

# CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE

## Public Benefit Analysis

### Student Loan Program

#### 2002 Summary

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. Under the leadership of State Treasurer Philip Angelides, the Committee has redirected the focus of this program toward benefiting financially-needy students and their families.

In 2002, CDLAC awarded \$199,418,398 in allocation, representing 7.7% 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 51,132 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 \$169,505,638, of the allocation will benefit needy borrowers.

#### 2002 Total Benefit 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>
\$199,418,398	85.5%	\$170,502,730	51,132

#### Benefit 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	\$99,709,199	83%	\$82,758,635	25,566	2.00%	\$1,470	\$1,650
Chela Financial	Direct Lending	\$99,709,199	88%	\$87,744,095	25,566	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.