



TEXAS HIGHER EDUCATION COORDINATING BOARD

**FREQUENTLY ASKED QUESTIONS:
PROPOSITION 2**

What is Proposition 2?

Prop. 2 is a constitutional amendment allowing the Texas Higher Education Coordinating Board to issue bonds for providing **low-interest, low-fee student loans** that will enable more Texas students to attend college.

Will these bonds affect my property taxes?

No. The Prop. 2 bonds used to finance **low-interest student loans** will be **repaid by the students** who borrow the money. Prop 2. will have **no impact on property taxes, sales taxes or other taxes** collected by the state.

Why is a vote needed to approve financing for state education loans?

In 1965, the Coordinating Board was charged with administering the Hinson-Hazlewood Student Loan Program, which provides **low-interest student loans** for college. This made Texas one of the first states to enter the student loan business, even before the federal government became involved with many of the popular financial aid programs available today. Rather than fund the program with taxes, the Legislature authorized the Coordinating Board to use funds generated from general obligation bonds. The Texas Constitution requires that general obligation bonds be approved by voters. Since 1965, Texas voters have approved the use of bonds for **low-interest student loans** six times.

How do the loans offered by the Coordinating Board differ from those offered by private lenders?

Because the Coordinating Board is a **non-profit entity** and the loans are **backed by the financial strength of the Texas economy**, the Coordinating Board is able to offer **competitive and affordable loan terms**. Highlights of college loans funded with Prop. 2 bonds include :

- A **low, 6% fixed-rate of interest** over the life of the loan (As of Sept. 15, 2007);
- Six month grace period before repayment begins, with income-sensitive and graduated repayment schedules available;
- Interest is never capitalized;
- Loan service provided by the Coordinating Board which is under the **direct oversight of the Texas Legislature and the citizens of Texas**; and
- Loans are never sold to another lender.

Who is eligible for low-interest loans offered by the Coordinating Board?

Any Texas resident enrolled at least half-time in a program leading to an associate, bachelor, or graduate degree at a Texas university or college.

How much is the average loan amount?

In 2007, the average loan amount was \$9,300.

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Why student loans?

In 2006, **50% of students with financial need** and **80% of students in moderate to higher-income levels** relied on student loans to finance part of their education costs. With the escalating costs associated with paying for college and the increased competition for grants, scholarships and other financial aid, it is expected that college loans will become an even greater share of college financing.

How many students have been served by the low-interest student loans provided by the Coordinating Board?

Since the program started, over **\$1 billion in low-interest loans** have been provided to **290,000 Texans** to help pay for college.

Are the loans being paid back?

The Prop. 2 bonds support a **self-sustaining loan program** successfully managed by the Coordinating Board for over 40 years. The money repaid by students allows the Coordinating Board to repay bond obligations. Additionally, as a non-profit agency, the Coordinating Board is able to reinvest loan repayments to fund additional **low-interest loans** for students.

What is the current status of the loan program?

Voters last reauthorized bonding authority for this program in 1999. Based on the current student demand and the increasing cost of tuition, the Coordinating Board projects **all current bond funds will be exhausted by the spring of 2009.**

When is the election?

Early Voting: Monday, October 22nd until Friday, November 2nd.

Election Day: Tuesday, November 6th

What will I see on the ballot?

"The constitutional amendment providing for the issuance of \$500 million in general obligation bonds to finance educational loans to students and authorizing bond enhancement agreements with respect to general obligation bonds issued for that purpose."

What is the Coordinating Board?

For over 40 years, the Coordinating Board has worked with the Texas Legislature, Governor, higher education institutions and other entities to assure that the people of Texas have the widest access to higher education of the highest quality in the most efficient manner. Currently, we are charged with guiding and implementing the goals of the state's higher education plan, *Closing the Gaps by 2015*, which focuses on improving participation, success, excellence and research at the state's institutions of higher education.

More information:

<http://www.thecb.state.tx.us>

<http://collegefortexans.com>