

North Carolina State Education Assistance Authority

Annual Report, 2013-2014



College works.

NCSEAA 
*North Carolina State Education
Assistance Authority*

This year the Authority lost one of its most devoted friends with the passing of F.V. "Pete" Allison, Jr. on March 3. Pete was appointed to the Authority's Board of Directors in July 1994 and served continuously until his death. As noted by resolution of the Board passed on March 17 of this year, "Pete was assiduously devoted to upholding the Authority and its role in serving the people of the State of North Carolina and staunchly committed to exercising his financial and social conscience to guide and support the Authority in fulfilling its mission of promoting access to higher education by helping North Carolinians pay for college." All who worked with Pete were inspired by his leadership, his wisdom borne of extensive life experiences, and his good humor. We are grateful for his exemplary service and diminished by his loss.

October 7, 2014

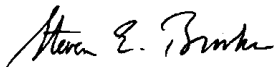
To the Citizens of North Carolina:

The Board of Directors and staff of the State Education Assistance Authority are privileged to have participated in the accomplishments of this, our 48th 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 nine-member Board of Directors. The University of North Carolina provides the secretariat for the Authority, which has some 70 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, and independent colleges and universities, and at independent schools in North Carolina
- Provides significant online (www.cfnc.org and 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.
- 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.



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.

2013-2014 Highlights

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

- Administered 145,069 student grant, scholarship and loan awards, totaling over \$295 million, as detailed in tables on pages 9-10 of this report.
- Granted loan forgiveness to 400 teachers under the federal Teacher Loan Forgiveness Program, totaling \$2.75 million. With this amount, the Authority has in total granted over \$14.4 million to over 2,060 teachers through this program since its inception in 2002.
- Federal cohort default rates for SEAA-guaranteed loans continue to be among the nation's lowest. The U.S. Department of Education calculates default rates on borrowers after two years in repayment and after three years in repayment. For FFY10 and FFY11, SEAA had two-year rates of 2.8% and 3.0% respectively, and three-year rates of 5.7% and 5.7% respectively. SEAA's rates continue to be well below the national average. The national two-year cohort default rate for FFY11 was 10% and the three-year cohort default rate for FFY11 is 13.7%. The Department also provides a "trigger" default rate which calculates the dollar amount of default claims paid on those loans that are in repayment. SEAA had low trigger rates of 1.88% in FFY12 and 1.62% in FFY13.
- Processed 3,990 NCFFELP borrower default and other guaranty claims, totaling \$54,132,549.
- Recovered \$43.7 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 2013 was 24.24%.
- Cancelled \$13.2 million of principal in State forgivable loan program indebtedness for borrowers repaying their debts through vocational service under program terms, and collected \$5.8 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 nearly 87% of borrowers do repay their debts through vocational service to the State.
- Originated 710 loans totaling \$1,733,710 for teachers pursuing National Board Certification.
- Commenced implementation of new grant programs for K-12 students – Opportunity Scholarships and Special Education Scholarship Grants for Children with Disabilities. Conducted 10 training sessions, attended by 788 school counselors and financial aid administrators, on availability and administration of State financial aid programs for students.
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- Reimbursed 134 applicants a total of \$376,096 in the Special Education Scholarship Grants for Children with Disabilities.
- Organized "FAFSA Day" activities on 69 campuses and in 252 State Employees' Credit Union locations across North Carolina with the assistance of the Credit Union, Communities in Schools, and the Cooperative Extension Service, to help high school students and their families complete applications for federal and State financial aid. 3,280 students and their families participated in the event in February 2014, thanks to the efforts of 1,622 volunteers who provided assistance across the state.
- Began a partnership with the State Employees' Credit Union to expand the Authority's Loan Rehabilitation Program, providing borrowers a chance to earn a fresh start by restoring their defaulted loans to good standing.

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, 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. Fiscal year 2014 marked the thirteenth full year of CFNC.

The service provides, in one place, 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.

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 2013-14 (6/30/2014 Data)

- CFNC.org had over 5.2 million cumulative user accounts as of 6/30/2014 and had over 4 million visits for the year; 457,492 new user accounts were created during the year.
- The CFNC Call Center responded to over 115,000 phone calls on paying for college and responded to 4,997 emails on financial aid.
- CFNC Regional Representatives located across the state made a total of 2,746 college access presentations to some 74,682 people in schools and community groups.
- North Carolina students submitted 462,574 college admissions applications using CFNC.org.
- CFNC transmitted 257,878 electronic North Carolina high school transcripts to North Carolina colleges and universities during the year.

