

## CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE

Public Benefit Analysis

Student Loan Program

May 17, 2006

Student Loan Program bonds are tax-exempt private activity bonds issued by authorized agencies for the purpose of either financing direct loans to college students and their parents or purchasing 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 low cost financing in the form of lower interest rate than a conventional loan. 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. The Committee prioritizes awards of allocation to direct lending programs over secondary market loan purchase programs.

The California Debt Limit Allocation Committee ("Committee") is responsible for administering California's annual tax-exempt private activity bond program, known as "the annual State ceiling". For calendar year 2006, California's State ceiling is \$2,890,571,760. Each year the Committee divides the annual State ceiling among several bond programs, known as "Program Pools", including the Student Loan Program Pool. For calendar year 2006, the Committee reserved \$210,000,000, or 7.3%, of the State ceiling for the Student Loan Program Pool.

The Committee awarded \$210,000,000 student loan allocation on May 17, 2006 to the Access to Loans for Learning Student Loan Corporation ("ALLSLC") and Educational Funding Services, Inc ("EFSI"). Both ALLSLC and EFSI operate as direct lenders in California. Overall, the allocation will help to originate approximately 26,437 loans, saving borrowers hundreds of dollars over the life of the loan compared to conventional loans. Approximately \$173,230,000 or a combined approximation of 86% of the allocation will benefit needy borrowers.

### 2005 Total Benefit of Student Loan Program

Allocation Amount	Approximate % to Needy Borrowers	Approximate Allocation Assisting Needy Borrowers	Estimated # of Loans Originated <sup>1</sup>
\$210,000,000	86%	\$173,230,000	26,437

### Benefit By Issuer

Applicant	Program Type	Allocation Amount	Approximate % to Needy Borrowers	Approximate Allocation Assisting Needy Borrowers	Estimated # of Loans Originated	Maximum Interest Rate Discount	Maximum Savings for Subsidized Loans <sup>2</sup>	Maximum Savings for Unsub. Stafford Loans <sup>3</sup>
ALL Student Loan Corporation	Direct Lending	\$190,000,000	82%	\$155,230,000	22,000	1.75%	\$1,535	\$1,295
Educational Funding Services, Inc.	Direct Lending	\$20,000,000	90% <sup>4</sup>	\$18,000,000	4,437	2.00%	\$1,698	\$1,699

<sup>1</sup> Assuming an average loan amount of \$10,000.

<sup>2</sup> Savings compared to loans without discounts, assuming \$10,000 principal balance, over a ten-year repayment period.

<sup>3</sup> Ibid.

<sup>4</sup> Estimation provided by Applicant