

# NCSEAA Annual Report 2002-2003





September 12, 2003

To the Citizens of North Carolina:

The Board of Directors and staff of the State Education Assistance Authority are privileged to have participated in the accomplishments of this, our 37th year of investment in the future of North Carolina, and to publish this annual report as required under G.S. § 116-209.14.

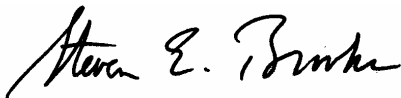
The Authority is a political subdivision of the State, governed by a seven-member Board of Directors appointed for four-year terms by the Governor. The University of North Carolina provides the secretariat for the agency, which has over 65 employees.

In a number of key areas, our efforts help North Carolinians make going to college a reality. The Authority:

- Administers inter-institutional programs of student financial aid, created by state and federal law, as well as private resources, designed to help North Carolinians meet the cost of higher education
- Provides significant online (<http://www.cfnc.org> and at <http://www.ncseaa.edu>) and telephone resources ((866) 866-CFNC), as well as publishes and distributes annual printed publications that assist families, financial aid administrators and school counselors as they plan, apply, and pay for higher education
- Maintains an aggressive student loan collection system for recovery of matured and defaulted student loan obligations, including significant default prevention and aversion activities
- Obtains and insures capital for educational loans made available under North Carolina's Federal Family Education Loan Program (FFELP)
- Promotes access to financial aid opportunities through outreach activities with school counselors and financial aid administrators, so they can assist students and families in planning for higher educational opportunities
- Administers North Carolina's "529" college savings program, providing flexible savings and investment options for parents, grandparents, and others
- Assists the Office of the President of the University of North Carolina, the North Carolina Community College System, and North Carolina Independent Colleges and Universities on various matters pertaining to financial aid
- Contracts with College Foundation Incorporated (CFI) of Raleigh for certain operational functions. CFI is a non-profit organization, chartered in 1955 under

Chapter 55A of the General Statutes to assist North Carolinians in financing the cost of higher education. As an agent and independent, sole source contractor for the Authority since 1966, it serves as the central loan originator under the North Carolina Federal Family Education Loan Program (FFELP). CFI also administers grant programs and the college savings program on behalf of the Authority and makes, collects and services student loans on behalf of the Authority and other investors. The Authority reimburses CFI for its pro-rata share of operating and reasonable capital costs incurred in the administration of the programs for which it contracts. No state-appropriated funds are used for this contractual program, which is entirely self-sustaining with loan program revenue.

Through its numerous aid programs, outreach and educational efforts, the Authority is committed to helping North Carolina achieve the goal of universal access to higher education, regardless of financial means.



Steven E. Brooks  
Executive Director



**NCSEAA - Insuring Access to Higher Education for North Carolinians Since 1965**

## 2002-2003 Highlights

During 2002-2003, the Authority

- Administered 186,528 student grant, scholarship and loan awards, totaling \$599,629,654, an increase of 13% in the number of awards and 35 % in funds disbursed over the previous year.
- Derived over 97% of operating costs from program revenue, with less than 3% of costs borne by state appropriations.
- Guaranteed 105,225 new loans totaling \$460,087,916 under the Federal Family Education Loan Program (FFELP).
- Processed 1,335 FFELP loan guaranty claims, totaling \$9,681,325. This represented a 57% decrease in the number of defaulted loans and an \$11,818,175 decrease in the dollars defaulted over the previous year.
- The FFELP default rate for the federal fiscal year (FY02) was 1.34%.
- Recovered \$9,710,471 from defaulted FFELP borrowers, including funds from litigation, collection agencies, seizure of federal and state tax refunds, and wage garnishment activities. This represents a recovery rate of 38%, ranking the Authority in the top 5 guarantors in the nation.
- Conducted 7 training sessions, attended by approximately 650 school counselors and financial aid administrators, on availability and administration of state financial aid programs for students.
- Expanded its successful “FAFSA Day” activities to 28 locations throughout North Carolina, connecting high school students and their families with school counselors and financial aid administrators for the purpose of completing applications for federal and state financial aid. Over 950 students and families met with over 250 counselors and aid administrators in 2003.
- Issued \$135,000,000 in taxable and \$125,000,000 in tax-exempt guaranteed student loan revenue bonds to fund student and parent loans.
- Cancelled \$8,371,771 of principal in state scholarship-loan program indebtedness for borrowers repaying their debts through vocational service under program terms and collected \$2,396,278 in principal and interest payments from borrowers that did not fulfill their vocational service obligation. The State Auditor’s review of these programs revealed that overall some 94% of these loans are repaid by borrowers, with 72% repaid in service, 22% repaid in cash, and 6% in default on the repayment obligation.
- Launched enhancements to the “National College Savings Program,” the State's "529" program, including the “Protected Stock Fund,” a product designed to provide participants a portion of the appreciation of an equity index along with a guaranty of no loss of principal, and two additional investment options for participants who enroll in the Program through financial advisors. As of June 30, 2003, the fund had 8,492 active accounts established on behalf of 13,072 beneficiaries, with a market value of \$95,219,133.