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>6/30/2014</u>	<u>6/30/2013</u>	<u>Change</u>
Federally Insured Deposit Account	\$65,299,132	\$53,806,597	21.4%
Dependable Income Fund	\$60,145,272	\$62,921,741	-4.4%
Vanguard Individual Funds	\$610,087,161	\$465,226,017	31.1%
Vanguard Age-Based Funds	\$813,556,284	\$644,052,966	26.3%
Total Fund Value	\$1,549,087,849	\$1,226,007,321	26.4%
Accounts	128,208	118,753	8.0%

<u>Savings Program - Account Contributions</u>	<u>FY14</u>	<u>FY13</u>	<u>Change</u>
Federally Insured Deposit Account	\$13,605,271	\$15,225,331	-10.6%
Dependable Income Fund	\$7,173,786	\$7,985,250	-10.2%
Vanguard Individual Funds	\$90,814,142	\$83,981,931	8.1%
Vanguard Age-Based Funds	\$133,018,516	\$130,424,101	2.0%
Total	\$244,611,715	\$237,616,613	2.9%

<u>Savings Program - Account Distributions</u>	<u>FY14</u>	<u>FY13</u>	<u>Change</u>
Federally Insured Deposit Account	\$10,288,947	\$8,719,056	18.0%
Dependable Income Fund	\$11,576,016	\$10,669,110	8.5%
Protected Stock Fund	\$0	\$23	-100.0%
Vanguard Individual Funds	\$37,300,476	\$25,093,717	48.6%
Vanguard Age-Based Funds	\$38,291,857	\$25,475,074	50.3%
Total	\$97,457,296	\$69,956,980	39.3%

SEAA Board of Directors

2013-2014

Richard B. Roberts, *Chair*
F.V. Allison, Jr., *Vice-Chair (deceased March 3, 2014)*
James O. Roberts, *Vice-Chair (effective March 17, 2014)*
Arlene M. Ferren, *Treasurer*
Martha J. Beasley
Jennifer H. Haygood, *Ex Officio*
Robert S. Misenheimer
Charles E. Perusse, *Ex Officio*
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

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

Contacting the SEAA

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Research Triangle Park, NC 27709

Telephone: (919) 549-8614
FAX: (919) 549-8481

10 T.W. Alexander Drive
Research Triangle Park, NC 27709

Email: information@NCSEAA.edu
Financial Aid Information: www.CFNC.org

Financial Aid Awards Administered by NCSEAA

Grants and Scholarships

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

	2013-2014		2012-2013	
	<u>Number of Awards</u>	<u>Amount Awarded</u>	<u>Number of Awards</u>	<u>Amount Awarded</u>
Dr. Wade H. Atkinson Scholarship	10	\$22,500	11	\$26,250
Aubrey Lee Brooks Scholarship	67	928,753	63	873,226
Thomas Holmes Carrow Scholarship	22	107,500	22	104,812
Criminal Justice Scholarship	9	18,000	10	18,000
A.P. and Frances Dickson Scholarship	13	26,000	11	19,000
Education Lottery Scholarship	29,969	33,332,410	27,432	27,542,167
Golden LEAF Scholarship Program (UNC)	94	274,500	194	569,506
Golden LEAF Scholars	568	1,673,580	391	1,139,992
Mayor Anthony Foxx Scholarship	12	12,000	17	17,000
Jagannathan Scholarship	8	26,500	12	405,000
Ruth Jewell Scholarship	***	*****	1	1,700
James Lee Love Scholarship	16	85,250	12	60,500
John B. McLendon Scholarship	***	*****	12	3,600
NC Need-Based Scholarship (Independent Colleges)	24,761	87,547,861	25,668	81,680,109
NC Community College Grant	27,995	16,204,489	25,717	14,361,592
NC National Guard Tuition Asst Program	629	1,811,162	614	1,808,032
NC Reach (Child Welfare Postsecondary Support)	296	1,754,896	346	1,640,242
NC School of Science & Mathematics Tuition Grant	191	1,078,482	418	2,193,122
Penn Family Scholarship	167	185,500	88	106,000
C.M. and M.D. Suther Scholarship	16	56,000	11	38,500
Turrentine Foundation Scholarship	199	375,000	245	474,000
UNC Campus Scholarships	2,399	5,316,010	2,502	5,386,462
UNC Need-Based Grant	54,845	122,064,394	64,421	144,346,155
Total Grants and Scholarships	142,286	\$272,900,787	148,218	\$282,814,967

Forgivable Loans for Vocational Service in North Carolina

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.

