

NCSEAA Annual Report 2006-2007

We help North Carolina pay for college



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

September 28, 2007

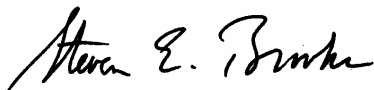
To the Citizens of North Carolina:

The Board of Directors and staff of the State Education Assistance Authority are privileged to have participated in the accomplishments of this, our 41st 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 receipts-supported employees. No salaries or operating expenses for the Authority are derived from State general fund appropriations.

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.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
- Obtains and insures capital for educational loans made available under North Carolina's Federal Family Education Loan Program (NCFFELP) and the EXTRA Education Loan Program
- Maintains sensitive and affirmative default prevention and aversion activities in collecting student loans and operates an aggressive student loan collection system for recovery of defaulted student loan obligations
- 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 NCFFELP. 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.

2006-2007 Highlights

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

- Administered 279,988 student grant, scholarship and loan awards, totaling \$1,189,751,913.
- Issued guaranteed student loan revenue bonds in the aggregate par amount of \$570,000,000 including \$376,000,000 in tax-exempt and \$194,000,000 in taxable bonds to fund student and parent loans for NCFFELP.
- Guaranteed 157,295 new loans totaling \$930,658,610 under the Federal Family Education Loan Program (NCFFELP).
- Recorded default rates for the most recent federal fiscal years at 1.6% (FFY 05 Cohort Rate) and 1.136% (FFY 06 Trigger Rate) for the NCFFELP, ranking among the lowest four default rates of all guaranty agencies in the nation for the fourth consecutive year.
- Processed 2,919 NCFFELP borrower default claims, totaling \$25,661,653.
- Recovered \$14.2 million from defaulted NCFFELP 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 2006 was 36.6%, ranking the Authority once again in the top tier of guarantors in the nation on this measure.
- Cancelled \$8,655,752 of principal in state scholarship-loan program indebtedness for borrowers repaying their debts through vocational service under program terms, and collected \$5,078,939 in principal and interest payments from borrowers who did not fulfill their vocational service obligations. Historical data on loans closed through repayment in these programs indicates that nearly 88% of borrowers repay their debts in service to the State.
- Conducted 14 training sessions attended by 953 school counselors and financial aid administrators, on availability and administration of state financial aid programs for students.
- Organized successful "FAFSA Day" activities at 52 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 3,076 students and families were assisted by over 559 counselors, aid administrators and other volunteers in 2007.
- Developed and launched an electronic "Scholarships Wizard" on CFNC.org, allowing students to quickly identify and apply for state programs for which they meet eligibility requirements.
- Developed and launched an electronic "school portal" for campuses to use in administering state scholarship and loan funds, enabling the electronic exchange of data and funds with the campuses, streamlining the process for students and campuses alike.

College Foundation of North Carolina

As part of its commitment to help more students obtain an education beyond high school, 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 2007 marked the sixth full year of CFNC.

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

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.

CFNC now has a statewide license for *Bridges* career planning products (www.bridges.com), the leading provider of online career exploration and education planning services. Through this perpetual agreement, we now offer these career resources, at no cost, to every K-12 school (public and private) and every institution of higher education in the state. With the addition of Bridges career planning tools, CFNC has greatly expanded its free online career services for website users from elementary school students to adults. CFNC and Bridges are working toward a fully integrated site to eliminate overlap, harmonize content, and establish a single sign-on.

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.

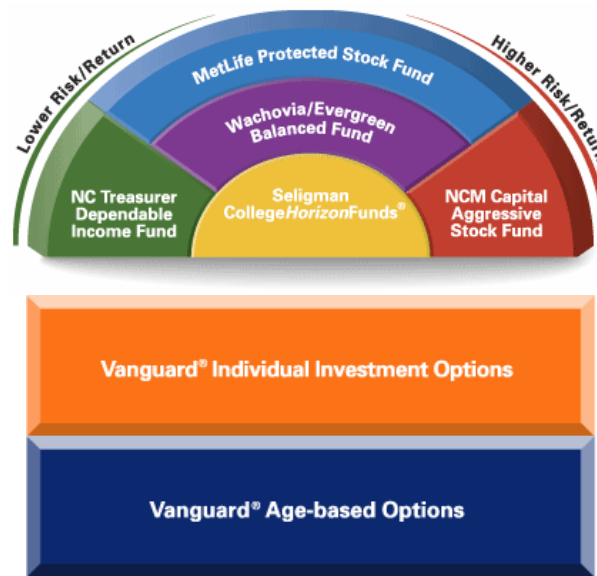
With CFNC’s expanded services, families with young children are able to start early in their financial and academic planning for college. For those families with high school students or adults soon anticipating college enrollment, CFNC provides detailed guidance on both college admission and financial aid.

