College for all Texans
Texas Higher Education Coordinating Board

Loan Program Comparison

	FFELP Federal Stafford Student Loan – Subsidized	Federal Direct Loan – Subsidized	FFELP Federal Stafford Student Loan – Unsubsidized	Federal Direct Loan – Unsubsidized	PLUS Loans & Grad Plus Loans	Alternative Loans	Hinson-Hazlewood Loan Program CAL & HELP Loans
MAXIMUM ANNUAL LOAN LIMITS	Freshman $3,500 Sophomore $4,500 Junior/Senior $5,500 Graduate $8,500		Freshman $7,500 Sophomore $8,500 Junior/Senior $10,500 Graduate $20,500		Cost of attendance less other financial aid	Varies	Cost of Attendance less other financial aid
INTEREST RATES	6.00% Fixed as of 7-1-2008	6.00% Fixed as of 7-1-2008	6.80% Fixed	6.80% Fixed	8.5% Fixed	Ranges from 4.75% to 17.86%	6.00% Fixed
SOURCE OF FUNDS	Private Funds/ Secondary Markets	Federal Funds	Private Funds/ Secondary Markets	Federal Funds	Private and Federal Funds	Private Funds/ Secondary Markets	State Funds/ GO Bonds
ELIGIBILITY	Need Based	Need Based	Not Need Based Replaces EFC	Not Need Based Replaces EFC	Not Need Based Replaces EFC	Varies	Replaces EFC
FINANCIAL AID OFFICE APPROVAL	Yes	Yes	Yes	Yes	Yes	Lender Determines	Yes
FAVORABLE CREDIT EVALUATION	N/A	N/A	N/A	N/A	Yes	Borrower and/or Cosigner	Borrower and/or Cosigner

FFELP = Federal Family Education Loan Program **PLUS** = Parent Loan for Undergraduate Students (Federal program) **CAL** = College Access Loan (THECB program) **HELP** = Health Education Loan Program (THECB program) **EFC** = Expected Family Contribution; amount a family is expected to contribute to one year of college education based on financial strength

College for all Texans

Texas Higher Education Coordinating Board

OVERVIEW

Permanent University Fund (PUF)
Higher Education Assistance Fund (HEAF)

General

All public institutions of higher education except community colleges and the Texas A&M University System College of Dentistry receive funding for construction and other capital purposes from the Permanent University Fund (PUF) or the Higher Education Assistance Fund (HEAF). Most institutions in The University of Texas System and the Texas A&M University System benefit from the PUF; other institutions benefit from the HEAF. (See table below).

The amount of funds allocated for each PUF institution is determined by the Boards of Regents of The University of Texas System and Texas A&M University System each year. The allocation of HEAF funds to each institution is determined by the Legislature and may be revised every five years.

Permanent University Fund

The Permanent University Fund (PUF) is a public endowment contributing to the support of institutions of The University of Texas System and the Texas A&M University System that were parts of those systems when the HEAF was created. The PUF provides support (in the form of construction dollars from PUF bond proceeds) to 21 institutions of the UT and A&M Systems, including the health-related institutions of both systems and the Texas A&M land grant research and service agencies. The PUF was established in the Texas Constitution of 1876 through the appropriation of land grants previously given to The University of Texas at Austin plus 1 million acres. The land grants to the PUF were completed in 1883 with the contribution of an additional 1 million acres of land. Today, the PUF still owns approximately 2.1 million acres of land located in 24 counties primarily in West Texas, but most of its assets are securities held by the fund.

Distributions from the PUF are deposited in a separate account, the Available University Fund (AUF), which consists of total returns on all investment assets of the PUF. Two-thirds is appropriated to The University of Texas System and one-third is appropriated to the Texas A&M University System. The AUF is used for three primary purposes: 1) to pay interest and principal due on PUF bonds that are issued to provide construction dollars at 21 institutions of the UT and A&M Systems; 2) to provide support for a wide range of programs intended to develop excellence at The University of Texas at Austin, Texas A&M University at College Station, and Prairie View University; and 3) to provide for the expenses of the two respective System Administrations.

