

State of Student Aid and Higher Education in Texas

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December 2008

TO: Colleagues
FROM: Sue McMillin, President and CEO
RE: 2008 State of Student Aid and Higher Education in Texas

TG's vision is to be the premier source of information, financing, and assistance to help all families and students realize their education and career dreams. In support of this vision, I am pleased to provide you with TG's latest issue of *The State of Student Aid and Higher Education in Texas*. The publication offers Texas policymakers, their staff, and members of the student financial aid community an overview of key facts that describe student financial aid in Texas.

Our changing economy rewards workers who can think critically, who solve problems creatively, and who can master technical skills in multiple areas. Postsecondary education nurtures and hones these abilities, and success in college is the best predictor of later financial success and other quality-of-life benefits.

Texas will experience profound demographic changes in the coming years. The state's population growth is being fueled by a dramatic increase in young Hispanics, a group that historically has been underrepresented in higher education. The economic vitality of the state will largely depend on how thoroughly financial barriers to education are removed. As the largest provider of student aid in Texas, TG plays a significant role in helping students achieve their educational goals.

Both the Texas Legislature and the U.S. Congress understand the importance of providing access to college and have sought to ensure that qualified students can get a college education. *The State of Student Aid and Higher Education in Texas* serves as a resource for those in search of information concerning demographic changes, educational attainment, college costs, financial aid programs, and student debt.

Please direct your questions and comments about this report to George Torres, assistant vice president for congressional/legislative relations at (512) 219-4503 or george.torres@tgslc.org, or to Jeff Webster, assistant vice president for research and analytical services at (512) 219-4504 or jeff.webster@tgslc.org. TG would like you to consider us a primary resource for information about the types and levels of the major student financial aid programs that are currently available to Texas students and families, and how Texas compares to the nation as a whole.

Sincerely,

Sue McMillin
President and CEO
TG

TG was established by the 66th Texas Legislature in 1979 to administer the Federal Family Education Loan Program (FFELP) for the State of Texas on behalf of the U.S. Department of Education. The FFELP is a partnership among colleges and universities, private lending institutions, state entities, and nonprofit guarantors and servicers. The FFELP is the largest source of student financial aid funding in the country and in Texas, providing 35 percent of all student financial aid nationwide and 63 percent of all the state and federal financial aid awarded each year in Texas.

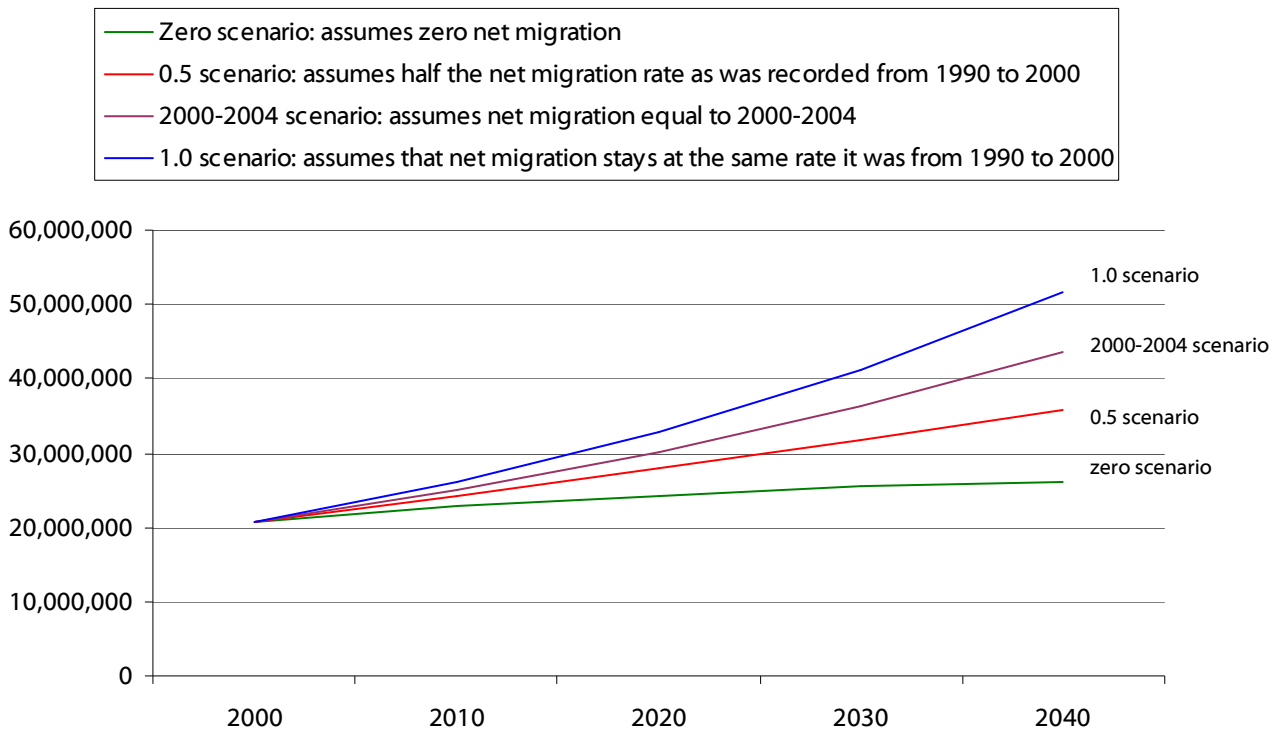
Glossary of Terms

Academic Year	Usually a 12-month period that, depending on the school, begins in August and ends the following July. However, for cost purposes, an Academic Year is considered to be a nine-month period that begins in September and ends the following May.
Award Year	A 12-month period beginning July 1 and ending June 30 of the following year.
Average	Often called the mean, the average is a common statistical method used to calculate central tendency. The average is found by adding all numbers together and dividing the total by the sum of the number of items included in the calculation.
Borrower	An individual to whom a federal loan is made.
Claim	A request that the lender (or lender's servicer) files with the guarantor for reimbursement of its losses on a Federal Stafford, SLS, PLUS, or consolidation loan due to the borrower's death, disability, default, or bankruptcy; school closure; or false certification of the borrower's eligibility.
Cohort Default Rate	The percentage of Stafford and SLS loan borrowers who default before the end of the fiscal year following the fiscal year in which they entered repayment on their loans. The Department of Education calculates this rate annually to determine the default experience of students who attended a particular school during a particular period of time. Unless otherwise specifically indicated, the cohort default rate includes the FFELP cohort default rate or the weighted average cohort rate.
Collections	Amounts collected by guaranty agencies or the federal government from borrowers after default claims are paid to lenders.
Collection Recovery Rate	The amount of loan collections for a fiscal year divided by the balance of accumulated defaults at the beginning of the fiscal year.
Cure	Reinstatement of a loan's guarantee upon completion of a prescribed series of loan collection activities; also the process by which the loan's guarantee is reinstated.
FFELP	Federal Family Education Loan Program authorized by Title IV, part B, of the Higher Education Act of 1965, as amended, including the Federal Stafford, Federal PLUS, Federal SLS, and Federal Consolidation Loan Programs. These loan programs are funded by lenders, guaranteed by guarantors, and reinsured by the federal government. These programs are defined individually in 34 CFR 668.
Fiscal Year	A 12-month period beginning October 1 and ending September 30 of the following year. Fiscal Year 2009, for example, begins Oct. 1 2008, and ends Sept. 30 2009. Fiscal Year-to-date (FYTD) is the FY time period, but is shorter than the entire twelve months.
Guarantee	A conditional legal obligation, as defined in an agreement by and between a guarantor and a lender, for the guarantor to reimburse the lender for some portion of a loan that is not repaid by the borrower due to default, death, disability, bankruptcy, borrower ineligibility, false certification of borrower eligibility, or school closure.
Indebtedness	How many TG student loan dollars a student owes upon leaving school.
Median	A statistical measurement used to calculate the middle most number within a range of numbers. Using the median is a preferred statistical method for central tendency when skewed, or distorted, distributions of numbers occur.
Weighted for Enrollment	An institution's costs are multiplied by its enrollment. The sum of costs for all schools is then divided by total enrollment, such that schools with higher enrollments are given greater weight.



Texas Demographics

Texas Population Projected to Grow Rapidly



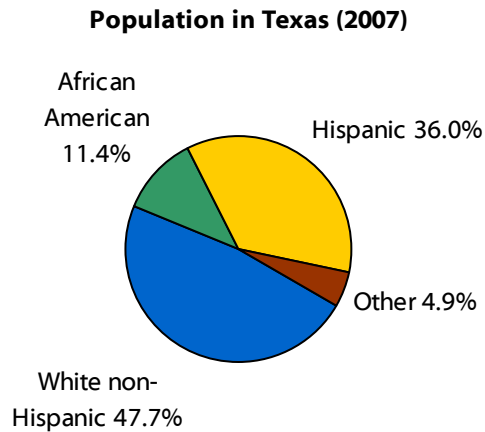
The Texas population is growing rapidly. In 2000, Texas had 20.9 million people. The Texas State Data Center, also known as the State Demographer, developed three forecasts for population growth for Texas to 2040. The forecasts share identical assumptions on death and fertility rates, but differ on rates of net migration into the state. The zero scenario, which is provided primarily for comparison purposes, assumes no net migration into the state and demonstrates the population change that would occur as a result of only births and deaths. The 0.5 scenario assumes half the net migration into the state as was recorded in the 1990s, and the 1.0 scenario assumes that net migration stays the same as the rate recorded in the 1990s. Because of a post-2000 slowdown in the rate of population growth compared to the 1990s, a fourth forecast was added. This forecast, which reflects the migration pattern of the 2000-2004 period, produces projected values that are generally lower than for the 1.0 scenario, but higher than for the 0.5 scenario.

For most areas of the state, the State Demographer suggests that the 2000-2004 scenario may be most appropriate for short-term planning purposes (i.e., 2-10 years), but that the 0.5 scenario is the most appropriate for long-term planning. This recommendation assumes that patterns from the recent past are most likely to characterize the immediate future, while growth rates under the 1.0 scenario and 2000-2004 scenario are sufficiently high that they are unlikely to continue over extended periods of time. The 2000-2004 scenario indicates that the population will grow by about 20 percent between 2000 and 2010, or to 25.1 million people. The 0.5 scenario indicates that the population will grow by about 72 percent between 2000 and 2040, or to 35.8 million people.

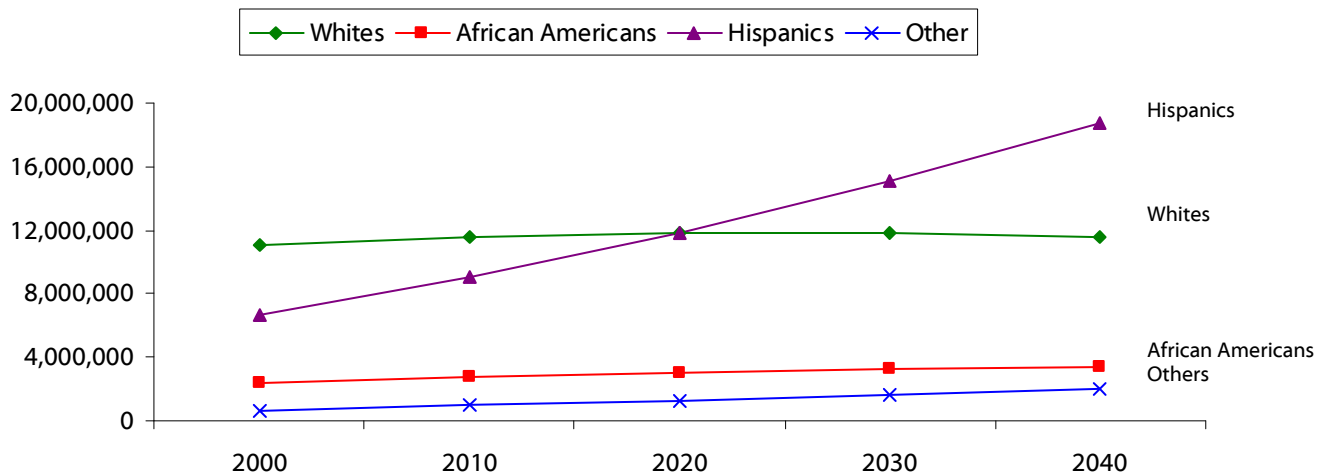
Source: Texas State Data Center and Office of the State Demographer, "New Texas State Data Center Population Projections from The University of Texas at San Antonio Point to a Texas Population that Is Growing Rapidly, Increasingly Diverse and Aging", Press release, June 2006, Introduction and Table 1 (<http://www.txsdcenter.utsa.edu/pepp/2006projections/presskit/>).



Whites No Longer a Majority in Texas



Texas Population Growth to 2040 by Race/Ethnicity (Projected*)



In 2003, White non-Hispanics comprised 49.5 percent of the Texas population. This marked the first time that Whites were not the majority of the Texas population. Now, in 2007, Whites make up 47.7 percent of the Texas population. As recently as 2000, they made up 53.1 percent of the state. Hispanics, the fastest growing ethnic group in the state as well as in the nation, comprise 36.0 percent of the population in Texas, and African Americans make up 11.4 percent. Most of the population growth in Texas in the next 40 years will continue to come from non-White ethnic groups. Under the 0.5 scenario, which assumes net migration into the state of half the 1990 to 2000 rate,* Whites are projected to fall to 32.2 percent of the population by 2040 and Hispanics are projected to increase to 52.6 percent, with the African American proportion of the population decreasing slightly to 9.5 percent.

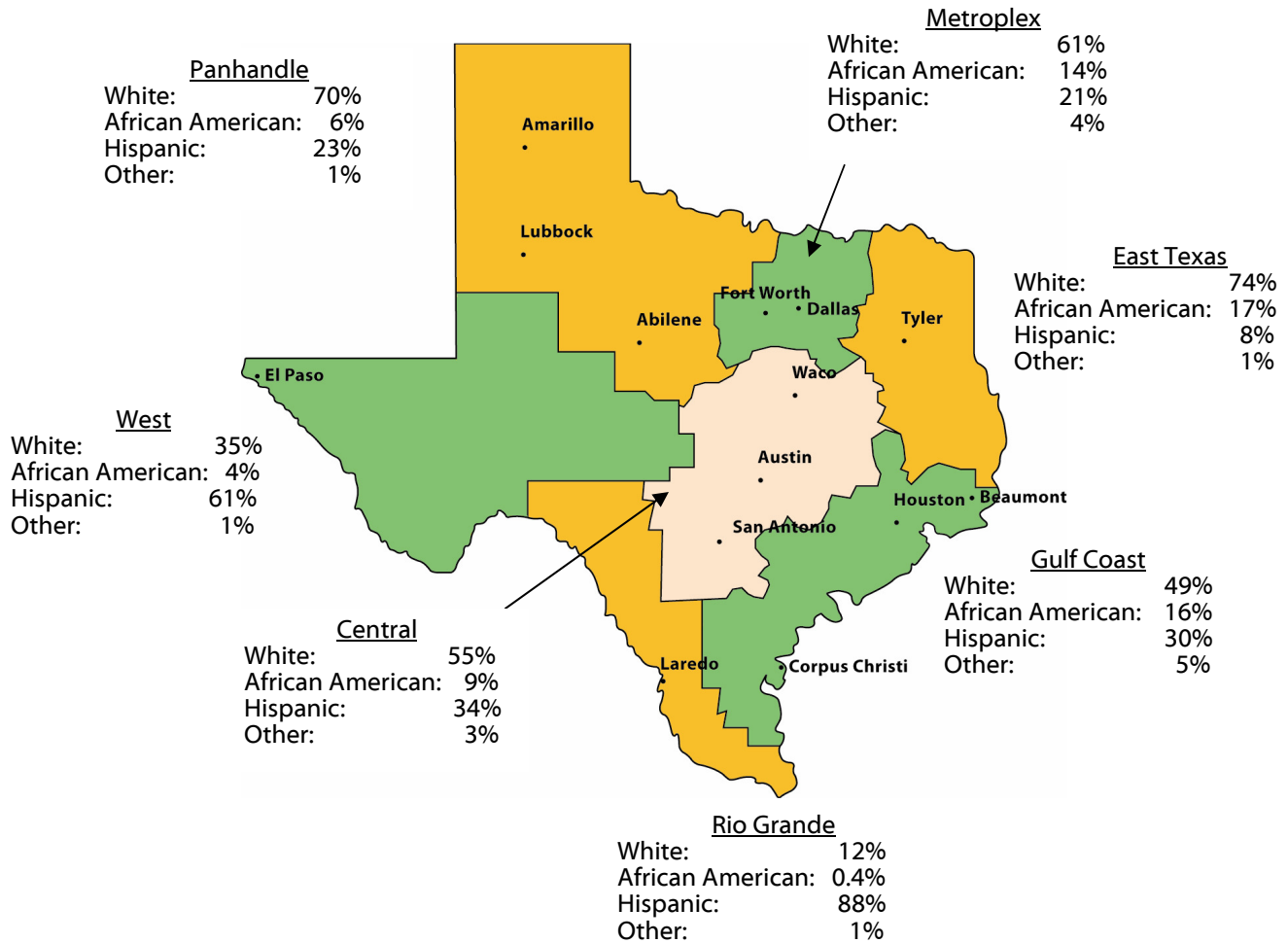
* The State Demographer suggests that the .5 scenario is the most appropriate for long-term planning.

Source: Percent of Texas population by race/ethnicity, 2007: U.S. Census Bureau, American Community Survey 2007 Data Profile, Texas: General Demographic Characteristics [; All other: Texas State Data Center and Office of the State Demographer, "New Texas State Data Center Population Projections from The University of Texas at San Antonio Point to a Texas Population that Is Growing Rapidly, Increasingly Diverse and Aging", June 2006, Tables 1 and 2 \(<http://www.txcdc.utsa.edu/pepp/2006projections/presskit/>\).](http://factfinder.census.gov/servlet/ADPTable?_bm=y&-geo_id=04000US48&-qr_name=ACS_2007_1YR_G00_DP5&-context=adp&-ds_name=&-tree_id=307&-lang=en&-redoLog=false&-format=)



Ethnic Composition of Texas Varies By Region

Ethnic Composition by Region (2000)



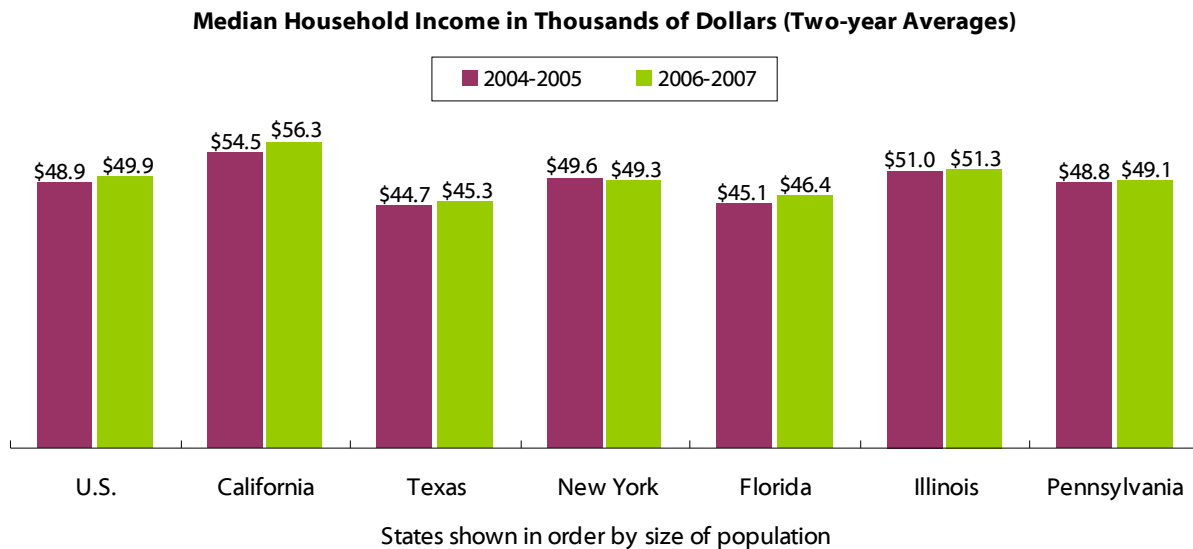
More than half of the Texas population lives in just 2 of the 7 regions – the Gulf Coast, which had 6 million people in 2000, and the Metroplex, which had 5.5 million. The least populous region is West Texas, with 1.2 million people.

The racial/ethnic composition of the population varies greatly by region. East Texas (74.1 percent) and the Panhandle (69.5 percent) have the highest concentration of Whites, while the Rio Grande (87.5 percent) and West Texas (60.5 percent) have the highest percent of Hispanics. African Americans are most concentrated in East Texas (16.5 percent), the Gulf Coast (16.0 percent) and the Metroplex (13.6 percent). Central Texas most closely resembles the overall state composition. Ethnicity by region is not available for 2001 and beyond.

Source: Texas State Data Center and Office of the State Demographer, Table 26: Population 1990 and 2000, Numerical and Percent Change in Population by Race/Ethnicity for the State of Texas and Council of Government Regions. (<http://www.txsdcenter.utsa.edu/>).



Median Income in Texas Increases Slightly



The median household income in the U.S. slightly increased from \$48,934* in 2004-2005 to \$49,901* in 2006-2007. Median household income has declined in Texas in recent years, but the gap between 2004-2005** and 2006-2007** brought a slight incline to the median income from \$44,717* to \$45,294.* In Texas, this represented an increase of \$577 in annual income. California had a decrease in median income, while the other five largest states and the nation overall experienced increases. Whites in the U.S. continue to out earn African Americans and Hispanics. African American household income in the U.S. is 62 percent that of White household income, and Hispanic household income is 74 percent. A similar earnings gap also exists in Texas, where in 1999 median household income was \$47,162 for Whites, \$29,305 for African Americans, and \$29,873 for Hispanics. Income by race and ethnicity is not available by state for 2000 and beyond.

* In 2007 dollars

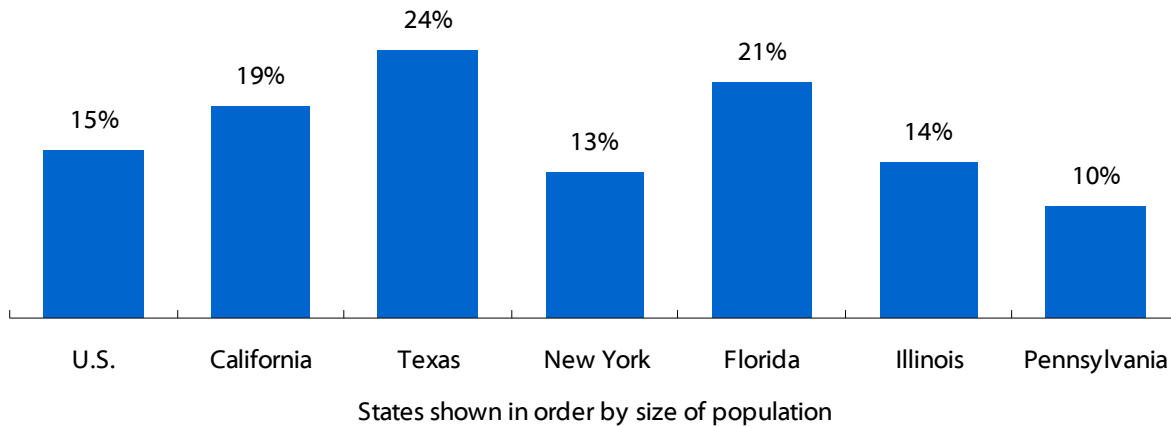
** Two-year average

Source: Income by ethnicity in Texas, 1999: *A Summary of the Texas Challenge in the Twenty-First Century: Implications of Population Change for the Future of Texas*, Murdock, White, Hoque *et al*, the Center for Demographic and Socioeconomic Research and Education, December 2002, p. 27-30 (<http://www.txsd.c.utsa.edu/download/pdf/TxChall2002Summary.pdf>); All other: U.S. Census Bureau, Two-Year Average Median Household Income by State: 2004-2007 (<http://www.census.gov/hhes/www/income/income07/statemhi2.xls>).

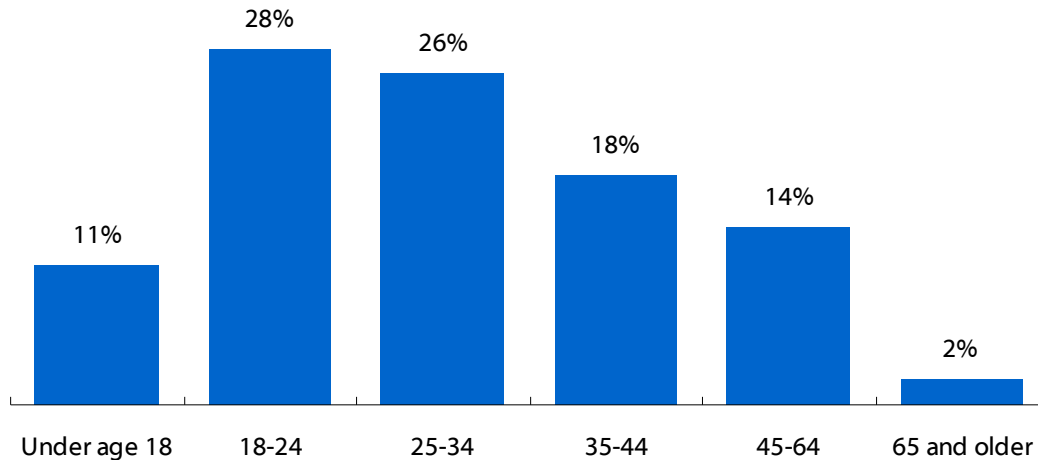


Nearly One in Four Texans Lacks Health Insurance

People Without Health Insurance, by State (Three-year Average, 2005-2007)



People Without Health Insurance, Nationally by Age (2007)



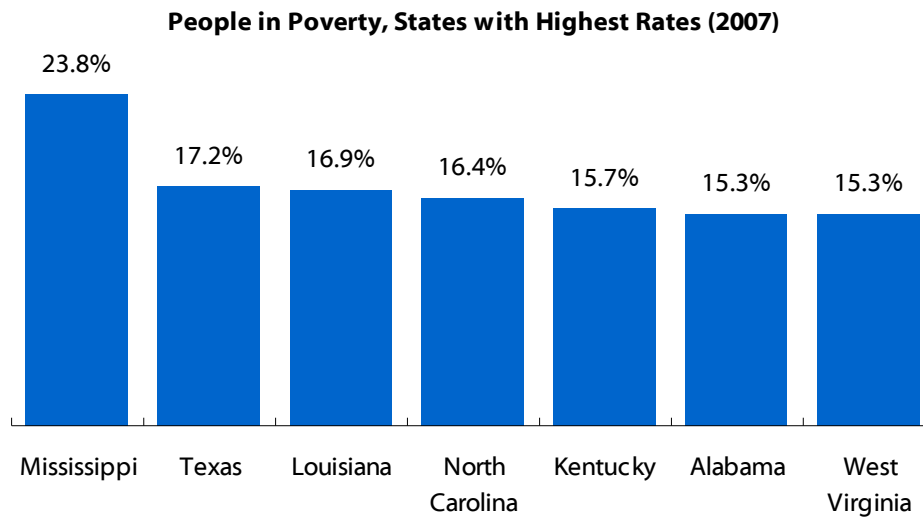
About 15.4 percent of Americans lacked health insurance in 2005-2007.* The percentage is much higher in Texas. Nearly one-fourth (24.4 percent) of Texans lacked insurance in 2005-2007,* the highest rate of any state in the nation. Only two other states — Florida and New Mexico — have 20 percent or more of the population without insurance. People are most likely to lack insurance between ages 18 and 24, the traditional years for attending college. Nearly one-third (28.1 percent) of 18- to 24-year-olds in the U.S. lack health insurance, but the rate decreased from 29.3 percent a year earlier. Insurance coverage by age is not available by state.

* Three-year average

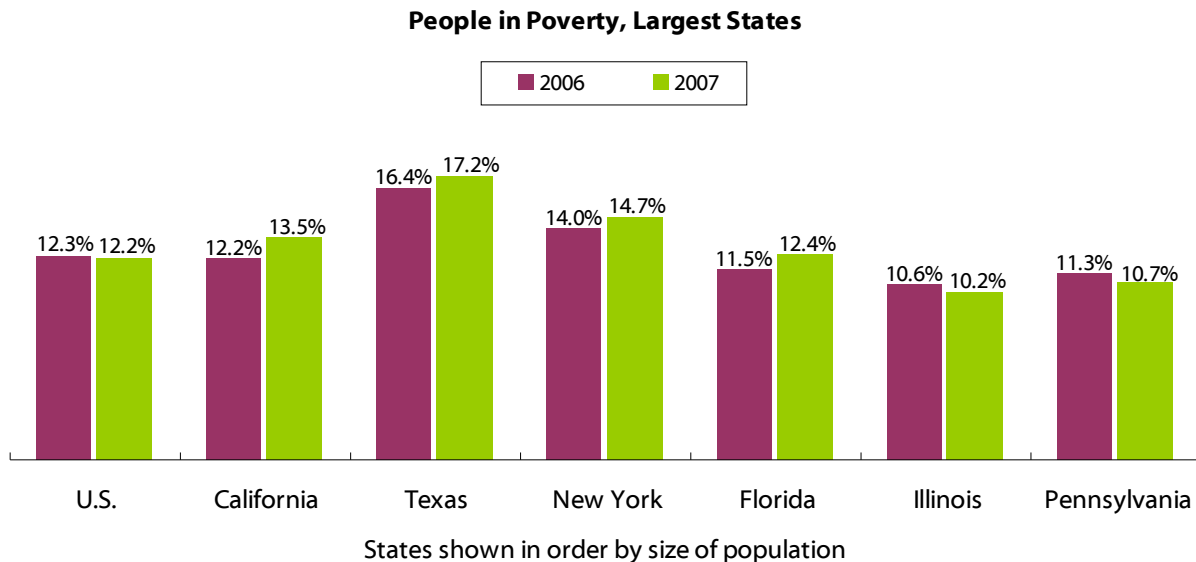
Source: U.S. Census Bureau, *Income, Poverty, and Health Insurance Coverage in the United States: 2007* (August 2008), Table 8, p. 25, and Table C-3, pp. 66-69 (<http://www.census.gov/prod/2008pubs/p60-235.pdf>).



Texas Poverty Rate Second Highest in Nation



The poverty rate in the United States fell for the second year in a row. An average of 12.2 percent of people in the U.S. lived in poverty in 2007, a decrease from 12.3 percent in 2006. Texas has the second highest poverty rate in the nation, behind Mississippi, and a poverty rate much higher than the national average. About 17.2 percent of Texans lived below the poverty level in 2007, an increase from 16.4 percent in 2006. In 2007, poverty was defined as having an income of \$21,027 or less for a family of four with two children, or \$10,787 or less for an individual under 65 years old.



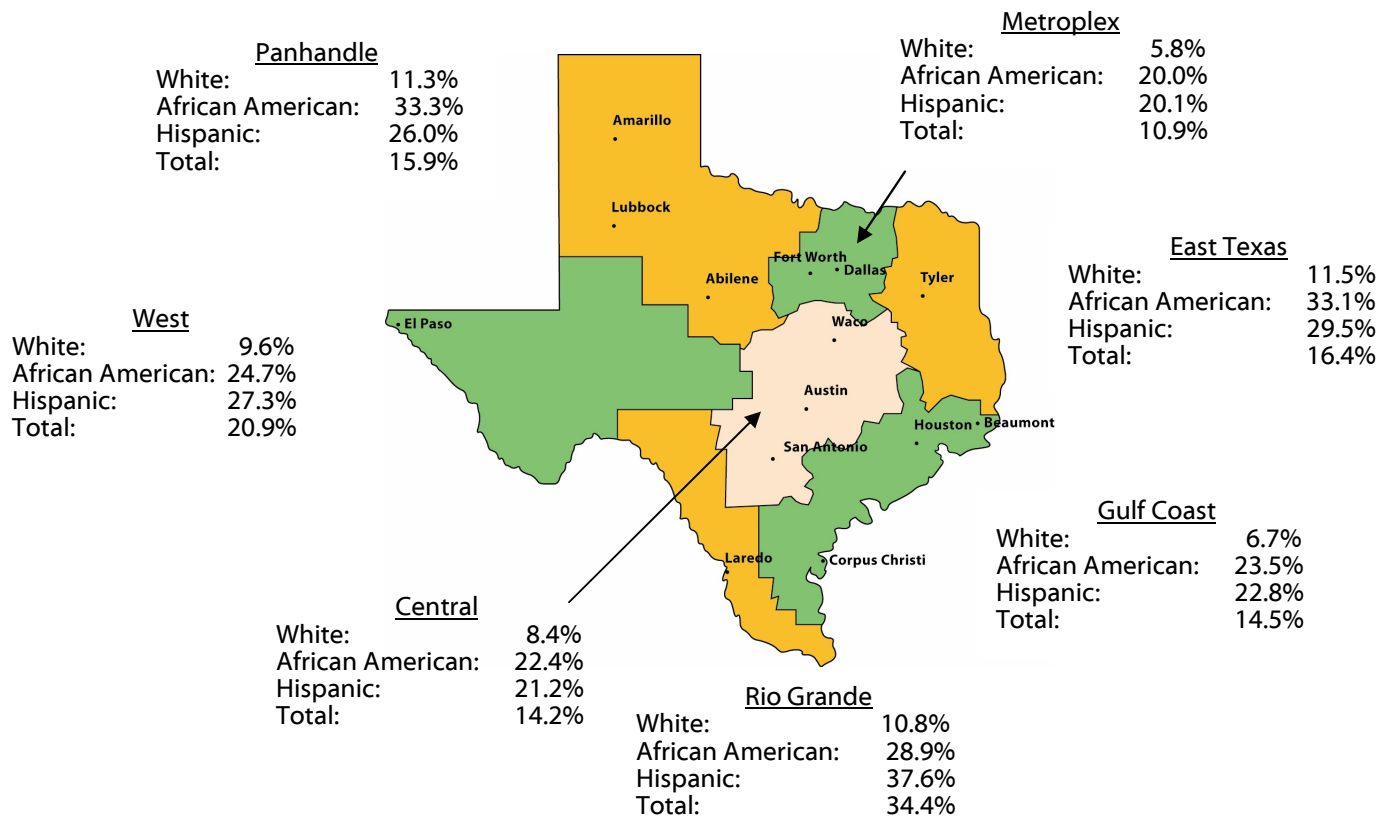
Texas continues to have the highest poverty rate among the six largest states. The Texas poverty rate is more than 2 percentage points higher than the next highest large state, New York. Two of the six largest states saw a decrease in the rate of poverty in 2007. Pennsylvania had the largest decrease in the rate of poverty, and Illinois had the next largest decrease in poverty rate.

Sources: 2007 Poverty Rates: U.S. Census Bureau, Current Population Survey March 2008 Supplement (http://pubdb3.census.gov/macro/032008/pov/new46_100125_09.htm); 2006 Poverty Rates: U.S. Census Bureau, Current Population Survey March 2007 Supplement (http://pubdb3.census.gov/macro/032007/pov/new46_100125_01.htm); Definition of Poverty: U.S. Census Bureau, *Income, Poverty, and Health Insurance Coverage in the United States: 2007* (Aug. 2008): p. 45 (<http://www.census.gov/prod/2008pubs/p60-235.pdf>).



Poverty Rates Vary Widely Within Texas

Poverty Rate by Region (1999)



Poverty rates for different ethnic groups in Texas are similar to national patterns, with Hispanics and African Americans substantially more likely to live in poverty than Whites. In 1999, about 7.7 percent of White non-Hispanics in Texas were living in poverty versus 23.4 percent of African Americans and 25.4 percent of Hispanics. Where one lives also affects the odds of being poor. In the Metroplex, about one-tenth of people live in poverty whereas in the Rio Grande Valley more than one-third live in poverty. Differences in poverty rates by ethnicity persist when broken out by region. Throughout the state, Hispanics and African Americans are substantially more likely — in some areas three or four times more likely — to live in poverty than Whites. For all three ethnic groups, poverty rates are lowest in the more urbanized regions (Metroplex, Central Texas, and Gulf Coast) and highest in the less urbanized regions (Rio Grande Valley, East Texas, and the Panhandle). The overall poverty rate in 1999 was 15 percent in Texas and 11.8 percent in the U.S.

Poverty rates have increased slightly this year in Texas, and decreased in the nation overall. In 2007, an average of 17.2 percent of people in Texas and 12.2 percent in the U.S. were living below the poverty level. Poverty rates by region and ethnicity are not available for 2000 and beyond. In 1999, poverty was defined as having an annual income of \$16,895 or less for a family of four with two children, or \$8,667 for an individual under 65 years old. For 2007, the poverty thresholds were \$21,027 and \$10,787, respectively.

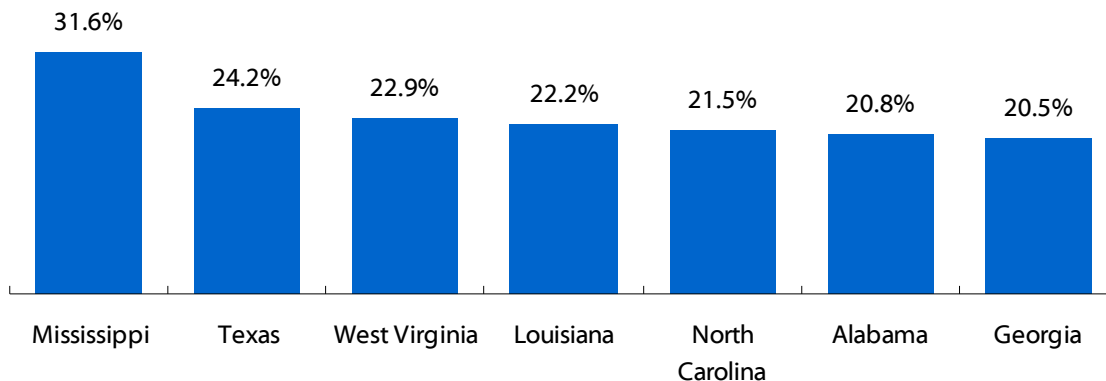
Sources: Poverty threshold: U.S. Census Bureau "Poverty Thresholds" (<http://www.census.gov/hhes/poverty/threshld.html>); Poverty by ethnicity 1999, U.S.: U.S. Census Bureau "Detailed Poverty Tables, 1999" (<http://ferret.bls.census.gov/macro/032000/pov/toc.htm>); Poverty by ethnicity and region 1999, Texas: U.S. Census Bureau as compiled by the Texas State Data Center, Texas A&M University, Tables 28, 28b, 28h, and 28i (<http://www.txscd.utsa.edu/>); 2007 Poverty Rates: U.S. Census Bureau, Current Population Survey March 2008 Supplement (http://pubdb3.census.gov/macro/032008/pov/new46_100125_09.htm).



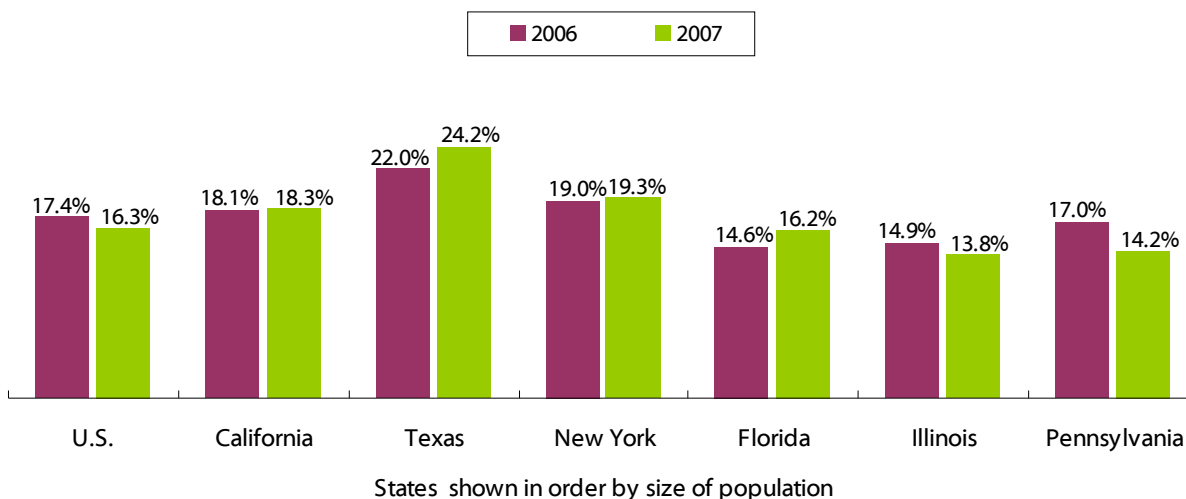
Nearly One-fourth of Texas Children Live in Poverty

Texas has the second highest rate of children living in poverty, and the highest rate among the six largest states. Almost one-fourth — 24.2 percent — of Texas children lived in poverty in 2007, higher than in 2006 and in 2005. The child poverty rate for the U.S. in 2007 was 16.3 percent, a decrease from 17.4 percent in 2006 and 17.6 percent in 2005. In seven of the 50 states, 20 percent or more children live in poverty. Children who grow up in poverty and go on to college will most likely arrive with little financial assistance from their families and a high need for financial aid. In 2007, poverty was defined as having an annual income of \$21,027 or less for a family of four with two children, or \$10,787 or less for an individual under 65 years old.

People Under 18 in Poverty: States with Highest Rates (2007)



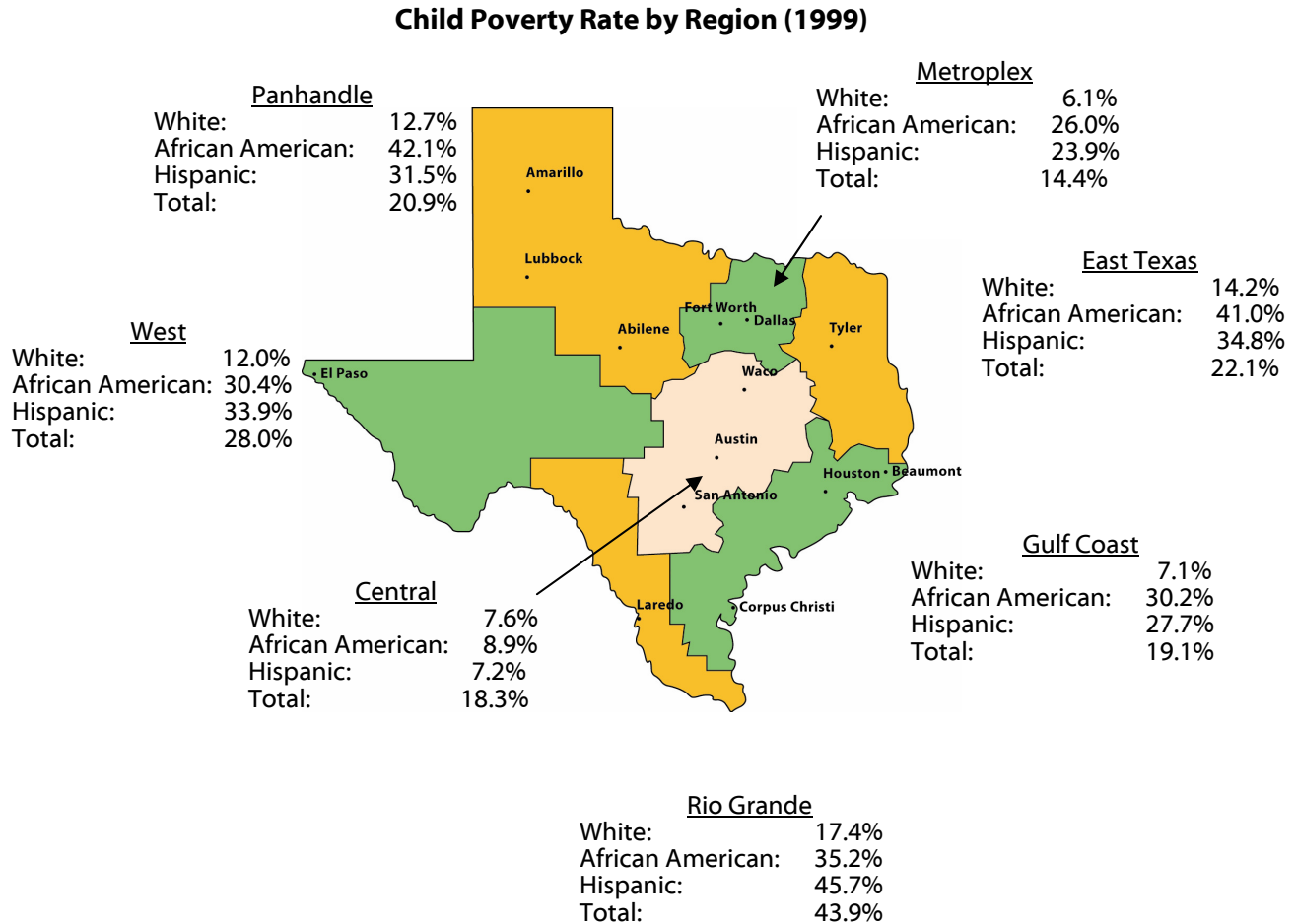
People Under 18 in Poverty: Largest States (2006 and 2007)



Sources: Child poverty rates: U.S. Census Bureau, Annual Demographic Survey, Poverty Status by State: 1999-2001 (Table 25); 2005 (POV46) (http://pubdb3.census.gov/macro/032006/pov/new46_001_100125.htm); 2006: (POV46) (http://pubdb3.census.gov/macro/032007/pov/new46_100125_03.htm); 2007: (POV46) (http://pubdb3.census.gov/macro/032008/pov/new46_100125_11.htm); Definition of poverty: U.S. Census Bureau *Income, Poverty, and Health Insurance Coverage in the United States: 2007* (August 2008) p. 45 (<http://www.census.gov/prod/2008pubs/p60-235.pdf>).



Poverty Rates High for Non-White Texas Children and Children in the Rio Grande Valley



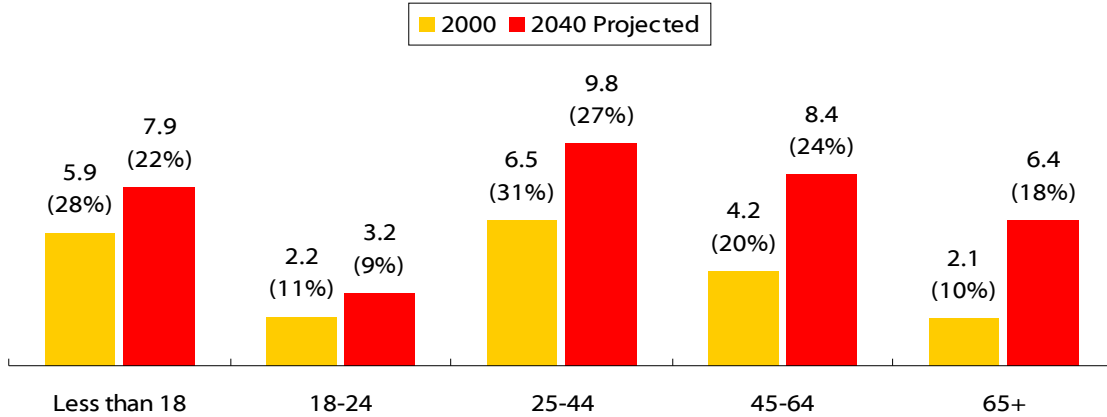
As with the poverty rate for individuals, the poverty rate for children in Texas varies widely by ethnicity and region. Nearly one-third of African American children and Hispanic children in Texas live in poverty, with poverty rates of 30 percent and 31.2 percent, respectively. The lowest child poverty rates are for Whites, at 8.3 percent statewide. Child poverty rates also vary by region, with the Metroplex (14.4 percent) having the lowest rates and the Rio Grande Valley (43.9 percent) having the highest rates. Whites in the Metroplex have the lowest poverty rate (6.1 percent), while the highest rate is for Hispanic children in the Rio Grande Valley (45.7 percent). African Americans in East Texas (41.0 percent) and the Panhandle (42.1 percent) have child poverty rates above 40 percent. Child poverty rates by region are not available for 2000 and beyond. In 1999, poverty was defined as having an annual income of \$16,895 or less for a family of four with two children, or \$8,667 for an individual. For 2007, the poverty thresholds were \$21,027 and \$10,787, respectively.

Sources: Definition of poverty: U.S. Census Bureau *Income, Poverty, and Health Insurance Coverage in the United States: 2007* (August 2008) p. 45 (<http://www.census.gov/prod/2008pubs/p60-235.pdf>); All other: Texas State Data Center and Office of the State Demographer, Tables 30b, 30h, 30i, and 31: Number and Percent of White, Black, and Hispanic Alone Children, Population Under 18 Years of Age, Below Poverty Level for State of Texas and Council of Government Regions in Texas, 1999. (<http://www.txscd.utsa.edu>).

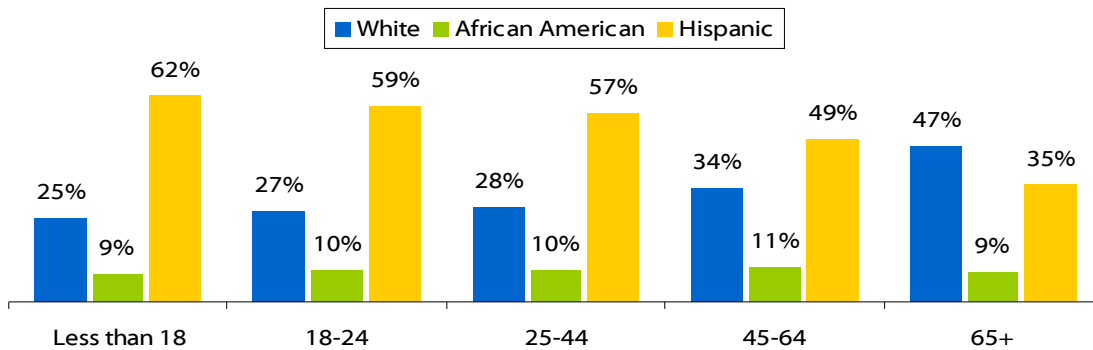


Texas' Future Dependent on the Education of its Non-White Population

Population by Age in Millions and Percent of Total in Each Year: 2000 and 2040 (Projected*)



Projected* 2040 Population by Age and Ethnicity in Texas



By 2040,* Texas will have about two million more children under age 18, and one million more adults age 18 to 24 — the traditional college age population — than in 2000. The population ages 25 to 64 will grow by about 7.5 million, while the ranks of those age 65 and older will swell by more than 4 million. Despite the increase in the number of children and young adults, people age 24 and younger will actually drop from 39 percent of the population to 31 percent, while people age 65 and older will increase from 10 percent to 18 percent. As Texas changes from a majority-Anglo to majority-Hispanic state, and experiences an increase in the percentage of the population which is elderly, a significant difference emerges with respect to population by age. In 2040,* 62 percent of children, 59 percent of 18- to 24-year-olds, and 57 percent of 25- to 44-year-olds, will be Hispanic. By contrast, 47 percent of those 65 and older will be White. The African American population will remain relatively stable, at 9 percent to 11 percent of each age group. Increasingly, the future of Texas, including its economic prosperity, as well as the expertise needed to run business, government, and infrastructure, will depend on the education of its non-White populations, which historically have had lower incomes, higher rates of poverty, and less likelihood of attending and completing college than Whites.

