

## Section 22. Allocation System for Student Loan Programs

### I. Minimum Requirements

~~In order to be considered for an Allocation for a Student Loan Program, an Applicant must be a California nonprofit corporation organized pursuant to Section 150(d) of the Internal Revenue Code of 1986, as amended, that possesses the authority to directly or indirectly make or finance student loans under the Higher Education Act of 1965, as amended, or be a State Agency.~~

In order to be considered for an Allocation for a Student Loan Program, an Applicant must meet the following minimum requirements:

A. California Nonprofit status. Must be a California nonprofit corporation organized pursuant to Section 150(d) of the Internal Revenue Code of 1986, as amended, that possesses the authority to directly or indirectly make or finance student loans under the Higher Education Act of 1965, as amended, or be a State Agency.

B. CEFA Requirement. Before applying to the Committee for allocation of a portion of the State Ceiling pursuant to Government Code Section 8869.82 and 8869.85, an entity that is seeking to issue Qualified Scholarship Funding Bonds must first obtain CEFA board approval, pursuant to Section 9073(a), unless such entity became a qualified scholarship funding corporation as defined in subsection (d) of Section 150 of Title 26 of the United States Code prior to January 1, 2006. The Authority may in its discretion determine not to grant approval to any entity regardless of whether the entity meets the threshold criteria as an Eligible Candidate as defined in Section 9072(b). The Authority will consult and coordinate with the Committee prior to making a final determination.

C. Portfolio breakdown information. The total dollar amount and corresponding percentage of student loans originated by the Applicant which assist financially needy borrowers in California. The data relied upon may be direct or derived from sources deemed by the Executive Director to be accurate.

D. Proposed interest rates and other discounts (time period is the next academic year commencing July 1 following the allocation). Description and dollar amount of discounts (i.e- interest rate, guarantee fee, origination fee, etc.). Note: Information will be used in analysis of application in the subsequent year.

E. Proposed program information. Description of marketing activities and status as a lender, anticipated total dollar amount and number of student loans made to two year, four year and other schools, the eligibility requirements for a loan, the benefits to student borrowers, the mechanism(s) or system(s) for the direct delivery of loans to eligible students and any other features unique to the Program.

F. Demonstrate actual participation in the California Student Loan Market using the STUDENT MARKETMEASURE Standard Report 10D ("Report") or other sources deemed by the Executive Director to be accurate. Applicant must include information from the most recently completed Federal Fiscal Year with their application.

G. Self-Scoring information. Applicant must complete the Student Loan Self-Scoring Sheet to show what they anticipate to receive in allocation.

## II. Evaluation Criteria

Once the Executive Director has determined that an Application has met the minimum requirement set forth in subsection I above, the following criteria will be used by the Executive Director to evaluate, rank, and award Allocations from the Student Loan Program Pool:

### A. Student Loan Program Direct Lender Programs

Allocations from the Student Loan Program Pool will be first awarded to Applications in which the Applicant Program Sponsor is a direct lender originating student loans ~~(which for the purposes of this Section II.A excludes loans made for the purpose of consolidating or otherwise combining existing student loans)~~ to eligible borrowers in the state. These Applications will be evaluated based on the following criteria:

1. ~~The total dollar amount and number of student loans originated by the Applicant Program Sponsor which assist financially needy borrowers in California. , as such term is construed by the U.S. Department of Education for the purposes of the federal student loan programs. The data relied upon may be direct or derived from sources deemed by the Executive Director to be accurate. will be derived from the STUDENT MARKETMEASURE Standard Report 10D or other sources deemed by the Executive Director to be accurate. The time period shall be the most recently completed Federal Fiscal Year. The Applicant's pro-rata share of the Student Loan Program Pool will in part be determined by the total dollar amount of student loans originated in California. The Committee will consider the incongruity between the Federal Fiscal Year and the CDLAC allocation period when evaluating the data.~~
2. ~~The Proposed total cost of borrowing per borrower for the next academic year. This cost estimate should include origination fees, interest costs, and all other fees or expenses incurred by a borrower. (Loan Evaluation Table)~~
3. Previous year average interest rate. Information provided must refer to the time period of the current academic year. In addition, this information must include averages and weighted averages for the following figures for each student loan program: statutory interest rate, total discount and discounted interest rate.  
For this time period, the Applicant must show the percentage breakdown of usage for all student loan programs: Subsidized Stafford, Unsubsidized Stafford, PLUS Parent and PLUS Graduate. This breakdown will be used to determine the weighted averages for the aforementioned figures. (Interest Rate Evaluation Table)
4. Comparison of Proposed and Actual Interest Rate. The weighted averages will be used to determine whether or not the Applicant was within 25% of the discounted interest rate that they proposed in the prior year. Based on the Committee's assessment, an Applicant could be rewarded and/or penalized for the actual discounted interest rate they provided during the current academic year. (Loan Savings Table)
5. The extent to which the Applicant Program Sponsor timely ~~markets and~~ disburses student loans as evidenced by its use of previous and existing allocations from the Committee for direct lender student loan programs. The Committee will evaluate the impact of unused bond proceeds on the Applicant's present demand for Allocation.

### B. Student Loan Secondary Market Loan Purchase Programs

If any part of the Student Loan Program Pool remains unallocated after the Committee makes the Allocations under subsection A above, the Committee will then consider Applications in

which the ~~Applicant Program Sponsor~~ is a purchaser of student loans in the secondary market. These applications will be evaluated based on the following criteria:

1. The degree to which financially needy students benefit based on an evaluation of the percentage of borrowers with subsidized Stafford loans currently held in portfolio versus borrowers with only unsubsidized Stafford loans.
2. The use of recycled funds for additional programs that may benefit students other than loan purchase programs, such as grants, new loans, scholarships, student outreach, and borrower benefit programs offered by the ~~Applicant Program Sponsor~~.
3. The leveraging of the tax-exempt private activity bond allocation awarded to a ~~Applicant Program Sponsor~~ through the use of taxable bonds and other taxable securities.
4. The extent to which the ~~Applicant Program Sponsor~~ has timely and effectively used previous and existing allocations from the Committee for secondary market loan purchase programs.