Glossary of Key Loan Terms and Content for the Dreamers Graduate Loan Program

External Resources

Please find below a series of resources that explain terms such as delinquency or default, give an overview of the types of student loans available and lay out the benefits of making prepayments. Please note that these resources are external to the Dreamers Graduate Loan Program and therefore certain information reflected may not be applicable to this specific Loan Program.

What (Actually) Happens If You Don't Pay Your Student Loans
What Happens When You Default on a Private Student Loan?
What Happens if You Default on Student Loans (It's Not Pretty)
A Quick Overview of the Two Types of Student Loan Lenders
How Does Student Loan Interest Work?
5 Easy Steps to Repaying Student Loans
How to Pay Off Student Loans Fast
11 Strategies for Paying Off Your Student Loans Faster

Key Loan Terms Applicable to the Dreamers Graduate Loan Program

APR (Annual Percentage Rate)

Definition: The term "annual percentage rate (APR)" refers to the annual rate of interest charged to borrowers. APR is expressed as a percentage 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, but it does not take compounding into account. The APR provides consumers with a bottom-line number they can easily compare with rates from other lenders.

How it applies: The APR for the Dreamers Graduate Loan Program for the 2023-2024 academic year is 9.0%.

Autopay

Definition: Autopay is a payment option that allows a servicer to automatically withdraw the agreed upon monthly payment for your loan from your bank account. Typically, when a student enrolls in autopay, they will receive a modest interest rate discount.

How it applies: Students who opt to enroll in automatic payments will receive an interest rate discount of 0.25% under the Dreamers Graduate Loan Program.

Borrower

Definition: A person or company that has received money from a lender with the agreement that the money will be repaid with interest.

How it applies: Under this loan program, you, the student attending graduate school, will be the borrower.

Capitalization

Definition: Capitalization is the process of adding any accrued, unpaid interest to the principal balance of a loan. This typically will increase the amount that you owe interest on going forward (and usually increases the overall cost of the loan over the loan term). Capitalization typically occurs after periods of authorized deferment, grace periods and forbearance.

How it applies: Except in limited circumstances, students' accrued, unpaid interest will be capitalized after deferment, grace periods and forbearance under this program. The example below illustrates how capitalization and interest accrual functions because of deferment, grace periods and forbearance.

The example assumes a student is pursuing an eligible 1-year full-time graduate degree program and makes no payments during the in-school deferral and 6-month grace period after graduation. This is an illustrative example only; interest rates, loan terms and other conditions may vary.

	Amount	**Calculation**
Starting loan balance (principal)	$45,000	--
Annual interest rate	9.00%	--
One year in-school period interest accrued	$4,050	One year of accrued interest on a $45,000 principal balance ($45,000 * 9.00%)
6-month grace period interest accrued	$2,025	An additional 6 months of interest on the $45,000 loan principal ($45,000 * (9.00% * 0.5))
Total interest accrued	**$6,075**	$4,050 + $2,025

New loan balance after capitalization	**$51,075**	$45,000 + $6,075

In the above example, the student's new loan balance with capitalization after their in-school deferment and 6-month grace period will be the initial principal (in the example, this is the $45,000 original amount borrowed) plus any accrued interest during that time (in the example, we assume the student borrows at the start of a twelve-month program, resulting in accrued interest of $6,075). $51,075 would be the new loan balance when the student starts making payments and interest will continue to accrue on this new loan balance.

Collections

Definition: A loan will go into collections once they are in default, which occurs after a set period of time as outlined in the promissory note. Once this occurs, typically the balance of your loan is due immediately. Once in collections, the financial impacts can be severe: students may be responsible for any assessed collection fees, may be ineligible for other types of loans, credit scores are typically negatively impacted, and legal action may be taken against you to recover the unpaid balance on your loan. As a consumer, if your loan is in collections, you have legal rights under the Fair Debt Collection Practices Act.

How it applies: After 270 days of delinquency, a loan under this program will be considered in default. At this point, it may be subject to collections efforts to recover the unpaid balance of the loan. The lender may add all accrued and unpaid interest to the principal balance as well as any attorney fees and collection costs incurred in the collections process (as permitted by law).

