

North Carolina
State Education Assistance Authority
Annual Report
2015–2016



College works.

NCSEAA 
*North Carolina State Education
Assistance Authority*

November 30, 2016

To the Citizens of North Carolina:

The Board of Directors and staff are privileged to have participated in the accomplishments presented here in service of our State's investment in the future of its people 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 nine-member Board of Directors. The University of North Carolina provides the secretariat for the Authority, which has some 75 receipts-supported employees.

In a number of key areas, our efforts help North Carolina pay for college. 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 education at public four-year, public two-year, independent colleges and universities, and independent K-12 schools in North Carolina.
- Provides significant online (www.cfnc.org and www.NCSEAA.edu) and telephone (866-866-CFNC) resources, 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 education.
- Obtains and insures capital for educational loans.
- Maintains sensitive and affirmative default prevention and aversion activities 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 education.
- Administers North Carolina's National College Savings Program, a "529" plan providing flexible, tax-advantaged savings and investment options for parents, grandparents, and others.
- Assists the Governor, the General Assembly and other elected officials, 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 and paying for college costs.
- 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 servicer for all SEAA-guaranteed loans. CFI also administers need-based student grant programs and North Carolina's National College Savings Program on behalf of the Authority 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.

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.



Elizabeth McDuffie
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.

This annual report is designed as a Web document and can be accessed at www.NCSEAA.edu.

2015–2016 Highlights

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

- Administered 142,206 student grant, scholarship and loan awards, totaling over \$315 million, as detailed in tables on pages 7-8 of this report.
- Administered loan forgiveness to 402 teachers under the federal Teacher Loan Forgiveness Program, totaling \$2.66 million. With this amount, the Authority has in total granted over \$19.6 million to over 2,800 teachers through this program since its inception in 2002.
- Achieved federal cohort default rates for SEAA-guaranteed loans that continue to be among the nation's lowest. The U.S. Department of Education calculates default rates on borrowers after three years in repayment. For FFY13, the most recent year for which data are available, SEAA had a three-year cohort default rate of 3.6%, well below the national average of 11.3%. The Department of Education also provides a "trigger" default rate which calculates the dollar amount of default claims paid on those loans that are in repayment. SEAA had a low trigger rate of 0.96% in FFY15.
- Processed 2,762 NCFFELP borrower default and other guaranty claims, totaling \$42,558,808.
- Recovered \$44.5 million from defaulted NCFFELP borrowers, including funds from litigation and wage garnishment activities, seizure of federal and State tax refunds, collection agencies, and loan rehabilitation and loan consolidation programs. The Authority's recovery rate for the federal fiscal year 2015 was 21%.
- Cancelled \$25.6 million of principal in State forgivable loan program indebtedness for borrowers repaying their debts through vocational service under program terms, and collected \$6.6 million 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 a little over 87% of borrowers successfully repay their debts through vocational service to the State.
- Originated 280 loans totaling \$532,000 for teachers pursuing National Board Certification.
- Administered 3,682 Opportunity Scholarships and 836 Disabilities Grants for K-12 students attending nonpublic schools, an increase of 147% from last year.
- Conducted 21 training sessions, attended by 972 individuals representing school counselors, teachers, College Advising Corps, and financial aid administrators.
- Organized FAFSA Day activities on 65 campuses and at two community centers on February 20, 2016 with the assistance of College Advising Corps, TRIO, school-based college access programs and youth-serving organizations across the state to assist students and parents to complete the FAFSA. State Employee's Credit Union branches were available the week following FAFSA Day to assist students and families. 2,510 students and families participated in the event with 1,356 volunteers across the state.
- Launched *Finish the FAFSA* project that permits high school counselors to monitor the status of their students' progress in completing the FAFSA and enables them to follow up with students as needed. 144 high schools participated in the first year of the project.

College Foundation of North Carolina

As part of its commitment to help more students obtain an education beyond high school, since 2000 the State Education Assistance Authority has actively participated in a collaboration called “College Foundation of North Carolina” (CFNC). This joint effort involves working with CFI, the University of North Carolina, the North Carolina Community College System, North Carolina Independent Colleges and Universities, and the North Carolina Department of Public Instruction in providing a comprehensive website and a call center staffed with college planning and financing specialists.

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

Through CFNC, SEAA assists students and families from elementary school years through high school graduation and beyond. Services include helping young people to understand career opportunities and the education required to sustain them; assisting students to chart their coursework to prepare for college and career and to select colleges appropriate to their ambitions and talents; communicating with families the availability of financial aid to make college affordable; and advising students and families to take appropriate actions to minimize borrowing and prevent delinquency and default.

