

B-On-Time Loan Program

Supplemental Information
Senate Higher Education Committee
Interim Charge #1 – Financial Aid

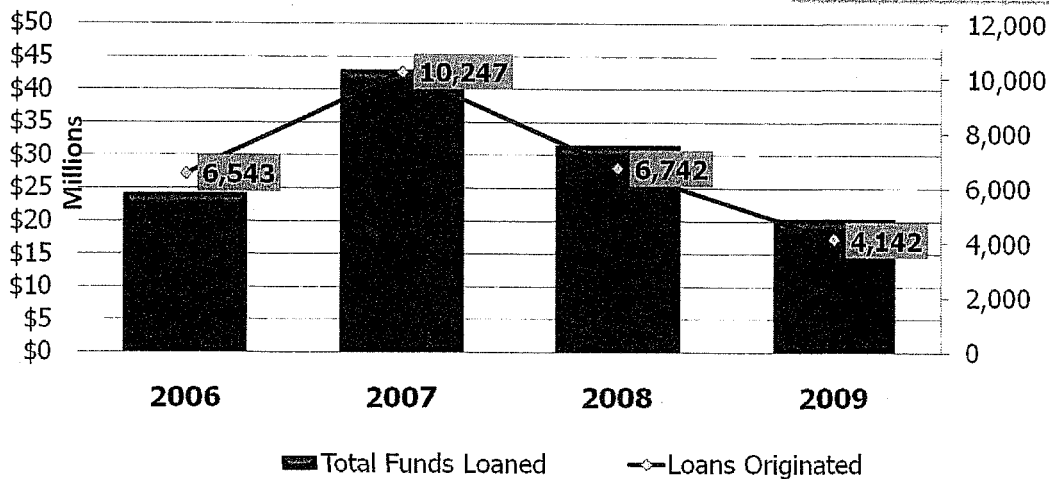
April 26, 2010

The Texas B-On-Time Loan Program provides students with an incentive to graduate on time

