

North Carolina
State Education Assistance Authority
Annual Report
2017 – 2018



December 1, 2018

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 80 receipts-supported employees.

In a number of key areas, our efforts help North Carolina pay for education. 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 System office, 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 education loans financed and guaranteed by the Authority. 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.

2017-2018 Highlights

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

- Administered 137,595 student grant, scholarship and loan awards, totaling over \$328 million, as detailed in tables on pages 7-8 of this report.
- Administered loan forgiveness to 223 teachers under the federal Teacher Loan Forgiveness Program, totaling \$1.4 million. With this amount, the Authority has in total granted over \$22.8 million to over 3,338 teachers through this program since its inception in 2002.
- Achieved federal cohort default rates for SEAA-guaranteed loans under North Carolina's Federal Family Education Loan Program (NCFFELP) 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 FFY15, the most recent year for which data are available, SEAA had a three-year cohort default rate of 5.8%, well below the national average of 10.8%. 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 a low trigger rate of 1.89% in FFY17.
- Processed 3,200 NCFFELP borrower default and other guaranty claims, totaling \$57,985,034.
- Recovered \$36.2 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 2017 was 19.36%.
- Cancelled \$26.5 million of principal in State forgivable loan program indebtedness for borrowers repaying their debts through vocational service under program terms, and collected \$5.7 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 87% of borrowers successfully repay their debts through vocational service to the State.
- Originated 515 loans totaling \$859,275 for teachers pursuing National Board Certification.
- Administered 7,367 Opportunity Scholarships and 1,260 Disabilities Grants for K-12 students attending nonpublic schools, an increase of 27% from last year.
- Implemented a third K-12 program, the Personal Educational Savings Account (ESA) program, with approximately 300 students to receive funds in 2018-19.
- Conducted 21 training sessions, attended by 814 individuals representing school counselors, teachers, College Advising Corps, youth servicing organizations and financial aid administrators.
- Expanded FAFSA completion activities for students applying for financial aid for college. FAFSA Day was held in October 2017 and assistance was provided to 300 students on 66 campuses and community centers with follow up opportunities offered by the State Employees Credit Union in November.
- In addition, the Finish the FAFSA initiative enabled school counselors to monitor and follow up with students who had not completed the FAFSA. As of June 29, 2018, we calculated a 56% FAFSA completion rate among 331 schools participating in the initiative.
- The Authority began accepting applications for the State Authorization Reciprocity Agreement (SARA) in October 2016. As of October 1, 2018, the Authority, as the portal entity for SARA North Carolina, has approved 75 schools representing four sectors of postsecondary institutions.

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 attend 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 2017-18

- On June 30, 2018, CFNC.org had more than 7.17 million user accounts and averaged 15,341 visits a day for the fiscal year.
- The CFNC Call Centers responded to more than 97,000 phone calls about paying for college and 8,396 calls regarding careers and college admissions. They also responded to 4,490 financial aid emails and 4,882 emails with questions or publication requests on college admissions and careers.
- CFNC Regional Representatives, located across the state made a total of 2,439 college access presentations to 95,814 people in schools and community groups.
- North Carolina students submitted 386,362 college applications using CFNC.org.
- CFNC.org processed 388,869 high school transcripts for 593 North Carolina high schools.

North Carolina's National College Savings Program (NC 529 Plan)

North Carolina's National College Savings Program, commonly known as the "NC 529 Plan," is maintained by the State Education Assistance Authority to enable residents of any state to invest funds to pay the qualified 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, and while its original and primary purpose is saving for college, beginning in 2018 funds can be withdrawn from the NC 529 Plan to pay for primary and secondary tuition under certain conditions due to changes in federal 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. Current information on investment options and details on the program can be found at www.CFNC.org/savings.

<u>Investment Option</u>	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>Change</u>
Federally Insured Deposit Account	\$142,965,885	\$142,699,032	0.2%
Vanguard Individual Funds	923,313,252	818,651,242	12.8%
Vanguard Age-Based Funds	1,236,928,644	1,111,167,007	11.3%
Total Fund Value	\$2,303,207,781	\$2,072,517,281	11.1%
Accounts	141,594	136,766	3.5%

Savings Program - Account Contributions

Federally Insured Deposit Account	12,506,582	10,806,994	15.7%
Dependable Income Fund*	0	3,188,754	-100.0%
Vanguard Individual Funds	86,444,494	78,327,498	10.4%
Vanguard Age-Based Funds	134,853,763	120,803,465	11.6%
Total	\$233,804,839	\$213,126,711	9.7%

Savings Program - Account Distributions

Federally Insured Deposit Account	22,970,730	14,888,845	54.3%
Dependable Income Fund*	0	6,808,772	-100.0%
Vanguard Individual Funds	55,239,629	49,076,873	12.6%
Vanguard Age-Based Funds	65,732,274	55,916,334	17.6%
Total	\$143,942,633	\$126,690,824	13.6%

*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.