Services continue through the student’s college education and on into adulthood for nontraditional students, promoting financial literacy education and encouraging college completion, and last until any college indebtedness has been satisfied. CFNC includes information on both State and federal student aid programs to give students a comprehensive picture specific to their own situations. It also promotes the value of saving for college through the tax-advantaged NC 529 program.



CFNC Usage Statistics, FY 2015-16 (6/30/2016 Data)

- On June 30, 2016, CFNC.org had more than 6.2 million user accounts and averaged 11,842 visits a day for the fiscal year.
- The CFNC Call Centers responded to more than 114,060 phone calls about paying for college and 14,748 calls regarding careers and college admissions. They also responded to 4,431 financial aid emails and 3,919 emails with questions or publication requests on college admissions and careers.
- CFNC Regional Representatives, located across the state made a total of 2,578 college access presentations to 99,330 people in schools and community groups.
- North Carolina students submitted 438,094 college applications using CFNC.org.
- CFNC.org processed 439,427 high school transcripts for 559 North Carolina high schools.

North Carolina's National College Savings Program (NC 529 Plan)

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 with certain tax benefits in accordance with federal tax law and, for North Carolina residents, 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. Current information on investment options and details on the program can be found at www.CFNC.org/savings.

<u>Investment Option</u>	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>Change</u>
Federally Insured Deposit Account	\$77,288,402	\$70,374,591	9.8%
Dependable Income Fund	\$55,200,418	\$55,885,357	-1.2%
Vanguard Individual Funds	\$703,990,605	\$667,757,215	5.4%
Vanguard Age-Based Funds	\$977,851,502	\$895,471,939	9.2%
Total Fund Value	\$1,814,330,927	\$1,689,489,102	7.4%
Accounts	132,578	129,092	2.7%

Savings Program - Account Contributions

Federally Insured Deposit Account	\$8,737,843	\$8,638,152	1.2%
Dependable Income Fund	\$5,231,578	\$4,851,223	7.8%
Vanguard Individual Funds	\$76,422,373	\$81,398,795	-6.1%
Vanguard Age-Based Funds	\$115,234,285	\$115,036,117	0.2%
Total	\$205,626,079	\$209,924,287	-2.0%

Savings Program - Account Distributions

Federally Insured Deposit Account	\$11,888,931	\$13,004,900	-8.6%
Dependable Income Fund	\$7,819,198	\$9,139,955	-14.5%
Vanguard Individual Funds	\$43,766,892	\$44,271,398	-1.1%
Vanguard Age-Based Funds	\$48,102,820	\$44,809,543	7.3%
Total	\$111,577,841	\$111,225,796	0.3%

Financial Aid Awards Administered by NCSEAA

Grants and Scholarships for Higher Education

Grant and scholarship programs are funded from State and private sources.

	2015-2016		2014-2015	
	<u>Number of Awards</u>	<u>Amount Awarded</u>	<u>Number of Awards</u>	<u>Amount Awarded</u>
Dr. Wade H. Atkinson Scholarship	10	\$25,000	10	\$25,000
Aubrey Lee Brooks Scholarship	67	912,087	66	956,193
Thomas Holmes Carrow Scholarship	22	100,000	23	113,750
Criminal Justice Scholarship	7	14,000	9	16,000
A.P. and Frances Dickson Scholarship	15	28,000	15	28,000
Education Lottery Scholarship	26,958	29,543,331	27,944	30,647,584
Golden LEAF Scholars	722	2,107,754	717	2,104,300
Mayor Anthony Foxx Scholarship	8	8,000	7	7,000
Jagannathan Scholarship	1	2,000	4	12,500
Ruth Jewell Scholarship	*	****	1	1,600
James Lee Love Scholarship	14	74,250	16	88,000
NC Need-Based Scholarship (Independent Colleges)	24,147	86,315,763	24,700	83,096,768
NC Community College Grant	26,047	14,382,863	27,867	14,297,435
NC National Guard Tuition Asst Program	675	2,062,815	618	1,862,815
NC Reach (Child Welfare Postsecondary Support)	306	1,952,334	337	1,932,840
Penn Family Scholarship	175	210,000	187	205,250
C.M. and M.D. Suther Scholarship	13	19,500	15	21,000
Turrentine Foundation Scholarship	170	337,000	173	265,000
UNC Campus Scholarships	2,187	4,857,045	2,567	5,169,583
UNC Need-Based Grant	53,601	128,491,066	51,768	123,361,286
Total Grants and Scholarships for Higher Education	135,145	\$271,442,808	137,044	\$264,211,904

Forgivable Loans for Vocational Service in North Carolina

Loans made for postsecondary study in areas of high demand and critical shortage. Repayment may be satisfied through vocational service or in cash for those not fulfilling the service obligation.

