

**THE UNIVERSITY OF TENNESSEE HEALTH SCIENCE CENTER
STUDENT LOAN OFFICE
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Important Terms:

Borrower - Person legally responsible for repaying a loan and who has signed the promissory note.

Cancellation – The release of borrowers from their obligations to repay all or a portion of their ED loans. Borrowers must meet certain requirements to be eligible for cancellation.

Default – Failure to repay a loan in accordance with the terms of the promissory note.

Deferment – The temporary postponement of loan payments; during this time, the borrower does not have to pay either principal or interest.

Delinquency – Failure to make payments when due, as specified in the promissory note and in the selected repayment plan. Delinquency can lead to default.

Forbearance – Temporary postponement or reduction of payments because of the borrower's financial difficulties. A forbearance also may be an extension of the repayment period. All borrowers are charged interest during forbearance.

Grace period – A period of time between when the borrower graduates or drops below half-time status and when repayment begins. For a Federal Perkins loan, the grace period is nine months.

Interest – A loan expense charged a borrower for the use of borrowed money. Interest is calculated as percentage of the principal of the loan, which includes the original amount borrowed and any capitalized interest. Accrued interest is interest that accumulates on the unpaid principal balance of a loan.

Loan principal – The total sum of money borrowed. Loan principal includes the original amount borrowed plus any interest that has been capitalized.

Prepayment – Any amount the borrower pays before it is required to be paid under the terms of the loan's promissory note. There is never a penalty for prepaying principal or interest on U.S. Department of Education loans.

Promissory note - A binding legal contract between a loan holder and a borrower. The promissory note contains the loan terms and conditions, including how and when the loan must be repaid. By signing this note, the borrower agrees to repay the loan.

Repayment schedule – A statement the loan holder provides the borrower that lists the amount borrowed, the amount of monthly payments, and the date payments are due.

Servicer- An agency a school or lender employs to service (collect) a student loan account. Often, the borrower will deal with the loan servicer when there are questions about repayment. Servicers also approve deferments and forbearances on the lender's behalf.