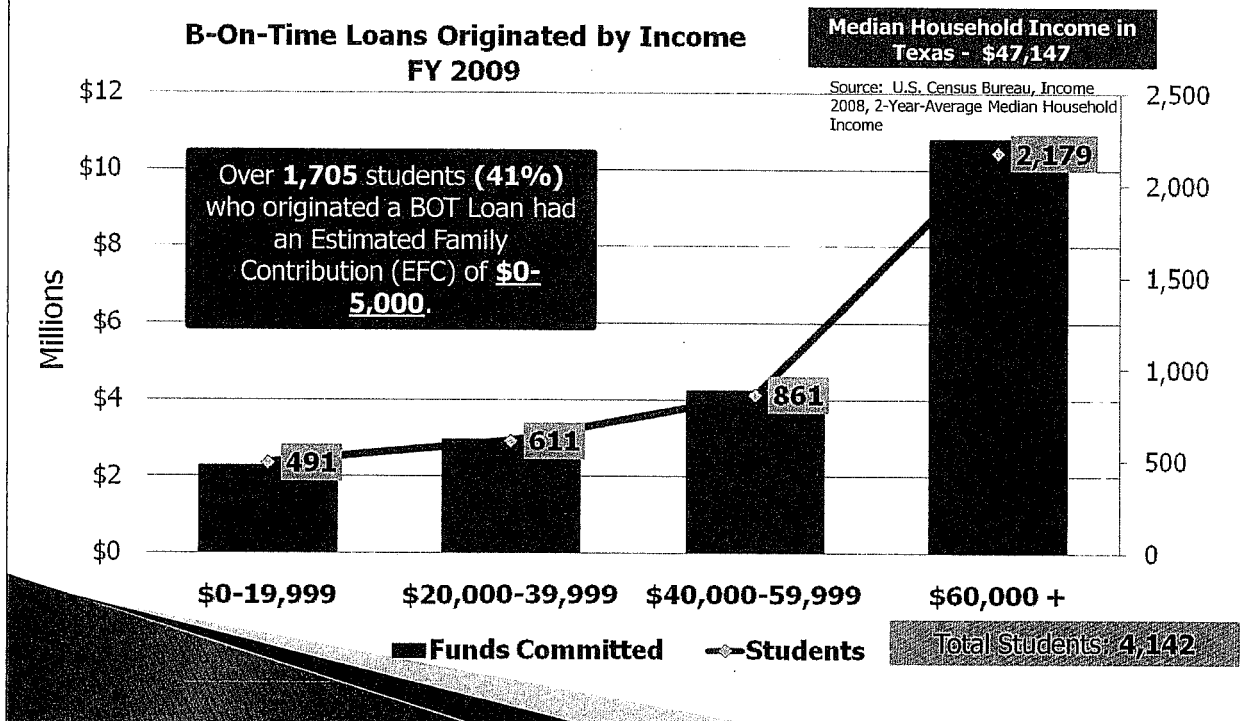


B-On-Time - Total Funds Loaned & Loans Originated
FY 2006-2009

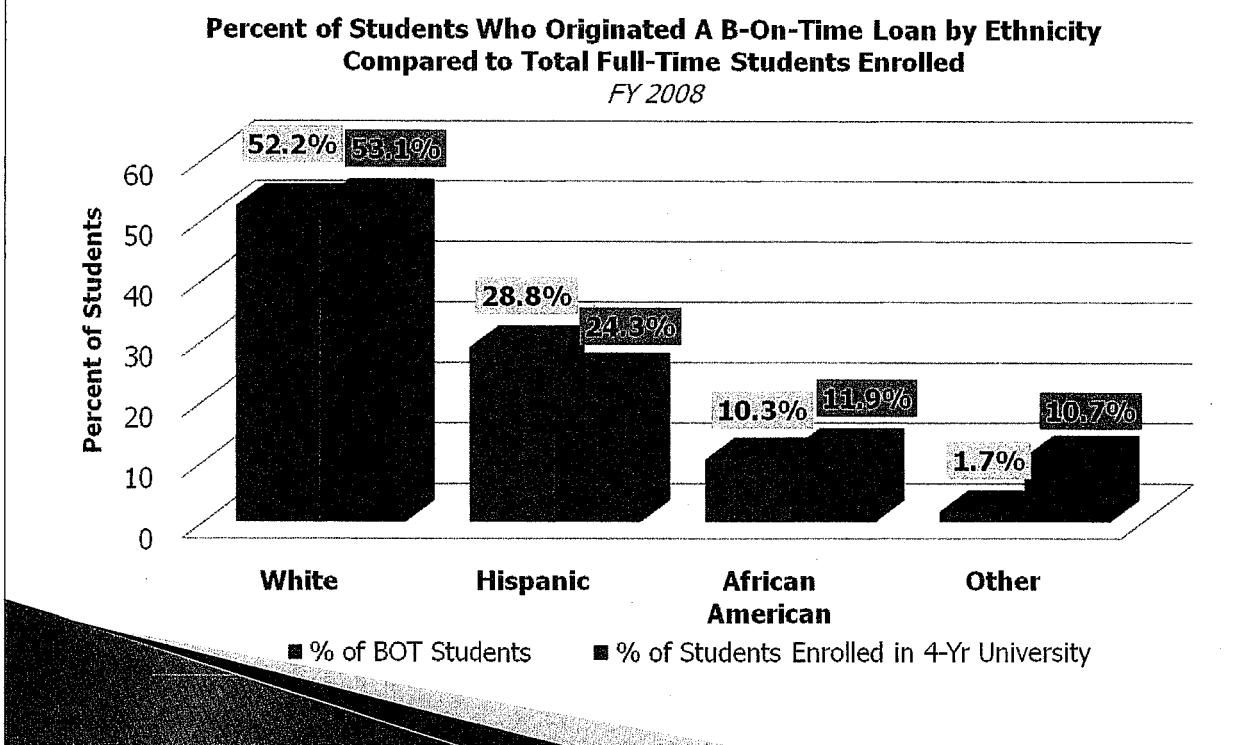
✓ **B-On-Time funding** increased by **\$63 million** for the 2010-11 biennium



Many B-On-Time recipients are in the higher income levels but many remain in the lowest EFC range