Cosigner

Definition: A cosigner is someone who commits to taking legal responsibility for your debt if you default on the loan. If you stop making payments, the lender will eventually require the cosigner to repay. When you apply for a loan with a cosigner, the lender will conduct a credit check for both you and the cosigner. Both of you have to be approved for the loan to go through. Once the loan does go through, it will show up on the cosigner's credit report and stay there until the loan is paid off. Cosigning on a loan may affect the cosigner's credit score and possibly make it harder for them to qualify for their own loan.

How it applies: At this time, a cosigner will not be required for loans made through the Dreamers Graduate Loan Program. This means that you as the student taking out the loan will be solely responsible for the debt you take on.

Cost of Attendance

Definition: The cost of attendance (COA) is the total amount it will cost a student to go to school (usually calculated by semester and per academic year). The COA includes: tuition and fees, cost of room and board (housing and food-related living expenses), cost of books and supplies, transportation, and other miscellaneous expenses such as the cost of a personal computer. The COA is set by the institution you are attending and the amount you request will be subject to verification by your institution to ensure that you're not overborrowing.

How it applies: Students attending an eligible institution and pursuing an eligible degree will be able to borrow up to the annual loan cap each year for their degree and no more than the cumulative loan cap over the length of their degree program.

As an example of how to determine cost of attendance:

Category (for full academic year)	Amount
Tuition and Fees	$45,000
Room & Board-related Expenses	$25,000
Transportation	$2,000
Personal Computer	$1,000
Books and Supplies	$2,000
Cost of Attendance	**$75,000**

While students are eligible to borrow up to the annual loan cap for each year of their degree program, we strongly encourage all students to seek out and maximize their use of other funding sources that do not require taking on debt or otherwise need to be repaid at a future date.

Additionally, we strongly recommend that students minimize costs associated with living expenses. For example, living expenses are the portion of the cost of attendance over which you have the most control. Some expenses such as books and supplies are relatively fixed, though online textbook options tend to be cheaper than hard copies. Room and board, transportation, laptops, and other expenses are highly discretionary. Only borrow what you truly need to cover your expenses in these categories.

Credit Score

Definition: A credit score is a number between 300–850 that depicts a consumer's creditworthiness. The higher the score, the better a borrower looks to potential lenders. A credit score is based on credit history: number of open accounts, total levels of debt, repayment history, and other factors. Lenders use credit scores to evaluate the probability that an individual will repay loans in a timely manner. The FICO score is one type of credit score that is by far the most widely used by lenders.

How it applies: We understand that Dreamers may not have FICO scores or other credit indicators. To ensure this program helps Dreamers achieve their professional goals, this loan program will not use credit scores to determine eligibility.

Credit Report

Definition: A credit report is a statement that has information about your credit activity and current credit situation such as loan paying history and the status of your credit accounts.

How it applies: As the final part of the application process, a hard credit report will be pulled to determine whether the student meets the credit underwriting criteria. For this loan program, a student will not be eligible for the loan program if any of the following items are present on a student's credit report, with medical debt excluded from all of the following criteria:

i. Default on any past loan
ii. Eleven (11) or more instances of accounts/trades that have ever gone more than 90 days past due
iii. Collections items, liens, or judgments that exceed $500
iv. Involvement in any current or prior bankruptcy proceedings

Additionally, as the applicant, your credit report will be evaluated under the following creditworthiness criteria:

i. No open, active, or unresolved public record item such as foreclosure, unpaid, tax lien, a judgment, or repossession.
ii. No charged off account with an account balance greater than $500 is permitted.

With limited exceptions, students will be required to resolve any past due/collections accounts before approval.

Debt-to-Income (DTI) Ratio

Definition: A debt-to-income ratio is defined as the ratio of your debt payments, including interest, to your income. DTI is a key metric for evaluating how much you can reasonably borrow for graduate school.

