

# A Perfect Match

## Customized Resources for Individual Success



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## Letter from the Board Chairman



When appointed to the Iowa Student Loan® board of directors in January 2009, I would not have predicted the level of change the organization has since experienced. External factors — from the national credit market crisis and historic unemployment to the termination of the 44-year-old Federal Family Education Loan Program — have caused the organization to take new approaches to fulfill its nonprofit purpose.

As board chairman, I am proud of the progress we have made to adapt our products and services so that they continue to help thousands of Iowans obtain a postsecondary education and succeed after graduation. We care about our borrowers and have a vested interest in their success. That's why we've become extremely focused on offering students innovative financial literacy resources, thus allowing them to take control of their financial futures. This caring approach is what has always differentiated Iowa Student Loan from other student loan providers, and it will continue to do so in the years ahead.

Looking to the future, I am excited that the strides we have made in financial literacy and college planning, supplemental funding options, loan counseling and default prevention, and customer service will soon touch a much larger audience. Once we officially become a federal loan servicing contractor for the U.S. Department of Education in spring 2012, our caring approach will extend to students and families across the country.

So while there has been much change these past three years, there has been even greater progress. And I can confidently predict that more progress lies ahead for us in 2012.

A handwritten signature in black ink, appearing to read 'Tim Bottaro', written in a cursive style.

Tim Bottaro  
Chairman of the Iowa Student Loan board of directors

## Executive Summary

For the past several years, probably the most appropriate word to describe the national student lending marketplace would be *change*.

Economic and congressional changes have affected how students and families plan for, pay for and access college. Guided by strong board leadership, Iowa Student Loan has adapted its products and services to meet the individual needs of its customers. In the end, it strives to match customized resources to the needs of students, schools and lenders.

This report highlights the efforts the nonprofit organization made in 2011 to ensure its products and services provide value to Iowa students and families seeking a postsecondary education. Iowa Student Loan focused its efforts on:

- ▶ **Helping students plan and borrow wisely** by offering enhancements and new versions of its innovative online financial literacy tool, Student Loan Game Plan<sup>SM</sup>, and by promoting various financial literacy and college planning initiatives.
- ▶ **Filling a student funding gap** by refinancing its debt and issuing tax-exempt bonds in order to offer two variable-rate supplemental private student loan options through its Partnership Advance Education Loan<sup>®</sup>. These loan options, as well as the other supplemental loan programs Iowa Student Loan supports, offer students competitive rates and transparent terms.
- ▶ **Seeing borrowers through repayment** by continuing loan counseling and outreach efforts, providing frequent account updates and achieving customer satisfaction. On tap for 2012 is a suite of career services to help unemployed borrowers.
- ▶ **Supporting those who support communities** through several community reinvestment initiatives, including grant programs for nurse educators and teachers and a student loan interest reduction program for deployed service members.

In addition, Iowa Student Loan and its wholly owned, for-profit subsidiary, Aspire Resources Inc.<sup>SM</sup>, made significant headway in 2011 toward expanding its quality customer service. The companies spent most of the year preparing to service federal student loans in the U.S. Department of Education's William D. Ford Federal Direct Loan Program. An initial allocation of 100,000 student loan accounts is scheduled to be received in spring 2012.

These endeavors will only strengthen the customized products and services Iowa Student Loan provides, as well as broaden their positive impact on students and families across the country.

### Mission

To help Iowa students and families obtain the resources necessary to succeed in postsecondary education.

### Nonprofit Purpose

Iowa Student Loan is a nonprofit corporation that has no shareholders and pays no dividends. Instead, Iowa Student Loan reinvests excess revenues over expenses, beyond the funding of required reserves, to benefit Iowa students and the people of Iowa in ways consistent with its mission. For tax purposes, Iowa Student Loan is a tax-exempt educational organization under section 501(c)(3) of the federal Internal Revenue Code.



## Guided by Effective Leadership and Oversight

Iowa Student Loan continues to be led by a roster of strong board leaders with diverse experience in their varying backgrounds.

In July, Gov. Terry Branstad appointed Tammy Bramley, representing the general public. Bramley filled the board position vacated by J. Marc Ward, when his term ended July 1. The governor also reappointed board members John O'Byrne and Dr. Tahira K. Hira, whose terms will expire June 30, 2015. Following the appointments, the board held its annual officer election in July — Tim Bottaro of Sioux City was re-elected board chairman and Christine Hensley of Des Moines was elected vice chair.

