

# NCSEAA Annual Report 2004-2005

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**Insuring Access to Higher Education for North Carolinians Since 1965**

September 29, 2005

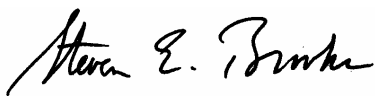
To the Citizens of North Carolina:

The Board of Directors and staff of the State Education Assistance Authority are privileged to have participated in the accomplishments of this, our 39th 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 Authority, which has some 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 <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 National College Savings Program, a "529" plan 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, CFI serves as the central loan originator under the North Carolina Federal Family Education Loan Program (FFELP). CFI also 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



**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.

## 2004-2005 Highlights

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

- Administered 244,323 student grant, scholarship and loan awards, totaling \$877,744,946, an increase of 10.3% in the number of awards and 21.4% in funds disbursed over last year.
- Derived 98% of operating costs from program revenue, with 2% of costs borne by state appropriations.
- Guaranteed 136,509 new loans totaling \$674,539,063 under the Federal Family Education Loan Program (FFELP).
- Processed 1,672 FFELP loan guaranty claims, totaling \$13,239,486. This represented a 28% increase in the number of claims processed over the previous year.
- Recorded FFELP default rates for the most recent federal fiscal years at 0.60% (FFY 04 trigger rate) and 1.5% (FFY 2003 cohort rate), ranking the Authority first (trigger) and third (cohort) lowest in defaults among all guarantors in the nation.
- Recovered \$5,953,603 from defaulted FFELP borrowers, including funds from litigation, collection agencies, seizure of federal and state tax refunds, and wage garnishment activities. The Authority's recovery rate for federal fiscal year 2004 was 32.32%, ranking the Authority in the top half of guarantors in the nation on this measure.
- Conducted 11 training sessions, attended by 902 school counselors and financial aid administrators, on availability and administration of state financial aid programs for students.
- Conducted a training session for the N.C. Association of Student Financial Aid Administrators on scholarship/loan opportunities in nursing, health, science, and mathematics fields.
- Organized successful "FAFSA Day" activities at 29 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. Through this program, over 1,350 students and families met with over 300 counselors and aid administrators in 2005.
- Issued \$396,650,000 in tax-exempt guaranteed student loan revenue bonds to fund student and parent loans.
- Cancelled \$9,092,899 of principal in state scholarship-loan program indebtedness for borrowers repaying their debts through vocational service under program terms and collected \$2,004,244 in principal and interest payments from borrowers that did not fulfill their vocational service obligation. The State Auditor's recent review of these programs revealed that overall some 94% of these loans are repaid by borrowers, with 72% repaid in service, 22% repaid in cash, and 6% in default on the repayment obligation.
- Collected \$2,171,789 in principal and interest payments on behalf of the North Carolina Department of Public Instruction, from borrowers in cash collection status on scholarship loans for teachers.
- Published an update to *Benchmarks: Measures of College Affordability and Student Aid in North Carolina*, the annual "scorecard" on college affordability in North Carolina prepared by economist Laura Greene Knapp. The data continued to show that on important measures of affordability, the University of North Carolina is as or more affordable for most students than it was five years ago.

## 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 CFI and Pathways of North Carolina in providing a comprehensive website and a call center, staffed with college planning and financing specialists. Fiscal year 2005 marked the fourth full year of service of CFNC.

The 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](http://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 110 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.

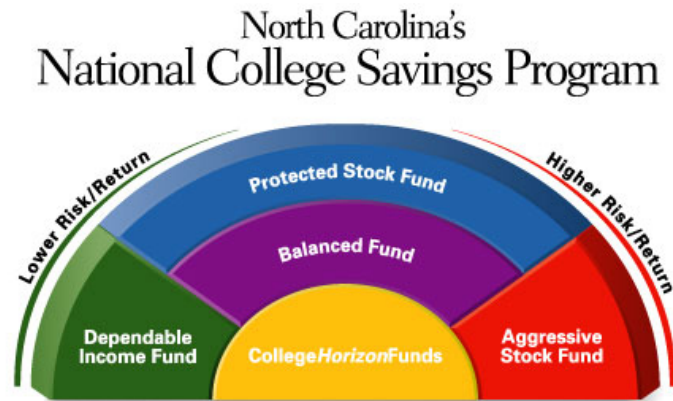
The CFNC service helps communicate through a single, one-stop resource that higher education is available and possible for all North Carolinians, creating greater opportunities to go to college than ever before.

During its fourth year the service averaged over 5,300 daily visitor sessions on its website and answered over 48,000 incoming telephone calls. The service added 290,148 user accounts on its website during the fiscal year, bringing the total accounts through that date to 856,549. Additionally, during the fiscal year students filed 117,766 college admissions applications through the website, bringing the total filed through June 30 to 295,537.