* Based on the 0.5 scenario, which assumes half the net migration into state as was recorded from 1990 to 2000. The State Demographer suggests that the 0.5 scenario is most appropriate for long-term planning.

Source: Texas State Data Center and Office of the State Demographer, "New Texas State Data Center Population Projections from The University of Texas at San Antonio Point to a Texas Population that Is Growing Rapidly, Increasingly Diverse and Aging", June 2006, Table 4 (<http://www.txsdcenter.edu/tpepp/2006projections/presskit/>).



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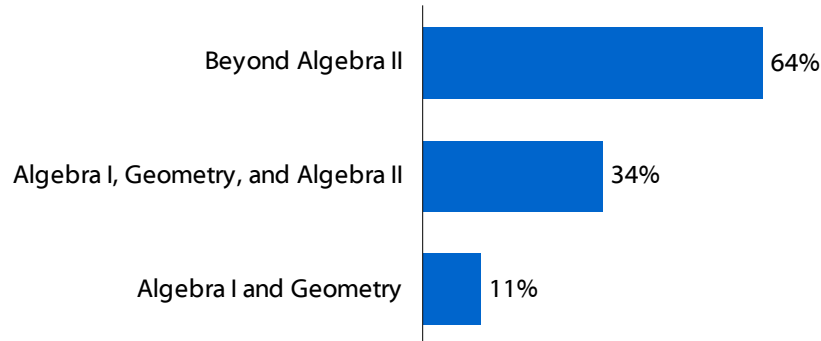
Section 2

Texas College Readiness



A High School Curriculum of Academic Intensity and Quality Boosts College Success for Disadvantaged Students

1992 U.S. High School Graduates Whose Parents Did Not Go to College and Who Enrolled in a Four-year Institution by 1994, by Math Courses Taken in High School (Includes Middle School)



Students whose parents have either low incomes or educational levels are significantly less likely to enroll in college than students from more advantaged backgrounds. But access to a high school curriculum of high academic intensity (as measured by the number of non-remedial courses completed in core subjects*) and quality (as measured by the number of Advanced Placement** courses completed and the highest level of math achieved) can play a key role in their success. The relationship between high school math and college enrollment is particularly striking: Just 27 percent of 1992 high school graduates in the U.S. whose parents did not go to college had enrolled in a four-year institution by 1994, but the rate jumped to 64 percent of students who took at least one math course beyond Algebra II.*** Taking higher-level math most likely reflects a lifetime of high expectations, previous success with math, and a willingness to take challenging courses — attributes which are key to college enrollment and which students may have acquired from parents, teachers, other role models, or on their own.

The quality of the high school curriculum also affects degree completion. A U.S. Department of Education study found that the intensity and quality of a student’s high school curriculum has a bigger impact on bachelor’s degree completion than either the student’s high school test scores or Grade Point Average (GPA). The study also found that the impact on degree completion is even greater for Hispanic and African American students — whose college graduation rates in Texas are 20 to 25 percent lower than Whites’ — than for White students. In fact, of all pre-college curricula, the highest level of math taken in high school has the strongest influence on degree completion. In Texas, 86 percent of public high schools offer at least one math course beyond Algebra II. Data on the number and types of courses offered, the qualifications of the teachers teaching them, and the percentage of students taking them are not available.

* English, math, science, and social studies.

** Advanced Placement (AP) classes are offered in many, but not all, U.S. high schools. Students who score at a certain level on the end-of-year AP exam may be eligible to receive college credit before entering college.

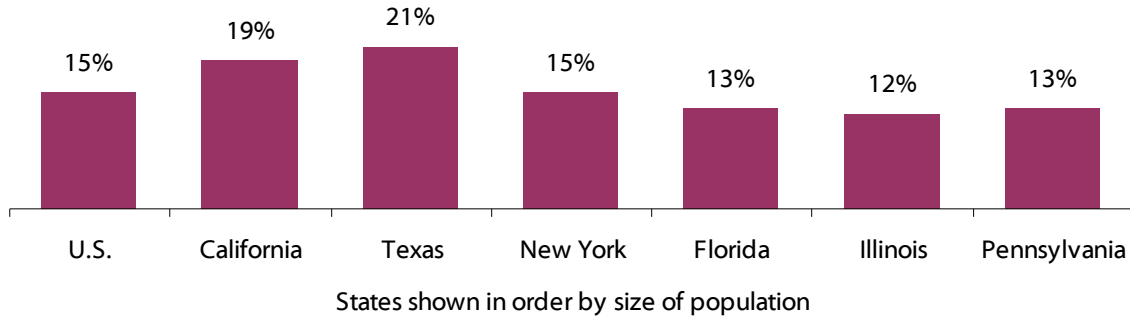
*** The customary middle and high school math sequence is Algebra I, Geometry, and Algebra II. Higher math courses include Pre-Calculus, Calculus, Trigonometry, and Statistics.

Sources: High school curriculum and college enrollment: U.S. Department of Education, National Center for Education Statistics (NCES) *Students Whose Parents Did Not Go to College: Postsecondary Access, Persistence, and Attainment*, by Susan Choy, 2001 (<http://nces.ed.gov/pubs2001/2001126.pdf>); High school curriculum and degree completion: U.S. Department of Education, Office of Educational Research and Improvement, *Answers in the Tool Box: Academic Intensity, Attendance Patterns, and Bachelor’s Degree Attainment*, by Clifford Adelman (1999) (http://www.eric.ed.gov/ERICDocs/data/ericdocs2/content_storage_01/0000000b/80/11/8a/ec.pdf); Texas graduation rates: Texas Higher Education Coordinating Board *Statistical Reports FY 1999 – 2004* (<http://www.theccb.state.tx.us/DataAndStatistics/>); Percent of Texas high schools offering math courses beyond Algebra II: Texas Education Agency, agency request, 2005.



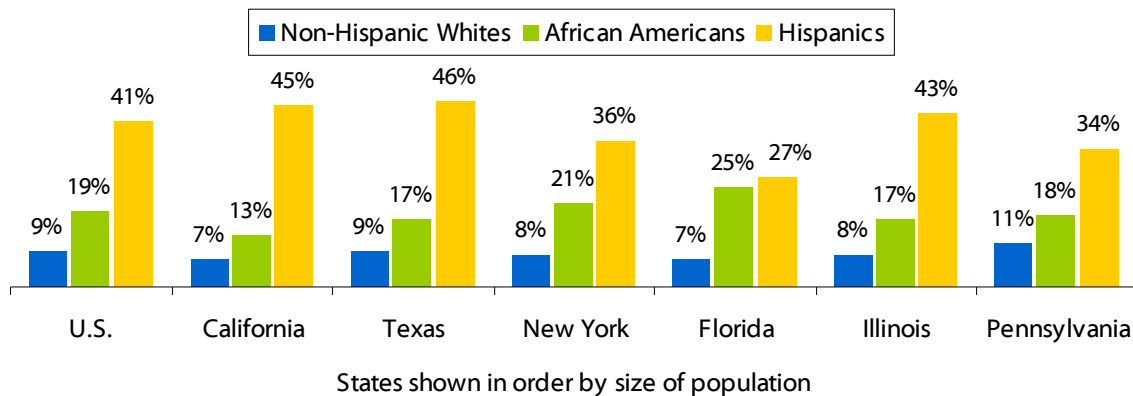
Texas Ranks Last in High School Completion

People Age 25 and Older Who Have Not Finished High School (2006)



In 2006, 21 percent of people age 25 and older in Texas had not finished high school, the highest percentage of any state in the nation. In the U.S., 15 percent of adults had not finished high school. Among the six largest states, New York experienced a 1 percent increase, Florida stayed constant, and the four other states experienced a 1 percent decrease compared to 2005. The disparity in completion rates cannot be explained by immigration: California and Florida have larger foreign-born populations than Texas (26 percent, 17 percent, and 14 percent, respectively), yet both states have a smaller proportion of adults who have not finished high school than Texas.

People Age 25 and Older Who Have Not Finished High School (2006)



In addition, there are wide disparities in the completion rates of different ethnic groups. Although these disparities exist in many areas of the country, they are particularly striking for Texas, which has become a “minority-majority” state. At the high school level, data show that:

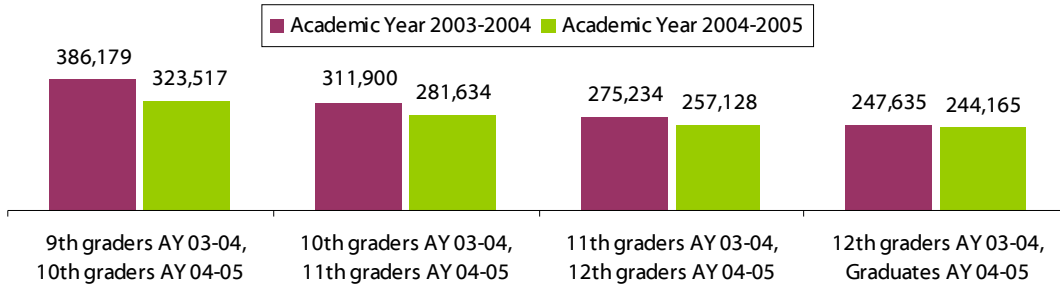
- Hispanics, who comprised more than a third of the Texas population in 2006 and who are projected to comprise more than half by 2040, are the least likely to obtain a high school diploma. Almost half of Hispanics age 25 and older have not finished high school.
- About 17 percent of African Americans in Texas have not completed high school. This is a higher percentage than for Whites, but lower than for Hispanics and represents an increase over 2005 when 16 percent of African Americans had not finished high school.
- Among the six largest states, Texas ranks third in the completion rate of Whites, ties for second for African Americans, and ranks last for Hispanics.

Sources: Population projection: *The Texas Challenge in the Twenty-First Century: Implications of Population Change for the Future of Texas*, Murdock, White, Hoque, et al, the Center for Demographic and Socioeconomic Research and Education, December 2006, Table 2.7, p. 38 (<http://www.txscd.utsa.edu/download/pdf/TxChall2006.pdf>); High school completion: U.S. Census Bureau, “Educational Attainment in the United States: 2006”, Tables 10, 13, and 14 (<http://www.census.gov/population/www/socdemo/education/cps2006.html>); Foreign-born population: U.S. Census Bureau, *Census 2000*, Selected Social Characteristics, DP-2 (<http://www.census.gov/main/www/cen2000.html>).



Texas High School Promotion Rates Are Low

Enrollment and Graduation at Texas Public High Schools

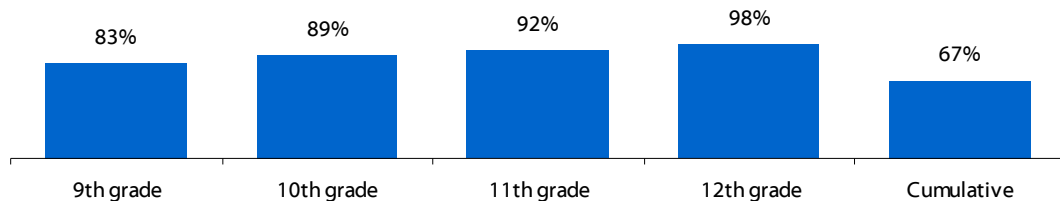


Texas has a higher proportion of people age 25 and older who have not finished high school than any other state in the nation — 21 percent, versus 15 percent in the U.S. A primary reason is the inability of Texas to move more children successfully through school, a problem which is evident in enrollment and graduation figures at Texas public high schools. Consider that, in Texas:

- there were 386,179 freshmen in 2003-2004, but only 323,517 sophomores a year later;
- there were 311,900 sophomores in 2003-2004, but only 281,634 juniors a year later.

The numbers continue to decrease, though less sharply, at each grade level throughout high school. The decrease cannot be attributed to migration out of state, as the state’s population is growing, and the extent to which students are dropping out versus being held back is uncertain. However, both should cause concern. Students who drop out have fewer chances for success than those who graduate, and students who are held back have a higher likelihood of dropping out. When each column on the right in the graph above is divided by the column to its left — that is, when enrollment by grade (or, for 12th grade, the number of regular graduates) is divided by enrollment at the appropriate level one year earlier — the following promotion rates* are revealed:

Promotion Rates by Grade at Texas Public High Schools, Freshman Class of AY 2003-2004



Thus, a 9th grader in Texas has an 83 percent chance of being promoted to 10th grade, and a 10th grader has an 89 percent chance of being promoted to 11th grade. With each grade, chances for success improve, such that if a student reaches 12th grade he or she is almost certain to graduate. But the lower promotion rates in the early years take their toll; overall, a freshman in Texas has only about a 67 percent* chance of graduating with a regular high school diploma in four years.

* The Cumulative Promotion Index (CPI) was developed by the Urban Institute using the U.S. Department of Education’s Common Core of Data. CPI is not an “education pipeline,” rather, CPI estimates the likelihood that a 9th grader in a particular district or school will complete high school with a regular diploma in four years by representing graduation as a process composed of four grade-level promotions: 9th to 10th grade, 10th to 11th grade, 11th to 12th grade, and 12th to diploma. The cumulative promotion rate is derived by multiplying the four grade-level promotion rates together. For the U.S., the cumulative promotion rate for 2002-2003 was 70 percent. Promotion rates for 2003-2004 were unavailable for the U.S. due to missing 2004-2005 diploma recipient data for two states.

Source: High school completion: U.S. Census Bureau, “Educational Attainment in the United States: 2006”, Tables 10, 13, and 14 (<http://www.census.gov/population/www/socdemo/education/cps2006.html>); Texas enrollment and graduation figures and CPI: U.S. Department of Education, Common Core of Data: Information on Public Schools and School Districts in the U.S. (<http://nces.ed.gov/ccd/>); CPI description: The Urban Institute, *Who Graduates? Who Doesn't? A Statistical Portrait of Public High School Graduation, Class of 2001* (http://www.urban.org/UploadedPDF/410934_WhoGraduates.pdf).



Percent of Texas High School Graduates Who Enroll In College Immediately After High School Increases

Percent of Texas High School Graduates Enrolling in College Immediately After Graduation*

	2001	2003	2005	2007
All	44%	48%	50%	51%
African American	37%	42%	44%	45%
Hispanic	35%	39%	41%	43%
White	50%	56%	57%	58%

Although the number of students enrolled in college in Texas has been increasing in recent years, the 2000 U.S. Census revealed that a smaller percentage of the Texas population participates in higher education than in other large states and the U.S. as a whole. About 8 percent of the Texas population age 18 and older was enrolled in higher education in 2000, versus 10.4 percent for California, 9.1 percent for New York, and 8.4 percent for the nation.

In 2000, Texas set the goal of “closing the gaps” in participation and success in higher education by 2015 by increasing the number of students enrolled and the number of degrees awarded. Recently, a 2006 goal revision called for the number of students enrolled to increase from the original goal of 500,000 by 2015 to 630,000 by 2015. Also, the goal for the overall number of degrees awarded by 2015 was adjusted from the original goal of 163,000 to 210,000.

Although increasing the percentage of high school graduates who go on to college is not an official “closing the gaps” goal, the Texas Higher Education Coordinating Board (THECB) reports that the percentage of students entering college in the summer or fall immediately after high school graduation* has gradually increased from 2001 to 2007. About 51 percent of all 2007 Texas high school graduates enrolled in a Texas public college or university by that fall. The percent of Whites who enrolled exceeded the percentage of non-Whites by 13 to 15 percent. However, for both African Americans and Hispanics, the percentage enrolling in college immediately after high school has increased since 2000.

* Includes only Texas high school graduates who enrolled in a Texas public college or university. Data on students who enrolled at private institutions or enrolled in out-of-state schools are not available.

Sources: “Closing the Gaps” goals: Texas Higher Education Coordinating Board (THECB) *Closing the Gaps*. October 2000 (<http://www.thecb.state.tx.us/AdvisoryCommittees/HEP/0096.htm>); “Closing the Gaps” revised goals: Closing the Gaps Revised Goals and Targets for 2006-2015 (<http://www.thecb.state.tx.us/reports/PDF/1176.PDF>); Percent enrolled in higher education: U.S. Census Bureau, *Census 2000*, General Demographic Characteristics – DP-1 (population age 18 and over) and General Social Characteristics (population enrolled in higher education) (<http://www.census.gov/main/www/cen2000.html>); Texas high school students enrolling in college immediately after graduation: Texas Higher Education Coordinating Board (THECB) High School to College Linkages, 2007, “High school students who graduated the year prior to entering higher education in the fall semester, fall 2000 to fall 2007” (<http://www.thecb.state.tx.us/Reports/XLS/1547.XLS>).



Many Students Entering Texas Colleges and Universities Need Remediation

Percentage of First-year Students Entering Texas Public Two-year Colleges and Four-year Universities Who Received Remediation in Their First Semester

	AY 2000-01	AY 2001-02	AY 2002-03	AY 2003-04	AY 2004-05
Four-year public universities	31%	30%	30%	N/A*	N/A*
Two-year public colleges	43%	47%	51%	55%	54%

Percentage of First-year Students Entering Texas Public Two-year Colleges in the Fall Who Were Retained the Following Spring

	AY 2000-01	AY 2001-02	AY 2002-03	AY 2003-04	AY 2004-05
Full-time students					
Receiving remediation	77%	77%	78%	78%	78%
Not receiving remediation	79%	78%	79%	79%	80%
Part-time students					
Receiving remediation	61%	62%	65%	64%	66%
Not receiving remediation	66%	68%	68%	68%	67%

Students entering public higher education in Texas for the first time who did not pass all three sections** of the College Readiness Texas Academic Skills Program (TASP) or an alternative test must take remedial classes. Students can be exempted from the TASP test if they a) scored high enough on the SAT, ACT, or another college entrance test, or b) graduated from a Texas high school under the Recommended curriculum*** with a Grade Point Average of 3.5 or higher on a 4.0 scale. In fall 2002, 30 percent of students entering public four-year universities for the first time needed remediation, down from 31 percent who entered in 2000. Of students entering public two-year colleges for the first time, 54 percent needed remediation in AY 2004-2005, up from 43 percent who entered in 2000. For the U.S. as a whole, 20 percent of freshmen entering four-year public universities in fall 2000 and 42 percent entering two-year public colleges, required remediation, compared to 21 percent and 40 percent, respectively, in fall 1995.

For Texas students receiving remediation, retention rates appear to be only slightly lower than retention rates for students not receiving remediation. The retention rates for both of these groups and for both full-time and part-time students appear to be quite stable, and slightly increasing over time.

* Data not available.

** Reading, math, and writing.

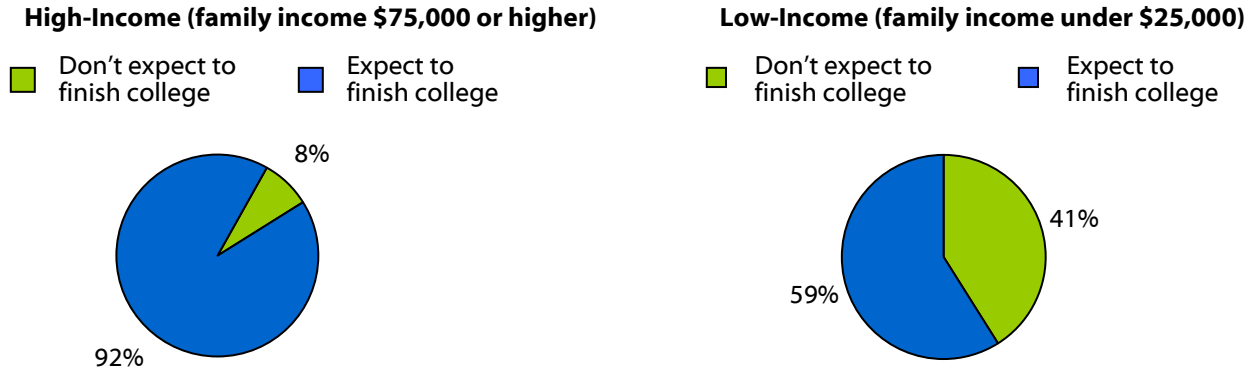
*** The Recommended curriculum requires 4 credits of English, 3 each of math and science, 3.5 of social studies, and 2 of foreign language. In 2004, 68 percent of Texas public high school graduates graduated with the Recommended curriculum, up from 15 percent in 1999. In 1999 the Legislature mandated this curriculum as the default for all high school students beginning with freshmen entering in 2004.

Source: Percent graduating with Recommended diploma: Texas Education Agency, Academic Excellence Indicator System (<http://www.tea.state.tx.us/perfreport/aeis/index.html>); Percent entering Texas public two-year colleges who needed remediation: Texas Higher Education Coordinating Board (THECB), *Institutional Effectiveness Measures and Standards 2006-2007, 2005-2006, 2004-2005, 2003-2004, and 2002-2003* (<http://www.thecb.state.tx.us/AAR/UndergraduateEd/IE/ctciems/>); Percent entering Texas public four-year universities who needed remediation: THECB, *Texas Public Universities' Data and Performance Report, Fall 2001 and Fall 2002* (<http://www.thecb.state.tx.us/UHRI/PerfRpt.htm>); Percent in the U.S. requiring remediation: U.S. Department of Education, National Center for Education Statistics, *Remedial Education at Degree—Granting Postsecondary Institutions in Fall 2000* (Nov. 2003) (<http://nces.ed.gov/pubs2004/2004010.pdf>).



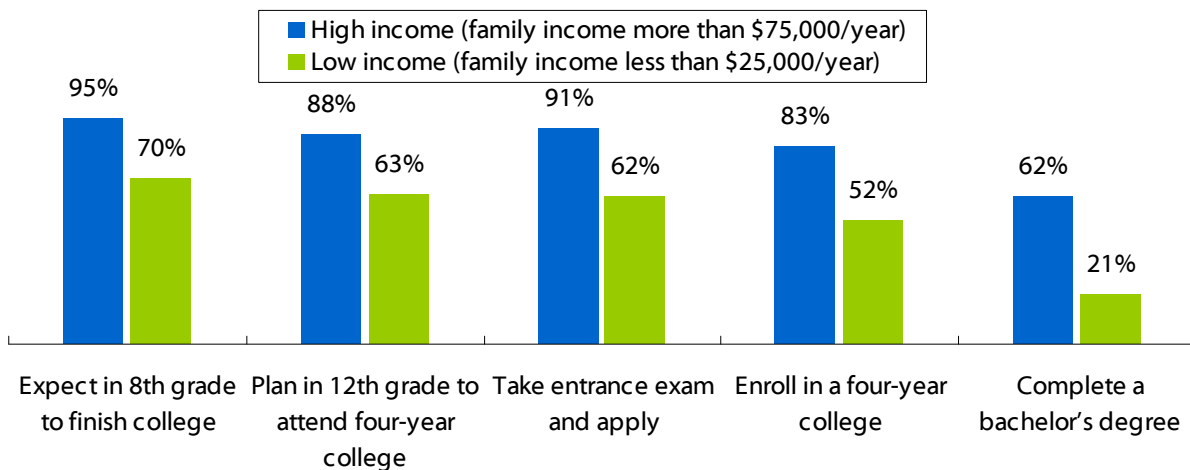
How a Dream Dies: Low Family Income Affects Student Expectations

Impact of Family Income on 8th Graders (All)



Gaining access to and persisting in college is a sequential process, the academic portion of which is often referred to as an “education pipeline” consisting of five stages: 1) having educational expectations in middle school or earlier, 2) preparing academically in high school, 3) taking college entrance exams and applying, 4) enrolling and making financial and other arrangements after being accepted, and 5) persisting to degree completion. At each step along the way, the gap between students from high-income and low-income families grows. A study in the late 1990s indicates that, even among high school graduates who take college-preparatory courses, earn good grades, and score well on aptitude tests, children from low-income families lag behind their high-income counterparts in enrolling for and completing a college degree. And the gap is not just one of attendance, but of expectations as well, a gap that widens at every stage of education, from eighth grade onward. The gap in expectations may affect not only higher education, but K-12 as well, as teens who have little hope of furthering their education beyond high school are unlikely to take more challenging courses while they are in high school.

Impact of Family Income on High School Graduates (College-Qualified Only*)



* High school graduates who took college-preparatory courses, earned good grades, and scored well on aptitude tests.

Source: The Advisory Committee on Student Financial Assistance. *Empty Promises: The Myth of College Access in America*. June 2002 (<http://www.ed.gov/about/bdscomm/list/acsfa/emptypromises.pdf>).



More Texas Students Graduate Prepared for College

Texas Graduation Rates by Race/Ethnicity and Curriculum Type for 2000 and 2007

	Percent Curriculum Type in 2000		Percent Curriculum Type in 2007	
	Minimum	College Prep	Minimum	College Prep
African American	74%	26%	32%	68%
Asian/Pacific Islander	44%	56%	11%	89%
Hispanic	65%	35%	24%	76%
Native American	63%	37%	26%	74%
White	57%	43%	24%	76%
State Overall	61%	39%	24%	76%

As the academic graduation requirements for Texas students have become more rigorous over the past decade, the graduation rates have also increased. Not only has the percentage of students graduating improved, but the number of students choosing to take College Preparatory curriculum has also increased considerably.

For example, in 1998, slightly more than 8 percent of students graduated under the Recommended College Prep curriculum. Just two years following, the percentage increased to four times the 1998 rate, and even more impressive, 76 percent of 2007 graduates did so under the College Prep curriculum.

The *Closing the Gaps Initiative* has encouraged the cooperation of the Texas Legislature and state agencies to continually promote and impose advanced curriculum standards. As a result, 9th grade students entering in 2007-2008 must graduate with a fourth year each of science and mathematics courses in addition to a research writing curriculum component.

Given this progress, more students than ever before will be departing Texas high schools prepared for higher education. Although the state as a whole has seen tremendous progress in college preparedness, the benefits have not necessarily been shared equally among varying geographic regions and ethnicities. For example, students in the Edinburg Region were 30 percent more likely to graduate with College Prep curriculum than their peers in the San Antonio Region.

African American students are least likely to graduate with a College Prep Diploma, although their rates have increased the most (42 percent). On the other hand, Asian/Pacific Islander students are much more likely to complete College Prep curriculum.

Sources: Curriculum requirements: Texas Education Agency, Briefing Book on House Bill 1, 79th Legislature, 3rd Called Session (June 2006) (<http://www.tea.state.tx.us/tex/LegBreBooJun06.pdf>); All else: THECB, "2007 High School Graduates Enrolled in Higher Education Fall 2007, by Diploma Type and Ethnicity" (unpublished tables); THECB, "2000 High School Graduates Enrolled in Higher Education Fall 2000, by Diploma Type and Ethnicity" (unpublished tables).



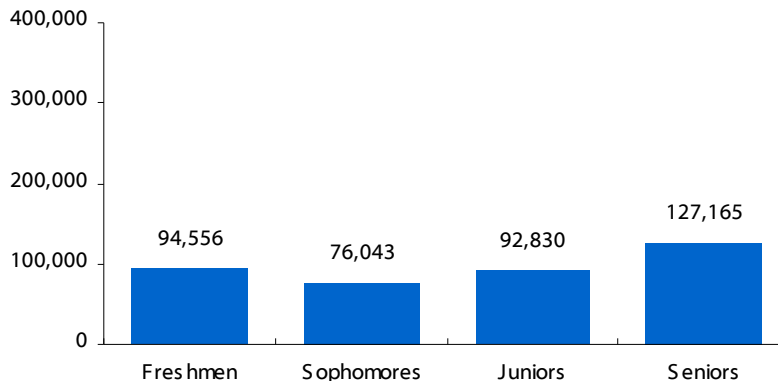
Section 3

Profile of Texas College Students

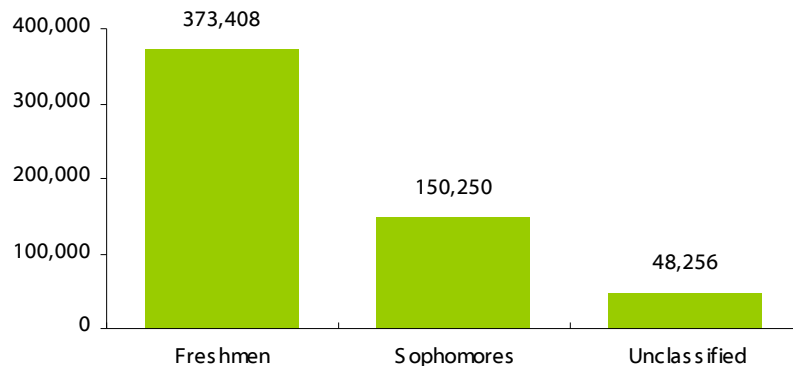


Most Undergraduates in Texas Attend Two-year Institutions

Undergraduates at Public Four-year Universities by Classification (Fall 2007)



Undergraduates at Public Two-year Colleges by Classification (Fall 2007)



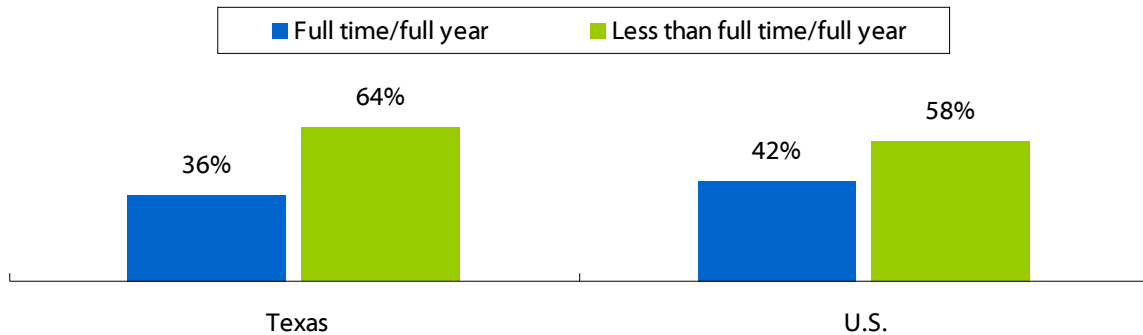
The number of undergraduates at public two-year institutions in Texas far exceeds the number at public four-year institutions, especially for freshmen. In fact, 80 percent of all freshmen attending Texas public institutions of higher education in fall 2007 were enrolled at two-year colleges (up from 76 percent in fall 2000), and only 20 percent were enrolled at four-year universities.

At public four-year universities, about 79 percent of students are undergraduates, but their distribution across grade levels is not consistent. Seniors made up the largest proportion of undergraduates in fall 2007 while sophomores represented the smallest proportion. The higher number of seniors indicates that some students may be classified as seniors for more than one year.

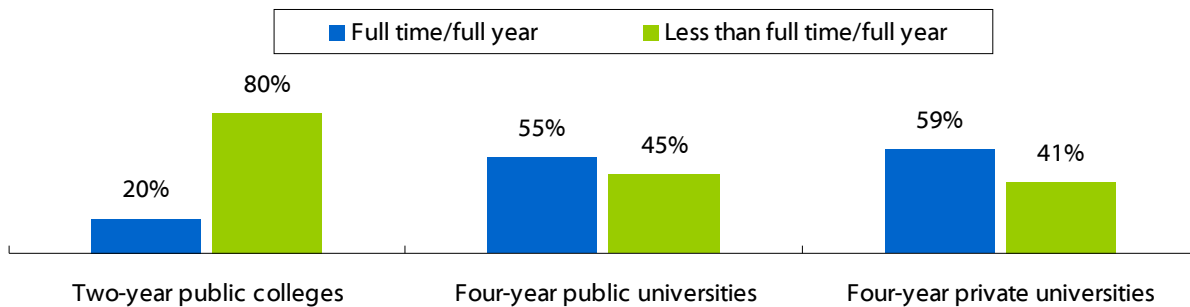
Private four-year universities enrolled a total of 116,638 students in the fall of 2007. Data on the percentage who were undergraduates and their distribution across grade levels are not available.

More Than Half of Undergraduates in Texas Attend School Part Time

Attendance Intensity of Undergraduates* in Texas and the U.S. (AY 2003-2004)



Attendance Intensity of Undergraduates in Texas by School Sector (AY 2003-2004)**



About 36 percent of undergraduates* attending institutions of higher education in Texas in Award Year (AY) 2003-2004 attended full time/full year, 9 percent attended full time/part year, and 55 percent attended part time. Full time/full year students are those who took a full course load, usually 12 or more credit hours in the fall and spring semesters, for at least nine months between July 1, 2003, and June 30, 2004. Full time/part year students also took a full course load, but for less than nine months, and part time students did not take a full course load. Full time/full year attendance is higher at four-year institutions than at two-year: over one-half of undergraduates at Texas four-year universities attended full time/full year whereas at two-year colleges fewer than one-fourth of students attended full time/full year. Reasons for less than full time attendance vary, but may be related to the student's need to work or to keep college costs down. Full time/full year attendance is a good deal lower in Texas than in the U.S. Students who attend part time are at a greater risk for dropping out of school.

* Data on students who attended for-profit institutions are not available.

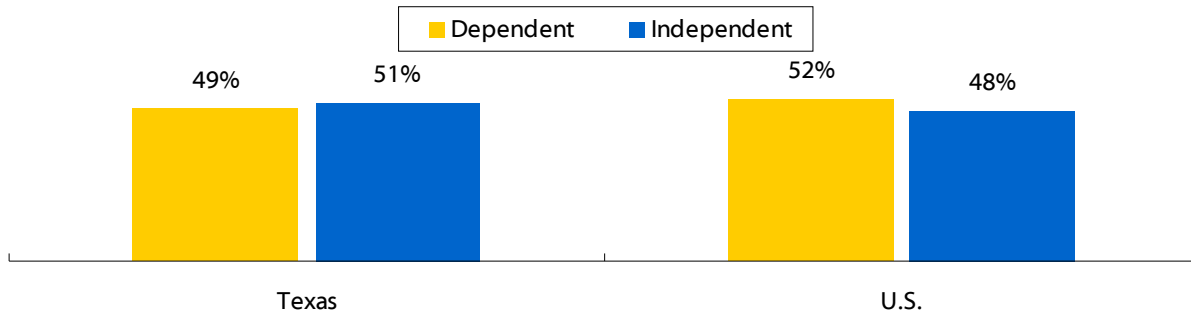
** Excludes students who attended more than one institution.

Source: U.S. Department of Education, National Center for Education Statistics, "National Postsecondary Student Aid Study (NPSAS) 2004", (<http://www.nces.ed.gov/das/>).

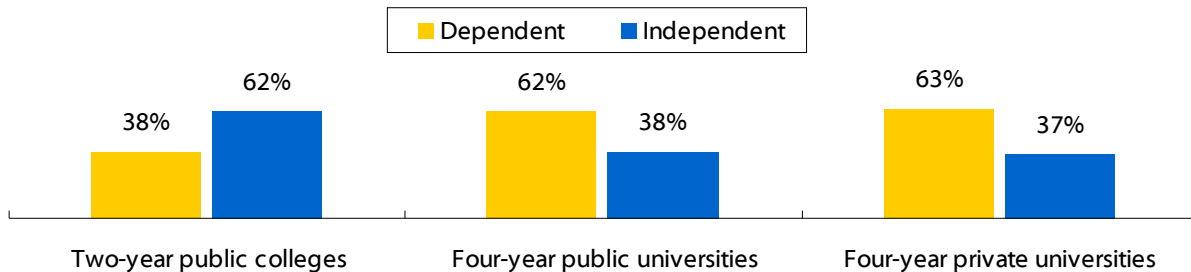


One-half of Undergraduates in Texas Are Independent of Their Parents, and One-fourth Are Parents Themselves

Dependency Status of Undergraduates* in Texas and the U.S. (AY 2003-2004)



Dependency Status of Undergraduates** in Texas by School Sector (AY 2003-2004)



Slightly more than one-half of undergraduates* attending institutions of higher education in Texas are independent of their parents and one-fourth (26 percent) are parents themselves, of whom over half (14 percent) are single parents. The U.S. Department of Education defines an independent undergraduate as someone who is age 24 or older, is married, has dependents to support, is a veteran, or an orphan or ward of the court. Students who do not meet these criteria, but who receive no financial support from their parents, may also be considered independent. A higher proportion of undergraduates in Texas are independent of their parents than in the U.S., and a slightly higher proportion are parents.

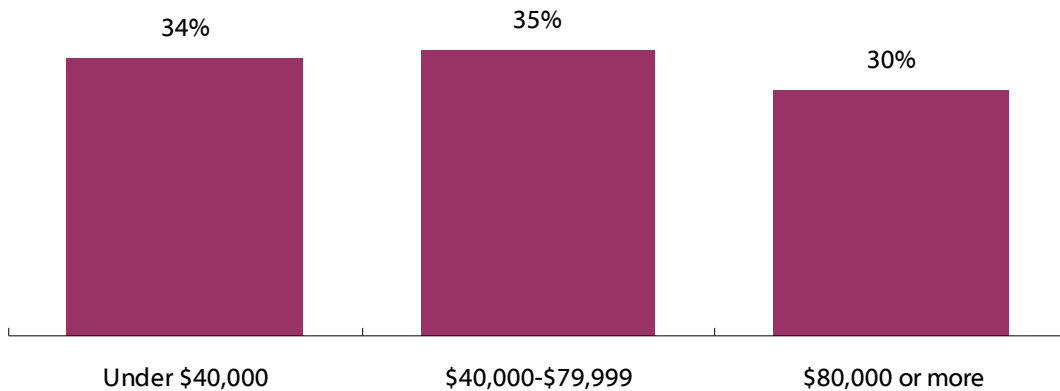
There is considerable variation in dependency status between universities and community colleges. At four-year public and private universities in Texas, a little under two-thirds of undergraduates are dependent and one-third are independent. At two-year public colleges, however, those proportions are reversed. Nearly two-thirds of undergraduates at community colleges are independent of their parents.

* Data on students who attended for-profit institutions are not available.

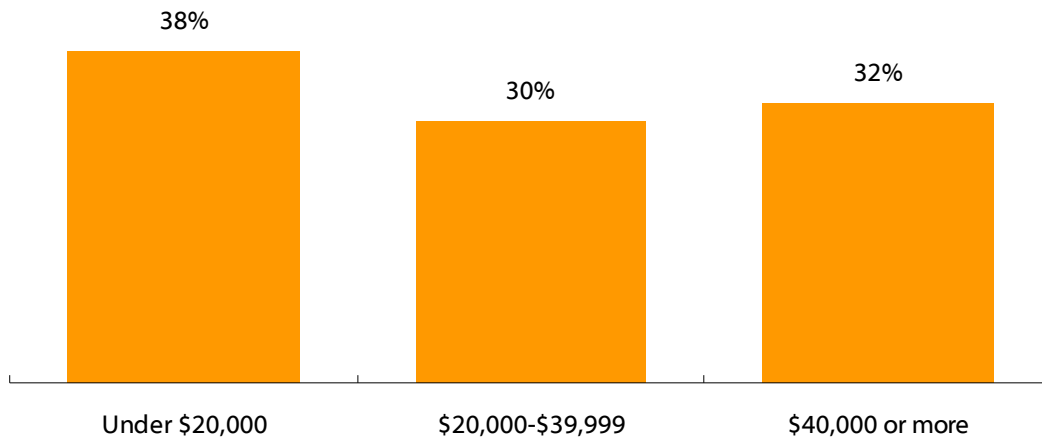
** Excludes students who attended more than one institution.

One-third of Undergraduates in Texas Come From Lower-Income Backgrounds

Dependent Undergraduates in Texas by Parents' Income, AY 2003-2004



Independent Undergraduates in Texas by Income,* AY 2003-2004



Many Texas undergraduates come from modest income backgrounds. About one-third of dependent undergraduates** have parents whose total income is less than \$40,000 per year and about two-thirds of independent students earn less than \$40,000 per year.* The U.S. Department of Education defines an independent undergraduate as someone who is age 24 or older, is married, has dependents to support, is a veteran, or an orphan or ward of the court. Students who do not meet these criteria, but who receive no financial support from their parents, may also be considered independent. About 49 percent of undergraduates in Texas are dependent and 51 percent are independent.

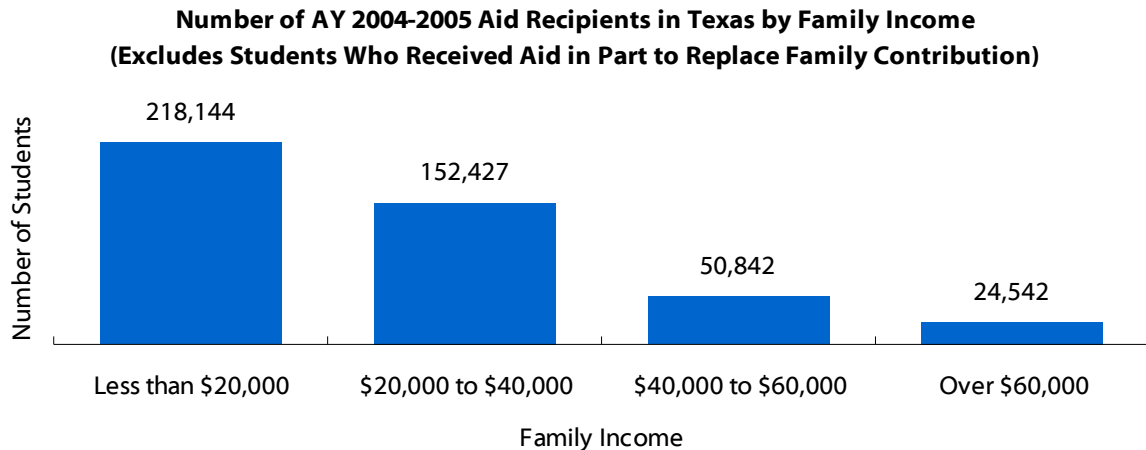
* Income for independent students includes spouse's income, if any. About 42 percent of independent undergraduates in Texas are married.

** Data on students who attended for-profit institutions not available.

Source: U.S. Department of Education, National Center for Education Statistics, "National Postsecondary Student Aid Study (NPSAS) 2004", (<http://www.nces.ed.gov/das/>).



Over Four-fifths of Texas Students Receiving Aid to Meet Costs Have Family Incomes Under \$40,000



A student's financial need is considered to be equal to the total Cost of Attendance* minus his or her Expected Family Contribution (EFC).** In Award Year (AY) 2004-2005, more than 572,000 undergraduate and graduate students at Texas colleges and universities*** received some type of need-based aid. Of students receiving need-based aid, 78 percent received aid only to meet the difference between cost and EFC and the rest borrowed at least in part to replace EFC — that is, in addition to need-based aid, they also took out non-need-based loans. The larger and needier of the two groups, students receiving aid only to meet costs, consisted of 445,955 students (including both dependent and independent students****), 83 percent of whom had an income of less than \$40,000. The average EFC of these students in AY 2003-2004 was \$1,453 and the average unmet need — the costs not covered by family income or aid, including both grants and loans — was \$5,189,***** or more than three times the Expected Family Contribution.

*Tuition and fees, books and supplies, food and housing, transportation, and other expenses for a full-time student for nine months. Data come from IPEDS from the National Center for Education Statistics and are based on the fall and spring semesters.

** EFC is determined through a federal formula that takes into account family income, size, and number of children in college. The average amount that families actually contribute toward educational expenses is unknown.

*** Data on students who attended for-profit institutions not available.

**** The U.S. Department of Education defines an independent undergraduate as age 24 or older, married, with dependents to support, a veteran, or orphan or ward of the court. Students who do not meet these criteria, but who receive no financial support from their parents, may also be considered independent. In Texas, 49 percent of undergraduates are dependent and 51 percent are independent.

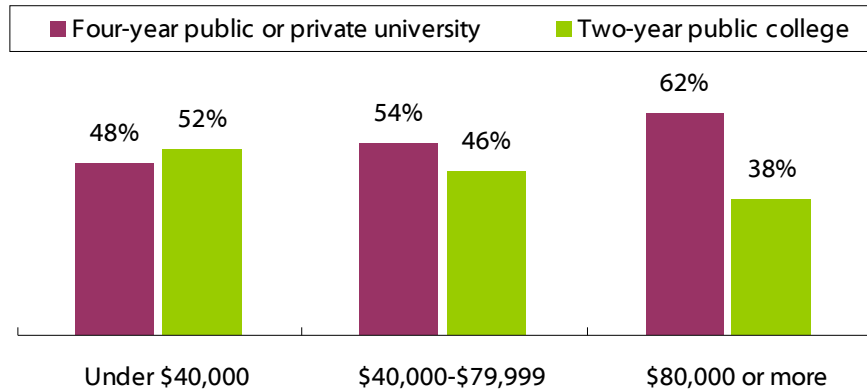
***** Data on unmet need come from the THECB and may be higher than unmet need from the National Postsecondary Student Aid Study (NPSAS) because THECB data reflect the average and not the median and also include graduate students, who have higher costs than undergraduate.

Sources: Family income, EFC, and unmet need of aid recipients in Texas: Texas Higher Education Coordinating Board (THECB) *Financial Aid Database AY 2004-2005* (unpublished tables) and "Report on Student Financial Aid in Texas Higher Education for Fiscal Year 2005" (July 2006) (<http://www.thecb.state.tx.us/reports/PDF/1208.PDF>); Income and poverty in Texas, two-year average: U.S. Census Bureau, *Income, Poverty, and Health Insurance Coverage in the United States: 2005* (August 2006), Table 8, p. 22, and Table 10, p. 27 (<http://www.census.gov/prod/2006pubs/p60-231.pdf>).

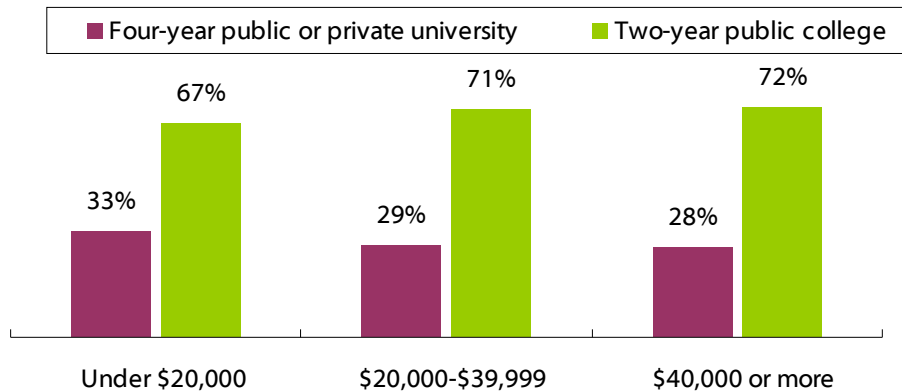


Low-income Students Less Likely to Attend Four-year Institutions

**Type of Institution Attended by Dependent Undergraduates*,
by Parents' Income (AY 2003-2004)**



**Type of Institution Attended by Independent Undergraduates*,
by Income (AY 2003-2004)**



Low-income students in Texas are less likely to attend four-year institutions than are their higher-income counterparts. Among dependent undergraduates** whose parents earn less than \$40,000 per year, about 52 percent attend two-year public colleges and 48 percent attend four-year public or private universities. But the proportion attending four-year institutions rises to 54 percent for students whose parents make between \$40,000 and \$79,999, and to 62 percent for those whose parents make \$80,000 or more. Meanwhile, students who are considered financially independent*** of their parents, who make up just over half of undergraduates in the state, overwhelmingly choose two-year over four-year institutions in every income category.

* Excludes students who attended for-profit institutions or more than one institution.

** Data on students who attended for-profit institutions are not available.

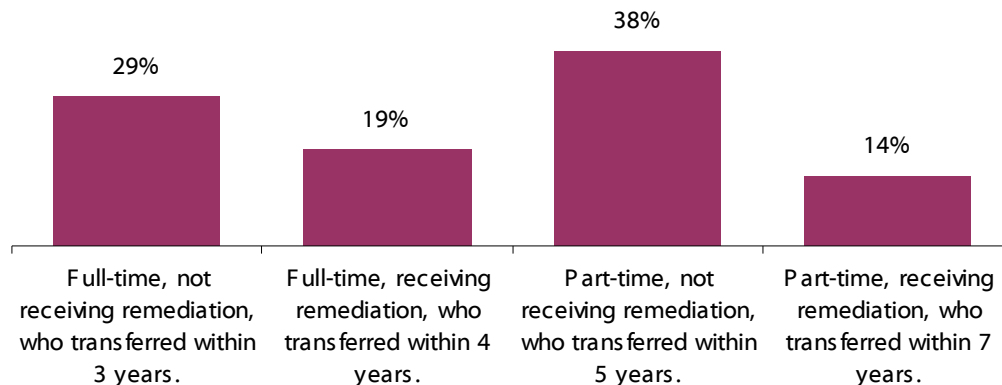
*** The U.S. Department of Education defines an independent undergraduate as age 24 or older, married, with dependents to support, a veteran, or orphan or ward of the court. Students who do not meet these criteria, but who receive no financial support from their parents, may also be considered independent. In Texas, 49 percent of undergraduates are dependent and 51 percent are independent. Independent students' income includes spouse's, if any. About 42 percent of independent undergraduates in Texas are married.

Source: U.S. Department of Education, National Center for Education Statistics, "National Postsecondary Student Aid Study (NPSAS) 2004", (<http://www.nces.ed.gov/das/>).



Transfer Rates from Two-year to Four-year Institutions in Texas Vary by Attendance Status and Remediation

Transfer Rates: Percentage of First-time Freshmen at Texas Public Two-year Institutions Who Transferred to a Texas Public Four-year Institution within the Specified Time, by Attendance and Remediation Status During First Year



Students enrolled at two-year institutions pursue higher education for a variety of reasons. Some enter a community college intending to transfer later to a university to obtain a bachelor’s degree. For others, an associate’s degree or certificate is the ultimate goal, and still others take courses out of personal interest or to improve job skills, without intending to obtain a degree.

The Texas Higher Education Coordinating Board (THECB) tracks the rate at which first-time freshmen attending Texas public two-year institutions transfer to Texas public four-year institutions. Among students who do not receive remediation,* about 29 percent of full-time freshmen transfer within three years of entering a two-year institution and 38 percent of part-time freshmen transfer within five years. Transfer rates for students who do receive remediation are lower. Because the THECB allows longer transfer times for part-time students and students receiving remediation, the overall transfer rate for all students entering in the same year is not available for recent years.** However, this much is known about the 347,151 freshmen who were enrolled at Texas public two-year institutions in the fall of 2002:

- 56,727 were first-time, full-time freshmen,
- 24,956 were first-time, full-time freshmen not receiving remediation, and
- 7,303 (29 percent of 24,956) transferred to a Texas public four-year institution by the fall of 2005.

