

NCSEAA Annual Report 2005-2006

Insuring Access to Higher Education for North Carolinians Since 1965



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

September 29, 2006

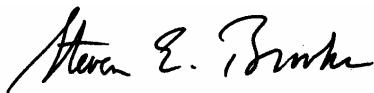
To the Citizens of North Carolina:

The Board of Directors and staff of the State Education Assistance Authority are privileged to have participated in the accomplishments of this, our 40th 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 Authority, which has some 71 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 under State and federal law, funded with governmental as well as private resources, and designed to help North Carolinians meet the cost of higher education
- Provides significant online (<http://www.cfnc.org> and <http://www.nceaa.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 University of North Carolina – General Administration, 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 nonprofit 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 North Carolina's National 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 in reimbursing CFI.

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



Mission:

We help North Carolina pay for college.

We are the State agency that promotes access to higher education by administering financial aid and savings programs, informing students and families about paying for college, teaching educators about financial aid administration, and advocating for resources to support students.

Vision:

Working in effective collaboration with our partners, we are the recognized leader in service to North Carolina students and families, schools, colleges, and policy makers for innovative, high quality financial aid programs and activities.

Values:

Respect

We respect the contributions of our colleagues and value their commitment to helping the agency serve the people of North Carolina. We treat our customers, our partners, and each other with compassion, friendliness, courtesy, and honesty.

Professionalism

We are dedicated to achieving the highest standards of integrity and ethical behavior, technical knowledge and informed judgment.

Responsibility

We expect efficiency, effectiveness, and accountability in service to our customers and to each other.

Innovation

We strive to be forward-thinking and flexible in identifying business challenges and seeking creative solutions.

Teamwork

We are committed to a collaborative cohesive work environment, understanding that our success depends on open communication and working together.

2005-2006 Highlights

During the period from July 1 through June 30, the Authority:

- Administered 270,811 student grant, scholarship and loan awards, totaling over \$1.25 billion, an increase of 10.8% in the number of awards and 42.5% in funds disbursed over last year
- Derived 98% of operating costs from program revenue, with 2% of costs borne by state appropriations
- Guaranteed 156,238 new loans totaling \$1,016,965,188 under the Federal Family Education Loan Program (FFELP)
- Processed 2,429 FFELP borrower claims, totaling \$20,331,889 This represented a 45 % increase in the number of claims processed over the previous year
- Recorded FFELP default rates for the most recent federal fiscal years at 1.2% (FFY 04 Cohort Rate) and 0.66% (FFY 05 Trigger Rate) and ranking the Authority respectively with the lowest and second lowest default rates of all guaranty agencies in the nation
- Recovered \$13.2 million from defaulted FFELP borrowers, including funds from litigation and wage garnishment activities, seizure of federal and state tax refunds, collection agencies, loan rehabilitation and loan consolidation programs. The Authority's recovery rate for the federal fiscal year 2005 was 27.8%, ranking the Authority in the top half of guarantors in the nation on this measure
- Conducted 15 training sessions, attended by 868 school counselors and financial aid administrators, on availability and administration of state financial aid programs for students
- Organized successful "FAFSA Day" activities at 42 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 2,700 students and families were assisted by over 425 counselors, aid administrators and other volunteers in 2006
- Issued guaranteed student loan revenue bonds in the aggregate par amount of \$806,300,000 including \$471,600,000 in tax exempt and \$334,700,000 taxable bonds to fund student and parent loans
- Cancelled \$8,916,211 of principal in state scholarship-loan program indebtedness for borrowers repaying their debts through vocational service under program terms, and collected \$2,181,880 in principal and interest payments from borrowers who did not fulfill their vocational service obligations. The State Auditor's most 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
- Collected \$1,784,273 in principal and interest payments on behalf of the North Carolina Department of Public Instruction from borrowers in cash collection status on scholarship-loans for teachers. Effective January 1, 2006, the North Carolina General Assembly transferred complete administration of the Prospective Teachers Scholarship Loan Program (PTSL) from the North Carolina Department of Public Instruction to the Authority
- Published an update to *Benchmarks: Measures of College Affordability and Student Aid in North Carolina*, the annual "scorecard" on college affordability in North Carolina prepared by economist Laura Greene Knapp. The data continued to show that on important measures of affordability, the University of North Carolina is as or more affordable for most students than it was five years ago.

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 2006 marked the fifth 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, 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.

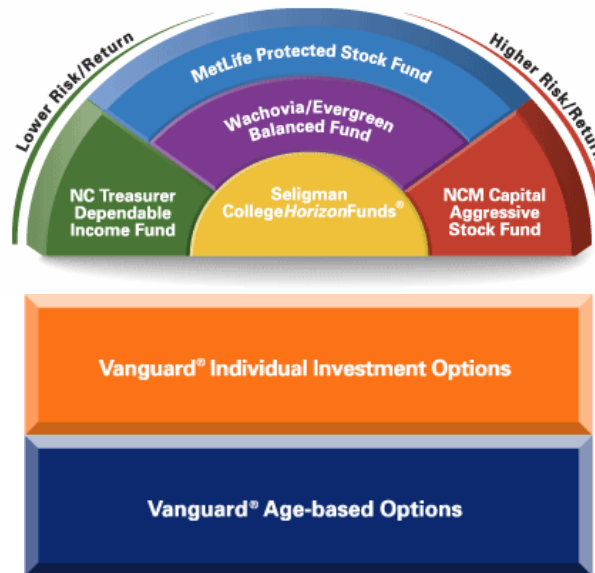
The CFNC service helps communicate through a single, one-stop resource that higher education is available and possible for all North Carolinians, creating greater opportunities to go to college than ever before.