The PUF is managed by the Board of Regents of the UT System. The UT System contracts with the University of Texas Investment Management Company (UTIMCO), a nonprofit investment organization, to provide day-to-day management of the PUF and other university investments. At the end of August 2007, net investment assets of the PUF had a market value of $11.7 billion, which does not include the value of PUF lands of $1.9 billion. The Texas Constitution was amended in 1999 defining the AUF as consisting of distribution from the total return on all investment assets of the PUF. The UT System Board of Regents approved distribution of $449 million for fiscal year ending August 31, 2008.

Higher Education Assistance Fund and Higher Education Fund

Amendments to the Texas Constitution in 1984 and 1993 allow the Legislature to provide appropriations to universities, health-related institutions, and Texas State Technical College institutions that do not share PUF income. This appropriation, the Higher Education Assistance Fund (HEAF), is used for many of the same purposes as the PUF. The institutions can acquire land; construct, repair, and rehabilitate buildings; and purchase capital equipment and library materials with HEAF funds. From 1986 through 1995, the Legislature appropriated $100 million in HEAF funds each year. The annual appropriation increased to $175 million each year beginning in 1996. Beginning FY 2008, the annual appropriation increased to $262.5 million each fiscal year.

College for all Texans
Texas Higher Education Coordinating Board

Based on the 1984 amendment, the Legislature created a dedicated endowment, the Higher Education Fund (HEF), in 1996 for the benefit of non-PUF institutions. Each year between 1996 and 2001, the HEF endowment received appropriations of $50 million per year. Beginning in FY 2002, the $50 million appropriated to the HEF endowment was reduced by the amount of interest earned by the HEF, and a corresponding amount was transferred to the Texas Excellence Fund for the benefit of HEAF-eligible institutions. No appropriations to the HEF endowment were made for the 2004-05 biennium. At the end August 2007, net investment assets of the HEF had a market value of $617 million.

The Texas Constitution requires that investment returns of the HEF be credited back to the fund until the fund balance reaches $2 billion. As with the PUF, the corpus of HEF isn't spent. Each year after the HEF balance reaches $2 billion, annual appropriations to the HEAF will end; 10 percent of the income from investments is to be added back to the fund and become part of the corpus of the HEF; and the remainder of the annual income, if any, is to be appropriated to HEAF institutions.

PUF Institutions	HEAF Institutions
The University of Texas at Arlington	Texas A&M University–Corpus Christi
The University of Texas at Austin	Texas A&M International University
The University of Texas at Dallas	Texas A&M University–Kingsville
The University of Texas at El Paso	Texas A&M University–Commerce
The University of Texas of the Permian Basin	Texas A&M University–Texarkana
The University of Texas at San Antonio	West Texas A&M University
The University of Texas at Tyler	Lamar University
Texas A&M University	Lamar Institute of Technology
Texas A&M University at Galveston	Lamar State College at Orange
Prairie View A&M University	Lamar State College at Port Arthur
Tarleton State University	Sul Ross State University
Texas A&M University Services Agencies	Sul Ross State University Rio Grande College
The University of Texas SWMC at Dallas	Angelo State University
The University of Texas Medical Branch at Galveston	Sam Houston State University
The University of Texas HC at Tyler	Texas State University-San Marcos
The University of Texas HSC at Houston	University of Houston
The University of Texas MD Anderson Cancer Center	University of Houston–Clear Lake
The University of Texas HSC at San Antonio	University of Houston–Downtown
Texas A&M University System HSC	University of Houston–Victoria
The University of Texas System Administration	The University of Texas–Pan American
Texas A&M University System Administration	The University of Texas at Brownsville
	Midwestern State University
	Stephen F. Austin State University
	Texas Southern University
	Texas Woman's University
	Texas Tech University
	Texas Tech University HSC
	University of North Texas
	University of North Texas HSC
THECB 3/08	Texas State Technical College System

College for all Texans
Texas Higher Education Coordinating Board

OVERVIEW

Tuition Revenue Bonds

All college and university revenue bonds are equally secured by and payable from a pledge of all or a portion of certain "revenue funds" as defined in Chapter 55, Texas Education Code, as amended, of the applicable system or institution of higher education. Historically, however, the state has appropriated funds to the schools in an amount equal to all or a portion of the debt service on revenue bonds issued pursuant to certain specific authorizations to individual institutions in Chapter 55, Texas Education Code ("Tuition Revenue Bonds").

