

North Carolina
State Education Assistance Authority
Annual Report
2018 – 2019



November 15, 2019

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 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 80 receipts-supported employees.

In a number of key areas, our efforts help North Carolina pay for education. 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 nonpublic K12 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 System Office, the North Carolina Community College System and North Carolina Independent Colleges and Universities on various matters pertaining to financial aid and paying for educational 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 education loans financed and guaranteed by the Authority. 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 education, regardless of financial means.



Elizabeth McDuffie
Executive Director



Mission:

We help North Carolina pay for education.

We are the State agency that promotes access to education by administering financial aid and savings programs, informing students and families about paying for education, 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.

2018-2019 Highlights

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

- Administered 135,593 higher education and K12 student grant, scholarship and loan awards, totaling over \$341 million, as detailed in tables on pages 7-8 of this report.
- Administered loan forgiveness to 139 teachers under the federal Teacher Loan Forgiveness Program, totaling \$920,506. With this amount, the Authority has granted nearly \$24 million to over 3,500 teachers through this program since its inception in 2002.
- Achieved a federal cohort default rate for SEAA-guaranteed loans under North Carolina's Federal Family Education Loan Program (NCFFELP) that continues to be among the nation's lowest. The U.S. Department of Education calculates default rates on borrowers after three years in repayment. For the federal fiscal year 2016, the most recent year for which data are available, SEAA had a three-year cohort default rate of 5.0%, well below the national average of 10.1%.
- Processed 3,255 NCFFELP borrower default and other guaranty claims, totaling \$61,496,917.
- Recovered \$37.4 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 2018 was 19.29%.
- Cancelled \$27.3 million of principal in State forgivable loan program indebtedness for borrowers repaying their debts through vocational service under program terms, and collected \$5.1 million in principal and interest payments from borrowers who did not fulfill their vocational service obligations. Historical data on Forgivable Education Loans for Service indicates that 91.8% of borrowers successfully repaid their debts through vocational service to the State.
- Originated 526 loans totaling \$748,125 for teachers pursuing National Board Certification.
- Conducted reviews of State aid program administration to monitor compliance with applicable laws and regulations at 34 postsecondary institutions. Designed and successfully transitioned to a new software system to host the K12 programs.
- Disbursed funds via debit account to 277 inaugural recipients of the Personal Education Savings Account program.
- Held FAFSA completion events throughout the year with assistance from the North Carolina Association of Student Financial Aid Administrators and the State Employees Credit Union. High school seniors in North Carolina public high schools (including charters) completed 56,371 FAFSAs.
- Trained 509 school counselors and college advisors on Financial Aid/FAFSA completion and in addition, trained 154 school counselors and college advisors on Financial Aid/FAFSA/career exploration.
- Administered the Finish the FAFSA Project that tracks the FAFSA completion status for all high school seniors in participating NC public high schools. School counselors use the database to work with their students to increase FAFSA completion rates in their schools. In the 2018-19 academic year, participation increased by 100 high schools bringing the total high schools participating to 423.
- Served as the portal entity for SARA North Carolina since October 2016. As of June 30, 2019, the Authority has approved 79 schools representing four sectors of postsecondary institutions

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 attend 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 and nonpublic K12 education through the tax-advantaged NC 529 program.



CFNC Usage Statistics, FY 2018-19

- On June 30, 2019, CFNC.org had more than 7.61 million user accounts and averaged 12,100 visits a day for the fiscal year.
- The CFNC Call Centers responded to more than 99,000 phone calls about paying for college and 6,953 calls regarding careers and college admissions. They also responded to 5,370 financial aid emails and 3,149 emails with questions or publication requests on college admissions and careers.
- CFNC Regional Representatives, located across the State made a total of 1,706 college access presentations to 92,446 people in schools and community groups.
- North Carolina students submitted 383,362 college applications using CFNC.org.
- CFNC.org processed 374,539 electronic high school transcripts for 580 North Carolina high schools.

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

North Carolina's National College Savings Program, commonly known as the "NC 529 Plan," is maintained by the State Education Assistance Authority to enable residents of any state to invest funds to pay the qualified 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, and while its original and primary purpose is saving for college, beginning in 2018 funds can be withdrawn from the NC 529 Plan to pay for primary and secondary tuition under certain conditions due to changes in federal 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. Current information on investment options and details on the program can be found at www.CFNC.org/savings.

