

NCSEAA Annual Report 2001-2002



Insuring Access to Higher Education for
North Carolinians Since 1965



October 1, 2002

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 36th year of investment in the future of North Carolina, and to publish this annual report as required under G.S. § 116-209.14.

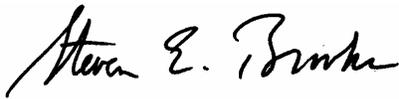
The Authority is a political subdivision of the State, governed by a seven-member Board of Directors appointed for four-year terms by the Governor. The University of North Carolina provides the Secretariat for the agency, which has over 65 employees.

In a number of key areas, our efforts help North Carolinians make going to college a reality. The Authority:

- Administers inter-institutional programs of student financial aid, created by state and federal law, as well as private resources, designed to help North Carolinians meet the cost of higher education
- Provides significant online (<http://www.cfnc.org> and at <http://www.ncseaa.edu>) and telephone resources ((866) 866-CFNC), as well as publishes and distributes annual printed publications that assist families, financial aid administrators and school counselors as they plan, apply, and pay for higher education
- Maintains an aggressive student loan collection system for recovery of matured and defaulted student loan obligations, including significant default prevention and aversion activities
- Obtains and insures capital for educational loans made available under North Carolina's Federal Family Education Loan Program (FFELP).
- Promotes access to financial aid opportunities through outreach activities with school counselors and financial aid administrators, so they can assist students and families in planning for higher educational opportunities
- Administers North Carolina's "529" college savings program, providing flexible savings and investment options for parents, grandparents, and others
- Assists the Office of the President of the University of North Carolina, the North Carolina Community College System, and North Carolina Independent Colleges and Universities on various matters pertaining to financial aid.
- Contracts with College Foundation Incorporated (CFI) of Raleigh for certain operational functions. CFI is a non-profit 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, it serves as the central loan originator under the North Carolina

Federal Family Education Loan Program (FFELP). CFI administers grant programs and the college savings program on behalf of the Authority and makes, collects and services student loans on behalf of the Authority and other investors. The Authority reimburses CFI for its pro-rata share of operating and reasonable capital costs incurred in the administration of the programs for which it contracts. No state-appropriated funds are used for this contractual program, which is entirely self-sustaining with loan program revenue.

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



NCSEAA - Helping North Carolinians go to college.

2001-2002 Highlights

During 2001-2002, the Authority

- Administered 165,021 student financial aid awards, totaling \$445,104,226, an increase of over 29% in the number of awards and over 17 % in funds disbursed over the previous year.
- Derived over 96% of operating costs from program revenue, with less than 4% of costs borne by state appropriations.
- Guaranteed 84,743 loans totaling \$319,387,063 under the Federal Family Education Loan Program (FFELP).
- Processed 3,110 defaulted loan claims, totaling \$21,499,500. This represented a 24.42% decrease in the number of defaulted loans and a 28.84% decrease in the dollars defaulted over the previous year. The default rate for the federal fiscal year (FY01) was 3.10%.
- Recovered \$9,167,202 from defaulted borrowers, including funds from litigation, collection agencies, seizure of federal and state tax refunds, and wage garnishment activities.
- Conducted 9 training sessions, attended by 435 school counselors and financial aid administrators, on availability and administration of state financial aid programs for students.
- Expanded its successful “FAFSA Day” activities to 25 locations throughout North Carolina, connecting high school students and their families with school counselors and financial aid administrators for the purpose of completing applications for federal and state financial aid. Over 950 students met with over 250 counselors and aid administrators in 2002.
- Issued \$200,000,000 in taxable and \$60,000,000 in tax-exempt guaranteed student loan revenue bonds to fund student and parent loans.
- Cancelled \$7,846,026 of principal in scholarship-loan program indebtedness for borrowers repaying their debts through vocational service under program terms and collected \$2,233,182 in principal and interest payments from borrowers that did not fulfill their vocational service obligation.
- Launched the expanded “National College Savings Program” as the State's "529" program in December, 2001, replacing the single-option “College Vision Fund” program with four investment options: the “Dependable Income Fund,” a conservative bond portfolio; the “Balanced Fund,” a bond and equity portfolio; the “College*Horizon*Funds,” a “lifecycle” portfolio managed on the basis of the age of the beneficiary, and the “Aggressive Stock Fund,” a large-cap equity portfolio. By June 30, 2002, the fund had 7,214 active accounts established on behalf of 6,959 beneficiaries, with \$45,467,019.87 invested.