As of Dec. 31, 2011, the Iowa Student Loan board members were:

- ▶ Timothy Bottaro, chairman of the board, attorney in general practice in Sioux City.
- ▶ Christine Hensley, vice chairwoman, vice president of regional community affairs at Bank of the West in Des Moines.
- ▶ Catherine (Kay) E. Beyerink, CEO of Telco Triad Community Credit Union in Sioux City.
- ▶ Tammy Bramley\*, loan officer and manager of Community Bank in Soldier.
- ▶ Dr. Debra Derr, president of North Iowa Area Community College in Mason City.
- ▶ Laurie Hempen, director of human resources, Burlington School District in Burlington.
- ▶ Dr. Tahira K. Hira\*\*, professor of personal finance and consumer economics at Iowa State University in Ames.
- ▶ Tony Kaska, president and CEO of Midwest Heritage Bank in West Des Moines.
- ▶ John O'Byrne\*\*, retired after 21 years as president of Cresco Union Savings Bank in Cresco.
- ▶ Robert Wilson "Bill" Sackett, attorney in general practice in Okoboji.
- ▶ Frank Thomas, retired as senior counselor to the president after 18 years with Grinnell College in Grinnell.

\* New appointment \*\* Reappointed

Iowa Student Loan consistently meets the requirements of federal and state regulations. The board of directors, whose members are appointed by the governor, provides primary oversight.

Federal oversight is exercised by several agencies, including but not limited to the U.S. Department of Education (ED), the recently created Consumer Financial Protection Bureau and the Internal Revenue Service.

In addition, the governor, state superintendent of banking, state auditor, state attorney general and others provide state oversight under Iowa law and regulations.

Several audits, reviews and examinations are performed periodically at Iowa Student Loan. These include those required by the above agencies, as well as independent audits commissioned by the Iowa Student Loan board of directors.



## Introducing Aspire Resources Inc.

For a decade, Iowa Student Loan's wholly owned, for-profit subsidiary that was created to perform functions in addition to Iowa Student Loan's tax-exempt designation had been known as ISL Service Corp.<sup>SM</sup> But in July, the subsidiary was renamed Aspire Resources Inc. — an action driven by the company's adaptation to recent changes in the national student loan marketplace. The Aspire name reflects that its customers (students, schools and lenders) aspire to succeed and that the company aspires to provide exceptional customer service to help them reach their goals.

Aspire performs student loan customer service functions that complement Iowa Student Loan's programs serving Iowa students and families. Those functions are expanding beyond the state of Iowa as the company works with clients in the secondary lending market and enters into contract negotiations with ED to service student loans for borrowers in the William D. Ford Federal Direct Loan Program (Direct Loan). As part of its contract with ED, Aspire will be expected to provide customer service to borrowers not only within Iowa but also to borrowers across the country.



In addition, Aspire works with students, postsecondary educational institutions and lenders to provide private loan servicing and to facilitate loan data transfers through its iLink® service.

The Aspire board of directors is appointed annually by the Iowa Student Loan board of directors. As of Dec. 31, 2011, the Aspire board members were:

- ▶ Dr. Norm Nielsen, chairman of the board, president emeritus at Kirkwood Community College in Cedar Rapids.
- ▶ Ken Haynie, vice chairman of the board, retired attorney at Ahlers & Cooney, P.C. in Des Moines.
- ▶ Dr. John Hartung, consultant on job coaching, placement and fundraising for nonprofits and former president of the Iowa Association of Independent Colleges and Universities in Des Moines.
- ▶ John Hintze, shareholder at Ahlers & Cooney, P.C. in Des Moines.
- ▶ Dolph Leytze, president, chief executive officer and chairman of the board for Fidelity Bancorp and chairman of the board for BankIowa in Independence.
- ▶ Walter Witthoff, senior vice president and chief compliance officer at Iowa Student Loan in West Des Moines.

**Note:** Iowa Student Loan serves as the parent company and sole owner of Aspire, which leverages Iowa Student Loan's capabilities. Aspire is an integrated part of Iowa Student Loan's corporate family. Throughout this document, Iowa Student Loan and Aspire will sometimes be referenced together and other times separately. In particular cases, where Aspire assets are included, the Aspire name will be specified.

## Helping Students Plan and Borrow Wisely

Iowa Student Loan is a different type of student loan provider — it not only wants students to obtain postsecondary education, but it also wants them to succeed financially after graduation. The key to achieving this end result is helping students understand whether their requested loan amounts can be reasonably repaid after graduation.