Many experts recommend having an overall DTI ratio of less than 30-36%, which includes all debt payments – mortgages, car loans, credit cards, medical debt and student debt. For renters, the recommended overall DTI ratio is 15-20%.

You can calculate your DTI using the following formula:

$$\frac{\text{Monthly or Annual Debt Payment}}{\text{Monthly or Annual Gross Income}} \times 100$$

How it applies: To ensure that the amount of student debt taken on will allow for reasonable and sustainable debt repayment and management, we use a 15% DTI ratio as a key basis for determining which degree programs will be eligible for loans under the Dreamer Graduate Loan Program (graduate student debt only).

For this loan program, a student will not be eligible to take out a loan if the student's student loan DTI ratio exceeds 30% based on expected post-graduate income. The DTI calculation will take all undergraduate student loan debt as well as current and future graduate student loan debt into consideration.

As an example of calculating your DTI, please refer to the following example:*

Total Cost of Attendance	$75,000
Savings + Income	$15,000
Scholarships	$10,000
School-Based Aid	$5,000
Other Sources of Funds	$0
Estimated Loan Need	**$45,000**

Capitalized Loan Balance	$51,075
Time to Repay (years)	10
Annual Interest Rate	9.0%
Est. Annual Debt Payment	$7,764
Est. Annual Gross Income	$55,576
Est. Debt-to-Income Ratio	**14%**

*Example assumes a 1-year graduate degree program, 10-year repayment period, constant interest rates and no payments made during the in-school or 6-month grace period. Illustrative example only. Actual loan terms, conditions and amounts may vary. Estimated annual gross income is based on estimated annual earnings for a Master of Public Health graduate.

Default

Definition: A loan goes into default when the borrower fails to repay the loan according to the terms outlined in the promissory note. When a loan is in default, the default will typically be reported to the credit agencies and appear on your credit report. The debt may also be sent to collections agency, which will contact you to try to get repayment on the loan. In some cases, the borrower may be sued for repayment of the loan.

How it applies: Under the Dreamers Graduate Loan Program, a loan will be considered in default when the loan becomes more than 270 days delinquent. It will then be flagged by the servicer (see definition below) as charged-off (this means it will be written off as uncollectible, but the debt will still be legally valid and may be subject to collections activities).

Deferment

Definition: A loan deferment is a status in which no payments are due. Typically, during periods of authorized deferment, interest will continue to accrue, and any unpaid interest will be capitalized (added to the principal) when deferment ends. This status is typically used, for example, when a student is enrolled in school and elects to defer repayment until after graduation.

How it applies: Under the Dreamers Graduate Loan Program, students may defer both principal and interest while continuously enrolled at least half time in an eligible degree program. At the end of the 6-month grace period following graduation, the accrued interest, except in certain circumstances, will then be added to the principal amount (known as capitalization).

Delinquency

Definition: A loan is considered delinquent the first day after you miss a student loan payment. Delinquency is when your loan becomes past due. Your loan will remain delinquent until you repay the past due amount or arrange for deferment, forbearance, or change repayment plans.

How it applies: Under this program, the current status of a student's loan will be reported on a monthly basis to national consumer credit reporting agencies. A loan will be reported as delinquent to the credit reporting agencies if it is 30 days or more past due. If a student expects to be unable to make a payment, we strongly recommend that students contact the servicer to discuss options prior to the loan becoming delinquent.

Fair Credit Reporting Act (FCRA)

Definition: The Fair Credit Reporting Act (FCRA) is a federal law that helps to ensure the accuracy, fairness, and privacy of the information in consumer credit bureau files. The law regulates the way credit reporting agencies can collect, access, use, and share the data they collect in your consumer reports. For more information on your rights under the FCRA, please refer to this article.

How it applies: Loans made under this program are subject to the Fair Credit Reporting Act and can be included on your credit report.

Forbearance

Definition: Student loan forbearance is a way to suspend or lower your student loan payments temporarily, typically granted in 90-day increments, during times of financial stress or other specified, documentable and verifiable reasons.