## College Foundation of North Carolina

As part of its commitment to help more students obtain an education beyond high school and to provide a single source for information on planning, applying, and paying for college, the State Education Assistance Authority actively participates in a partnership called “College Foundation of North Carolina” (CFNC). This collaborative effort involves working with College Foundation, Inc. and Pathways of North Carolina in providing a comprehensive website and a call center, staffed with college planning and financing specialists. Fiscal year 2003 marked the second full year of service of CFNC.

The service provides, in one place, all the information North Carolina students and families need to plan, apply and pay for college.

Via [www.CFNC.org](http://www.CFNC.org), students can use a wide range of career exploration and planning tools; maintain a personal portfolio to record courses taken, test scores and accomplishments; visit a virtual “College Fair” to compare, explore and link to more than 100 North Carolina colleges and universities; apply online for college admission and financial aid; and access financial planning, college savings, loan, grant and scholarship information.

The toll-free CFNC number, **(866) 866-CFNC**, offers specialists in career counseling, academic advising and financial resources for college. Students, families and counselors are encouraged to call with individual questions or to request more information.

With CFNC’s expanded services, families with young children are able to start early in their financial and academic planning for college. For those families with high school students or adults soon anticipating college enrollment, CFNC can provide guidance through the process of admission and financial aid.

The CFNC service helps communicate through a single, one-stop resource that higher education is available and possible for all North Carolinians, creating greater opportunities to go to college than ever before.

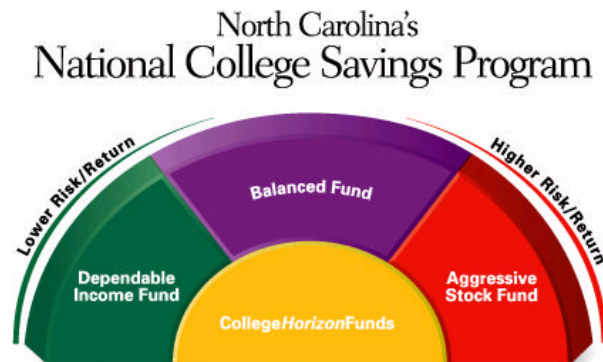
During its second year the service had more than

- 2.1 million visitor sessions on its website,
- 24,350 incoming telephone inquiries,
- 186,202 new free user accounts established to store information on the website, and
- 61,265 electronic admissions applications filed to North Carolina colleges and universities.



## North Carolina's National College Savings Program

North Carolina's National College Savings Program, established by the State Education Assistance Authority, enables residents of any state to invest funds to pay the qualified higher education expenses of their designated beneficiaries on a flexible basis that achieves certain tax savings in accordance with federal tax law and North Carolina tax law. As part of the Program, the General Assembly of North Carolina has established the Parental Savings Trust Fund (the "Trust Fund"), of which the Authority is trustee, to hold all assets of the Program. The Trust Fund assets are not the property of the State of North Carolina.



### NCSEAA Board of Directors 2002-2003

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F.V. Allison, *Vice-Chairman*  
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Robert S. Misenheimer  
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Nathan F. Simms, Jr.  
Steven E. Brooks, *Secretary, Ex Officio*

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Algie C. Gatewood, *Assistant Director  
Health, Education and Welfare*  
Julia R. Hoke, Esq., *Assistant Director  
Legal Affairs and General Counsel*  
Wayne E. Johnson, *Assistant Director  
Guaranty Agency Services*  
Elizabeth V. McDuffie, *Assistant Director  
Education, Training and Outreach*

### Contacting the NCSEAA

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Research Triangle Park, NC 27709  
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Research Triangle Park, NC

Telephone: (919) 549-8614  
FAX: (919) 549-8481

Email: [information@ncseaa.edu](mailto:information@ncseaa.edu)

Financial aid information: <http://www.CFNC.org>

This annual report is designed as a web document and can be accessed at  
<http://www.NCSEAA.edu>

## Statement of Net Assets

As of June 30 (in thousands)

