

North Carolina
State Education Assistance Authority

**Annual Report
2014–2015**



College works.

NCSEAA 
*North Carolina State Education
Assistance Authority*

Special Recognition

On December 31, 2014, Dr. Steven E. Brooks retired from the State Education Assistance Authority. Dr. Brooks served as the Executive Director of the Authority for over 17 years and led initiatives to reduce borrowing costs for college students and to increase the number of North Carolina students who attended college, with a particular focus on low-income students. He advocated for resources for students to make college more affordable and led collaborative efforts to provide information about college and careers through College Foundation of North Carolina (CFNC). The SEAA Board of Directors recognized Dr. Brooks' distinguished service and commitment to students with a resolution in his honor. He was also recognized by Governor Pat McCrory with the Order of the Long Leaf Pine.

The SEAA Board of Directors and staff express our appreciation to Steve for his dedicated service to students and their families and the people of North Carolina.

December 31, 2015

To the Citizens of North Carolina:

On June 17, 2015, the State Education Assistance Authority marked the 50th anniversary of our establishment on that date in 1965. The Authority's Board of Directors and staff 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 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, 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 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.



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.

2014–2015 Highlights

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

- Administered 141,284 student grant, scholarship and loan awards, totaling over \$294 million, as detailed in tables on pages 8–9 of this report.
- Administered loan forgiveness to 344 teachers under the federal Teacher Loan Forgiveness Program, totaling \$2.55 million. With this amount, the Authority has in total granted over \$17 million to over 2,400 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 FFY12, the most recent year for which data are available, SEAA had three-year cohort default rate of 5.26%, well below the national average of 11.8%. 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 low trigger rates of 1.62% in FFY13 and 1.25% in FFY14.
- Processed 3,471 NCFFELP borrower default and other guaranty claims, totaling \$49,004,753.
- Recovered \$37.1 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 2014 was 22.37%.
- Cancelled \$15.6 million of principal in State forgivable loan program indebtedness for borrowers repaying their debts through vocational service under program terms, and collected \$6.2 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.
- Assumed administrative responsibility, as of March 1, 2015, for outstanding loan receivables of \$53,991,786 for the Teaching Fellows Program.
- Originated 141 loans totaling \$267,900 for teachers pursuing National Board Certification.
- Commenced implementation of new Opportunity Scholarships grant program for K-12 students attending nonpublic schools.
- Conducted 11 training sessions, attended by 810 school counselors, TRIO, and financial aid administrators, on availability and administration of State financial aid programs for students.
- Organized "FAFSA Day" activities on 60 campuses, community sites and 255 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. 2,381 students and their families participated in the event in February 2015, thanks to the efforts of 1,426 volunteers who provided assistance across the state.

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 2014–15 (6/30/2015 Data)

- CFNC.org had over 5.7 million cumulative user accounts as of 6/30/2015, with 458,809 new accounts created and over 4.1 million visits for the year.
- North Carolina students submitted 418,976 college admissions applications using CFNC.org.
- CFNC.org transmitted 288,968 electronic North Carolina high school transcripts to North Carolina colleges and universities during the year.
- The CFNC Call Center responded to almost 110,000 phone calls on paying for college and to 4,518 emails on financial aid.
- CFNC Regional Representatives located across the state made a total of 2,712 college access presentations to school and community group audiences of some 91,957 people.

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>6/30/2015</u>	<u>6/30/2014</u>	<u>Change</u>
Federally Insured Deposit Account	\$70,374,591	\$65,299,132	7.8%
Dependable Income Fund	\$55,885,357	\$60,145,272	-7.1%
Vanguard Individual Funds	\$667,757,215	\$610,087,161	9.5%
Vanguard Age-Based Funds	\$895,471,939	\$813,556,284	10.1%
Total Fund Value	\$1,689,489,102	\$1,549,087,849	9.1%

