



Texas Higher Education Coordinating Board

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Texas Aims to Reduce Student Debt THECB outlines plans to eliminate costly loan origination fees for most borrowers

April 28, 2014 – 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) origination fees charged to cover the cost of processing each loan. For those students who qualify for the CAL program, loan origination fees of zero, three and five percent were approved for the 2014-15 school year.

“Thanks to the prudent management of our College Access Loan program, we are able to increase loan access to more Texas students while helping to save them money,” said Texas Higher Education Commissioner Raymund Paredes. “For the upcoming school year, we have \$194 million available through this loan program. Our goal is to make higher education more accessible and affordable for Texas students as they pursue education and training beyond high school.”

The current interest rate for CAL loans is one of the lowest in the United States at a fixed annual rate of 5.25 percent. In addition to the newly announced origination fee structure, the THECB has revised its credit score requirements to enable more students to access low interest student loans. Previously set at a minimum VantageScore of 700, borrowers may now qualify for the CAL program with a VantageScore as low as 591. Borrowers with a credit score of 711 or greater qualify for the zero percent origination fee rate; those with a score of 651-710 qualify for the three percent origination fee rate; and those with a score of 591-650 qualify for the previously standard five percent origination fee rate.

“Based on historical data, we estimate as many as eight in 10 CAL applicants and cosigners will qualify for the zero percent loan origination fee,” said THECB Deputy Commissioner for Finance and Administration Arturo Alonzo. “The remaining 20 percent of applicants and cosigners are likely to qualify for either the three or five percent loan origination fee. If an applicant’s credit score is at or below 590, our staff will advise the applicant to seek another cosigner, such as a parent or grandparent, who may help get the applicant to a 591 or better VantageScore.”

The THECB contracted with the Texas Office of the Attorney General to improve loan collections, which have increased on a monthly basis from \$289,930 in 2009 to \$659,011 year-to-date in fiscal year 2013-14. In addition, Texas has 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 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

THECB

The Texas Higher Education Coordinating Board's mission is to work with the legislature, governor, governing boards, higher education institutions, and other entities to help Texas meet the goals of the state's higher education plan, *Closing the Gaps by 2015*, and thereby provide the people of Texas the widest access to higher education of the highest quality in the most efficient manner.