* Students entering higher education in Texas for the first time who did not pass the College Readiness Texas Academic Skills Program (TASP) or an alternative test must take remedial classes. Students can be exempted from the TASP test if they scored high enough on the SAT, ACT, or another college entrance test, or if they graduated from a Texas high school under the Recommended High School Program curriculum with a GPA of 3.5 or higher. Statewide, 46 percent of students entering public two-year colleges for the first time in fall 2002 needed remediation, up from 43 percent who entered in 2000.

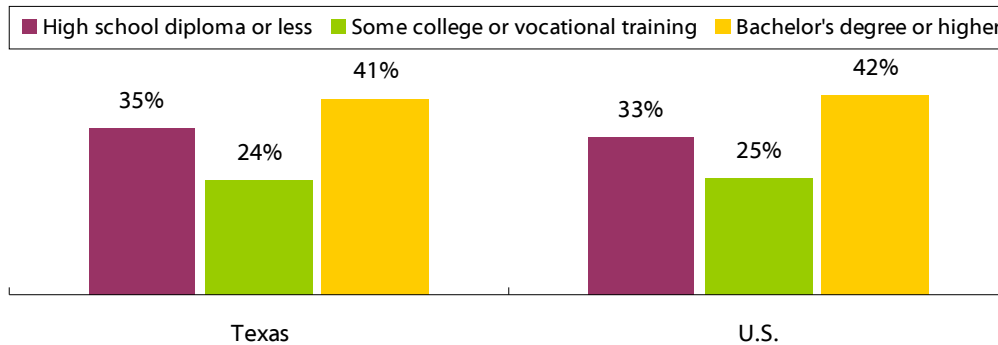
** The most recent year for which an overall transfer rate is available is for students entering in the fall of 1998. About 25 percent of the students who entered higher education for the first time at a Texas public two-year institution in the fall of 1998 transferred to a Texas public four-year institution within the number of years specified by their attendance and remediation status during their first year (see graph above).

Sources: Number of total freshmen in fall 2002: Texas Higher Education Coordinating Board (THECB), Texas Higher Education Data (<http://www.txhighereddata.org/>); All else: THECB, *Institutional Effectiveness Measures and Standards 2006-2007, 2005-2006, 2004-2005, 2003-2004, 2002-2003* (<http://www.thecb.state.tx.us/AAR/UndergraduateEd/IE/ctciems/>).



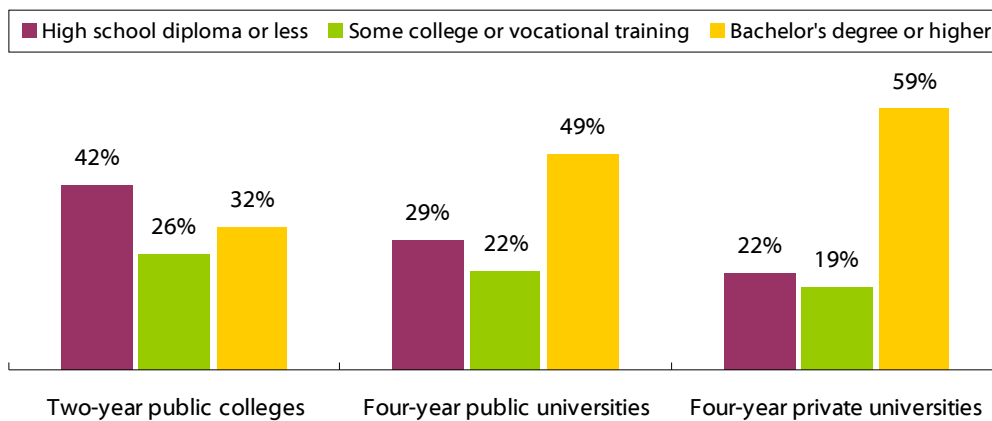
One-third of Undergraduates in Texas Are First in Their Families to Pursue Education Past High School

Highest Education Level of Parents of Undergraduates* in Texas and the U.S. (AY 2003-2004)



* Data on students who attended for-profit institutions not available.

Highest Education Level of Parents of Undergraduates in Texas, by School Sector (AY 2003-2004)**



** Excludes students who attended more than one institution.

About 35 percent of undergraduates* in Texas come from families in which the parents have a high school diploma or less, slightly higher than in the United States. These “first-generation” college students are a good deal more likely to be independent of their parents than students whose parents have some education beyond high school. Forty-three percent of independent** undergraduates in Texas are first-generation students compared to 27 percent of dependent undergraduates. First-generation students are also more likely to be concentrated at two-year schools. About 42 percent of students at two-year public colleges are the first in their families to pursue education beyond high school compared to 29 percent and 23 percent, respectively, of undergraduates at public and private four-year universities.

* Data on students who attended for-profit institutions are not available.

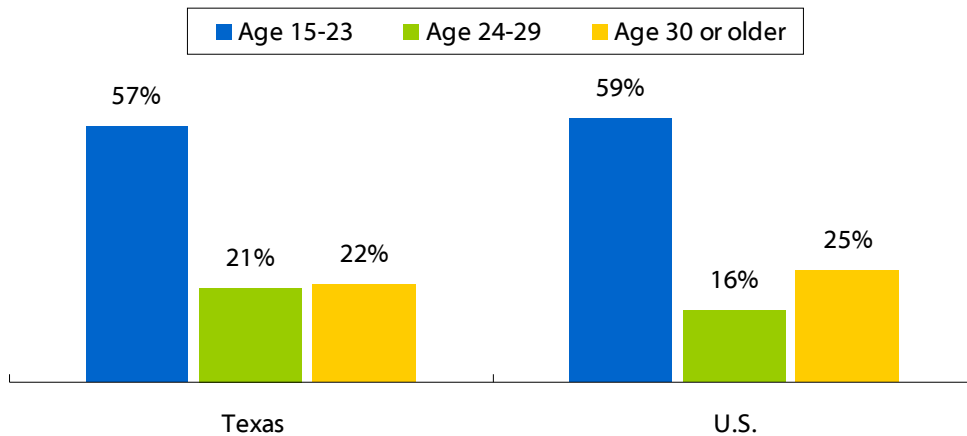
** The U.S. Department of Education defines an independent undergraduate as age 24 or older, married, with dependents to support, a veteran, or orphan or ward of the court. Students who do not meet these criteria, but who receive no financial support from their parents, may also be considered independent. In Texas, 49 percent of undergraduates are dependent and 51 percent are independent.

Source: U.S. Department of Education, National Center for Education Statistics, “National Postsecondary Student Aid Study (NPSAS) 2004”, (<http://www.nces.ed.gov/das/>).

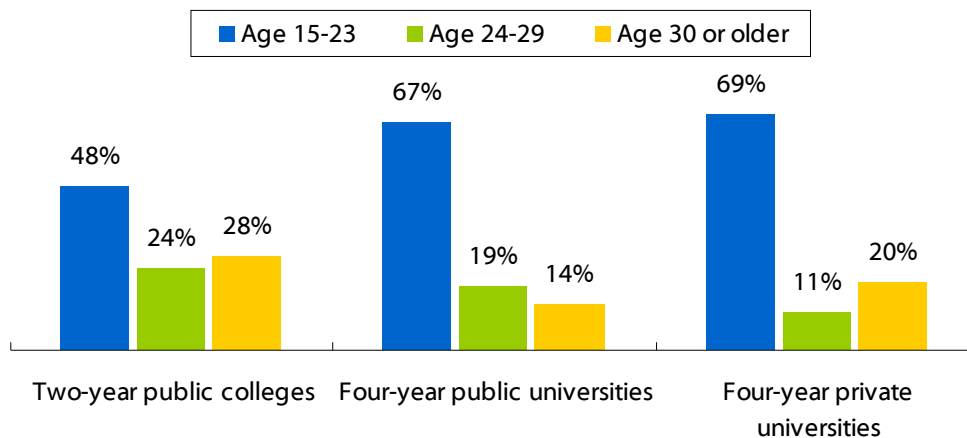


More Than 40 Percent of Undergraduates in Texas Are Age 24 or Older

Age of Undergraduates* in Texas and the U.S. (AY 2003-2004)



Age of Undergraduates* in Texas by School Sector (AY 2003-2004)



About 57 percent of Award Year (AY) 2003-2004 undergraduates* in Texas were under the age of 24 and 43 percent were age 24 or older.** In the U.S. as a whole, 59 percent were under the age of 24. In Texas, undergraduates age 24 and older are split fairly evenly between the 24 to 29 year old age group and the 30 and older age group. In the U.S., older undergraduates are somewhat more common.

Age breakdown by school sector in Texas yields some interesting results. Although more than two-thirds of undergraduates at both private and public universities are under the age of 24, at private universities the remainder tend to be age 30 or older, whereas at public universities the remainder tend to be between ages 24 and 29. At public two-year colleges, by contrast, one-half of students are under age 24 and the other half are over age 24. However, for those over age 24, the age distribution tends to resemble private rather than public universities — that is to say, at both community colleges and private universities, undergraduates who are over the age of 24 are more likely to be age 30 or older than are their counterparts at public universities.

* Data on students who attended for-profit institutions are not available.

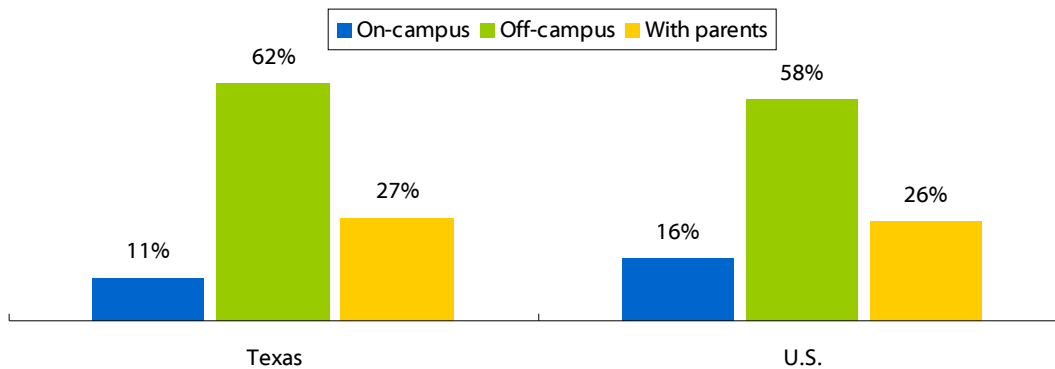
** Age as of Dec. 31, 2003.

Source: U.S. Department of Education, National Center for Education Statistics, "National Postsecondary Student Aid Study (NPSAS) 2004", (<http://www.nces.ed.gov/das/>).

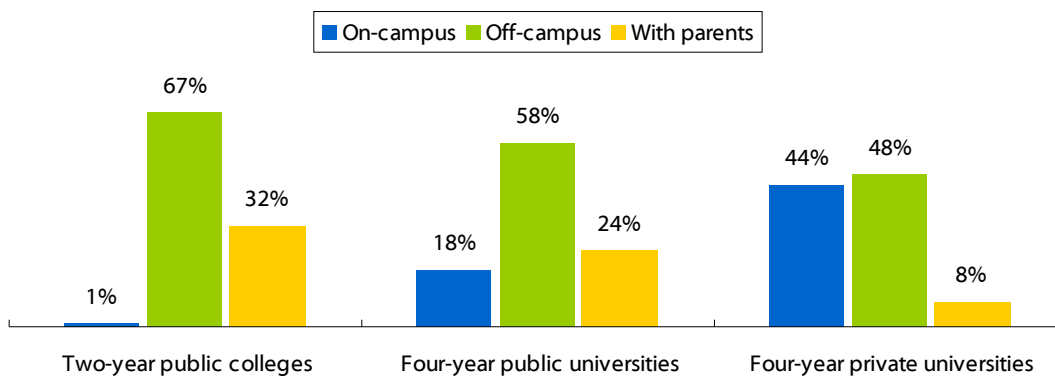


Nine Out of 10 Undergraduates in Texas Live Off-campus

Housing Status of Undergraduates* in Texas and the U.S. (AY 2003-2004)



Housing Status of Undergraduates* in Texas by School Sector (AY 2003-2004)



Just one undergraduate* out of 10 in Texas lives on-campus. Almost two-thirds live off-campus and another one-fourth live with parents. Most students who live with parents do not have to pay room and board, although it is possible that some might be expected to help financially with household expenses. Undergraduate housing patterns in Texas are similar to the U.S. as a whole, with the exception that students in Texas are less likely to live on-campus than their counterparts in the U.S.

On-campus living in Texas is most common at four-year private universities. The percent of undergraduates at these institutions who live on-campus is only slightly lower than the percent who live off-campus, with a much smaller percentage of students living with parents. By contrast, at four-year public universities only 18 percent of undergraduates live on-campus versus more than one-half who live off-campus. Undergraduates at two-year public colleges are somewhat more likely to live with parents than their counterparts at public universities, but at both types of public institutions, off-campus living is more common than either on-campus or with parents.

* Data on students who attended for-profit institutions are not available. Excludes students who attended more than one institution.

Source: U.S. Department of Education, National Center for Education Statistics, "National Postsecondary Student Aid Study (NPSAS) 2004", (<http://www.nces.ed.gov/das/>).



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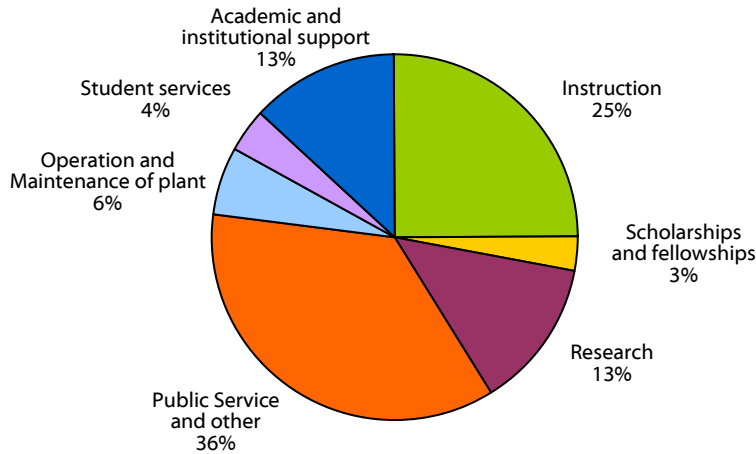
Section 4

Cost of Education and Source of Aid in Texas

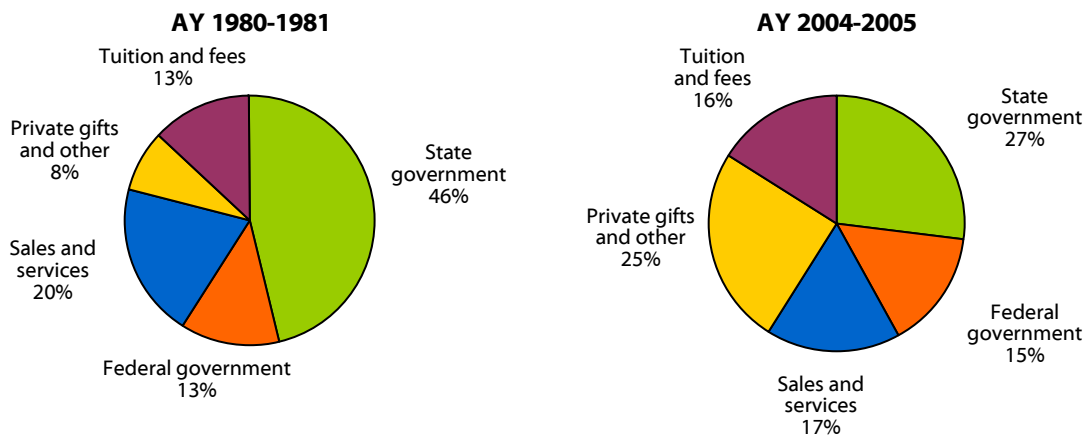


Cost of Educating a Student Higher Than Tuition Charged

Educational and General Expenditures at U.S. Public Four-year Degree-granting Institutions (AY 2004-05)



Revenue at U.S. Public Degree-granting Institutions** by Source



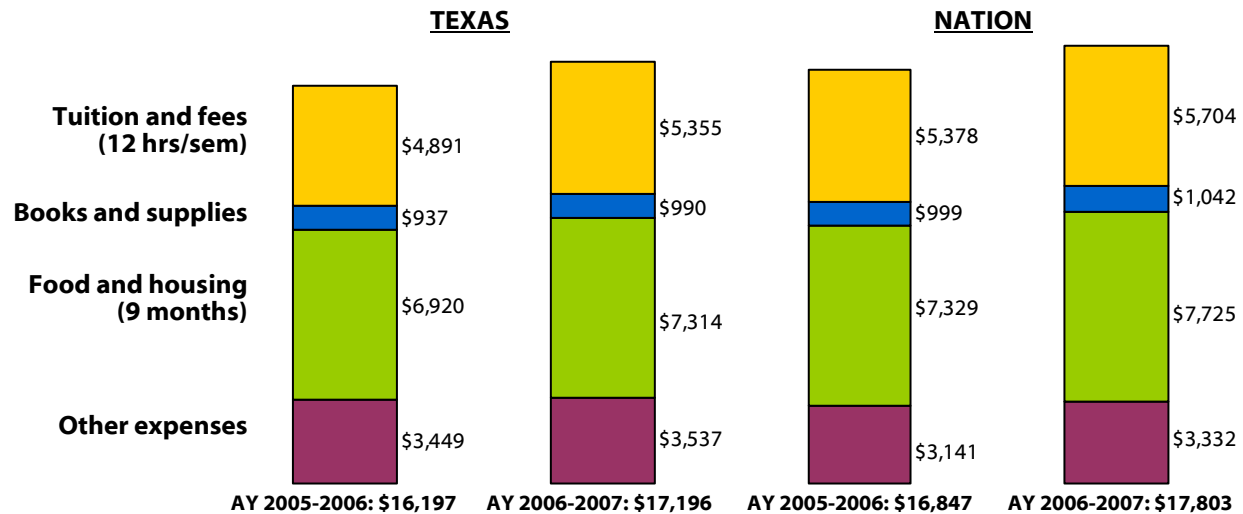
The cost to an institution of educating a student is generally higher than the tuition the student is charged. In Award Year (AY) 2004-2005, educational and general expenditures at public four-year degree-granting institutions in the U.S. averaged \$31,882 per full-time equivalent student, half of which consisted of instruction, academic and institutional support, student services, and operation and maintenance of the physical plant. Costs not covered by revenue from state, federal, and other sources are usually passed on to the student as tuition and fees, which, in AY 2004-2005, averaged \$5,020* at U.S. public four-year universities. Funding cuts are the main reason for tuition increases: from 1980 to 2004, the proportion of revenue at public institutions** that came from state funding declined from 46 percent to 27 percent while the proportion from tuition and fees increased from 13 percent to 16 percent. Also, the proportion from private gifts and other sources increased from 8 percent to 25 percent.

* Weighted for enrollment. (An institution's costs are multiplied by its enrollment. The sum of costs for all schools is then divided by total enrollment, such that schools with higher enrollments are given greater weight. See glossary for clarification.)

** Includes revenue at both two-year and four-year institutions. Revenue at four-year institutions only is not available for AY 1980-1981.

Texas Public Four-year University Total Costs Below National Average

Average Four-year Public University Cost of Attendance (Weighted for Enrollment*) for Two Semesters for Full-time Undergraduates Living Off-campus in Texas and the U.S. (AY 2005-2006 and AY 2006-2007)



The tuition and fees charged to students, along with living expenses and books and supplies, constitute a school’s cost of attendance, or “sticker price.” Weighted for enrollment*, two semesters of full-time** undergraduate education at Texas public four-year universities averaged \$17,196 in Academic Year (AY) 2006-2007, or \$607 less than in the U.S. Total expenses in Texas have been close to the national average for several years. All costs in Texas are just under the national averages except for “other” expenses, which includes items such as transportation and laundry. The primary expense facing students is not tuition and fees, but food and housing, which make up 43 percent of the budget. These costs are not discretionary: students must eat, and unless they live with parents — and 76 percent of Texas public university undergraduates do not — they must pay rent. Together, food, housing, and other expenses comprise nearly two-thirds of the student budget, while tuition and fees make up under a third. Total costs have risen by \$999 in Texas and \$956 in the U.S. since 2006, with most of the increase due to hikes in tuition and fees, and food and housing.

“Sticker price” is the starting point for determining financial aid. From the sticker price, the student’s expected family contribution*** is subtracted to arrive at the student’s need. Once need is determined, an aid package, consisting primarily of grants and loans, can be developed. What students actually pay for college depends on a number of factors, including the aid they receive and how frugally they live, as well as their attendance and work patterns. To cut costs, many students attend part time, work long hours, or both.

* An institution’s costs are multiplied by its enrollment. The sum of costs for all schools is then divided by full-time, undergraduate enrollment, such that schools with higher enrollments are given greater weight. See glossary for clarification.

** 12 semester hours or more.

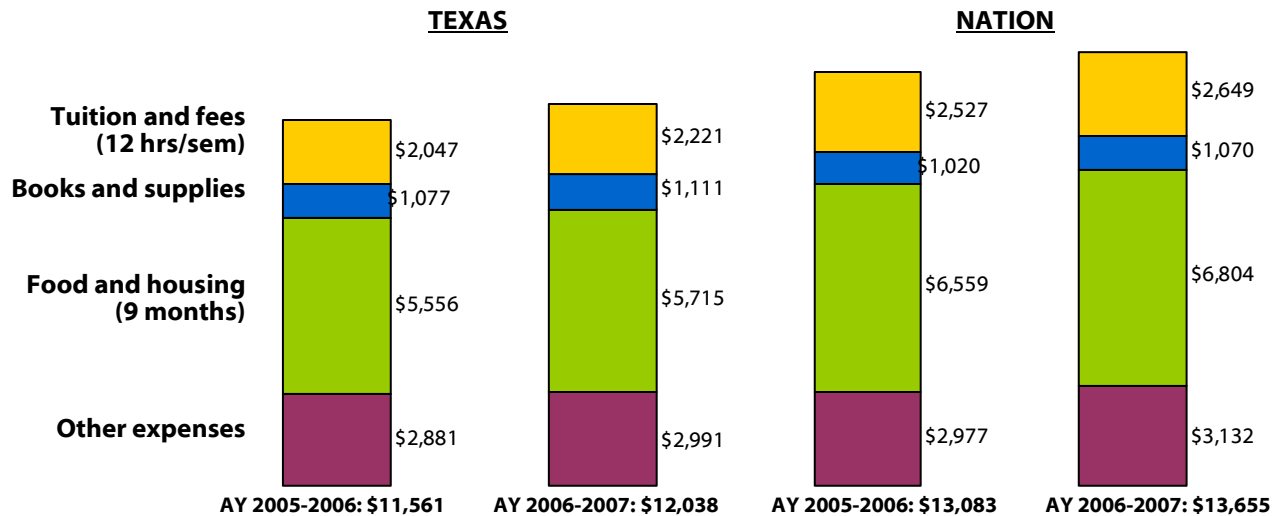
*** EFC is determined through a federal formula that takes into account family income and size as well as the number of children in college. The average amount that families actually contribute to educational expenses is unknown. In AY 2003-2004, 64 percent of public four-year university undergraduates in Texas reported that they got no help from their parents in paying tuition and fees.

Sources: All Costs and Enrollments for 2006-2007: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS) 2006 (<http://nces.ed.gov/ipeds/>); All Costs and Enrollments for 2005-2006: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS) 2005 (<http://nces.ed.gov/ipeds/>); All other: U.S. Department of Education, National Postsecondary Student Aid Study (NPSAS) 2004 (<http://www.nces.ed.gov/das>).



Texas Public Two-year Colleges Continue to Cost Less Than National Average

Average Two-year Public College Cost of Attendance (Weighted for Enrollment) for Two Semesters for Full-time Undergraduates Living Off-campus in Texas and the U.S. (AY 2005-2006 and AY 2006-2007)**



The average cost for two full-time* semesters at Texas public two-year colleges, weighted for enrollment,** averages \$12,083 in Academic Year (AY) 2006-2007. This is \$1,617 less than the 2006-2007 national average, an increase of \$477 from the Texas average in 2005-2006. Costs in all categories have increased in Texas since the 2005-2006 academic year, with at least \$100 increases in all categories except for books and supplies.

The “sticker price” of a school is the total cost of attendance for a student, which includes tuition and fees, books and supplies, and living expenses. The student’s financial need is determined by subtracting the expected family contribution*** from the “sticker price,” which is the basis for determining financial aid packages. This package consists primarily of grants and loans. The actual amount that students pay for college depends upon factors such as how much and what type of aid they receive, how frugally they live, the number of credit hours they take, and whether or not they work. To save money, students may choose to attend school part-time or work long hours, or both.

* 12 semester hours or more.

** An institution’s costs are multiplied by its enrollment. The sum of costs for all schools is then divided by full-time, undergraduate enrollment, such that schools with higher enrollments are given greater weight. See glossary for clarification.

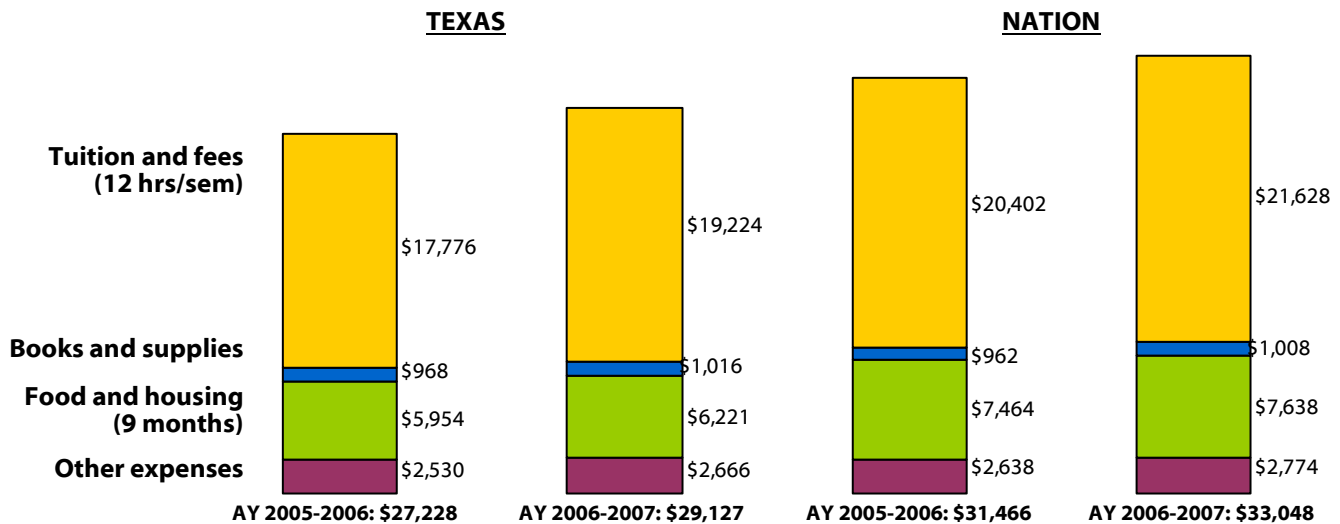
*** EFC is determined through a federal formula that takes into account family income and size as well as the number of children in college. The average amount that families actually contribute to educational expenses is unknown. In AY 2003-2004, 80 percent of public two-year college undergraduates in Texas reported that they got no help from their parents in paying tuition and fees.

Sources: All Costs and Enrollments for 2006-2007: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS) 2006 (<http://nces.ed.gov/ipeds/>); All Costs and Enrollments for 2005-2006: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS) 2005 (<http://nces.ed.gov/ipeds/>); All other: U.S. Department of Education, National Postsecondary Student Aid Study (NPSAS) 2004 (<http://www.nces.ed.gov/das>).



Costs at Texas Private Four-year Universities Still a Bargain Compared to National Average

Average Four-year Private University Cost of Attendance (Weighted for Enrollment*) for Two Semesters for Full-time Undergraduates Living Off-campus in Texas and the U.S. (AY 2005-2006 and AY 2006-2007)



The increase from Academic Year (AY) 2005-2006 to AY 2006-2007, at \$1,899, was higher than the increases in the last several years. The increase this year was mostly due to a \$1,448 increase in tuition and fees. Weighted for enrollment,* the total cost of undergraduate education at Texas private four-year universities for two full-time** semesters averaged \$29,127 in AY 2006-2007. This is considerably less than the national “sticker price,” at \$33,048, mainly because tuition and fees in Texas are \$2,404 less than the national tuition and fees. About 10 percent of students in higher education in Texas in AY 2006-2007 attended four-year private universities, versus 42 percent who attended four-year public.

Students may receive an aid package, which primarily consists of grants and loans. The student’s need is determined, by subtracting the expected family contribution*** from the “sticker price,” in order to determine what kind of financial aid package they should receive. The “sticker price” is the total cost of education, which includes tuition and fees, books and supplies, and living expenses.

* An institution’s costs are multiplied by its enrollment. The sum of costs for all schools is then divided by full-time, undergraduate enrollment, such that schools with higher enrollments are given greater weight. See glossary for clarification.

** 12 semester hours or more.

*** EFC is determined through a federal formula that takes into account family income and size as well as the number of children in college. The average amount that families actually contribute to educational expenses is unknown. In AY 2003-2004, 57 percent of private four-year university undergraduates in Texas reported that they got no help from their parents in paying tuition and fees.

Sources: All Costs and Enrollments for 2006-2007: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS) 2006 (<http://nces.ed.gov/ipeds/>); All Costs and Enrollments for 2005-2006: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS) 2005 (<http://nces.ed.gov/ipeds/>); All other: U.S. Department of Education, National Postsecondary Student Aid Study (NPSAS) 2004 (<http://www.nces.ed.gov/das>).



The Cost of Going to College Continues to Rise Each Year

Change in Costs for Students Living Off-Campus in Texas: Dollar and Percent Change from AY 2005-2006 to AY 2006-2007 (Costs Weighted for Enrollment*)

	Public 4-year		Public 2-year		Private 4-year	
	Dollar	Percent	Dollar	Percent	Dollar	Percent
Tuition and fees (12 hrs./semester)	\$464	9%	\$174	9%	\$1,448	8%
Books and supplies	\$53	6%	\$34	3%	\$48	5%
Food and housing	\$394	6%	\$159	3%	\$267	4%
Other	\$88	3%	\$110	4%	\$136	5%
Total Increase	\$999	6%	\$477	4%	\$1,899	7%

Change in Costs for Students Living Off-Campus in the U.S.: Dollar and Percent Change from AY 2005-2006 to AY 2006-2007 (Costs Weighted for Enrollment*)

	Public 4-year		Public 2-year		Private 4-year	
	Dollar	Percent	Dollar	Percent	Dollar	Percent
Tuition and fees (12 hrs./semester)	\$326	6%	\$122	5%	\$1,226	6%
Books and supplies	\$43	4%	\$50	5%	\$46	5%
Food and housing	\$396	5%	\$245	4%	\$174	5%
Other	\$191	6%	\$155	5%	\$136	5%
Total Increase	\$956	6%	\$572	4%	\$1,582	5%

Public funding cuts and inflation are the primary factors driving college cost increases. As in other labor-intensive industries, higher education is limited in its ability to capitalize productivity gains through enhanced technology: professors cannot teach or grade papers very much faster than they did 30 years ago, so to reduce the cost of labor—by far colleges’ biggest expense—schools must either increase the number of students per professor or hire less qualified staff, both of which lower the quality of education. When funding lags (state appropriations for higher education in Texas only increased 4 percent from AY 2005-2006 to AY 2006-2007), schools tend to pass on cost increases to students. Weighted for enrollment,* the total cost or “sticker price” at Texas public four-year universities has risen by an increasing amount each year, where national total costs have risen at a consistent dollar amount each year. This means that costs are increasing at a higher rate in Texas compared to the nation. The increased cost of providing an education is reflected in the fact that from 2000-2001 to 2006-2007, tuition and fees at private universities in Texas, which do not receive public funds and are not subject to cuts in state funding, have risen by a larger amount than at public universities in Texas—\$6,967 and \$2,424, respectively.

“Sticker price” is the starting point for determining financial aid. What students actually pay for college depends on a number of factors, including the aid they receive and how frugally they live, as well as their attendance and work patterns. To cut costs, many students attend part-time, work long hours, or both. In AY 2003-2004, 64 percent of all undergraduates in Texas attended less than full-time/full year—that is, they either took fewer than 12 hours per semester or did not attend two semesters—and 76 percent worked while enrolled, of whom 35 percent worked full-time**. Full-time work and part-time attendance are associated with lower completion rates and also with each other: 82 percent of Texas undergraduates who work full-time while enrolled attend less than full-time/full year.

* An institution’s costs are multiplied by its enrollment. The sum of costs for all schools is then divided by full-time, undergraduate enrollment, such that schools with higher enrollments are given greater weight. See glossary for clarification.

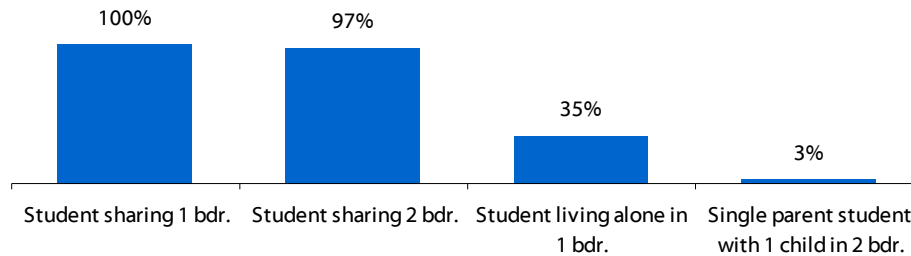
** 35 or more hours per week.

Sources: All Costs and Enrollments for 2006-2007: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS) 2006 (<http://nces.ed.gov/ipeds/>); All Costs and Enrollments for 2005-2006: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS) 2005 (<http://nces.ed.gov/ipeds/>); Labor costs: “What Ails Us,” by James Surowiecki, *The New Yorker*, (July 7, 2003); Cuts in state funding: Illinois State University, Center for the Study of Education Policy, “Grapevine: An Annual Compilation of Data on State Tax Appropriations” (<http://coeilstu.edu/grapevine/>); All other: U.S. Department of Education, National Postsecondary Student Aid Study (NPSAS) 2004 (<http://www.nces.ed.gov/das>).



Food and Housing for Some Students May Be Higher Than Estimated

Percent of Texas Public Universities in Which the USDA and HUD Food and Housing Cost Estimate is Within the Institution's Room and Board Cost Estimate for AY 2006-2007, by Type of Student



Food and housing make up about 43 percent of the cost of attending a public university in Texas. These costs are not discretionary. Students must eat, and unless they live with parents or other relatives — and 76 percent of Texas public university undergraduates do not — they must pay rent. But students do have some discretion in their choices. The stereotype of the undergraduate who drives an SUV coexists with that of the student who shares an apartment with six roommates, eats instant noodles, and frequents thrift shops. But do institutions' room and board estimates make for a pampered or a thrifty lifestyle?

Using their knowledge of housing located in areas popular with students, Texas universities estimate the cost of food and housing that is modest, but adequate. For the 2006-2007 Academic Year (AY), this estimate is \$6,439,* or \$715 per month. The U.S. Department of Agriculture (USDA) estimates the minimum dietary needs of an adult can be met on \$212 per month provided that all food is prepared at home, an unlikely scenario for young adults. Subtracting \$212 from \$715 leaves \$503 for rent and utilities. The addition of one small pepperoni pizza per week, however, would raise the monthly food budget to \$242,** leaving \$473 for rent and utilities.

The U.S. Department of Housing and Urban Development (HUD) estimates the average nine-month cost of rent and utilities for a one-bedroom unit in the counties and Metropolitan Statistical Areas (MSAs)*** where Texas public universities are located to be \$4,961, or \$551 per month. Sharing housing lowers the cost: a shared one-bedroom costs \$276 per person and a shared two-bedroom costs \$335. These data indicate that a thrifty student who cooks and shares housing will indeed be able to stay within the institutional room and board estimate of \$715 per month. However, a student who lives alone for whatever reason will probably not be able to stay within the estimate. Single parent students face additional costs.

Average USDA and HUD Food and Housing Costs for Two Semesters (9 Months) for Counties and MSAs* Where Texas Public Universities Are Located (AY 2006-2007)**

	Student sharing 1-bedroom unit	Student sharing 2-bedroom unit	Student living alone in 1-bedroom unit	Single parent student with 1 child in 2-bedroom
Food	\$1,908	\$1,908	\$1,908	\$2,914
Housing	\$2,480	\$3,012	\$4,961	\$6,024
Total	\$4,388	\$4,920	\$6,869	\$8,938

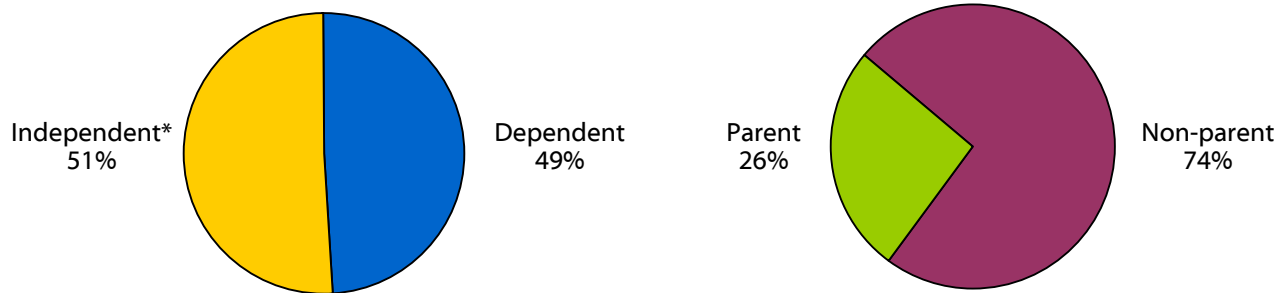
*\$7,314 when weighted for enrollment; see Glossary for clarification. ** Based on the cost at Conan's Pizza near the University of Texas at Austin, May 2008. *** A Metropolitan Statistical Area is a geographic area of 50,000 or more inhabitants.

Sources: All Costs and Enrollments for 2006-2007: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS) 2006 (<http://nces.ed.gov/ipeds/>); U.S. Department of Agriculture. "Official USDA Food Plans: Cost of Food at Home at Four Levels, U.S. Average, May 2006." (<http://www.usda.gov/cnpp/FoodPlans/Updates/foodmay06.pdf>); U.S. Department of Housing and Urban Development (HUD). "Fair Market Rents 2007 for Existing Housing, October 2006," (http://www.huduser.org/datasets/fmr/fmr2007f/FY2007F_County_Town.xls).



Non-traditional Students May Face Additional Expenses

Texas Undergraduates by Dependency and Parenthood Status (AY 2003-2004)



The “traditional” undergraduate who enrolls full time right after graduating from high school, depends on parents for support, is single with no children, and either does not work or works part time, is now the exception rather than the rule. Just 26 percent of Texas undergraduates fit this description in Academic Year (AY) 2003-2004. The majority of undergraduates are “non-traditional” students who, in addition to tuition, fees, and living expenses, often must pay for medical insurance and child care.

As everyone else, students get sick or become injured. With limited financial resources, an illness or injury could threaten the ability of the student to remain in school unless affordable health insurance is available. Yet 28 percent of 18- to 24-year-olds (the traditional college age group) lacked health insurance in 2007, along with 26 percent of 25- to 34-year-olds (the age of many non-traditional students), and 17 percent of 45- to 64-year-olds (the group most likely to have children in college). In addition, 24 percent of all Texans lacked insurance, the highest rate of any state in the country and far above the national average of 15 percent. All public universities in Texas offer health insurance for their students, but none pays the premium. Weighted for enrollment**, the average premium for one year of student health insurance in AY 2004-2005 was \$828.

A second item which institutions do not include in the average student budget, but which is an expense faced by many students, is child care. About one-fourth of all Texas undergraduates are parents, and 14 percent are single parents. The amount of care needed depends on the number and age of the children, and the course load of the student. Weighted for enrollment**, part-time care for one child averages \$357 per month, or \$3,213 for a nine-month Academic Year.***

* The U.S. Department of Education defines an independent undergraduate as age 24 or older, married, with dependents to support, a veteran, or orphan or ward of the court. Students who do not meet these criteria, but who receive no financial support from their parents, may also be considered independent.

**An institution’s costs are multiplied by its enrollment. The sum of costs for all schools is then divided by total enrollment, such that schools with higher enrollments are given greater weight. See Glossary for clarification.

***Child care costs come from the Texas Market Rate Child Care Survey, data compiled by the School of Social Work at UT-Austin and sponsored by the Texas Workforce Commission, and reflect the average cost for one toddler (18 to 35 months) enrolled part-time at a licensed child care center. Monthly costs are estimated by multiplying the daily rates by 20.

Sources: Child care: Texas Market Rate Child Care Survey, conducted by the School of Social Work at the University of Texas at Austin and sponsored by the Texas Workforce Commission (<http://www.utexas.edu/research/cswr/projects/pj0049.html>); Insurance data: U.S. Census Bureau, *Income, Poverty, and Health Insurance Coverage in the United States: 2007* (August 2008) (<http://www.census.gov/prod/2008pubs/p60-235.pdf>); All other: U.S. Department of Education, National Center for Education Statistics, “National Postsecondary Student Aid Study (NPSAS) 2004”, (<http://www.nces.ed.gov/das/>).



Texas Highly Dependent on Federal Government for Student Aid

Direct Student Aid by Source for Award Year 2005-2006*



College students receive financial aid from three major sources: the federal government, the state government, and the colleges and universities they attend. Of these three, the federal government’s contribution is primary. Nationally, the federal government provided 74 percent of the generally available direct financial aid* for undergraduate and graduate students in Award Year (AY) 2005-2006. In Texas, the federal government’s role is much larger, accounting for 84 percent of aid.

Texas’ state government provided 7 percent of generally available aid** in 2005-2006, slightly more than the 6 percent in AY 2004-2005. Nationally, state governments provided 6 percent of aid.

Texas colleges and universities, through institutional grants*** provided a much smaller percentage of financial aid than colleges in other states. Texas institutions provided 9 percent of aid versus 20 percent for colleges nationally.

* Direct student aid includes aid that is generally available, goes directly to students, and derives from state and federal appropriations, plus institutional grants. All aid shown in graphs is for Award Year 2005-2006.

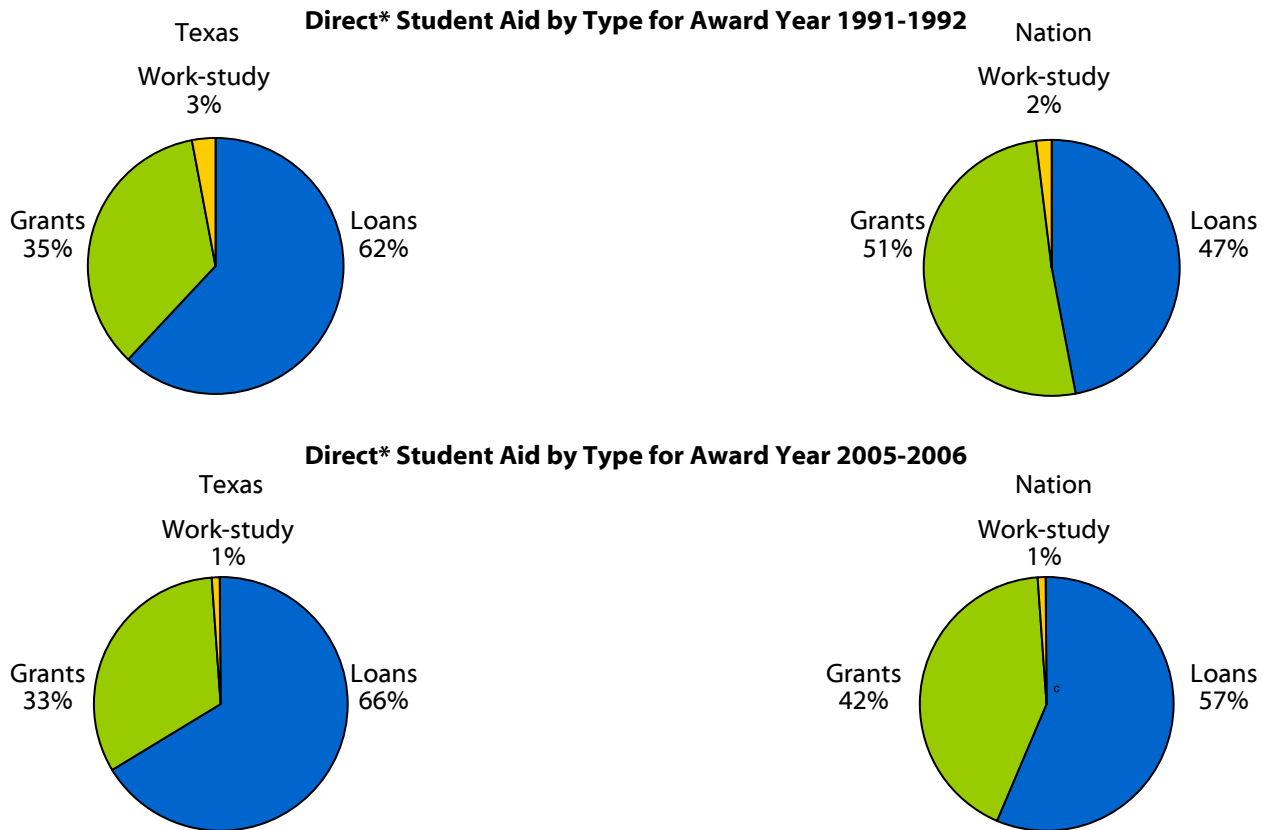
**The State of Texas, like other state governments, also supports public institutions through direct appropriations and tuition waivers.

*** Includes the Texas Public Educational Grant (TPEG) for Award Year 2005-2006 as well as private institutional aid reported to the Independent Colleges and Universities of Texas (ICUT) for Award Year 2005-2006.

Sources: Private institutional aid: Independent Colleges and Universities of Texas (ICUT) "Annual Statistical Report 2007", (http://www.icut.org/documents/2007Report_9_6_Final_001.pdf); State aid and TPEG: Texas Higher Education Coordinating Board, "2006 Bentson Report," Austin, Texas, (unpublished tables); Federal loans in Texas: U.S. Department of Education, Office of Postsecondary Education, "FFELP & Direct Loan Program, AY 2004-2005 Gross Loan Commitments," Washington, D.C.; Federal grants and work-study in Texas: U.S. Department of Education, Office of Postsecondary Education, "Federal Pell Grant Program 2004-2005 End of Year Report" and "Federal Campus-Based Programs Data Book 2007" (<http://www.ed.gov/finaid/prof/resources/data/databook2007/databook2007.html>); Aid in the U.S.: The College Board, *Trends in Student Aid 2006* (http://www.collegeboard.com/prod_downloads/press/cost06/trends_aid_06.pdf) and "Student Aid Tables and Charts" (http://www.collegeboard.com/prod_downloads/press/cost06/06-aid_charts.xls).



Texas Students Highly Dependent on Loans



The increase in the percent of student aid in the U.S. which is allocated to loans mirrors the decrease in the percent allocated to grants. In 1991-1992, loans accounted for 47 percent of direct* financial aid to undergraduate and graduate students in the U.S. and grants accounted for 51 percent. By Award Year (AY) 2005-2006, loans accounted for 57 percent of aid in the U.S. and grants accounted for 42 percent. Texas college students rely even more heavily on loans, both now and in the past. In AY 2005-2006, 66 percent of aid in Texas came from loans and 33 percent came from grants, including state and institutional grants.* Most student loans in Texas are Stafford loans, which are part of the Federal Family Education Loan Program, or FFELP. The maximum subsidized** Stafford loan that a first-year student can receive is \$3,500.

* Direct student aid includes aid that is generally available, goes directly to students, and derives from state and federal appropriations (including both FFEL and DL programs), plus institutional grants. All aid shown in second set of graphs is for Award Year 2005-2006.

** Subsidized loans are for students who demonstrate financial need. The Department of Education pays the interest on subsidized loans while a student is in school and for the first six months after the student leaves school.

Sources: Private institutional aid in Texas: Independent Colleges and Universities of Texas (ICUT) "Annual Statistical Report 2007", (http://www.icut.org/documents/2007Report_9_6_Final_001.pdf); Texas state aid and Texas Public Educational Grant (TPEG): Texas Higher Education Coordinating Board, "Bentson Report," Austin, Texas, (unpublished tables); Federal loans in Texas: U.S. Department of Education, Office of Postsecondary Education. "FFELP & Direct Loan Program, AY 2004-2005 Gross Loan Commitments," Washington, D.C.; Federal grants and work-study in Texas: U.S. Department of Education, Office of Postsecondary Education. "Federal Pell Grant Program 2004-2005 End of Year Report" and "Federal Campus-Based Programs Data Book 2007" (<http://www.ed.gov/finaid/prof/resources/data/databook2007/databook2007.html>); Aid in the U.S.: The College Board. *Trends in Student Aid 2006* (http://www.collegeboard.com/prod_downloads/press/cost06/trends_aid_06.pdf) and "Student Aid Tables and Charts" (http://www.collegeboard.com/prod_downloads/press/cost06/06-aid_charts.xls).



