

Financing Options for Students and Parents 2009–10

It is a fundamental principle of Princeton's aid program that no student is required to borrow to meet their determined financial need. Since 2001, grants have replaced student loans in the Princeton financial aid package for all aid recipients.

While this groundbreaking policy has made it possible for many students to graduate Princeton with little or no debt, some families may wish to take advantage of the various loan options available to help finance the cost of college. This guide is designed to help you understand these options and, if you decide to request a student or parent loan, find the best type of loan to meet your needs. The informational chart included at the end of this guide will help you compare the terms and conditions of the loans discussed below.

It is the policy and practice of the Undergraduate Financial Aid Office to help students minimize the need to borrow whenever possible, and to assist students and parents in selecting the most beneficial type of loan available once the decision to borrow has been made. Since loans are not required in the Princeton financial aid package, any student or parent who borrows does so at their own initiative and bears responsibility for selecting a lender.

If a student or parent chooses to borrow, Princeton does not require the use of particular lenders or in any way limit their choice of lenders. Further, Princeton does not recommend lenders or maintain a "preferred lender" list. When a student or a parent requests a loan, Princeton will provide a general resource on how to research lender options, as well as the step-by-step information necessary to start the loan application. Princeton processes loan applications from any lender a student or parent chooses and will not direct a student or parent to execute a loan document that does not provide reasonable and convenient alternatives for any eligible lender. The Office of Undergraduate Financial Aid uses ELM Resources to manage student and parent loans originated outside the University. ELM is an electronic management system which streamlines the loan process for students and parents. Students and parents are not required to have any contact or relationship with ELM, and the services provided by ELM to the University in no way affect the loan arrangement between the student/parent and the lender.

We strongly recommend that you contact us to discuss your options as you consider student and parent loan programs.

Student Loans

Student borrowing falls into four general categories.

1. Need-based loans: these loans typically replace the student earnings requirement in the aid package or cover an educational expense not included in the basic student budget. A financial aid counselor must determine your eligibility for need-based loans.

Common reasons for requesting a need-based student loan include:

- to cover a shortfall in expected summer savings (deficits qualify for half grant replacement, and the remaining half can be borrowed on request)
- to replace all or part of the campus job portion of the aid package
- to pay for an extra expense, such as the purchase of a personal computer or other educational costs that exceed the basic budget

Need-based student loans qualify for an interest subsidy during in-school periods. This means interest is not charged to the student, and is not added to the amount borrowed, while the student is enrolled. Interest charges begin when the loan enters repayment after the student ceases to be enrolled, following a grace period of 6 or 9 months depending on the type of loan. The interest subsidy, generally low rates, and in some cases the lack of an application fee make need-based student loans your most favorable option if you qualify.

Princeton offers subsidized need-based loans only after federal eligibility has been exhausted.

Need-based student loans described in the chart at the end of this brochure include the following:

- Federal Perkins Student Loan
- Federal Subsidized Stafford Student Loan
- Princeton Subsidized Student Loan

2. Non need-based loans: these loans typically replace the expected parental contribution as determined by the aid office, and therefore finance a portion of the family's payment rather than meet demonstrated need in the aid package.

Students may request a non need-based loan when a portion of the parental contribution is not available, or as part of an overall family financing plan that includes a decision to have the student assume some educational debt. Since these loans are non need-based, students who applied for aid but did not qualify may also use the programs.

Non need-based student loans do not offer an interest subsidy during enrollment periods. Interest must either be paid annually or added to the loan principal. It is therefore important for aid students to contact the aid office to determine their eligibility for more favorable need-based loans before requesting an unsubsidized loan.

While there is a clear hierarchy in the assignment of federal versus Princeton need-based loans, the assignment of non-need based loans takes other factors into account. These include, but are not limited to, the student's prior borrowing history and whether a family has applied for need-based aid. Students are strongly encouraged to discuss their options with a financial aid counselor before borrowing.

Non need-based student loans described in the chart at the end of this brochure include the following:

- Federal Unsubsidized Stafford Student Loan
- Princeton Unsubsidized Student Loan

3. NJCLASS (New Jersey College Loans to Assist State Students) for students: like the non need-based loans described in No. 2 above, this state educational loan program replaces the expected parental contribution, and does not meet demonstrated need in the aid package. Interest is not subsidized during enrollment and student borrowers must be creditworthy or have a cosigner. The loan program features a fixed interest rate and offers two monthly payment options once the loan has been disbursed: repayment of both principal and interest, or repayment of interest only while the student is enrolled. Students might consider an NJCLASS loan if the portion of the family payment they must finance themselves exceeds the amount available from the non need-based loans described in No. 2 above. More information about the NJCLASS loan can be found on the Web at <http://hesaa.org>.