Source of Definition: Bond Review BoardPermanent University Fund

What is a Tuition Revenue Bond (TRB)?

- TRB's are bonds that have their debt serviced by the revenue of the project for which it was issued and pledge a revenue stream provided by income from tuition charges levied against students or institutions specified in the bond covenants.
- The Texas Education Code defines the responsibility of the Board with regard to tuition revenue bonds and limits its authority to evaluation and review of the projects in comparison to the Board standards.

Use of Tuition Revenue Bonds

- The bonds may be used as specified in the statute.
- Generally the bonds are used to acquire, purchase, construct, improve, renovate, enlarge, or equip property, buildings, structures, facilities, roads, or related infrastructure on or for the campus.

History of Tuition Revenue Bonds

- The Legislature first authorized tuition revenue bonds for particular campuses in 1971 and 1973. The total amount authorized was $267.5 million. Between 1971 and 1974, $241 million in tuition revenue bonds were issued.
- In 1991, as part of the South Texas Border initiative, the 72nd – 74th Legislatures granted $421.4 million in new bonding authority.
- In 1997, the 75th Legislature authorized new bonding authority to 41 institutions, totaling $638.4 million.
- For the 79th Regular Legislative Session, institutions initially requested $3.1 billion in tuition revenue bond authority for 119 projects, requiring an annual debt service of $286.7 million. THECB 3/08
- During the 79th Legislature, Third Call Session, new criteria was developed to evaluate the TRB projects. A total of 155 proposals were resubmitted for review and evaluation. The total project cost of all the TRB proposals was $4.5 billion. The total amount of TRBs approved, but not funded by the 79th Legislature, Third Called Session was $1.86 billion, from 63 projects. For in formation concerning all of these figures during the 79th Legislature, Third Call Session, please go to our website at http://www.thecb.state.tx.us/reports/PDF/1317.PDF
- During the 80th Legislative Session, the TRB projects approved during the previous legislative session were authorized for funding.

Process for Evaluation of Tuition Revenue Bonds

- If requested, the Coordinating Board evaluates the requests for authority submitted by the institutions with the Legislative Appropriations Request.
- The Legislature authorizes issuance of the bonds in legislation.
- The institutions request project and financing approval from its Board of Regents.
- The Board of Regents grants approval for the project.
- The project is submitted to the Coordinating Board for evaluation. (Because the project was

already approved by the Legislature, the Board's role is to evaluate the project to determine if it meets the Board's standards.)

- The evaluation is approved by the Board and a copy is provided to the Governor, Lt. Governor, and the Legislative Budget Board.
- The institution (or system) completes an application for the Bond Review Board.
- The Bond Review Board verifies that the institution has approval for the issuance of the bonds, analyzes the project request to determine that the funds are available to service the debt, and that the financing system is appropriate.
- The Bond Review Board authorizes the issuance of the bonds.
- The Attorney General reviews and approves the issuance of the bonds.
- The institution (or system) sells the bonds and services the debt.
- Upon completion of the project, the institution includes the facility (if appropriate) in its facilities inventory.

Financing with Tuition Revenue Bonds

- Interest payments are spread out over the term of the note (called coupon payments) and are a fixed rate throughout the life of the bond.
- Tuition, rentals, rates, and other charges of an institution of higher education may be pledged to the payment of the bonds.
- In past practice, the Legislature has approved reimbursement to the institutions for payments made to retire the tuition revenue bonds by means of special line items as part of general revenue appropriations.

College for all Texans
Texas Higher Education Coordinating Board

Articles of Interest

Student Lending Issues

Spellings Seeks to Reassure Skeptical Congress That the Education Department is Ready for Loan Crisis
By: Kelly Field
The Chronicle of Higher Education
March 17, 2008

- Secretary of Education Margaret Spellings assures members of Congress that her department is prepared for an influx of colleges into the direct-loan program and is ready to put in place "lender of last resort" provisions if necessary.
- Thus far, departures from the federal student-loan program do not appear to have made federal loans less available, but some institutions are worried that students could have a more difficult time obtaining federal loans next fall.
- Ms. Spellings claims that the department is prepared to enroll more colleges in direct lending, although only a small number of institutions are interested and more money would be needed. In addition, the department is taking steps to make sure guarantee agencies are ready to lend to students if they need to, although the department has not yet met with the agencies and has dismissed requests that it do so.