During its fifth year the service averaged some 7,000 daily visitor sessions on its website and answered over 42,000 incoming telephone calls. The service added 353,327 user accounts on its website during the fiscal year, bringing the total accounts through that date to 1,189,193. Additionally, during the fiscal year students filed 166,503 college admissions applications through the website, bringing the total filed through June 30 to 450,346.



North Carolina's National College Savings Program

North Carolina's National College Savings Program is maintained by the State Education Assistance Authority to enable 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. The Program is designed to meet the requirements of a qualified tuition program under Section 529 of the Internal Revenue Code. 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, 2006, the fund had opened 25,316 accounts, with a market value of \$238,708,799. During the fifth year of the Program, the Authority expanded the choices of investment options to fifteen by adding three age-based portfolios and seven individual options, all managed for investment by the Vanguard Group.



NCSEAA Board of Directors 2005 - 2006

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Legal Affairs and General Counsel
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Guaranty Agency Services
Elizabeth V. McDuffie, *Director*
Grants, Training and Outreach

Contacting the NCSEAA

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Research Triangle Park, NC

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FAX: (919) 549-8481
Email: information@ncseaa.edu
Financial aid information:
<http://www.CFNC.org>

Statement of Net Assets

As of June 30 (in thousands)

<u>ASSETS</u>	<u>2006</u>	<u>2005</u>
<u>Current Assets</u>		
Cash and Investments	\$ 6,543	\$ 3,595
Restricted Cash and Investments	472,281	337,332
Receivables	1,042,428	487,967
Other Current Assets	836	999
<u>Noncurrent Assets</u>		
Restricted Cash and Investments	295,634	251,768
Notes Receivable	1,550,921	1,584,919
Unamortized Bond Issuance Expenses	12,187	10,233
<u>Capital Assets</u>		
	4,974	4,824
Total Assets	<u>\$ 3,385,804</u>	<u>\$ 2,681,637</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities</u>		
Other Payables	\$ 40,951	\$ 30,642
Accounts Payable & Accrued Liabilities	941	618
<u>Noncurrent Liabilities</u>		
Accounts/Bonds Payable	2,779,759	2,100,924
Other Liabilities	4,326	2,982
Total Liabilities	<u>2,825,977</u>	<u>2,135,166</u>
<u>Net Assets</u>		
Invested in Capital Assets, net of Related Debt	4,974	4,824
Restricted for Educational Assistance Programs	545,382	538,896
Unrestricted	9,471	2,751
Total Net Assets	<u>559,827</u>	<u>546,471</u>
Total Liabilities and Net Assets	<u>\$ 3,385,804</u>	<u>\$ 2,681,637</u>

Statement of Revenues, Expenses & Changes in Net Assets

<u>REVENUES:</u>		
Non-operating Aid	\$ 69,744	\$ 43,649
Grants	14,668	16,250
Investment Earnings	24,050	15,342
Interest Earnings on Loans	151,982	88,368
Miscellaneous	2,224	3,066
Grants, Aids, Subsidies	(65,886)	(54,072)
Total Revenues (Expenses)	<u>196,782</u>	<u>112,603</u>
<u>EXPENSES:</u>		
Student Loan Service Cancellations	10,099	10,342
Interest Costs	94,676	45,526
Other Administrative and General	78,651	66,020
Total Expenses	<u>183,426</u>	<u>121,888</u>
Change in Net Assets	13,356	(9,285)
NET ASSETS--Beginning of Year	<u>546,471</u>	<u>555,756</u>
NET ASSETS--End of Year	<u>\$ 559,827</u>	<u>\$ 546,471</u>

Note: These are unaudited figures. Audited figures are available on our website at www.ncseaa.edu after December 1, 2006