4. Alternative student loans: these commercial loans, sometimes referred to as “private loans” should be viewed as a last resort after all other student and parent borrowing options have been considered. Although terms and rates vary among private lenders, in many cases a federal student loan may provide the student with more beneficial terms and conditions than private loans. The benefits of federal loans may include a fixed lower annual percentage rate, fewer and lower fees, and more favorable repayment options. If you initiate an alternative student loan application through a lender, the Princeton University Financial Aid Office will contact you before certifying the loan to review other options that may be available to you.

Parent Loans

There are three primary long-term education loans available to Princeton parents, as well as a short-term monthly installment loan.

1. Princeton Parent Loan Program (PPL): this University program offers parents who qualify the opportunity to borrow their share of Princeton’s costs and make repayments over a maximum 14-year period. Both aid and non-aid families may apply, and a review of creditworthiness is required. A sample repayment schedule is shown on Table 1.

Table 1. PPL Sample 14-Year Repayment Schedule
(using an estimated 4.4% annual interest rate)

<i>Annual amount borrowed</i>	<i>Four-year total</i>	<i>Monthly payment</i>
\$10,000	\$40,000	\$298
\$15,000	\$60,000	\$448
\$20,000	\$80,000	\$597
\$25,000	\$100,000	\$746
\$30,000	\$120,000	\$895
\$35,000	\$140,000	\$1194
\$40,000	\$160,000	\$1343
\$50,000	\$200,000	\$1492

In recent years, the PPL has been a favorable financing option available exclusively to Princeton parents. You can compare PPL rates and terms with the NJCLASS and PLUS Loans for parents on the chart at the end of this section. Note: the exact interest rates (fixed and variable) are not set until August 15 and January 15. If after learning of the interest rates you choose not to proceed with the PPL, you may withdraw your application without penalty. More information about the PPL can be found on the Web at <http://princeton.edu/parentloans> or by calling 609-258-6401.

2. NJCLASS (New Jersey College Loans to Assist State Students) for parents:

this state educational loan program allows creditworthy parents to borrow their expected contribution on behalf of a student. The loan program features a fixed interest rate and offers two monthly payment options once the loan has been disbursed: repayment of both principal and interest, or repayment of interest only while the student is enrolled. To compare rates with other parent loan options, refer to Table 2. More information about the NJCLASS loan can be found on the Web at <http://www.hesaa.org>.

3. Federal PLUS loan program: the PLUS program is another option for both aid and non-aid families to finance the parental share of Princeton’s costs. Fees of up to 4% may be charged by lenders and agencies that provide the loans, and the fixed interest rate can be compared with other options on the chart below. The PLUS loan is credit-based.

Table 2. Parent Loan Comparison

Parent loan type	2009-10		2008-09		2007-08		
	*Estimated interest rate	Fees	Interest rate	Fees	Interest rate	Fees	
Princeton Parent Loan							
Fixed rate	4.4%	None	4.83%	None	5.76%	None	
6 month variable fall	3.5%	None	3.95%	None	6.25%	None	
6 month variable spring	TBD	None	2.59%	None	4.66%	None	
NJCLASS Loan							
Fixed rate, 2 plans:							
Immediate repayment plan	7.62%	2%	7.62%	2%	6.25%	2%	
Deferred repayment plan	7.62%	2%	7.62%	2%	6.55%	2%	
Federal PLUS loan							
Fixed rate	8.5%	4%	8.5%	4%	8.5%	4%	

*Interest rates for the 2009-10 Princeton Parent Loan will be set on or about August 15, 2009 and January 15, 2010. Interest rates for the NJCLASS loan will be set on or about June 1, 2009.

4. Princeton Monthly Payment Plan: this University monthly installment loan is a short-term financing option allowing parents to make 12 monthly payments with interest, rather than two semester payments at no interest charge. The 2009-10 interest rate is 2.25%

Lenders

1. Princeton University acts as lender for the following types of loans:

- Federal Perkins Student Loan (a federal loan administered by Princeton)
- Princeton Subsidized Student Loan
- Princeton Unsubsidized Student Loan
- Princeton Parent Loan program
- Princeton Monthly Payment Plan

Princeton does not charge application fees for any of these loans. Current terms and rates are listed on the attached chart. Loans made by Princeton to students or parents are not sold to other financial institutions; as such, repayment is made to Princeton. With the exception of the Federal Perkins Loan, loans made by Princeton cannot be consolidated with loans obtained from other financial institutions. Application for Princeton loans is made directly through Princeton's Undergraduate Financial Aid Office, or the Princeton Parent Loan Office. Educational Computer Systems, Inc. has been contracted by Princeton University to assist in the administration of the student loans listed above; however, the University remains the loan holder at all times.

