principal need not be paid and interest does not generally accrue on subsidized loans.

Independent Student: A student who meets one or more of the following criteria: will be 24 years of age by December 31 of the award year; is a graduate or professional student; is married; is an orphan, in foster care, or a ward of the court, at any time when the student was 13 years of age or older; is an emancipated minor or is in legal guardianship, as determined by the court; is an unaccompanied youth who is homeless or who is at risk of homelessness and is self-supporting, as verified during the school year; is a veteran or is serving on active duty in the U.S. Armed Forces for purposes other than training; or has legal dependents other than a spouse.

Interest: The cost of borrowing money.

Interest Rate: The percentage of a sum of money charged to the borrower for its use. "Fixed" interest rates do not change for the life of the loan.

Insurance Fee: Also known as the Guarantee Fee, this is a fee charged to a borrower for a federal student loan. The originating lender deducts the fee from the loan and remits it to the guarantee agency.

Merit-based Aid: Financial aid awarded because of a student's achievement/talent in a particular area, such as academics, music, etc.

Need-based Aid: Student assistance awarded because a student's financial circumstances would not permit him/her to afford the cost of a college education.

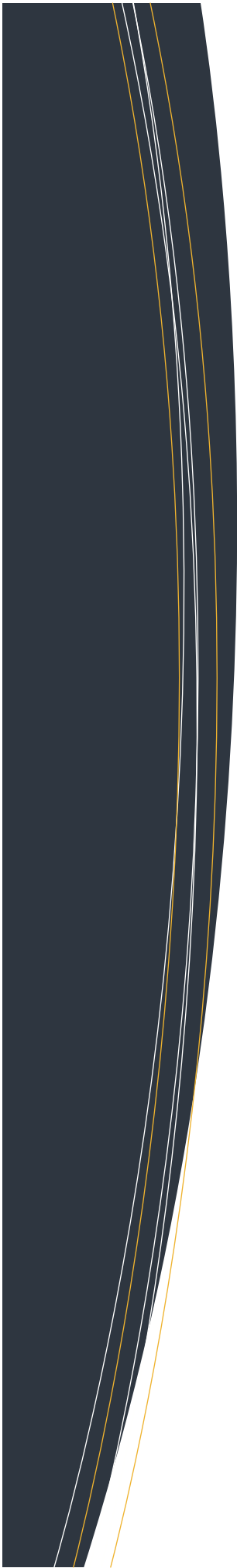
Principal (of a loan): The actual amount borrowed.

Promissory Note: A legally-binding agreement which the borrower signs to obtain a loan, in which the borrower agrees to repay the loan, with interest, in periodic installments. Includes information about any grace period, deferment, or cancellation provisions and the student's rights and responsibilities with respect to the loan.

Repayment Period: The period during which payments of principal and interest are required. Follows any applicable in-school or grace period and excludes any period of authorized deferment or forbearance.

Servicer: Private companies that many postsecondary institutions, lenders, guaranty agencies, and secondary markets contract with to handle student loan processing.

Subsidy: The money the federal government uses to help underwrite student aid programs; primarily refers to government payments to lenders of the in-school interest on Federal Stafford Loans.



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