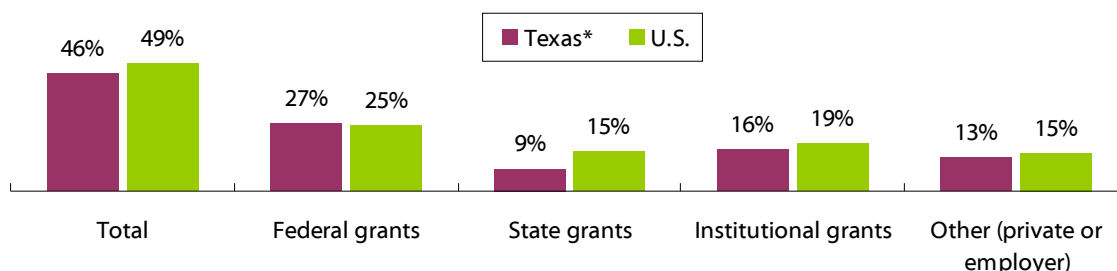
Section 5

Grant Aid and Net Price in Texas

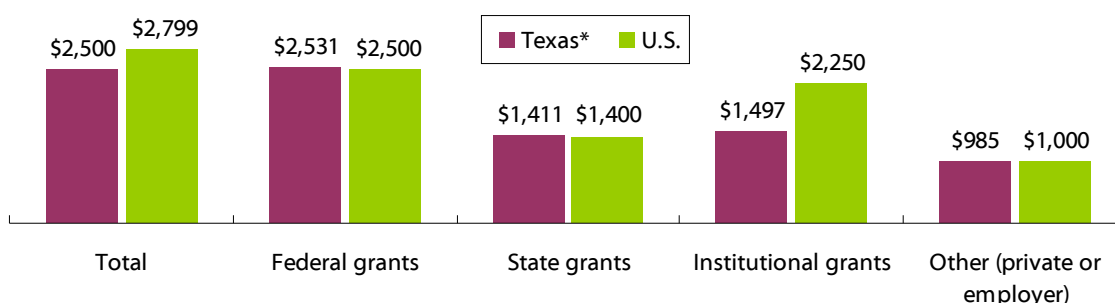


More Than Half of Undergraduates in Texas Do Not Receive Grant Aid

Percent of Undergraduates in Texas and the U.S. Who Received Any Grant Aid (AY 2003-2004)



Median Total Grant Aid for Undergraduates in Texas and the U.S. Who Received Grants: Total and by Source (AY 2003-2004)



Grants (including scholarships) may be awarded to students on the basis of financial need; merit in academics, athletics, or other areas; a combination of need and merit; or other factors. Unlike loans, grants do not have to be repaid, so they lower the cost of attending college for students who receive them. In Award Year (AY) 2003-2004, about 46 percent of undergraduates in Texas** received some form of grant aid, with a median*** of \$2,500 in total grants received by those who received them. In the U.S. as a whole, 49 percent of undergraduates received grants with a median of \$2,799 received. The largest source of grant aid is the federal government. Twenty-seven percent of undergraduates in Texas received a federal grant, with a median of \$2,531 received. In most cases, this was a Pell Grant, which is the largest need-based grant program in the country. The second largest source of grants was from schools themselves. About 16 percent of Texas undergraduates received institutional grants.* The third largest source was from outside entities such as private foundations or employers. The State of Texas represented the smallest source of grant aid. Just 9 percent of Texas undergraduates received a state grant* compared to 15 percent nationwide. For federal, state, and private grants, the median received by Texas students was almost the same as in the U.S. However, for institutional grants, the median in Texas was much smaller.

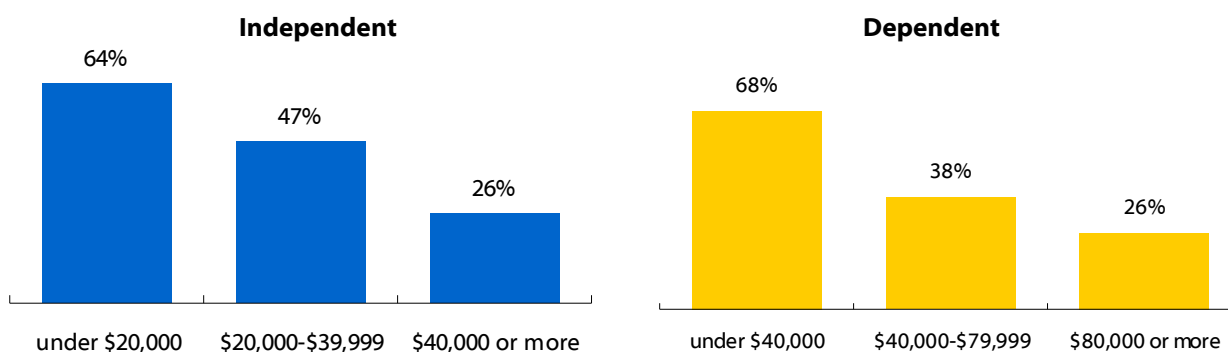
* The percent of undergraduates in Texas receiving institutional grant aid may actually be higher than shown and the percent receiving state grant aid may be lower. This is due to the fact that the Texas Public Educational Grant (TPEG) was reported in the National Postsecondary Student Aid Study (NPSAS) as a state grant rather than an institutional grant. TPEG comes from a school's own revenue sources, such as tuition, fees, and returns on investments, and is often viewed as a form of tuition discounting.

** Data on students who attended for-profit institutions are not available.

*** A median is the point at which 50 percent of students received more and 50 percent received less. A median represents a typical student better than an average because students who received large grants skew the average, making it a less reliable gauge than the median.

Low-income Independent Undergraduates in Texas Receive Less Grant Aid Than High-income Dependent Undergraduates

Percent of Undergraduates in Texas Who Received Grant Aid, by Income* (AY 2003-2004)



Median Total Grant Aid for Undergraduates in Texas Who Received Grants, by Income* (AY 2003-2004)

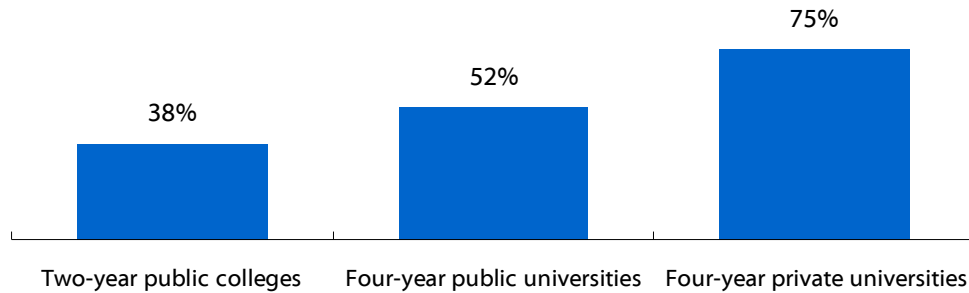


About 49 percent of undergraduates in Texas** are dependent on their parents and 51 percent are independent.* In Award Year (AY) 2003-2004, just under half of students in both groups received some form of grant aid including scholarships, but the amounts they received varied, with dependent students from high-income families actually receiving larger median grants than independent students with low incomes. Among both dependent and independent undergraduates, about two-thirds of low-income students, two-fifths of middle-income, and one-fourth of high-income, received grants. Median grant aid*** was highest (\$3,600) for dependent students whose parents earn less than \$40,000. However, the second highest amount was not for low-income independent students, but for high-income dependent. Students whose parents make \$80,000 or more received a median of \$3,000 in grants compared to \$2,785 for independent students making less than \$20,000. Independent students, regardless of income, tend to select modestly-priced two-year institutions over four-year by a two-to-one margin, but it is not known whether some students receive less grant aid because they attend less expensive schools, or whether they attend less expensive schools because they receive less grant aid. By lowering their educational expenses, students reduce their eligibility for aid. While grant aid opens access to higher education, it also provides many higher-income students with increased choice in selection from a diverse array of colleges.

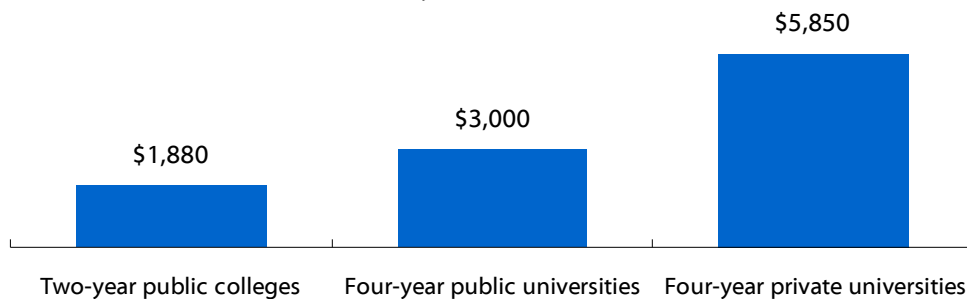
* The U.S. Department of Education defines an independent undergraduate as age 24 or older, married, with dependents to support, a veteran, or orphan or ward of the court. Students who do not meet these criteria, but who receive no financial support from their parents, may also be considered independent. Independent students' income includes spouse's, if any. About 42 percent of independent undergraduates in Texas are married. ** Data on students who attended for-profit institutions are not available. *** A median is the point at which 50 percent of grant recipients received more and 50 percent received less. A median represents a typical student grant better than an average because students who received large grants skew the average, making it a less reliable gauge than the median.

Undergraduates at Private Universities in Texas Are Twice as Likely to Receive Grants as Students at Community Colleges

Percent of Undergraduates in Texas Who Received Grant Aid, by School Sector (AY 2003-2004)



Median Total Grant Aid for Undergraduates in Texas Who Received Grants, by School Sector (AY 2003-2004)



Undergraduates at private universities in Texas, which tend to be more expensive than publicly subsidized colleges*, are twice as likely to receive grants, including scholarships, as students at community colleges. At four-year private universities, 75 percent of undergraduates received some form of grant aid in Award Year (AY) 2003-2004, with a median** of \$5,850 received by those who received grants. At four-year public universities about half of undergraduates received grant aid with a median of \$3,000 received, and at two-year public colleges 38 percent of students received grants with a median of \$1,880. Eighty percent of students at two-year public colleges attend less than full-time/full-year*** which reduces costs and lowers aid eligibility, versus 45 percent and 41 percent, respectively, at public and private universities.

* Weighted for enrollment, the total AY 2003-2004 cost of attendance (tuition and fees, books and supplies, food and housing, transportation, and personal expenses) for a full-time student was \$24,453 at private universities in Texas, \$13,842 at public four-year universities, and \$10,759 at public two-year colleges.

** A median is the point at which 50 percent of recipients received more in grants and 50 percent received less. A median represents a typical student better than an average because students who received large grants skew the average, making it a less reliable gauge than the median.

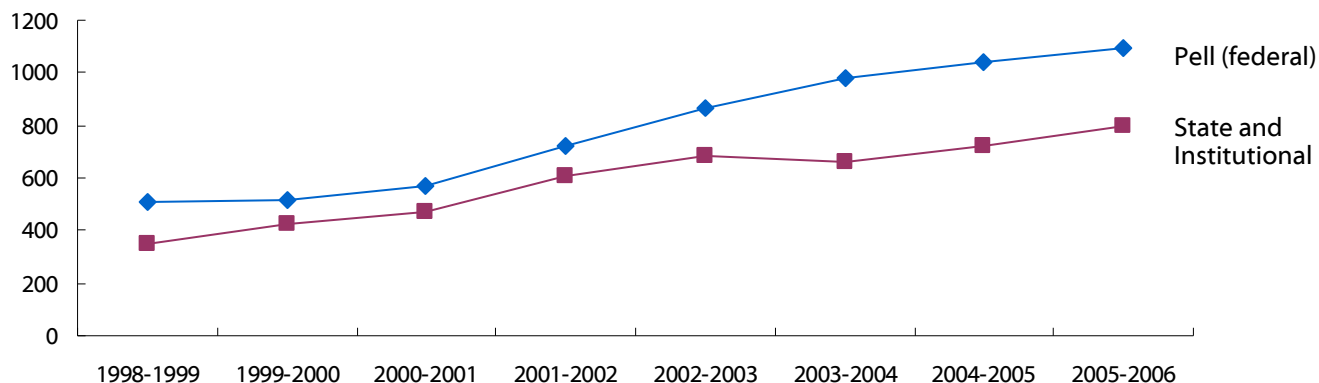
*** Full-time/full-year students are those who took a full course load, usually 12 or more credit hours in the fall and spring semesters, for at least nine months between July 1, 2003, and June 30, 2004. Students who attended less than full time/full year either took a full course load but for less than nine months, or did not take a full course load.

Sources: Cost of attendance: U.S. Department of Education, National Center for Education Statistics, IPEDS Peer Analysis System Dataset Cutting Tool (costs have been weighted for enrollment) (<http://nces.ed.gov/ipedsas/specifyLinchPin.asp>); All other: U.S. Department of Education, National Center for Education Statistics, "National Postsecondary Student Aid Study (NPSAS) 2004" (<http://www.nces.ed.gov/das/>).



Majority of Grant Aid in Texas Comes from Federal Government

Total Grant Aid Awarded per Award Year in Texas, in Millions of Dollars



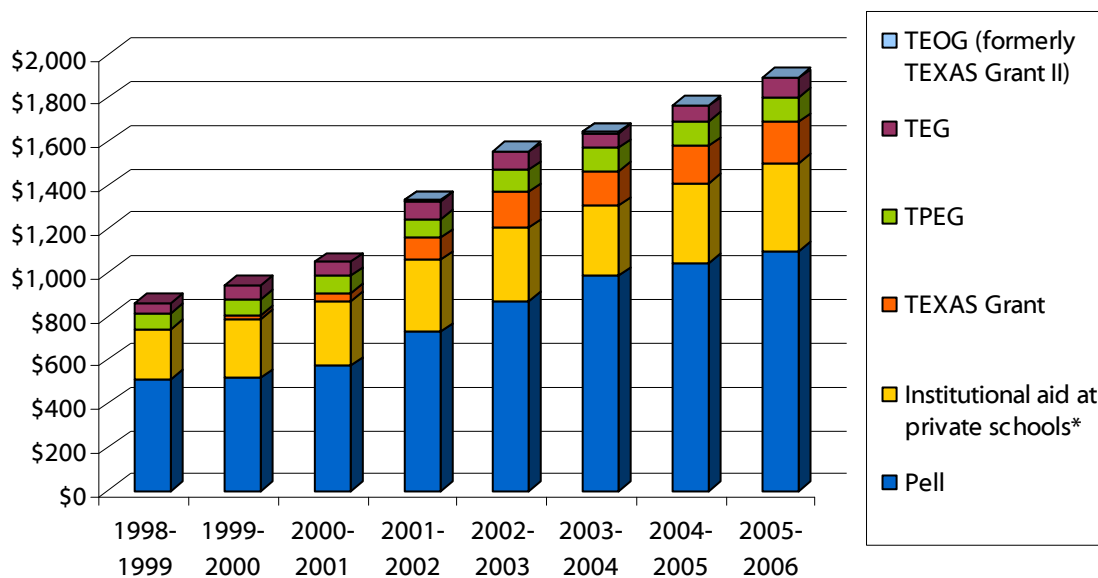
The largest grant program in Texas and the nation is the federal Pell grant, which is only for undergraduate students who demonstrate financial need. Pell grants, which provide 58 percent of the grant aid in Texas, have grown in amount since the beginning of the decade, but have declined a little this year compared to the past several years. In Award Year (AY) 2005-2006, \$845 million in Pell grants was distributed at colleges and universities in Texas and \$250 million was distributed at for-profit schools, for a total of \$1.095 billion. The total amount in Pell grants distributed in Texas during AY 2005-2006 represents a \$54 million increase from AY 2004-2005.

In AY 2005-2006, state and institutional grants made up 42 percent of the total aid awarded in grants to Texas higher education students. Between AY 2004-2005 and AY 2005-2006, the amount awarded increased by \$73 million, from \$723 million to \$796 million, over half of which (\$405 million) was made up of institutional grants.

Sources: Private institutional aid: Independent Colleges and Universities of Texas (ICUT) "Annual Statistical Report", November 2007 (<http://www.icut.org/publications.html>); Pell data: U.S. Department of Education, "Federal Pell Grant Program End of Year Reports" (<http://www.ed.gov/finaid/prof/resources/data/ope.html>); All other grants: Texas Higher Education Coordinating Board (THECB) "2006 Bentson Report," Austin, Texas (Unpublished tables).



One-half of Non-federal Grant Aid Comes from Private Institutions



After the federal Pell Grant, the second largest source of grant aid in Texas is institutional aid. In AY 2005-2006, private colleges and universities gave out \$405 million in institutional aid to undergraduate and graduate students. This was an increase of \$37 million from the prior year.

The TPEG (Texas Public Educational Grant) is funded through schools' tuition revenue, and is considered an institutional grant. In AY 2005-2006, \$114 million was distributed in TPEG awards to undergraduate and graduate students.

State grants comprise the smallest source of grant aid in Texas. There are three main state grants, of which the largest is the TEXAS (Towards EXcellence, Access, and Success) Grant.* In AY 2005-2006, \$186 million in TEXAS Grants was awarded, an increase of about \$18 million from the previous year. In AY 2005-2006, more than 34,000 needy students — over one-third of those eligible to receive a TEXAS Grant — did not receive one. It is estimated that, at currently proposed funding levels, the TEXAS Grant will fail to serve 36,804 students in the 2006-2007 academic year and an additional 38,106 the following year.

The TEG (Tuition Equalization Grant) is a state grant for students attending private non-profit colleges and universities in Texas. In AY 2005-2006, \$87 million in TEG was awarded to undergraduate and graduate students.

The TEOG (Texas Educational Opportunity Grant, formerly TEXAS Grant II) is a state grant for undergraduates attending public two-year schools. In AY 2005-2006, \$4 million was awarded for TEOG.

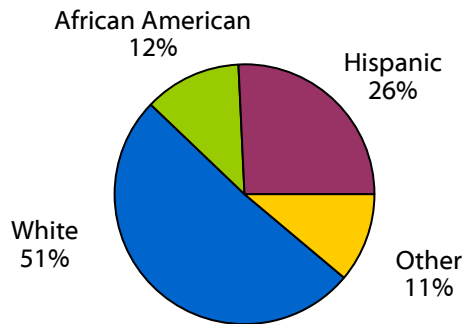
* TEXAS Grant recipients must 1) have completed either the Recommended High School Program (RHSP) or Distinguished Achievement Program (DAP) and enrolled in an undergraduate program in a Texas college or university within 16 months or 2) have earned an associate's degree from a public technical, state or community college in Texas no earlier than May 1, 2001 and enrolled in any public university in Texas no more than 12 months after receiving the associate's degree.

Sources: Private institutional aid: Independent Colleges and Universities of Texas (ICUT) "Annual Statistical Report", November 2007, (<http://www.icut.org/publications.html>); Pell data: U.S. Department of Education, "Federal Pell Grant Program End of Year Reports," (<http://www.ed.gov/finaid/prof/resources/data/ope.html>); All other grants: Texas Higher Education Coordinating Board (THECB) "2006 Bentson Report," Austin, Texas (Unpublished tables); TEXAS Grant shortfall AY 2004-2005: THECB, "TEXAS Grant Program Projections as of May 2004" (internal memo); TEXAS Grant shortfall projections AY 2006-2007 and AY 2007-2008: THECB, "TEXAS Grant 5% cut VS TEG-THECB.xls" (July 2006) (internal spreadsheet); Grant qualifications and grant availability: THECB "College for Texans" Web site (<http://www.collegefortexans.com/paying/finaidtypes.cfm>).

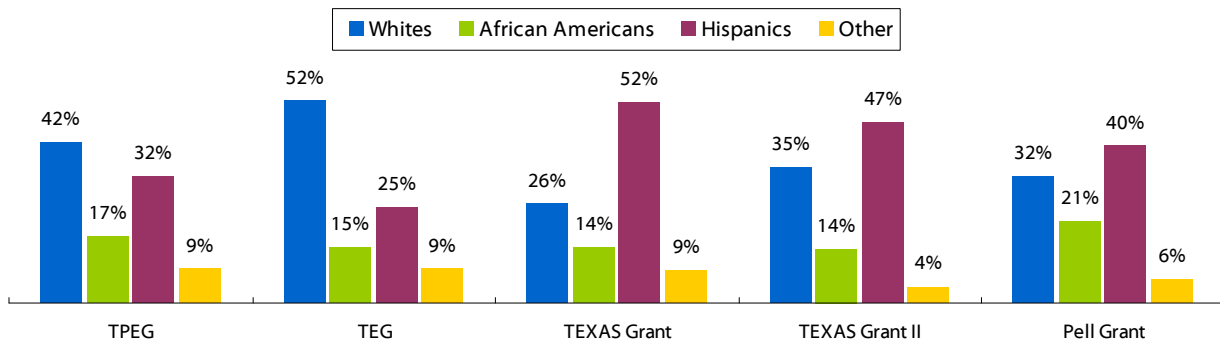


Grant Recipients in Texas are Ethnically Diverse

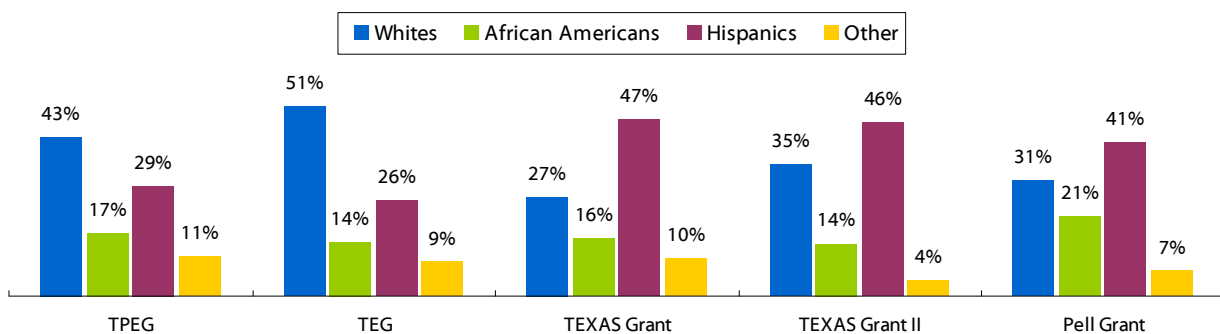
Enrollment by Ethnicity (Fall 2006)



Grant Recipients by Ethnicity (Award Year 2006-2007)



Award Amount by Ethnicity (Award Year 2006-2007)



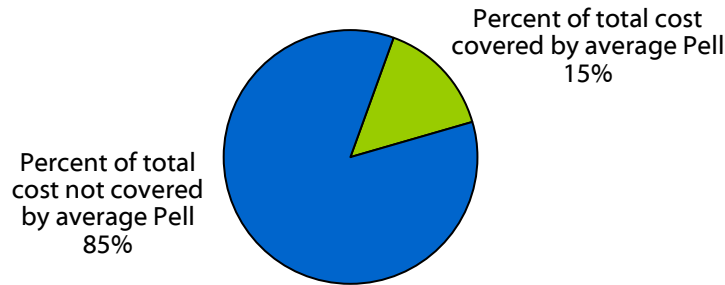
Allocation of grant aid in Texas reflects the ethnic diversity of the state. Approximately 65 percent of TEXAS Grant and TEOG (formerly TEXAS Grant II) recipients are either Hispanic or African American. Percentages for the Tuition Equalization Grant (TEG) and Texas Public Educational Grant (TPEG) are somewhat less — 40 percent and 46 percent, respectively.

Sources: Public enrollment by ethnicity: Texas Higher Education Coordinating Board (THECB) PREP Online (http://www.txhighereddata.org/Interactive/PREP_New/); Private enrollment by ethnicity: Independent Colleges and Universities of Texas (ICUT), "Annual Statistical Report", November 2007 (http://www.icut.org/documents/ICUT2007ReportFinal_000.pdf); All other: THECB "Financial Aid Database for AY 2006-2007." Austin, Texas, 2008. (Unpublished tables).



The Value of the Federal Pell Grant Continues to Decline

Percent of Average Total Cost of Two Semesters of Full-time Attendance at a Public Four-year University in Texas Which is Covered by the Average Pell Grant (AY 2006-2007)



Change in Average Pell Grant Over Previous Award Year and Increase in the Average Total Cost of Two Semesters of Full-time Attendance at a Public Four-year University in Texas and the U.S.

Award Year	Change in Average Pell Grant in U.S.	Increase in Cost in Texas	Increase in Cost in U.S.
2002-2003	\$121	\$860	\$799
2003-2004	-\$17	\$773	\$985
2004-2005	-\$76	\$1,204	\$956
2005-2006	-\$106	\$778	\$842
2006-2007	-\$78	\$999	\$956

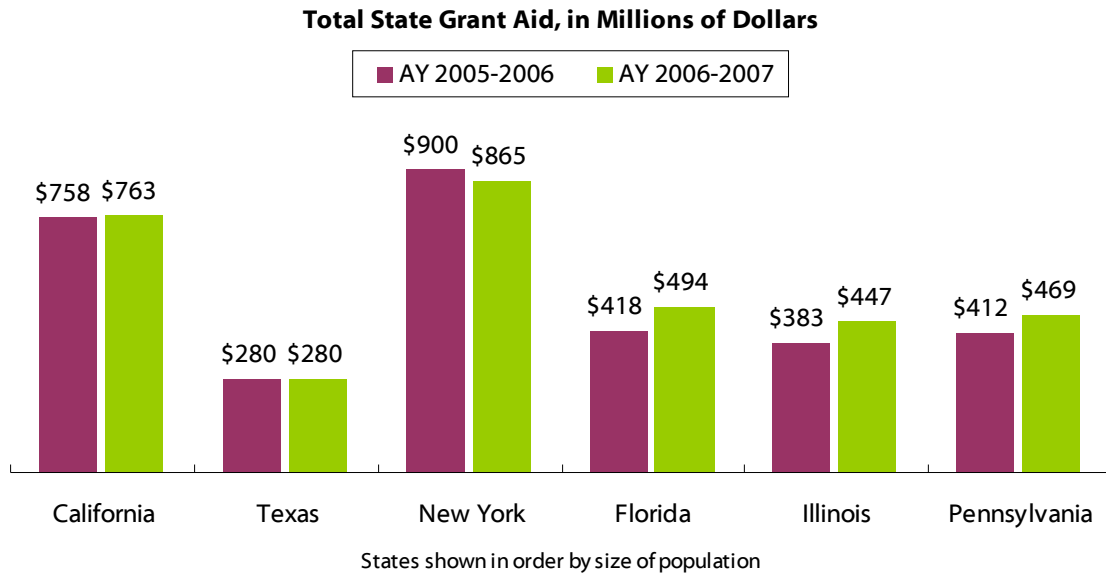
The buying power of the largest grant program in the U.S. as well as in Texas, the federal Pell Grant, has declined over the last three decades. Originally designed as the foundation for student aid packaging, the Pell Grant is only allocated to the neediest of undergraduates. However, in Award Year (AY) 2006-2007, the average Pell Grant in the U.S., at \$2,540, covered about 15 percent of the average total costs (defined as tuition and fees, food and housing, books and supplies, transportation, and personal expenses) for undergraduates at public four-year universities in Texas. Overall, Pell funding has been increasing in recent years, but the number of recipients is also increasing due to, among other things, an increase in the cost of attending college. The average Pell Grant per student has not kept pace with rising costs. The average Pell Grant in the U.S. decreased by \$78 between AY 2005-2006 and AY 2006-2007, while total costs at four-year public universities increased by \$956 in the U.S. and \$999 in Texas.

The maximum Pell Grant was \$4,050 in AY 2006-2007. Starting in AY 2007-2008, the Pell Grant maximum increased and will continue to increase to \$5,400 by 2012.

Sources: Cost of attendance: U.S. Department of Education, National Center for Education Statistics, IPEDS Peer Analysis System Dataset Cutting Tool (costs have been weighted for enrollment) (<http://nces.ed.gov/ipedsas/specifyLinchPin.asp>); Pell: U.S. Department of Education, *The Federal Pell Grant Program End of Year Report, 2006-2007* (<http://www.ed.gov/finaid/prof/resources/data/ope.htmlf>).



Texas State Grant Aid Increases



In Award Year (AY) 1996-1997, Texas spent only \$48 million in state grant aid. Although Texas had the second largest college-aged population, it ranked last among the six largest states, spending less than half what was spent by the next lowest state, Florida. Then, with the establishment of the TEXAS (Toward EXcellence Access, & Success) Grant* program in 1999, state grant aid began to increase and reached \$280 million for both AY 2005-2006 and AY 2006-2007.** However, Texas still ranks last among the largest states. In AY 2006-2007 Texas spent a little more than a third of what was spent by California, and less than a third of what was spent by New York. For Fiscal Year (FY) 2006-2007, TEXAS Grant funding was \$175 million. In anticipation of a significant growth in the number of students eligible for the Texas Grant,** the 80th Texas Legislature increased appropriations for the program considerably for the current biennium. Nevertheless, the Texas Higher Education Coordinating Board (THECB) estimates that almost half of students eligible for the TEXAS Grant will not receive one during this period.

Student grant aid may be based on financial need, academic merit, a combination of need and merit, or other factors. In Texas, most state grant aid has a need-based component.

* To receive a TEXAS Grant a student must have completed either the Recommended High School Program (RHSP) or Distinguished Achievement Program (DAP) and enrolled in an undergraduate program in a Texas college or university within 16 months or 2) have earned an associate's degree from a public technical, state or community college in Texas no earlier than May 1, 2001 and enrolled in any public university in Texas no more than 12 months after receiving the associate's degree. To remain eligible for the grant, students must maintain a Grade Point Average (GPA) of 2.5 on a 4.0 scale.

**State grant aid does not include institutional aid, such as the Texas Public Educational Grant (TPEG). Institutional grant aid comes from the school's own revenue sources, such as tuition, fees, and returns on investments, and is often viewed as a form of tuition discounting. TPEG and Student Deposit Scholarships reported to the National Association of State Student Grant and Aid Programs (NASSGAP) for AY 2006-2007 have been subtracted from NASSGAP's state grant aid data for Texas.

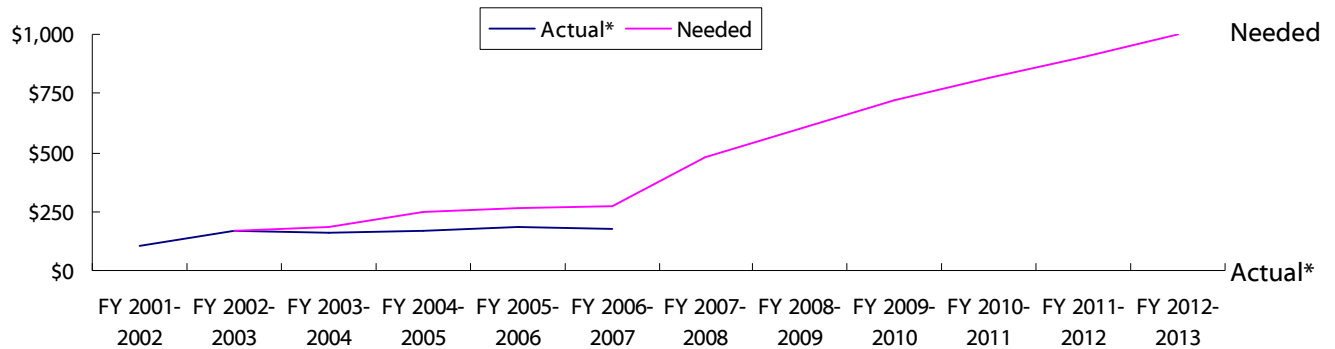
*** Fall 2008 marked the entry into college of the first cohort of students who graduated from high school since the RHSP became the default curriculum for graduation. The change in the default curriculum has resulted in a significant increase in the number of students eligible for the TEXAS Grant.

Source: TEXAS Grant amount: Texas Higher Education Coordinating Board (THECB), "Bentson Report" (unpublished tables) TEXAS Grant shortfall: THECB, "Recommendations Relating to the Feasibility Study for Restructuring Texas Student Financial Aid Programs, November 2008" (<http://www.thecb.state.tx.us/reports/PDF/1671.PDF>); All other: National Association of State Student Grant and Aid Programs. 38th Annual Survey Report on State-Sponsored Student Financial Aid. 2008 (www.nassgap.org).



Many Eligible Students Are Not Receiving the TEXAS Grant

Actual TEXAS Grant Allocations and Amount Needed to Cover All Eligible Needy Students, in Millions of Dollars



* Actual amounts for the future will be determined by the Legislature.

The Texas Legislature created the TEXAS (Toward EXcellence, Access, and Success) Grant in 1999 to help needy undergraduates pay tuition and fees comparable to what one would spend at a typical public four-year or two-year institution in Texas. To qualify, students must graduate from high school with a Recommended or Distinguished* diploma rather than the minimum and enroll in a college or university in Texas within 16 months.** Initially, only 15 percent of Texas high school graduates had taken the courses to qualify for the TEXAS Grant. With greater public awareness and a 2001 law mandating the Recommended diploma as the default for entering high school freshmen beginning in 2004, the percentage of students graduating with either Recommended or Distinguished credentials increased to 68 percent in 2004 and 78 percent in 2007. The percentage for the Class of 2008 will be even higher, as the Recommended diploma is the default curriculum for these (and future) Texas high school graduates.

The program seemed to work. More needy students were taking the tougher courses and money became available to help them pay for college. However, state funding has remained flat, while the average grant amount has risen since (1) it is pegged to average tuition and fees for undergraduates at Texas public institutions, which have risen sharply since the program was created, and (2) the number of eligible students has exceeded expectations. More than 64,000 new and returning*** needy students received a TEXAS Grant in Fiscal Year (FY) 2003-2004, but only 33,000 students did in FY 2004-2005. Although 61,000 TEXAS Grants were awarded in FY 2005-2006, the Texas Higher Education Coordinating Board (THECB) reports that 34,000 needy students — over one-third of those eligible — did not receive the grant this year. Funding for the TEXAS Grant has increased to \$428 million. Yet, the THECB estimates that, at currently proposed funding levels, the TEXAS Grant will fail to serve half of the students eligible for the award during FY 2008-2009.

* The Recommended and Distinguished programs better prepare students for college than the minimum curriculum by requiring additional credits in science, social studies, and foreign language.

** Students awarded an associate’s degree from a public technical, state or community college in Texas no earlier than May 1, 2001 may also qualify for the TEXAS Grant. Recipients must enroll in any public university in Texas no more than 12 months after receiving the associate's degree.

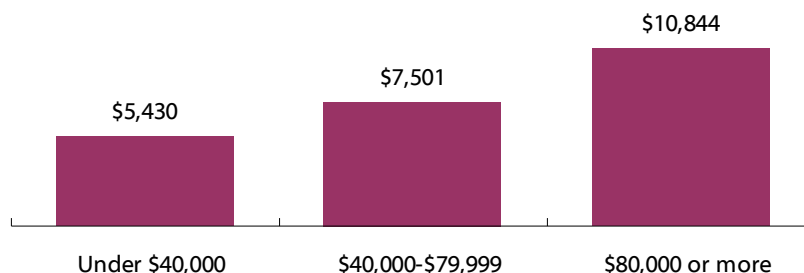
*** TEXAS Grant recipients are eligible to continue to receive the grant if they maintain an overall Grade Point Average (GPA) of 2.5 on a 4.0 scale.

Sources: TEXAS Grant requirements: Texas House Bill 713, 76th Legislature (1999); Recommended diploma mandate: Texas House Bill 1144, 77th Legislature (2001) (<http://www.capitol.state.tx.us/tlo/77r/billtext/HB01144F.HTM>); Percent of students graduating with a Recommended or Distinguished diploma: Texas Education Agency, “Academic Excellence Indicator System” (<http://www.tea.state.tx.us/perfreport/aeis/2008/state.html>); TEXAS Grant shortfall AY 2004-2005: THECB, “TEXAS Grant Program Projections as of May 2004” (internal memo); TEXAS Grant shortfall projections AY 2006-2007 and AY 2007-2008: THECB, “TEXAS Grant 5% cut VS TEG-THECB.xls” (July 2006) (internal spreadsheet); TEXAS Grant Projections FY 2005-2006 through FY2012-2013: THECB, “TEXAS Grant Program Projections as of March 2006” (internal memo); TEXAS Grant amount: THECB, “Bentson Report” (unpublished tables).

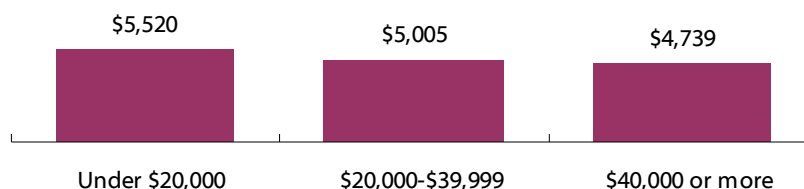


Net Price of Attendance for Low-income Undergraduates in Texas is More Than \$5,400

Median Net Price for Dependent Undergraduates in Texas by Parents' Income: Total Cost of Attendance* Minus All Grants (AY 2003-2004)



Median Net Price for Independent Undergraduates in Texas by Income: Total Cost of Attendance* Minus All Grants (AY 2003-2004)**



The net price of attendance for a student at an institution of higher education is defined as the student's total cost of attendance* minus the total grants and scholarships he or she receives. In Award Year (AY) 2003-2004, the median** net price of attendance for low-income students was \$5,430 for dependent students whose parents earn less than \$40,000, and \$5,520 for independent students earning less than \$20,000.*** This was the amount that students or their families had to cover through work, loans, or savings. The amount that dependent students had to cover rose with parental income, perhaps reflecting the fact that students from higher-income families are more likely to attend higher-cost institutions than students whose parents earn less money. For independent undergraduates, however, net price was actually higher for low-income students than for high-income. The median net price of \$5,520 for those earning less than \$20,000, who represent 38 percent of all independent undergraduates, represented more than one-fourth of the income of someone earning \$20,000.

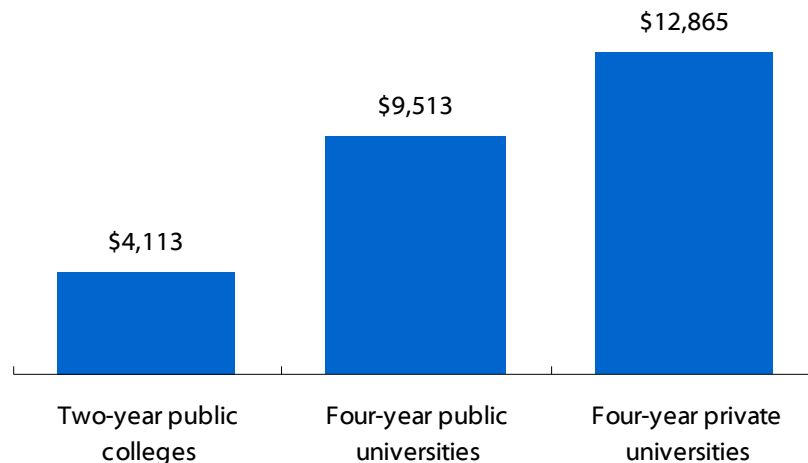
* Tuition and fees, books and supplies, food and housing, transportation, and other expenses, for a full-time student for nine months. Full-time students in the National Postsecondary Student Aid Study (NPSAS) are those who took 12 or more credit hours in the fall and spring semesters. For students who took fewer hours, costs have been adjusted to reflect what they would have been if they had taken 12 hours.

** A median is the point at which 50 percent of students had a higher net price and 50 percent had lower. A median represents a typical student better than an average because students who had a high net price skew the average, making it a less reliable gauge than the median.

*** The U.S. Department of Education defines an independent undergraduate as age 24 or older, married, with dependents to support, a veteran, or orphan or ward of the court. Students who do not meet these criteria, but who receive no financial support from their parents, may also be considered independent. In Texas, 49 percent of undergraduates are dependent and 51 percent are independent. Independent students' income includes spouse's, if any. About 42 percent of independent undergraduates in Texas are married.

Net Price of Attendance at Public Institutions in Texas is More Than \$4,100 at Two-year Schools and \$9,500 at Four-year Schools

**Median Net Price for Undergraduates in Texas, by School Sector:
Total Cost Minus All Grants and Scholarships (AY 2003-2004)**



The net price of attendance for a student at an institution of higher education is defined as the student's total cost of attendance* minus the total grants and scholarships he or she receives. At public institutions, which enroll 90 percent of all students in Texas, the median** net price of attendance for Award Year (AY) 2003-2004 was \$4,113 at two-year institutions and \$9,513 at four-year institutions. The weighted*** average total price at Texas two-year institutions in AY 2003-2004 was \$10,759, and has increased about \$100 between AY 2003-2004 and AY 2005-2006. At Texas public four-year institutions, the weighed average total price in AY 2003-2004 was \$13,842, and has increased by more than \$2,100 in two years.

The weighted average total price of attendance at Texas private four-year universities in AY 2003-2004 was \$24,453, and increased by more than \$3,000 from AY 2003-2004 to AY 2005-2006. For private four-year universities, net price was \$12,865. These are the amounts that students (or, for dependent students, their parents) had to cover through work, loans, or savings.

* Tuition and fees, books and supplies, food and housing, transportation, and other expenses, for a full-time student for nine months. Full-time students in the National Postsecondary Student Aid Study (NPSAS) are those who took 12 or more credit hours in the fall and spring semesters. For students who took fewer hours, costs have been adjusted to reflect what they would have been if they had taken 12 hours.

** A median is the point at which 50 percent of students had a higher net price and 50 percent had lower. A median represents a typical student better than an average because students who had a high net price skew the average, making it a less reliable gauge than the median.

*** An institution's costs are multiplied by its enrollment. The sum of costs for all schools is then divided by full-time, undergraduate enrollment, such that schools with higher enrollments are given greater weight. See glossary for clarification.

Source: Costs and Enrollments for 2003-2004: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS) 2003 (<http://nces.ed.gov/ipeds/>); Costs and Enrollments for 2005-2006: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS) 2005 (<http://nces.ed.gov/ipeds/>); All else: U.S. Department of Education, National Center for Education Statistics, "National Postsecondary Student Aid Study (NPSAS) 2004" (<http://www.nces.ed.gov/das/>).



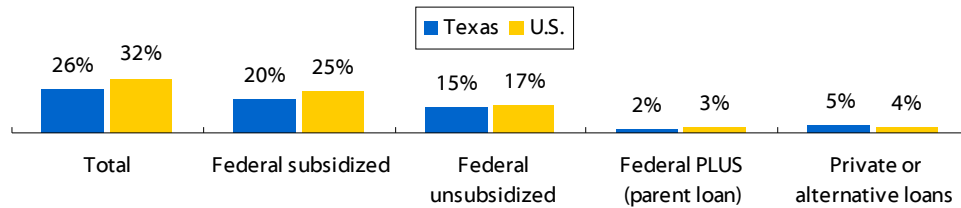
Section 6

Loans, Unmet Need, and Work

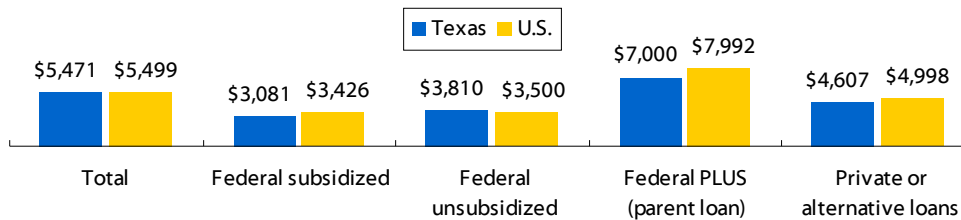


Three-fourths of Undergraduates in Texas Do Not Take Out Loans

Percent of Undergraduates in Texas and the U.S. Who Took Out Any Loans, Total and by Source (AY 2003-2004)



Median Total Loan Amount for Undergraduates in Texas and the U.S. Who Took Out Loans, by Source (AY 2003-2004)



A little more than one-fourth of undergraduates in Texas* took out a loan to pay for their education during Award Year (AY) 2003-2004. Loans from the federal government dwarfed those from other sources, with about 20 percent of undergraduates taking out subsidized loans and 15 percent taking out unsubsidized.** Only 2 percent of students had parents who took out a federal PLUS loan, and only 5 percent of students took out loans from outside entities such as private foundations or employers. Loans from the state or schools themselves are the smallest source of loans. Fewer than 1 percent of undergraduates in Texas took out loans from these two sources. The two most common loans, subsidized and unsubsidized, provide the smallest median*** amount per student, in part because their maximum limits are capped.** By contrast, borrowers who take out private or PLUS loans tend to borrow relatively large amounts. The median PLUS loan itself is more than double that of the federal subsidized loan.

Some students may be reluctant to take out loans due to the fear that they will not be able to repay. The students who may have the most trouble repaying loans are those who do not complete their education. About 6.1 percent of borrowers at Texas four-year public universities who took out federal loans through TG and who entered repayment in Fiscal Year (FY) 2004 defaulted on their loans before the end of FY 2005, but this ranged from 1.5 percent of students who graduated to 10.5 percent of those who withdrew from school without graduating.

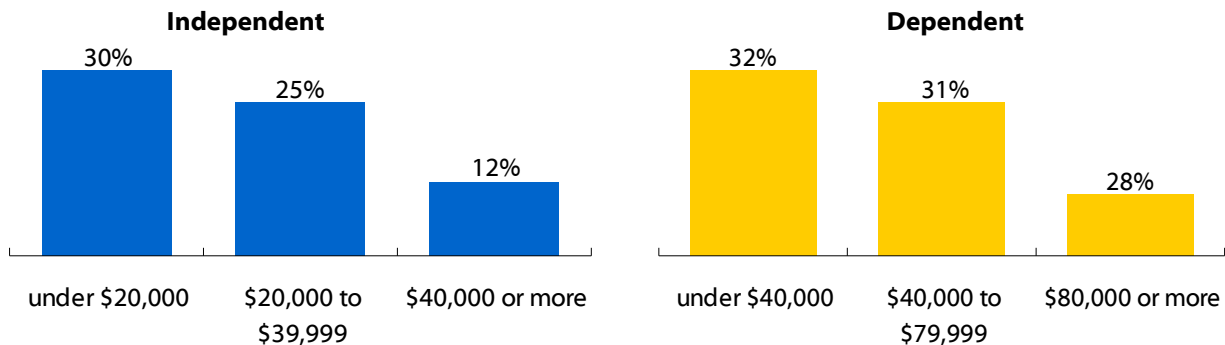
* Data on students who attended for-profit institutions are not available. ** Subsidized loans are for students who demonstrate financial need. The federal government pays the interest on them while the student is in school and for the first six months after the student leaves school. Unsubsidized loans are not need-based and the student must pay the interest. The maximum federal loan for a first-year student is capped at \$2,625 for dependent students and \$6,625 for independent. PLUS loans, which are unsubsidized, are only for parents of dependent students. The U.S. Department of Education defines an independent undergraduate as age 24 or older, married, with dependents to support, a veteran, or orphan or ward of the court. Students who do not meet these criteria, but who receive no support from their parents, may also be considered independent. In Texas, 49 percent of undergraduates are dependent and 51 percent are independent. *** A median is the point at which 50 percent of students had a higher loan amount and 50 percent had lower. A median represents a typical student better than an average because students who had a high loan amount skew the average, making it a less reliable gauge than the median.

Sources: Default rates: TG, Internal Database, 2007; U.S. Department of Education, National Center for Education Statistics, "National Postsecondary Student Aid Study (NPSAS) 2004" (<http://www.nces.ed.gov/das/>).

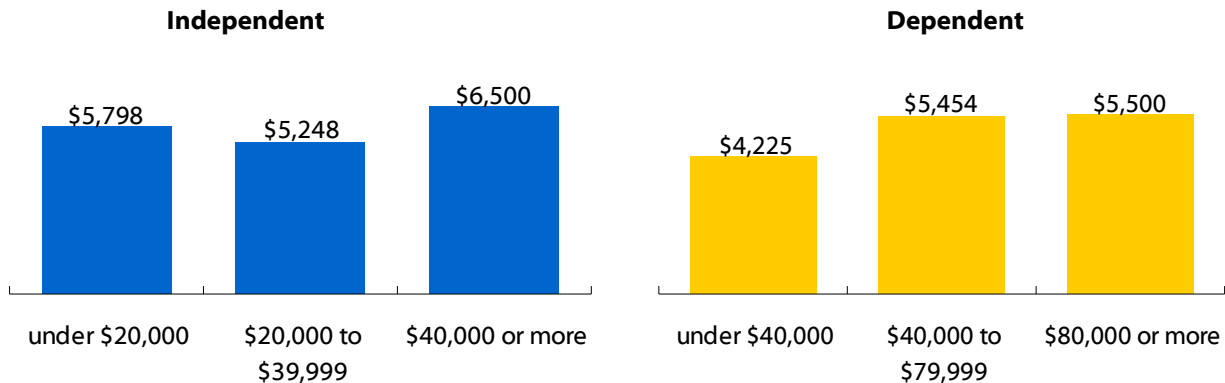


Low-income Independent Undergraduates in Texas Borrow a Large Amount Relative to Their Income

Percent of Undergraduates in Texas Who Took Out Any Loans, by Income* (AY 2003-2004)



Median Total Loan Amount for Undergraduates in Texas Who Took Out Loans, By Income* (AY 2003-2004)



Undergraduates in Texas* who are dependent on their parents are more likely to take out loans than undergraduates who are independent; but independent undergraduates,** when they do borrow, take out larger loans. Students who are independent of their parents and who earn less than \$20,000 per year took out a median*** of \$5,798 in loans in Award Year (AY) 2003-2004, compared to \$5,500 taken out by dependent students whose parents earn \$80,000 or more. Independent students in Texas tend to select modestly-priced two-year institutions over more expensive four-year institutions by more than a two-to-one margin. The larger loan amounts for independent undergraduates may be due in part to the fact that the largest source of student loans, FFELP loans, are capped for first-year students at \$2,625 for dependent students, but \$6,625 for independent. Students may use loans not only to pay tuition and fees, but other costs as well, such as food, housing, and transportation. Other adults must also pay these expenses, but students who wish to progress through school in a timely manner must forego full-time employment in order to pursue their studies.

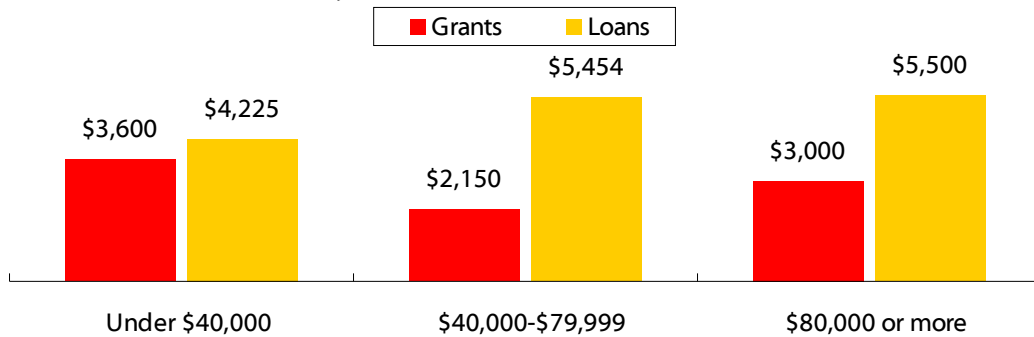
* Data on students who attended for-profit institutions are not available. ** The U.S. Department of Education defines an independent undergraduate as age 24 or older, married, with dependents to support, a veteran, or orphan or ward of the court. Students who do not meet these criteria, but who receive no financial support from their parents, may also be considered independent. In Texas, 49 percent of undergraduates are dependent and 51 percent are independent. Independent students' income includes spouse's, if any. About 42 percent of independent undergraduates are married. *** A median is the point at which 50 percent of students had a higher loan amount and 50 percent had lower. A median represents a typical student better than an average because students who had high loan amounts skew the average, making it a less reliable gauge than the median.

Source: U.S. Department of Education, National Center for Education Statistics, "National Postsecondary Student Aid Study (NPSAS) 2004" (<http://www.nces.ed.gov/das/>).

