



# Loans at Princeton 2006-07

Under Princeton's financial aid policy student loans are not included in the initial financial aid award. However, student loans are available to help cover expenses beyond the standard student budget, or to replace a shortfall in expected summer or term earnings for aid recipients. Non-aid students may also consider taking a loan to assume responsibility for a portion of their expenses. In addition, parents can borrow to help cover their share of Princeton's costs.

The following information is designed to help you decide if an education loan is right for you, and which type best meets your needs. If you or your parents feel it is necessary to borrow to help manage your Princeton expenses, we encourage you to speak to a financial aid counselor before making your final decision.

## Things To Consider Before Choosing an Education Loan

### WHY DO YOU NEED TO BORROW?

#### 1. To replace a shortfall in student summer earnings.

Before asking for a student loan, you should be aware that Princeton's Flexible Summer Plan provides a combination of grant aid and self-help (loan or job) to make up for a summer deficit. It is to your advantage to see an aid counselor before doing something on your own.

#### 2. To cover an educational expense not included in the basic student budget.

Common examples of extra expenses include the cost of a computer and the higher board fees charged by an eating club. Student loans are available for these types of costs through the financial aid office.

#### 3. To pay the parental contribution over a number of years.

The Princeton Parent Loan or federal PLUS loan is designed to do this.

#### 4. To help reduce your parent's contribution.

While we do not normally recommend that a student take out a loan to reduce the amount his or her parents must pay, in some instances a family may want to do this. After first looking at subsidized student loans, unsubsidized loans are the next option. Beyond these, a variety of alternative student loans are available.

### WHO IS THE BORROWER?

1. The typical student loan is offered only to the student, without a credit application or cosigner. Repayment is the student's responsibility, and cannot be transferred to a parent.

2. The Princeton Parent Loan and PLUS loans are for parent borrowers. Eligibility is based on parental financial history. Students cannot apply for these loans, and repayment responsibility cannot be transferred to the student.

3. Alternative student loans offer the option of using the parent as a co-signer with the student applicant as the primary borrower. The interest rate is higher when there is no cosigner.

### HAVE YOU COMPARED THE TERMS OF YOUR LOAN OPTIONS?

1. Student loan programs offer a variety of terms—subsidized and unsubsidized, fixed and variable interest rates, different repayment options, and so forth. Since these loans must be authorized by the aid office, a counselor is available to advise you on loan details. This is especially important if you are considering an alternative student loan. The chart at the end of this pamphlet also provides information about loan terms.

2. The Princeton Parent Loan typically offers better terms than the federal PLUS loan, and should be considered first. Since the PLUS loan has a less rigorous credit review, it can be an alternative if the Princeton Parent Loan is denied.

## Student Loans

There are three federal student loan programs: Perkins, Subsidized Stafford, and Unsubsidized Stafford. Princeton also offers University loans to students who do not qualify under the federal programs, including Canadian and other international students.

You should clearly understand the obligation you are assuming when you accept a loan. It is your legal responsibility to repay a combination of loan principal and interest, generally over a 10-year period, beginning after you finish your education.

Here is an explanation of the various loans. More detail is included on the promissory note you will sign if you decide to borrow.

### FEDERAL PERKINS LOAN

You must show need to qualify. There are no interest payments while you are in school. During the repayment period the rate is 5%. The limit is \$20,000 for undergraduates studies, with an annual maximum of \$4,000. Repayment of both principal and interest (at a monthly rate of \$10.61 per \$1,000 borrowed) begins nine months after the borrower leaves school and can extend for 10 years. The minimum payment is approximately \$40 a month. Part of the loan may be canceled or repayment delayed under certain conditions.

### FEDERAL SUBSIDIZED STAFFORD LOAN

You must show need to qualify. The subsidized Stafford has a fixed 6.8% interest rate that is paid by the federal government while you are in school. There is a 1% guarantee fee and an origination fee of 0–2%. The annual borrowing limits are \$2,625 for freshmen, \$3,500 for sophomores, and \$5,500 for juniors and seniors, with a maximum of \$23,000 for five years of undergraduate study. Repayment begins six months after you complete school at a monthly

minimum of \$50. Like the Perkins loan, there are options for delaying repayment.

#### FEDERAL UNSUBSIDIZED STAFFORD LOAN

There is no need requirement for the unsubsidized Stafford. The interest rate, borrowing limits, guarantee and origination fees, and repayment terms for the unsubsidized Stafford are the same as they are for the subsidized Stafford. The difference is that you are charged the yearly 6.8% interest while you are in school.

#### SUBSIDIZED UNIVERSITY LOAN (STUDENT AID LOAN)

The Student Aid Loan is a need-based fund administered by Princeton separate from the federal programs. There is no application fee, and the 5% interest is deferred until the 10-year repayment begins. The Student Aid Loan is primarily for Canadian and other international students, but it is also offered to U.S. citizens in certain circumstances.