During its sixth year CFNC.org averaged some 8,786 unique daily visitor sessions. The service added 429,768 user accounts during the fiscal year, bringing the total accounts through that date to 1,663,108. Additionally, during the fiscal year students filed 249,692 college admissions applications through the website, bringing the total filed through June 30 to 715,757.



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, 2007, the fund had opened 37,166 accounts, with a market value of \$336,466,056, increases of 48% and 41%, respectively, over the previous year. In its 2007 session the North Carolina General Assembly significantly expanded the State income tax deduction for contributions to the Fund.



NCSEAA Board of Directors 2006 - 2007

Richard B. Roberts, *Chairman*
F.V. Allison, *Vice-Chairman*
Arlene M. Ferren, *Treasurer*
Martha J. Beasley
Carolyn F. 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

Post Office Box 14103
Research Triangle Park, NC 27709
10 Alexander Drive
Research Triangle Park, NC

Telephone: (919) 549-8614
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>2007</u>	<u>2006</u>
<u>Current Assets</u>		
State Student Aid Program Cash**	\$ 42,932	\$ 6,543
Restricted Cash and Investments	523,098	472,281
Receivables	862,909	1,042,428
Other Current Assets	948	836
<u>Noncurrent Assets</u>		
Restricted Cash and Investments	491,233	295,634
Notes Receivable	2,034,980	1,550,921
Unamortized Bond Issuance Expenses	14,315	12,187
<u>Capital Assets</u>		
	7,740	4,974
Total Assets	<u>\$ 3,978,155</u>	<u>\$ 3,385,804</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities</u>		
Other Payables	\$ 561,570	\$ 40,951
Accounts Payable & Accrued Liabilities	1,209	941
<u>Noncurrent Liabilities</u>		
Accounts/Bonds Payable	2,778,825	2,779,759
Other Liabilities	7,272	4,326
Total Liabilities	<u>3,348,876</u>	<u>2,825,977</u>
<u>Net Assets</u>		
Invested in Capital Assets, net of Related Debt	7,740	4,974
Restricted for Educational Assistance Programs	573,754	545,382
Unrestricted for Student Aid Programs	47,785	9,471
Total Net Assets	<u>629,279</u>	<u>559,827</u>
Total Liabilities and Net Assets	<u>\$ 3,978,155</u>	<u>\$ 3,385,804</u>

Statement of Revenues, Expenses & Changes in Net Assets

<u>REVENUES:</u>		
Non-operating Aid	\$ 98,394	\$ 69,744
Grants	44,807	14,668
Investment Earnings	41,534	24,050
Interest Earnings on Loans	203,437	151,982
Miscellaneous	2,536	2,224
Grants, Aids, Subsidies	(85,673)	(65,886)
Total Revenues (Expenses)	<u>305,035</u>	<u>196,782</u>
<u>EXPENSES:</u>		
Student Loan Service Cancellations	13,744	10,099
Interest Costs	136,776	94,676
Other Administrative and General	85,064	78,651
Total Expenses	<u>235,584</u>	<u>183,426</u>
Change in Net Assets	69,451	13,356
NET ASSETS--Beginning of Year	<u>559,827</u>	<u>546,471</u>
NET ASSETS--End of Year	<u>\$ 629,278</u>	<u>\$ 559,827</u>

Note: These are unaudited figures. Audited figures are available on our website at www.ncseaa.edu after December 1, 2007

**Include Education Lottery Scholarship and State Scholarship Loan Funding for disbursement in 2007-08 year

Financial Aid Awards Administered by NCSEAA

Grants and Scholarships

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

	2006-2007		2005-2006	
	Number of Awards	Amount Awarded	Number of Awards	Amount Awarded
Dr. Wade H. Atkinson Scholarship	8	\$18,400	10	\$20,700
Board of Governors' Dental Scholarship *	23	567,056	30	704,413
Board of Governors' Medical Scholarship *	64	1,417,936	67	1,495,684
Aubrey Lee Brooks Scholarship	63	635,090	63	626,057
Thomas Holmes Carrow Scholarship	18	54,000	19	54,000
Certain Private Education Institutions	165	297,000	174	313,200
Contract Programs in Medicine, Dentistry, Optometry	88	1,105,100	83	968,000
Criminal Justice Scholarship	7	13,000	8	15,000
A.P. and Frances Dickson Scholarship	16	20,800	16	20,800
Golden LEAF Scholarship Program (UNC)	550	1,397,012	279	820,000
Jagannathan Scholarship	13	34,842	14	41,321
James Lee Love Scholarship	16	75,200	16	75,200
Ruth Jewell Scholarship	1	2,000	***	*****
North Carolina Community College Grant	12,641	10,463,457	13,134	10,603,730
North Carolina Legislative Tuition Grant	33,088	53,896,557	31,672	49,713,788
North Carolina School of Science & Mathematics Tuition Grant	582	1,864,706	394	1,161,199
North Carolina Student Incentive Grant	7,947	5,023,509	8,110	5,101,881
State Contractual Scholarship Fund	14,972	39,616,747	14,234	35,925,428
C.M. and M.D. Suther Scholarship	16	20,000	16	20,000
Teacher Assistant Scholarship Program	491	1,177,950	246	899,200
Turrentine Foundation Scholarship	234	433,191	65	307,694
UNC Campus Scholarships	3,019	5,473,904	2,408	5,887,664
UNC Need Based Grant	40,227	77,341,367	34,364	58,742,368
Total Grants and Scholarships	114,249	\$200,948,824	105,422	\$173,517,327