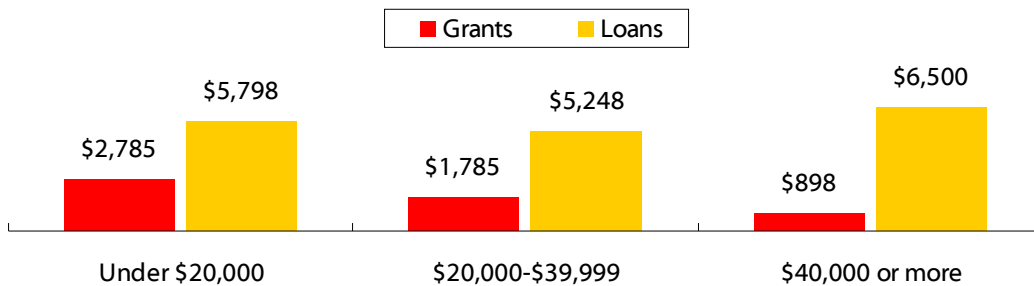


The Median Loan for Undergraduates in Texas Is Twice as Large as the Median Grant

Median Grant and Loan Aid for Dependent Undergraduates in Texas, by Parents' Income (AY 2003-2004)



Median Grant and Loan Aid for Independent Undergraduates in Texas, by Income (AY 2003-2004)



The amount that Texas undergraduates* take out in loans typically dwarfs what they receive in grants. The exception may be for dependent** students whose parents earn less than \$40,000. For this group, the median*** loan amount is only \$625 higher than the median grant amount. For dependent students whose parents make between \$40,000 and \$79,999, and for all independent students regardless of income,*** the median loan is more than twice as large as the median grant.

* Data on students who attended for-profit institutions are not available.

** The U.S. Department of Education defines an independent undergraduate as age 24 or older, married, with dependents to support, a veteran, or orphan or ward of the court. Students who do not meet these criteria, but who receive no financial support from their parents, may also be considered independent. In Texas, 49 percent of undergraduates are dependent and 51 percent are independent. Independent students' income includes spouse's, if any. About 42 percent of independent undergraduates are married.

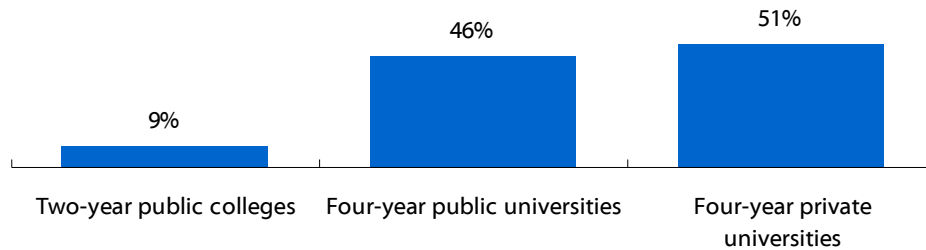
*** A median is the point at which 50 percent of students had a higher amount and 50 percent had lower. A median represents a typical student better than an average because students who had high amounts skew the average, making it a less reliable gauge than the median.

Source: U.S. Department of Education, National Center for Education Statistics, "National Postsecondary Student Aid Study (NPSAS) 2004" (<http://www.nces.ed.gov/das/>).

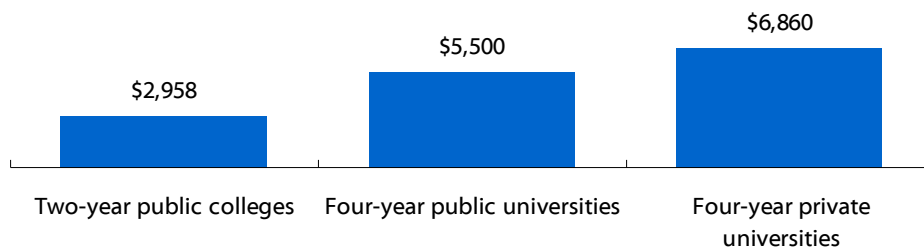


One-half of Undergraduates at Universities in Texas Take Out Loans Versus 9 Percent of Students at Community Colleges

Percent of Undergraduates in Texas Who Took Out Any Loans, by School Type (AY 2003-2004)



Median Total Loan Amount for Undergraduates in Texas Who Took Out Loans, by School Type (AY 2003-2004)



A little more than one-half of undergraduates* at four-year private universities in Texas and almost one-half at four-year public universities took out loans during Award Year (AY) 2003-2004. By contrast, just 9 percent of students at two-year public colleges took out loans, and the median amount** they borrowed was a good deal lower than for undergraduates at four-year institutions. Two-year institutions tend to be less expensive than four-year schools, but there may be other reasons why community college students borrow less. First, 42 percent of two-year students are the first in their family to attend college, versus 29 percent and 22 percent, respectively, at public and private universities. These “first-generation” students may be reluctant to take out student loans because they do not have a parent who completed college. Second, 54 percent of incoming students at Texas public two-year colleges need remediation, which increases the amount of time necessary to earn a degree and begin repaying a loan, versus only 30 percent of incoming students at public four-year universities. Finally, it should be noted that many community college students either do not intend to earn a bachelor’s degree or do not go on to earn a degree. Only about 25 percent of students entering Texas public two-institutions in fall 1998 transferred to a Texas public four-year institution within the number of years specified by their attendance and remediation status their first year.*** Since few students attending two-year schools earn a bachelor’s degree — and reap the financial benefits of the higher earning capacity associated with a four-year degree — their lower debt level appears to reflect a lower investment in their educational pursuits.

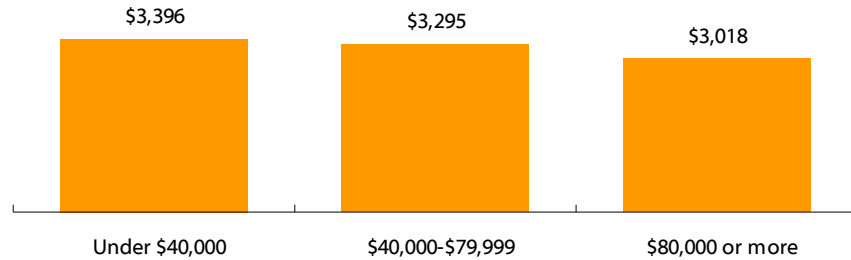
* Data on students who attended for-profit institutions are not available. ** A median is the point at which 50 percent of students had a higher amount and 50 percent had lower. A median represents a typical student better than an average because students who had high amounts skew the average, making it a less reliable gauge than the median. *** The Texas Higher Education Coordinating Board (THECB) tracks the percent of full-time students not receiving remediation who transfer within three years, full-time receiving remediation who transfer within four years, part-time not receiving remediation who transfer within five years, and part-time receiving remediation who transfer within seven years, with an overall rate for 1998 of 25 percent. Overall rates for more recent years are not available.

Sources: Percent entering 2-year schools who need remediation: Texas Higher Education Coordinating Board (THECB), *Institutional Effectiveness Measures and Standards 2006-2007* (<http://www.theccb.state.tx.us/AAR/UndergraduateEd/IE/ctciems/>); Percent entering four-year schools who need remediation: THECB, *Texas Public Universities’ Data and Performance Report*, Fall 2001 and Fall 2002 (<http://www.theccb.state.tx.us/UHRI/PerfRpt.htm>); Transfer rate: THECB, *Institutional Effectiveness Measures and Standards 2002-2003, 2003-2004, 2004-2005, and 2006-2007*; All other: U.S. Department of Education, National Center for Education Statistics, “National Postsecondary Student Aid Study (NPSAS) 2004” (<http://www.nces.ed.gov/das/>).

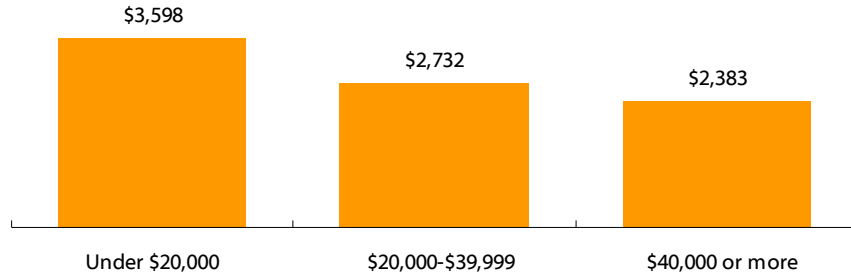


Unmet Need for Low-income Undergraduates in Texas Exceeds \$3,300

Median Unmet Need for Dependent Undergraduates in Texas by Parents' Income: Total Cost of Attendance Minus Expected Family Contribution (EFC) and All Aid Including Grants and Loans (AY 2003-2004)



Median Unmet Need for Independent Undergraduates in Texas by Income: Total Cost of Attendance Minus Expected Family Contribution (EFC) and All Aid Including Grants and Loans (AY 2003-2004)



Unmet need is defined as the student's total cost of attendance* minus his or her Expected Family Contribution** and all financial aid including both grants and loans. About 76 percent of Texas undergraduates*** who are dependent on their parents and whose parents earn less than \$40,000 per year had unmet need in Award Year (AY) 2003-2004, with a median**** unmet need of \$3,396. This is the amount that students must cover through work or savings, or that their parents must cover through additional work and savings over and above what they are already contributing to their child's education. Unmet need was slightly lower for students whose parents earn between \$40,000 and \$79,999 and for students whose parents earn \$80,000 or more, but the proportion of students with unmet need in these two income groups — 36 percent and 11 percent, respectively — was a good deal lower than for lower-income students. For undergraduates who are independent of their parents,***** unmet need among the lowest-income students — those earning less than \$20,000 — was \$3,598. Unmet need for independent students with higher incomes was lower than for dependent students with higher incomes, perhaps due to the fact that independent students, regardless of income, attend two-year institutions by a two-to-one margin. The proportion of independent undergraduates with unmet need was 76 percent, 55 percent, and 13 percent, respectively, across the three income brackets.

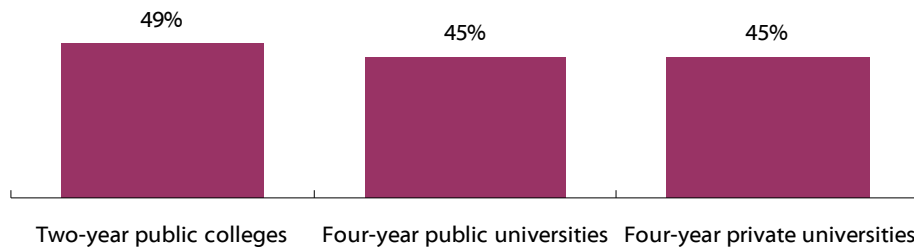
* Tuition and fees, books and supplies, food and housing, transportation, and other expenses for a full-time student for nine months. Data on college costs as they relate to unmet need come from the National Postsecondary Student Aid Study (NPSAS) 2004 and are for students who took 12 or more credit hours in the fall as well as the spring semesters. For students who took less than 12 hours, costs have been adjusted. ** EFC is determined through a federal formula that takes into account family income and size as well as the number of children in college. The average amount that families actually contribute to educational expenses is unknown. *** Data on students who attended for-profit institutions are not available. **** A median is the point at which 50 percent of students had a higher unmet need and 50 percent had lower. A median represents a typical student better than an average because students who had high unmet need skew the average, making it a less reliable gauge than the median. ***** The U.S. Department of Education defines an independent student as age 24 or older, married, with dependents to support, a veteran, orphan or ward of the court, or graduate student. Students who do not meet these criteria, but who receive no financial support from their parents, may also be considered independent. About 49 percent of undergraduates in Texas are dependent and 51 percent are independent. Income of independent students includes spouse's income if any. About 42 percent of independent undergraduates are married.

Source: U.S. Department of Education, National Center for Education Statistics, "National Postsecondary Student Aid Study (NPSAS) 2004" (<http://www.nces.ed.gov/das/>).

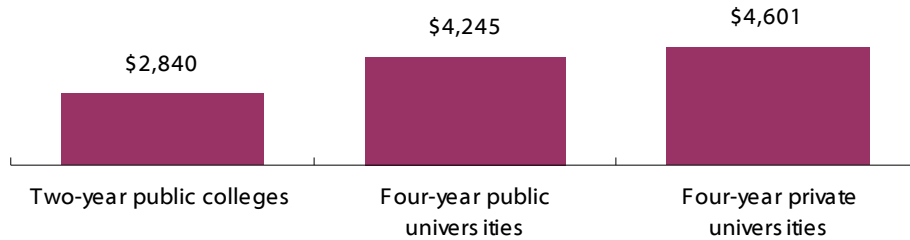


Unmet Need in Texas is More Than \$2,800 at Two-year Public Colleges and \$4,200 at Four-year Public Universities

Percent of Undergraduates in Texas with Unmet Need by School Type (AY 2003-2004)



Median Unmet Need by School Type in Texas: Total Cost of Attendance Minus Expected Family Contribution (EFC) and All Aid Including Grants and Loans (AY 2003-2004)



Unmet need is defined as the student's total cost of attendance* minus his or her Expected Family Contribution** and all financial aid including both grants and loans. Just under half of undergraduates in Texas*** had unmet need in Award Year (AY) 2003-2004, ranging from a median**** of \$2,840 at two-year public colleges, to \$4,245 and \$4,601, respectively, at four-year public and private universities. This is the amount that students must cover through work or savings, or, for dependent undergraduates,***** that their parents must cover through additional work or savings over and above what they are already contributing to their child's education. Although the average total cost of attendance at a four-year private university in Texas was more than \$10,000 higher than at a public university (\$24,453 versus \$13,842, respectively, for AY 2003-2004), unmet need was only \$356 higher.

* Tuition and fees, books and supplies, food and housing, transportation, and other expenses for a full-time student for nine months. Data on college costs as they relate to unmet need come from the National Postsecondary Student Aid Study (NPSAS) 2004 and are for students who took 12 or more credit hours in the fall as well as the spring semesters. For students who took less than 12 hours, costs have been adjusted.

** EFC is determined through a federal formula that takes into account family income and size as well as the number of children in college. The average amount that families actually contribute to educational expenses is unknown.

*** Data on students who attended for-profit institutions are not available.

**** A median is the point at which 50 percent of students had a higher unmet need and 50 percent had lower. A median represents a typical student better than an average because students who had high unmet need skew the average, making it a less reliable gauge than the median.

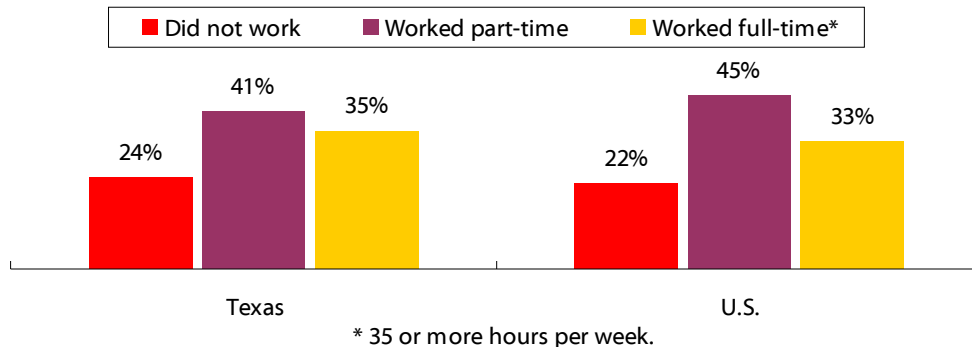
***** The U.S. Department of Education defines an independent student as age 24 or older, married, with dependents to support, a veteran, orphan or ward of the court, or graduate student. Students who do not meet these criteria, but who receive no financial support from their parents, may also be considered independent. About 49 percent of undergraduates in Texas are dependent and 51 percent are independent.

Sources: Costs for AY 2003-2004: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS) 2003 (<http://nces.ed.gov/ipeds/>); All other: U.S. Department of Education, National Center for Education Statistics, "National Postsecondary Student Aid Study (NPSAS) 2004" (<http://www.nces.ed.gov/das/>).

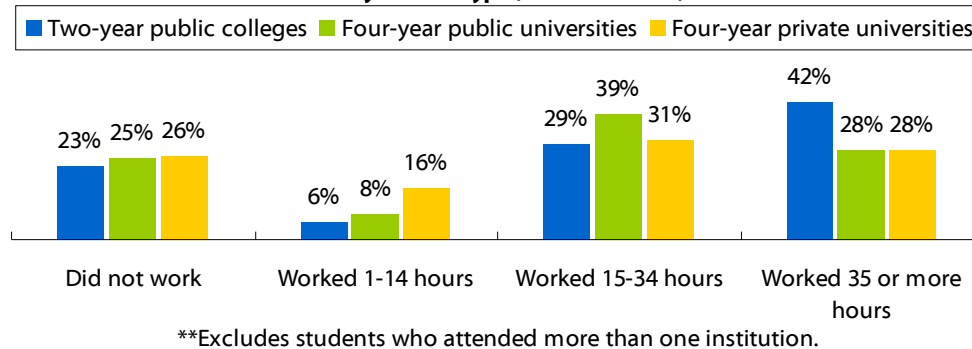


Students Work Long Hours: Three-fourths of Undergraduates in Texas Work While Enrolled in School

Work Status of Undergraduates in Texas and the U.S. While Enrolled in School (AY 2003-2004)



Percent Distribution of Undergraduates in Texas, by Hours Worked per Week While Enrolled and by School Type (AY 2003-2004)**



Work is the chosen financing method for the majority of students. Research suggests that the students who are the most likely to remain in school are those who work fewer than 15 hours per week while enrolled. In Texas, three-fourths of undergraduates* worked while enrolled in school in Award Year (AY) 2003-2004, and 35 percent worked full-time,** with an average of 31 hours worked per week among those who worked. Students at Texas two-year public colleges, who make up a majority of undergraduates in the state, are far more likely to work full time than their counterparts at public and private four-year universities, but the percent who work 15 or more hours per week remains high at all three types of institutions: 71 percent, 67 percent, and 59 percent, respectively. About 31 percent of Texas undergraduates who work define their primary role not as a student, but as “an employee enrolled in school”, while 69 percent describe themselves as “a student working to meet expenses”. Among the latter group — those who consider their primary role to be student — 65 percent say the main reason they work is to pay tuition, fees, or living expenses, while 22 percent say they work mainly to earn spending money. Although on-campus employment is strongly associated with modest work hours, 92 percent of working undergraduates in Texas work off-campus.

* Data on students who attended for-profit institutions are not available.

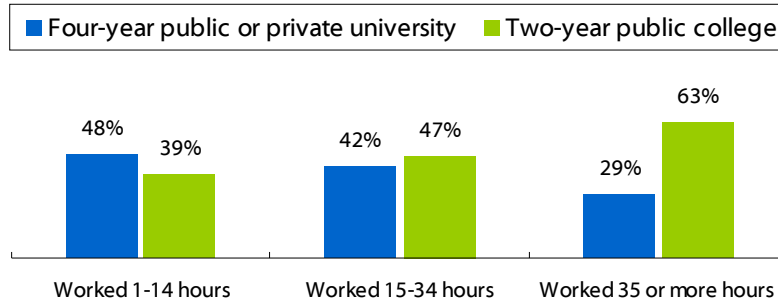
** 35 or more hours per week.

Sources: Benefits of working modest hours: American Council on Education, *Crucial Choices: How Students' Financial Decisions Affect Their Academic Success*. Jacqueline E. King. 2002 (www.acenet.edu/bookstore/pdf/2002_crucial_choices.pdf); All other: U.S. Department of Education, National Center for Education Statistics, “National Postsecondary Student Aid Study (NPSAS) 2004” (<http://www.nces.ed.gov/das/>).



Work Affects Attendance: Texas Undergraduates Who Work Full time Usually Attend Part time

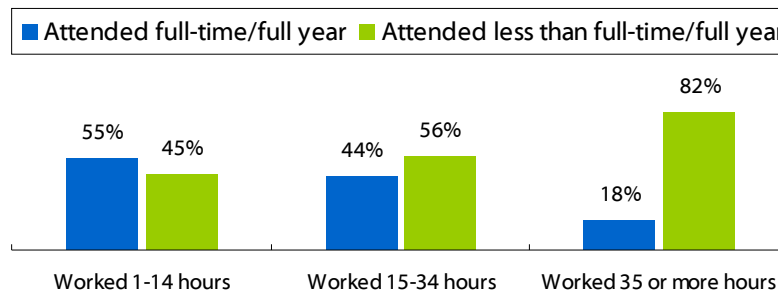
School Choice of Undergraduates in Texas, by Hours per Week Worked While Enrolled (AY 2003-2004)



While many students may consider work to be a logical method for financing a college education, too much work can jeopardize attendance, persistence, and degree completion, starting with the choice of which type of school to attend. The more that students work, the less likely they are to attend a school from which they can obtain a bachelor’s degree; undergraduates in Texas* who work part time are about as likely to choose a four-year institution as a two-year institution, but students who work full time** choose two-year schools by more than a two-to-one margin.

In addition to affecting school choice, long work hours can affect attendance intensity. Students who enroll on a full-time basis and devote most of their time to school are more likely to complete a degree in a timely manner than students who go to school part time. In Texas, 36 percent of undergraduates in Award Year (AY) 2003-2004 attended school full time/full year — that is, they took a full course load, usually 12 or more credit hours, for at least nine months. Students who attend less than full time/full year either take a full course load but for less than nine months, or do not take a full course load. Not surprisingly, the students who are most likely to attend full time are those who work modest hours: 55 percent of Texas undergraduates who work less than 15 hours per week attend school full time. By contrast, more than four-fifths who work full time attend school less than full time.

Attendance Intensity of Undergraduates in Texas, by Hours Worked While Enrolled (AY 2003-2004)



* Data on students who attended for-profit institutions are not available.

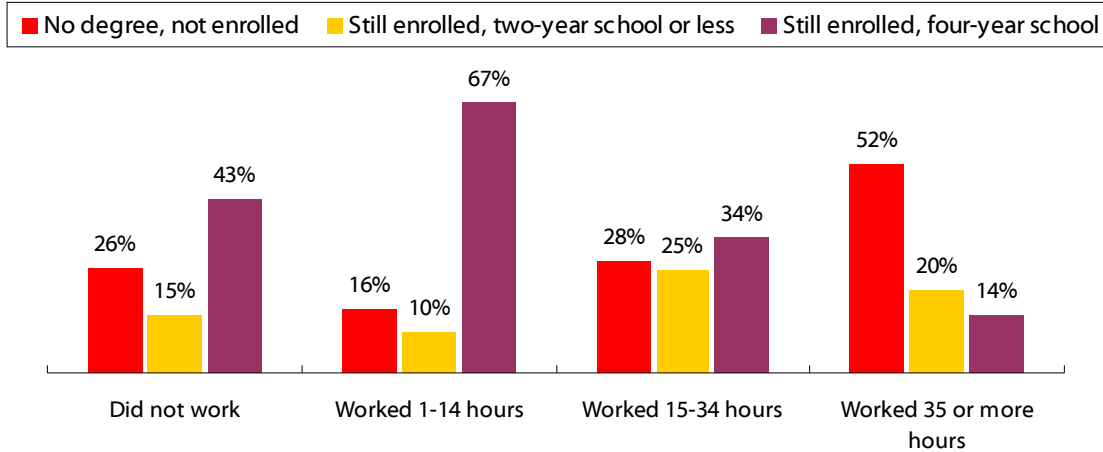
** 35 or more hours per week.

Source: U.S. Department of Education, National Center for Education Statistics, “National Postsecondary Student Aid Study (NPSAS) 2004” (<http://www.nces.ed.gov/das/>).



Work Affects Persistence: Fewer Than Half of U.S. Freshmen Who Work Full time Their First Year Remain in School for Three Years

Work and Persistence in School: Status in 1998 of Students Who Began Postsecondary Education in 1995, by Hours Worked per Week While Enrolled Their First Year (Students Who Obtained Certificate or Associate's Degree Not Shown)



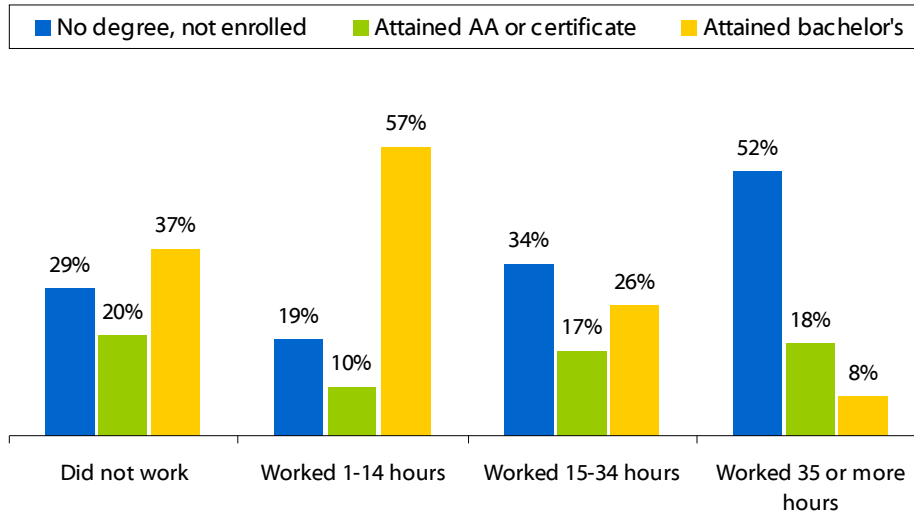
Research suggests that the students who are the most likely to remain in school are those who work fewer than 15 hours per week. Interestingly, students who work modest hours are even more likely to remain in school than students who do not work at all, perhaps because they learn to manage their time more effectively than students who do not work. Sixty-seven percent of freshmen who began postsecondary education in the U.S. in 1995 and who worked one to 14 hours per week their first year were still enrolled in a four-year school three years later. By contrast, fewer than half of freshmen who worked 35 or more hours per week their first year were still enrolled three years later, and only 14 percent were enrolled in a four-year school. Data on Texas undergraduates are not available.

Sources: Benefits of working modest hours: American Council on Education, *Crucial Choices: How Students' Financial Decisions Affect Their Academic Success*. Jacqueline E. King. 2002 (www.acenet.edu/bookstore/pdf/2002_crucial_choices.pdf); All other: U.S. Department of Education, National Center for Education Statistics, "Beginning Postsecondary Students (BPS): 2001" (www.nces.ed.gov/das).



Work Affects Completion: Only 8 Percent of U.S. Freshmen Who Work Full time Their First Year Complete a Bachelor's Degree in Six Years

Work and Degree Completion: Status in 2001 of Students Who Began Postsecondary Education in 1995, by Hours Worked Per Week While Enrolled Their First Year (Students Who Are Still Enrolled Not Shown)



Most undergraduates take more than four years to complete a bachelor's degree.* Reasons for this phenomenon vary, but include the following: (1) pursuing a degree that requires more than 120 credit hours, (2) pursuing more than one degree, (3) changing the degree plan or major, (4) taking extra courses beyond those needed to graduate, (5) leaving or "stopping out" of school for a while, and (6) transferring from one institution to another with possible credit transfer problems. For students who work full time, degree completion can take even longer, or not occur at all. Only 8 percent of students who began postsecondary education in the U.S. in 1995 and who worked 35 or more hours per week their first year had obtained a bachelor's degree by 2001, compared to 57 percent of those who worked only 1 to 14 hours per week. Among those who worked full time their first year, over half — 52 percent — had left higher education by 2001 without obtaining a certificate or degree of any kind. Data on Texas undergraduates, and on undergraduates who worked full time while enrolled in higher grade levels, are not available.

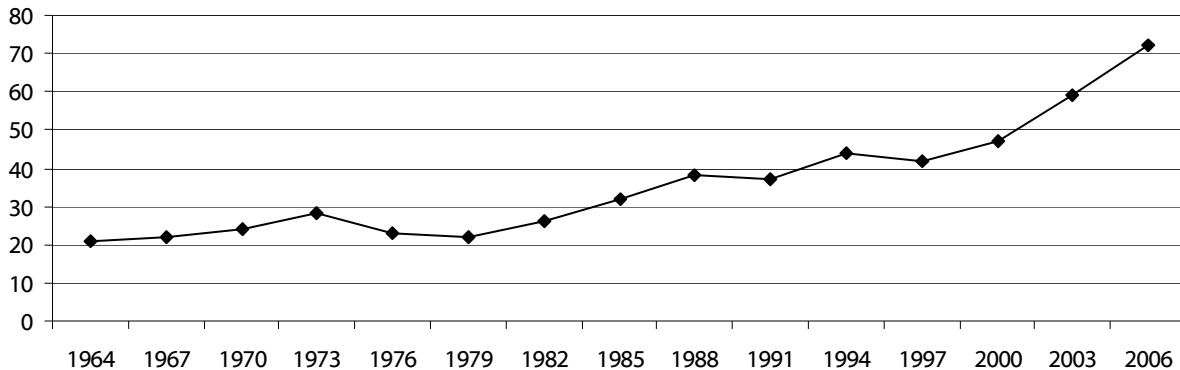
* Students in the U.S. who received bachelor's degrees in AY 1999-2000 and who had not stopped out of school for more than six months averaged 55 months from first enrollment to degree completion, with the number varying from 51 months for students who attended only one institution to 67 months for those who attended three or more.

Sources: Time to degree completion: U.S. Department of Education, *Condition of Education: Student Effort and Educational Progress* (<http://nces.ed.gov/programs/coe/2003/section3/indicator21.asp>); All other: U.S. Department of Education, *Beginning Postsecondary Students: 2001* ([www.nces.ed.gov/das](http://nces.ed.gov/das)).



A Student Working at Minimum Wage Must Work 72 Hours per Week to Pay for a Baccalaureate Education

Hours of Minimum Wage Work Needed to Pay for a Public University Undergraduate Education, 1964 to 2006



In earlier generations, some students paid their entire way through school and still managed to carry a full course load, but that is no longer feasible. How many hours would students need to work in order to pay their way through school today? From 1966 to 1981, a time in which the minimum wage increased fairly regularly, an industrious undergraduate could have paid for a year of education at a public university — including tuition, food, and housing — by working about 24 hours per week at a minimum wage job.

But in the early 1980s, as the cost of education began to climb and minimum wage increases became less frequent, the number of work hours needed to pay for education began to rise. By 1988, a student working at the then-minimum wage of \$3.35 per hour would have had to work 39 hours per week to put himself or herself through school. The number of work hours needed to pay for an undergraduate education continued to inch upward in the 1990s, then rose again sharply at the turn of the century. By 2006, as a result both of increased costs and stagnant wages, a student working at the minimum wage of \$5.15 per hour would have had to work 72* hours per week every week of the year in order to pay the tuition, fees, and living expenses associated with two semesters of attendance at a public university. Texas costs tend to be lower than the nation, which means a few less hours of work would be needed to pay for college. To pay for the total cost of two semesters of education at a Texas public university in 2006-2007, a student would have had to work 68** hours per week every week of the year.

This picture will improve when the 2007 student budget estimates come out because the minimum wage was increased in 2007 to \$5.85 per hour, after 10 years at \$5.15. The picture will continue to improve as minimum wage rises to \$6.55 in 2008 and \$7.25 in 2009.

*Postsecondary Education Opportunity estimated the 2006-2007 student budget at public universities at \$18,119. The current minimum wage is \$5.15 per hour, with 6.2 percent taken out for Social Security. At a net of \$4.83 per hour, a full-time student with no other financial aid or assets would have to work 3,751 hours per year, or 72 hours per week, to put himself or herself through school.

**The average total student budget, weighted for enrollment, at Texas public 4-year universities in 2006-2007 was \$17,196. At a net of \$4.83 per hour, a full-time student with no other financial aid or assets would have to work 3,560 hours per year, or 68 hours per week, to put himself or herself through school.

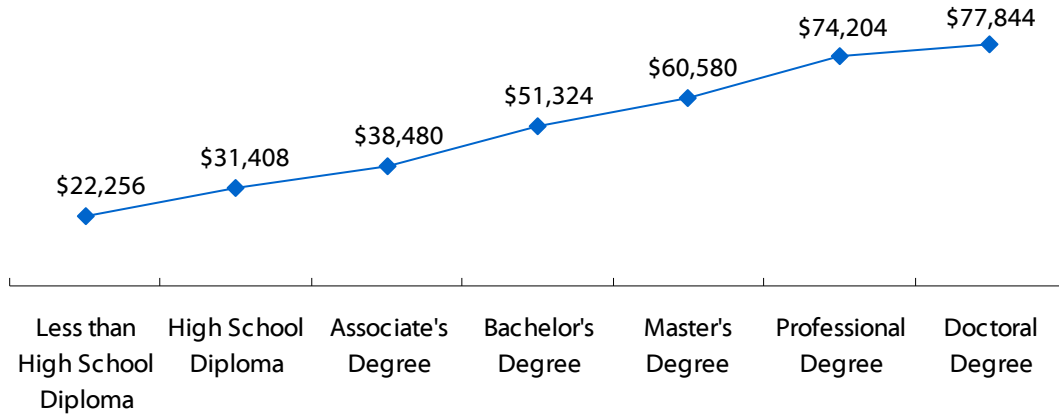
Sources: Minimum wage: U.S. Department of Labor, Employment Standards Administration, "History of Federal Minimum Wage Rates" (<http://www.dol.gov/esa/minwage/chart.htm>); U.S. Data: Postsecondary Education Opportunity, "I worked my way through college. You should too," 2008 update to *Research Newsletter*, Issue Number 125 (November 2002) (www.postsecondary.org); Texas Data: U.S. Department of Education, National Center for Education Statistics, IPEDS Dataset Cutting Tool (<http://www.nces.ed.gov/ipeds/>).



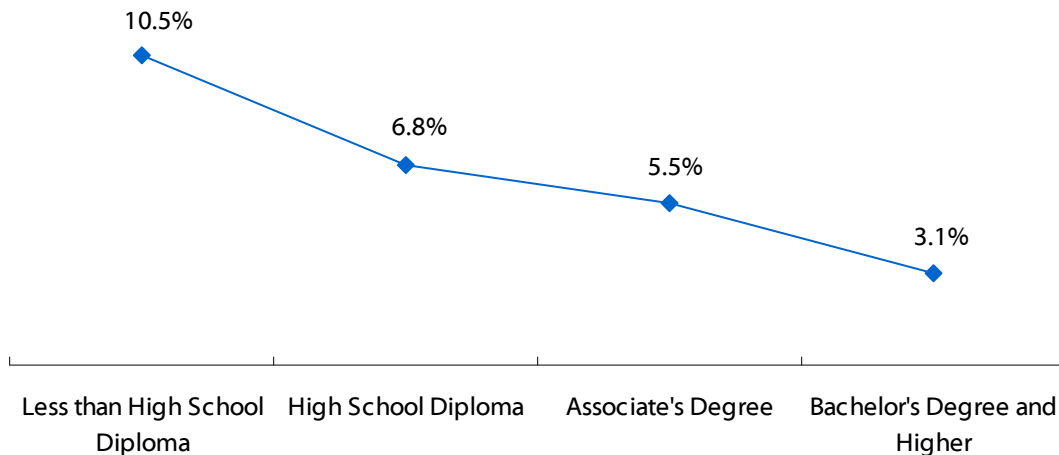
Texas College Attainment

College Graduates Earn Far More than High School Graduates Earn and Experience Less Unemployment

More Education Equals Higher Earnings: Median Earnings by Educational Attainment (2007)



Unemployment Rate by Educational Attainment (November 2008)



The U.S. Census Bureau reports that higher levels of education are closely associated with higher average earnings. While an associate's degree provides a boost in average annual earnings above those of high school graduates, earning a bachelor's degree enables the graduate to make an additional \$19,916 each year. Earning a bachelor's degree can also lead to graduate school, where average incomes soar.

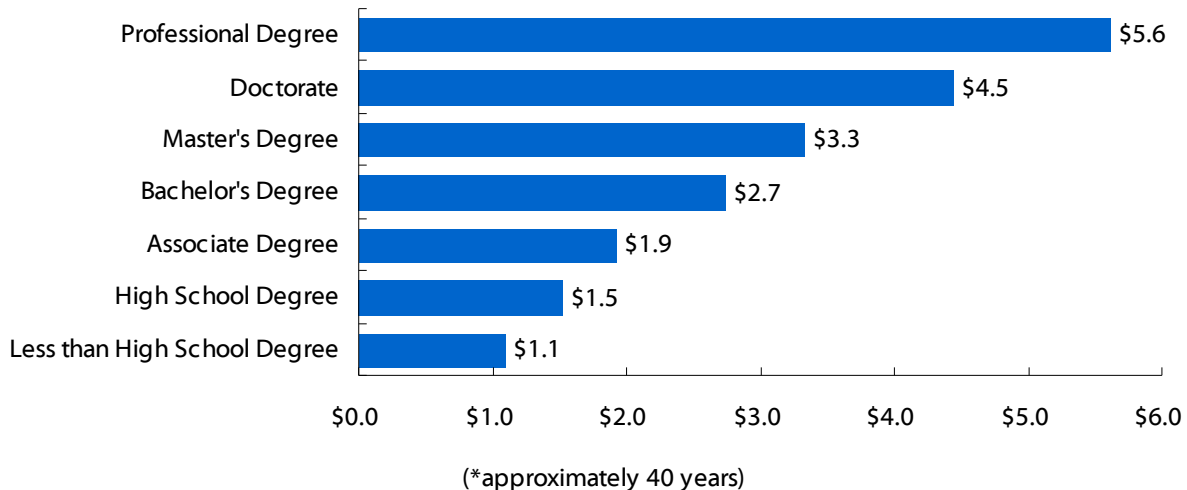
More evidence for the economic strength of education comes from the U.S. Bureau of Labor Statistics. For November 2008, the unemployment rate of workers age 25 and older who had not completed high school stood at 10.5 percent. Unemployment decreases with additional education. The unemployment rate for high school graduates was 6.8 percent, while the unemployment rate for those with a bachelor's degree and higher was 3.1 percent.

Sources: Unemployment: Bureau of Labor Statistics. "Employment Status of the Civilian Population 25 Years and Over by Educational Attainment," November 2008 (<http://www.bls.gov/news.release/empsit.t04.htm>); Earnings: Bureau of Labor Statistics, Current Population Survey 2007.



Better Educated Workers Have Higher Worklife Earnings

**Worklife* Earnings for Full-time Year-round Workers by Educational Attainment
(in Millions of 2005 Dollars)**



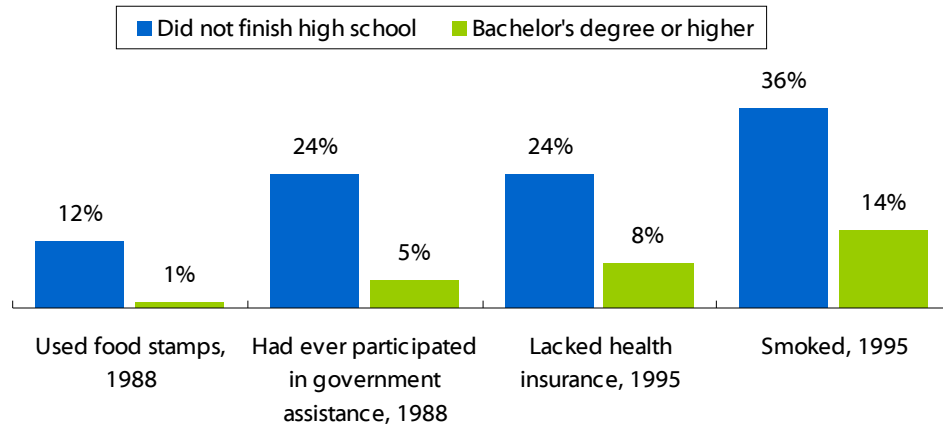
The difference in the salary earned by higher- and lower-educated workers compounds over a lifetime. The estimated earnings during the worklife (approximately 40 years) of a full-time worker who did not complete high school are about \$1.1 million. Completing high school increases earnings by about \$400,000, and completing a bachelor's degree raises worklife earnings to \$2.7 million. Post graduate education pays off even more; workers with a professional degree, such as doctors and lawyers, can expect over the course of their worklives to earn over twice what workers with a bachelor's degree will earn.

Source: Kantrowitz, Mark. "The Financial Value of Higher Education," *NASFAA Journal of Student Financial Aid*, Vol. 37, No. 1 (2007); U.S. Census Bureau. *The Big Payoff: Educational Attainment and Synthetic Estimates of Work-Life Earnings*. July 2002. (<http://www.census.gov/prod/2002pubs/p23-210.pdf>).

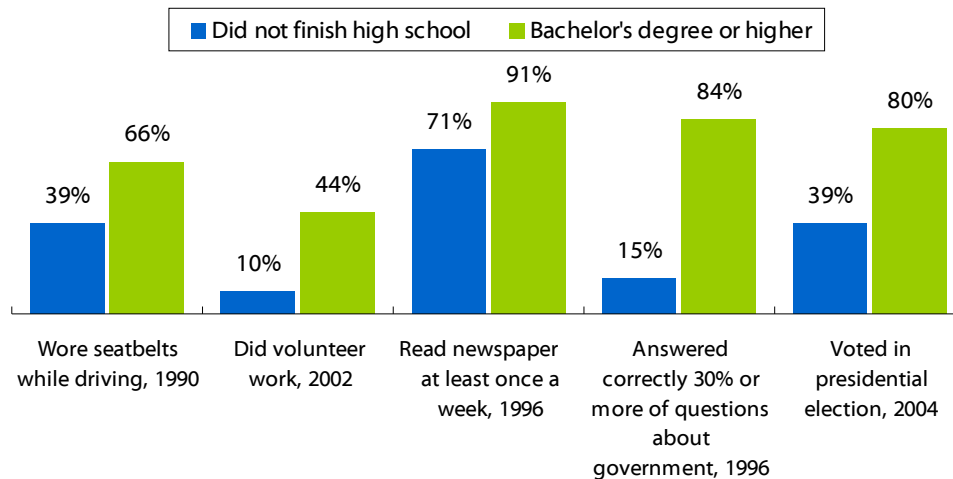


Higher Educational Attainment Levels Lead to Lower Economic Costs and More Civic Engagement

Education, Health, and Dependency: Percent Who Engaged in Activity, by Educational Attainment



Education and Civic Life: Percent Who Engaged in Activity, by Educational Attainment



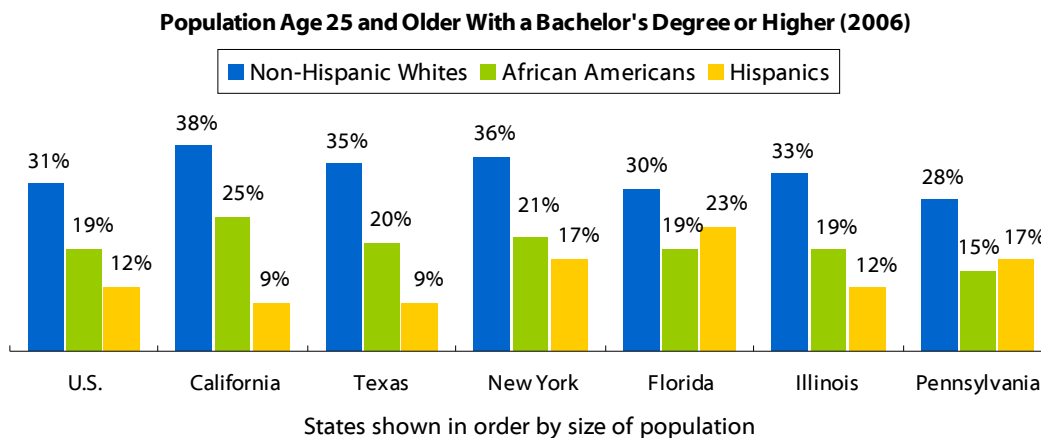
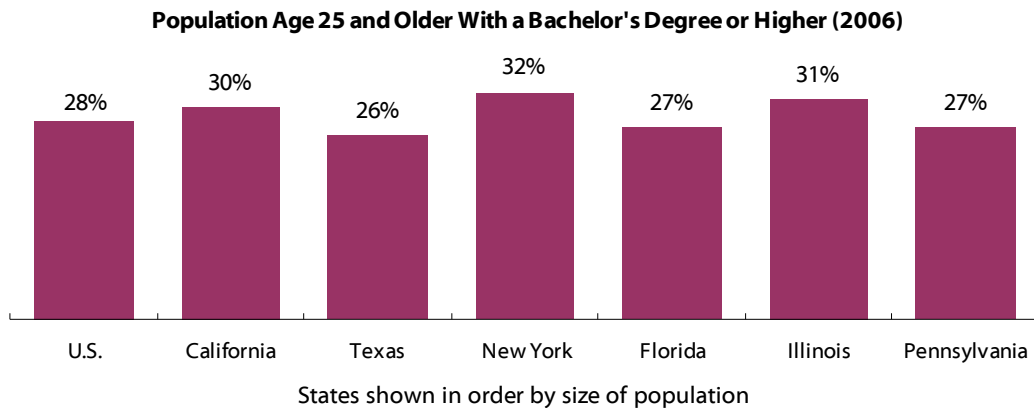
People with less education often have fewer choices in life, and are more likely to depend on government services than the rest of the population; 8.7 percent of high school dropouts were unemployed in June 2008, versus 2.3 percent of college graduates, and median 2006 earnings for this group were \$22,256.

Raising educational levels of all groups will not only benefit individuals, but will benefit society as a whole through higher incomes, more tax revenue, and fewer people on public assistance. A well-educated citizenry also is more likely to play an active role in the civic life of the nation.

Sources: Unemployment: Bureau of Labor Statistics. "Employment Status of the Civilian Population 25 Years and Over by Educational Attainment," June 2008; Earnings: Bureau of Labor and Statistics, Current Population Survey 2007; Voting: U.S. Census Bureau, Current Population Survey 2004, "Voting and Registration in the Election of November 2004", Table 5 (<http://www.census.gov/population/www/socdemo/voting/cps2004.html>); All other: Postsecondary Education Opportunity, *Research Newsletters*. "Volunteer Service by Educational Attainment," Number 127 (January 2003). "Voting Rates by Educational Attainment, 1964 to 2000," Number 120 (June 2002). "Why College? Private Correlates of Educational Attainment," Number 81 (March 1999) (www.postsecondary.org) (Select "archives" under "newsletter").



College Completion Rates in Texas Are Lower Than in the U.S., though the Gap is Not as Wide as for High School Completion Rates



Texas ranks lower than the nation in the percent of people who have completed a bachelor's degree or higher, although the gap between Texas and the U.S. is not as wide as the gap in the percent who have completed high school (79 percent and 85 percent, respectively). U.S. Census Bureau data show that about 26 percent of Texans age 25 and older have obtained a bachelor's degree or higher, compared to 28 percent in the U.S. The percent of Texans with a bachelor's degree or higher rose slightly from 25 percent in 2005. Among the six largest states, Texas is in last place in the percentage with a bachelor's degree or higher.

By ethnicity, U.S. Census Bureau data also show that:

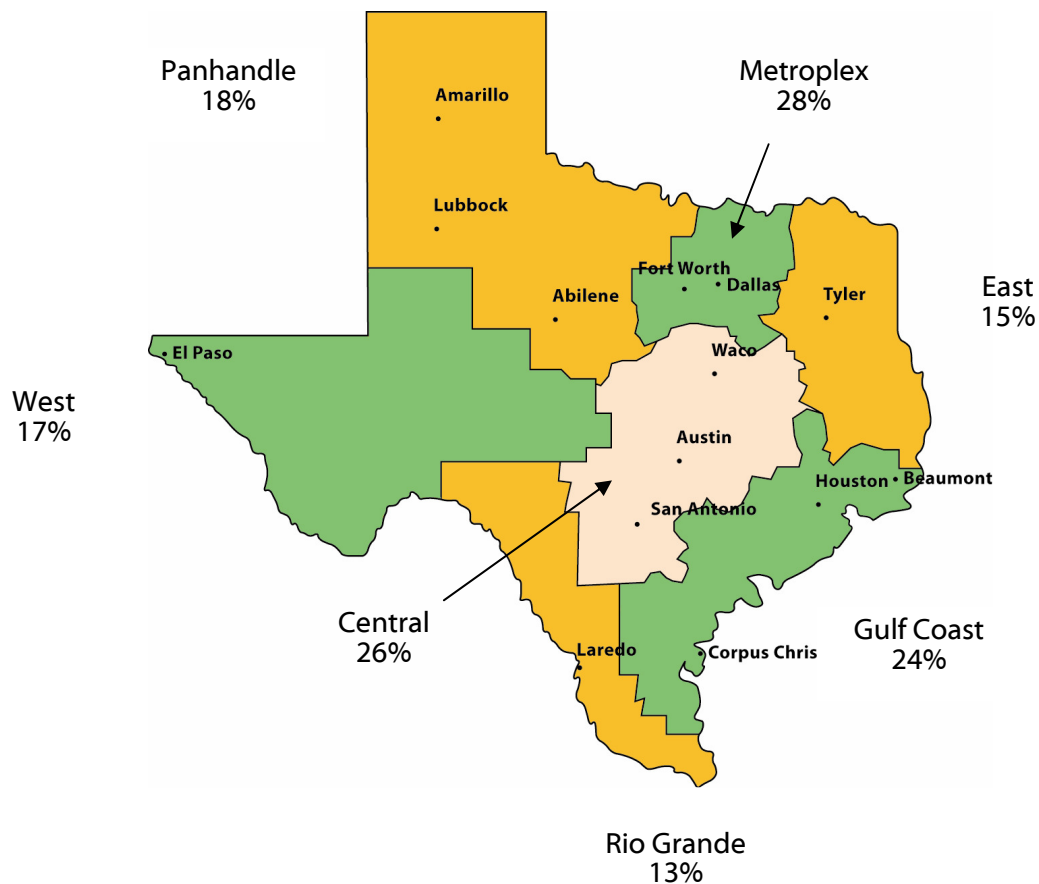
- Just as Hispanics in Texas are the least likely to complete high school, they are also the least likely to complete a bachelor's degree. Fewer than one in 10 Hispanics age 25 and older has a bachelor's degree or higher, compared with over one in three Whites.
- Although the percent of African Americans who have completed high school is 8 percent lower than for Whites, the percent who have completed college is 15 percent lower. The gap in college completion rates between Whites and African Americans has increased from 13 percent in 2005.
- Among the six largest states, Texas ranks third in the percent of Whites with a degree, ranks fourth for African Americans, and ties for last for Hispanics.

