

North Carolina
State Education Assistance Authority
Annual Report
2016–2017



College works.

NCSEAA 
*North Carolina State Education
Assistance Authority*

October 24, 2017

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 78 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 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.

2016–2017 Highlights

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

- Administered 140,732 student grant, scholarship and loan awards, totaling over \$320 million, as detailed in tables on pages 7-8 of this report.
- Administered loan forgiveness to 279 teachers under the federal Teacher Loan Forgiveness Program, totaling \$1.7 million. With this amount, the Authority has in total granted over \$21.4 million to over 3,100 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 FFY14, the most recent year for which data are available, SEAA had a three-year cohort default rate of 4.4%, well below the national average of 11.5%. 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 0.87% in FFY16.
- Processed 3,134 NCFFELP borrower default and other guaranty claims, totaling \$49,220,322.
- Recovered \$42.6 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 2016 was 22.33%.
- Cancelled \$26.7 million of principal in State forgivable loan program indebtedness for borrowers repaying their debts through vocational service under program terms, and collected \$5.9 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 482 loans totaling \$914,850 for teachers pursuing National Board Certification.
- Administered 5,624 Opportunity Scholarships and 1,144 Disabilities Grants for K-12 students attending nonpublic schools, an increase of 50% from last year.
- Conducted 15 training sessions, attended by 1,177 individuals representing school counselors, teachers, College Advising Corps, and financial aid administrators.
- Organized FAFSA Day activities on 64 campuses and at two community centers on October 28, 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 Employees' Credit Union branches were available the week following FAFSA Day to assist students and families. Overall, 1,268 students and families participated in the event with 1,220 volunteers across the state. SEAA assisted several school districts with FAFSA completion activities during the school day.
- Expanded *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. The project added 60 high schools in this the second year, bringing the total to 204 participating high schools. As of July 28, 2017, FAFSA completion rates for those schools reached a level of 64%.

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 2016-17 (6/30/2017 Data)

- On June 30, 2017, CFNC.org had more than 6.7 million user accounts and averaged 13,017 visits a day for the fiscal year.
- The CFNC Call Centers responded to more than 124,072 phone calls about paying for college and 16,388 calls regarding careers and college admissions. They also responded to 6,994 financial aid emails and 7,617 emails with questions or publication requests on college admissions and careers.
- CFNC Regional Representatives, located across the state made a total of 2,519 college access presentations to 98,506 people in schools and community groups.
- North Carolina students submitted 404,491 college applications using CFNC.org.
- CFNC.org processed 383,327 high school transcripts for 574 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>6/30/2017</u>	<u>6/30/2016</u>	<u>Change</u>
Federally Insured Deposit Account	\$142,699,032	\$77,288,402	84.6%
Dependable Income Fund*	0	55,200,418	-100.0%
Vanguard Individual Funds	818,651,242	703,990,605	16.3%
Vanguard Age-Based Funds	1,111,167,007	977,851,502	13.6%
Total Fund Value	\$2,072,517,281	\$1,814,330,927	14.2%
Accounts	136,766	132,578	3.2%

Savings Program - Account Contributions

Federally Insured Deposit Account	10,806,994	8,737,843	23.7%
Dependable Income Fund	3,188,754	5,231,578	-39.0%
Vanguard Individual Funds	78,327,498	76,422,373	2.5%
Vanguard Age-Based Funds	120,803,465	115,234,285	4.8%
Total	\$213,126,711	\$205,626,079	3.6%

Savings Program - Account Distributions

Federally Insured Deposit Account	14,888,845	11,888,931	25.2%
Dependable Income Fund	6,808,772	7,819,198	-12.9%
Vanguard Individual Funds	49,076,873	43,766,892	12.1%
Vanguard Age-Based Funds	55,916,334	48,102,820	16.2%
Total	\$126,690,824	\$111,577,841	13.5%

*Investment option terminated as of March 9, 2017.

Financial Aid Awards Administered by SEAA

Grants and Scholarships for Higher Education

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

	2016-2017		2015-2016	
	<u>Number of Awards</u>	<u>Amount Awarded</u>	<u>Number of Awards</u>	<u>Amount Awarded</u>
Dr. Wade H. Atkinson Scholarship	10	\$23,750	10	\$25,000
Aubrey Lee Brooks Scholarship	65	839,580	67	912,087
Thomas Holmes Carrow Scholarship	24	100,466	22	100,000
Criminal Justice Scholarship	9	18,000	7	14,000
A.P. and Frances Dickson Scholarship	16	30,000	15	28,000
Education Lottery Scholarship	27,872	32,263,407	26,958	29,543,331
Golden LEAF Scholars	719	2,094,936	722	2,107,754
Mayor Anthony Foxx Scholarship	7	7,000	8	8,000
Jagannathan Scholarship	1	2,000	1	2,000
Ruth Jewell Scholarship	1	1,614	*	****
James Lee Love Scholarship	16	88,000	14	74,250
NC Community College Grant	26,001	16,377,915	26,047	14,382,863
NC National Guard Tuition Asst Program	763	2,062,815	675	2,062,815
NC Need-Based Scholarship (Independent Colleges)	23,322	85,797,735	24,147	86,315,763
NC Reach (Child Welfare Postsecondary Support)	303	1,957,857	306	1,952,334
Penn Family Scholarship	168	198,500	175	210,000
C.M. and M.D. Suther Scholarship	16	21,750	13	19,500
Turrentine Foundation Scholarship	348	702,180	170	337,000
UNC Campus Scholarships	2,191	4,887,663	2,187	4,857,045
UNC Need-Based Grant	49,934	120,553,926	53,601	128,491,066
Total Grants and Scholarships for Higher Education	131,786	\$268,029,094	135,145	\$271,442,808

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.