	2017-2018		2016-2017	
	<u>Number of Awards</u>	<u>Amount Awarded</u>	<u>Number of Awards</u>	<u>Amount Awarded</u>
NC Community College Grant	23,863	17,311,062	26,001	16,377,915
NC Education Lottery Scholarship	25,919	27,971,676	27,872	32,263,407
NC National Guard Tuition Asst Program	637	2,060,685	763	2,062,815
NC Need-Based Scholarship (Independent Colleges)	22,368	88,138,300	23,322	85,797,735
NC Reach (Child Welfare Postsecondary Support)	289	1,949,968	303	1,957,857
UNC Campus Scholarships	2,348	5,304,934	2,191	4,887,663
UNC Need-Based Grant	50,154	123,672,458	49,934	120,553,926
SCHOLARSHIPS				
Dr. Wade H. Atkinson Scholarship	11	26,250	10	\$23,750
Aubrey Lee Brooks Scholarship	63	870,500	65	839,580
Thomas Holmes Carrow Scholarship	24	112,409	24	100,466
Criminal Justice Scholarship	7	14,000	9	18,000
A.P. and Frances Dickson Scholarship	15	28,125	16	30,000
Mayor Anthony Foxx Scholarship	11	11,000	7	7,000
Golden LEAF Scholars	729	2,068,237	719	2,094,936
Jagannathan Scholarship	1	2,000	1	2,000
Ruth Jewell Scholarship	*	***	1	1,614
James Lee Love Scholarship	16	88,000	16	88,000
Penn Family Scholarship	162	196,498	168	198,500
C.M. and M.D. Suther Scholarship	15	56,637	16	21,750
Turrentine Foundation Scholarship	401	772,950	348	702,180
Total Grants and Scholarships for Higher Education	127,033	\$270,655,689	131,786	\$268,029,094

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.

	2017-2018		2016-17	
	<u>Number of Awards</u>	<u>Amount Awarded</u>	<u>Number of Awards</u>	<u>Amount Awarded</u>
Forgivable Education Loans for Service (FELS)	1,851	18,374,834	2,109	21,142,585
Principal Fellows Program	84	2,470,790	74	2,146,780
Total Forgivable Loans	1,935	\$20,845,624	2,183	\$23,289,365

Grants and Scholarships for K-12

	<u>Number of Awards</u>	<u>Amount Awarded</u>	<u>Number of Awards</u>	<u>Amount Awarded</u>
Opportunity Scholarships	7,367	28,056,136	5,624	21,760,837
Special Education Scholarship Grants for Children with Disabilities	1,260	8,521,005	1,144	7,448,408
Total K-12 Grants/Scholarships	8,627	\$36,577,141	6,768	\$29,209,245

Grand Total NCSEAA Aid	137,595	\$328,078,454	140,737	\$320,527,704
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Statements of Net Position

As of June 30 (in thousands)

<u>ASSETS</u>	2018	2017
<u>Current Assets</u>		
Restricted Cash and Investments*	591,964	551,704
Receivables	240,447	251,520
Other Current Assets	4	21
<u>Noncurrent Assets</u>		
Restricted Cash and Investments	2,210,653	2,007,164
Notes Receivable	1,217,606	1,420,700
<u>Capital Assets</u>		
	5,765	5,116
Total Assets	\$ 4,266,439	\$ 4,236,225
<u>LIABILITIES & NET POSITION</u>		
<u>Current Liabilities</u>		
Accounts, Notes, Bonds Payable	\$ 329,428	\$ 349,048
Other Payables and Accrued Liabilities	4,140	2,715
<u>Noncurrent Liabilities</u>		
Accounts, Bonds Payable	3,343,097	3,310,946
Other Liabilities	5,349	1,448
Total Liabilities	3,682,014	3,664,157
<u>Net Position</u>		
Net Investment in Capital Assets	5,765	5,116
Restricted for Educational Assistance Programs	490,838	496,044
Unrestricted for Student Aid Programs	87,822	70,908
Total Net Position	584,425	572,068
Total Liabilities and Net Position	\$ 4,266,439	\$ 4,236,225

Statements of Revenues, Expenses and Changes in Net Position

<u>REVENUES:</u>		
Non-operating Aid	\$ 78,482	\$ 78,482
Grants	137,066	101,707
Investment Earnings	4,740	3,105
Interest Earnings on Loans	54,146	48,809
Miscellaneous	12,881	12,485
Grants, Aids, Subsidies	(183,692)	(157,714)
Total Revenues (Expenses)	111,514,103,623	87,414
<u>EXPENSES:</u>		
Student Loan Service Cancellations	19,643	21,738
Interest Costs	35,852	31,520
Other Administrative and General	39,652	39,697
Total Expenses	95,147	92,955
Special Item**	7,891	0
Change in Net Position	16,367	(5,541)
NET POSITION-Beginning of Year, as Previously Reported	572,068	577,609
Cumulative Effect of Change in Accounting Principle ***	(4,010)	
NET POSITION-End of Year	\$ 584,425	\$ 572,068

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

*Restricted Cash and Investments now include State Student Aid Program Cash.

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

*** GASB Statement No.75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

NORTH CAROLINA STATE EDUCATION ASSISTANCE AUTHORITY
Listing of Programs Administered, September 2018

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
- Tuition Grant for Graduates of NC School of Science and Mathematics
- 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

State Loan Program for Higher Education

- NC Assist Loans for Students and Parents

* 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
- North Carolina Residency Determination Service (RDS)

K-12 Programs

- Opportunity Scholarship
- Personal Education Savings Account
- Special Education Scholarship Grants for Children with Disabilities

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's National College Savings Program (NC 529 Plan)
- Paul Douglas Scholarship/Loan Program (Collection Only)
- Principal Preparation Program
- State Authorization Reciprocity Agreement North Carolina (SARA NC)

SEAA Board of Directors

2017-2018

James O. Roberts, *Chair*
Larry W. Gracie (*through August 15, 2018*)
Phoebe J. Emory, *Treasurer, (effective March 2, 2018)*
Elizabeth P. Grovenstein, *Ex Officio*
Suzanne R. Mellow-Irwin, *Vice-Chair*
William R. McKinney
Jonathan C. Pruitt, *Ex Officio (through December 31, 2017)*
Clinton P. Carter, *Ex Officio (effective August 15, 2018)*
Richard B. Roberts
Chandler E. Thompson
Deirdra C. Williams (*effective August 16, 2018*)

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*
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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