# CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE 

Public Benefit Analysis
Student Loan Program
July 16, 2008
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 2008, California's State ceiling is $\$ 3.107$ 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 2008, the Committee reserved $\$ 225,000,000$, or $7.2 \%$, of the State ceiling for the Student Loan Program Pool.

The Committee awarded \$225,000,000 student loan allocation on July 16, 2008 to the Access to Loans for Learning Student Loan Corporation ("ALLSLC"). ALLSLC operates as a direct lender in California. Overall, the allocation will help to originate approximately 35,103 loans, saving borrowers hundreds of dollars over the life of the loan compared to conventional loans. Approximately $\$ 166,500,000$ or a combined approximation of $74 \%$ of the allocation will benefit needy borrowers.

## 2008 Total Benefit of Student Loan Program

| Allocation <br> Amount | Approximate <br> \% to Needy <br> Borrowers | Approximate <br> Allocation <br> Assisting <br> Needy <br> Borrowers | Estimated \# <br> of Loans <br> Originated |
| :---: | :---: | :---: | :---: |
| $\$ 225,000,000$ | $74 \%$ | $\$ 166,500,000$ | 35,103 |

Benefit By Issuer

| Applicant | Program Type | Allocation Amount | Approximate \% to Needy Borrowers | Approximate Allocation Assisting Needy Borrowers | Estimated \# of Loans Originated | Maximum <br> Interest <br> Rate <br> Discount | Maximum Savings for Subsidized Stafford Loans ${ }^{2}$ | Maximum <br> Savings for Unsub. Stafford Loans ${ }^{3}$ |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| ALL Student Loan Corporation | Direct <br> Lending | \$225,000,000 | 74\% | \$166,500,000 | 35,103 | 0.25\% | \$202 | \$274 |

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[^0]:    ${ }^{1}$ Assuming an average loan amount of $\$ 10,000$.
    ${ }^{2}$ Savings compared to loans without discounts, assuming \$10,000 principal balance, over a ten-year repayment period.
    ${ }^{3}$ Ibid.

