

CHESLA

CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY

UNDERSTANDING FINANCIAL TERMINOLOGY IS IMPORTANT!

CHESLA strongly encourages its borrowers to improve their financial literacy so that they are better prepared to make decisions about financing their education. Following are some frequently used financial terms and their common definitions. Please note that this information is being provided as an additional service to our borrowers for educational purposes. It is not a substitute for the information or definitions contained in your Promissory Note. Your Promissory Note will govern the terms and conditions of your loan. For additional educational resources, please refer to the Related Links on the CHESLA website.

GLOSSARY OF FREQUENTLY USED TERMS

<u>ACCRUED INTEREST</u> Interest on a loan begins to accrue or accumulate as soon as the loan is disbursed. The borrower and co-borrower(s) are responsible for paying all accrued interest.	<u>ADJUSTED GROSS INCOME (AGI)</u> According to the IRS, AGI is defined as gross income minus adjustments to income. This is a measure of income used to determine how much of your income is taxable. For the MyCHESLA Student Loan, borrowers must make at least \$20,000 AGI or a co-borrower is required.
<u>ANNUAL PERCENTAGE RATE (APR)</u> The annual rate that is charged for borrowing, expressed as a single percentage number that represents the actual yearly cost of funds over the term of a loan. This includes any fees or additional costs associated with the transaction.	<u>AUTOMATIC PAYMENT</u> A payment that is made through authorized, direct withdrawals (debit) from a checking or savings account.
<u>BANKRUPTCY</u> When a person is declared bankrupt, s/he is found to be legally insolvent and property is distributed among creditors or otherwise administered to satisfy the interests of creditors. Generally, student loans may not be discharged in bankruptcy.	<u>BORROWER</u> Person responsible for repaying a loan, who has signed and agreed to the terms in the promissory note. For the MyCHESLA Student Loan, the student is the borrower and any other individual also responsible for the loan is the co-borrower.
<u>CAPITALIZATION</u> Adding unpaid interest to the loan principal. Capitalization increases the principal amount of the loan and its total cost. The effect of capitalization is to increase future monthly payments by the borrower, after the capitalization period ends.	<u>CO-BORROWER</u> The co-borrower takes on full responsibility for the repayment of the loan, along with the borrower. For the MyCHESLA Student Loan, the co-borrower can be anyone who makes at least \$20,000 Adjusted Gross Income, has a Debt-to-Income ratio of less than 43%, and is creditworthy.
<u>COLLECTION AGENCY</u> A company hired by the lender or guarantee agency to recover defaulted loans.	<u>CREDIT BUREAU</u> A company that rates the ability of an individual to manage credit and repay debt. Credit bureaus report student loan defaults for 7 years, which can severely limit a borrower's ability to take out additional loans.
<u>CREDITOR</u> An entity or person to whom a debt is owed.	<u>DEFAULT</u> Failure to repay a loan according to the terms of the promissory note.

<p><u>DISBURSEMENT</u> A payment of loan money to the school.</p>	<p><u>FAFSA</u> FAFSA (Free Application for Federal Student Aid) is a form required by the government for application to any federal financial aid program. The Free Application for Federal Student Aid is used to determine the Expected Family Contribution based on family financial information.</p>
<p><u>GRACE PERIOD</u> A period of time between graduating or leaving school and beginning repayment of the loan. MyCHESLA Student Loans have a 6 month grace period, in which interest only payments continue to be made. After the grace period ends, the loan enters repayment status and payments of principal and interest are made.</p>	<p><u>LOAN</u> Money borrowed that must be repaid with interest.</p>
<p><u>RESERVE FEE</u> A fee paid to the lender at the time of disbursement. The fee is deducted from the amount to be disbursed, before the disbursement is made.</p>	<p><u>PREPAYMENT FEE</u> A prepayment fee is a penalty charged for early payoff of a loan. CHESLA waives any prepayment fees.</p>
<p><u>PRINCIPAL</u> The principal or loan balance is the amount of money borrowed or remaining unpaid on a loan. Interest is charged as a percentage of the principal.</p>	<p><u>PRIVATE LOANS</u> Education loan programs established by private lenders to supplement the student and parent education loan programs available from the federal government. CHESLA loans are private loans.</p>
<p><u>PROMISSORY NOTE</u> A legally binding contract between a lender and a borrower. The promissory note contains the terms and conditions of the loan, including how and when the loan must be repaid.</p>	<p><u>REPAYMENT SCHEDULE</u> The repayment schedule discloses the monthly payment, interest rate, total repayment obligation, payment due dates and the term of the loan.</p>
<p><u>SERVICER</u> A servicer is a business that collects payments on a loan and performs other administrative tasks associated with maintaining a loan portfolio. CHESLA's loan servicer for the MyCHESLA Student Loan is Firstmark Services. CHESLA's loan servicer for the Refi CT Loan is University Accounting Service (UAS).</p>	<p><u>SIMPLE INTEREST</u> Interest is charged by lenders as compensation for the use of their money. Simple interest is generally calculated as a percentage of the loan amount.</p>