<u>Investment Option</u>	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>Change</u>
Federally Insured Deposit Account	\$156,902,509	\$142,965,885	9.7%
Vanguard Individual Funds	987,877,745	923,313,252	7.0%
Vanguard Age-Based Funds	1,374,285,076	1,236,928,644	11.1%
Total Fund Value	\$2,519,065,330	\$2,303,207,781	9.4%
Accounts	145,593	141,594	2.8%

Savings Program - Account Contributions

Federally Insured Deposit Account	13,532,536	12,506,582	8.2%
Vanguard Individual Funds	85,930,406	86,444,494	-0.6%
Vanguard Age-Based Funds	138,649,771	134,853,763	2.8%
Total	\$238,112,713	\$233,804,839	1.8%

Savings Program - Account Distributions

Federally Insured Deposit Account	25,805,854	22,970,730	12.3%
Vanguard Individual Funds	64,326,141	55,239,629	16.4%
Vanguard Age-Based Funds	76,875,319	65,732,274	17.0%
Total	\$167,007,314	\$143,942,633	16.0%

Financial Aid Awards Administered by SEAA
Grants and Scholarships for Higher Education

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

	2018-2019		2017-2018	
	<u>Number of Awards</u>	<u>Amount Awarded</u>	<u>Number of Awards</u>	<u>Amount Awarded</u>
NC Community College Grant	21,372	\$17,319,181	23,863	\$17,311,062
NC Education Lottery Scholarship	22,911	24,754,093	25,919	27,971,676
NC National Guard Tuition Asst Program	633	2,062,815	637	2,060,685
NC Need-Based Scholarship (Independent Colleges)	21,112	87,370,200	22,368	88,138,300
NC Reach (Child Welfare Postsecondary Support)	318	1,956,219	289	1,949,968
UNC Campus Scholarships	2,470	5,228,559	2,348	5,304,934
UNC Need-Based Grant	51,432	124,302,854	50,154	123,672,458
SCHOLARSHIPS				
Dr. Wade H. Atkinson Scholarship	12	27,500	11	26,250
Aubrey Lee Brooks Scholarship	65	942,122	63	870,500
Thomas Holmes Carrow Scholarship	26	125,000	24	112,409
Criminal Justice Scholarship	9	17,000	7	14,000
A.P. and Frances Dickson Scholarship	14	29,943	15	28,125
Mayor Anthony Foxx Scholarship	13	13,000	11	11,000
Golden LEAF Scholars	710	2,022,275	729	2,068,237
Jagannathan Scholarship	1	2,000	1	2,000
Ruth Jewell Scholarship	1	1,654	*	***
James Lee Love Scholarship	16	87,172	16	88,000
Penn Family Scholarship	187	263,330	162	196,498
C.M. and M.D. Suther Scholarship	16	62,496	15	56,637
Turrentine Foundation Scholarship	399	778,150	401	772,950
Total Grants and Scholarships for Higher Education	121,717	\$267,365,563	127,033	\$270,655,689

Forgivable Loans for Vocational Service in North Carolina

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

	2018-2019		2017-2018	
	<u>Number of Awards</u>	<u>Amount Awarded</u>	<u>Number of Awards</u>	<u>Amount Awarded</u>
Forgivable Education Loans for Service (FELS)	2,017	19,162,709	1,851	18,374,834
Principal Fellows Program (PFP)	75	2,192,230	84	2,470,790
Teaching Fellows Program (TFP)	84	613,411	*	***
Total Forgivable Loans for Higher Education	2,176	\$21,968,350	1,935	\$20,845,624

Grants and Scholarships for K12

North Carolina offers programs for students in kindergarten through 12th grade which can pay for tuition and required fees at participating nonpublic schools. In addition, two of the programs can cover certain expenses related to educating a child with a disability

	<u>Number of Awards</u>	<u>Amount Awarded</u>	<u>Number of Awards</u>	<u>Amount Awarded</u>
Opportunity Scholarships	9,651	37,988,912	7,367	28,056,136
Special Education Scholarship Grants for Children with Disabilities	1,772	12,058,971	1,260	8,521,005
Personal Education Savings Account (ESA)	277	2,422,697	*	***
Total Grants and Scholarships for K12	11,700	\$52,470,580	8,627	\$36,577,141
Grand Total NCSEAA Aid	135,593	\$341,804,493	140,737	\$320,527,704