How it applies: After the grace period ends and students enter the repayment period, students will have the ability to apply for a deferment applied in ninety (90) day increments, unless otherwise stated, based on the following documentable and verifiable reasons:

- Temporary Hardship Deferment
- Administrative Forbearance
- Active-Duty Military Deferment
- In-School and Medical Residency Forbearance
- Disaster Forbearance

The above reasons for forbearance may have different maximum number of months that may be granted during the life of the loan. For example, under Temporary Hardship Deferment, a student may be granted a maximum of twenty-four total months of forbearance with no more than twelve consecutive months while those who are eligible for in-school and medical residency forbearance may be granted a period of up to 48 months of forbearance. Forbearance, except in limited circumstances, will extend the maturity of the loan by the duration of the forbearance period.

Grace Period

Definition: A grace period is a period of authorized nonpayment after a student has graduated, left school or dropped below half-time enrollment. While payments are not required during grace periods, students can pay down the loan to avoid interest capitalization if they are able to do so.

How it applies: Loans made under this program will have a 6-month grace period once a student graduates from their degree program for which the loan was granted. If a student applies for and is accepted for one of the specified deferment or forbearance periods, this period of postponement will begin after the 6-month grace period. Interest will be capitalized at the end of the 6-month grace period.

Grant

Definition: Grants for college are a form of financial aid that does not usually get repaid. They cover a variety of education-related expenses, such as tuition and fees, room and board, and books and supplies.

How it applies: Grants will help lower the cost of graduate school and therefore the amount of loans you may need to take out. Funding sources, such as grants, that do not require taking on debt or otherwise need to be repaid should always be your priority in funding your graduate education.

Interest

Definition: Interest is what you're charged for borrowing money; a borrower must pay interest for the ability to use the funds released to them through the loan.

- Fixed Interest

  A fixed interest rate is an unchanging rate charged on a loan. It might apply during the entire term of the loan or for just part of the term, but it remains the same throughout a set period.

- Variable Interest

  A variable interest rate is an interest rate on a loan or security that fluctuates over time because it is based on an underlying benchmark interest rate or index that changes periodically.

How it applies: Loans disbursed under this loan program will have fixed interest rates only. The interest rate will not change over the course of the loan term. For the 2023-2024 academic year, the interest rate (which in this loan program is equivalent to the APR) is 9.00%. Please note that loans taken out in different academic years may have different interest rates.

Internship

Definition: Internships are opportunities to get work experience within a workplace. Some companies pay interns, but non-profits may offer unpaid internships (which is similar to volunteering but usually offers more formalized training or school credit). Some schools and programs may provide credit, stipends, or funding for these opportunities.

How it applies: Internships may provide you with paid work while you're in-school which can help to offset the amount you may need to borrow. Internships may also help you in getting the job you would like after graduation by supplementing your existing work experience and credentials.

Lender

Definition: Lenders are financial institutions that provide loans to consumers.

How it applies: Funding-U will be the lender of loans originated through the Dreamers Graduate Loan Program.

Loan Officer

Definition: A loan officer is a representative of a bank, credit union, or other financial institution who assists borrowers in the application process.

How it applies: Students will have a dedicated loan officer through Funding-U that will be there to assist students in the application process.

Loan Term

Definition: The loan term is the number of years or months during which a borrower makes monthly payments to repay the loan with interest in full.

How it applies: The loan term indicates the period after in-school deferment and the 6-month grace period during which students are required to make payments. For loans taken out under the Dreamers Graduate Loan Program, two loan terms will be offered: 10 years and 20 years. The loan term will depend on a student's projected post-graduation debt-to-income ratio. For students whose expected post-graduation debt-to-income ratio is less than or equal to 17%, the loan term will be 10 years. For students whose expected post-graduation debt-to-income ratio is greater than 17%, the loan term will be 20 years.

Originator

Definition: A loan originator is the company that undertakes the administrative work beginning with the loan application, processing and review of the relevant documentation and the lender's assessment of the application and final granting of the loan.

