

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
July 16, 2008

***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: \$225,000,000

PROGRAM TYPE: Direct Lending

PROGRAM FINANCING INFORMATION:

Proposed Issuance Date:	September of 2008
Bond Counsel:	Orrick, Herrington & Sutcliffe, LLP
Underwriter:	Banc of America Securities, LLC
Credit Enhancement Provider:	To Be Determined (97% Federal Guarantee & Direct Pay Letter of Credit)
Private Placement Purchaser:	Not applicable
TEFRA Date:	February 7, 2007

PUBLIC BENEFITS:

Number of Students Expected to be Assisted with Requested Allocation:	35,103
Total Dollar Amount of Student Loans Expected to be Originated Which Assist Financially Needy Borrowers:	\$199,800,000
Base Interest Rate to Borrower:	6.80% (Stafford), 8.50% (PLUS)
Discounts Available to Borrower:	0% (Stafford), 0% (PLUS)
Total Per-Borrower Savings Over Standard Non-Discounted Loans:	\$0 (Stafford), \$0 (PLUS) (Applicant will relieve Stafford and PLUS loan borrowers of the origination fee and the 1% guarantee fee)

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 \$225,000,000 in tax-exempt bond allocation to ALL Student Loan Corporation contingent on the following: 1) CEFA approval of the purchase of Subordinate Bonds as Credit Enhancement for Tax-Exempt Senior Bonds Issued by ALL Student Loan Corporation and 2) Enactment of the 08/09 California State Budget.

NOTE: The Committee resolution will be released upon fulfillment of conditions noted above.

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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, in the 2008-2009 academic year ALL Student Loan will offer the "No Origination Fee" loan that relieves Stafford and PLUS 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. In addition, ALL Student Loan will relieve all Stafford and PLUS borrowers of the guarantee fee.

DESCRIPTION OF PUBLIC BENEFITS

Public Benefits Information and Evaluation Criteria:

1) The total dollar amount of student loans originated which will assist financially needy borrowers:

(Informational Item)

CDLAC Procedures Section 22.I.C asks for the total amount and corresponding percentage of student loans originated by the Program Sponsor 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. The term "financially needy borrowers" is based on an evaluation of the percentage of borrowers with subsidized Stafford loans, combination (subsidized/unsubsidized) loans and PLUS loans associated with subsidized Stafford loans. In the previous academic year, approximately 74% of the loans originated by ALLSLC were Stafford subsidized loans, combination (subsidized/unsubsidized) loans and PLUS loans associated with Stafford subsidized loans. Applying this percentage to the \$270,000,000 in loan originations estimated for the coming academic year of 2008-2009, it is estimated that ALLSLC will originate \$199,800,000 in loans to the most financially needy students.

2) The total dollar amount of student loans originated by the Applicant in California:
(Evaluation Criteria)

CDLAC Procedures Section 22.II.A.1 asks for the total dollar amount and number of student loans originated by the Applicant in California. The data relied upon is derived from the STUDENT MARKETMEASURE Standard Report 10D or other sources deemed by the Executive Director to be accurate. However, for the 2007-2008 academic year, the STUDENT MARKETMEASURE was not available. Consequently, staff referenced the 2005 and 2006 Student Marketmeasure reports to evaluate an estimate of the total dollar amount of student loans that the Applicant originated in California. This estimate partially determines the Applicant's pro-rata share of the Student Loan Program Pool. However, ALLSLC was the only applicant to the

Student Loan Program Pool. Hence, the ALLSLC’s pro-rata share is 100% of the Student Loan Program Pool.

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

CDLAC Procedures Section 22.II.A.2 asks for 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.

According to the Applicant, borrowers will not receive interest rate reductions due to challenging market conditions and changes in federal legislation. However, 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 two 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				
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	0%	0%	0%	0%
Automatic Payment Discount	0%	0%	0%	0%
Guarantee Fee	0%	0%	0%	0%
Origination Fee	0%	0%	0%	0%
Total Discount	0%	0%	0%	0%
Discounted Int. Rate at Time of App.	6.80%	6.80%	8.50%	8.50%

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	\$2,720	N/A	N/A
Total Principal Balance	\$10,000	\$12,720	\$10,000	\$10,000
Total Interest Paid Over Life of Loan	\$3,322	\$4,846	\$4,878	\$4,878

**4) Comparison of Proposed and Actual Interest Rate.
 (Evaluation Criteria)**

CDLAC Procedures Section 22.II.A.4 asks for a comparison of interest rates that were proposed for the previous academic year with the interest rates that were actually provided in the previous academic year. The Applicant *proposed and provided* a weighted average interest rate of 4.99% for the 2007-2008 academic year. Hence, the Applicant will not be penalized inasmuch as they met their interest rate target.

**5) 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:
 (Evaluation Criteria)**

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

Applicant	ALLSLC
Unused Bond Proceeds	\$0

According to the Applicant, there are no outstanding unused bond proceeds. The Applicant has successfully marketed and disbursed all bond proceeds.

**6) Use of Allocation:
 (Informational Item)**

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 2008-2009 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	29,924	\$237,600,000
2-year	3,369	\$16,200,000
Trade School	1,810	\$16,200,000
Total	35,103	\$270,000,000