Statements of Net Position

As of June 30 (in thousands)

<u>ASSETS</u>	<u>2019</u>	<u>2018</u>
<u>Current Assets</u>		
Restricted Cash and Investments*	502,711	591,964
Receivables	216,308	240,447
Other Current Assets	13	4
<u>Noncurrent Assets</u>		
Restricted Cash and Investments	2,517,684	2,210,653
Notes Receivable	1,058,191	1,217,606
<u>Capital Assets</u>		
	6,221	5,765
Total Assets	<u>\$ 4,301,128</u>	<u>\$ 4,266,439</u>
<u>LIABILITIES & NET POSITION</u>		
<u>Current Liabilities</u>		
Accounts, Notes, Bonds Payable	\$ 343,941	\$ 329,428
Other Payables and Accrued Liabilities	3,163	4,140
<u>Noncurrent Liabilities</u>		
Accounts, Bonds Payable	3,348,448	3,343,097
Other Liabilities	6,370	5,349
Total Liabilities	<u>3,701,922</u>	<u>3,682,014</u>
<u>Net Position</u>		
Net Investment in Capital Assets	6,221	5,765
Restricted for Educational Assistance Programs	497,241	490,838
Unrestricted for Student Aid Programs	95,744	87,822
Total Net Position	<u>599,206</u>	<u>584,425</u>
Total Liabilities and Net Position	<u>\$ 4,301,128</u>	<u>\$ 4,266,439</u>

Statements of Revenues, Expenses and Changes in Net Position

<u>REVENUES:</u>		
Non-operating Aid	\$ 78,482	\$ 78,482
Grants	156,269	137,066
Investment Earnings	11,084	4,740
Interest Earnings on Loans	57,452	54,146
Special Item**	0	
Miscellaneous	14,385	12,881
Grants, Aids, Subsidies	(199,405)	(183,692)
Total Revenues (Expenses)	<u>118,267</u>	<u>111,514</u>
<u>EXPENSES:</u>		
Student Loan Service Cancellations	21,276	19,643
Interest Costs	41,348	35,852
Other Administrative and General	40,862	39,652
Total Expenses	<u>103,486</u>	<u>95,147</u>
Change in Net Position	14,781	16,367
NET POSITION-Beginning of Year, as Previously Reported	584,425	572,068
Cumulative Effect of Change in Accounting Principle ***	0	(4,010)
NET POSITION-End of Year	<u>\$ 599,206</u>	<u>\$ 584,425</u>

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

*Restricted Cash and Investments now include State Student Aid Program Cash.

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

*** GASB Statement No.75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

NORTH CAROLINA STATE EDUCATION ASSISTANCE AUTHORITY
Listing of Programs Administered, September 2019

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
- Tuition Grant for Graduates of NC School of Science and Mathematics
- 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)
- Teacher Assistant Scholarship Loan (Repayment)
- Teaching Fellows Program

State Loan Program for Higher Education

- NC Assist Loans for Students and Parents

* 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."

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)

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

School Services

- EX\$EL - Financial Education and Repayment Success
- ISIR Verification
- North Carolina Residency Determination Service (RDS)

K12 Programs

- Opportunity Scholarship
- Personal Education Savings Account
- Special Education Scholarship Grants for Children with Disabilities

Other Programs Administered

- 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
- State Authorization Reciprocity Agreement North Carolina (SARA NC)

SEAA Board of Directors

2018-2019

James O. Roberts, *Chair*
Clay H. Jackson, (*effective December 10, 2018*)
Phoebe J. Emory, *Treasurer*
Craig M. Barfield (*effective May 22, 2019*)
Clinton P. Carter, *Ex Officio*
Elizabeth P. Grovenstein, *Ex Officio*
Terri LeGrand (*effective May 28, 2019*)
Suzanne R. Mellow-Irwin, *Vice-Chair (through May 21, 2019)*
William R. McKinney
Richard B. Roberts (*through December 9, 2018*)
Chandler E. Thompson (*through May 27, 2019*)
Deirdra C. Williams

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 V. McDuffie, *Executive Director*
Julia R. Hoke, Esq., *Director of Legal Affairs and General Counsel*
Wayne E. Johnson, *Director of Guaranty Agency and Repayment Services*
Kathryn Marker, PhD, *Director of Grants, Training and Outreach*
Elizabeth “Betsy” Rozakis, *Chief Financial Officer*

Contacting the SEAA

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