Accounts	129,092	128,208	0.7%
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<u>Savings Program - Account Contributions</u>	<u>FY15</u>	<u>FY14</u>	<u>Change</u>
Federally Insured Deposit Account	\$8,638,152	\$13,605,271	-36.5%
Dependable Income Fund	\$4,851,223	\$7,173,786	-32.4%
Vanguard Individual Funds	\$81,398,795	\$90,814,142	-10.4%
Vanguard Age-Based Funds	\$115,036,117	\$133,018,516	-13.5%
Total	\$209,924,287	\$244,611,715	-14.2%

<u>Savings Program - Account Distributions</u>	<u>FY15</u>	<u>FY14</u>	<u>Change</u>
Federally Insured Deposit Account	\$13,004,900	\$10,288,947	26.4%
Dependable Income Fund	\$9,139,955	\$11,576,016	-21.0%
Protected Stock Fund	\$0	\$0	0.0%
Vanguard Individual Funds	\$44,271,398	\$37,300,476	18.7%
Vanguard Age-Based Funds	\$44,809,543	\$38,291,857	17.0%
Total	\$111,225,796	\$97,457,296	14.1%

**Financial Aid Awards Administered by NCSEAA
Grants and Scholarships for Higher Education**

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

	2014-2015		2013-2014	
	<u>Number of Awards</u>	<u>Amount Awarded</u>	<u>Number of Awards</u>	<u>Amount Awarded</u>
Dr. Wade H. Atkinson Scholarship	10	\$25,000	10	\$22,500
Aubrey Lee Brooks Scholarship	66	956,193	67	928,753
Thomas Holmes Carrow Scholarship	23	113,750	22	107,500
Criminal Justice Scholarship	9	16,000	9	18,000
A.P. and Frances Dickson Scholarship	15	28,000	13	26,000
Education Lottery Scholarship	27,944	30,647,584	29,969	33,332,410
Golden LEAF Scholarship Program (UNC)	***	*****	94	274,500
Golden LEAF Scholars	717	2,104,300	568	1,673,580
Mayor Anthony Foxx Scholarship	7	7,000	12	12,000
Jagannathan Scholarship	4	12,500	8	26,500
Ruth Jewell Scholarship	1	1,600	***	*****
James Lee Love Scholarship	16	88,000	16	85,250
NC Need-Based Scholarship (Independent Colleges)	24,700	83,096,768	24,761	87,547,861
NC Community College Grant	27,867	14,297,435	27,995	16,204,489
NC National Guard Tuition Asst Program	618	1,862,815	629	1,811,162
NC Reach (Child Welfare Postsecondary Support)	337	1,932,840	296	1,754,896
NC School of Science & Mathematics Tuition Grant	***	*****	191	1,078,482
Penn Family Scholarship	187	205,250	167	185,500
C.M. and M.D. Suther Scholarship	15	21,000	16	56,000
Turrentine Foundation Scholarship	173	265,000	199	375,000
UNC Campus Scholarships	2,567	5,169,583	2,399	5,316,010
UNC Need-Based Grant	51,768	123,361,286	54,845	122,064,394
Total Grants and Scholarships for Higher Education	137,044	\$264,211,904	142,286	\$272,900,787

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.

	2014-2015		2013-2014	
	Number <u>of Awards</u>	Amount <u>Awarded</u>	Number <u>of Awards</u>	Amount <u>Awarded</u>
Forgivable Education Loans for Service (FELS)	2,340	20,464,642	2,694	20,386,354
Principal Fellows Program	73	2,093,244	89	2,505,808
Total Forgivable Loans	2,413	\$22,557,886	2,783	\$22,892,162

Grants and Scholarships for K-12

	2014-2015		2013-2014	
	Number <u>of Awards</u>	Amount <u>Awarded</u>	Number <u>of Awards</u>	Amount <u>Awarded</u>
Special Education Scholarship Grants for Children with Disabilities	611	3,097,515	134	376,096
Opportunity Scholarships	1,216	4,635,320		
Total K-12 Grants/Scholarships	1,827	\$7,732,835	134	\$376,096
Grand Total NCSEAA Aid	141,284	\$294,502,625	145,203	\$296,169,045