	2013-2014		2012-2013	
	<u>Number of Awards</u>	<u>Amount Awarded</u>	<u>Number of Awards</u>	<u>Amount Awarded</u>
Board of Governors' Dental Scholarship Loans	***	*****	***	*****
Board of Governors' Medical Scholarship Loans	***	*****	***	*****
Forgivable Education Loans for Service (FELS)	2694	20,386,354	2805	16,671,592
Health, Science, and Mathematics Loans	***	*****	***	*****
Millennium Teacher Scholarship Loans	***	*****	***	*****
Nurse Education Scholarship Loans	***	*****	***	*****
Nurse Educators of Tomorrow Scholarship Loans	***	*****	***	*****
Nurse Scholars Program -- Masters	***	*****	***	*****
Nurse Scholars Program -- Undergraduate	***	*****	***	*****
Optometry Scholarship Loan	***	*****	***	*****
Principal Fellows Program	89	2,505,808	116	3,304,080
Prospective Teacher Scholarship Loan	***	*****	***	*****
Total Forgivable Loans	2,783	\$22,892,162	2,921	\$19,975,672
Total NCSEAA Aid		\$295,792,949		\$302,790,639

Note: Of the Forgivable Education Loans for Service (FELS) awards, 683 students received renewals of \$269,323 for the Board of Governors' Dental Scholarship Loans, \$850,036 for the Board of Governors' Medical Scholarship Loans, \$572,850 for the Health, Science, and Mathematics Loans, \$71,500 for the Millennium Teacher Scholarship Loans, \$84,750 for the Nurse Education Scholarship Loans, \$30,000 for the Nurse Educators of Tomorrow Scholarship Loans, \$60,125 for the Masters Nurse Scholars Program, \$862,750 for the Undergraduate Nurse Scholars Program, and \$1,208,250 for the Prospective Teacher Scholarship Loan. All new awards are made through the FELS program.

Statement of Net Assets

As of June 30 (in thousands)

<u>ASSETS</u>	<u>2014</u>	<u>2013</u>
<u>Current Assets</u>		
State Student Aid Program Cash**	\$ 47,072	\$ 55,237
Restricted Cash and Investments	316,268	386,444
Receivables	293,977	348,096
Other Current Assets	53	69
<u>Noncurrent Assets</u>		
Restricted Cash and Investments	2,137,556	1,185,946
Notes Receivable	1,621,155	2,362,707
Deferred Charges	0	9,290
<u>Capital Assets</u>		
	5,071	5,322
Total Assets	<u>\$ 4,421,152</u>	<u>\$ 4,353,111</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities</u>		
Accounts, Notes, Bonds Payable	\$ 373,737	\$ 343,039
Other Payables & Accrued Liabilities	2,866	3,165
<u>Noncurrent Liabilities</u>		
Accounts/Bonds Payable	3,490,907	3,442,526
Other Liabilities	368	341
Total Liabilities	<u>3,867,878</u>	<u>3,789,071</u>
<u>Net Assets</u>		
Invested in Capital Assets, net of Related Debt	5,071	5,322
Restricted for Educational Assistance Programs	481,611	491,869
Unrestricted for Student Aid Programs	66,592	66,849
Total Net Assets	<u>553,274</u>	<u>564,040</u>
Total Liabilities and Net Assets	<u>\$ 4,421,152</u>	<u>\$ 4,353,111</u>

Statement of Revenues, Expenses & Changes in Net Assets

<u>REVENUES:</u>		
Non-operating Aid	\$ 105,482	\$ 110,615
Grants	75,047	94,258
Investment Earnings	4,060	1,251
Interest Earnings on Loans	52,834	56,564
Miscellaneous	10,222	8,202
Grants, Aids, Subsidies	(158,096)	(174,650)
Total Revenues (Expenses)	<u>89,549</u>	<u>96,240</u>
<u>EXPENSES:</u>		
Student Loan Service Cancellations	14,573	17,678
Interest Costs	30,240	34,819
Other Administrative and General	46,211	55,930
Total Expenses	<u>91,024</u>	<u>108,427</u>
Change in Net Assets	(1,475)	(12,187)
Prior Period Adjustments ***	(9,290)	(9,835)
NET ASSETS--Beginning of Year	564,040	586,062
NET ASSETS--End of Year	<u>\$ 553,275</u>	<u>\$ 564,040</u>

Note: Audited figures will be available on our website at www.ncseaa.edu after October 1, 2014

**Includes Education Lottery Scholarship and State Scholarship Loan Funding for disbursement in 2014-2015

***Prior Period Adjustment - restatement of prior year accrual for Escheats Fund income following recommendation by NC Office of the State Controller to recognize the income in the same budget year as the expenditure.

NORTH CAROLINA STATE EDUCATION ASSISTANCE AUTHORITY
Listing of Programs Administered, September 2014

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 School of Science and Mathematics Tuition Grant for UNC
- 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 new 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 will be 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)