How it applies: For the Dreamers Graduate Loan Program, the originator will be Funding-U, which will also be the lender of record.

Principal

Definition: Principal is the original sum of money that a borrower agrees to pay back on a loan. The principal balance is the remaining unpaid sum of money still to be paid.

How it applies: The initial principal for loans under the Dreamers Graduate Loan Program must be at least $5,000 (this minimum may vary by state) and no more than the annual loan cap for a student's eligible degree program. The principal may increase when accrued interest capitalizes because of students who are eligible for and exercise deferment or forbearance options.

Promissory Note

Definition: A promissory note is a legal document in which you legally promise to pay your loan and any accumulated interest to the bearer of the loan. You will also find explanations of the terms and conditions of your loan in the promissory note.

How it applies: Students will receive a promissory note once their loan application has been approved and certified. It will detail the terms and conditions of the loan as well as the loan amount and interest you will be responsible for repaying, including over what timeframe.

Refinance

Definition: Loan refinancing refers to the process of taking out a new loan to pay off one or more outstanding loans. Borrowers usually refinance to receive lower interest rates or to otherwise reduce their repayment amount.

How it applies: Currently, this loan program does not offer refinancing options on any existing student loans. However, other lenders may providing refinancing options.

Repayment

Definition: Repayment is the act of paying back money previously borrowed from a lender. Typically, the return of funds happens through periodic payments, which include both principal and interest.

How it applies: Students will have a few different repayment options once in the repayment period:

- *Equal Payments, Principal and Interest:* This plan requires equal consecutive monthly payments consisting of principal and interest necessary to pay the loan in full within the remaining number of months in the repayment period. Each month, the share of principal and interest owed will fluctuate, but the total payment owed will stay constant.
- *Interest-Only Payments*: This plan requires one period of consecutive monthly payments of at least the interest that accrues on the loan each month. The second and remaining period of consecutive monthly payments will be full principal and interest.

Scholarship

Definition: A scholarship is an award of financial aid for a student to further their education at an academic institution. Scholarships are awarded based upon various criteria, such as academic merit, diversity and inclusion, athletic skill, financial need, or some combination of these criteria.

How it applies: Scholarships will help lower the cost of graduate school and therefore the amount of loans you may need to take out. Funding sources, such as scholarships, that do not require taking on debt or otherwise need to be repaid should always be your priority in funding your graduate education.

Servicer

Definition: A servicer is a company responsible for managing student loan payments until they are repaid. This may include receiving payments on a loan, responding to customer service inquiries, and performing administrative tasks associated with loan management. For example, a servicer may:

- Track loans while borrowers are still in the in-school period
- Process monthly loan payments
- Accept applications and process changes to repayment plans, deferments, forbearances and other activities intended to prevent default and delinquency
- Maintain loan records and ensure loans are administered in compliance with legal requirements

How it applies: The servicer for loans originated under the Dreamers Graduate Loan Program will be Launch Servicing.

Student Loan

Definition: A student loan will enable you to borrow money and pay it back over time with interest for the purposes of funding school tuition and education-related expenses.

- *Federal loans:* Federal student loans are made by the government, with terms and conditions that are set by law, and include benefits such as fixed interest rates and income-driven repayment plans
- *Private loans:* Private loans are made by private organizations such as banks, credit unions, and other financial organizations, and have terms and conditions that are set by the lender.

How it applies: Loans taken out under this program are private student loans. Students with DACA/TPS or undocumented immigration status are currently not eligible for federal loans. Students whose immigration status is or changes to a U.S. lawful permanent resident or U.S. citizen should instead apply for student loans through federal loan programs.

Additional Helpful Terms from [UndocuGrad School Guide]

Deferred Action
Deferred action is not a form of legal status but is a discretionary determination to not deport an individual who is otherwise undocumented for a given period of time. Deferred action may be granted through a variety of means but is most commonly discussed in the context of Deferred Action for Childhood Arrivals (DACA).

