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## Princeton To Use Grants, Not Loans

By THE ASSOCIATED PRESS

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PRINCETON, N.J. (AP) -- Princeton graduates in the near future will be able to get their Ivy League degrees without piling up thousands of dollars in student loans that they will be paying off for years.

Beginning this fall, Princeton students on financial aid will receive outright grants from the university instead of loans -- a move that is believed to be unparalleled among the nation's most selective schools.

The idea is aimed at making Princeton more affordable to low- and middle-income students.

"I thought their financial aid package was great already, and this makes it better," said Shaka Smith of Miami, a sophomore majoring in molecular biology.

The approach is unlikely to spread far, given the millions of dollars in costs. And so far, not even Harvard and Yale, two of the richest schools in the nation, are following Princeton's lead.

Princeton is able to offer the grants because of alumni contributions, scholarship programs and its burgeoning \$8 billion endowment, which has grown from \$2.7 billion in 1990.

At Princeton, about 40 percent of the 4,600 undergraduate students receive financial aid. Tuition, room and board total \$33,613 per year, or more than \$134,000 over four years.

The average U.S. student has to pay back \$15,000 after school.

Don Betterton, Princeton director of financial aid, said the push to make the school more affordable began in 1998, when the university decided to replace loans with grants for families earning below \$40,000.

"Our president wanted to concentrate on low-income students," Betterton said. "He had the feeling if our financial aid program was generous enough, we could attract really good students who would have gone to public institutions."

Scrapping all loans for undergraduate students was the next step.

Princeton will instead draw from its endowment to offer grants to cover costs beyond what a family is able to pay. Students and their families will still be free to take out



bank loans or participate in work-study programs.

“The list of schools that can do this is pretty short,” said Michael McPherson, president of Macalester College, a private school in St. Paul, Minn. “I expect we’ll probably know in a month or so what schools will be on the list. I’m sure schools like Harvard, Yale, MIT, Stanford will respond to it.”

Financial aid packages have become a more significant factor in recruiting among elite universities since the dissolution of the so-called Overlap Group, said Morton Owen Schapiro, president of Williams College, a private school in Williamstown, Mass.

For more than 35 years, the Massachusetts Institute of Technology and the Ivy League schools -- Harvard, Princeton, Pennsylvania, Yale, Brown, Columbia, Cornell and Dartmouth -- met yearly to set a financial aid formula. They agreed to extend matching offers to students who had been accepted into more than one school in the group.

But in 1991, all group members except MIT signed a consent decree to stop the practice, ending a federal antitrust investigation into alleged price-fixing. The Justice Department sued MIT and reached a settlement in 1993.

Princeton's latest initiative bucks a long-term trend in higher education in which loans have increasingly replaced grants, said Jon Fuller, a senior fellow at the National Association of Independent Colleges and Universities.

Nationally, loans account for 59 percent of financial aid, compared with 41 percent in 1980, according to the College Board.

Harvard said Wednesday that it was increasing its financial aid budget next year to give scholarship students an additional \$2,000. More than 70 percent of Harvard students receive financial aid. The school's tuition will be \$34,269 next year.

“Harvard is still pretty committed to the idea that there should be a 'self-help' portion,” said Sally Baker, a spokeswoman for Harvard's arts and sciences faculty. As for Princeton's plan, she said last week, “anything that will help more people go to places like Princeton is great.”

Yale administrators have not determined whether eliminating loans is feasible, said Ernst Huff, associate vice president of student financial and administrative services.

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