## 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, 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. As of June 30, 2005, the fund had opened 21,314 accounts established on behalf of 20,817 beneficiaries, with a market value of \$195,498,088.



### NCSEAA Board of Directors 2004-2005

Richard B. Roberts, *Chairman*  
F.V. Allison, *Vice-Chairman*  
Arlene M. Ferren, *Treasurer*  
Martha J. Beasley  
Carolyn F. Edwards  
Robert S. Misenheimer  
Nathan F. Simms, Jr.  
Steven E. Brooks, *Secretary, Ex Officio*

### NCSEAA Senior Management

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

### 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](mailto: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>.

## Statement of Net Assets

As of June 30 (in thousands)

<u>ASSETS</u>	<u>2005</u>	<u>2004</u>
<b><u>Current Assets</u></b>		
Cash and Investments	\$3,595	\$3,476
Restricted Cash and Investments	337,332	494,464
Receivables	487,967	460,487
Other Current Assets	999	1,053
<b><u>Noncurrent Assets</u></b>		
Restricted Cash and Investments	251,768	206,854
Notes Receivable	1,584,919	1,224,117
Unamortized Bond Issuance Expenses	10,233	9,039
<b><u>Capital Assets</u></b>		
	4,824	6,919
Total Assets	\$2,681,637	\$2,406,409
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b><u>Current Liabilities</u></b>		
Other Payables	\$30,642	\$12,706
Accounts Payable & Accrued Liabilities	618	581
<b><u>Noncurrent Liabilities</u></b>		
Accounts/Bonds Payable	2,100,924	1,834,385
Other Liabilities	2,982	2,981
Total Liabilities	2,135,166	1,850,653
<b><u>Net Assets</u></b>		
Invested in Capital Assets, net of Related Debt	4,824	6,919
Restricted for Educational Assistance Programs	538,896	545,549
Unrestricted	2,751	3,288
Total Net Assets	546,471	555,756
Total Liabilities and Net Assets	\$2,681,637	\$2,406,409

## Statement of Revenues, Expenses & Changes in Net Assets

<b><u>REVENUES:</u></b>		
Non-operating Aid	\$43,649	\$36,356
Grants	16,250	25,471
Investment Earnings	15,342	11,008
Interest Earnings on Loans	88,368	56,126
Miscellaneous	3,066	3,288
Grants, Aids, Subsidies	(54,072)	(44,678)
Total Revenues (Expenses)	112,603	87,571
<b><u>EXPENSES:</u></b>		
Student Loan Service Cancellations	10,342	10,281
Interest Costs	45,526	21,741
Other Administrative and General	66,020	60,465
Total Expenses	121,888	92,487
Change in Net Assets	(9,285)	(4,916)
<b>NET ASSETS--Beginning of Year</b>	555,756	560,672
<b>NET ASSETS--End of Year</b>	\$546,471	\$555,756

Unaudited figures. Audited figures are available upon request after October 31, 2005

## Financial Aid Awards Administered by NCSEAA

### Grants and Scholarships

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

	2004-2005		2003-2004	
	<u>Number of Awards</u>	<u>Amount Awarded</u>	<u>Number of Awards</u>	<u>Amount Awarded</u>
Dr. Wade H. Atkinson Scholarship	9	\$11,200	9	\$13,050
Board of Governors Dental Scholarship	30	619,419	31	541,366
Board of Governors Medical Scholarship	75	1,574,063	81	1,637,085
Aubrey Lee Brooks Scholarship	58	572,987	57	505,046
Thomas Holmes Carrow Scholarship	17	35,550	17	38,400
Certain Private Education Institutions	170	306,000		
Contract Programs in Medicine, Dentistry, Optometry	82	895,140	74	716,775
Criminal Justice Scholarship	7	14,000	8	15,000
A.P. and Frances Dickson Scholarship	13	9,600	16	11,680
Golden Leaf Scholarship Program (UNC)	205	508,125	138	340,000
Jagannathan Scholarship	14	39,860	14	46,077
James Lee Love Scholarship	16	40,300	16	41,600
Governor James B. Hunt Scholarship	3	3,000	5	4,500
Governor James G. Martin Scholarship	4	14,000	9	9,000
Ruth Jewell Scholarship	1	1,000		
North Carolina Community College Grant	12,209	9,096,856	9,993	8,281,731
North Carolina Legislative Tuition Grant	31,494	48,844,657	30,732	47,980,273
North Carolina Student Incentive Grant	6,844	4,332,593	8,721	5,364,445
State Contractual Scholarship Fund	13,755	34,154,050	13,415	33,793,025
C.M. and M.D. Suther Scholarship	13	10,375	16	15,360
Teacher Assistant Scholarship Program	247	902,099	239	957,100
Turrentine Foundation Scholarship	140	224,550	219	400,709
UNC Campus Scholarships	2,904	5,568,356	3,076	5,648,874
UNC Need Based Grant	31,905	47,525,428	26,630	28,785,533
<b>Total Grants and Scholarships</b>	<b>100,215</b>	<b>\$155,303,208</b>	<b>93,516</b>	<b>\$135,146,629</b>