Grants and Scholarships

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

	2005-2006		2004-2005	
	Number <u>of Awards</u>	Amount <u>Awarded</u>	Number <u>of Awards</u>	Amount <u>Awarded</u>
Dr. Wade H. Atkinson Scholarship	10	\$20,700	9	\$11,200
Board of Governors Dental Scholarship	30	704,413	30	619,419
Board of Governors Medical Scholarship	67	1,495,684	75	1,574,063
Aubrey Lee Brooks Scholarship	63	626,057	58	572,987
Thomas Holmes Carrow Scholarship	19	54,000	17	35,550
Certain Private Education Institutions	174	313,200	170	306,000
Contract Programs in Medicine, Dentistry, Optometry	83	968,000	82	895,140
Criminal Justice Scholarship	8	15,000	7	14,000
A.P. and Frances Dickson Scholarship	16	20,800	13	9,600
Golden LEAF Scholarship Program (UNC)	279	820,000	205	508,125
Jagannathan Scholarship	14	41,321	14	39,860
James Lee Love Scholarship	16	75,200	16	40,300
Governor James B. Hunt Scholarship	Phased Out		3	3,000
Governor James G. Martin Scholarship	Phased Out		4	14,000
Ruth Jewell Scholarship	***	*****	1	1,000
North Carolina Community College Grant	13,134	10,603,730	12,209	9,096,856
North Carolina Legislative Tuition Grant	31,672	49,713,788	31,494	48,844,657
North Carolina School of Science & Mathematics Tuition Grant	394	1,161,199		
North Carolina Student Incentive Grant	8,110	5,101,881	6,844	4,332,593
State Contractual Scholarship Fund	14,234	35,925,428	13,755	34,154,050
C.M. and M.D. Suther Scholarship	16	20,000	13	10,375
Teacher Assistant Scholarship Program	246	899,200	247	902,099
Turrentine Foundation Scholarship	65	307,694	140	224,550
UNC Campus Scholarships	2,408	5,887,664	2,781	5,182,156
UNC Need Based Grant	34,364	58,742,368	31,905	47,525,428
Total Grants and Scholarships	105,422	\$175,108,327	100,315	\$156,524,008

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

	2005-06		2004-05	
	Number of Awards	Amount Awarded	Number of Awards	Amount Awarded
Health, Science, and Mathematics Loans	427	\$2,836,555	479	\$3,112,352
Millennium Teacher Scholarship Loan	77	\$494,000	41	\$266,500
Nurse Scholars Program -- Masters	99	511,500	123	636,000
Nurse Scholars Program -- Undergraduate	746	2,980,750	877	3,489,250
Nurse Education Scholarship Loans	769	1,111,372	1105	1,101,801
Principal Fellows Program	145	2,900,000	162	3,230,000
Project HEALTH	16	356,250	20	441,750
Future Teachers of North Carolina	65	422,500		New to SEAA 2005-2006
Prospective Teacher Scholarship Loan	654	1,535,450		New to SEAA 2005-2006
Teacher Assistant Scholarship Loan	222	524,900		New to SEAA 2005-2006
Physical Education-Coaching Scholarship Loan	21	84,000		New to SEAA 2005-2006
Total Scholarship/Loans	3,241	\$13,757,277	2,807	\$12,277,653

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

	2005-2006		2004-2005	
	Number of Awards	Amount Awarded	Number of Awards	Amount Awarded
Stafford Loans	66,380	\$233,818,475	65,455	\$225,059,319
Unsubsidized Stafford Loans	59,080	234,687,031	55,348	211,106,884
PLUS Loans	10,333	80,879,968	9,563	71,158,553
FFELP Consolidation Loans	20,445	467,579,714	6,137	167,214,307
Carolina Computing Initiative Loans	292	647,102	214	480,637
Extra Education Loans	5,438	43,936,252	4,707	35,530,585
Total Loans	161,968	\$1,061,548,542	141,424	\$710,550,285

**NORTH CAROLINA STATE EDUCATION ASSISTANCE AUTHORITY
Comprehensive Listing of Programs Administered, September 2006**

Federal Family Education Loan Program

- Stafford Loans
- Unsubsidized Stafford Loans
- Graduate/Professional PLUS Loans
- Parental PLUS Loans
- Consolidation Loans

State Scholarship and Grant Programs

- Contract Programs in Medicine, Dentistry, Optometry
- Increasing Medical Education Opportunities (Institutional) Grant
- North Carolina Community College Grant
- North Carolina Education Lottery Scholarship
- 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 Career-Specific Scholarship-Loan Programs *

- Board of Governors Dental Scholarship
- Board of Governors Medical Scholarship
- GSK Teacher Preparation Scholarship Loan
- Health, Science, and Mathematics Scholarship-Loan
- Millennium Teaching Scholarship Loan
- Nurse Education Scholarship Loans
- Nurse Educators of Tomorrow Scholarship Loan (Graduate Nurse Scholarship Program for Faculty Production)
- Nurse Scholars Program
- Physical Education-Coaching Scholarship Loan Fund
- Principal Fellows Program
- Project HEALTH Scholarship Loan – Community College Program
- Project HEALTH Scholarship Loan – UNC Program
- Prospective Teachers Scholarship Loan
- Social Work Education Loan Fund (Collections)
- Teaching Fellows Program (Collections)
- Teaching Assistant Scholarship Loan (Collections)
- Future Teachers of North Carolina Scholarship Loan Fund

* While sometimes labeled “scholarships,” the awards made through these programs are actually loans that carry a service repayment obligation. The State of North Carolina issues a loan to pay for a student’s education in preparation for a specific career. The borrower earns forgiveness of the loan by working in that career in North Carolina. If the borrower does not complete the service obligation, the loan is repaid in cash, with interest.

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
- 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)