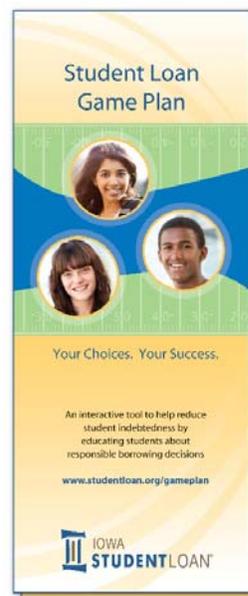
Over the past few years, Iowa Student Loan has worked to develop several innovative financial literacy resources to educate high school students, college students, parents, cosigners and the general public about the importance of borrowing wisely. In addition to tools like Student Loan Game Plan, Iowa Student Loan continues to study the numerous factors that contribute to Iowans' student indebtedness. The nonprofit organization also has expanded its financial literacy reach by supporting early-education programs.

### Student Loan Game Plan

Student Loan Game Plan is a groundbreaking financial literacy tool created by Iowa Student Loan as another way to serve students and families. This interactive online educational resource is intended to help reduce student indebtedness by educating students about responsible borrowing decisions and providing customized action plans. Student Loan Game Plan was introduced in December 2010 and now offers versions for supplemental private student loan applicants and their cosigners, general users and high school students.

Users of Student Loan Game Plan experience:

- ▶ A true-life story from an actual borrower.
- ▶ Potential problems caused by overborrowing.
- ▶ Customized estimated salary information based on borrowers' majors.
- ▶ Estimated total student loan payment amounts based on past, current and future borrowing.
- ▶ An estimated student loan debt-to-income ratio based on the borrower's information, compared to recommended ratios from U.S. Department of Education regulations.
- ▶ A warning that student loans are a serious financial obligation that must be repaid.
- ▶ A sample monthly budget based on the borrower's anticipated starting salary and national-average expenses, including student loan payments.
- ▶ A variety of strategies to reduce the need for student loans.
- ▶ A customizable and printable action plan to reduce overall borrowing.
- ▶ The ability to lower the requested loan amount in Iowa Student Loan online private student loan applications.



### Enhancements and New Versions

Since its introduction, several new versions have expanded the utility and reach of Student Loan Game Plan.

- ▶ **Applicant's Guide to Successful Borrowing:** Beginning December 2010, Student Loan Game Plan was integrated seamlessly into all applications for supplemental private student loans owned or serviced by Iowa Student Loan. Applicants have a real-time opportunity to see recommended student loan debt-to-income ratios and to compare actual borrowing to actual earnings of graduates in their selected major. Before proceeding with the application,

borrowers create a plan to reduce their need to borrow to cover college expenses and may reduce their requested loan amount.

- ▶ **Cosigner's Guide to Successful Borrowing:** Cosigners for supplemental private student loans owned or serviced by Iowa Student Loan also experience their own version of Student Loan Game Plan. Since June 2011, cosigners have been shown ways to help their students reduce the need to borrow and learn how to counsel them through decisions from everyday purchases to career and financial planning.
- ▶ **High School Student's Guide to Borrowing for College:** High school students experiencing Student Loan Game Plan see many of the same features their older counterparts do. Because they have not yet borrowed for college and may not have selected a major, more general information allows them to plan ahead before they have the need to borrow. Users could begin accessing the high school version through [www.studentloan.org/gameplan](http://www.studentloan.org/gameplan) in October 2011.
- ▶ **Student's Basic Guide to Successful Borrowing:** Prior to this enhancement, only prospective borrowers of loans owned or serviced by Iowa Student Loan could access Student Loan Game Plan through the online application process. However, in April 2011, the online financial literacy tool became available on [www.studentloan.org](http://www.studentloan.org) for the general public, thus enabling a much wider audience to benefit from its valuable information.
- ▶ **Reporting feature for colleges and universities:** Some institutions require students to experience Student Loan Game Plan, regardless of whether the student plans to borrow from Iowa Student Loan. Beginning January 2012, students may choose to share the personal information they provide in Student Loan Game Plan with their school. Financial aid officers can then access a report to monitor completion rates at their school.

## Impressive Results

The success of Student Loan Game Plan is clear from the initial results of the program and its accompanying survey.

From mid-April 2011 through Dec. 5, 2011:

- ▶ Approximately 4,900 applicants completed Student Loan Game Plan as part of the application process for a supplemental private student loan.
- ▶ 17% reduced their originally requested loan amount after completing Student Loan Game Plan and before proceeding with their application.
  - The average amount of loan reduction was \$4,050.
  - The total loan reduction was nearly \$3.4 million.

In the user survey about the effectiveness of Student Loan Game Plan:

- ▶ 91% agreed that the experience helped them understand how borrowing today affects their future.
- ▶ 88% agreed that the experience provided one or more actionable ideas on how to reduce the amount they borrow.