## 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.

	2004-05		2003-2004	
	Number of Awards	Amount Awarded	Number of Awards	Amount Awarded
Health, Science, and Mathematics Loans	479	\$3,112,352	497	\$3,238,569
Millennium Teacher Scholarship Loan	41	266,500		
Nurse Scholars Program -- Masters	123	636,000	91	501,000
Nurse Scholars Program -- Undergraduate	877	3,489,250	834	3,414,500
Nurse Education Scholarship Loans	1,105	1,101,801	1,010	1,062,031
Principal Fellows Program	162	3,230,000	180	3,570,000
Project Health	20	441,750		
<b>Total Scholarship/Loans</b>	<b>2,807</b>	<b>\$12,277,653</b>	<b>2,612</b>	<b>\$11,786,100</b>

## Loans

Education Loans are made under North Carolina's Federal Family Education Loan Program, the Carolina Computing Initiative Program and the EXTRA Education Loan Program

	2004-2005		2003-2004	
	Number of Awards	Amount Awarded	Number of Awards	Amount Awarded
Stafford Loans	65,455	225,059,319	59,190	195,708,763
Unsubsidized Stafford Loans	55,348	211,106,884	49,484	181,373,650
PLUS Loans	9,563	71,158,553	8,386	57,580,458
FFELP Consolidation Loans	6,137	167,214,307	4,794	118,231,929
Carolina Computing Initiative Loans	214	480,637	421	996,799
Extra Education Loans	4,707	35,530,585	3,071	22,261,731
<b>Total Loans</b>	<b>141,424</b>	<b>\$710,550,285</b>	<b>125,346</b>	<b>\$576,153,330</b>
<b>Total NCSEAA Student Financial Aid</b>	<b><u>Awards</u> 244,323</b>	<b><u>Amount</u> \$877,744,946</b>	<b><u>Awards</u> 221,474</b>	<b><u>Amount</u> \$723,086,059</b>

**NORTH CAROLINA STATE EDUCATION ASSISTANCE AUTHORITY**  
**Comprehensive Listing of Programs Administered**  
**September 2005**

**Federal Family Education Loan Program**

- Stafford Loans
- PLUS Loans
- Consolidation Loans

**State Grant Programs**

- Contract Programs in Medicine, Dentistry, Optometry
- Increasing Medical Education Opportunities (Institutional) Grant
- North Carolina Community College Grant
- North Carolina Grants for Certain Private Institutions (Bible College)
- North Carolina Legislative Tuition Grant
- North Carolina Education Lottery Fund Scholarship
- North Carolina School of Science and Mathematics Tuition Grant for UNC
- North Carolina Student Incentive Grant
- State Contractual Scholarship Fund
- Teacher Assistant Scholarship Program
- UNC Campus Scholarships
- UNC Need Based Grant

**State Scholarship/Loan Programs**

- Health, Science, and Mathematics Loans
- Board of Governors Dental Scholarship
- Board of Governors Medical Scholarship
- Nurse Education Scholarship Loans
- Nurse Scholars Program
- Project HEALTH Scholarship Loan – Community College Program
- Project HEALTH Scholarship Loan – UNC Program
- Social Work Education Loan Fund (collection only)
- Principal Fellows Program
- Prospective Teachers Scholarship Loan
- Teaching Fellows Program (collection only)
- Teaching Scholarship Loan at Certain State-designated UNC Campuses
- Physical Education-Coaching Scholarship Loan Fund
- Future Teachers of North Carolina Scholarship Loan Fund

**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
- Golden Leaf Scholarship Program (UNC)
- Jagannathan Scholarship
- Ruth Jewel Scholarship
- James Lee Love Scholarship
- Governor James B. Hunt Scholarship
- Governor James G. Martin Scholarship
- C.M. and M.D. Suther Scholarship
- Turrentine Foundation Scholarship

**Other Programs Administered**

- Carolina Computing Initiative Loan Program (alternative loan)
- College Foundation of North Carolina (information dissemination)
- North Carolina EXTRA Loan Program (alternative loan)
- North Carolina's National College Savings Program (state 529 plan)
- Paul Douglas Scholarship/Loan Program (collection only)