

# *Financing Options for Students and Parents 2014–15*

Since 2001, grants have replaced student loans in the Princeton financial aid package for all aid recipients. No Princeton student is required to borrow to meet their determined financial need.

While this 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 borrowing whenever possible, and to assist students and parents in selecting the best 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.

We recommend that you contact us to discuss your financing options before applying for a student or parent loan.

## *Student Loans*

Student borrowing falls into two 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
- 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 after the student ceases to be enrolled. The interest subsidy, generally low rates and in some cases the lack of an origination fee, make need-based student loans the most favorable borrowing option for those who 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 Loan
- Direct Subsidized Stafford 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:

- Direct Unsubsidized Stafford Loan
- Princeton Unsubsidized Student Loan
- Alternative Student Loan

**A note about alternative loans:** These commercial loans (sometimes referred to as "private loans") are credit-based and should be viewed as a last resort after all other 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, the Princeton University Financial Aid Office will contact you before certifying the loan to review other options that may be available to you. If a student or parent chooses to borrow an alternative loan, 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.

## Parent Loans

There are two 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.

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 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 July 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 [www.princeton.edu/parentloans](http://www.princeton.edu/parentloans) or by calling 609-258-6401.*

**Table 1. PPL Sample 14-Year Repayment Schedule**  
(This example uses a 6.0% annual interest rate)

<i>Annual amount borrowed</i>	<i>Four-year total</i>	<i>Monthly payment</i>
\$10,000	\$40,000	\$319
\$15,000	\$60,000	\$479
\$20,000	\$80,000	\$639
\$25,000	\$100,000	\$799
\$30,000	\$120,000	\$959
\$35,000	\$140,000	\$1,118
\$40,000	\$160,000	\$1,278
\$50,000	\$200,000	\$1,597

### 2. Direct PLUS loan program:

The Direct PLUS program is another option for both aid and non-aid families to finance the parental share of Princeton’s costs. In 2014-15, the PLUS loan interest rate is 7.21%, with an origination fee of 4.288%. The PLUS loan is credit-based. More information about the Direct PLUS Loan can be found on the Web at [www.studentloans.gov](http://www.studentloans.gov).

**Table 2. Parent Loan Comparison**

<i>Parent loan type</i>	2013-14		2012-13		2011-12	
	Interest rate	Fees	Interest rate	Fees	Interest rate	Fees
<b>Princeton Parent Loan</b>						
Fixed rate	4.30%	None	3.33%	None	4.9%	None
6-month variable fall	1.30%	None	1.57%	None	1.24%	None
6-month variable spring	1.20%	None	1.44%	None	1.61%	None
<b>Direct PLUS Loan</b>						
Fixed rate	6.41%	4.288%	7.9%	4%	7.9%	4%

\* The interest rate for the 2014-15 Princeton Parent Loan will be determined on or about July 15, 2014. The spring 2015 variable rate for the Princeton Parent Loan will be determined on or about January 15, 2015.

**3. 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 2014-15 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. The federal Direct Loan Program acts as lender for the following types of loans:

- Direct Subsidized Stafford Loan
- Direct Unsubsidized Stafford Loan
- Direct PLUS loan for parents

Interest rates and fees for the Direct Loan Program are determined by the federal government. Princeton students and parents may learn more about the Direct Loan application process by contacting the Office of Undergraduate Financial Aid.

3. Alternative student loans (sometimes referred to as "private loans") are offered by private banks and lending institutions. 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.

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

### **Undergraduate Financial Aid Office**

Princeton University

Box 591, Princeton, New Jersey 08542-0591

Tel: 609-258-3330; Fax 609-258-0336

Email: [faoffice@princeton.edu](mailto:faoffice@princeton.edu)

**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>
<b>Need-Based:</b>					
Federal Perkins Loan	Federally subsidized need-based student loan	Fixed: 5% charged during repayment	No fees	\$5,500 annually Total undergraduate: \$27,500	Begins 9 months after borrower leaves school, maximum 10-year repayment term
Direct Subsidized Stafford Loan	Federally subsidized need-based student loan	4.66% fixed interest charged after enrollment ceases	1.072% origination fee at disbursement	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	Fixed: 5% charged during repayment	No fees	Determined by financial aid office	Begins 9 months after borrower leaves school, maximum 10-year repayment term
<b>Non-Need-Based:</b>					
Direct Unsubsidized Stafford Loan	Federal student loan not based on need, no in-school subsidy	4.66% fixed	1.072% origination fee at disbursement	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	Fixed: 7% charged annually	No fees	\$5,500 annually	Begins 9 months after borrower leaves school, maximum 10-year repayment term
Alternative Loans	Credit-based, private loans for students. No in-school subsidy or needs test.	Variable: tied to a market index (Prime, Libor, etc.) plus up to 10 points. Typical range is 4% to 18%.	Fees range from 0–11% of the loan principal.	Cost of education minus student aid	Typically 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. Apply online: <a href="http://www.princeton.edu/parentloans">www.princeton.edu/parentloans</a>	In 2013–14: 4.3% fixed rate or 1.3% variable rate	No fees	Cost of education minus student aid	Begins during enrollment, maximum 14-year repayment term
Direct PLUS Loan	Federal parent loan. Apply online: <a href="http://studentloans.gov">studentloans.gov</a>	7.21% fixed	4.288% origination fee at disbursement	Cost of education minus student aid	Begins during enrollment, maximum 10-year repayment term
Princeton Monthly Payment Plan	University installment payment loan. Apply online: <a href="http://www.princeton.edu/studentaccounts">www.princeton.edu/studentaccounts</a>	Fixed: 2.25%	No fees	Cost of education minus student aid	Begins during enrollment, maximum 12-month repayment term

\* The terms described are informational only. Rates and terms may change. 2014-15 interest rates and fees will be determined by July 31, 2014.