



## *Financing Options for Graduate Students 2007-08*

This guide is designed to help you understand the various loan options available to help finance the cost of graduate school. If you decide to request a student loan, find the best type of loan to meet your needs. The table 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 Graduate School to assist students in selecting the most beneficial type of loan available once the decision to borrow has been made. Students who borrow do so at their own initiative and bear the responsibility for selecting a lender.

If a student 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 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 through any lender a student 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.

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

### *Student Loans*

1. **The Federal Perkins Student Loan and Subsidized Stafford Loan Programs** 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 these need-based student loans your most favorable option if you qualify.

2. **The Federal Unsubsidized Stafford Loan** typically replaces the expected family contribution as determined by the aid office, and therefore finance a portion of the student’s payment.

This non need-based student loan does 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 students to contact the aid office to first rule out eligibility for the more favorable need-based loans before requesting an unsubsidized loan.

3. **NJCLASS for Graduate/Professional Students** is a state educational loan program that replaces the expected family contribution. It helps bridge the gap between family resources and financial aid awarded, including the Subsidized Stafford Loan. Interest is not subsidized during enrollment, and student borrowers must be creditworthy or have a cosigner. The program offers three monthly payment options once the loan has been disbursed: principal and interest, interest only, or deferred principal and interest payment while the student is enrolled. There are two fixed interest rates, and the rate assigned is based on the payment option selected.

4. **The Federal PLUS Loan Program** is another option for students to finance the family share of the cost of graduate education. 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 attached table. The PLUS loan is credit-based.

5. **Alternative Student Loans** are commercial loans, sometimes referred to as “private loans,” and should be viewed as a last resort after all other student 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 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 Graduate School will contact you before certifying the loan to review other options that may be available to you.

## *Lenders*

1. Princeton University is the lender for the Federal Perkins Student Loan. It does not charge application fees for this loan. Current terms and rates are listed on the attached table. Application for the Perkins Loan is made directly through the Graduate School.

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

- Federal Subsidized Stafford Student Loan
- Federal Unsubsidized Stafford Student Loan
- Federal PLUS loan
- NJCLASS for Graduate/Professional Students

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”) these 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. A federal student loan may provide the student with more beneficial terms and conditions than private loans, including a lower annual percentage rate, fewer and 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.

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**Table 1. Student Loans**

<i>Loan type</i>	<i>Description</i>	<i>Interest rates</i>	<i>Costs</i>	<i>Borrowing limits</i>	<i>Repayment period</i>
Federal Perkins Student Loan	Federally subsidized need-based student loan	5% charged during repayment	No fees	\$6,000 annually \$40,000 total including undergraduate loans	Begins 9 months after borrower leaves school, maximum 10 year repayment term
Federal Subsidized Stafford Student Loan	Federally subsidized need-based student loan	Maximum 6.8% charged during repayment	1% federal guarantee fee + 0-2% federal origination fee	\$8,500 annually Total graduate \$65,000	Begins 6 months after borrower leaves school, maximum 10 year repayment term
Federal Unsubsidized Stafford Student Loan	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	\$12,000 annually \$138,500 total including undergraduate subsidized and unsubsidized loans	Begins 6 months after borrower leaves school, maximum 10 year repayment term
NJCLASS Graduate / Professional Loan	NJ state supplemental loan for students with no in-school subsidy	Fixed, currently 6.25% for immediate repayment, 6.55% for deferred repayment	2% administrative fee	Cost of education minus student aid	Begins 6 months after borrower leaves school, maximum 10 year repayment term
Federal PLUS Loan	Federal graduate student 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
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. Current typical range 8.25 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

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