

**CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**Public Benefits Analysis**  
**Student Loan Program**  
**2002**

Each year, the California Debt Limit Allocation Committee reserves a portion of its tax-exempt private activity bond authority for the Student Loan Program Pool. Authorized student lenders issue tax-exempt bonds either to finance direct loans to college students and their parents or to purchase bundles of already-originated loans on the secondary market. When used for direct lending programs, tax-exempt bond allocation allows lenders to pass on interest rate savings to needy students via below market interest rate loans. Needy students are borrowers for whom the cost to attend college exceeds their ability to pay, as determined by their school's financial aid office. Currently, only three agencies are authorized to issue tax-exempt bonds for student loan programs in California: ALL Student Loan Corporation, Chela Financial and the California Educational Facilities Authority.

In 2002, CDLAC awarded \$153 million in allocation, representing 5.9% of the state ceiling, to two issuers (ALL Student Loan Corporation and Chela Financial), both of which operate direct lending programs in California. Overall, the allocation will help to originate approximately 40,000 loans, each of which will save borrowers hundreds of dollars over the life of the loan compared to conventional, non-discounted loans. Approximately 85%, or \$130,815,000 of the allocation will benefit needy borrowers.

**2002 Total Benefits of Student Loan Program**

Allocation Amount	Approximate % to Needy Borrowers <sup>1</sup>	Approximate Allocation Assisting Needy Borrowers	Estimated # of Loans Originated <sup>2</sup>
\$153,000,000	85.5%	\$130,815,000	39,230

**Benefits By Issuer**

Applicant	Program Type	Allocation Amount	Approximate % to Needy Borrowers <sup>3</sup>	Approximate Allocation Assisting Needy Borrowers	Estimated # of Loans Originated <sup>4</sup>	Maximum Interest Rate Discount	Maximum Savings for Subsidized Stafford Loans <sup>5</sup>	Maximum Savings for Unsub. Stafford Loans <sup>6</sup>
ALL Student Loan Corporation	Direct Lending	\$76,500,000	83%	\$63,495,000	19,615	2.00%	\$1,470	\$1,650
Chela Financial	Direct Lending	\$76,500,000	88%	\$67,320,000	19,615	1.75%	\$895	\$1,410

<sup>1</sup> Based on information presented in issuers' applications.

<sup>2</sup> Assuming an average loan amount of \$3,900.

<sup>3</sup> Based on information presented in issuers' applications.

<sup>4</sup> Assuming an average loan amount of \$3,900.

<sup>5</sup> Savings compared to loans without discounts, assuming \$10,000 principal balance, over a ten-year repayment period.

<sup>6</sup> Ibid.