Source: U.S. Census Bureau, Current Population Survey 2006. "Educational Attainment in the United States: 2006", Tables 1a, 10, and 14 (<http://www.census.gov/population/www/socdemo/education/cps2006.html>)



Texas Educational Attainment Levels Vary by Region

People Age 25 and Older With a Bachelor's Degree or Higher (2000)



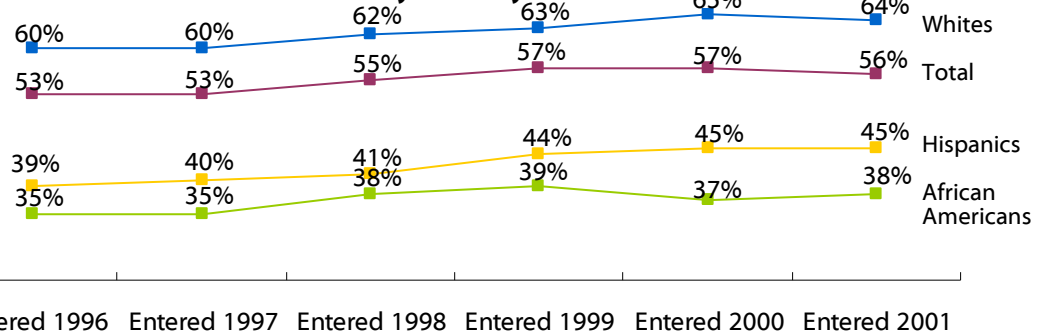
Educational attainment levels in the different regions of Texas vary dramatically. In the Metroplex, 28 percent of people age 25 and older have a bachelor's degree or higher. Educational attainment levels in Central Texas and the Gulf Coast region are only slightly less. In Central Texas, home to the state's two flagship universities, 26 percent of adults have a bachelor's degree or higher, and in the Gulf Coast region, 24 percent of people have a bachelor's degree or higher. However, educational attainment levels drop off in other areas of the state. East Texas, West Texas, and the Panhandle all record lower levels of educational attainment, and in the Rio Grande Valley, the percentage of college graduates is less than half that in the Metroplex.

Source: Texas State Data Center and Office of the State Demographer. "Table 3: Number and Percent of Persons Age 25 and Older who are High School Graduates and Higher or College Graduates and Higher for the State of Texas and Counties in Texas, 1990 and 2000" (http://www.txsdcenter.tamu.edu/data/census/2000/dp2_4/county/tab-003.txt).

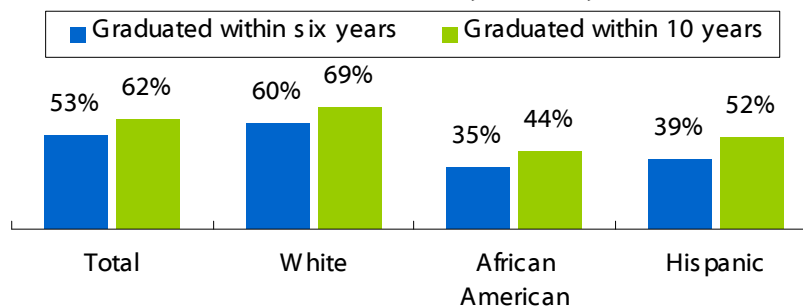


Graduation Rates in Texas Remain Stratified by Ethnicity

First-time, Full-time Freshmen Who Entered a Texas Public University and Who Received a Bachelor's Degree Within Six Years, by Ethnicity



First-time, Full-time Freshmen Who Entered a Texas Public University in 1996 and Who Received a Bachelor's Degree Within Six and 10 Years, by Ethnicity



College graduation rates in Texas are rising, but remain stratified by ethnicity and gender. About 56 percent of first-time, full-time freshmen who entered a Texas public university in 2001 obtained a bachelor's degree from that or another Texas public university within six years, but the rate varied from 64 percent of Whites to 45 percent of Hispanics and 38 percent of African Americans. The 10-year graduation rate for Whites and African Americans is 9 percent higher than their six-year graduation rate, and the 10-year rate for Hispanics is 13 percent higher. Only 25 percent of freshmen in Texas graduate in four years. Most undergraduates in the U.S. take more than four years to complete a bachelor's degree.* Reasons for this vary, but include: 1) pursuing a degree that requires more than 120 credit hours; 2) pursuing more than one degree; 3) changing the degree plan or major; 4) taking extra courses beyond those needed to graduate; 5) leaving or "stopping out" of school for brief periods; and 6) transferring from one institution to another. In addition, many students, in order to cut costs, attend school part time, work long hours, or both. In AY 2003-2004, 45 percent of public university undergraduates in Texas attended school less than full time/full year — that is, they either took fewer than 12 hours per semester or did not attend two semesters — and 75 percent worked while enrolled, of whom 28 percent worked full time.** Full time work and part time attendance, both of which are associated with lower graduation rates, are also associated with each other; 69 percent of Texas public university undergraduates who work full time while enrolled attend less than full time/full year.

* Bachelor's degree recipients in AY 1999-2000 who had not stopped out of school averaged 55 months from first enrollment to degree completion. ** 35 or more hours per week.

Sources: Time to degree completion and reasons for delay: U.S. Department of Education, *Condition of Education: Student Effort and Educational Progress* (<http://nces.ed.gov/programs/coe/2003/section3/indicator21.asp>); Graduation rates: Six-year and ten-year: THECB, Baccalaureate Graduation Rates (<http://www.txhighereddata.org/Interactive/GradRates.cfm>); Four-year: THECB, Higher Education Accountability System (<http://www.txhighereddata.org/Interactive/Accountability/>); All other: U.S. Department of Education, National Postsecondary Student Aid Study (NPSAS) 2004 (<http://www.nces.ed.gov/das>).



THECB Reports Texas Meeting Overall Higher Education Targets, but Not Meeting Targets for Hispanic Enrollment or Bachelor Degrees

Although the number of students enrolled in college in Texas has been increasing, the 2000 U.S. Census revealed that a smaller percentage of the population participates in higher education than in other large states and the U.S. as a whole. About 8 percent of the Texas population age 18 and older was enrolled in higher education in 2000, versus 8.4 percent for the U.S. and 10.4 percent for California. In 2000 Texas set the goal of “closing the gaps” in participation and success in higher education by 2015. The state aims to achieve this goal by increasing the number of students enrolled by 630,000, and increasing the number of degrees and certificates awarded by 50 percent.

In July 2005, the Texas Higher Education Coordinating Board (THECB) reported that the state has met its 2005 intermediate target for overall enrollment, but has not met its target for Hispanic enrollment. Hispanic enrollment increased, but below the rate needed to meet the 2005 target. Although the large number of White students has significantly increased total enrollment, the percentage enrollment increase for Whites was only 10.4 percent between fall 2000 and fall 2005. African American enrollment rose by 28.8 percent during the same period. Hispanic enrollment rose by 34.6 percent, but, because of the magnitude of growth needed to reach Hispanic enrollment targets, the impressive increase for Hispanic students was not sufficient to reach the interim 2005 enrollment target. As of fall 2007, Hispanic enrollment needed to grow by 37 percent in order to reach the target set for 2010.

The THECB also reported that the state has achieved its 2005 target for the total number of degrees and certificates awarded, and is on track to reach the target set for bachelor’s degrees.

Texas Participation Targets for 2010

	Actual Fall 2007	2010 Targets	Growth Needed to Reach 2010 Targets
Total enrollment	1,254,983	1,423,000	13%
African American enrollment	145,387	158,300	9%
Hispanic enrollment	345,284	474,000	37%
White enrollment	621,603	660,500	6%

Texas Success Targets for 2010

	Actual FY 2007	2010 Targets	Growth Needed to Reach 2010 Targets
Total certificates and degrees	152,058	171,000	12%
Associate’s degrees	37,869	43,400	15%
Bachelor’s degrees	93,032	100,000	7%

Sources: Percent enrolled in higher education: U.S. Census Bureau, *Census 2000*, General Demographic Characteristics – DP-1 (population age 18 and over) and General Social Characteristics (population enrolled in higher education) (<http://www.census.gov/main/www/cen2000.html>); “Closing the Gaps” goals: Texas Higher Education Coordinating Board (THECB), *Closing the Gaps*, October 2000 (<http://www.thecb.state.tx.us/AdvisoryCommittees/HEP/0096.htm>); “Closing the Gaps” progress: THECB, *Closing the Gaps by 2015: 2008 Progress Report*, July 2008 (<http://www.thecb.state.tx.us/reports/PDF/1555.PDF>).



Section 8

State Loans



Volume for the Largest State Loan Program, HHL-CAL, Reaches New High

HHL-CAL Loan Volume by Award Year (in Millions of Dollars)



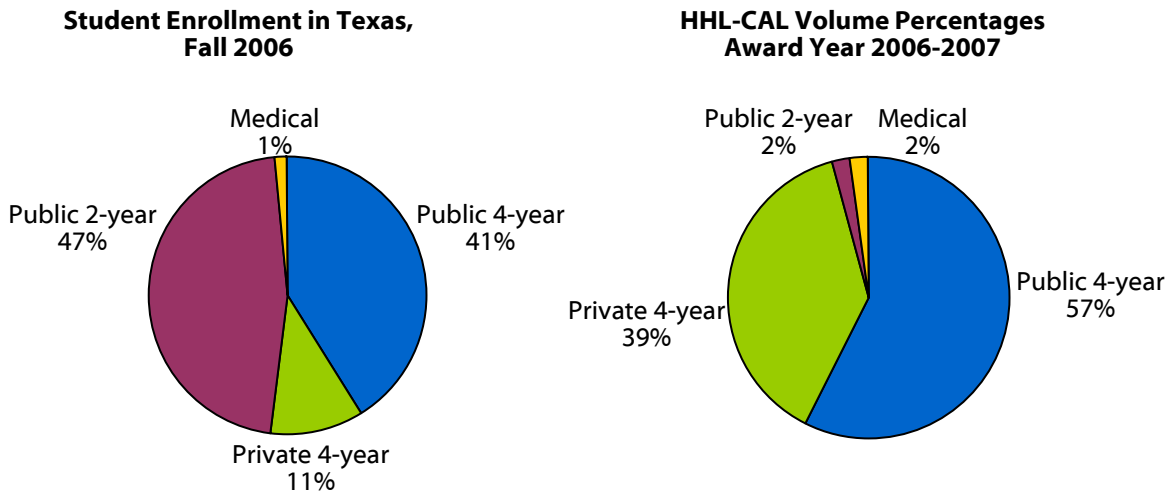
The State of Texas offers three loan programs for students in general studies: the Hinson-Hazlewood College Access Loan (HHL-CAL), the Hinson-Hazlewood Loan-Stafford (HHL-Stafford), and the Texas B-On-Time Loan.* The HHL-CAL, for which recipients do not have to demonstrate financial need, has the highest loan volume of the three. In Award Year (AY) 1996-1997, \$44.3 million in HHL-CAL dollars was lent to 10,286 students. Loan volume rose modestly for the next few years and peaked at \$56.9 million in 1999-2000. Volume fell slightly the following year, and sharply the year after that. In 2002-2003, a total of \$37.8 million in HHL-CAL loans was given to 7,237 students, a decrease of 34 percent in volume since the peak year of 1999-2000. Loan volume once again began rising in 2002-2003 and reached a new high of \$77.7 million in 2006-2007.

* The Texas B-On-Time Loan is a no-interest loan which may be forgiven entirely upon graduation if the borrower graduates within four years (five years for architecture or engineering) with a Grade Point Average (GPA) of at least 3.0 on a 4.0 scale.

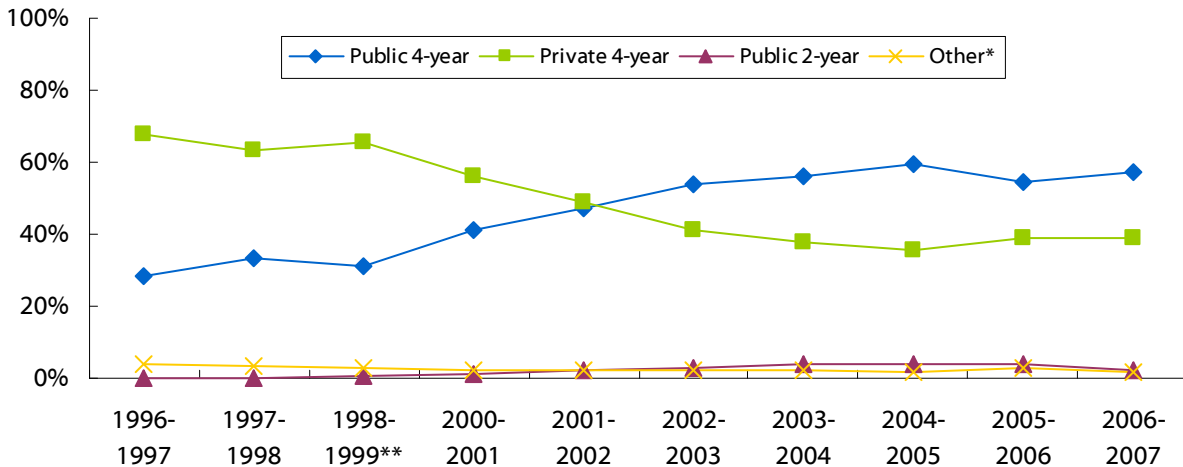
Source: Loan volume: Texas Higher Education Coordinating Board (THECB). "Bentson Report," Austin, Texas, 2008 (Unpublished tables); Data on loan terms and loan eligibility: THECB, "College for Texans" Web site (<http://www.collegefortexans.com/paying/finaidtypes.cfm>).



HHL-CAL Loans Go Predominantly to Four-year Schools



HHL-CAL Loan Volume by Award Year and School Type



From Award Year (AY) 2002-2003 through AY 2006-2007, the bulk of Hinson-Hazlewood-College Access Loan (HHL-CAL) volume went to students in public rather than private four-year institutions. This was a change from previous years. About 57 percent of all HHL-CAL volume in AY 2006-2007 went to students in public four-year universities and 39 percent went to students in private four-year universities. Students attending private universities, which tend to cost more than public universities, made up 11 percent of student enrollment in Texas in fall 2006. In AY 1996-1997 28 percent of HHL-CAL loan volume went to students in public universities and 68 percent went to students in private universities. Those percentages narrowed slightly throughout the 1990s, then began to narrow more rapidly in the early part of the current decade. The percent of HHL-CAL loan volume going to students in public universities increased steadily, from 41 percent in AY 2000-2001, to 57 percent in AY 2006-2007.

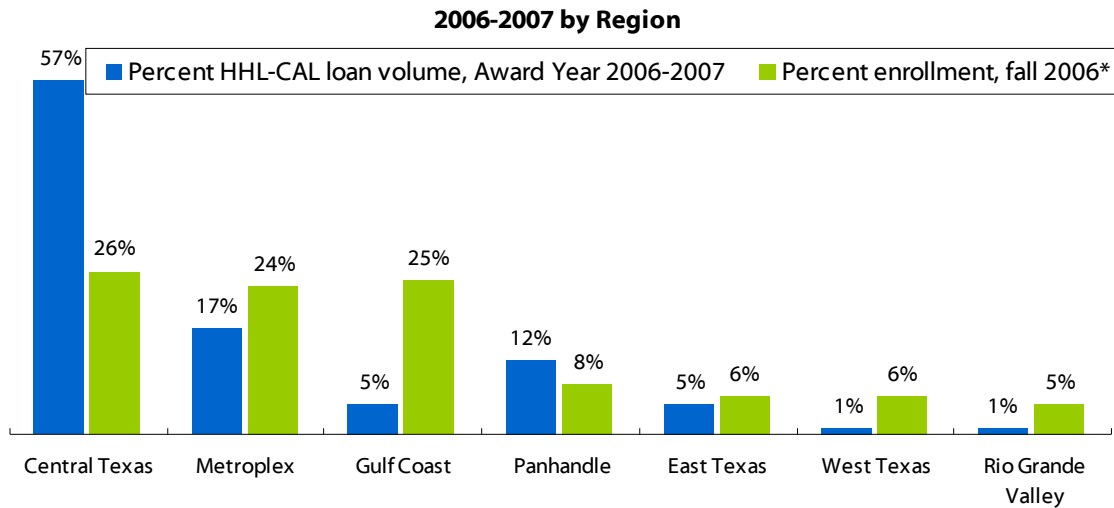
*"Other" consists of Medical and Alternative Teacher Program. The Alternative Teacher Program did not exist prior to 2006. See above charts for more detailed breakdown of School Type.

**AY 1999-2000 not available

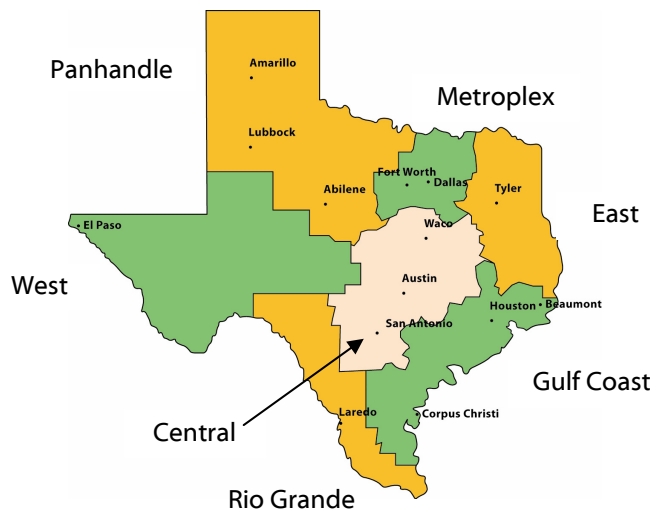
Sources: Loan volume: Texas Higher Education Coordinating Board (THECB). "Bentson Report," Austin, Texas, 1998, 1998, 2001, 2002, 2003, 2004, 2005, 2006, 2007 and 2008 (Unpublished tables); Public Enrollment: THECB. "PREP Online" http://www.txhighereddata.org/Interactive/PREP_New; Private Enrollment: Independent Colleges and Universities of Texas (ICUT). Fall 2006 Headcount Enrollment (Unpublished tables).



Over Half of HHL-CAL Dollars Go to Central Texas Region



In Award Year (AY) 2006-2007, 57 percent of the Hinson-Hazlewood College Access Loan (HHL-CAL) dollars** went to students attending schools in the Central Texas Region. Although Central Texas comprises only 26 percent of Texas enrollment, it is home to the state’s two flagship universities, the University of Texas at Austin and Texas A&M University. The Panhandle also received a higher percentage of HHL-CAL dollars than it represented in student enrollment. With the exception of East Texas, all other regions received a smaller percentage than their share of enrollment. East Texas received about the same percentage of HHL-CAL dollars as it represented in student enrollment.



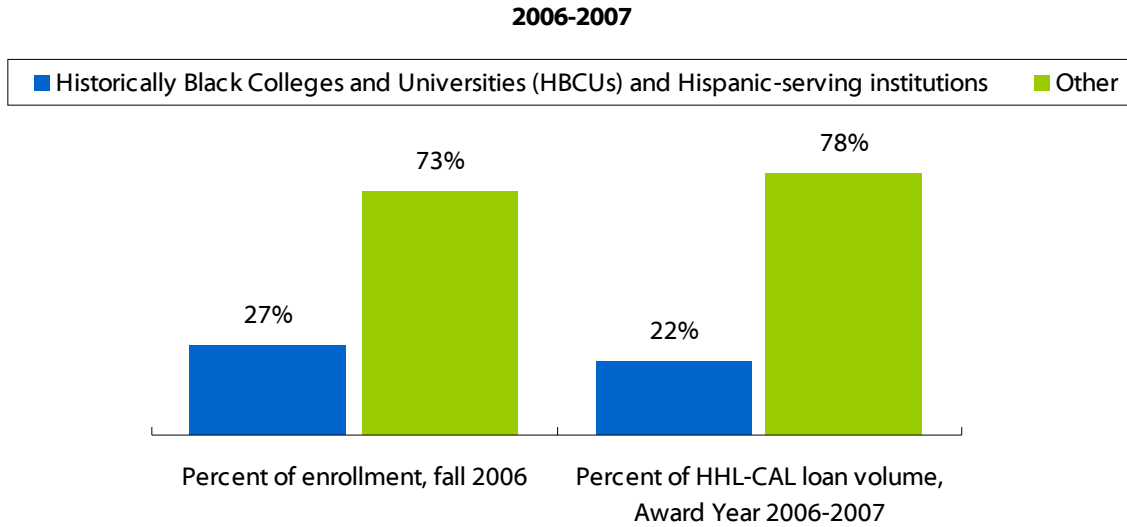
* Includes proprietary schools.

** Includes only the amounts reported in the Texas Higher Education Coordinating Board’s Financial Aid Database. The Financial Aid Database primarily records aid that was based on financial need, but may include some amounts that were not based on need.

Sources: Loan volume: Texas Higher Education Coordinating Board (THECB). "Financial Aid Database for AY 2006-2007," Austin, Texas, 2008 (Unpublished tables); Enrollment: THECB. Texas Higher Education Data (<http://www.txhighereddata.org/>).



Proportion of HHL-CAL Dollars to HBCUs and HSIs Increases



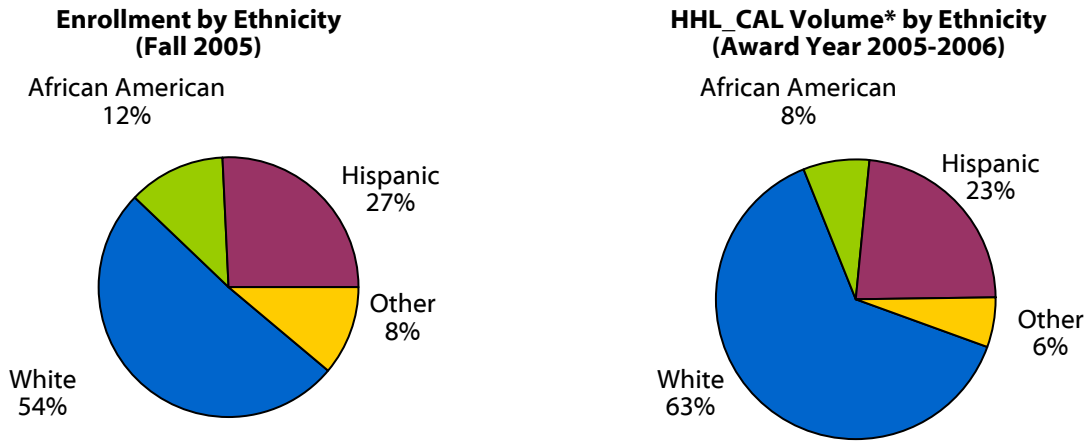
Texas has nine Historically Black Colleges and Universities (HBCUs) and 44 Hispanic-serving institutions (HSIs). The U.S. Department of Education defines HBCUs as institutions in which 25 percent or more of the student body is African-American. Hispanic-serving institutions are defined as those in which 25 percent or more of the student body is Hispanic and 50 percent or more of that Hispanic population is low-income. In Award Year (AY) 2005-2006, HBCUs and Hispanic-serving institutions comprised 33 percent of total Texas enrollment and received 14 percent of Hinson-Hazlewood College Access Loan (HHL-CAL) dollars.* However, the proportion of enrollment versus HHL-CAL volume was more equal in AY 2006-2007. HBCUs and Hispanic-serving institutions comprised 27 percent of total Texas enrollment and received 22 percent of HHL-CAL dollars.

* Includes only the amounts reported in the Texas Higher Education Coordinating Board’s Financial Aid Database. The Financial Aid Database primarily records aid that was based on financial need, but may include some amounts that were not based on need

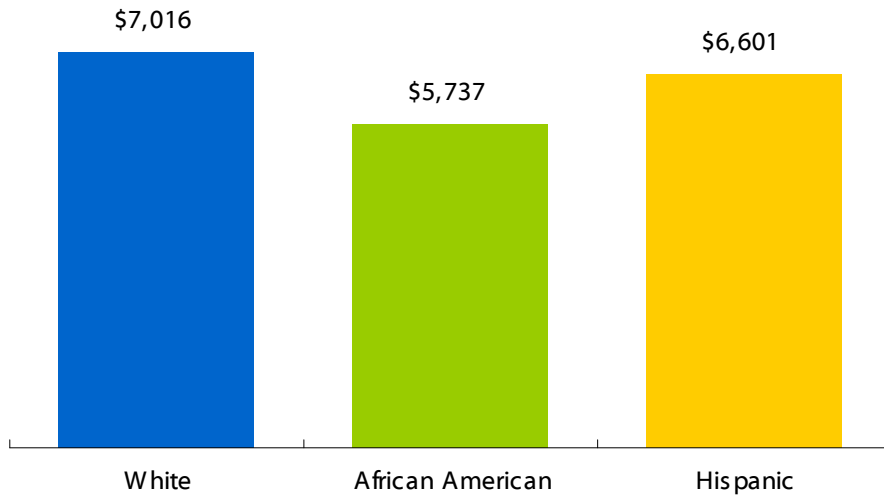
Sources: Loan volume: Texas Higher Education Coordinating Board (THECB). "Financial Aid Database for AY 2006-2007," Austin, Texas, 2008 (Unpublished tables); Enrollment: THECB. Texas Higher Education Data (<http://www.txhighereddata.org/>); HBCUs: U.S. Department of Education, Office for Civil Rights database. "Accredited Postsecondary Minority Institutions" (<http://www.ed.gov/about/offices/list/ocr/edlite-minorityinst.html>); HSIs: Hispanic Association of Colleges and Universities. "Hispanic-Serving Institution Members in Texas" (<http://www.hacu.net>).



HHL-CAL Loan Distribution Similar to Enrollment by Ethnicity



Average HHL-CAL Award by Ethnicity (Award Year 2005-2006)



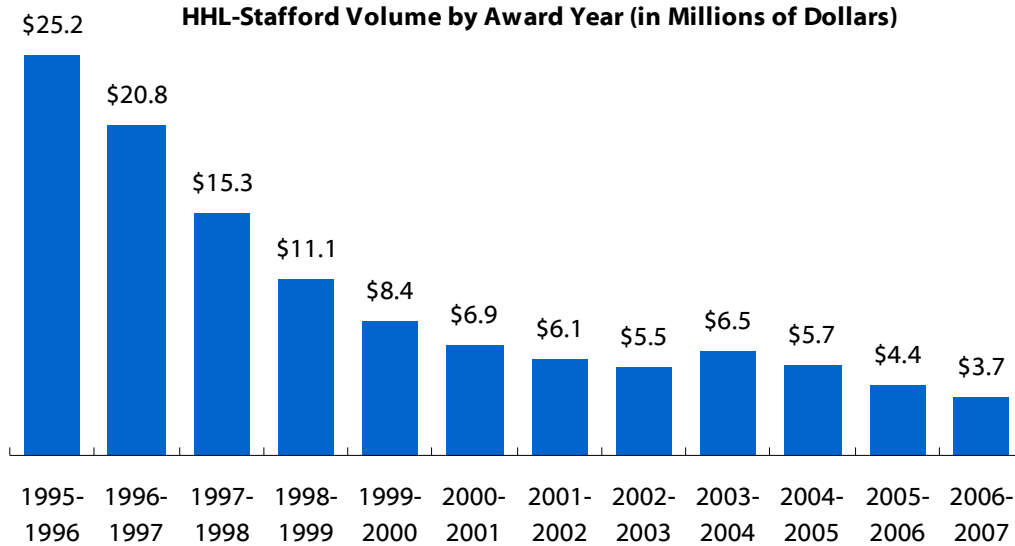
While White students receive a somewhat higher percentage of Hinson-Hazlewood College Access Loan (HHL-CAL) dollars than they represent in the student population, and African Americans and Hispanics receive a somewhat lower percentage, HHL-CAL dollars* are distributed fairly evenly overall relative to the diversity of enrollment in Texas. The average loan for each group varies only slightly, with African American students receiving about 2.2 percent less per loan than White students.

* Includes only the amounts reported in the Texas Higher Education Coordinating Board's Financial Aid Database. The Financial Aid Database primarily records aid that was based on financial need, but may include some amounts that were not based on need. Of the \$58.2 million in HHL-CAL volume for Award Year 2005-2006, approximately \$49.6 million, or 85 percent, is reported in the Financial Aid Database.

Sources: Loan volume: Texas Higher Education Coordinating Board (THECB). "Financial Aid Database for AY 2005-2006." Austin, Texas, 2007 (Unpublished tables); Enrollment: THECB. Texas Higher Education Data (<http://www.txhighereddata.org/>).



HHL-Stafford Loan Program Volume Has Been Dropping



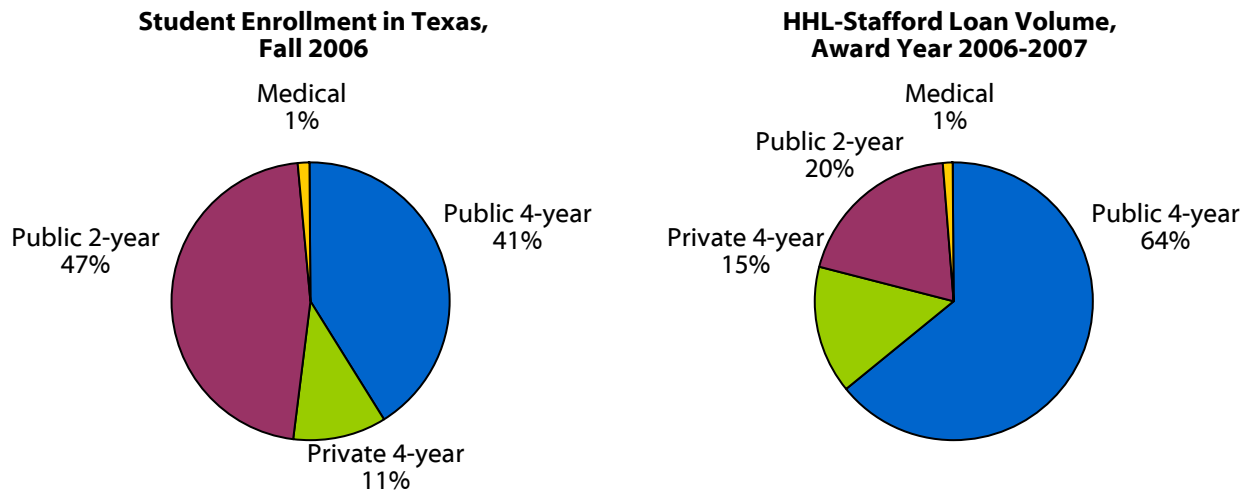
The State of Texas administers the Hinson-Hazlewood Loan-Stafford (HHL-Stafford), in addition to the Hinson-Hazlewood College Access Loan (HHL-CAL) and the Texas B-On-Time Loan.* Unlike the HHL-CAL, whose volume rose by more than \$40 million in the 1990s before peaking in Award Year (AY) 1999-2000, HHL-Stafford volume has been steadily dropping for nearly a decade. After reaching a high of \$54 million in AY 1993-1994, HHL-Stafford volume has fallen, with one exception, every year by 10 to 40 percent. HHL-Stafford volume increased by \$1 million from AY 2002-2003 to AY 2003-2004, but fell again in AY 2004-2005 and reached a low of \$3.7 million in AY 2006-2007. In 2003, the Texas Legislature limited future HHL-Stafford loans to only those students who have borrowed or who will borrow on other state loans.

*The Texas B-On-Time Loan is a no-interest loan which may be forgiven entirely upon graduation if the borrower graduates within four years (five years for architecture or engineering) with a Grade Point Average (GPA) of at least 3.0 on a 4.0 scale.

Source: HHL-Stafford loan volume: TG, Internal database, 2008; Data on loan terms and eligibility: Texas Higher Education Coordinating Board (THECB), "College for Texans" Web site (<http://www.collegefortexans.com/paying/finaidtypes.cfm>); Limit on future HHL-Stafford loans: Texas Senate Bill 286, 78th Legislature, regular session (2003) (<http://www.capitol.state.tx.us/tlo/78r/billtext/SB00286F.HTM>).

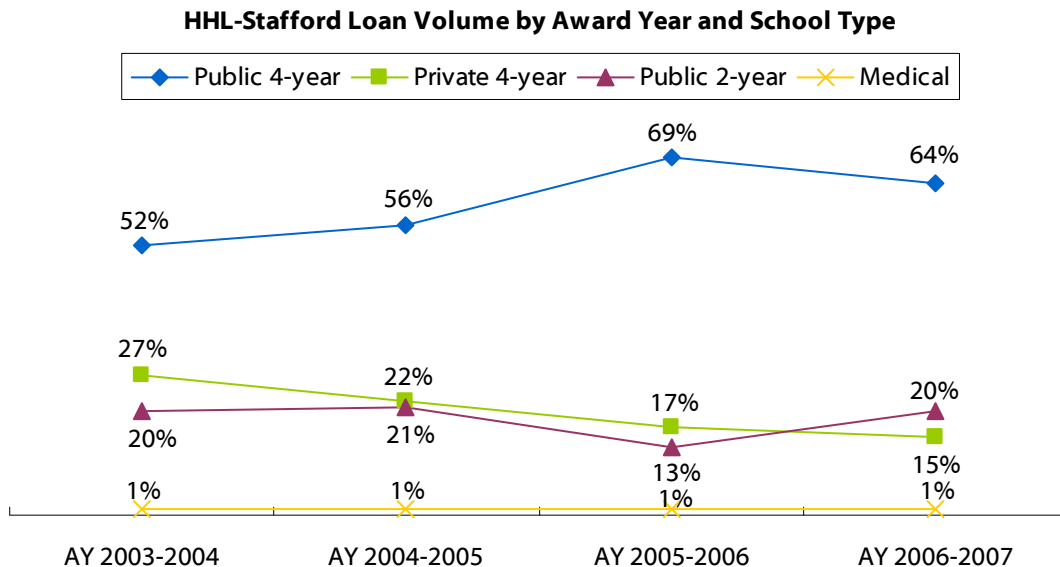


The Majority of HHL-Stafford Dollars Go to Students at Public Universities



Like the Hinson-Hazlewood-College Access Loan (HHL-CAL), the majority of Hinson-Hazlewood Loan-Stafford* (HHL-Stafford) volume goes to students at public universities. Four-year public schools represented 41 percent of enrollment in fall 2006 and received 64 percent of HHL-Stafford loan volume. Four-year public and private universities receive more in HHL-Stafford volume than they represent in enrollment, and two-year public colleges, which are lower-cost institutions than either public or private universities, receive less. The proportion of total volume allocated to private universities has steadily decreased over the last four years, while public two-year colleges have seen both notable decreases and increases.

* In 2003, the Texas Legislature limited future HHL-Stafford loans to only those students who have borrowed or who will borrow on other state loans.

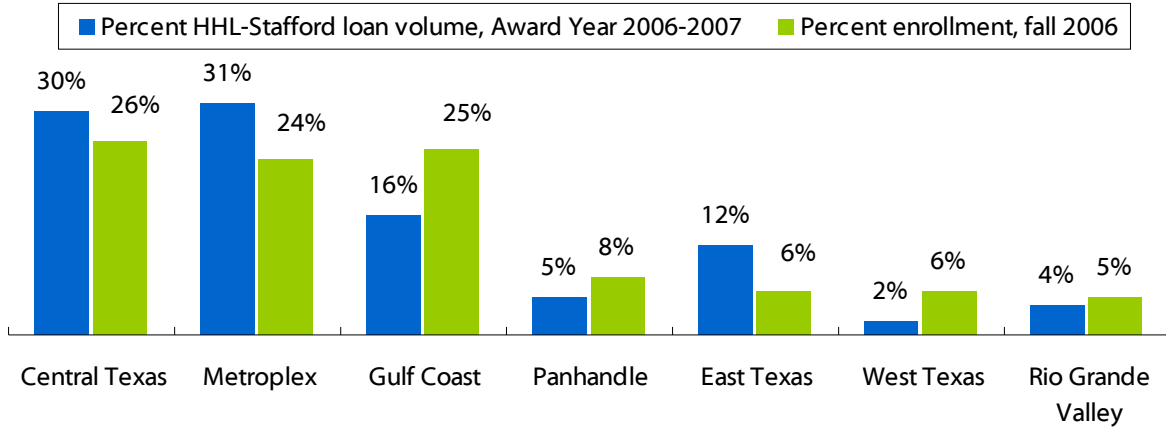


Source: Loan volume: TG, Internal Database, 2008; Enrollment: THECB, Texas Higher Education Data (<http://www.txhighereddata.org/>); Limit on future HHL-Stafford loans: Texas Senate Bill 286, 78th Legislature, regular session (2003) (<http://www.capitol.state.tx.us/tlo/78r/billtext/SB00286F.HTM>).



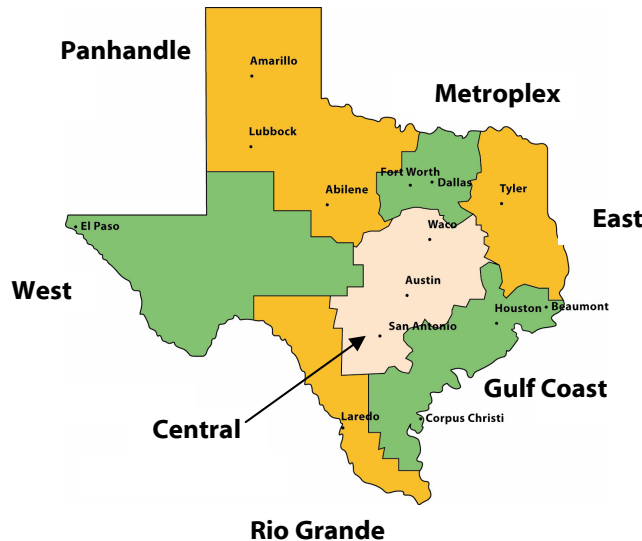
HHL-Stafford Dollars Are Distributed More Evenly by Region Than Are HHL-CAL Dollars

2006-2007 by Region



Hinson-Hazlewood Loan-Stafford* (HHL-Stafford) dollars are distributed more evenly by region than Hinson-Hazlewood-College Access Loan (HHL-CAL) dollars. Students in the Panhandle and Rio Grande Valley receive about the same percentage of HHL-Stafford dollars as they represent in student enrollment, students in the Gulf Coast and West Texas receive less, and students in East Texas, Central Texas, and the Metroplex receive more. Although these latter three regions comprised 56 percent of student enrollment in Award Year (AY) 2006-2007, they accounted for approximately 73 percent of HHL-Stafford loan volume.

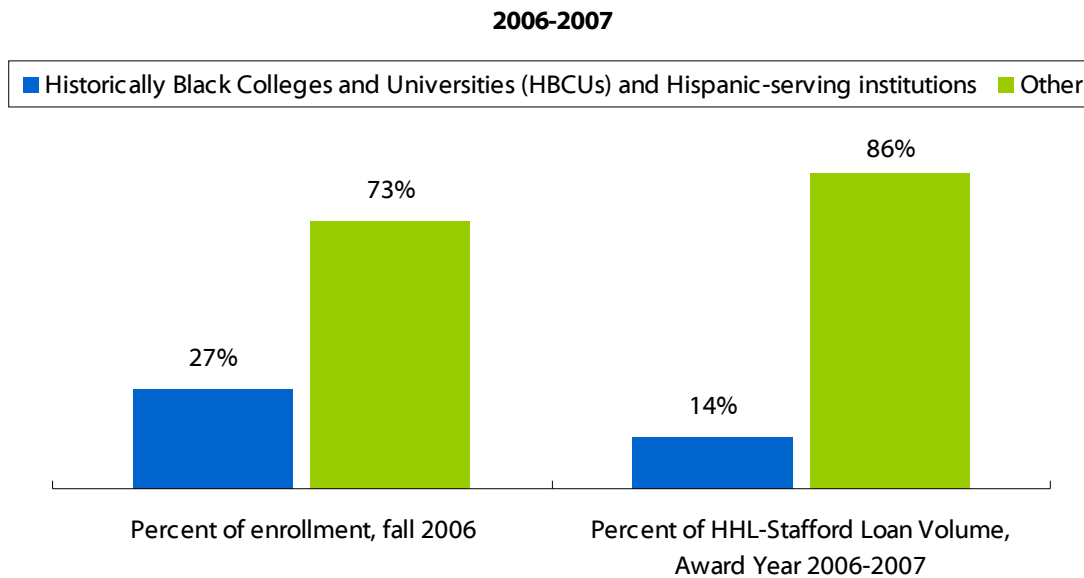
*In 2003, the Texas Legislature limited future HHL-Stafford loans to only those students who have borrowed or who will borrow on other state loans.



Source: Loan volume: TG, Internal Database, 2008; Enrollment: THECB, Texas Higher Education Data (<http://www.txhighereddata.org/>); Limit on future HHL-Stafford loans: Texas Senate Bill 286, 78th Legislature, regular session (2003) (<http://www.capitol.state.tx.us/tlo/78r/billtext/SB00286F.HTM>).



HBCUs and HSIs Comprise 27 Percent of Enrollment and Receive 14 Percent of HHL-Stafford Dollars



The U.S. Department of Education defines HBCUs as institutions in which 25 percent or more of the student body is African American. Hispanic-serving institutions (HSIs) are defined as those in which 25 percent or more of the student body is Hispanic, and 50 percent or more of those Hispanics are low-income. There are nine HBCUs and 44 HSIs in Texas. In Award Year (AY) 2005-2006, HBCUs and Hispanic-serving institutions comprised 33 percent of total Texas enrollment and received 13 percent of HHL-Stafford funds. HBCU and HSI schools accounted for 27 percent of total Texas enrollment in fall 2006 and generated 14 percent of AY 2006-2007 HHL-Stafford volume.

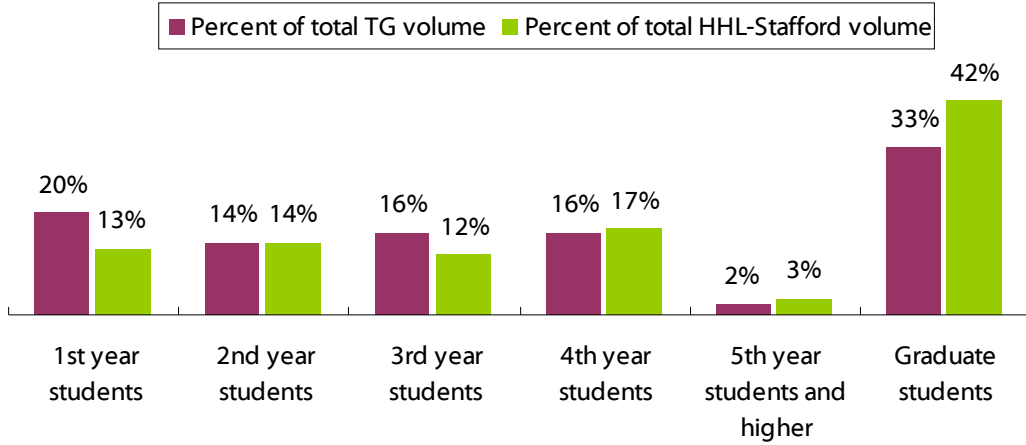
*In 2003, the Texas Legislature limited future HHL-Stafford loans to only those students who have borrowed or who will borrow on other state loans.

Source: Loan volume: TG, Internal Database, 2008; Enrollment: THECB, Texas Higher Education Data (<http://www.txhighereddata.org/>); HBCUs: U.S. Department of Education, *Office for Civil Rights* database. "Accredited Postsecondary Minority Institutions" (<http://www.ed.gov/about/offices/list/ocr/edlite-minorityinst.html>); HSIs: Hispanic Association of Colleges and Universities. "Hispanic-Serving Institution Members in Texas" (<http://www.hacu.net>); Limit on future HHL-Stafford loans: Texas Senate Bill 286, 78th Legislature, regular session (2003) (<http://www.capitol.state.tx.us/tlo/78r/billtext/SB00286F.HTM>).



HHL-Stafford Volume by First-year Students Has Dropped Considerably

Loan Volume by Grade Level, Award Year 2006-2007



Historically, the percentage of Hinson-Hazlewood Loan-Stafford* (HHL-Stafford) dollars distributed by grade level has matched fairly evenly the percentage of total Texas Guaranteed (TG) loan dollars distributed by grade level. However, there have been two notable changes to this pattern. While first-year students received approximately 24 percent of both TG volume and HHL-Stafford volume in AY 2004-2005, they received 20 percent of TG volume and only 13 percent of HHL-Stafford volume in AY 2006-2007. HHL-Stafford volume by first-year students dropped from \$1,376,728 in AY 2004-2005 to \$397,676 the following year. HHL-Stafford volume for first-year students increased to \$475,240 in AY 2006-2007, but remains considerably lower than that for AY 2004-2005 and earlier.

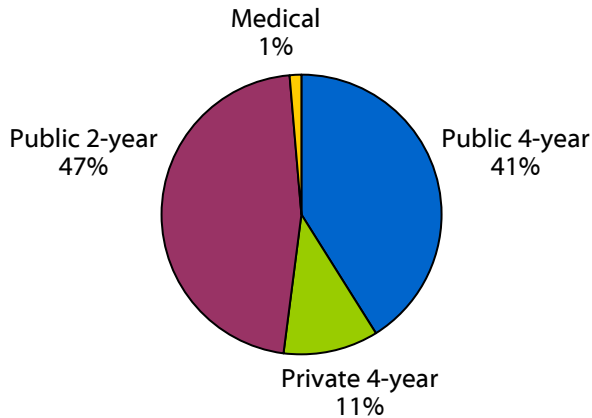
*In 2003, the Texas Legislature limited future HHL-Stafford loans to only those students who have borrowed or who will borrow on other state loans.

Source: Loan volume: TG, Internal Database, 2008; Limit on future HHL-Stafford loans: Texas Senate Bill 286, 78th Legislature, regular session (2003) (<http://www.capitol.state.tx.us/tlo/78r/billtext/SB00286F.HTM>).

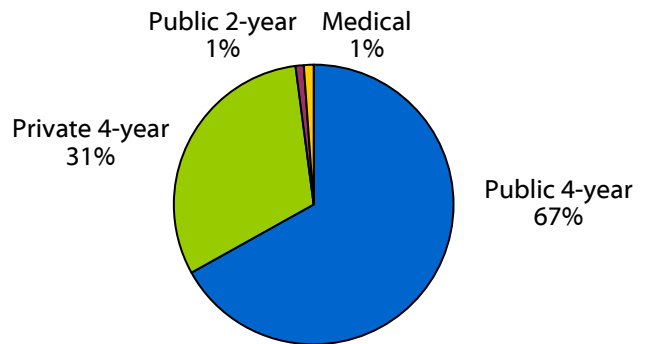


Most Volume for Texas' Newest State Loan, the B-On-Time Loan, Goes to Students at Public Universities

Student Enrollment in Texas, Fall 2006



B-On-Time Loan Volume, by School Type, Award Year 2006-2007



In 2003, the Texas Legislature created the B-On-Time (BOT) Loan, a no-interest loan which may be forgiven entirely upon graduation if the borrower graduates with a Grade Point Average (GPA) of at least 3.0 on a 4.0 scale and also graduates within four years* after entering a four-year institution or within two years after entering a two-year institution. In Award Year (AY) 2003-2004, the first year in which B-On-Time awards were allocated, approximately \$4.1 million in BOT aid was allocated to 1,663 students. BOT aid dramatically increased in 2006-2007 to \$42.9 million and was distributed to 10,247 students.

It is not certain how many students will be able to benefit from the loan forgiveness component of the B-On-Time Loan, as most students in the U.S. take longer than four years to graduate.** About 25 percent of first-time, full-time freshmen who entered Texas public four-year universities in fall 2002 graduated within four years, but the average GPA for these students is unknown. The six-year graduation rate in Texas is 56 percent.

* Five years for architecture or engineering majors.

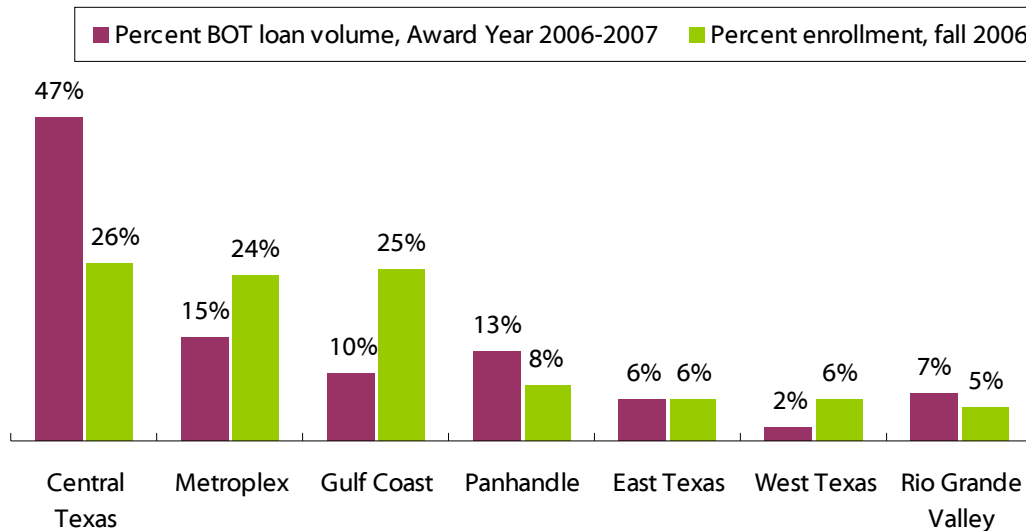
** Bachelor's degree recipients in the U.S. in AY 1999-2000 averaged 55 months from first enrollment to degree completion.

Sources: Loan volume: Texas Higher Education Coordinating Board (THECB). "Financial Aid Database for AY 2006-2007." Austin, Texas, 2008; Public Enrollment: THECB. "PREP Online" (http://www.txhighereddata.org/Interactive/PREP_New); Private Enrollment: Independent Colleges and Universities of Texas (ICUT). Fall 2006 Headcount Enrollment (Unpublished tables); Graduation rates: Six-year: THECB. Baccalaureate Graduation Rates (<http://www.txhighereddata.org/Interactive/GradRates.cfm>); Four-year: THECB. Higher Education Accountability System (<http://www.txhighereddata.org/Interactive/Accountability/>); Time to degree completion: U.S. Department of Education. *Condition of Education: Student Effort and Educational Progress* (<http://www.nces.ed.gov/programs/coe/2003/section3/indicator21.asp>); Loan terms and loan eligibility: THECB. "College for Texans" Web site (<http://www.collegefortexans.com/paying/finaidtypes.cfm>).



Nearly Half of B-On-Time Dollars Go to Central Texas Region

2006-2007 by Region



In Award Year (AY) 2006-2007, 47 percent of the B-On-Time (BOT) Loan dollars** went to students attending schools in the Central Texas region, considerably more than the region represents in enrollment. In contrast, students in the Metroplex and Gulf Coast regions received a good deal less in BOT loan volume than they represent in enrollment. At only 2 percent, West Texas received the smallest percentage of BOT loans.

* In 2003, the Texas Legislature created the B-On-Time (BOT) Loan, a no-interest loan which may be forgiven entirely upon graduation if the borrower graduates with a Grade Point Average (GPA) of at least 3.0 on a 4.0 scale and also graduates within four years after entering a four-year institution (five years for architecture or engineering) or within two years after entering a two-year institution. It is not certain how many students will be able to benefit from the loan forgiveness component of the loan, as most students in the U.S. take longer than four years to graduate. About 25 percent of first-time, full-time freshmen who entered Texas public four-year universities in fall 2002 graduated within four years, but the average GPA for these students is unknown. The six-year graduation rate in Texas is 56 percent.

