

Glossary of Important Financial Terms

Direct Loan:

- A federal student loan, made through the William D. Ford Federal Direct Loan Program, for which eligible students and parents borrow directly from the U.S. Department of Education at participating schools. Direct Subsidized Loans, Direct Unsubsidized Loans, Direct PLUS Loans and Direct Consolidation Loans are types of Direct Loans.

Direct Consolidation Loans:

- Loans that allow you to combine all of your eligible federal student loans into a single loan with a single loan servicer.

Interest

- A loan expense charged for the use of borrowed money. Interest is paid by a borrower to a lender. The expense is calculated as a percentage of the unpaid principal amount of the loan.

Lender

- The organization that made the loan initially; the lender could be the borrower's school; a bank, credit union, or other lending institution; or the U.S. Department of Education.

Private Loan:

- A nonfederal loan made by a lender such as a bank, credit union, state agency, or school.

Subsidized Loan:

- A loan based on financial need for which the federal government pays the interest that accrues while the borrower is in an in-school, grace, or deferment status. For Direct Subsidized Loans first disbursed between July 1, 2012, and July 1, 2014, the borrower will be responsible for paying any interest that accrues during the grace period. If the interest is not paid during the grace period, the interest will be added to the loan's principal balance.

Unsubsidized Loan:

- A loan for which the borrower is fully responsible for paying the interest regardless of the loan status. Interest on unsubsidized loans accrues from the date of disbursement and continues throughout the life of the loan.

Principal

- The total sum of money borrowed, excluding interest.