	2015-2016		2014-2015	
	<u>Number of Awards</u>	<u>Amount Awarded</u>	<u>Number of Awards</u>	<u>Amount Awarded</u>
Forgivable Education Loans for Service (FELS)*	2,468	24,154,196	2,340	20,464,642
Principal Fellows Program	75	2,152,160	73	2,093,244
Total Forgivable Loans	2,543	\$26,306,356	2,413	\$22,557,886

Grants and Scholarships for K-12

	2015-2016		2014-2015	
	<u>Number of Awards</u>	<u>Amount Awarded</u>	<u>Number of Awards</u>	<u>Amount Awarded</u>
Special Education Scholarship Grants for Children with Disabilities	836	4,730,315	611	3,097,515
Opportunity Scholarships	3,682	13,149,842	1,216	4,635,320
Total K-12 Grants/Scholarships	4,518	\$17,880,157	1,827	\$7,732,835
Grand Total NCSEAA Aid	142,206	\$315,629,321	141,284	\$294,502,625

*Note: Of the Forgivable Education Loans for Service (FELS) awards, ten students received renewals as follows: \$27,306 for the Board of Governors' Medical Scholarship Loans, \$9,750 for the Millennium Teacher Scholarship Loan, \$2,500 for Nurse Scholars Program, \$3,750 for the Prospective Teacher Scholarship Loan, and \$59,890 for Teaching Fellows. All new awards are made through the FELS program.

Statements of Net Position

As of June 30 (in thousands)

<u>ASSETS</u>	<u>2016</u>	<u>2015</u>
<u>Current Assets</u>		
State Student Aid Program Cash**	\$ 52,865	\$ 53,798
Restricted Cash and Investments	478,267	441,976
Receivables	247,206	298,141
Other Current Assets	24	8
<u>Noncurrent Assets</u>		
Restricted Cash and Investments	1,773,727	1,650,279
Notes Receivable	1,663,994	1,852,944
<u>Capital Assets</u>		
	5,126	5,124
Total Assets	\$ 4,221,209	\$ 4,302,270
<u>LIABILITIES & NET POSITION</u>		
<u>Current Liabilities</u>		
Accounts, Notes, Bonds Payable	\$ 346,381	\$ 384,015
Other Payables and Accrued Liabilities	2,858	3,076
<u>Noncurrent Liabilities</u>		
Accounts, Bonds Payable	3,293,520	3,348,152
Other Liabilities	841	472
Total Liabilities	3,643,600	3,735,715
<u>Net Position</u>		
Net Investment in Capital Assets	5,126	5,124
Restricted for Educational Assistance Programs	499,416	476,709
Unrestricted for Student Aid Programs	73,067	84,722
Total Net Position	577,609	566,555
Total Liabilities and Net Position	\$ 4,221,209	\$ 4,302,270

Statements of Revenues, Expenses and Changes in Net Position

<u>REVENUES:</u>		
Non-operating Aid**	\$ 141,971	\$ 79,482
Grants	40,819	113,409
Investment Earnings	6,096	2,804
Interest Earnings on Loans	46,365	48,785
Miscellaneous	13,518	9,402
Grants, Aids, Subsidies	(161,487)	(157,020)
Total Revenues (Expenses)	87,282	96,862
<u>EXPENSES:</u>		
Student Loan Service Cancellations	22,771	14,857
Interest Costs	28,297	27,463
Other Administrative and General	40,803	40,603
Total Expenses	91,871	82,923
Special Item***	15,643	
Change in Net Position	11,054	13,939
Prior Period Adjustment****	0	(659)
NET POSITION-Beginning of Year	566,555	553,275
NET POSITION-End of Year	\$ 577,609	\$ 566,555

Note: Audited financial statements are available on our website at www.ncseaa.edu.