	2016-2017		2015-2016	
	<u>Number of Awards</u>	<u>Amount Awarded</u>	<u>Number of Awards</u>	<u>Amount Awarded</u>
Forgivable Education Loans for Service (FELS)	2,109	\$21,142,585	2,468	\$24,154,196
Principal Fellows Program	74	2,146,780	75	2,152,160
Total Forgivable Loans	2,183	\$23,289,365	2,543	\$26,306,356

Grants and Scholarships for K-12

	<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	1,144	7,448,408	836
Opportunity Scholarships	5,624	21,760,837	3,682	13,149,842
Total K-12 Grants/Scholarships	6,768	\$29,209,245	4,518	\$17,880,157
Grand Total NCSEAA Aid	140,732	\$320,481,033	142,206	\$315,629,321

Statements of Net Position

As of June 30 (in thousands)

<u>ASSETS</u>	<u>2017</u>	<u>2016</u>
<u>Current Assets</u>		
State Student Aid Program Cash**	\$ 46,077	\$ 52,865
Restricted Cash and Investments	505,627	478,267
Receivables	251,520	247,206
Other Current Assets	21	24
<u>Noncurrent Assets</u>		
Restricted Cash and Investments	2,007,164	1,773,727
Notes Receivable	1,420,700	1,663,994
<u>Capital Assets</u>		
	5,116	5,126
Total Assets	<u>\$ 4,236,225</u>	<u>\$ 4,221,209</u>
<u>LIABILITIES & NET POSITION</u>		
<u>Current Liabilities</u>		
Accounts, Notes, Bonds Payable	\$ 349,048	\$ 346,381
Other Payables and Accrued Liabilities	2,715	2,858
<u>Noncurrent Liabilities</u>		
Accounts, Bonds Payable	3,310,946	3,293,520
Other Liabilities	1,448	841
Total Liabilities	<u>3,664,157</u>	<u>3,643,600</u>
<u>Net Position</u>		
Net Investment in Capital Assets	5,116	5,126
Restricted for Educational Assistance Programs	496,044	499,416
Unrestricted for Student Aid Programs	70,908	73,067
Total Net Position	<u>572,068</u>	<u>577,609</u>
Total Liabilities and Net Position	<u>\$ 4,236,225</u>	<u>\$ 4,221,209</u>

Statements of Revenues, Expenses and Changes in Net Position

<u>REVENUES:</u>		
Non-operating Aid**	\$ 78,482	\$ 141,971
Grants	101,707	40,819
Investment Earnings	3,105	6,096
Interest Earnings on Loans	48,809	46,365
Miscellaneous	12,485	13,518
Grants, Aids, Subsidies	(157,714)	(161,487)
Total Revenues (Expenses)	<u>87,414</u>	<u>87,282</u>
<u>EXPENSES:</u>		
Student Loan Service Cancellations	21,738	22,771
Interest Costs	31,520	28,297
Other Administrative and General	39,697	40,803
Total Expenses	<u>92,955</u>	<u>91,871</u>
Special Item***	0	15,643
Change in Net Position	<u>(5,541)</u>	<u>11,054</u>
	0	0
NET POSITION-Beginning of Year	<u>577,609</u>	<u>566,555</u>
NET POSITION-End of Year	<u>\$ 572,068</u>	<u>\$ 577,609</u>

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

**Includes Education Lottery Scholarship and Forgivable Loan Funding for disbursement in 2017-2018.

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

NORTH CAROLINA STATE EDUCATION ASSISTANCE AUTHORITY
Listing of Programs Administered, September 2017

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)
- Teacher Assistant Scholarship Loan (Repayment)
- Teaching Fellows Program

* 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

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 Residency Determination Service (RDS)
- North Carolina's National College Savings Program (NC 529 Plan)
- Opportunity Scholarships
- Paul Douglas Scholarship/Loan Program (Collection Only)
- Principal Preparation Program
- Special Education Scholarship Grants for Children with Disabilities
- State Authorization Reciprocity Agreement North Carolina (SARA NC)

Programs under Development

- Personal Education Savings Account
- State Loan Program for students and parents
- Tuition Grant for NCSSM Graduates

SEAA Board of Directors

2016–2017

Richard B. Roberts, *Chair, (through March 7, 2017)*
James O. Roberts, *Chair, (effective March 7, 2017)*
Jennifer H. Haygood, *Ex Officio, Treasurer (through October 31, 2016)*
Phoebe J. Emory
Larry W. Gracie, *Treasurer, (effective March 7, 2017)*
Elizabeth P. Grovenstein, *Ex Officio, (effective November 1, 2016)*
Suzanne R. Mellow-Irwin, *Vice-Chair, (effective March 7, 2017)*
William R. McKinney *(effective October 27, 2016)*
Jonathan C. Pruitt, *Ex Officio*
Chandler E. Thompson

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*
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*
Kathryn Marker, PhD, *Director of Grants, Training and Outreach*
Elizabeth “Betsy” Rozakis, *Chief Financial Officer*

Contacting the SEAA

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