THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
May 23, 2007

REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION
FOR A STUDENT LOAN PROGRAM

Prepared by Brady Hill.

APPLICANT: Access to Loans for Learning Student Loan Corporation
                                                    (ALLSLC)

ALLOCATION AMOUNT REQUESTED: **$210,000,000**

PROGRAM TYPE: Direct Lending

PROGRAM FINANCING INFORMATION:

Proposed Issuance Date:	August 29, 2007
Bond Counsel:	Orrick, Herrington & Sutcliffe, LLP
Underwriter:	UBS Financial Services, Inc.
Credit Enhancement Provider:	Ambac Assurance Corporation
Private Placement Purchaser:	Not applicable
TEFRA Date:	February 7, 2007

PUBLIC BENEFITS:

Number of Students Expected to be Assisted with Requested Allocation:	30,999
Total Dollar Amount of Student Loans Expected to be Originated Which Assist Low-income Borrowers:	$173,880,000
Base Interest Rate to Borrower:	6.80% (Stafford), 8.50% (PLUS)
Discounts Available to Borrower:	2.25% (Stafford), 2.25% (PLUS)
Total Per-Borrower Savings Over Standard Non-Discounted Loans:	$2,044 (Stafford), $2,066 (PLUS)

LEGAL QUESTIONNAIRE:

Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the application. No information was disclosed to question the financial viability or legal integrity of the Applicant.

RECOMMENDATION:

Staff recommends that the Committee approve $180,000,000 in tax-exempt bond allocation to ALL Student Loan Corporation.

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DESCRIPTION OF PROPOSED PROGRAM:

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, with direct lending as a priority or be a State Agency.

Purposes of proposed Program:

The ALLsaver Program, implemented in 1998, is a direct lending program designed to provide low interest rate student loans with a focus on four-year post-secondary education. The loans are made to student borrowers and their parents, who are residents of the State of California and/or are attending California colleges. Borrowers must meet the eligibility requirements of the Federal Family Education Loan Program (FFELP). According to the application, ALL Student Loan will continue with the 2007-2008 academic year the "No Origination Fee" loan that relieves Stafford and PLUS Graduate loan borrowers of the origination fee (1.5% for Stafford and 3% for PLUS) that is customarily collected by the federal government directly from the loan proceeds.[1] In addition, ALL Student Loan will relieve all Stafford and PLUS borrowers of the guarantee fee.

DESCRIPTION OF PUBLIC BENEFITS

Public Benefits Evaluation Criteria:

1) **The total dollar amount of student loans originated which assist low-income borrowers:**

   CDLAC Procedures Section 22.II.1, for student loan evaluation, asks for the total amount and corresponding percentage of student loans originated by the Program Sponsor which assists 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.
   (Financially needy borrowers is based on an evaluation of the percentage of borrowers with subsidized Stafford loans and PLUS loans associated with subsidized Stafford loans.)

   Based on past performance, approximately 83% of the loans originated by ALLSLC have been Stafford subsidized loans, combination (subsidized/unsubsidized) loans and PLUS loans associated with Stafford subsidized loans. Applying this percentage to the $210,000,000 in loan originations estimated for the coming academic year, it is estimated that ALLSLC will originate $173,880,000 in loans to the neediest borrowers during the 2007-2008 school year.

2) **The total cost of borrowing per borrower, including origination fees, interest costs, and all other fees or expenses incurred by a borrower:**

   CDLAC Procedures Section 22.II.2, for student loan evaluation request information pertaining to the total cost of borrowing per borrower. This includes origination fees, interest costs, and all other fees or expenses incurred by the borrower.

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[1] **ALLSLC will not relieve PLUS Parent borrowers of the origination fee.**

ALLSLC stated in their application that borrowers will receive 1.00% interest rate reduction upon entering repayment and an additional 1.25% interest rate reduction for taking advantage of automated payments deducted from borrowers designated checking account. In addition, ALLSLC will relieve Stafford loan borrowers and PLUS Graduate borrowers of the origination fee and the 1% guarantee fee. ALLSLC will only relieve PLUS Parent borrowers of the 1% guarantee fee.

The following three tables illustrate the total cost to the borrower. The first table shows the base interest rate and discounts realized by the borrower for each type of loan that the requested allocation will finance.

Access to Loans for Learning Student Loan Corporation (ALLSLC) Interest Rate Evaluation Applicant: ALLSLC (no guarantee fee for all programs)				
Loan Type	Subsidized Stafford	UnSubsidized Stafford	PLUS Parent	PLUS Graduate
Interest Rate at Time of Application	6.80%	6.80%	8.50%	8.50%
On-Time Payment Discount	-1.00%	-1.00%	-1.00%	-1.00%
Automatic Payment Discount	-1.25%	-1.25%	-1.25%	-1.25%
Origination Fee	0%	0%	3.00%	0%
Total Discount	-2.25%	-2.25%	-2.25%	-2.25%
Discounted Int. Rate at Time of App.	4.55%	4.55%	6.25%	6.25%

The following table shows the total amount of interest paid over the life of a loan, assuming that the borrower never qualifies for any discount. The last row of this table represents the maximum amount of interest that a borrower would pay, assuming no discounts for on-time payment or automatic payment.