**Includes Education Lottery Scholarship and State Scholarship Loan Funding for disbursement in 2016-2017.

***Special Item - Settlement from Municipal Derivative Antitrust Litigation.

****Prior Period Adjustment - Cumulative pension fund liability under GASB 68.

NORTH CAROLINA STATE EDUCATION ASSISTANCE AUTHORITY
Listing of Programs Administered, September 2016

State Scholarship and Grant Programs

- Child Welfare Postsecondary Support Program (NCREACH) (Disbursement)
- North Carolina Community College Grant
- North Carolina Education Lottery Scholarship
- North Carolina National Guard Tuition Assistance Program
- North Carolina Need-Based Scholarship Program
- UNC Campus Scholarships
- UNC Need-Based Grant

State Career-Specific Forgivable Education Loan for Service Programs*

- Board of Governors' Dental Scholarship Loan (Repayment and Renewals)
- Board of Governors' Medical Scholarship Loan (Repayment and Renewals)
- Forgivable Education Loans for Service
- Future Teachers of North Carolina Scholarship Loan (Repayment)
- Health, Science, and Mathematics Scholarship Loan (Repayment and Renewals)
- Millennium Teacher Scholarship Loan (Repayment and Renewals)
- North Carolina Optometry Scholarship Loan (Repayment)
- Nurse Education Scholarship Loan (Repayment and Renewals)
- Nurse Educators of Tomorrow Scholarship Loan (Repayment)
(Graduate Nurse Scholarship Program for Faculty Production)
- Nurse Scholars Program (Repayment and Renewals)
- Physical Education-Coaching Scholarship Loan (Repayment)
- Principal Fellows Program
- Prospective Teacher Scholarship Loan (Repayment and Renewals)
- Social Work Education Loan Fund (Repayment)
- Teaching Fellows Program (Repayment)
- Teacher Assistant Scholarship Loan (Repayment)

* 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. These programs are better termed "forgivable education loans for service," which is the name of a program established by the General Assembly beginning in 2012-13 to consolidate many of the programs listed in this category. Programs indicated by "Renewals" were consolidated and renewal awards have been phased out as 2011-2012 recipients complete their educational programs.

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
- Mayor Anthony Foxx Scholarship
- Golden LEAF Scholarship Program (UNC and NC Independent Colleges)
- Jagannathan Scholarship
- Ruth Jewel Scholarship
- James Lee Love Scholarship
- Penn Family Scholarship
- C.M. and M.D. Suther Scholarship
- Turrentine Foundation Scholarship
- John Sharpe Williams Memorial Scholarship

Federal Family Education Loan Program (Guaranty and Repayment)

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

School Services

- EX\$EL - Financial Education and Repayment Success
- ISIR Verification

Other Programs Administered

- Opportunity Scholarships
- Special Education Scholarship Grants for Children with Disabilities
- Carolina Computing Initiative Loan Program (Alternative Loan Collections)
- College Foundation of North Carolina (Information Dissemination)
- National Board Certification Loan Program (National Board for Professional Teaching Standards)
- North Carolina EXTRA Loan Program (Alternative Loan - Collections)
- North Carolina's National College Savings Program (NC 529 Plan)
- Paul Douglas Scholarship/Loan Program (Collection Only)
- Principal Preparation Program

SEAA Board of Directors

2015–2016

Richard B. Roberts, *Chair*
James O. Roberts, *Vice-Chair*
Arlene M. Ferren, *Treasurer (through February 23, 2016)*
Jennifer H. Haygood, *Ex Officio, Treasurer*
Martha J. Beasley, *(through October 4, 2015)*
Phoebe J. Emory, *(effective February 26, 2016)*
Larry W. Gracie, *(effective September 16, 2015)*
Suzanne R. Mellow-Irwin, *(effective February 24, 2016)*
Robert S. Misenheimer, *(through September 15, 2015)*
Jonathan C. Pruitt, *Ex Officio*
Chandler E. Thompson, *(effective October 5, 2015)*
Deirdra C. Williams, *(through February 25, 2016)*

Board members are appointed by the Governor for terms of four years, with the exception of the Chief Financial Officers of the University of North Carolina and the North Carolina Community College System, who serve *ex officio* per State law.

SEAA Senior Management

Elizabeth McDuffie, *Executive Director*
Iona Duckworth, *Director of Administrative Services and Quality Control (through May 31, 2016)*
Elizabeth “Betsy” Rozakis, *Chief Financial Officer (effective May 23, 2016)*
Sharon E. Grubb, *Director of Administration*
Julia R. Hoke, Esq., *Director of Legal Affairs and General Counsel*
Wayne E. Johnson, *Director of Guaranty Agency and Repayment Services*
Vacant, *Director of Grants, Training and Outreach*

Contacting the SEAA

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