Deferred Action for Childhood Arrivals (DACA)
DACA is a program first established under the Obama administration in 2012 that provides work authorization and deferred action for undocumented individuals who came to the United States as children. While DACA does not provide lawful status, it does allow for qualifying individuals to remain in the country with work authorization for two-year periods.

Immigration status (also called lawful status or legal status)
U.S. immigration laws allow for statuses like U.S. citizen, lawful permanent resident, visa-holders, and Temporary Protected Status (TPS). Each of these comes with different rights and responsibilities. Some people are said to have no status in the U.S., meaning they are not currently here on a valid visa and are neither citizens nor lawful permanent residents.

ITIN (Individual Taxpayer Identification Number)
Most people residing in the U.S. are required to pay taxes, whether or not they have legal status in the U.S. Many people use Social Security Numbers to file their taxes, but the IRS also issues ITINs for people who cannot get Social Security Numbers so they can file taxes as well. People can also use ITINs to fill out W-9's, which are the tax forms that are given to independent contractors so those hiring them can get their correct information. ITINs may also be used by certain banks to let individuals open interest accruing accounts, or for other practical replacements of Social Security Numbers. ITINs can also be useful in filling out financial aid applications for states that provide undocumented students with state financial aid.

Lawful Permanent Resident (LPR or green-card holder)
LPRs are non-citizens who can live and work permanently in the U.S. They are not U.S. citizens and remain citizens of their country of origin; additionally, they may be subject to deportation for different reasons, including criminal convictions, voting, and falsely claiming U.S. citizenship. This is a permanent status: that means that even if a person's physical card expires (and they need to renew it), their status as an LPR remains.

Master's Degree
This is an advanced graduate degree that shows a level of mastery in a particular subject. Individuals who complete a master's program have specialized training in a specific subject. These programs can vary in length but are typically completed in 1 to 3 years. Master's degrees can improve opportunities for advancement in a particular field and increase earning potential.

Non-Citizen
This term includes a variety of people, such as people who currently do not have and never have had legal status in the U.S.; people who came on a visa but overstayed it; people who have a status like TPS or a benefit like DACA; those who are present through visas like F-1 student visas or B-1/B-2 tourist visas; and lawful permanent residents.

PhD
Short for Doctor of Philosophy, a PhD is a doctorate degree that typically requires intensive research in a particular subject, which can lead to publication. PhDs are normally the highest level of academic degree an individual can achieve. These programs are usually much longer than Master's degree programs, ranging from 5–8 years. PhDs can improve an individual's earning potential and open new professional opportunities.

Social Security Number
This is a nine-digit number issued to U.S. citizens, lawful permanent residents, and other non-citizens who have work authorization by the Social Security Administration (SSA). This number is used to identify and accurately record covered wages or self-employment earnings. People also use Social Security Numbers to collect Social Security benefits and obtain other government services, as well as for other non-governmental purposes like opening a bank account or signing an apartment lease.

Residency
This guide discusses several benefits some states provide to undocumented individuals, including tuition assistance and state-funded financial aid. Many states condition access to these benefits on how long an individual has resided in that particular state; in other words, their residency in that state. It is important to note that this is different from lawful permanent residency, discussed in this glossary under "Lawful Permanent Resident." Lawful permanent resident status is determined by the U.S. government, whereas residency for benefits like tuition assistance and state-funded financial aid is determined by the college or university.

Temporary Protected Status (TPS)
TPS is a temporary status that is provided to nationals from specified countries that the U.S. government has designated because they are experiencing armed conflict, environmental disasters, or other temporary extraordinary circumstances. TPS provides qualifying individuals with work authorization and a stay of deportation.

Undocumented
A person who does not currently have legal authorization to be in the United States. This could be because they came to the U.S. without a visa, or perhaps they came with a visa but have since fallen out of status by overstaying or otherwise not complying with the terms of the visa.

Work Permit (also known as Employment Authorization Document or work authorization)
Work permits provide authorization for certain qualifying non-citizens to work while they live in the United States. For some statuses, work authorization is given automatically, and for others,

people must apply separately once they are approved for the status. Either way, with a work permit, individuals can apply for a Social Security Number.

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