2. Banks and other financial organizations and agencies act as lenders for the following types of loans:

- Federal Subsidized Stafford Student Loan
- Federal Unsubsidized Stafford Student Loan
- Federal PLUS loan for parents
- NJCLASS Student Loan
- NJCLASS Parent Loan

While the maximum interest rates and fees for the federal loan programs are determined by the government, individual lenders may offer reductions as inducements tied to repayment performance or other factors. Terms and rates for NJCLASS loans are set by the NJ State Higher Education Student Assistance Authority, which is the lender. Lenders may service loans in repayment, contract with another servicer while still holding the loans, or sell loans to other lenders.

3. Alternative student loans (sometimes referred to as "private loans") are often offered by the same outside lenders who provide Federal Stafford and PLUS loans. Lenders are required to provide a full disclosure of the terms of these loans, including how interest rates are determined. In addition, alternative loan marketing materials should encourage students to consider more favorable loan options such as the federal student and parent loans before borrowing. As stated before, a federal student loan may provide the student with more beneficial terms and conditions than private loans, including a fixed, lower annual percentage rate, lower fees, and more favorable repayment options. Princeton strongly recommends you speak with an aid counselor before applying for an alternative loan as a last resort.

Additional information on all of the loans mentioned in this publication is available in the Undergraduate Financial Aid Office.

Undergraduate Financial Aid

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Table 3. Student Loans

<i>Student loan type</i>	<i>Description</i>	<i>Interest rates</i>	<i>Costs</i>	<i>Borrowing limits</i>	<i>Repayment period</i>
Need-based:					
Federal Perkins Student Loan	Federally subsidized need-based student loan	5% charged during repayment	No fees	\$5,500 annually \$27,500 total undergraduate	Begins 9 months after borrower leaves school, maximum 10 year repayment term
Federal Subsidized Stafford Student Loan	Federally subsidized need-based student loan	Maximum 5.6% charged during repayment	1% federal guarantee fee + 0-1% federal origination fee	1st yr: \$3,500 2nd yr: \$4,500 3rd yr: \$5,500 4th yr: \$5,500 Total undergraduate: \$23,000	Begins 6 months after borrower leaves school, maximum 10 year repayment term
Princeton Subsidized Student Loan	University subsidized need-based student loan	5% charged during repayment	No fees	Determined by financial aid office	Begins 9 months after borrower leaves school, maximum 10 year repayment term
Non need-based:					
Federal Unsubsidized Stafford Student Loan	Federal student loan not based on need, no in-school subsidy	Maximum 6.8%, but borrower pays in-school interest	1% federal guarantee fee + 0-1% federal origination fee	1st yr: \$5,500* 2nd yr: \$6,500 3rd yr: \$7,500 4th yr: \$7,500 Total undergraduate: \$31,000	Begins 6 months after borrower leaves school, maximum 10 year repayment term
Princeton Unsubsidized Student Loan	University student loan not based on need, no in-school subsidy	7% charged annually	No fees	\$5,500 annually	Begins 9 months after borrower leaves school, maximum 10 year repayment term
NJCLASS for Students	NJ state supplemental loan for students with no in-school subsidy	Estimated 2009-10: 7.62%. Actual rates determined during the summer of 2009.	2% administrative fee	Cost of education minus student aid	Begins 6 months after borrower leaves school, maximum 20 year repayment term
Alternative Student Loans	Credit based, private loans for students. No in-school subsidy or needs test.	Tied to a market index (Prime, Libor, etc.) plus up to 10 points. Typical range is 6 to 18%.	Fees range from 0-11% of the loan principal.	Cost of education minus student aid	Begins 6 months after borrower leaves school, maximum 10 year repayment term

*Unsubsidized Stafford limits are reduced by any subsidized Stafford. The maximums reflect the total annual Stafford — both subsidized and unsubsidized. The terms described above are informational only. Check with specific lenders before you take a loan to confirm current rates and terms.

Table 4. Parent Loans

<i>Parent loan type</i>	<i>Description</i>	<i>Interest rates</i>	<i>Costs</i>	<i>Borrowing limits</i>	<i>Repayment period</i>
Princeton Parent Loan	University parent loan	Estimated 2009–10: 3.5% variable 4.4% fixed	No fees	Cost of education minus student aid	Begins during enrollment for a maximum 14-year repayment term
Federal PLUS Loan	Federal parent loan	Maximum 8.5%	3% origination fee plus 1% guarantee fee	Cost of education minus student aid	Begins during enrollment for a maximum 10-year repayment term
NJCLASS for Parents	NJ state supplemental loan for students, no in-school subsidy	Estimated 2009–10: 7.62%. Actual rates determined during the summer of 2009.	2% administrative fee	Cost of education minus student aid	Begins during enrollment or deferred to 6 months after student leaves school, with a maximum 20-year repayment term
Princeton Monthly Payment Plan	University installment payment loan	2.25%	No fees	Cost of education minus student aid	Begins during enrollment for a maximum 12-month repayment term

*The terms described above are informational only. Check with specific lenders before you take a loan to confirm current rates and terms.