A Student Loan Credit Crunch- But for Whom?
Doug Lederman
Inside Higher Ed
March 12, 2008

- To date, the problem has been limited to private loans. Many parties have taken action to make students aware that federal loans remain available to all students who seek them.

- While the problem has been of significance to the loan industry and the for-profit higher education sector, it's been largely played down by many traditional college officials and advocates for students.
- Congressional leaders are paying close attention to the developing situation in the loan market but have played down the impact so far.
- The issue of whether non-traditional students, independent students, and students attending career colleges will be negatively affected by the crisis is not one that can be overlooked simply because public, non-profit colleges are not suffering just yet.
- The non-profit institution sector has not felt the impact yet, but that could soon change, especially for those not heavily supported by large endowments.

Brazos Lays Off 60 Percent of Workers
Associated Press
March 7, 2008

- Brazos Higher Education Service Corp., the administrative arm of Texas-based lender Brazos Group, has laid off 60 percent of its workforce due to continued turmoil in the student loan industry
- Brazos has been among the lenders whose auctions of securities backed by student loans have been unsuccessful in drawing investor interest. These auctions are a crucial source of lending capital for groups like Brazos.
- Department officials are being urged to come up with a plan to help lenders gain access to lending capital as students will soon begin borrowing money for the next school year.

Credit Crisis Will Affect Student Loans
By: Greg Mischio
Mortgageloan.com
http://www.mortgageloan.com/credit-crisis-will-affect-student-loans-1579
March 5, 2008

- With lenders like Sallie Mae announcing that they will no longer make loans to sub-prime borrowers, students may have to find other ways to pay for college.
- For-profit education institutions will feel the most impact, since these institutions rely heavily on sub-prime borrowers for their enrollment. The impact will not be as heavy for non-profit colleges and universities, who benefit largely from grants and governmental financial aid. However, there is likely to be a ripple effect and these institutions may feel the impact eventually.
- In order to change the path we are currently on, lenders should tighten their lending guideline and students are encouraged to do more research to find a suitable lender.

Credit Crisis May Make College Loans More Costly
Some Firms Stop Lending to Students
By: David Cho and Maria Glod
Washington Post
March 3, 2008

- Many college students will soon see higher costs for loans and some will be turned away altogether as the credit crisis continues. While the federally funded loan program will still be available, good deals will be harder to find. In addition, private loans are getting more expensive.
- Many lenders are scaling back their lending activity while some groups have moved out of the business altogether.
- The crisis is causing both school administrators and students to worry about how they will be affected in the upcoming school year and in the future. Schools worry that they could lose students who are not able to get enough funding, while students worry about how massive loan debts will affect them in the future.
- However, amid the concern, federal education officers assure that students who want federally subsidized loans will ultimately be able to get them.

Letter to Margaret Spellings, Secretary of Education
U.S. Rep. George Miller and U.S. Senator Edward M. Kennedy
February 28, 2008

- Thus far, the mortgage crisis has had no impact on students' ability to access federal loans; however, certain student loan lenders have encountered difficulties accessing the capital market to finance their lending activity, causing necessary concern for future student access to federal loans.
- They are urging Secretary Spellings to take necessary steps to ensure the protection against any unforeseen disruptions in the capital markets that would adversely affect students' ability to secure federal student loans.
- They believe the Department of Education should update plans to implement a lender-of-last resort program and take all available steps to endure the plans can be put into operation quickly if necessary.

Subprime Woes to Hit Student Loans
CNNMoney.com
http://money.cnn.com/2008/01/11/pf/subprime_student_loans/index.htm
January 11, 2008

- Students will soon feel the pinch of the mortgage crisis, making it more difficult to obtain student loans and placing the students under stricter lending practices.
- Student lender Sallie Mae plans to be more selective in granting loans.
- Lenders are expected to cut loan discounts and increase minimum balance requirements for loan consolidation.