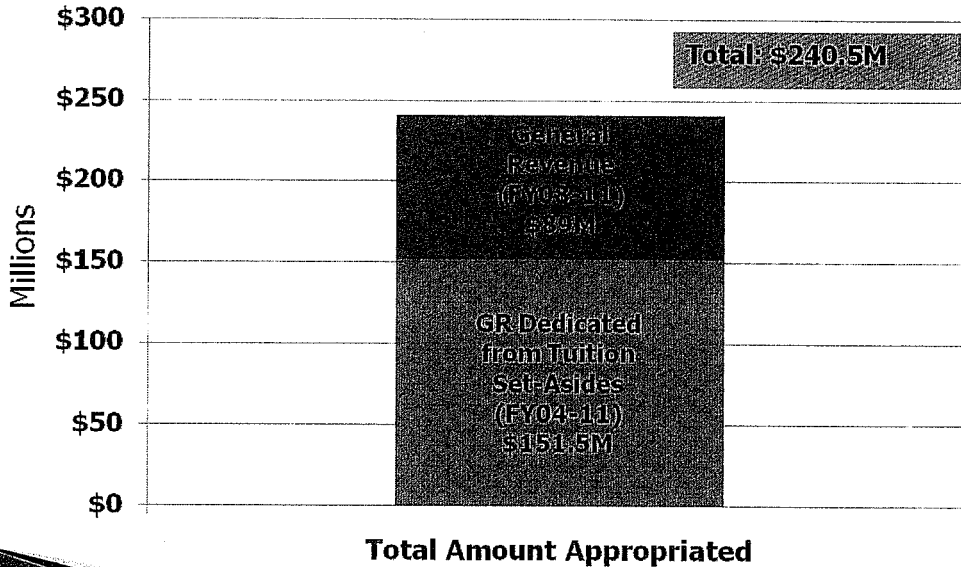
B-On-Time recipients reflect undergraduate enrollments



B-On-Time is funded through General Revenue and Designated Tuition Set-Asides



Amount Appropriated for B-On-Time Since the Inception of the Program (Includes current biennium)*



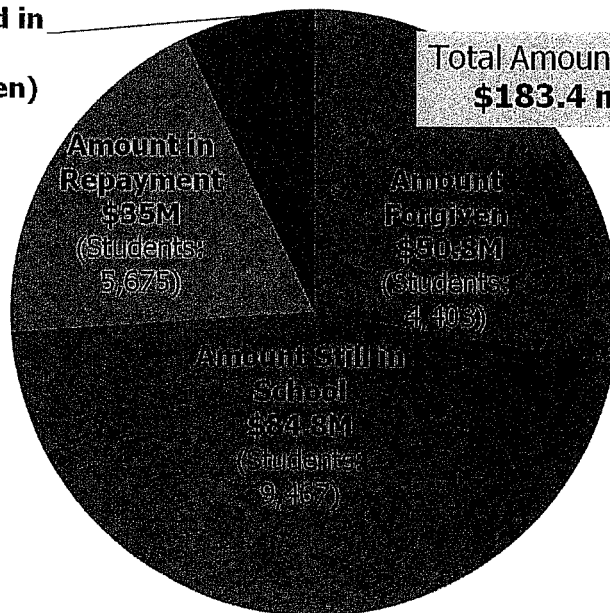
Total Amount Appropriated

*\$48.6 million of refunding savings from the Hinson Hazlewood bonds were used as start-up funds for the program between FY 04 and FY 08.

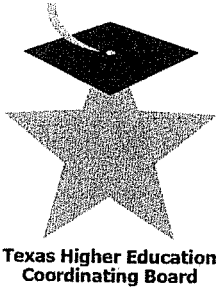
32.5% of students have had a B-On-Time Loan forgiven since the inception of the program



Amount Paid in Full (Not Forgiven)
\$12.9M
(Students: 3,453)



Total Students: 22,998



OVERVIEW

Texas College Student Loan Programs

The Texas Higher Education Coordinating Board administers the *Hinson-Hazlewood College Student Loan Program* (HH Loan Program) and the *B-On-Time Loan Program* (BOT).

The HH Loan Program was created in 1965 to provide low-interest loans to students who are Texas residents and/or are eligible to pay in-state tuition. Because the Coordinating Board does not sell its loans, all loans are serviced at the agency until they are paid in full. Three loan programs comprise the HH Loan Program:

- 1) College Access Loan (CAL) Program
- 2) Health Education Loan Program (HELP)
- 3) Federal Family Education Loan Program (FFELP – Subsidized and Unsubsidized Stafford loans)

The Texas Legislature enacted the BOT in 2003 to provide eligible undergraduate students an incentive to graduate college on time with at least a B average. BOT loans are forgiven if the student graduates on time and fulfills the grade required. The loan carries a zero percent interest rate if the student is not eligible for the forgiveness provision.