* See also section on Scholarship-Loan programs. New recipients beginning in 2006-07 signed promissory notes for the Board of Governors' Medical and Dental funds; renewing students retained scholarship status without repayment obligation. Thus the programs are reported by recipient under both categories. Total recipients and expenditures in the programs would be the sum of the amounts reported.

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

	2006-07		2005-06	
	<u>Number of Awards</u>	<u>Amount Awarded</u>	<u>Number of Awards</u>	<u>Amount Awarded</u>
Board of Governors' Dental Scholarship Loans	8	\$231,200		Program previously was a scholarship
Board of Governors' Medical Scholarship Loans	16	451,226		Program previously was a scholarship
Future Teachers of North Carolina	122	767,000	65	422,500
Health, Science, and Mathematics Loans	405	2,727,242	427	\$2,836,555
Millennium Teacher Scholarship Loans	98	627,250	77	494,000
Nurse Education Scholarship Loans	658	1,011,349	769	1,111,372
Nurse Educators of Tomorrow Scholarship Loans	39	555,000		New to SEAA 2006-2007
Nurse Scholars Program -- Masters	90	447,000	99	511,500
Nurse Scholars Program -- Undergraduate	862	3,831,155	746	2,980,750
Principal Fellows Program	129	3,541,416	145	2,900,000
Project HEALTH	11	190,000	16	356,250
Physical Education-Coaching Scholarship Loan	28	94,000	21	84,000
Prospective Teacher Scholarship Loan	841	1,986,150	654	1,535,450
Teacher Assistant Scholarship Loan	***	*****	222	524,900
Total Scholarship/Loans	3,307	\$16,459,988	3,241	13,757,277

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

	2006-2007		2005-2006	
	<u>Number of Awards</u>	<u>Amount Awarded</u>	<u>Number of Awards</u>	<u>Amount Awarded</u>
NCFEELP Loans				
Stafford Loans	67,855	\$242,505,868	66,380	\$233,818,475
Unsubsidized Stafford Loans	60,315	246,010,308	59,080	234,687,031
Parent PLUS Loans	10,202	83,854,925	10,333	80,879,968
Graduate/Professional PLUS	960	11,570,222	***	*****
Consolidation Loans	17,943	346,717,287	20,445	467,579,714
Carolina Computing Initiative Loans	194	444,831	292	647,102
Extra Education Loans	4,963	41,239,660	5,438	43,936,252
Total Loans	162,432	\$972,343,101	161,968	\$1,061,548,542
Total NCSEAA Student Financial Aid	279,988	\$1,189,751,913	270,631	\$ 1,250,414,146

NORTH CAROLINA STATE EDUCATION ASSISTANCE AUTHORITY
Listing of Programs Administered, September 2007

Federal Family Education Loan Program

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

State Scholarship and Grant Programs

- Child Welfare Postsecondary Support Program
- Contract Programs in Medicine, Dentistry, Optometry
- Education Access Rewards North Carolina (EARN)
- Increasing Medical Education Opportunities (Institutional) Grant
- John B. McLendon Scholarship Fund
- 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 Fund
- UNC Campus Scholarships
- UNC Need Based Grant

State Career-Specific Scholarship-Loan Programs *

- Board of Governors' Dental Scholarship
- Board of Governors' Medical Scholarship
- Future Teachers Scholarship Loan
- GSK Teacher Preparation Scholarship Loan
- Health, Science, and Mathematics Scholarship-Loan
- Millennium Teacher Scholarship Loan
- Nurse Education Scholarship Loans
- Nurse Educators of Tomorrow Scholarship Loan
(Graduate Nurse Scholarship Program for Faculty Production)

* 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.

- 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 Teacher Scholarship Loan
- Social Work Education Loan Fund (Collections)
- Teaching Fellows Program (Collections)
- Teaching Assistant Scholarship Loan (Collections)

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)