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Voters to consider boosting college loan program

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By Ralph K.M. Haurwitz
AMERICAN-STATESMAN STAFF

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College costs are up. Money for scholarships and other grant aid which does not have to be repaid is down.

That, in short, explains why Proposition 3 is on the statewide ballot in November.

If approved, the proposition would give the state authority to issue \$1.9 billion in bonds for low-interest loans to students under a program that does not cost taxpayers any money.

It's one of 10 proposed constitutional amendments, on subjects ranging from gubernatorial pardons to El Paso County parks, that voters across the state will consider on Nov. 8. Early voting begins Oct. 24.

Proposition 3, which faces little organized opposition, concerns the state's College Access Loan program, currently a small slice of the student financial aid pie in Texas. The Texas Higher Education Coordinating Board disbursed 17,108 loans totaling \$90.7 million under the program last year. That's a tiny fraction of more than \$4 billion in federal, state and private loans students in Texas took out.

But because the College Access Loan carries a low interest rate and is open to students without regard for financial need, it is an increasingly attractive option, especially for students from middle-income families. For some students, it's an essential slice of the aid pie.

"If it weren't for this loan, I would not be able to finish out my college career," said Bradden Van Noy, a senior political science and pre-law major at Texas Wesleyan University in Fort Worth.

Van Noy said he got a \$10,000 College Access Loan for the current academic year to complete his financial aid package, which also includes grants and other loans. He hopes the ballot question passes so that more students coming after him can take out a College Access Loan.

Thomas Melecki, director of student financial services at the University of Texas, said the loan offers advantages over other so-called unsubsidized loans. An unsubsidized loan is one for which taxpayers do not pay down the interest that accrues while the student is in school and during the first six months after the student graduates.

Federal unsubsidized loans carry a 6.8 percent interest rate, but the rate for the College Access Loan is 5.25 percent. Private loans from banks tend to have variable rates that can rise significantly during the life of the loan, Melecki said.

Last year, 982 UT students borrowed \$7.8 million under the College Access Loan program, an average of about \$7,900 per student. At Texas State University, 412 students borrowed \$3.1 million, an average of about \$7,500.

The program is open to Texas residents enrolled at least half time at a public or private institution of higher learning in the state. It doesn't cost taxpayers anything, said Higher Education Commissioner Raymund Paredes, who emphasized that no property, sales or other taxes are used to administer the program or repay bond debt. Borrowers cover those costs with their loan repayments.

The loans are especially popular among students at the state's 40 private colleges and universities, where tuition charges generally run higher than at public schools, said Carol McDonald, president of the Independent Colleges and Universities of Texas, which supports Proposition 3. Private schools as a group are getting roughly the

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same amount of money — about \$69 million — for the loans this year as public schools, even though enrollment at the latter is more than 10 times greater.

"Our students have a much longer and deeper history of borrowing through this program," McDonald said.

The proposal to place Proposition 3 on the ballot won overwhelming approval from the state House and Senate earlier this year.

The coordinating board couldn't issue \$1.9 billion in debt at once. Rather, it would be limited to \$350 million in bond issues a year, up from the current limit of \$125 million.

Unlike past educational loan measures approved by voters, Proposition 3 would allow the coordinating board to issue new bonds as it pays off older ones, provided that the principal amount of outstanding bonds does not exceed \$1.9 billion. As a result, the agency could eventually issue far more than \$1.9 billion in bonds without going back to voters for permission.

That wrinkle has prompted opposition from the Texas Public Policy Foundation, an Austin-based think tank.

"What voters would be doing is giving up their right to vote on bonded indebtedness as long as it doesn't go over a certain amount," said Talmadge Heflin, director of the foundation's Center for Fiscal Policy. "We feel like voters should retain that right to approve bonds. There may be some years when the priority may be to issue debt in other areas."

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