"It was really helpful to get suggestions on how I can cut monthly expenses. I never realized how much I can save if I simply eliminate certain things in my daily life."

"I really liked seeing the numbers so I can plan my future payment plans. It makes it a little easier to visualize my situation after graduation."

"I haven't really come across anything like this to help me decide how much I need to borrow and how my income from my chosen educational path will someday be split into the various categories of my budget."



## Promoting Financial Literacy and College Planning

Student Loan Game Plan is only one of several initiatives Iowa Student Loan has undertaken to educate students and families about good financial decisions. During 2011, the Student Indebtedness Task Force, created in 2009 by the Iowa Student Loan board of directors, continued to investigate factors that affect student borrowing behavior and developed programs to promote responsible borrowing and successful repayment.

### Middle School Money Management Pilot Program

Iowa Student Loan worked with the Iowa College Access Network (ICAN) to develop a 10-week middle school curriculum called "It's Worth It: Thinking Smart About Your Money."



This pilot program aims to help students gain a good understanding of finances and develop sound financial behaviors and decision-making skills so they can better face more difficult financial decisions, such as borrowing for college, in the future.

Through a partnership with Des Moines Public Schools' 21st Century Community Learning Centers after-school programs, 25 students from each of two Des Moines middle schools experienced the pilot program in fall 2011. Each participant filled out a questionnaire before and after taking the course.

The Iowa Student Loan research team will analyze the responses to the questionnaires this spring. If the pilot program was successful in changing the financial knowledge and behavior of middle school students, Iowa Student Loan plans to offer the tested curriculum and materials to other Iowa school districts for free in 2012.

### National Financial Capability Challenge

In 2008, the U.S. Department of the Treasury and the U.S. Department of Education initiated the National Financial Capability Challenge to increase the financial knowledge and capability of high school students so they can take control of their financial futures. The program provides high school educators with the curricular resources needed to teach the basics of personal finance, and it rewards students, educators and schools for their participation and success.

Iowa Student Loan will support the 2012 National Financial Capability Challenge in Iowa by offering \$30,000 in grants to schools that register to participate and that have students who achieve high levels in the program. Iowa Student Loan is joined in these efforts by the Iowa Department of Education, Jump\$tart, Junior Achievement and ICAN.

## Financial Literacy Series Returns

Beginning in September, Iowa Student Loan resumed providing financial literacy presentations to students at colleges across the state.

For the past two years, ICAN had provided financial literacy services to Iowa college students. However, ICAN's renewed focus on college access for middle school and high school students limited the time staff could devote to financial literacy services at the college level.

For the 2011 – 2012 academic year, Iowa Student Loan is using the following brochures provided by ICAN:

- ▶ **Achieve Financial Success.** This topic covers budgeting, financial aid and borrowing for school.
- ▶ **Credit Matters.** This subject introduces students to the pros and cons of credit cards, what their credit reports say about them and ways to prevent identity theft.
- ▶ **Life After College.** Graduating seniors will find this topic most helpful as they navigate their first careers and the financial decisions that come with accepting a position; learn to budget for many new expenses; and begin repaying their student loans.

Iowa Student Loan is committed to helping students successfully obtain and complete their postsecondary education. This commitment is a driving factor behind Iowa Student Loan again overseeing the successful financial literacy series and continuing its financial support of ICAN.

## Supporting Free College Planning Services

As noted, ICAN provides services to help Iowa's middle and high school students plan for, apply to, pay for and succeed in college. ICAN was a division of Iowa Student Loan for 10 years, and while it has been an independent nonprofit 501(c)(3) education organization since 2009, Iowa Student Loan supports ICAN financially.

In 2011, Iowa Student Loan and Aspire contributed \$1.5 million in cash and in-kind donations of property, equipment, inventory, services and shared activities, including fiscal, human resources, information technology, communications and community relations services, allowing ICAN to help thousands of Iowa students through:

- ▶ More than 1,000 college planning, financial aid, money management and academic success presentations, typically delivered on-site in 98% of Iowa's high schools.
- ▶ Assistance provided to more than 5,000 students and parents in filling out the Free Applications for Federal Student Aid.
- ▶ Nearly 6,000 appointments at ICAN offices with students and parents.
- ▶ Nearly 11,000 phone calls initiated by students and parents.
- ▶ E-newsletters sent to more than 170,000 recipients.



## Filling a Student Funding Gap

Many Iowa students, after they exhaust financial aid, federal student loans and savings, find they need supplemental funds to attend and stay in college. Iowa Student Loan remains committed to helping these students by providing options with clearly stated loan terms and competitive interest rates.