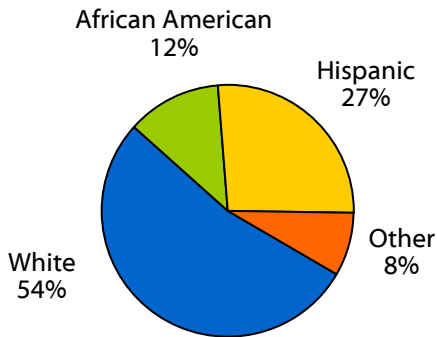
** Includes only the amounts reported in the Texas Higher Education Coordinating Board's Financial Aid Database. The Financial Aid Database primarily records aid that was based on financial need, but may include some amounts that were not based on need.

Sources: Loan volume: Texas Higher Education Coordinating Board (THECB). "Financial Aid database for AY 2006-2007," Austin, Texas, 2008 (Unpublished tables); Enrollment: THECB. Texas Higher Education Data (<http://www.txhighereddata.org/>); Graduation rates: Six-year: THECB. Baccalaureate Graduation Rates (<http://www.txhighereddata.org/Interactive/GradRates.cfm>); Four-year: THECB. Higher Education Accountability System (<http://www.txhighereddata.org/Interactive/Accountability/>); Time to degree completion: U.S. Department of Education. *Condition of Education: Student Effort and Educational Progress* (<http://www.nces.ed.gov/programs/coe/2003/section3/indicator21.asp>); Loan terms and loan eligibility: THECB. "College for Texans" Web site (<http://www.collegefortexans.com/paying/finaidtypes.cfm>).

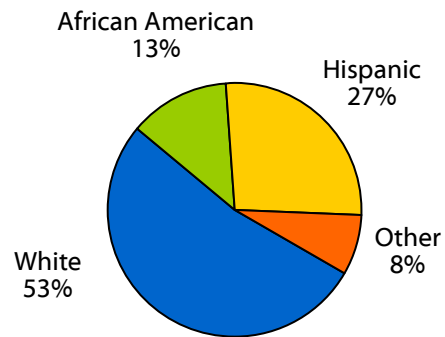


B-On-Time Loan Volume Is Distributed Similar to Enrollment Proportions by Ethnicity, but Average Amounts Vary Greatly

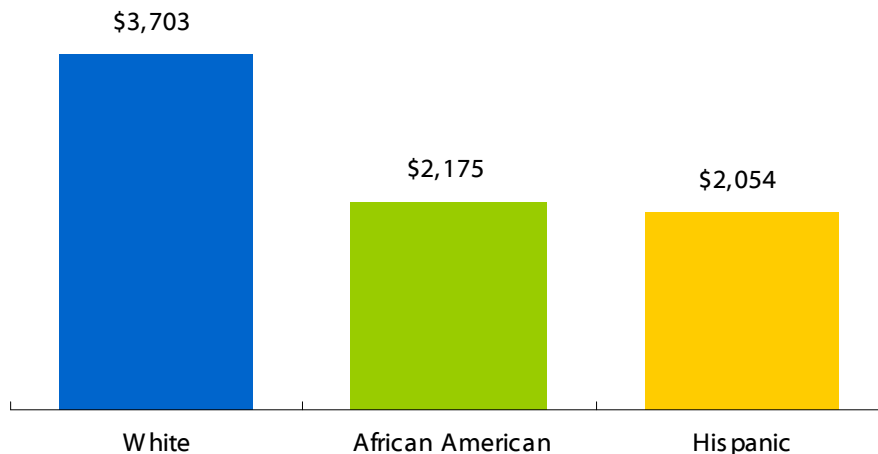
Enrollment by Ethnicity (Fall 2005)



B-On-Time Loan Volume by Ethnicity (AY 2005-2006)



Average BOT Loan by Ethnicity (Award Year 2005-2006)



In Award Year (AY) 2005-2006, about 53 percent of B-On-Time (BOT)* loan volume went to White students, 13 percent to African American students, and 27 percent to Hispanic students.** The proportion of loan volume received by each ethnicity was very similar to each ethnicity's proportion of total enrollment. Average loan amounts by ethnicity vary a good deal more for BOT loans than they do for the state's largest loan program, the Hinson-Hazlewood College Access Loan (HHL-CAL). The average loan for a White student is 70 percent higher than the average loan for an African American student and 80 percent higher than the average loan for an Hispanic student.

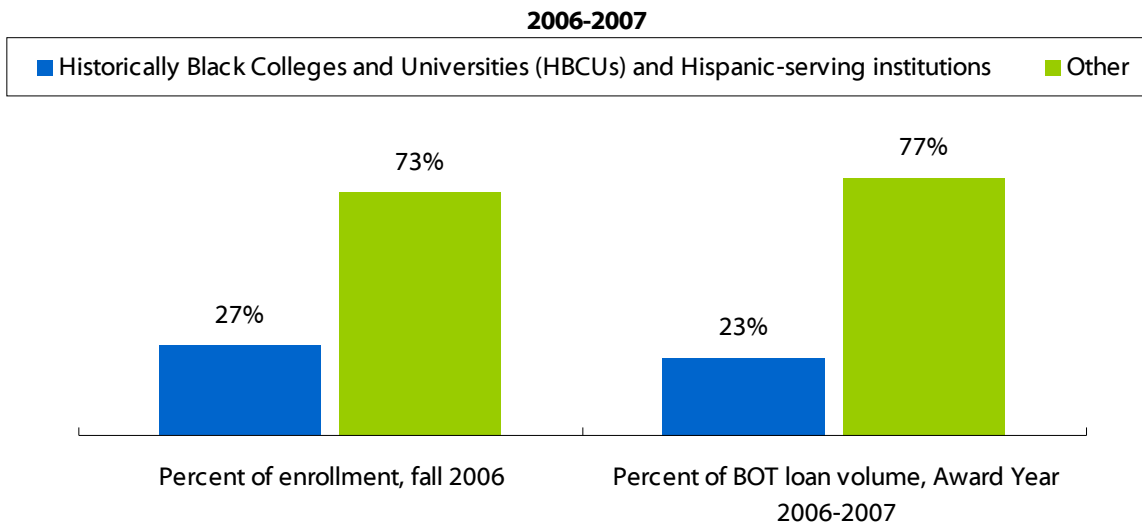
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** Includes only the amounts reported in the Texas Higher Education Coordinating Board's Financial Aid Database. The Financial Aid Database primarily records aid that was based on financial need, but may include some amounts that were not based on need.

Sources: Loan volume and average award: Texas Higher Education Coordinating Board (THECB). "Financial Aid Database for AY 2005-2006." Austin, Texas, 2007 (Unpublished tables); Enrollment: THECB. Texas Higher Education Data (<http://www.txhighereddata.org/>); Graduation rates: Six-year: THECB. Baccalaureate Graduation Rates (<http://www.txhighereddata.org/Interactive/GradRates.cfm>); Four-year: THECB. Higher Education Accountability System (<http://www.txhighereddata.org/Interactive/Accountability/>).



HBCU and HSI Percent of B-On-Time Loan Dollars Is Similar to HBCU and HSI Percent of Enrollment



Texas has nine Historically Black Colleges and Universities (HBCUs) and 44 Hispanic-serving institutions (HSIs). The U.S. Department of Education defines HBCUs as institutions in which 25 percent or more of the student body is African-American. Hispanic-serving institutions are defined as those in which 25 percent or more of the student body is Hispanic and 50 percent or more of that Hispanic population is low-income. In Award Year (AY) 2006-2007, HBCUs and Hispanic-serving institutions comprised 27 percent of total Texas enrollment and received 23 percent of B-On-Time (BOT)* loan dollars.**

* In 2003, the Texas Legislature created the B-On-Time (BOT) Loan, a no-interest loan which may be forgiven entirely upon graduation if the borrower graduates with a Grade Point Average (GPA) of at least 3.0 on a 4.0 scale and also graduates within four years after entering a four-year institution (five years for architecture or engineering) or within two years after entering a two-year institution. It is not certain how many students will be able to benefit from the loan forgiveness component of the loan, as most students in the U.S. take longer than four years to graduate. About 25 percent of first-time, full-time freshmen who entered Texas public four-year universities in fall 2002 graduated within four years, but the average GPA for these students is unknown. The six-year graduation rate in Texas is 56 percent.

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Sources: Loan volume: Texas Higher Education Coordinating Board (THECB). "Financial Aid Database for AY 2006-2007." Austin, Texas, 2008 (Unpublished tables); Enrollment: THECB. Texas Higher Education Data (<http://www.txhighereddata.org/>); HBCUs: U.S. Department of Education, *Office for Civil Rights* database. "Accredited Postsecondary Minority Institutions" (<http://www.ed.gov/about/offices/list/ocr/edlite-minorityinst.html>); HSIs: Hispanic Association of Colleges and Universities. "Hispanic-Serving Institution Members in Texas" (<http://www.hacu.net>); Graduation rates: Six-year: THECB. Baccalaureate Graduation Rates (<http://www.txhighereddata.org/Interactive/GradRates.cfm>); Four-year: THECB. Higher Education Accountability System (<http://www.txhighereddata.org/Interactive/Accountability/>).



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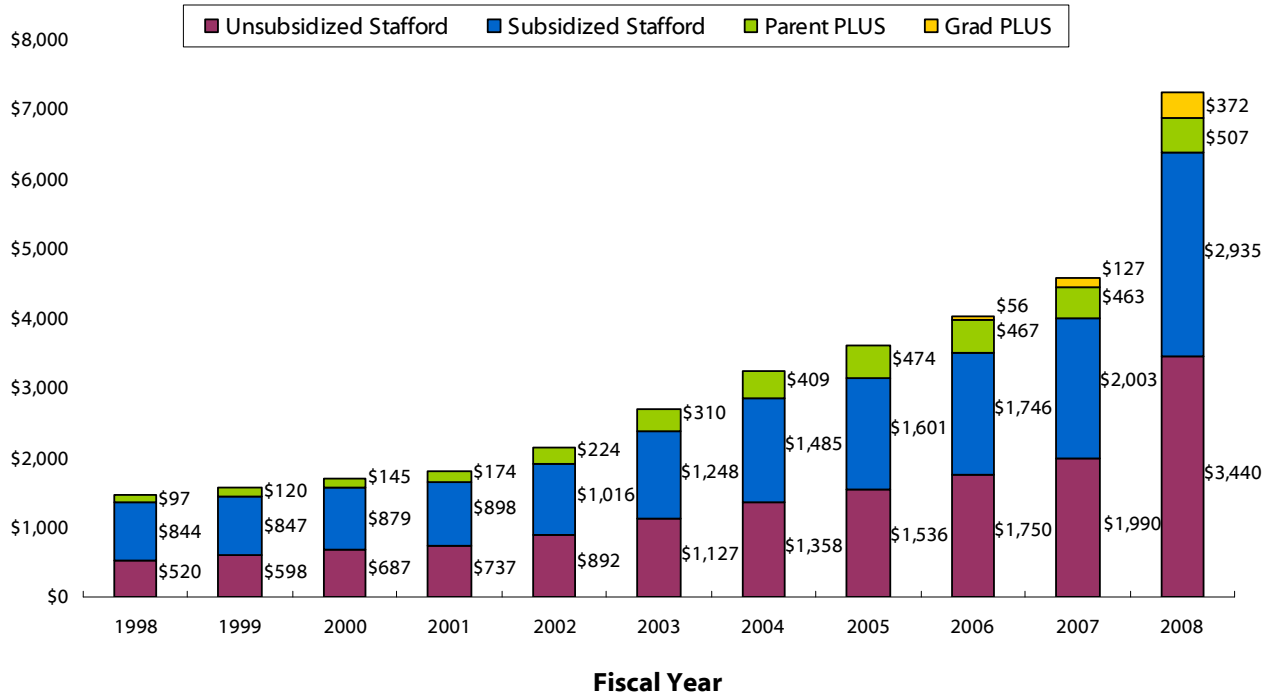
Section 9

TG



TG Volume Continues to Experience Large Gains

**TG Gross Loan Volume by Program in Millions of Dollars
(Fiscal Years 1998-2008 – Excludes Consolidations)**



The chart above displays loan volume by fiscal year, which begins on October 1 and ends on September 30 of the following year.

From Fiscal Year (FY) 1998-2001, TG’s gross loan volume increased between 6 and 9 percent annually. During this period loan demand tapered off and the Federal Ford Direct Loan Program was established, taking a percentage of the Texas and national markets.

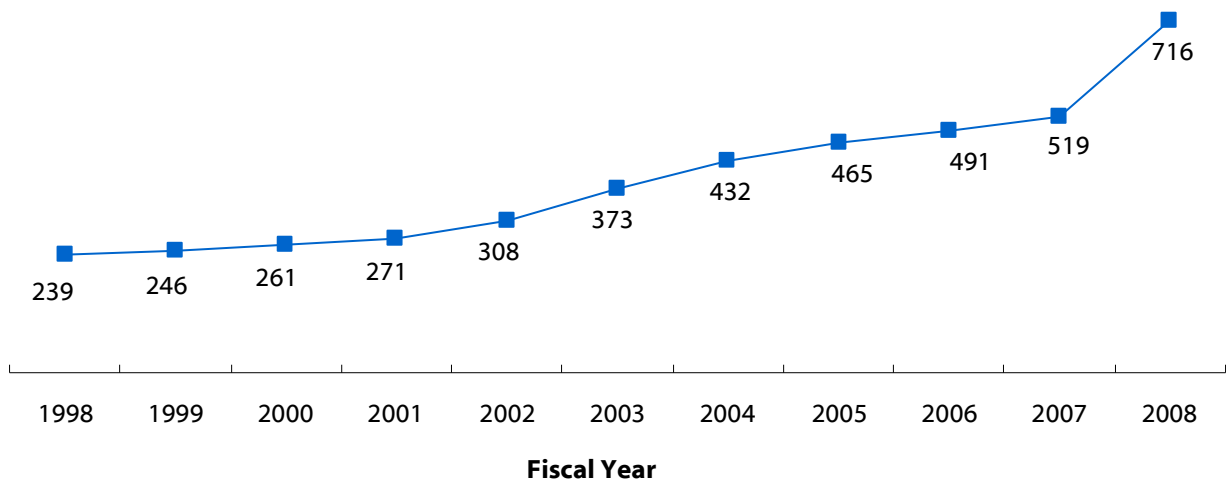
From FY 2001 to FY 2007, however, TG experienced considerable increases, between 11 and 26 percent annual growth. TG’s volume increased substantially from FY 2007 to FY 2008, a 58 percent increase. TG has focused considerable effort in the last year on expanding the national market, and the results of this effort can be seen in the huge jump in volume.

Source: TG, Internal Database, 2008.



TG Borrower Count Increases

Number of TG Borrowers (in Thousands)
(Fiscal Years 1998-2008 – Excludes Consolidation Borrowers)

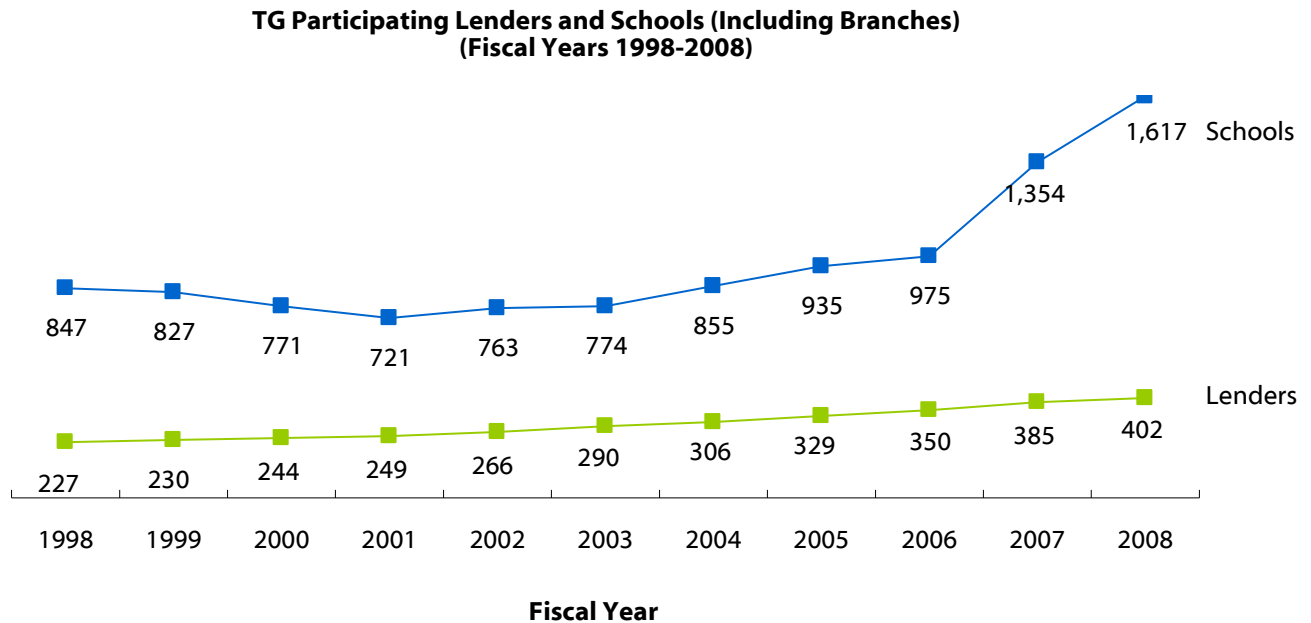


The number of TG borrowers increased 38 percent in Fiscal Year (FY) 2008, much higher than the 5 to 8 percent increase seen in recent years. This increase can be attributed to TG's significant efforts to expand our national market.

Source: TG, Internal Database, 2008.



The Number of Participating Schools, Lenders Increasing

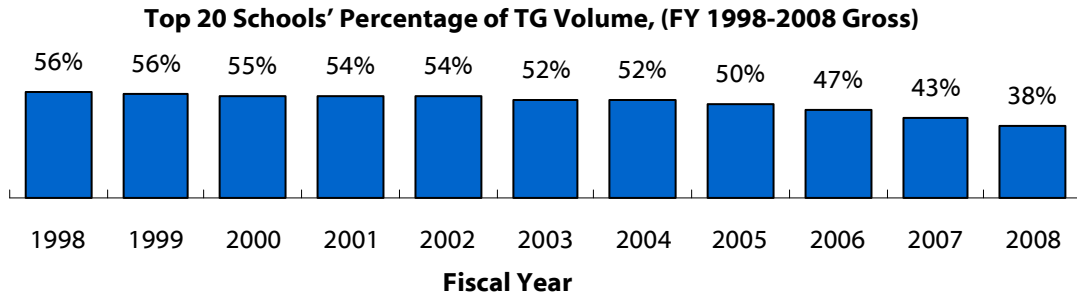


The number of schools and originating lenders working with TG to provide student aid increased again in Fiscal Year (FY) 2008 to our highest numbers of participating schools and lenders in the past 10 years. Although the number of participating lenders has increased steadily since FY 1998, an increase in the number of participating schools has occurred only in recent years. Prior to FY 2002, the number of participating schools steadily decreased due to increased oversight primarily, resulting in many proprietary schools becoming ineligible for federally guaranteed student loans. Growth in both sectors most likely resulted from recent advancements in technology (especially electronic interface capabilities between TG and schools and lenders), as well as TG's expansion into other states.

Source: TG, Internal Database, 2008.



Top School Volume Increases, % of Total Decreases



Gross loan volume for TG's top 20 schools increased by more than \$777 million in Fiscal Year (FY) 2008, a 39 percent increase from the previous fiscal year. TG's top 20 schools only accounted for 38 percent of TG's total volume in FY 2008, the third year now that over 50 percent of TG's volume has occurred at smaller schools.

TG Top Originating School Volume, FY 2008 Gross

School	Loans (In Thousands)	Amount (In Millions of \$)	% of TG Volume
1. University of Phoenix	119.3	534.4	7.4
2. University of Texas at Austin	46.3	280.6	3.9
3. University of North Texas	32.6	159.1	2.2
4. Texas A&M University	31.0	158.5	2.2
5. University of Houston	27.4	156.1	2.2
6. University of Texas at San Antonio	34.2	147.9	2.0
7. University of South Florida	51.4	144.9	2.0
8. Texas Tech University	27.8	121.5	1.7
9. University of Missouri Kansas City	16.3	110.8	1.5
10. University of Texas at Arlington	25.4	105.9	1.5
11. Florida International University	21.9	100.9	1.4
12. Capella University	13.3	93.9	1.3
13. Loyola University Chicago	14.9	91.8	1.3
14. Baylor University	15.3	83.0	1.1
15. Northwestern University	9.0	80.8	1.1
16. Texas Southern University	15.8	76.8	1.1
17. Southern Methodist University	9.3	76.6	1.1
18. University of Chicago	6.8	75.1	1.0
19. Life University	8.1	74.8	1.0
20. University of Texas at El Paso	16.3	73.6	1.0
Total	542.4	2747.1	37.9

Source: TG, Internal Database, 2008.



TG Volume Concentrated in Rural Areas, More Widely Distributed in Urban Areas

**TG Top Schools by Region
(FY 2008 Gross)**

Panhandle*

- 1. Texas Tech University \$122 Million
- 2. Texas Tech University Health Sciences Ctr \$45
- 3. Abilene Christian University \$34
- 4. West Texas A&M University \$33
- 5. Midwestern State University \$27

*** Top 5 Schools Account for 69% of Volume**

Metroplex*

- 1. University of North Texas \$159 Million
- 2. University of Texas at Arlington \$106
- 3. Southern Methodist University \$77
- 4. Texas Woman's University \$67
- 5. University of Texas at Dallas \$66

*** Top 5 Schools Account for 50% of Volume**

West*

- 1. University of Texas El Paso \$74 Million
- 2. Angelo State University \$25
- 3. Sul Ross State University \$11
- 4. Univ. of Texas – Permian Basin \$11
- 5. Western Technical Institute \$9

*** Top 5 Schools Account for 84% of Volume**

East*

- 1. Stephen F. Austin State Univ. \$68 Million
- 2. LeTourneau University \$27
- 3. University of Texas at Tyler \$26
- 4. Tyler Junior College \$20
- 5. Kilgore College \$10

*** Top 5 Schools Account for 87% of Volume**

Central*

- 1. University of Texas at Austin \$281 Million
- 2. Texas A&M University \$159
- 3. Univ. of Texas at San Antonio \$148
- 4. Baylor University \$83
- 5. University of the Incarnate Word \$59

*** Top 5 Schools Account for 70% of Volume**

Gulf Coast*

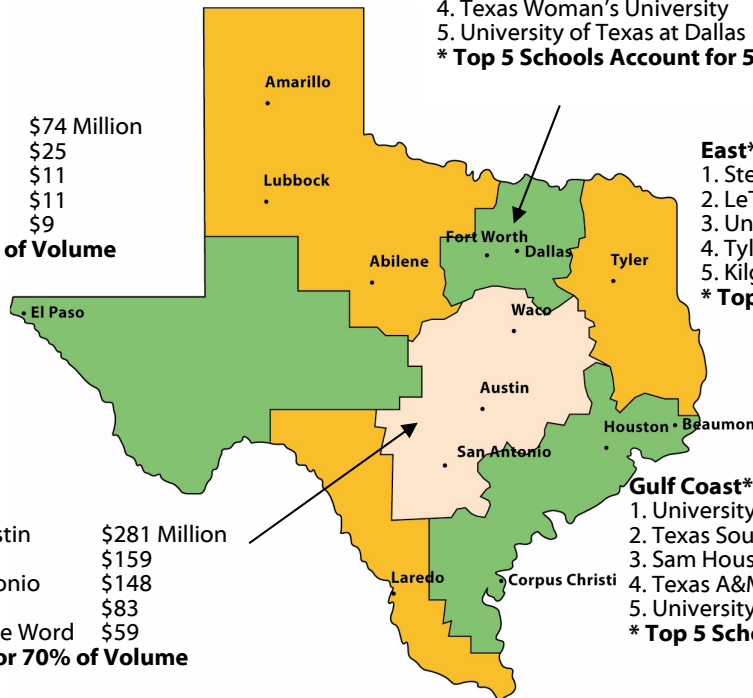
- 1. University of Houston \$156 Million
- 2. Texas Southern University \$77
- 3. Sam Houston State University \$66
- 4. Texas A&M Univ. - Corpus Christi \$44
- 5. University of Houston-Downtown \$43

*** Top 5 Schools Account for 56% of Volume**

Rio Grande*

- 1. University of Texas at Brownsville \$37 Million
- 2. Texas A&M International University \$20
- 3. University of Texas – Pan American \$19
- 4. South Texas Vocational Tech Institute \$5
- 5. South Texas Vocational Tech Inst-Brownsville \$4

*** Top 5 Schools Account for 87% of Volume**



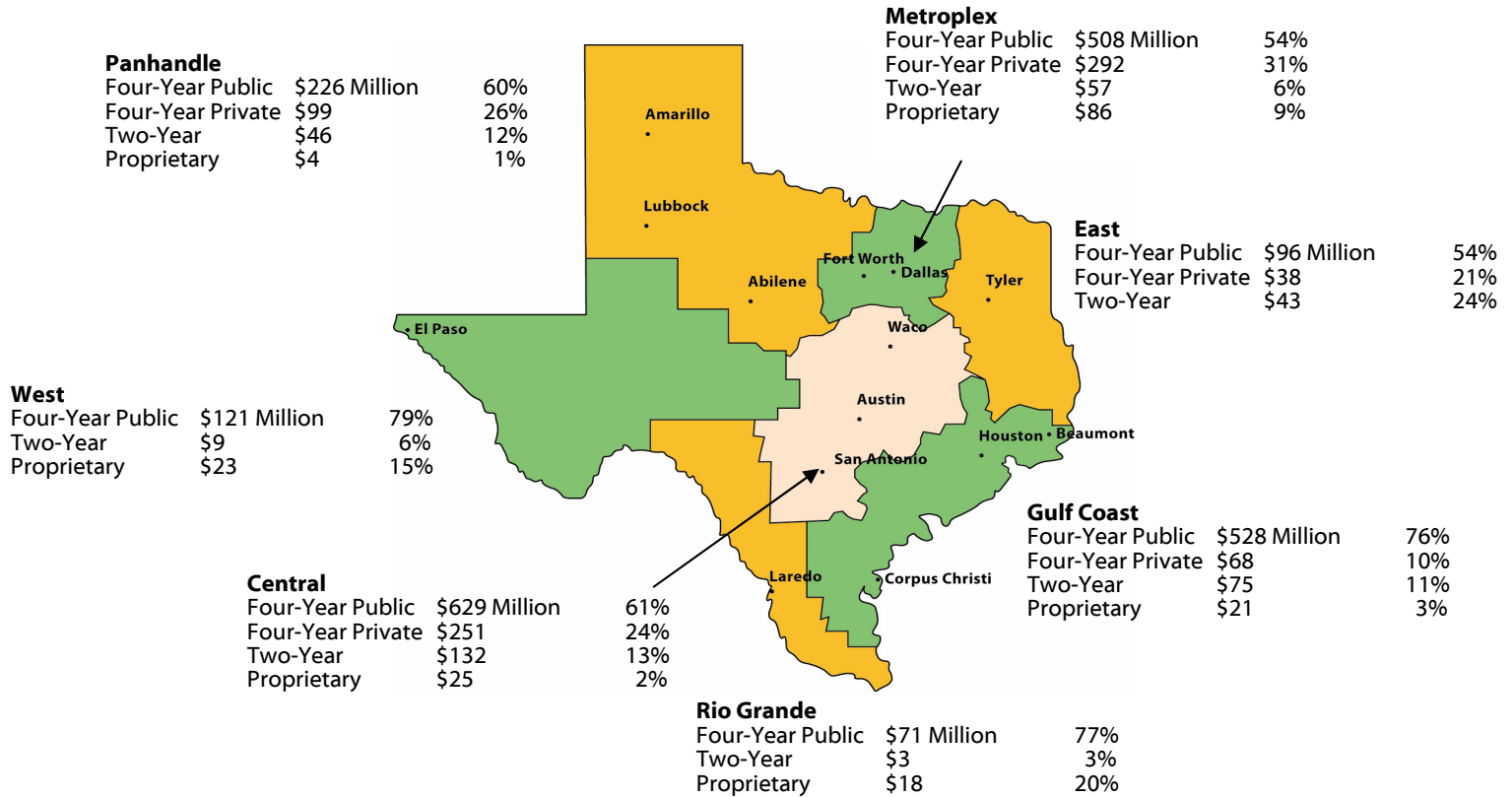
In the rural areas of the state, TG Fiscal Year (FY) 2008 loan volume remains concentrated among a few schools. In regions that contain the state's largest cities, however, loan volume is more widely distributed. In the Rio Grande region, for example, five schools account for 87 percent of regional loan volume, while in the Gulf Coast and the Metroplex the five schools with the largest loan volume account for a little more than half of regional volume. This is most likely due to the greater number of school choices that exist in the more urbanized regions of the state.

Source: TG, Internal Database, 2008.



Four-year Public Schools Account for Most Loan Volume

**TG Volume by Region and School Type
(FY 2008 Gross)**



In Fiscal Year (FY) 2008, four-year public schools accounted for 63 percent of TG gross loan volume, slightly lower than the previous fiscal year. Four-year private school volume, two-year volume, and proprietary volume all increased by 1 percent as a share of total TG volume in Texas compared to the previous fiscal year.

Comparing Texas regions reveals distinct differences. Proprietary volume as a percent of the region's total volume is highest in the Rio Grande Valley and West Texas. Four-year private volume is highest in the Metroplex region, and four-year public volume is highest in regions where TG does not have four-year private volume. The Rio Grande Valley and West Texas regions.

**TG Texas Volume by School Type
FY 2008 Gross**

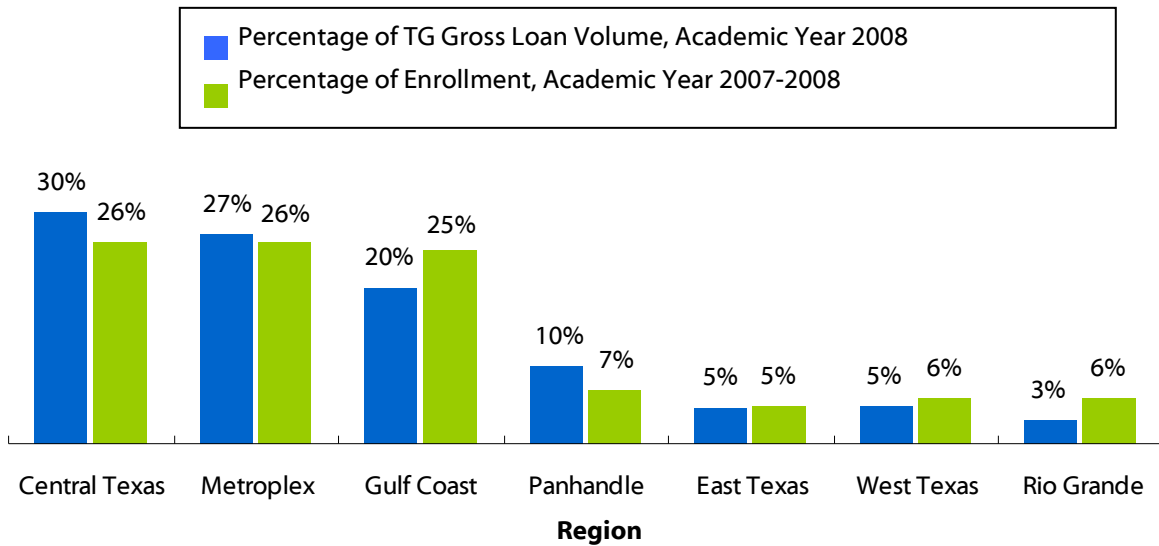
School Type	Amount (in Millions)	% of Amount
Four-Year Public	\$2,179	63%
Four-Year Private	\$747	22%
Two-Year	\$365	11%
Proprietary	\$178	5%

Source: TG, Internal Database, 2008.



TG Regional Volume Corresponds to Enrollment

Ratio of Regional Enrollment to Texas Guaranteed Regional Volume



For the most part, TG gross loan volume corresponds to enrollment levels across Texas regions. Central Texas, the Panhandle, and the Metroplex account for a greater loan volume proportion than their student population, while West Texas, Rio Grande Valley, East Texas, and the Gulf Coast receive somewhat less. Specifically, the Gulf Coast region comprised 25 percent of enrollment in Academic Year (AY) 2007-2008, yet received only 20 percent of TG loan volume.

Central Texas and the Gulf Coast represent the largest disparities, with Central Texas receiving a larger share of volume and the Gulf Coast receiving a smaller share of volume compared to enrollment.

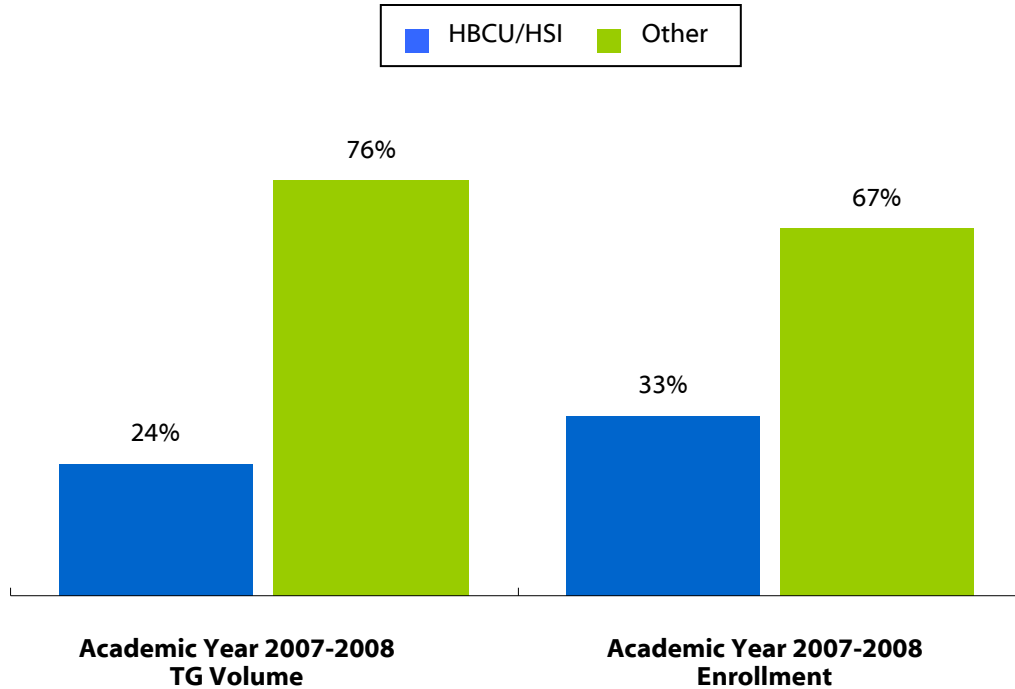


Sources: Enrollment: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS) 2007 (<http://nces.ed.gov/ipeds/>); Loan Volume: TG, Internal Database, 2008.



HBCU and HSI Enrollment Comparable to Volume

Ratio of HBCU/HSI Enrollment to TG HBCU/HSI Volume*



Texas has nine Historically Black Colleges and Universities (HBCU) and 44 Hispanic Serving Institutions (HSI). According to the U.S. Department of Education, African Americans comprise 25 percent or more of the student body at an HBCU. HSI are defined as those in which 25 percent or more of the student body is Hispanic, of which 50 percent or more must be low-income. HBCU and HSI schools accounted for 33 percent of total Texas enrollment in Fall 2007 while generating 24 percent of Academic Year 2007-2008 TG loan volume. This disparity is most likely due to TG's lower volume in comparison to enrollment in the Rio Grande Valley and Gulf Coast regions, which are largely Hispanic areas.

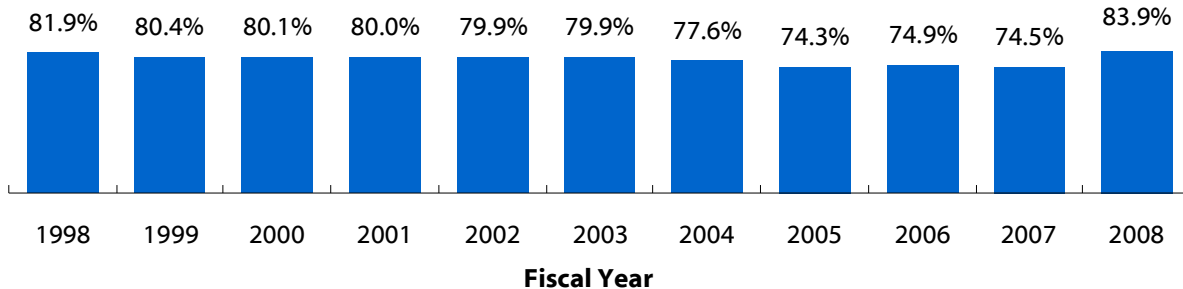
*Does not include proprietary schools for volume or enrollment

Sources: Enrollment: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS) 2007 (<http://nces.ed.gov/ipeds/>); Loan Volume: TG, Internal Database, 2008; HBCUs: U.S. Department of Education, Office for Civil Rights database, "Accredited Postsecondary Minority Institutions" (<http://www.ed.gov/about/offices/list/ocr/edlite-minorityinst.html>); HSIs: Hispanic Association of Colleges and Universities, "Hispanic-Serving Institution Members in Texas." (<http://www.hacu.net>).



TG Lender Volume Widely Distributed

Top 20 Lenders Percentage of TG Volume
(FY 1998-2008 Gross - Excludes Consolidation Loans)



TG lender volume was widely distributed in Fiscal Year (FY) 2008. The largest 20 lenders provided about 84 percent of total TG loan volume, higher than in the past 10 years. Reasons for this most likely include the market climate forcing many lenders to leave the program combined with TG's fast-growing volume with a few key lenders.

TG Top Originating Lender Volume, FY 2008 Gross

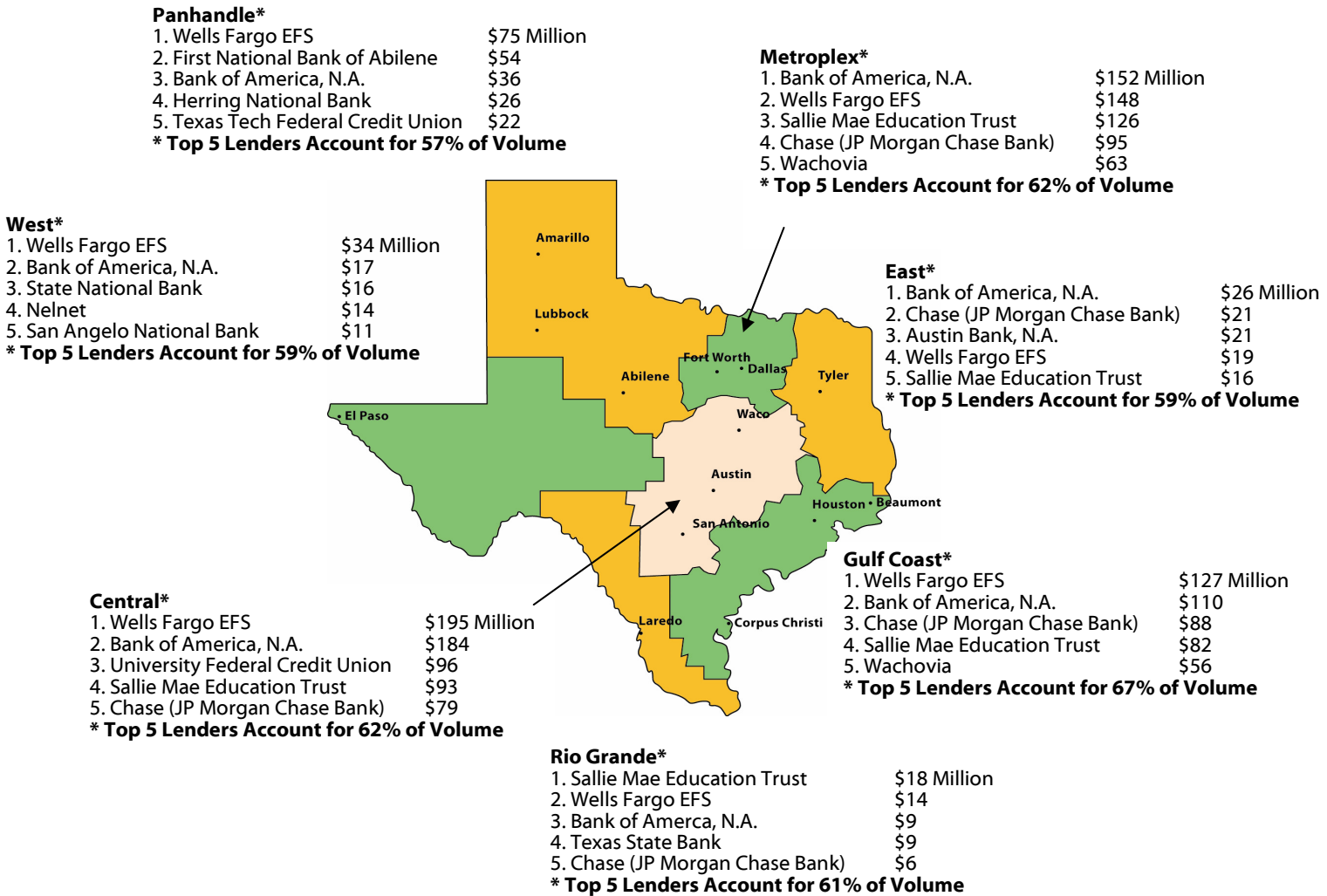
Lender	Loans (In Thousands)	Amount (In Millions of \$)	% of TG Volume
1. Wachovia	325.0	1,473.0	20.3
2. Bank of America	170.7	768.6	10.6
3. Wells Fargo Education Financial Services	149.0	731.2	10.1
4. Sallie Mae Education Trust	139.7	658.2	9.1
5. Citibank	94.0	576.7	7.9
6. JP Morgan Chase Bank	114.8	560.2	7.7
7. National Education Loan Network (Nelnet)	40.7	202.7	2.8
8. EdAmerica	34.4	199.5	2.8
9. Access Group	17.0	180.9	2.5
10. University Federal Credit Union	21.1	111.2	1.5
11. Suntrust Bank	18.1	79.6	1.1
12. Commerce Bank	17.7	72.6	1.0
13. First National Bank of Abilene	16.9	70.7	1.0
14. National City Bank	7.2	70.7	1.0
15. Compass Bank	13.4	59.0	0.8
16. US Bank	9.0	58.5	0.8
17. Amsouth Bancorp	14.5	58.2	0.8
18. Texas Bank	13.4	57.4	0.8
19. Emory University	4.2	49.2	0.7
20. First National Bank of Texas	12.0	47.1	0.6
Total	1,233.0	6085.3	83.9

Source: TG, Internal Database, 2008.



Top Lender Volume Varies by Texas Region

TG Lender Volume by Region (FY 2008 Gross - Excludes Consolidation Loans)

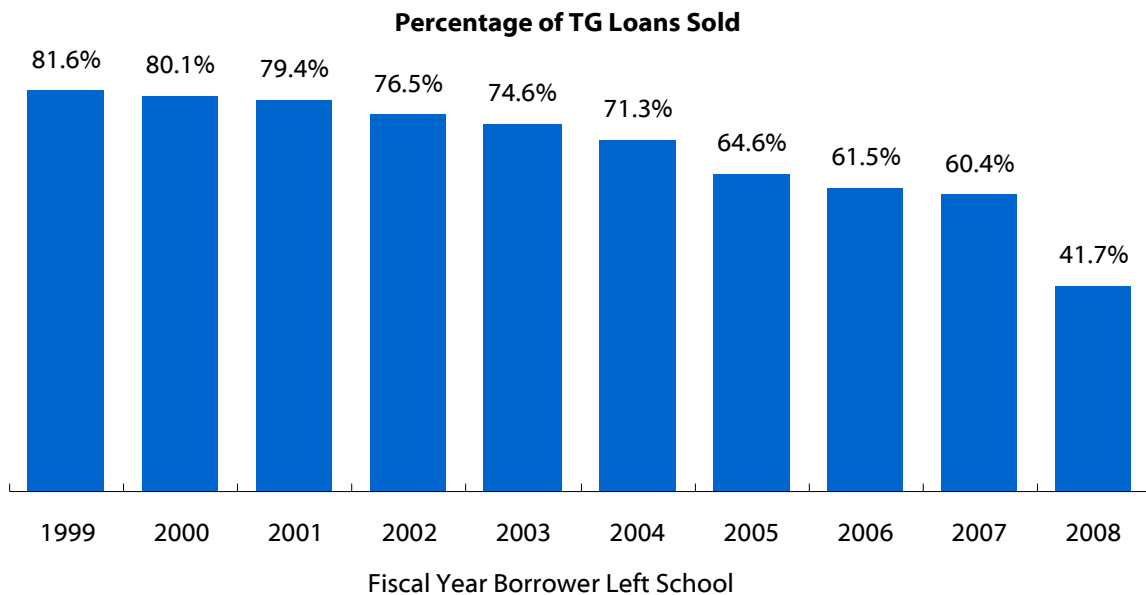


School location influences which lender students choose to finance their education. In FY 2008, with lenders leaving the program due to volatile market conditions, there's not as much lender variation by region as there has been in recent years. Only three different lenders occupy the top spot in the seven regions, and two lenders, Wells Fargo and Bank of America, are among the top five lenders in all seven regions. Two other lenders, Chase (JP Morgan Chase Bank) and Sallie Mae Education Trust, show up in the top five lenders in five of the seven regions.

Source: TG, Internal Database, 2008.



Fewer TG Loans Are Being Sold



After lenders provide the capital for a student loan, they have the option of (a) retaining the loan, or (b) selling it to a financial institution called a secondary market. The graphs above reveal that roughly 42 percent of students who left school in Fiscal Year (FY) 2008 had their student loans sold, marking a decrease from the previous year.

TG's Top Loan Holders (Borrowers Leaving School in FY 2008)

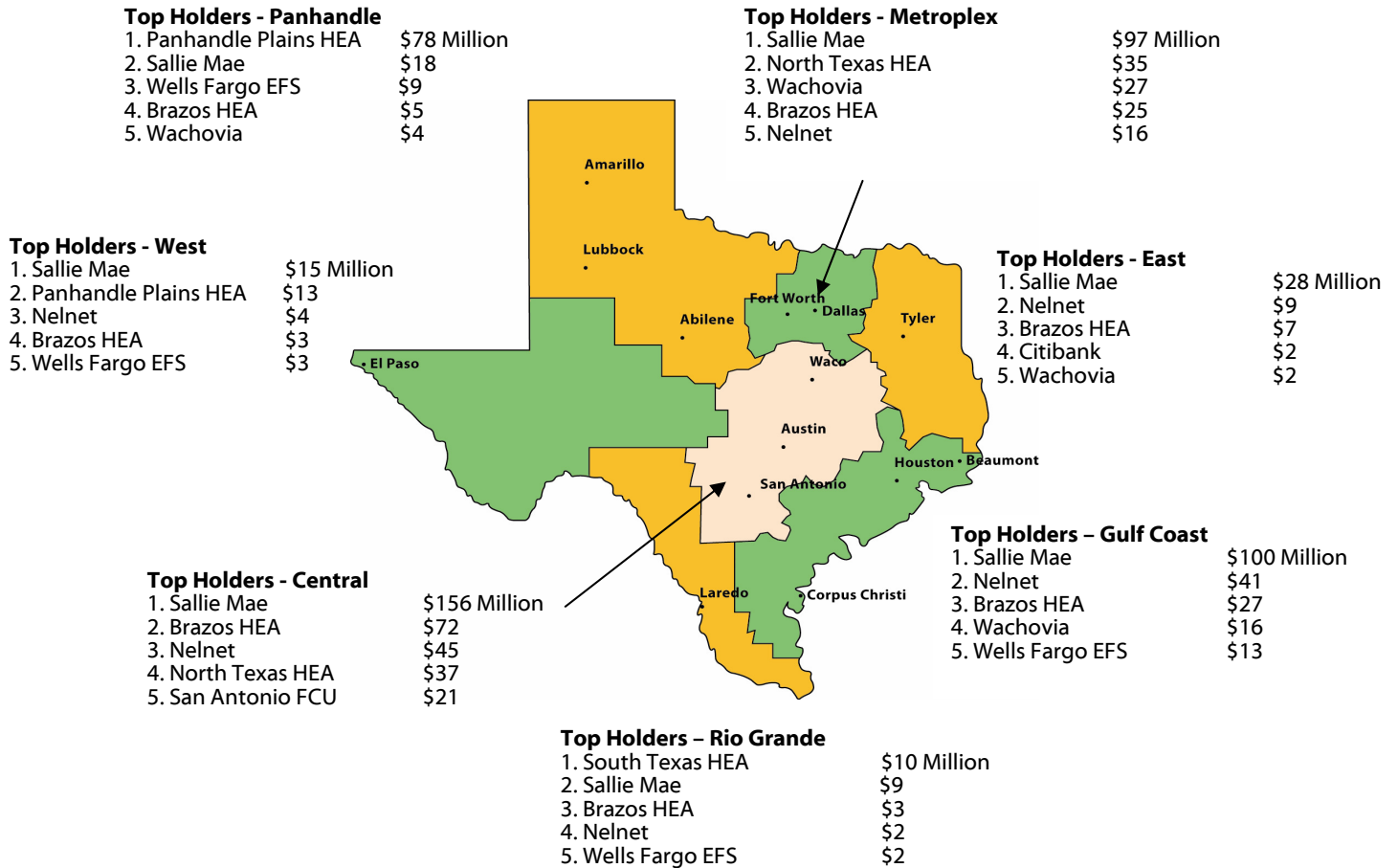
Holder	Loans (In Thousands)	Amount (In Millions of \$)
1. Sallie Mae	121.1	429.2
2. Brazos Higher Education Authority	43.0	146.1
3. National Education Loan Network (Nelnet)	36.5	121.2
4. Panhandle Plains Higher Education Authority	31.8	99.2
5. North Texas Higher Education Authority	20.6	77.6
6. Wachovia	15.2	63.8
7. Wells Fargo Education Financial Services	14.8	55.0
8. Citibank	9.9	33.2
9. San Antonio Federal Credit Union	7.5	28.6
10. South Texas Higher Education Authority	9.2	26.9
Total	309.6	1,080.8

Source: TG, Internal Database, 2008.



Top Loan Holders Compare Similarly Across Regions

**TG's Top Loan Holders by Region
(Borrowers Leaving School in FY 2008)**



After lenders provide the capital for a student loan, they have the option of (a) retaining the loan, or (b) selling it to a financial institution called a secondary market. In Fiscal Year 2008, two loan holders appear in the top five in each region: Sallie Mae and Brazos HEA (see map above). Nelnet is the top loan holder in six of the seven regions, and Wells Fargo EFS is the top loan holder in four of the seven regions.

Source: TG, Internal Database, 2008.



Top Servicers See Volume Grow, Market Share Drop

After lenders provide the capital for a student loan, they often delegate billing and account maintenance responsibilities to another type of institution called a servicer. Sallie Mae continued to be the largest servicer of TG student loans. In 2000, the top three servicers maintained almost 70 percent of the TG market; in FY 2008, the top three servicers administered only 43 percent. Finally, the past eight fiscal years saw significant growth for the top five servicers.

