

# NCSEAA Annual Report 2003-2004

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September 29, 2004

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 38th year of investment in the future of North Carolina, and to publish this annual report as required under G.S. § 116-209.14.

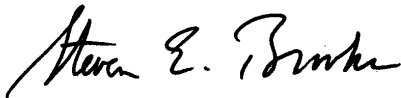
The Authority is a political subdivision of the State, governed by a seven-member Board of Directors appointed for four-year terms by the Governor. The University of North Carolina provides the secretariat for the agency, which has over 65 employees.

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 <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 National College Savings Program, a "529" plan 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, CFI 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



## 2003-2004 Highlights

During 2003-2004, the Authority:

- Administered 221,474 student grant, scholarship and loan awards, totaling \$723,086,059, an increase of 18.7% in the number of awards and 20.6% in funds disbursed over the previous year.
- Derived 97% of operating costs from program revenue, with 3% of costs borne by state appropriations.
- Guaranteed 121,854 new loans totaling \$552,894,800 under the Federal Family Education Loan Program (FFELP).
- Processed 1,304 FFELP loan guaranty claims, totaling \$10,940,102. This represented a 2.3% decrease in the number of defaulted loans over the previous year.
- Recorded FFELP default rates for the most recent federal fiscal years at 0.26% (FFY 03 trigger rate) and 1.52% (FFY 2002 cohort rate), ranking the Authority first (trigger) and second (cohort) lowest in defaults among all guarantors in the nation.
- Recovered \$7,719,217 from defaulted FFELP borrowers, including funds from litigation, collection agencies, seizure of federal and state tax refunds, and wage garnishment activities. The Authority's recovery rate for federal fiscal year 2003 was 34.32%, ranking the Authority in the top 20% of guarantors in the nation on this measure.
- Conducted 16 training sessions, attended by 919 school counselors and financial aid administrators, on availability and administration of state financial aid programs for students.
- Expanded its successful "FAFSA Day" activities to 29 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. Through this program over 950 students and families met with over 200 counselors and aid administrators in 2004.
- Issued \$270,000,000 in taxable and \$200,000,000 in tax-exempt guaranteed student loan revenue bonds to fund student and parent loans.
- Cancelled \$10,357,459 of principal in state scholarship-loan program indebtedness for borrowers repaying their debts through vocational service under program terms and collected \$1,957,369 in principal and interest payments from borrowers that did not fulfill their vocational service obligation. The State Auditor's recent 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.
- Commissioned and published two research studies by economist Laura Greene Knapp: *Measures of College Affordability in North Carolina* and *Benchmarks - Student Aid in North Carolina, 1993-2002*. The research found that on important measures of affordability the University of North Carolina appears to be as or more affordable for most students than it was five years ago. These studies will be conducted annually as a "scorecard" on affordability.

## 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 CFI and Pathways of North Carolina in providing a comprehensive website and a call center, staffed with college planning and financing specialists. Fiscal year 2004 marked the third 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 110 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.

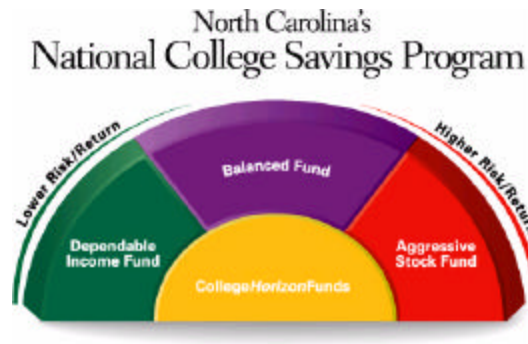
During its third year the service added new:

- Visitor sessions on its website – more than 3,124,000
- User accounts on its website - 246,899
- Electronic North Carolina college admissions applications filed - 89,040
- Incoming telephone inquiries 37,183



## 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, 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. As of June 30, 2004, the fund had opened 18,349 accounts established on behalf of 17,888 beneficiaries, with a market value of \$155,571,010.



