

Iowa Superintendent of Banking

Annual Review of the Qualified Student Loan Bond Issuer

Iowa Student Loan Liquidity Corporation (ISLLC)

For the fiscal year July 1, 2010, to June 30, 2011

Introduction

Pursuant to paragraph b, subsection 6, of Iowa Code Section 7C.13, the superintendent of banking is required to annually review the qualified student loan bond issuer's total assets, loan volume, and reserves, and its procedures to inform students about the advantages of loans available under Title IV of the federal Higher Education Act of 1965, as amended, for which the students may be eligible. The review shall also verify that the qualified student loan bond issuer issued bonds in accordance with Iowa Code Chapter 7C in conformance to the letter requesting approval of the governor as set forth in subsection 5, of Iowa Code Section 7C.13. Examiners Randy Johnson and Joseph Gordon were appointed by Superintendent James Schipper to conduct the review.

Financial Review

ISLLC's most recent audited financial statements dated June 30, 2011 (the auditors noted that the financial statements presented fairly, in all material respects, the financial positions of ISLLC); interim financial statements dated September 30, 2011; and ISLLC's independent auditor's review of operating controls were reviewed and discussed with ISLLC Chief Financial Officer Erin Lacey.

ISLLC is adequately capitalized. A majority (87%) 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.

While the market for bonds secured by student loans remains difficult as there is a limited pool of investors, ISLLC has been able to fund private student loans with 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.

Review of Procedures to Inform Students of Advantages of Title IV Loans

Information provided to students with questions about borrowing for college expenses, private loan application information, and training materials regarding private loan applications provided to financial aid officers and ISLLC employees were reviewed.

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.

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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.

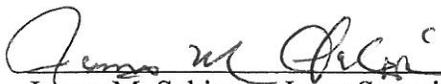
Disclosures given at the time a student or parent applies for a private student loan include extensive information about the cost of guaranteed student loans versus private student loans. In addition, the loan programs are described as supplements to – not replacement of – federal, state, or institutional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

Verification of Compliance with Tax-exempt Bond Issuing Requirements

ISLLC did not issue tax-exempt bonds in the period under review.



Randy Johnson, Examiner-in-charge



James M. Schipper, Iowa Superintendent of Banking

Dec 28, 2011
Date