#### UNSUBSIDIZED UNIVERSITY LOAN (PRINCETON STUDENT LOAN)

The Princeton Student Loan (PSL) is not based on need, and the 7% interest rate is charged annually. There is a \$5,500 yearly limit, with 10 years to repay the loan after college. This loan is typically available to those students who apply for need-based financial aid but do not qualify.

### **Parent Loans**

There are two parental loans available for families that want to extend their payments over a number of years.

#### PRINCETON PARENT LOAN

The Princeton Parent Loan program (PPL) offers parents the opportunity to borrow their share of Princeton's costs at a favorable interest rate. The program is open to both aid and non-aid families, but there is an income limit of \$467,319. The variable and fixed interest rates for 2006-07 are expected to be in the 5% to 7% range. The PPL is available to parents based on credit history and ability to meet repayment terms. There is no fee to apply, and a single application can be used to request four years of borrowing. Parents have up to 14 years to repay. Further information about the PPL may be obtained by writing the Parent Loan Office, P.O. Box 35, Princeton University, Princeton, NJ 08543-0035, or by calling (609) 258-6401.

Here is a schedule that will give you a general idea of repayment levels.

#### **PPL Sample 14-Year Repayment Schedule (using an estimated 6% annual interest rate)**

<i>Annual Amount Borrowed</i>	<i>Four Year Total</i>	<i>Monthly Payment</i>
\$10,000	\$40,000	\$353
\$15,000	\$60,000	\$529
\$20,000	\$80,000	\$705
\$25,000	\$100,000	\$882
\$30,000	\$120,000	\$1,058
\$35,000	\$140,000	\$1,234
\$40,000	\$160,000	\$1,410

#### FEDERAL PLUS LOAN

Another borrowing option for parents is PLUS, a federally supported parent loan program. There is no needs test or income limit. It is, however, necessary to pass a credit check to receive the loan. Parents may borrow up to the cost of attendance less student financial aid each year at an interest rate that is normally higher than the PPL rate. The fixed PLUS rate for 2006-07 is 8.5%, and the lender charges the federal origination fee of 3% as well as a guarantee fee of 1%.

### **Alternative Loans**

If for some reason the various student and parental loans administered by Princeton don't meet a family's borrowing needs, there are alternative student loans available. These loans are not need based, and the annual maximum is the difference between the cost of attendance and student financial aid or parent loans already borrowed. You should not borrow these "last resort" loans until you are no longer eligible to borrow under a federal or Princeton loan program.

#### SALLIE MAE SIGNATURE STUDENT LOANS

A private loan with an interest rate that varies from prime -.5% to prime +5% depending upon your credit rating and whether you have a co-signer. All fees are capitalized (added to the loan principal). Payments begin after a 6-month grace period following graduation. Repayment is completed in 15-25 years, depending upon the amount borrowed. You can apply online at [www.salliemae.com](http://www.salliemae.com).

#### CITIASSIST LOANS

The CitiAssist Loan is an alternative loan from Citibank. A co-signer is not always required. The interest rate is prime +.5% and interest may be capitalized or paid on an annual basis. Repayment begins six months following graduation and you have up to 12 years to repay. You can apply online at [www.citiassist.com](http://www.citiassist.com).

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

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#### **Undergraduate Financial Aid**

Princeton University  
220 West College, P.O. Box 591  
Princeton, New Jersey 08542-0591  
Tel: (609) 258-3330; Fax: (609) 258-0336  
E-mail: [faoffice@princeton.edu](mailto:faoffice@princeton.edu)

<i>Loan Type</i>	<i>Description</i>	<i>Interest Rates</i>	<i>Costs</i>	<i>Borrowing Limits</i>	<i>Repayment Period</i>
Perkins	Federally subsidized need-based student loan	5% charged during repayment	No Fees	\$4,000 Annually \$20,000 Total Undergraduate	Begins 9 months after borrower leaves school, maximum 10 years
Stafford (subsidized)	Federally subsidized need-based student loan	6.8% charged during repayment	1% federal guarantee fee + 0-2% federal origination fee	1st yr: \$2,625 2nd yr: \$3,500 3rd yr: \$5,500 4th yr: \$5,500 Total Undergraduate \$23,000	Begins 6 months after borrower leaves school, maximum 10 years
Stafford (unsubsidized)	Federal student loan not based on need, no in-school subsidy	Same as subsidized Stafford, but borrower pays in-school interest	1% federal guarantee fee + 0-2% federal origination fee	Same as subsidized Stafford (limits apply to combined programs)	Same as subsidized Stafford
University (subsidized)	Princeton subsidized need-based student loan	5% charged during repayment	No fees	Determined by financial aid office	Same as Perkins
University (unsubsidized)	Princeton student loan not based on need, no in-school subsidy	7% charged annually	No fees	\$5,500 Annually	Same as Perkins
Princeton Parent Loan	University parent loan	Variable and fixed options. Currently estimated at 6% variable and 7% fixed	No fees	Cost of education minus student aid	Begins during enrollment for a maximum of 14 years
PLUS	Federal parent loan	8.5%	3% federal origination fee + 1% federal guarantee fee	Cost of education minus student aid	Begins during enrollment for a maximum of 10 years