Hinson-Hazlewood College Student Loan Program

College Access Loan Program

Purpose

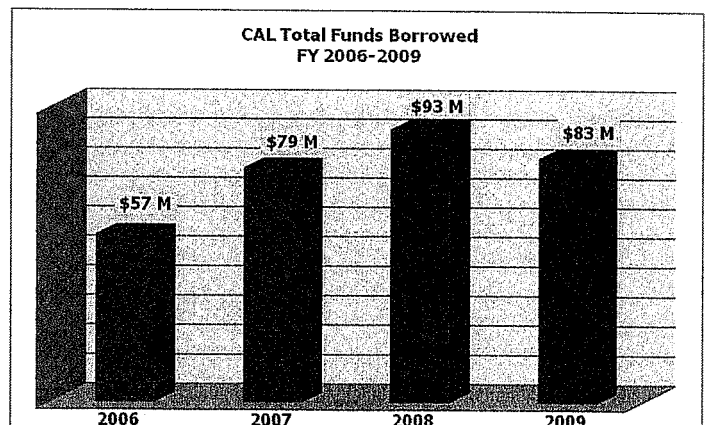
The CAL provides alternative education loans to Texas students who are unable to meet the cost of attendance.

Eligibility Requirements

Eligible students may borrow an amount up to the cost of attendance less other financial aid each year. Students must meet the following eligibility requirements to access a CAL:

- ✓ Be a Texas resident
- ✓ Be enrolled at least half-time in a course of study leading to an associate, bachelor, graduate or higher degree or be enrolled in an approved Alternative Educator Certification Program
- ✓ Meet the satisfactory academic progress requirements set by the institution

The CAL may be used to cover part or all of the student's Expected Family Contribution (EFC) and students do not



have to demonstrate financial need. There are no aggregate loan limits for the CAL.

Students attending universities are the largest borrowers. In 2009, 94.7% of the CAL funds borrowed were by students enrolled at universities. A three percent origination fee is deducted from the proceeds of each loan if both the borrower and cosigner have a good credit standing. A five percent origination fee is deducted if only one of the parties has a good credit standing.

Health Education Loan Program (HELP)

Purpose

The HELP was created to provide educational loans to Texas students enrolled in the following programs of study:

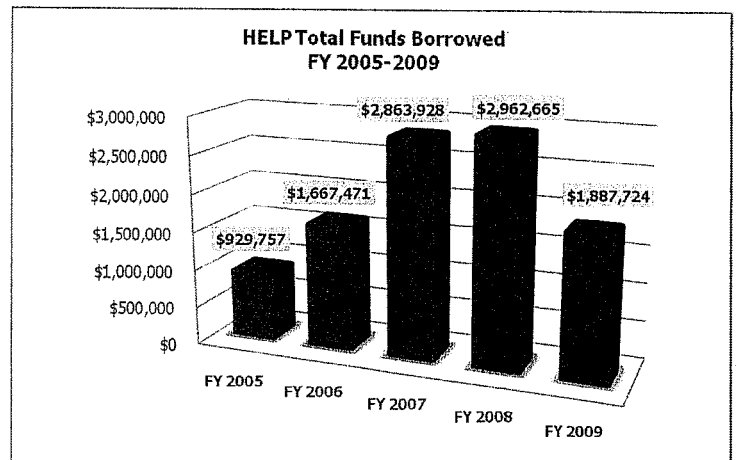
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|-----------------------|-----------------|
| ✓ Medicine | ✓ Pharmacy |
| ✓ Osteopathy | ✓ Public health |
| ✓ Dentistry | ✓ Nursing |
| ✓ Podiatry | ✓ Allied health |
| ✓ Veterinary medicine | |

Eligibility Requirements

A student must meet the following eligibility requirements to receive a HELP:

- ✓ Be a permanent U.S. resident
- ✓ Be eligible to pay resident tuition at a public or independent institution of higher education
- ✓ Be enrolled at least half-time in a course of study leading to a:
 - Doctor of medicine, osteopathy, dentistry, podiatry, or veterinary medicine degree;
 - Bachelor's or master of science degree in pharmacy;
 - Graduate degree in public health; or
 - Associate's, bachelor's, or graduate degree in nursing or allied health
- ✓ Meet the satisfactory academic progress requirements set by the institution
- ✓ Have good credit standing or provide a cosigner who has good credit standing and meets other criteria

HELP Annual Loan Limits		
Field	Annual Loan Limit Per Academic Year	Lifetime Total Limit
• Pharmacy • Public Health • Nursing • Allied Health	\$12,500	\$50,000
• Medicine • Dentistry • Osteopathy • Podiatry • Veterinary medicine	20,000	\$80,000



The interest rate for the HELP is a fixed annual 6%. Students enrolled at universities in 2009 accounted for 40.3% of borrowers, 5.5% were enrolled in community colleges, and 54.2% were enrolled in public health-related institutions.

Federal Family Education Loan Program (FFELP – Subsidized and Unsubsidized Stafford Loan Program)

Purpose

The purpose of the Federal Family Education Loan Program (FFELP) Subsidized and Unsubsidized Stafford Loan is to provide low interest educational loans that enable a student to pay the cost of attendance at a public or private, non-profit college or university.

Subsidized Loans: The federal government pays the interest on these loans while a student is in school, during a grace period, and during authorized periods of deferment.

Unsubsidized Loans: The borrower is responsible for interest that accrues while in school, during a grace period, or during authorized periods of deferment or forbearance.

Eligibility Requirements

A student must meet the following eligibility requirements to receive a FFELP Subsidized and Subsidized Stafford Loan:

- ✓ Must be a U.S. citizen or an eligible non-citizen
- ✓ Have completed a Free Application for Federal Student Aid (FAFSA) and be eligible to receive federal financial aid
- ✓ Be enrolled at least half-time
- ✓ Meet the satisfactory academic progress requirements of the institution attending

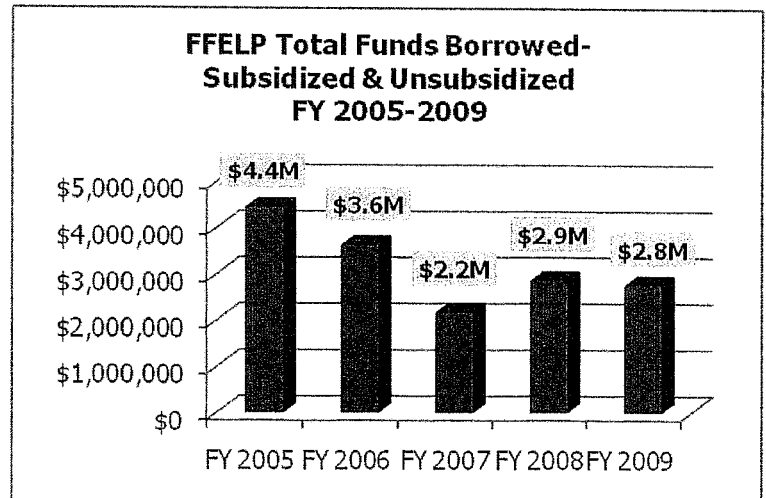
Borrowing Limits

FFELP Subsidized Loan Program

The aggregate limit for undergraduate students to borrow is \$23,000 and \$65,000 for graduate students. Loans that are first disbursed on or after July 1, 2009 will have a fixed annual (simple interest) rate of 5.6% for the life of the loan.

FFELP Unsubsidized Loan Program

The aggregate borrowing limit for undergraduate students, including subsidized amounts is \$46,000 and \$138,500 for graduate students. Loans that are first disbursed on or after July 1, 2009 will have a fixed annual (simple interest) rate of 6.80% for the life of the loan.



B-On-Time Loan Program

Purpose

The purpose of the BOT is to provide eligible Texas students no-interest loans to attend colleges and universities in Texas. If the student graduates with at least a B average in four-years (or other time-frame depending on degree program), the entire loan amount is forgiven upon graduation. The loan carries a 0% interest rate if the student not be eligible for the forgiveness provision.