<b>ASSETS</b>	<b>2003</b>	<b>2002</b>
<b><u>Current Assets</u></b>		
Cash and Investments	\$ 3,355	\$ 3,487
Restricted Cash and Investments	386,592	366,004
Receivables	397,674	235,128
Other Current Assets	858	775
<b><u>Noncurrent Assets</u></b>		
Restricted Cash and Investments	157,548	205,769
Notes Receivable	999,535	905,953
Unamortized Bond Issuance Expenses	7,607	6,767
<b><u>Capital Assets</u></b>		
	8,891	8,229
Total Assets	\$ 1,962,060	\$ 1,732,112
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b><u>Current Liabilities</u></b>		
Other Payables	\$ 8,670	\$ 4,142
Accounts Payable & Accrued Liabilities	451	27,375
<b><u>Noncurrent Liabilities</u></b>		
Accounts/Bonds Payable	1,389,624	1,145,706
Other Liabilities	2,643	2,589
Total Liabilities	1,401,388	1,179,812
<b><u>Net Assets</u></b>		
Invested in Capital Assets, net of Related Debt	8,891	8,229
Restricted for Educational Assistance Programs	547,682	529,686
Unrestricted	4,099	5,292
Total Net Assets	560,672	543,207
Total Liabilities and Net Assets	\$ 1,962,060	\$ 1,723,019

## Statement of Revenues, Expenses & Changes in Net Assets

<b><u>REVENUES:</u></b>		
Transfers from Primary government	\$ 36,391	\$ 25,296
Noncapital grants	13,973	30,318
Investment Earnings	20,214	22,937
Interest Earnings on Loans	53,744	63,326
Miscellaneous	5,196	6,026
Grants, Aids, Subsidies	(22,214)	(17,387)
Total Revenues (Expenses)	107,304	130,516
<b><u>EXPENSES:</u></b>		
Student Loan Service Cancellations	8,933	9,675
Interest Costs	22,028	28,480
Other Administrative and General	58,878	46,278
Total Expenses	89,839	84,433
Change in Net Assets	17,465	46,083
NET ASSETS--Beginning of Year	543,207	497,124
NET ASSETS--End of Year	\$ 560,672	\$ 543,207

Unaudited figures. Audited figures are available upon request after October 31, 2003

## 2002-2003 Financial Aid Programs Administered by NCSEAA

### Grants and Scholarships

*Grant and scholarship programs are offered from state, federal and private sources*

	Number of Awards	Amount Awarded
Dr. Wade H. Atkinson Scholarship	11	11,401
Board of Governors Dental Scholarship	30	487,961
Board of Governors Medical Scholarship	81	1,500,971
Aubrey Lee Brooks Foundation Scholarship	51	436,324
Thomas Holmes Carrow Scholarship	13	50,000
Contract Programs in Medicine, Dentistry, Optometry	83	757,750
Criminal Justice Scholarship	10	20,000
Dr. A.P. and Frances Dickson Scholarship	16	12,050
ECSU Incentive Scholarship	493	1,321,986
Freshman Scholars Program	111	278,777
Golden Leaf Scholarship Program (UNC)	89	220,000
Incentive Scholarship for Certain Constituent Institutions	596	1,385,050
Incentive Scholarship and Grant for Native Americans	518	710,635
Jagannathan Scholarship	10	34,178
Legislative College Opportunity Program	46	121,937
James Lee Love Scholarship	16	55,400
Governor James B. Hunt Scholarship	5	5,000
Governor James G. Martin Scholarship	14	14,000
Minority Presence Grants	1,676	1,643,763
North Carolina Community College Grant	9,116	6,577,508
North Carolina Legislative Tuition Grant	30,633	45,272,192
North Carolina Student Incentive Grant	4,984	3,032,044
State Contractual Scholarship Fund	13,362	32,969,726
C.M. and M.D. Suther Scholarship	16	14,000
Teacher Assistant Scholarship Program	237	984,280
Turrentine Foundation Scholarship	247	444,708
UNC Need Based Grant	14,406	19,146,758
 Total Grants and Scholarships	 76,870	 \$ 117,508,399



## Scholarship/Loans

*Made for vocational areas of high demand and critical shortage. Repayment may be canceled through vocational service or made in cash for those not fulfilling the service obligation*

	Number of Awards	Amount Awarded
Health, Science, and Mathematics Loans	450	2,914,758
Nurse Scholars Program -- Masters	91	528,000
Nurse Scholars Program -- Undergraduate	712	2,998,000
Nurse Education Scholarship Loans	949	839,428
Principal Fellows Program	180	3,600,000
Total Scholarship/Loans	2,382	\$ 10,880,186

## Loans

*Education Loans are made under North Carolina's Federal Family Education Loan Program and the Carolina Computing Initiative Program*

	Number of Awards	Amount Awarded
Stafford Loans	51,420	164,671,163
Unsubsidized Stafford Loans	43,011	151,473,164
PLUS Loans	6,820	45,213,407
FFELP Consolidation Loans	3,974	98,730,182
Carolina Computing Initiative Loans	515	1,281,544
Extra Education Loans	1,536	9,871,609
Total Loans	107,276	\$ 471,241,069

<b>Total NCSEAA-Administered Financial Aid</b>	<b>Awards 186,528</b>	<b>Amount \$ 599,629,654</b>
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