



IOWA DIVISION OF BANKING

TERRY E. BRANSTAD  
GOVERNOR  
KIM REYNOLDS  
LT. GOVERNOR

THOMAS B. GRONSTAL  
SUPERINTENDENT

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JAN 07 2011

HOUSE OF REPRESENTATIVES

January 15, 2011

The General Assembly of the State of Iowa  
House of Representatives  
Senate  
Second Floor  
State Capital  
Des Moines, Iowa 50319

RE: Report of Review of the Qualified Student Loan Bond Issuer

To the General Assembly:

The January 15, 2011, report of review of the qualified student loan bond issuer, Iowa Student Loan Liquidity Corporation, completed by the Iowa Superintendent of Banking is enclosed. This report is submitted pursuant to the Code of Iowa 7C.13(6).

The scope of the review and my findings are shown in the report. I appreciate the opportunity to provide the General Assembly with this report.

Sincerely,

A handwritten signature in black ink, appearing to read "Thomas B. Gronstal".

Thomas B. Gronstal  
Iowa Superintendent of Banking

cc: Governor Terry E. Branstad

IOWA DIVISION OF BANKING  
DEPARTMENT OF COMMERCE

REPORT OF REVIEW

Qualified Student Loan Bond Issuer

Iowa Student Loan Liquidity Corporation  
West Des Moines, Iowa

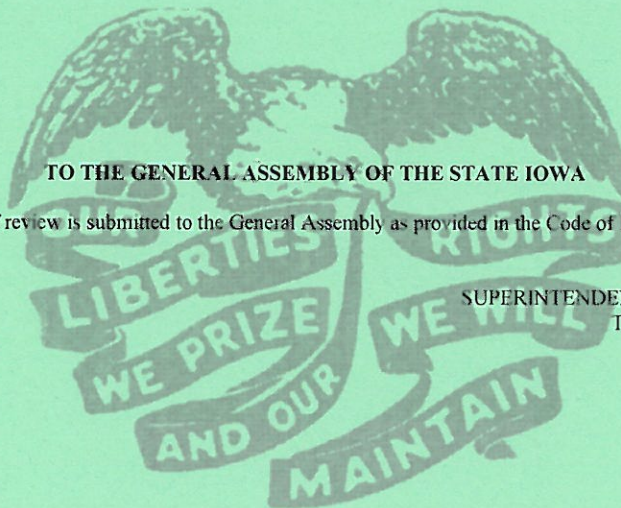
RECEIVED  
JAN 07 2011  
HOUSE OF REPRESENTATIVES

January 15, 2011

TO THE GENERAL ASSEMBLY OF THE STATE IOWA

This report of review is submitted to the General Assembly as provided in the Code of Iowa 7C.13(6).

SUPERINTENDENT OF BANKING  
Thomas B. Gronstal



# Iowa Superintendent of Banking

## Annual review of the qualified student loan bond issuer

January 15, 2011

The current qualified student loan bond issuer is the Iowa Student Loan Liquidity Corporation (ISLLC)

### Scope of Review

Review of assets, loan volume, and reserves.

Review of procedures to inform student about advantages of Title IV loans

Verification of compliance with tax exempt bond issuing requirements

The period under review is the fiscal year July 1, 2009, to June 30, 2010.

### Financial review

The Superintendent reviewed ISLLC's most recent audited financial statements dated June 30, 2010 (the auditors noted that the financial statements presented fairly, in all material respects, the financial positions of ISLLC), and interim financial statements dated September 30, 2010; reviewed ISLLC's independent auditor's review of operating controls; and reviewed this information with ISLLC executives.

### Findings:

ISLLC is adequately capitalized. A majority of ISLLC's assets are held as student loans guaranteed by the federal government. The net assets and reserves adequately protect the organization from any expected losses in the remaining assets.

The market for bonds secured by student loans remains limited. ISLLC has been able to fund private student loans with a new tax exempt bond issue, new borrowing on notes, and from the repayment of the existing loan portfolio. ISLLC continues to work with Iowa banks and credit unions to provide funds for private student loans. In this program, ISLLC agrees to service the private student loans that are made and funded by the depository institutions.

### Procedures to inform students of advantages of Title IV loans

The Superintendent reviewed information given to students with questions about borrowing for college expenses, private loan application information, and training materials provided to financial aid officers and ISLLC staff regarding private loan applications.

## Findings:

Materials given to students and schools note that forms of financial aid other than borrowing should be exhausted before considering borrowing. If the student needs to borrow, the materials note that federal student loans should be exhausted before private loans are considered.

Both online and paper applications for private loans note in their opening paragraphs that all other sources of financial aid and loans should be exhausted before considering a private loan.

Disclosures given at the time a student or parent applies for a private student loan include extensive information about the cost of guaranteed student loans versus private student loans. In addition, the loan programs are described as supplements to – not replacement of – federal, state, or institutional sources of funding for education costs.

## Verification of compliance with tax exempt bond issuing requirements

ISLLC issued tax exempt bonds in the period under review. To complete this process, ISLLC complied with Iowa Code Sections 7C.13 (3-5).

## Findings:

The Board of Directors meetings in which deliberations were held related to the issuance of tax exempt bonds were open to the public.

ISLLC held a public hearing prior to the issuance of the bond on September 24, 2009. Notice of the hearing was published in the Des Moines Register on September 10, 2009. At the hearing, representatives of ISLLC's gave a presentation regarding the bond issue – the uses of the bond proceeds and the proposed terms of new private student loans to be originated from the bond proceeds.

Several interested parties made statements at the hearing – all in favor of the bond issue. These parties represented banks, credit unions, and colleges / universities.

As required in Section 7C.13 (5), ISLLC made public and continues to make public the records of a) minutes of meetings conducted related to the issuance of tax exempt bonds; b) the data and written views or arguments submitted in accordance with the public hearing related to the tax exempt bond issuance; c) the letter seeking approval from the governor for issuance of tax exempt bonds; and d) the published official statement of the tax exempt bond issue.

To ensure compliance with 7C.13 (5), ISLLC's Board of Directors adapted formal policies for the maintenance and access of public records. The policies establish the

Corporate Secretary as the Custodian of Records For Public Records Purposes; lists the records regarding tax exempt bond issuance as public records; and describes the access to those records – what requests for the records will be accepted, and provision of locations for the examination or copying the records.

The Governor of the State of Iowa approved the issuance of the tax exempt bonds on October 7, 2009. The bonds were issued on November 1, 2009.



Thomas B. Gronstal, Iowa Superintendent of Banking

1-5-11

Date