Eligibility Requirements

The BOT provides an incentive for students to succeed and to graduate on time. Although the student is required to complete a FAFSA in order to be eligible to apply for the program, a large percentage of students receiving the loan have financial need. These are TEXAS Grant eligible students that did not receive a TEXAS Grant due to funding shortfalls in that program.

To be eligible for BOT, a student must meet the following requirements:

- ✓ Have completed a FAFSA and be eligible to receive federal financial aid
- ✓ Be enrolled full-time in an undergraduate degree or certificate program at a public or private institution
- ✓ Be a Texas resident or be entitled to pay resident tuition rates as a dependent child of a member of the U.S. armed forces
 - And
- ✓ Have graduated in the 2002-2003 academic year or later from a high school operated by the U.S. Department of Defense or under the Recommended High School Program from a public or accredited private high school in Texas
 - Or
- ✓ Have earned an associate's degree from an eligible institution no earlier than May 1, 2005

Renewal Eligibility

To maintain eligibility for future disbursements, the student must:

- ✓ **1st Academic Year** - Make satisfactory academic progress toward a degree or certificate as determined by the institution.
- ✓ **2nd and Subsequent Academic Years** - Complete at least 75% of the semester credit hours attempted (or 24 hours a year) in the most recent academic year and have a cumulative GPA of at least a 2.5 on a 4.0 scale (or the equivalent) on all course work previously attempted.

Forgiveness Requirements

A BOT shall be forgiven if the student receives an undergraduate degree or certificate from an eligible institution and the student either:

- ✓ Graduated with a cumulative GPA of at least a 3.0 on a 4.0 scale, within:
 - ❖ Four calendar years after enrollment,
 - ❖ Five calendar years after enrollment if degree is in architecture, engineering, or another program approved by the Coordinating Board, or
 - ❖ Two calendar years after enrollment in a public or private two-year institution, or

BOT Annual Loan Amounts for 2009-2010

Four-year institutions
(public and private):
\$6,080 per year

Two-year institutions:
\$1,780 per year

Public technical colleges:
\$2,680 per year

- ✓ Graduated with a cumulative GPA of at least 3.0 on a 4.0 scale, with a total number of credit hours (including transfer hours and excluding hours earned exclusively by examination) that is no more than 6 hours beyond what is required to complete the degree or certificate.

History

BOT was not immediately embraced by the financial aid community because of its unique features. With the expectation that the grant could turn into a loan, many institutions steered students away from the program despite the attractive terms. By FY 2008 much of the unknowns and confusion about the program had abated but uncertainty of future funding by the Legislature limited awards in FY 2008-2009 to renewal students. New initial awards have been made in FY 2010.

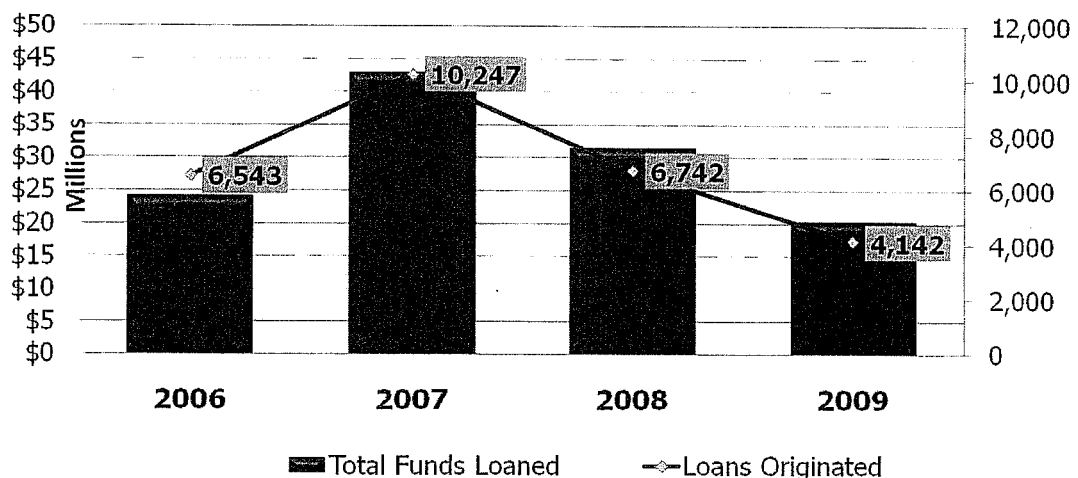
Due to the short tenure of the program and the long duration (four years) needed to measure success, the Coordinating Board has limited data to gauge the effectiveness of the forgiveness provision. The entering fall class of 2004 was the first class with enough new awards (4,201 initial awards) to monitor progression through a full four year period (they were to have graduated in 2008). Since February 2010, 2,229 (30%) have had their loans forgiven. Although there is no "need" component to the BOT program, a large percentage of students receiving the loan have been TEXAS Grant eligible students that did not receive a TEXAS Grant due to funding shortfalls in that program.