To address the financial challenges being faced by Iowa students and families, Iowa Student Loan refinanced its debt and issued tax-exempt bonds in fall 2011, which made funds available to create additional supplemental private loans. These additional loan funds will expand upon the limited availability of supplemental student loans with both competitive rates and transparent terms offered in the state, including those currently supported by Iowa Student Loan and its Iowa-area bank and credit union partners. Currently, Iowa Student Loan offers the Partnership Advance Education Loan, and it works with banks to offer the Iowa Alliance Private Student Loan Program<sup>SM</sup> (Iowa Alliance Loan).

### Partnership Advance Education Loan

The Partnership Advance Education Loan, financed directly by Iowa Student Loan and first offered in late 2009, was expanded in late 2011 as a result of the company's refinancing effort. That successful transaction allowed Iowa Student Loan to add two variable-rate options (calculated quarterly using three-month Libor rates) to the existing three fixed-rate loan options, thus offering students greater supplemental private loan choices to meet their cost of attendance.

Students and their cosigners, who meet a single set of eligibility and credit criteria, can:

- ▶ Determine if they want a loan with a fixed or variable interest rate.
- ▶ Select loan options with no or low origination fees.
- ▶ Choose whether to pay interest while in school or defer interest payments until after graduation. Paying interest while in school can help borrowers decrease the overall cost of borrowing by reducing the amount of interest that is paid over the life of the loan.

### Iowa Alliance Loan

With economic conditions causing prolonged stress on families' pocketbooks, the Iowa Alliance Loan continues to fill a needed role in helping students start and continue to achieve their postsecondary education goals. While most local and national lenders require creditworthy cosigners, the Iowa Alliance Loan is specifically for students who are unable to secure a creditworthy cosigner; who have no existing negative credit; and who would be unable to attend or remain in school without supplemental private student loan funds.

This supplemental private student loan features transparent terms, including a variable interest rate that students know before applying. To ensure students are applying for the best loan option available to them, college and university financial aid officers must verify that students who apply for the Iowa Alliance Loan have been denied a cosigned private student loan.



The following Iowa-area lenders partner with Iowa Student Loan on the Iowa Alliance Loan program:

Iowa Alliance Loan Partnering Lending Institutions	
American State Bank (Osceola)	Manufacturers Bank & Trust Co. (Forest City)
Bankers Trust Company (Des Moines)	MidWestOne Bank (Iowa City)
Community State Bank (Paton)	Modern Woodmen Bank (Rock Island)
Crawford County Trust and Savings Bank (Denison)	Northwest Bank (Spencer)
Fairfax State Savings Bank (Fairfax)	Patriot Bank (Brooklyn)
First National Bank (Ames)	Shelby County State Bank (Harlan)
Guthrie County State Bank (Panora)	Sibley State Bank (Sibley)
Heartland Bank (Gowrie)	Treynor State Bank (Treynor)

## Teaming with More Lenders and Colleges

Iowa Student Loan continues to work with a number of lenders in Iowa and surrounding states that are dedicated to providing supplemental funding options with transparent terms to more students. The majority of these lenders offer both cosigner and no-cosigner loan options.

In 2011, a number of Iowa Student Loan's partnering lenders made changes to their private student loan programs. These changes included adjustments to interest rates and origination fees as well as new borrower benefits such as interest rate reductions for borrowers making auto-debit payments or a cosigner release.

During the year, Iowa Student Loan also worked with representatives of American State Bank, Dordt College and Northwestern College in Iowa to create a private loan program tailored for Dordt and Northwestern students and their families.

The following lenders offer supplemental private student loans with Iowa Student Loan providing loan servicing:

Lenders	
Alliant Credit Union and Health Services Credit Union	Dupaco Community Credit Union
American State Bank	The Family Credit Union
Ascentra Credit Union	Premier Credit Union
Community 1st Credit Union	Scott Schools Credit Union



## Seeing Borrowers Through Repayment

Most Iowa Student Loan materials and communications encourage students and families to reduce student loan debt by exhausting all available financial aid, such as scholarships, grants and work-study, and to exhaust all federal options prior to applying for private loans. To minimize long-term indebtedness, Iowa Student Loan promotes using any available funds to pay college costs and encourages making interest payments while students are enrolled. Iowa Student Loan also takes an active role in counseling students about debt loads and loan repayment.