College Foundation of North Carolina

As part of its commitment to help more students obtain an education beyond high school and to provide a single source for information on planning, applying, and paying for college, the State Education Assistance Authority actively participates in a partnership called “College Foundation of North Carolina” (CFNC). This collaborative effort involves working with College Foundation, Inc. and Pathways of North Carolina in providing a comprehensive website and a call center, staffed with college planning and financing specialists. This partnership was launched on July 3, 2001.

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

Via www.CFNC.org, students can use a wide range of career exploration and planning tools; maintain a personal portfolio to record courses taken, test scores and accomplishments; visit a virtual “College Fair” to compare, explore and link to more than 100 North Carolina colleges and universities; apply online for college admission and financial aid; and access financial planning, college savings, loan, grant and scholarship information.

The toll-free CFNC number, **(866) 866-CFNC**, offers specialists in career counseling, academic advising and financial resources for college. Students, families and counselors are encouraged to call with individual questions or to request more information.

With CFNC’s expanded services, families with young children are able to start early in their financial and academic planning for college. For those families with high school students or adults soon anticipating college enrollment, CFNC can provide guidance through the process of admission and financial aid.

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.

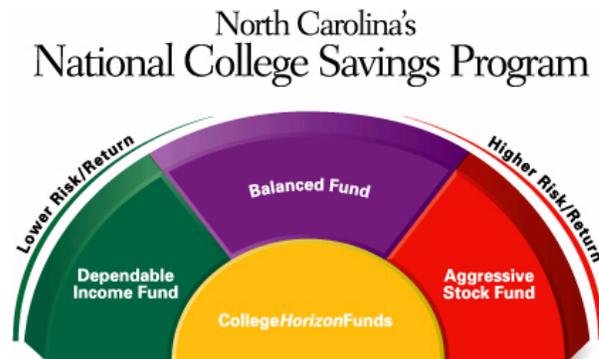
During its first year the service had more than

- 1.3 million visitor sessions on its website,
- 33,000 incoming telephone inquiries
- 130,000 free user accounts established to store information on the website, and
- 30,000 electronic admissions applications filed to North Carolina colleges and universities.



North Carolina's National College Savings Program

North Carolina's National College Savings Program, established by the State Education Assistance Authority, enables residents of any state to invest funds to pay the qualified higher education expenses of their designated beneficiaries on a flexible basis that achieves certain tax savings in accordance with federal tax law and North Carolina tax law. As part of the Program, the General Assembly of North Carolina has established the Parental Savings Trust Fund (the "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.



NCSEAA Board of Directors 2002-2003

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Contacting the NCSEAA

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

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

Email: information@ncseaa.edu

Financial aid information: <http://www.CFNC.org>

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

Balance Sheet

As of June 30 (in thousands)

	2002	2001
<u>Assets</u>		
Cash and Investments	\$ 575,260	\$ 453,479
Loans Receivable (plus interest)	1,122,259	944,355
Other Assets	34,592	26,851
Total Assets	<u>\$ 1,732,111</u>	<u>\$ 1,424,684</u>
<u>Liabilities</u>		
Bonds and notes payable	\$ 1,149,758	\$ 894,743
Other Liabilities	39,146	32,816
Total Liabilities	<u>\$ 1,188,904</u>	<u>\$ 927,560</u>
<u>Fund equity</u>		
Retained Earnings	<u>\$ 543,207</u>	<u>\$ 497,124</u>
Total liabilities and fund balances	<u>\$ 1,732,111</u>	<u>\$ 1,424,684</u>

