

Quick Review of Commonly Used Student Loan Terms*

What is a subsidized loan? This is a loan where the Federal government subsidizes (pays the interest on) the loan while you are in school at least half-time, in your grace period, or in an authorized deferment. Direct Subsidized Loans and Perkins loans are two types of subsidized loans.

What is an unsubsidized loan? This is a loan on which the government doesn't provide any subsidies. There are several different types of unsubsidized loans, including Direct Unsubsidized Loans, Direct Graduate PLUS loans, and most private loans.

What is a consolidation loan? A consolidation is a new loan which repays the loans you choose to include in the consolidation. By consolidating, you give up all of the loan terms and benefits that applied to your previous loans, in exchange for receiving the loan terms and benefits which apply to the consolidation loan.

What is accrued interest? Interest accumulates on a loan while it has an outstanding principal balance. Interest is calculated using the interest rate of the loan and the outstanding principal balance.

What is interest capitalization? Capitalization is a process in which interest that has accrued on a loan is added (capitalized) to the principal balance of the loan. This process increases the loan balance. Following capitalization, interest will begin to accrue on the new (higher) loan balance.

What is a deferment? A deferment is a postponement option which allows you to temporarily cease making payments on your loan. You generally must meet specific requirements to be eligible for a deferment. You are not responsible for interest on subsidized loans during deferment periods.

What is a forbearance? A forbearance is an option which permits you to temporarily postpone or reduce your regularly scheduled monthly payments. There are some forbearances for which you must meet eligibility requirements, and others which are granted completely at your lender's discretion. You are responsible for all interest that accrues during a forbearance, including interest on subsidized loans.

What are repayment plans? Federal loans provide flexibility in the way your monthly payments are scheduled. You can choose which plan you prefer. If you don't make a selection, the standard plan will automatically be chosen for you.

Standard: A fixed monthly payment that stays constant for your entire repayment term.

Graduated: A tiered payment plan in which monthly payments increase in scheduled increments over your repayment term.

Extended: A repayment plan which reduces your monthly payment (and increases your total loan costs) by stretching your repayment term to 25 years.

Income Based Repayment (IBR) and Income-Contingent Repayment (ICR): Repayment plans which directly ties your monthly payment to income and family size. Eligibility criteria must be met to qualify for IBR. Any balance remaining after 25 years of qualifying payments is forgiven.

What are repayment calculators? Repayment calculators are tools that lenders and other organizations provide to help you estimate your monthly payment under different repayment plans. Check your lender's or servicer's website for calculators, or http://www.nelnet.com/loan_calculators.aspx?id=740&path=bsp.fye.ufa.calc

* This is a high-level overview of these student loan terms. See your promissory note, loan disclosure, or lender / servicer website for more detailed information about each of these terms, including the eligibility criteria and other requirements applicable to the programs and options outlined here.