### Reaching Out, Providing Account Updates

Borrowers receive information from Iowa Student Loan promoting responsible borrowing in the following ways:

- ▶ **School certification.** Before students are approved for a supplemental private student loan owned or serviced by Iowa Student Loan, the college must certify borrower eligibility.
- ▶ **In-school statements.** Students receive monthly private student loan statements while they're still in school so they can see how much debt they've incurred and to encourage payments that at least cover accrued interest.
- ▶ **Annual updates.** Yearly statements inform enrolled students of their total borrowing, projected payment amounts and estimated future student loan debt-to-income ratio based on the future career students indicate. These statements encourage reduced borrowing when students are likely considering additional loans.

Once a student borrower leaves school and enters his or her repayment period, Iowa Student Loan representatives work hard to help the borrower be successful and responsible in repayment.

Borrowers are informed of the different repayment plan options available to them during repayment. In addition, the benefits and disadvantages of the different options are explained so that borrowers can choose the best option for them. If borrowers encounter financial difficulties during repayment, they are informed of additional repayment plan options applicable to their situation. They may also postpone repayment or make reduced payments if they are eligible.

Iowa Student Loan default prevention staff reaches out to borrowers at risk of defaulting on their student loans and counsels them on possible options to avoid default. Phone calls, letters and emails encourage these borrowers to contact Iowa Student Loan to discuss possible repayment and assistance options.

To help borrowers before they reach repayment, Iowa Student Loan is working to promote college program completion. Research demonstrates that students who complete their postsecondary programs have lower rates of student loan repayment delinquencies and defaults than students who do not complete their programs.



Iowa Student Loan intends to encourage the success of students attending two- and four-year colleges by:

- ▶ Providing college and career success tips to applicants of Iowa Student Loan supplemental private student loans as part of the online application process.
- ▶ Creating a student success tips email subscription service for borrowers.
- ▶ Developing a program to reward borrowers for completing tasks related to the checklists.

## Developing Career Services

Another element related to successful repayment of student loans is the borrower's success in establishing and maintaining a career. Because these successes are beneficial both to the borrower and to Iowa Student Loan, the company is implementing services to support the educational and career success of borrowers. These services will begin in 2012.

Iowa Student Loan is also preparing to provide supportive career services to its borrowers who have left school and are not yet in repayment, and to those who are in repayment but experiencing difficulties because they are either underemployed or unemployed.

Iowa Student Loan plans to offer the following:

- ▶ Career planning assistance.
- ▶ Email and Web-based services.
- ▶ Referrals to employment agency career support and job placement services.

## Achieving Customer Satisfaction

Iowa Student Loan is continually looking for new and better ways to help customers in repayment. The company has consistently earned high marks from borrowers in regard to their satisfaction with Iowa Student Loan's customer service and the professionalism of its customer service representatives.

Beginning in September 2011, the Iowa Student Loan customer satisfaction survey includes:

- ▶ Asking what a borrower is specifically dissatisfied with and what Iowa Student Loan can do to improve if the borrower gives Iowa Student Loan a low rating for any survey question.
- ▶ Reviewing these comments as they are received so that loan counselors can provide immediate attention to specific complaints and other issues can be resolved by improving processes.

Already, Iowa Student Loan is receiving more specific feedback on the borrower's experience with the interactive-voice recording (IVR), auto-debit process and billing statements. These more detailed responses allow Iowa Student Loan to improve items that affect the most borrowers in repayment.

## Researching Student Indebtedness Issues

Iowa Student Loan is also engaged in researching the causes and impacts of student indebtedness to help determine realistic strategies to attack these concerns in the future.

### Student Debt-to-Income Study

The debt-to-income (DTI) ratio has become increasingly important as researchers try to understand the impact of borrowing for postsecondary education. When students leave school and enter their repayment period, the monthly student loan payment burden can affect lifestyle and is a potential factor in successful repayment.

In September 2010, Iowa Student Loan surveyed its borrowers who had been in repayment at least 12 months. The 461 responses confirmed many intuitive relationships between the DTI ratio and other characteristics.

- ▶ Borrowers with high DTI ratios are paying a significantly smaller proportion of their expected monthly payments (66%) than those with low DTI ratios (105%).
- ▶ Approximately half of the respondents felt burdened by their student loan payments, while a small number reported they did not feel burdened by the payments and the remainder of the respondents were neutral.
  - Those who reported feeling burdened by their student loan payments have delayed certain life events, such as vacations, car and home purchases, and additional education, because of the burden.

