

**CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**

Public Benefit Analysis

Student Loan Program

2004

Summary

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 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. 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 2004, California’s State ceiling is \$2.838 billion. 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 2004, the Committee reserved \$168.5 million, or 5.9%, of the State ceiling for the Student Loan Program Pool.

The Committee awarded the entire \$168.5 million student loan allocation in the First Allocation Round of 2004 to the ALL Student Loan Corporation (ALLSLC). ALLSLC operates a direct lending program in California. Overall, the allocation will help to originate approximately 25,443 loans, saving borrowers hundreds of dollars over the life of the loan compared to conventional loans. Approximately \$149,919,700 or 86% of the allocation will benefit needy borrowers.

**2004 Total Benefit of Student Loan Program**

<b>Allocation Amount</b>	<b>Approximate % to Needy Borrowers</b>	<b>Approximate Allocation Assisting Needy Borrowers</b>	<b>Estimated # of Loans Originated<sup>1</sup></b>
\$168,500,000	86%	\$149,919,700	25,443

**Benefit By Issuer**

<b>Applicant</b>	<b>Program Type</b>	<b>Allocation Amount</b>	<b>Approximate % to Needy Borrowers</b>	<b>Approximate Allocation Assisting Needy Borrowers</b>	<b>Estimated # of Loans Originated</b>	<b>Maximum Interest Rate Discount</b>	<b>Maximum Savings for Subsidized Loans<sup>2</sup></b>	<b>Maximum Savings for Unsub. Stafford Loans<sup>3</sup></b>
ALL Student Loan Corporation	Direct Lending	\$168,500,000	86%	\$149,919,700	25,443	2.00%	\$1,162	\$1,373

<sup>1</sup> Assuming an average loan amount of \$9,700.

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

<sup>3</sup> Ibid.