



Texas Higher Education Coordinating Board

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Texas Aims to Reduce Student Debt with Interest Rate Reduction *The state's College Access Loan now has nation's lowest fixed interest rate*

April 28, 2015 – Austin, Texas – As student debt nationwide has nearly tripled over the past decade, Texas is working to reduce the burden on students seeking to obtain education and training beyond high school. Today the Texas Higher Education Coordinating Board (THECB) announces a reduction in its College Access Loan (CAL) interest rate from 5.25 percent to 4.5 percent, effective June 1, 2015. This gives the state-run student loan program the status of offering the lowest fixed interest rate in the United States.

“Our goal is to make higher education more accessible and affordable for Texas students as they pursue education and training beyond high school,” said Texas Higher Education Commissioner Raymund Paredes. “Last year we announced a lower origination fee structure. This year we offer a historically low interest rate, thanks to the prudent management of our College Access Loan program. Today, Texas is better able to help more students and families manage their education-related financial obligations and focus on successfully completing postsecondary credentials. It is important in our ongoing efforts to help move students into the workforce without crushing debt.”

CAL is a self-funded, non-profit student loan program that offers a fixed, deferred interest rate irrespective of the borrower's credit rating. A cash analysis by an independent financial advisor showed that the THECB can meet its debt obligations annually and that the program has a positive cash flow each year throughout the remainder of the program. In addition, THECB maintains a \$30 million contingency reserve for unexpected student loan demand.

In addition to this year's interest rate reduction, CAL origination fees, the amount charged to cover the cost of processing each loan, were reduced in April 2014 to zero, three and five percent, depending on the borrower's VantageScore. The THECB revised its credit score requirements last year to enable more students to access low interest student loans for higher education.

Texas has also reduced the CAL default rate by better credit underwriting and default avoidance. By increasing fund balance equity shown on annual cash flows and returning excess interest and sinking funds to the CAL program, the THECB has resources to increase the availability of loans as well as lower the interest rate for all borrowers and eliminate or reduce origination fees for most borrowers.

For more information on the College Access Loan program and other financial assistance offerings from the THECB, please visit www.hhloans.com.

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THECB Mission Statement

The Texas Higher Education Coordinating Board promotes access, affordability, quality, success, and cost efficiency in the state's institutions of higher education, through Closing the Gaps and its successor plan, resulting in a globally competent workforce that positions Texas as an international leader in an increasingly complex world economy.