### Understanding Borrower Attitudes Study

An understanding of students' and parents' attitudes and perceptions regarding borrowing helps Iowa Student Loan promote healthier borrowing behaviors through future improvements in education efforts and student programs. The Iowa Student Loan research team studied nearly 2,500 responses from students and parents in Iowa and Wisconsin to better understand borrower attitudes and perceptions and see what, if any, specific causes might be attributed to the high student loan debt level in Iowa. Wisconsin was used as a comparison because it is economically and demographically similar to Iowa, but its average student loan debt upon graduation in 2009 was lower.

While survey results didn't show powerful differences, some factors, when combined, may explain the difference in student loan debt levels between the states.

- ▶ Iowa students agreed more frequently than Wisconsin students that:
  - They would have borrowed whatever it took to complete their degree.
  - Going to college is important to be successful in life.
- ▶ More Wisconsin parents agreed that the future benefits of college outweigh the burden of future loan payments than Iowa parents did. This attitude may contribute to a shift of borrowing from parents to students in Iowa, increasing the average student debt upon graduation.
- ▶ A larger proportion of parents of current college students in Wisconsin felt that they were solely responsible for borrowing for their student's college expenses compared to Iowa parents. Once again, this may contribute to a shift of borrowing to the students in Iowa.
- ▶ Iowans are willing to borrow without consideration of the level of challenge they face in their ability to finance college, while Wisconsin residents tend to be willing to borrow only when the level of financial challenge is relatively low. This greater tolerance for current challenges and future consequences may contribute to the higher level of borrowing in Iowa.

## Supporting Those Who Support Communities

As an Iowa-based nonprofit corporation, Iowa Student Loan takes seriously its responsibility to reinvest available funds in programs that support those who provide critically needed services in areas such as health care, education and national security.

Iowa Student Loan recognizes Iowa students who enter and serve in critical job shortage areas through its grant and loan forgiveness programs.

### Nurse Educator and Teacher Grants

Two grant programs, in place since late 2010, recognize new teachers and graduate-level nurse education students for their work in shortage areas.

Nearly 30 nurse educators received about \$100,000 in grant funds to offset their educational costs while they teach and pursue advanced degrees. At least \$160,000 is available for the 2012 fiscal year, helping more than 40 nurse educators. Recipients of the grants provide full- or part-time nursing instruction at community colleges, private colleges and universities and public universities in Iowa.

In the 2011 fiscal year, nearly \$125,000 in grant funds were awarded to 65 first-year instructors who teach in state-designated subject shortage areas. Up to \$400,000 (\$320,000 of which is already committed to 165 teachers) is available for the 2012 fiscal year.

Recipients of the Teacher Career Establishment Grant teach in 67 of Iowa's 99 counties, and 75% of all grants were awarded to teachers in:

- ▶ Special education.
- ▶ Mathematics.
- ▶ Science.
- ▶ English/language arts.
- ▶ Music.

"I can't tell you how much my family and I have appreciated the support extended to us through the program and how it has enabled me to move forward with my MSN, career goals, and ultimately, my ability to help others."

— Justine Elmer, student and instructor at Kaplan University and Nurse Educator Grant recipient

"I cannot express how thankful I am for this grant. As a new teacher in the area of special education, there are always new resources that I am wanting to try ... This grant will enable me to buy new resources for effective strategies in my classroom.

"Thank you again for this generous grant and aiding me in pursuing my dreams in education!"

— Jamie Maxwell, teacher at Lone Tree Community School District and Teacher Career Establishment Grant recipient



Before establishing the grant programs, Iowa Student Loan operated loan forgiveness programs for nurses and teachers entering specified shortage areas. Although no new applications are accepted, payments to those already in the programs are continuing.

More than 270 nurses and more than 330 teachers have already been approved to receive a total of more than \$3.6 million in loan forgiveness through the Iowa Student Loan Nursing and Teacher Education Loan Forgiveness programs.

## Armed Forces Interest Reduction Program

Iowa Student Loan also recognizes the important role of U.S. military service members. As these heroes serve in wartime efforts, an Iowa Student Loan program helps ease their worries at home. The Armed Forces Interest Reduction Program reduces interest on student loans for service members entering federal active duty Dec. 31, 2011 or before.

The program recognizes service members who are or have been deployed for wartime efforts since Sept. 11, 2001, by reducing interest to 0% on their private loans owned by Iowa Student Loan. The interest rate reduction is good for up to 24 months. The interest rate reduction means one less thing for service members and their families to worry about during active military duty.

As of Dec. 31, 2011, nearly \$600,000 in student loan interest had been forgiven on more than 600 service members' student loans.

## Additional Services

All these investments in Iowans supporting our communities are in addition to the \$1.5 million investment Iowa Student Loan provides for college planning services and the other educational efforts detailed on pages 6 – 9.