Statement of Revenues and Expenses

<u>Revenues</u>		
Transfers from Primary government	\$ 51,049	\$ 36,363
Investment Earnings	22,953	21,518
Interest Earnings on Loans	63,326	71,485
Other Revenues	6,026	6,168
Non-Operating Revenue (Expense)	(12,838)	(687)
Less: Interest Costs	(28,480)	(44,539)
Total net revenues	<u>\$ 102,036</u>	<u>\$ 90,309</u>
<u>Expenses</u>		
Student Loan Cancellations	\$ 9,675	\$ 10,430
Administrative and General Expenses	46,278	40,744
Total expenses	<u>\$ 55,953</u>	<u>\$ 51,174</u>
Excess of revenues over expenses	46,083	39,135
Fund balances at beginning of the year	<u>497,124</u>	<u>457,989</u>
Fund balances at end of the year	<u>\$ 543,207</u>	<u>\$ 497,124</u>

2001-2002 Financial Aid Programs Administered by NCSEAA

Grants and Scholarships

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

	Number of Awards	Amount Awarded
Dr. Wade H. Atkinson Scholarship	11	\$17,600
Board of Governors Dental Scholarship	29	470,943
Board of Governors Medical Scholarship	75	1,321,592
Aubrey Lee Brooks Foundation Scholarship	54	419,640
Thomas Holmes Carrow Scholarship	15	57,000
Contract Programs in Medicine, Dentistry, Optometry	84	735,575
Criminal Justice Scholarship	8	8,000
Dr. A.P. and Frances Dickson Scholarship	12	12,310
ECSU Incentive Scholarship	408	1,242,255
Freshman Scholars Program	77	202,336
Incentive Scholarship for Certain Constituent Institutions	525	1,419,929
Incentive Scholarship and Grant for Native Americans	656	726,791
Jacannathan Scholarship	10	33,804
Ruth Jewell Scholarship	-	0
Legislative College Opportunity Program	42	95,613
James Lee Love Scholarship	15	35,650
Governor James B. Hunt Scholarship	5	5,000
Governor James G. Martin Scholarship	20	20,000
Minority Presence Grants	1,566	1,602,359
North Carolina Community College Grant	8,536	5,832,504
North Carolina Legislative Tuition Grant	30,065	45,498,655
North Carolina Student Incentive Grant	4,820	2,839,046
State Contractual Scholarship Fund	12,346	32,310,850
C.M. and M.D. Suther Scholarship	14	11,700
Turrentine Foundation Scholarship	229	401,912
Teacher Assistant Scholarship Fund	235	816,000
UNC Need Based Grant	17,046	14,856,826
Total Grants and Scholarships	76,903	\$110,993,890

Scholarship/Loans

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

	Number of Awards	Amount Awarded
Health, Science, and Mathematics Loans	433	\$2,991,684
Nurse Scholars Program -- Masters	98	558,700
Nurse Scholars Program -- Undergraduate	795	3,141,939
Nurse Education Scholarship Loans	1,021	1,121,467
Principal Fellows Program	175	3,500,000
Total Scholarship/Loans	2,522	\$11,313,790

Loans

Education Loans are made under North Carolina's Federal Family Education Loan Program and the Carolina

Computing Initiative Program

	Number of Awards	Amount Awarded
Stafford Loans	42,780	\$134,968,398
Unsubsidized Stafford Loans	35,476	123,487,410
PLUS Loans	5,553	33,444,578
FFELP Consolidation Loans	934	27,486,678
Carolina Computing Initiative Loans	473	1,266,744
EXTRA Education Loans	380	2,142,738
Total Loans	85,596	\$322,796,546

	Awards	Amount
Total NCSEAA-Administered Financial Aid	165,021	\$445,104,226