### NCSEAA Board of Directors 2003-2004

Richard B. Roberts, *Chairman*  
F.V. Allison, *Vice-Chairman*  
Arlene M. Ferren, *Treasurer*  
Martha J. Beasley  
Carolyn Edwards  
Robert S. Misenheimer  
Nathan F. Simms, Jr.  
Steven E. Brooks, *Secretary, Ex Officio*

### NCSEAA Senior Management

Steven E. Brooks, *Executive Director*  
Iona Duckworth, *Director*  
*Administrative Services and Quality Control*  
Sharon E. Grubb, *Assistant*  
*to the Executive Director*  
Julia R. Hoke, Esq., *Director*  
*Legal Affairs and General Counsel*  
Wayne E. Johnson, *Director*  
*Guaranty Agency Services*  
Elizabeth V. McDuffie, *Director*  
*Grants, Training and Outreach*

### Contacting the NCSEAA

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Research Triangle Park, NC 27709  
10 Alexander Drive  
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)

<u>ASSETS</u>	<u>2004</u>	<u>2003</u>
<b><u>Current Assets</u></b>		
Cash and Investments	\$ 3,476	\$ 3,355
Restricted Cash and Investments	494,464	386,592
Receivables	460,487	397,674
Other Current Assets	1,053	858
<b><u>Noncurrent Assets</u></b>		
Restricted Cash and Investments	206,854	157,548
Notes Receivable	1,224,117	999,535
Unamortized Bond Issuance Expenses	9,039	7,607
<b><u>Capital Assets</u></b>		
	6,919	8,891
Total Assets	<u>\$ 2,406,409</u>	<u>\$ 1,962,060</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b><u>Current Liabilities</u></b>		
Other Payables	\$ 12,706	\$ 8,670
Accounts Payable & Accrued Liabilities	581	451
<b><u>Noncurrent Liabilities</u></b>		
Accounts/Bonds Payable	1,834,385	1,389,624
Other Liabilities	2,981	2,643
Total Liabilities	<u>1,850,653</u>	<u>1,401,388</u>
<b><u>Net Assets</u></b>		
Invested in Capital Assets, net of Related Debt	6,919	8,891
Restricted for Educational Assistance Programs	545,549	547,682
Unrestricted	3,288	4,099
Total Net Assets	<u>555,756</u>	<u>560,672</u>
Total Liabilities and Net Assets	<u>\$ 2,406,409</u>	<u>\$ 1,962,060</u>

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

<b><u>REVENUES:</u></b>		
Non-operating Aid	\$ 36,356	\$ 36,391
Grants	25,471	13,973
Investment Earnings	11,008	20,214
Interest Earnings on Loans	56,126	53,744
Miscellaneous	3,288	5,196
Grants, Aids, Subsidies	(44,678)	(22,214)
Total Revenues (Expenses)	<u>87,571</u>	<u>107,304</u>
<b><u>EXPENSES:</u></b>		
Student Loan Service Cancellations	10,281	8,933
Interest Costs	21,741	22,028
Other Administrative and General	60,465	58,878
Total Expenses	<u>92,487</u>	<u>89,839</u>
Change in Net Assets	(4,916)	17,465
NET ASSETS--Beginning of Year	<u>560,672</u>	<u>543,207</u>
NET ASSETS--End of Year	<u>\$ 555,756</u>	<u>\$ 560,672</u>

Unaudited figures. Audited figures are available upon request after October 31, 2004

Financial Aid Awards Administered by NCSEAA

**Grants and Scholarships**

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

	2003-2004		2002-2003	
	Number <u>of Awards</u>	Amount <u>Awarded</u>	Number <u>of Awards</u>	Amount <u>Awarded</u>
Dr. Wade H. Atkinson Scholarship	9	\$13,050	11	\$11,401
Board of Governors Dental Scholarship	31	541,366	30	487,961
Board of Governors Medical Scholarship	81	1,637,085	81	1,500,971
Aubrey Lee Brooks Scholarship	57	505,046	51	436,324
Thomas Holmes Carrow Scholarship	17	38,400	13	50,000
Contract Programs in Medicine, Dentistry, Optometry	74	716,775	83	757,750
Criminal Justice Scholarship	8	15,000	10	20,000
A.P. and Frances Dickson Scholarship	16	11,680	16	12,050
Golden Leaf Scholarship Program (UNC)	138	340,000	89	220,000
Jaqannathan Scholarship	14	46,077	10	34,178
James Lee Love Scholarship	16	41,600	16	55,400
Governor James B. Hunt Scholarship	5	4,500	5	5,000
Governor James G. Martin Scholarship	9	9,000	14	14,000
North Carolina Community College Grant	9,993	8,281,731	9,116	6,577,508
North Carolina Legislative Tuition Grant	30,732	47,980,273	30,633	45,272,192
North Carolina Student Incentive Grant	8,721	5,364,445	4,984	3,032,044
State Contractual Scholarship Fund	13,415	33,793,025	13,362	32,969,726
C.M. and M.D. Suther Scholarship	16	15,360	16	14,000
Teacher Assistant Scholarship Program	239	957,100	237	984,280
Turrentine Foundation Scholarship	219	400,709	247	444,708
UNC Campus Scholarships	3,076	5,648,874	3,440	5,462,148
UNC Need Based Grant	26,630	28,785,533	14,406	19,146,758
<b>Total Grants and Scholarships</b>	<b>93,516</b>	<b>\$135,146,629</b>	<b>76,870</b>	<b>\$117,508,399</b>



