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A LASTING DEBT TO SCHOOLS

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Princeton and Harvard are among the leading universities in a new wave of raising capital to replenish depleted endowments.

Colleges are looking at the bond market for capital after market losses cut the value of endowments by a quarter in the past six months, according to Moody's Investors Service.

Princeton sold $1 billion of debt on Tuesday, its first taxable issue since 1994, while Notre Dame raised $150 million. A sale last month by Harvard, led by Drew Gilpin Faust, whose $28.8 billion endowment makes it the richest US school, brought in $1.5 billion. Cornell is considering borrowing after the endowment lost 27 percent in the second half of last year.

The global financial crisis erased $29 trillion from world stock markets in 2008, forcing schools to raise cash as endowment income declines. Bond proceeds can be used to fund operations and may allow the institutions to hold onto investments such as private equity and real estate that they expect to recover in value over time. Yale has doubled the size of its taxable commercial paper program to $2 billion and may use the funds for working capital.

"They're looking at ways to build liquidity and flexibility for their organizations in a much more uncertain environment than we were in a year ago," said Roger Goodman, an analyst who covers higher education and nonprofits at Moody's, the New York-based credit-ratings firm. "It's a significant shift."

More colleges may sell bonds because it's cheaper than borrowing from banks and there is demand from investors, said Laurence Allen, the Greenwich, Conn.-based managing member of NYPPEX Holdings LLC, a firm that trades stakes in private- equity funds and often works with endowments.