TG Top Servicers (Borrowers Leaving School in FY 2008 – Includes Originating Lenders)

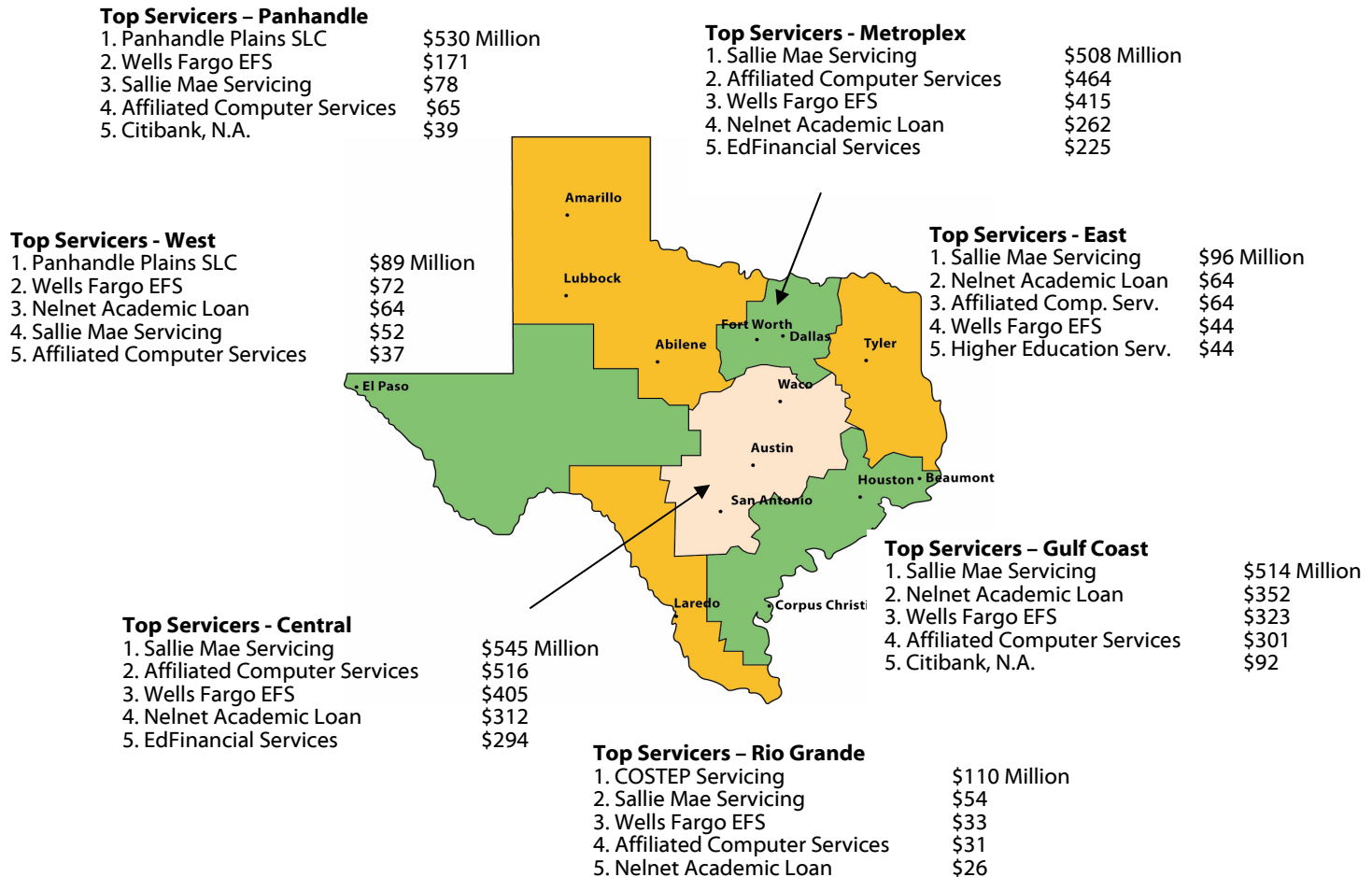
Servicer	Loans (In Thousands)	Amount (In Millions of \$)
1. Sallie Mae Servicing Corporation	656.7	2,593.4
2. Affiliated Computer Services	431.3	1,840.7
3. Wells Fargo Education Financial Services	382.8	1,635.2
4. Nelnet Academic Loan	385.4	1,536.4
5. Wachovia ELT	320.3	1,430.5
6. Citibank, N.A.	176.3	914.3
7. Panhandle Plains Student Loan Center	238.0	880.4
8. EdFinancial Services	184.9	836.1
9. Higher Education Servicing Corp	90.0	358.4
10. COSTEP Servicing Agent	83.9	287.8
Total	2,949.7	12,313.3

Source: TG, Internal Database, 2008.



Regional Servicers Vary More Than Before

TG Top Servicers by Region (Borrowers Leaving School in FY 2008)



A servicer is an entity that maintains accounts and corresponding billing responsibilities for lenders after a student loan has been disbursed. Some servicers focus their business in certain regions of the state. So, as is the case with gross loan volume, where a borrower attends school may influence who administers his or her loan after departure from higher education. However, three servicers maintain a presence in the top five list in each region: Wells Fargo EFS, Sallie Mae Servicing, and Affiliated Computer Services.

Source: TG, Internal Database, 2008.

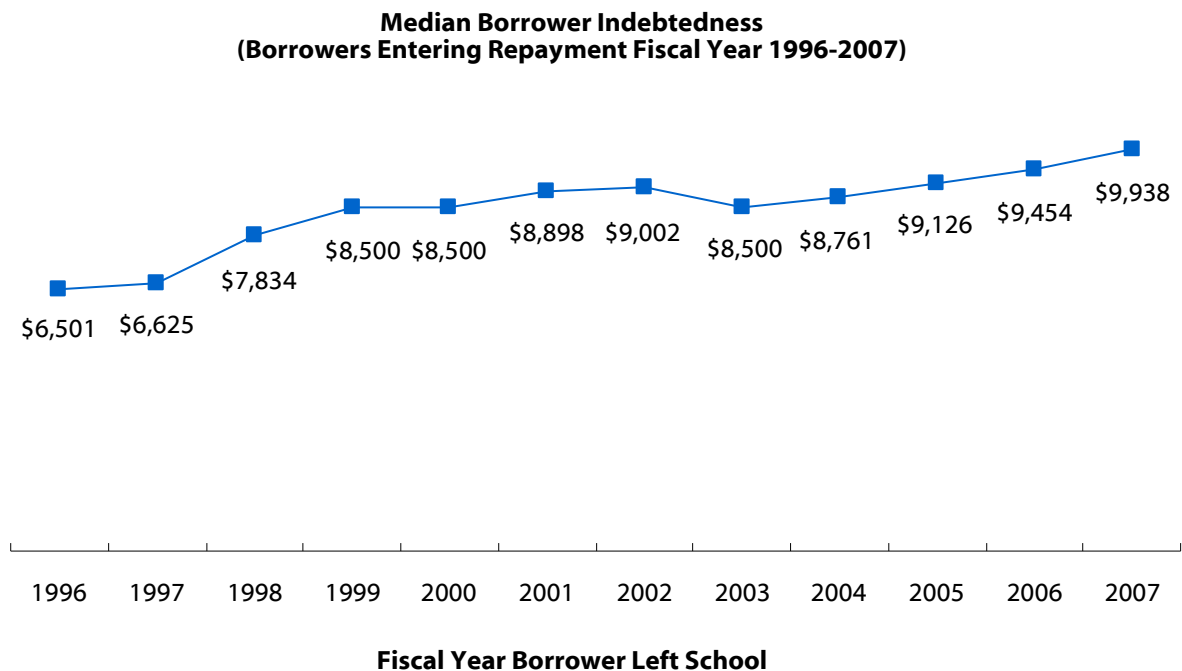


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Student Debt in Texas

Median Borrower Indebtedness Continues to Increase



Median borrower indebtedness* (MBI) among TG borrowers increased sharply from Fiscal Year (FY) 1994 to FY 1999, primarily due to students becoming eligible for larger amounts of student loans**, the introduction of unsubsidized loans, and grant aid not keeping pace with increasing college costs. Student loans, along with money from part-time jobs and other forms of credit, frequently filled the gap between insufficient aid and higher costs. Many students paid for education and living expenses with credit cards and/or private loans at higher interest rates. Others increased the number of hours they devoted to work, sometimes jeopardizing their ability to keep pace academically.

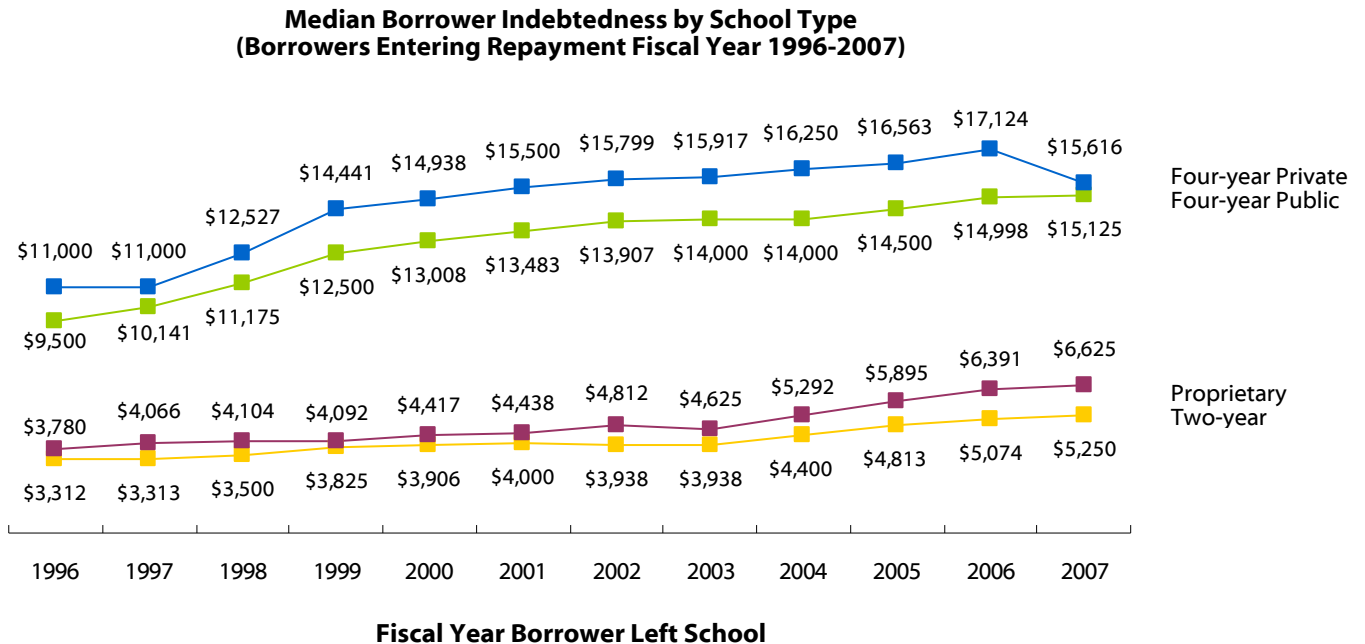
Between FY 1999 and FY 2006, MBI increased at a slower rate, but reached a new high in FY 2007. The Higher Education Reconciliation Act of 2005 (HERA) includes an increase in loan limits for first- and second-year Stafford loan borrowers, as well as for graduate students who borrow unsubsidized loans. These changes went into effect for loans certified with scheduled first disbursement dates on or after July 1, 2007. In addition, the Ensuring Continued Access to Student Loans Act of 2008 increases the aggregate Stafford loan limits and the annual Unsubsidized Stafford loan limits for undergraduate students. Therefore, it is likely that MBI will continue to rise over the next few years.

* A median is the point at which 50 percent of students borrowed less and 50 percent borrowed more. It represents a typical student debt better than an average since certain heavy borrowers — such as law and medical students — skew the average indebtedness statistic, making it a less reliable gauge of a representative borrower's experience with student loans.



Sources: TG, Internal Database, 2008.

Median Borrower Indebtedness Increases for Most School Types



In Fiscal Year (FY) 2006, median borrower indebtedness* (MBI) of TG borrowers increased for all school types. MBI for borrowers from four-year public, two-year, and proprietary schools also increased again between FY 2006 and FY 2007. However, it decreased by \$1500 for borrowers from four-year private institutions.

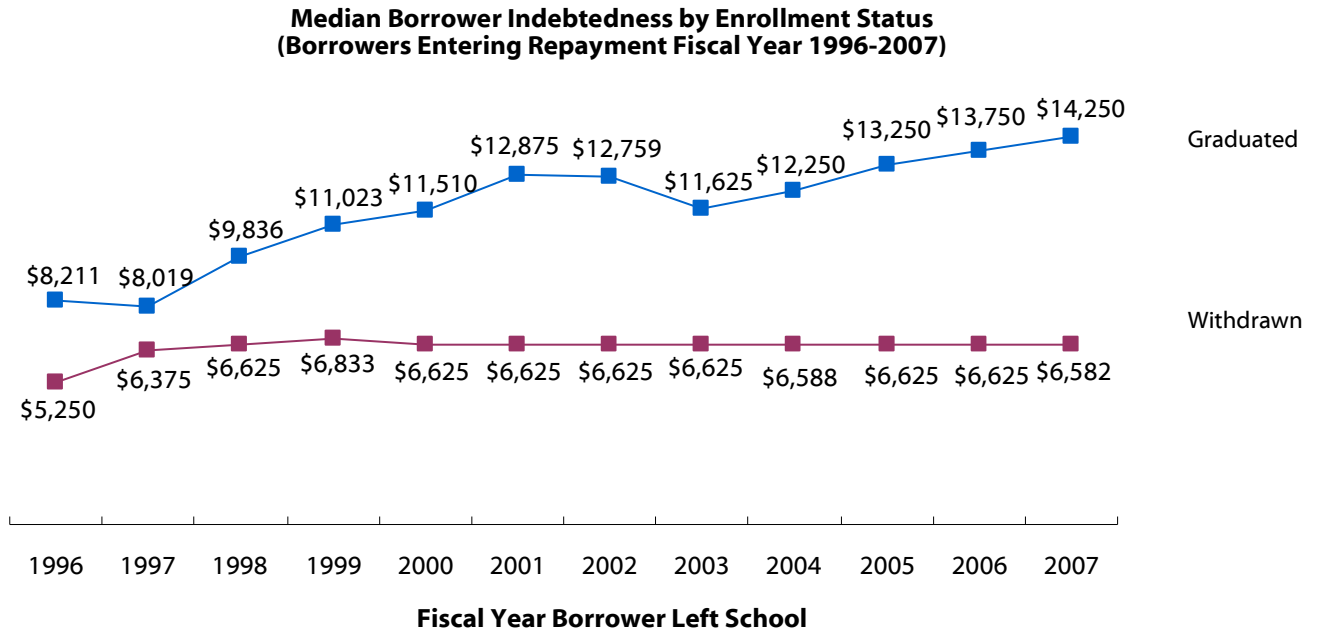
As one would expect, median borrower indebtedness* (MBI) remains higher among borrowers who attended four-year universities than among borrowers from two-year colleges and proprietary institutions. The Higher Education Reauthorization Act of 2005 (HERA) has had an overall greater impact in MBI for proprietary and two-year schools borrowers than for those from four-year schools, as the limits were raised for first- and second-year students, but not for loans taken out during later years of school. However, the Ensuring Continued Access to Student Loans Act of 2008 includes increases in both the annual limits and aggregate limits for undergraduate students of all grades. For example, undergraduate independent students can borrow up to \$57,500 in unsubsidized loans, up from the previous \$46,000 aggregate limit. It is likely there will be a significant increase in MBI, although this effect will not be seen until a few years after the new limits have been in place.

* A median represents a typical student debt better than an average since certain heavy borrowers — such as law and medical students — skew the average indebtedness statistic, making it a less reliable gauge of a representative borrower's experience with student loans.

Source: TG, Internal Database, 2008.



Median Borrower Indebtedness Trends Vary by Enrollment Status



From Fiscal Year (FY) 1994 to FY 1996 median borrower indebtedness* (MBI) increased for all students regardless of whether the borrower completed his or her program of study. Since FY 1997, MBI has varied according to enrollment status.

For graduated TG borrowers, MBI increased 59 percentage points from FY 1997 to FY 2001 before dropping in each of the following two years. However, MBI for TG borrowers who graduated before entering repayment increased steadily between FY 2003 and FY 2007. The MBI for borrowers who left school after graduating in FY 2007 was \$14,250, the highest level to date. In contrast, the MBI for borrowers who withdrew has remained relatively the same between FY 1998 and FY 2007. Given the increase in loan limits approved in the Higher Education Reauthorization Act of 2005 (HERA) and the Ensuring Continued Access to Student Loans Act of 2008, the MBI for both graduated and withdrawn students should increase noticeably in the next few years. A rise in MBI may have a particularly significant impact on borrowers who leave school before program completion. Not only do students who withdraw from school reap fewer of the benefits of higher education, they are also more at risk for defaulting on a student loan than is a borrower who graduates. This is particularly true for borrowers from proprietary and two-year institutions, which generally have higher rates of default than do four-year schools.

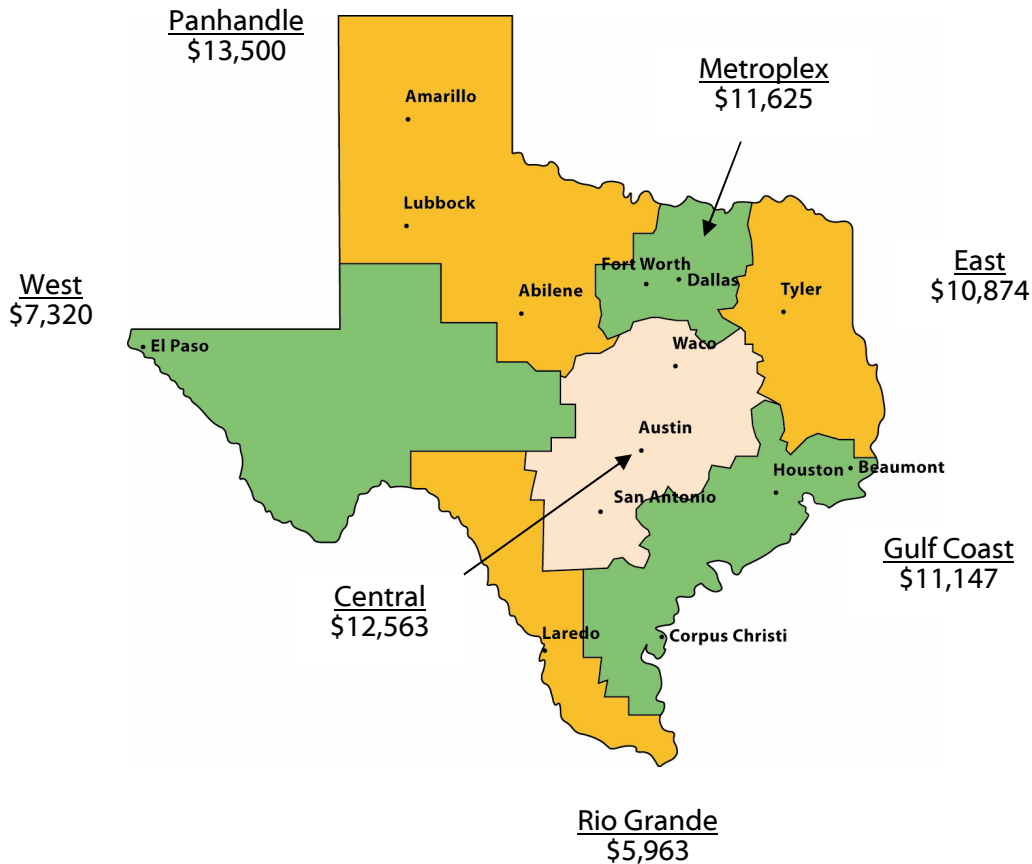
* A median represents a typical student debt better than an average since certain heavy borrowers — such as law and medical students — skew the average indebtedness statistic, making it a less reliable gauge of a representative borrower's experience with student loans.

Source: TG, Internal Database, 2008.



Median Borrower Indebtedness Varies by Texas Region

**Median Borrower Indebtedness by Region
(Borrowers Who Left School in Fiscal Year 2007)**



In all of the seven regions, the median borrower indebtedness* (MBI) among TG borrowers who either graduated, withdrew, or enrolled less than half time increased in Fiscal Year (FY) 2007. The Panhandle saw the largest dollar amount increase in MBI (i.e., \$1,775 more in FY 2007 than in FY 2006). As in FY 2005 and FY 2006, students who attended school in Central Texas or the Panhandle left with the highest debt load. Regions with few four-year schools and/or many two-year or proprietary schools had lower indebtedness (i.e., Rio Grande and West Texas). The overall MBI for the state was \$9,938.

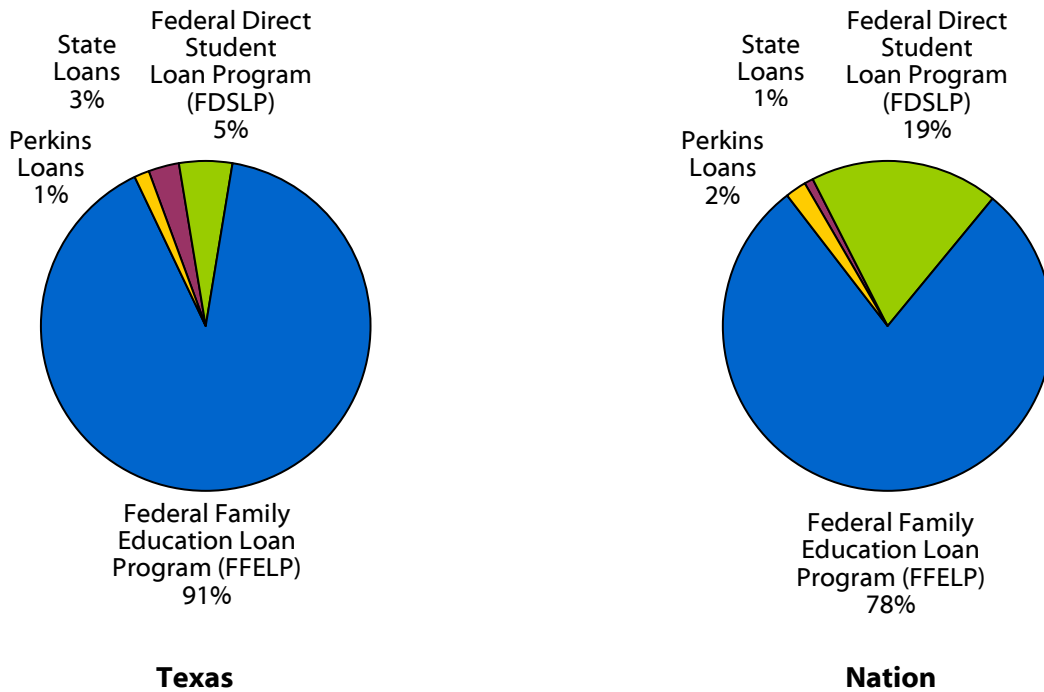
* A median represents a typical student debt better than an average since certain heavy borrowers — such as law and medical students — skew the average indebtedness statistic, making it a less reliable gauge of a representative borrower's experience with student loans.

Source: TG, Internal Database, 2008.



Student Loan Choices Differ Between Texas and the Nation

**Texas, National Loan Program Distribution
(Award Year 2006-2007)**



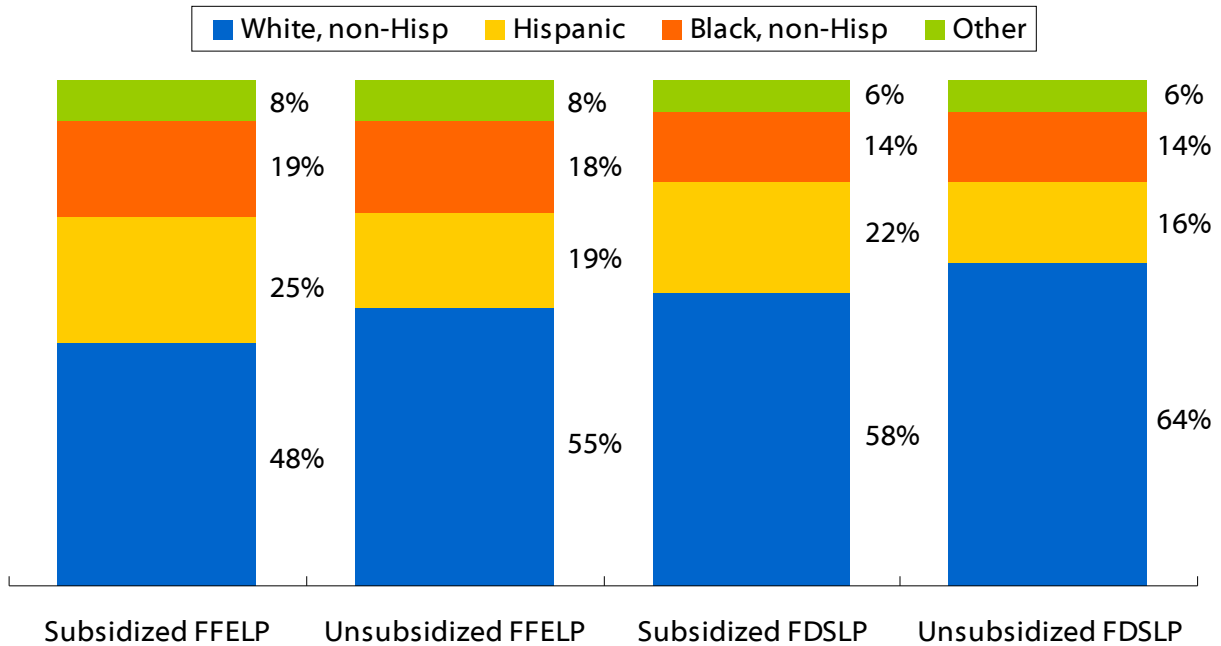
Federal programs accounted for most student loans in Award Year (AY) 2006-2007. In Texas, 97 percent of all student loans derived from federal programs. Texans have demonstrated a preference for the Federal Family Education Loan Program (FFELP), which relies on a public/private partnership of lenders, a state guarantor, and the federal government to provide loans to students.

Sources: Perkins Loan data: Federal Campus-Based Data Book 2008, Recipient Data Award Year 2006-2007, Federal Perkins Loan State Listing (<http://www.ed.gov/finaid/prof/resources/data/databook2008/perkins-fiscal.xls>); State Loans data: The National Association of State Student Grant and Aid Programs (NASSGAP), 38th Annual Survey (<http://www.nassgap.org/viewrepository.aspx?categoryID=3#>); FFELP and FDSLPL data: TG Internal Market Score Cards.



Loan Choice Differs by Ethnicity

**Texas Borrower Loan Program Amount by Ethnicity
(Award Year 2006-2007)**



The major federal student loan program in Texas -- the Federal Family Education Loan Program (FFELP) -- serves a more ethnically diverse population than the Federal Direct Student Loan Program (FDSL P). The subsidized options for both FFELP and FDSL P, which require demonstrated financial need, serve a higher percentage of African American and Hispanic students than the unsubsidized option (which has no financial need requirement), but both options of FFELP serve a more diverse population than both options of FDSL P. Data are not available for students who attend for-profit schools.

Source: Texas Higher Education Coordinating Board. "Financial Aid Database for AY 2006-2007." Austin, Texas, 2008 (unpublished tables).



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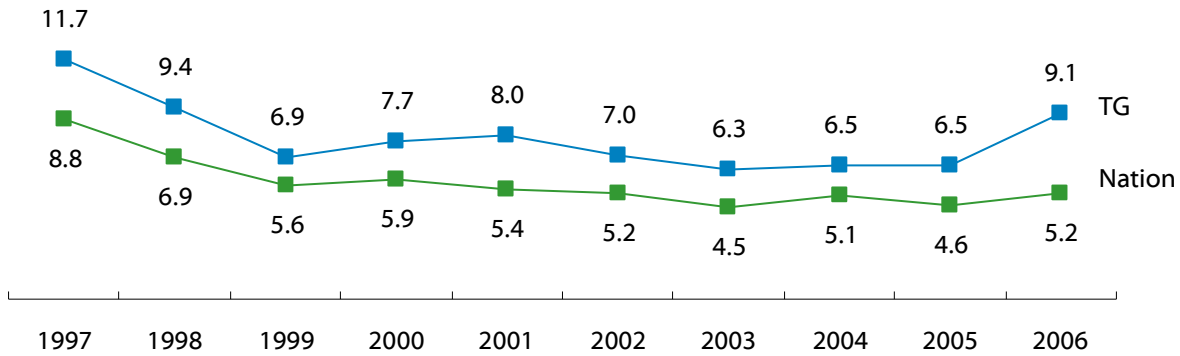
Section 11

Defaults and Collections



Cohort Default Rates Increase

**TG, National Cohort Default Rates
(Fiscal Year 1997-2006)**



Fiscal Year Borrower Entered Repayment

Between FY 1999 and FY 2005, TG's cohort default rate (CDR) fluctuated between 8.0 percent and 6.3 percent. During this time period, TG's CDR exceeded the national average by 1.2 to 2.6 percentage points. The gap is now 3.9 percentage points, with TG's most recent official ED rate being 9.1 percent.

TG's volume outside of Texas is rapidly growing (e.g., the loan volume guaranteed by TG during Award Year (AY) 2008 is nearly the same proportionately for schools outside versus schools within Texas). However, approximately 80 percent of TG's 2006 cohort was made up of borrowers from schools within Texas, where graduation rates lag behind national averages and where relatively less state grant money is available for needy students. In addition, compared to the nation as a whole, Texas has a higher proportion of borrowers with some of the strongest predictors of whether a student defaults (i.e., low grade point average, part-time attendance, and full-time employment while in college). TG is concerned that the weakening economy will make it more difficult for some borrowers to stay current on their student loan payments, while changes in consolidation borrowing will also adversely affect TG's rate. The federal consolidation loan program saw unprecedented growth during the cohort period. Aggressive marketing tactics and the growth of specialized consolidation lenders created shakeups in the student loan market, steering significant market share to a handful of guarantors. While TG saw record highs in consolidation loan volume, more consolidation borrowers left TG's portfolio than those who entered it. Under U.S. Department of Education rules, borrowers are counted in the denominator of the consolidation loan guarantor only. And because consolidation borrowers rarely default within the two-year timeframe, this net loss of borrowers had a skimming effect, leaving TG with a somewhat riskier population of borrowers.

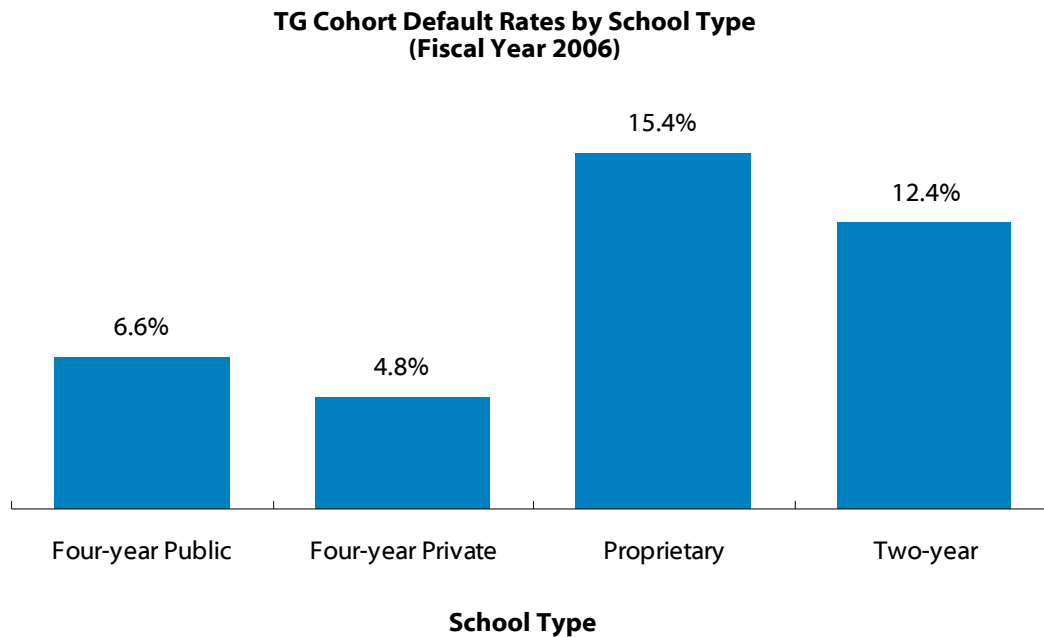
TG undertakes numerous efforts to prevent defaults, including calling and sending letters to delinquent borrowers, providing schools with default prevention training, providing a Web-based tool to help schools and lenders more effectively focus their default prevention resources, and participating in an industry advisory committee to develop best practices for default prevention. TG also provides resources for high school counselors to advise students on options to pay for college and consider ramifications of taking on debt. In addition, the financial literacy program is available to students once they enter college, assisting them in managing their money and making thoughtful financial choices.

* The cohort default rate is the percentage of students with loans entering repayment in a given fiscal year who default on their obligations before the end of the next fiscal year. The FY 2006 cohort default rate, for example, is based on students who entered repayment during FY 2006 and subsequently defaulted before the end of FY 2007.

Source: Cohort Default Rates: U.S. Department of Education, Fiscal Year 2006 Official Cohort Default Rates, Washington, D.C., 2008; Graduation Rates: National Center for Higher Education Management Systems, "NCHEMS Information Center for State Higher Education Policymaking and Analysis" (<http://www.higheredinfo.org/>); All Other: U.S. Department of Education, National Center for Education Statistics, "National Postsecondary Student Aid Study (NPSAS) 2004" (<http://www.nces.ed.gov/das/>).



Short-term Programs Have Higher Default Rates



In Fiscal Year (FY) 2006, TG borrowers who attended short-term programs (i.e., two-year and proprietary schools) defaulted at over twice the rate of those who attend four-year schools. While the default rate for short-term programs was 13.8 percent, the rate for four-year institutions was 6.2 percent. There are several factors that contribute to the tendency towards higher default rates for proprietary and two-year schools than for four-year schools. For example, borrowers from short-term programs are more likely to have risk factors for dropping out of school – such as attending school part time and working full time - than are students from four-year colleges and universities. Failure to complete a degree program is associated with an increased risk for defaulting on a student loan.

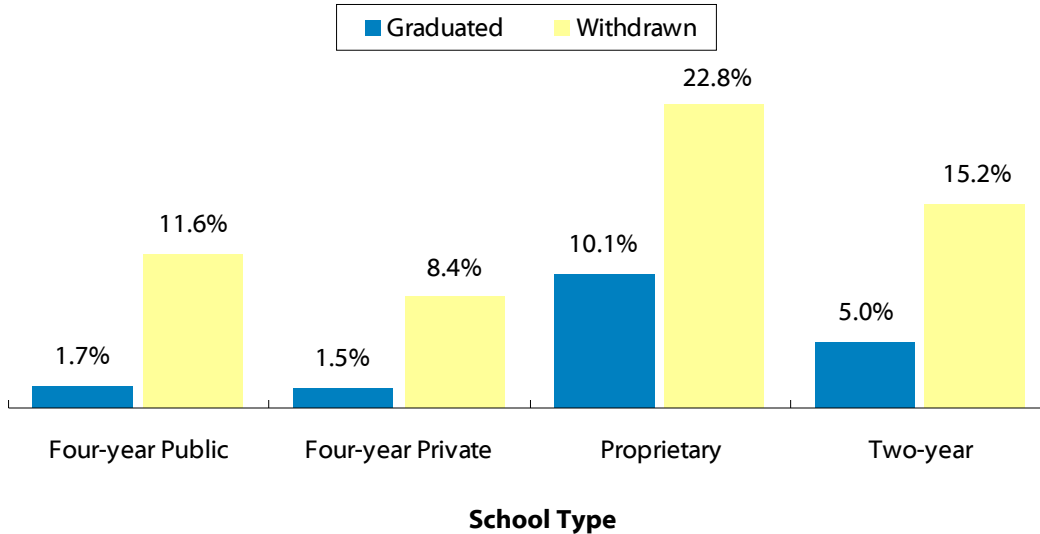
* The cohort default rate is the percentage of students with loans entering repayment in a given fiscal year who default on their obligations before the end of the next fiscal year. The FY 2006 cohort default rate, for example, is based on students who entered repayment during FY 2006 and subsequently defaulted before the end of FY 2007.

Source: Cohort Default Rates: U.S. Department of Education, Fiscal Year 2006 Official Cohort Default Rates, Washington, D.C., 2008; All Other: U.S. Department of Education, National Center for Education Statistics, "National Postsecondary Student Aid Study (NPSAS) 2004" (<http://www.nces.ed.gov/das/>)



Repayment Tied to Degree Completion

**TG Cohort Default Rates*
By School Type and Enrollment Status
(Fiscal Year 2006)**



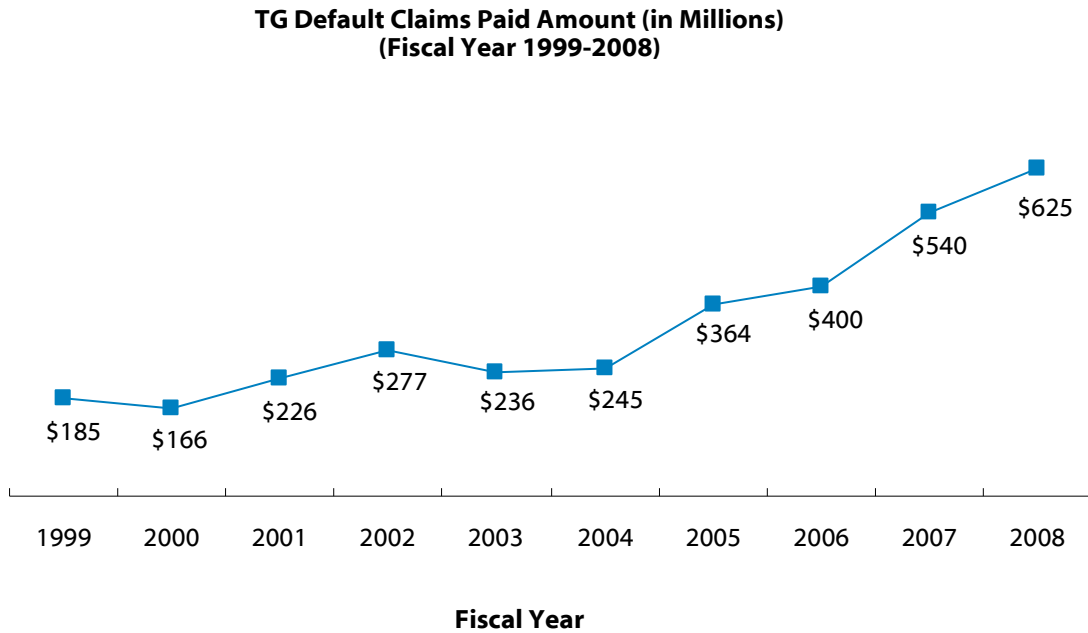
A borrower who graduates is much more likely to pay back a student loan than one who withdraws. In Fiscal Year (FY) 2006, the cohort default rate (CDR) for borrowers who graduated was 4.0 percent and 13.8 percent for borrowers who had withdrawn. The difference in default rates for graduated versus withdrawn students from proprietary and two-year schools was over 10.0 percentage points, and the gap between graduated and withdrawn from four-year public schools was just under 10 percentage points. Overall, graduation rates for public two-year programs are considerably lower than for four-year programs. For example, the national three-year graduation rate for students in associate degree programs was approximately 30 percent in FY 2006. The six-year graduation rate for bachelor's students was approximately 55 percent for the same year. Approximately half of the borrowers in TG's official FY 2006 cohort did not complete their degree programs before entering repayment on their student loans and thus were at a high risk of defaulting on their loans.

*The cohort default rate is the percentage of students with loans entering repayment in a given fiscal year who default on their obligations before the end of the next fiscal year. The FY 2006 cohort default rate, for example, is based on students who entered repayment during FY 2006 and subsequently defaulted before the end of FY 2007.

Source: Cohort Default Rates: U.S. Department of Education, Fiscal Year 2006 Official Cohort Default Rates, Washington, D.C., 2008. ; Graduation Rates: National Center for Higher Education Management Systems, "NCHEMS Information Center for State Higher Education Policymaking and Analysis" (<http://www.higheredinfo.org/>).



Default Claims Increase



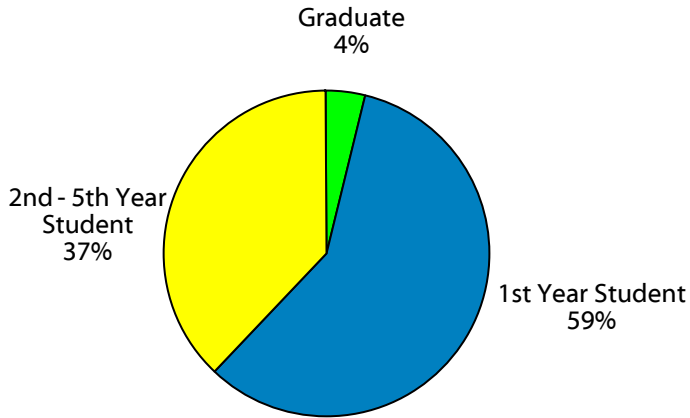
From Fiscal Year (FY) 1999 to FY 2000, TG default claims dropped due to statutory changes that extended the filing date for defaults by three months. From FY 2000 to FY 2002, claim amounts increased by \$111 million due to, among other things, (1) a change in default aversion request policies between TG and participating lenders, and (2) an unstable economy. TG's default claims have continued to rise in dollar amount since FY 2004 and the dollar amount in claims paid by TG rose from \$540 million in FY 2007 to \$625 million in FY 2008. This increase is at least partially a result of the fact that the size of TG's portfolio has increased significantly over the last few years. From FY 1997-2001, TG's gross origination loan volume increased an average of 7 percent annually. Since FY 2001, however, TG's loans originations have risen at a considerably higher rate. At the same time, the amount of consolidation loans in TG's portfolio has greatly expanded as a result of a change in policy and a push toward consolidation of loans after interest rates dropped. Consequently, default claim volume parallels the growth in loan originations.

Source: TG, Internal Database, 2008.

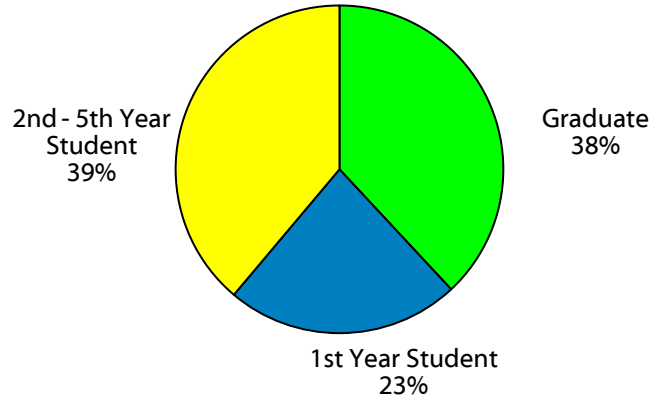


Most TG Defaults Occur Among Freshmen Borrowers

**TG Default Claims by Grade Level
Fiscal Year 2008**



**TG Gross Guarantees by Grade Level
(Excludes Consolidations)
Fiscal Year 2008**



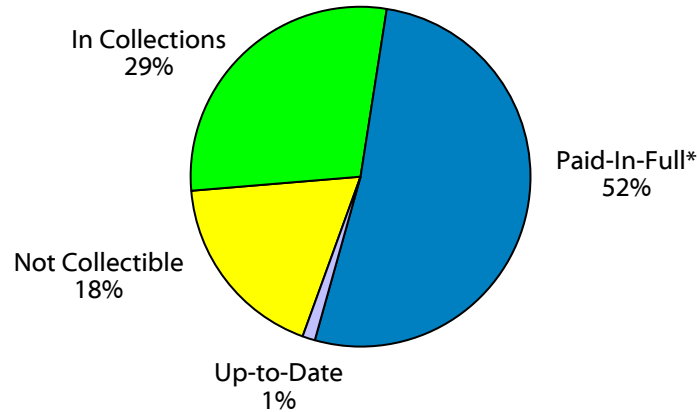
Students who last borrowed during their first year of postsecondary education accounted for 59 percent of all default claims in Fiscal Year (FY) 2008. In contrast, first-year students accounted for 23 percent of the dollar amount in loan guarantees during FY 2008. Thus, claims are paid disproportionately compared to loan guarantees by grade level.

Source: TG, Internal Database, 2008.



Many Defaulted Borrowers Make Good On Their Debt

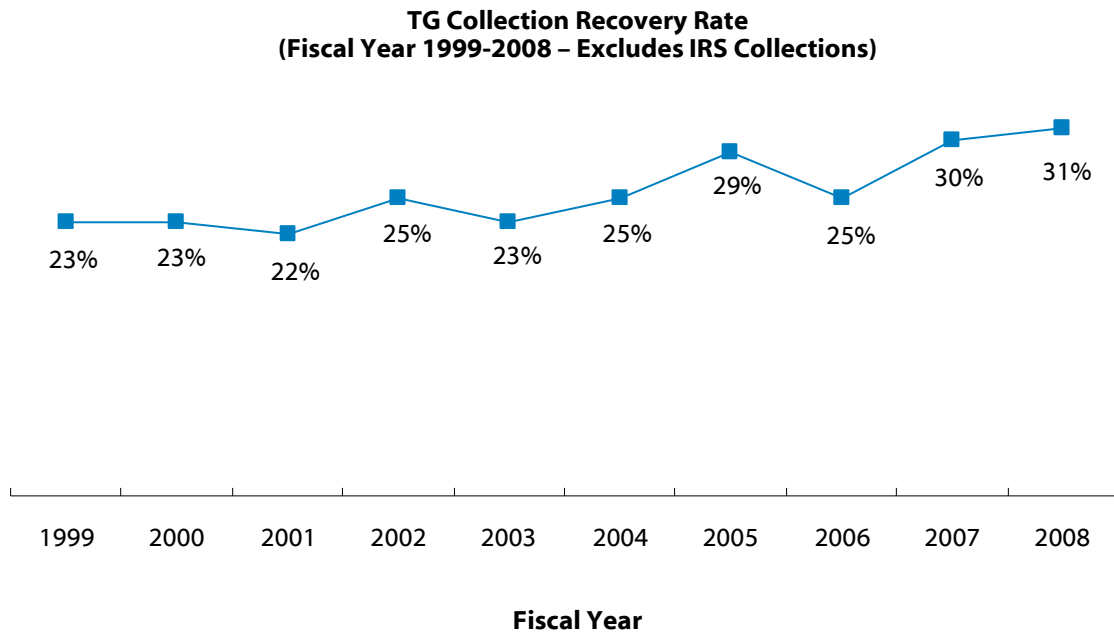
**Cumulative Status of TG Default Claims
(Fiscal Year 1982-2008)**



Since TG's inception, more than half of the borrowers with default claims have paid off their debt or are currently in repayment. Specifically, 52 percent have all of their claims paid-in-full, while another 1 percent appear to have made a payment in the last three months. Twenty-nine percent have at least one claim in collections, meaning there have been no payments made during the last 90 days. The claims of 18 percent are not collectible due to death, disability, bankruptcy-discharge and subrogation (i.e., assumed possession) by the U. S. Department of Education.

* Includes loans paid-in-full by consolidation, for which students may presently be making payments.

TG Recovery Rates Increase

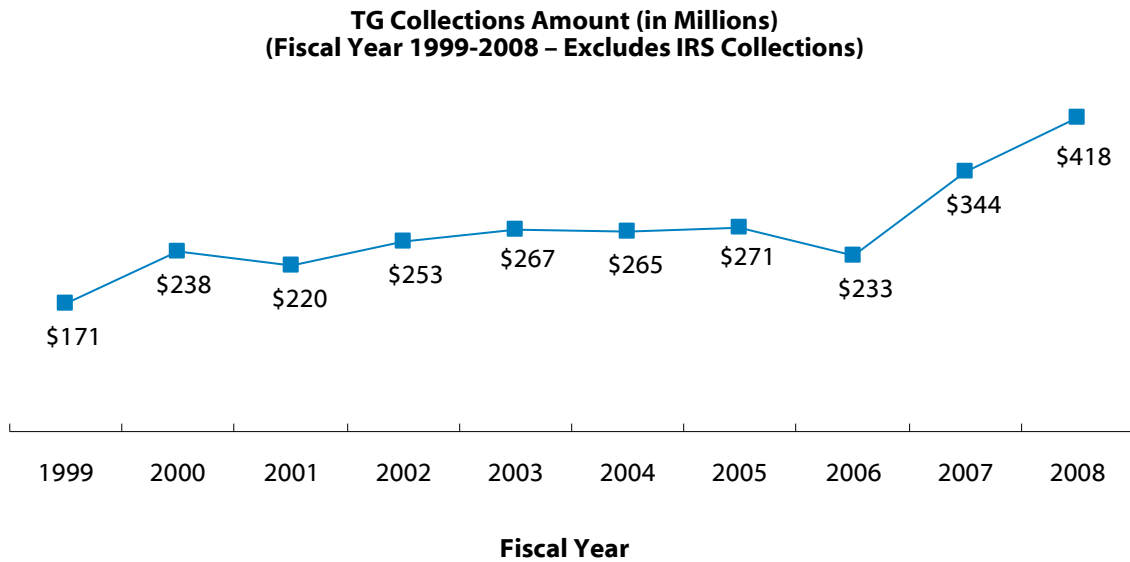


In order to prevent defaults, TG assists lenders in "curing" delinquent loans. A cure involves contacting borrowers (via phone calls, letters, etc.) in an effort to bring them back into repayment before the loan defaults.

If these efforts fail and the loan defaults, TG tries to bring the borrower into repayment using numerous collection strategies. These include letters, phone calls, credit reporting, professional license denial, wage garnishment, and state employee warrant holds (i.e., cases where expense reimbursements are redirected to paying off a defaulted loan). Using these strategies, TG's collection recovery rate* has grown steadily, with the exception of a slight drop in FY 2006. FY 2007 marked the largest single year rise in the last decade, an increase from 25 percent in FY 2006 to 30 percent in FY 2007. TG's recovery rate increased by an additional percentage point between FY 2007 and FY 2008.

* Collection recovery rates are the amount of loan collections in a given fiscal year divided by the balance of accumulated defaults at the beginning of that year.

TG Collection Amounts Increase



TG's collection amount has grown steadily over the last 10 years. The highest amount collected to date (\$418 million) occurred in Fiscal Year (FY) 2008, more than a 78 percent increase from FY 2006. A growing claims paid amount has contributed to the rise in collection recoveries over the last decade.

Source: TG, Internal Database, 2008.