Funding Profile

In the current biennium, BOT is funded with \$52 million in general revenue and collected tuition set-asides. Collections for FY 2009 totaled \$35.2 million and is conservatively estimated to reach \$38 million in FY 2010 as designated tuition continues to rise. Since loans to students generally occur in August/September and January, the accumulated prior year set-aside funds are used for new fall loans to assure adequate funds are available for students (loans typically lag set-asides by a year). The table below provides the total funds loaned and the number of loans originated by fiscal year since 2006.

B-On-Time - Total Funds Loaned & Loans Originated

FY 2006-2009



For more information:

Office of External Relations
 Texas Higher Education Coordinating Board
er@thehb.state.tx.us
 512 427-6111

Hinson-Hazlewood College Student Loan Program Loan Comparison Chart Academic Year 2009-2010

	Federal Stafford Student Loan - Subsidized	Federal Stafford Student Loan - Unsubsidized	College Access Loan (CAL)	Texas B-On-Time (BOT)	Health Education Loan (HELP)
MAXIMUM ANNUAL LOAN LIMITS	Freshman \$ 3,500 Sophomore \$ 4,500 Junior/Senior \$ 5,500 Graduate \$ 8,500	Freshman \$9,500 Sophomore \$10,500 Junior/Senior \$12,500 Graduate \$20,500 Including SUB amount	Cost of attendance less other financial aid	4-year Public/Private Institutions: \$3,040 semester (\$6,080/yr) 2-year Public/Private Junior Colleges: \$890 semester (\$1,780/yr) Public Technical Colleges: \$1,340 semester (\$2,680/yr)	Pharmacy, Nursing, Allied & Public Health \$12,500 Medicine, Dentistry, Osteopathy, Podiatry, Veterinary \$20,000
INTEREST RATES	5.6% Fixed	6.80% Fixed	6.00% Fixed or *3.91%, not to exceed 4% above the rate at which the loan is issued	No Interest	6.00% Fixed
ELIGIBLE FIELDS OF STUDY	All	All	All	All	Pharmacy, Nursing, Allied Health, Public Health, Medicine, Dentistry, Osteopathy, Podiatry, Veterinary
ORIGINATION FEES	.05%	.05%	3% or 5%	3%	3% or 5%
AGGREGATE LOAN LIMITS	Undergraduate \$ 23,000 Graduate \$ 65,500	Undergraduate \$ 46,000 Graduate \$138,500 Including SUB amount	N/A	N/A	Pharmacy, Nursing, Allied & Public Health \$50,000 Medicine, Dentistry, Osteopathy, Podiatry, Veterinary \$80,000
GRACE PERIOD	6 Months	6 Months	6 Months	6 Months	9 Months
ENROLLMENT REQUIREMENTS	At least half time	At least half time	At least half time	Full time	At least half time
COSIGNER REQUIRED	N/A	N/A	Optional	N/A	Optional
FAVORABLE CREDIT EVALUATION	N/A	N/A	Borrower and/or Cosigner	N/A	Borrower and/or Cosigner
REPAYMENT TERMS	\$50 minimum monthly payment; 10-year repayment period	\$50 minimum monthly payment; 10-year repayment period	\$50 minimum monthly payment; up to 20-year repayment period based on outstanding loan balance	\$75 minimum monthly payment; 15-year repayment period	\$50 minimum monthly payment; 25-year repayment period

For more information contact the financial aid office at your institution or call (800)242-3062(outside Austin) or (512) 427-6340 (in Austin area). Visit our website at www.hhloans.com.
Hinson-Hazlewood College Student Loan Program, Texas Higher Education Coordinating Board, PO Box 12788, Austin, TX 78711-2788 or 1200 E. Anderson Ln, Austin, TX 78752