Loan Evaluation without Discounts				
Applicant: ALLSLC				
Loan Type	Subsidized Stafford	Unsubsidized Stafford	PLUS Parent	PLUS Graduate
Repayment Term	10 yrs.	10 yrs.	10 yrs.	10 yrs.
Amount Borrowed	$10,000	$10,000	$10,000	$10,000
Origination Fee	$0	$0	$300	$0
In-School Capitalized Interest	N/A	$1,676	$196	$196
Total Principal Balance	$10,000	$11,676	$10,196	$10,196
Total Interest Paid Over Life of Loan[2]	$4,059	$6,375	$5,303	$5,613

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[2] **includes borrower's payment of origination fee and guarantee fee**

The following table shows interest paid over the life of the loan assuming all discounts are maintained throughout the life of the loan. The last row of this table shows the value of ALLSLC's discounts compared to the same loan program without discounts (see table above).

Loan Evaluation with Discounts				
Applicant: ALLSLC				
Loan Type	Subsidized Stafford	Unsubsidized Stafford	PLUS Parent	PLUS Graduate
Repayment Term	10 years	10 years	10 years	10 years
Amount Borrowed	$10,000	$10,000	$10,000	$9,600
Origination Fee	$0	$0	$300	$0
In-School Capitalized Interest	N/A	$1,676	$196	$196
Total Principal Balance	$10,000	$11,676	$10,196	$10,196
Total Interest Paid Over Life of Loan	$2,154	$4,192	$3,358	$3,426
Total Savings Over Life of the Loan[3]	$1,905	$2,183	$1,945	$2,187

3) **The extent to which the Program Sponsor timely markets and disburses student loans as evidenced by its previous and existing allocations for direct lender programs:**

CDLAC Procedures Section 22.II.3.a, for student loan evaluation requests information on the extent to which the Program Sponsor effectively markets its student loan program as evidenced by 1) the number of California schools that have bestowed "preferred lender" status upon the Program Sponsor, or by other forms of endorsements which are, at the discretion of the Committee's Executive Director, deemed to be appropriate and acceptable evidence of this criterion, and 2) the strength of its marketing plan as evidenced by the number and type of outreach activities.

A. To evaluate this criterion, staff reviewed the extent to which the lender has marketed and disbursed proceeds in the past. The following table illustrates the track records of the applicant with recent allocations.

Applicant	ALLSLC
Status of Unused Bond Proceeds	$30,129,000

According to the Applicant, the amount shown as "unused lend-able bond proceeds" represents a timing difference between the issuance of the bonds and the disbursements to fund student loans. For the 2006 bonds, over $21 million in student loan disbursements are already scheduled for payment of second disbursements by the end of June 2007. The remaining $9 million in unused 2006 are forecast to be originated and disbursed in the current academic year.

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[3] **includes savings derived from ALLSLC payment of the origination fee and guarantee fee on behalf of the borrower (except for PLUS Parent)**

B. The existing infrastructure of the organization also contributes to the timely marketing and disbursement of bond proceeds. The following table lists the number of schools at which the applicant is a preferred lender and other marketing factors that contribute to the timely use of prior tax-exempt bond allocation.

Infrastructure Contributing to the Timely Marketing and Disbursement of Bond Proceeds	
Number of Schools at which the Applicant is a Preferred Lender	ALLSLC is a preferred lender at 100 Institutions in California.
Multilingual Financial Aid Information	ALLSLC has developed Spanish-language financial aid information.
Financial Aid Basics Outreach	ALLSLC performs more than 600 counseling sessions in English and Spanish at over 100 high school campuses. In addition, ALLSLC provides free general financial aid and Free Application for Federal Student Aid ("FAFSA") workshops for students and parents at high school-related activities, including student fairs, college nights, and parent meetings.
Loan Origination System	ALLSLC helps students and parents by offering Internet-based features and having a seamless and advanced loan processing system. ALLSLC makes available web-based applications, e-signature for promissory notes, and online credit decisions for PLUS loans to allow faster and easier loan processing.
Community Partnerships	ALLSLC works closely with community based-organizations that support the advancement and development of youth educational opportunities in their communities. Partnership and outreach activities include sponsoring and supporting community events and distributing educational materials.

Community College Transfer Centers	ALLSLC has partnered with California Community College Transfer Centers and academic counselors to better inform the substantial CCC transfers entering baccalaureate degree granting institutions about the cost-savings benefits of tax-exempt financed education loans.
Taking Care of California	ALLSLC offers this program to serve the neediest students pursuing a nursing education. Taking Care of California offers to forgive up to $2,500 in student loan debt for ALLSLC borrowers who demonstrate financial need and obtain a Bachelor of Science in Nursing degree.

Use of Allocation:

ALLSLC proposes to use bond proceeds to finance direct loan originations in conjunction with its ALLsaver loan program. It will originate loans to California students enrolled in 2 and 4-year colleges, universities and trade schools.

ALLSLC estimates the following volume of loan origination for the 2007-2008 academic year:

Type of School (4-year, 2-year, Trade School)	Estimated Number of Loans to be Originated	Estimated Dollar Amount of Loans to be Originated
4-year	26,259	$208,500,000
2-year	3,120	$15,000,000
Trade School	1,620	$14,500,000
Total	**30,999**	**$238,000,000**

COMMENTS:

1. Staff has received 24 letters supporting ALL Student Loans direct lending program and its current application for allocation.