Note: Of the Forgivable Education Loans for Service (FELS) awards, 256 students received renewals of \$40,633 for the Board of Governors' Dental Scholarship Loans, \$431,039 for the Board of Governors' Medical Scholarship Loans, \$51,000 for the Health, Science, and Mathematics Loans, \$32,500 for the Millennium Teacher Scholarship Loans, \$18,750 for the Nurse Education Scholarship Loans, \$30,000 for the Nurse Educators of Tomorrow Scholarship Loans, \$6,500 for the Masters Nurse Scholars Program, \$362,500 for the Undergraduate Nurse Scholars Program, and \$524,000 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>2015</u>	<u>2014</u>
<u>Current Assets</u>		
State Student Aid Program Cash**	\$ 53,798	\$ 47,072
Restricted Cash and Investments	441,976	316,268
Receivables	298,140	293,977
Other Current Assets	8	53
<u>Noncurrent Assets</u>		
Restricted Cash and Investments	1,852,944	2,137,556
Notes Receivable	1,650,279	1,621,155
Deferred Charges	0	0
<u>Capital Assets</u>		
	5,124	5,071
Total Assets	<u>\$ 4,302,269</u>	<u>\$ 4,421,152</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities</u>		
Accounts, Notes, Bonds Payable	\$ 384,014	\$ 373,737
Other Payables & Accrued Liabilities	3,076	2,866
<u>Noncurrent Liabilities</u>		
Accounts/Bonds Payable	3,348,152	3,490,907
Other Liabilities	472	368
Total Liabilities	<u>3,735,714</u>	<u>3,867,878</u>
<u>Net Assets</u>		
Invested in Capital Assets, net of Related Debt	5,124	5,071
Restricted for Educational Assistance Programs	476,709	481,611
Unrestricted for Student Aid Programs	84,722	66,592
Total Net Assets	<u>566,555</u>	<u>553,274</u>
Total Liabilities and Net Assets	<u>\$ 4,302,269</u>	<u>\$ 4,421,152</u>

Statement of Revenues, Expenses & Changes in Net Assets

<u>REVENUES:</u>		
Non-operating Aid**	\$ 79,482	\$ 105,482
Grants	113,409	75,047
Investment Earnings	2,804	4,060
Interest Earnings on Loans	48,785	52,834
Miscellaneous	9,402	10,222
Grants, Aids, Subsidies	(157,020)	(158,096)
Total Revenues (Expenses)	<u>96,862</u>	<u>89,549</u>
<u>EXPENSES:</u>		
Student Loan Service Cancellations	14,857	14,573
Interest Costs	27,463	30,240
Other Administrative and General	40,603	46,211
Total Expenses	<u>82,923</u>	<u>91,024</u>
Change in Net Assets	13,939	(1,475)
Prior Period Adjustments ***	(659)	(9,290)
NET ASSETS--Beginning of Year	553,275	564,040
NET ASSETS--End of Year	<u>\$ 566,555</u>	<u>\$ 553,275</u>

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

**Includes Education Lottery Scholarship and State Scholarship Loan Funding for disbursement in 2015-2016

***Prior Period Adjustment - 2014 restatement of prior year accrual for Escheats Fund income. For 2015 it is the cumulative pension fund liability under GASB 68.

NORTH CAROLINA STATE EDUCATION ASSISTANCE AUTHORITY
Listing of Programs Administered, September 2015

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)
- 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)

SEAA Board of Directors

2014–2015

Richard B. Roberts, *Chair*
James O. Roberts, *Vice-Chair*
Arlene M. Ferren, *Treasurer*
Martha J. Beasley
Jennifer H. Haygood, *Ex Officio*
Robert S. Misenheimer
Jonathan C. Pruitt, *Ex Officio (effective September 1, 2014)*
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 McDuffie, *Executive Director, effective December 1, 2014*
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*
Vacant, *Director of Grants, Training and Outreach*

Contacting the SEAA

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