**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*

	<b>2003-2004</b>		<b>2002-2003</b>	
	Number <u>of Awards</u>	Amount <u>Awarded</u>	Number <u>of Awards</u>	Amount <u>Awarded</u>
Health, Science, and Mathematics Loans	497	\$3,238,569	450	\$2,914,758
Nurse Scholars Program -- Masters	91	501,000	91	528,000
Nurse Scholars Program -- Undergraduate	834	3,414,500	712	2,998,000
Nurse Education Scholarship Loans	1010	1,062,031	949	839,428
Principal Fellows Program	180	3,570,000	180	3,600,000
<b>Total Scholarship/Loans</b>	<b>2,612</b>	<b>\$11,786,100</b>	<b>2,382</b>	<b>\$10,880,186</b>

**Loans**

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

	<b>2003-2004</b>		<b>2002-2003</b>	
	Number <u>of Awards</u>	Amount <u>Awarded</u>	Number <u>of Awards</u>	Amount <u>Awarded</u>
Stafford Loans	59,190	\$195,708,763	51,420	164,671,163
Unsubsidized Stafford Loans	49,484	181,373,650	43,011	151,473,164
PLUS Loans	8,386	57,580,458	6,820	45,213,407
FFELP Consolidation Loans	4,794	118,231,929	3,974	98,730,182
Carolina Computing Initiative Loans	421	996,799	515	1,281,544
Extra Education Loans	3,071	22,261,731	1,536	9,871,609
<b>Total Loans</b>	<b>125,346</b>	<b>\$576,153,330</b>	<b>107,276</b>	<b>\$471,241,069</b>
	<b><u>Awards</u></b>	<b><u>Amount</u></b>	<b><u>Awards</u></b>	<b><u>Amount</u></b>
<b>Total NCSEAA Financial Aid</b>	<b>221,474</b>	<b>\$723,086,059</b>	<b>186,528</b>	<b>\$599,629,654</b>

**NORTH CAROLINA STATE EDUCATION ASSISTANCE AUTHORITY**  
**Comprehensive Listing of Programs Administered**  
**September 2004**

**Federal Family Education Loan Program**

- Stafford Loans
- PLUS Loans
- Consolidation Loans

**State Grant Programs**

- Board of Governors Dental Scholarship
- Board of Governors Medical Scholarship
- Contract Programs in Medicine, Dentistry, Optometry
- Increasing Medical Education Opportunities (Institutional) Grant
- North Carolina Community College Grant
- North Carolina Grants for Certain Private Institutions (Bible College)
- North Carolina Legislative Tuition Grant
- North Carolina School of Science and Mathematics Tuition Grant for UNC
- North Carolina Student Incentive Grant
- State Contractual Scholarship Fund
- Teacher Assistant Scholarship Program
- UNC Campus Scholarships
- UNC Need Based Grant

**State Scholarship/Loan Programs**

- Health, Science, and Mathematics Loans
- Nurse Education Scholarship Loans
- Nurse Scholars Program
- Principal Fellows Program
- Prospective Teachers Scholarship Loan (collection only)
- Project HEALTH Scholarship Loan – Community College Program
- Project HEALTH Scholarship Loan – UNC Program
- Social Work Education Loan Fund (collection only)
- Teaching Fellows Program (collection only)
- Teaching Scholarship Loan at Certain State-designated UNC Campuses

**Private Scholarship Programs**

- Dr. Wade H. Atkinson Scholarship
- Aubrey Lee Brooks Foundation Scholarship
- Thomas Holmes Carrow Scholarship
- Criminal Justice Scholarship
- Dr. A.P. and Frances Dickson Scholarship
- Golden Leaf Scholarship Program (UNC)
- Jagannathan Scholarship
- Ruth Jewel Scholarship
- James Lee Love Scholarship
- Governor James B. Hunt Scholarship
- Governor James G. Martin Scholarship
- C.M. and M.D. Suther Scholarship
- Turrentine Foundation Scholarship

**Other Programs Administered**

- Carolina Computing Initiative Loan Program (alternative loan)
- College Foundation of North Carolina (information dissemination)
- North Carolina EXTRA Loan Program (alternative loan)
- North Carolina's National College Savings Program (state 529 plan)
- Paul Douglas Scholarship/Loan Program (collection only)