## Serving Iowans, Aiding Economic Development

Besides reinvesting in Iowa communities, Iowa Student Loan is committed to making additional contributions to Iowa's economy through excellent products and services, as well as employment.

### Iowa Students and Families Served

As of June 30, 2011

187,016 Borrowers and 568,298 Loans\*

#### Federal Loans Only

Principal balance:  
\$1,678,272,344



#### Private Loans Only

Principal balance:  
\$728,338,024



#### Federal and Private Loans

Principal balance:  
\$1,010,941,521



Total principal balance: \$3,417,551,890

\* This data reflects both Iowa Student Loan and Aspire owned and serviced loans.

## Growing Local Employment

Iowa Student Loan employs approximately 275 Iowans, who support the local economy, in quality jobs. These Iowans are not state employees, and Iowa Student Loan does not receive any state appropriations to fund their positions or its operations.

All employees have been or will soon be screened to receive federal clearance to work on Direct Loan accounts on behalf of the U.S. Department of Education.

As Iowa Student Loan and Aspire expand their business functions through Direct Loan and supplemental private loan servicing, more employees will likely be needed. In fact, in late 2011, several new loan counselor positions were being filled to help prepare for the servicing of the first Direct Loan accounts.

## Restructuring Debt, Issuing Tax-Exempt Bonds

Iowa Student Loan has been designated as the state “qualified student loan bond issuer” since 1986 under the provisions of the Iowa Code pertaining to issuance of a specified annual amount of federally tax-exempt bonds (16% of the Iowa allocation) for student loan purposes. It works closely with the Iowa Finance Authority in issuing tax-exempt bonds.

In order to support and sustain funding for future supplemental private student loans, protect borrowers from future interest rate increases and provide programs to help Iowans succeed in college and in loan repayment, Iowa Student Loan issued tax-exempt bonds in November to support a major debt restructuring. This was the best opportunity Iowa Student Loan has had since the national credit market crisis began in 2008 to retire older bond issues that, due to financial market changes, no longer supported the best interests of Iowa Student Loan and its borrowers. In addition to decreasing the overall level of indebtedness of the organization, the refinancing will help foster several critical goals for Iowa students and families.

Iowa Student Loan can now support the following three specific priority purposes through the debt restructuring and tax-exempt bond issuance:

- ▶ Make additional supplemental private student loans with upfront terms and reasonable rates uniformly available to all Iowa students and families.
- ▶ Insulate current borrowers from the potential of rapidly increasing interest rates due to financial market conditions.
- ▶ Provide stable and sustainable funding sources to support Iowa Student Loan’s various borrower benefit and community reinvestment programs, which help Iowans prepare for and succeed in college, and assist those out of college in repaying their loans.

## Financial Overview

The termination of the Federal Family Education Loan Program (FFELP) in 2010 and continuing financial market challenges resulted in changes for many student loan providers, including nonprofits like Iowa Student Loan. These changes continue to be reflected in the number of loans owned and serviced by the organization, which is still large but smaller than the previous year.

During the 2011 fiscal year, Iowa Student Loan’s total operating revenue decreased from the 2010 fiscal year amount. Part of the reduction in revenue is due to reduced student loan interest income that resulted from a smaller owned and outstanding student loan portfolio.

	FY 2010 Value	FY 2011 Value	Reasons for Decrease
Owned Portfolio	\$3.463 billion	\$3.069 billion	<ul style="list-style-type: none"> <li>▶ Normal borrower repayment</li> <li>▶ Approximately \$150 million in loans sold to federal government through Ensuring Continued Access to Student Loans Act (ECASLA)</li> </ul>
Outstanding Portfolio (Serviced Loans)	\$534 million	\$349 million	Loans sold to federal government
Iowa Student Loan–Purchased and –Originated Loans	\$168 million	\$13 million	End of FFELP in July 2010
Loans Purchased and Originated by Serviced Lenders	\$204 million	\$13 million	End of FFELP



## Preparing for the Future

Due to changes in the economy and federal policies in recent years, Iowa Student Loan and Aspire have expanded their reach and will continue to do so in the future. The companies have made significant strides toward offering new products and services to a wider variety of borrowers, all with the same high level of service.

### Direct Loan Servicing to Begin in Iowa

In May 2011, ISL Service Corp. (now Aspire) signed a Memorandum of Understanding from the U.S. Department of Education to begin servicing Direct Loans. The company received detailed requirements in late June. To prepare for the loans, Aspire is:

- ▶ Submitting more than 400 artifacts (e.g., testing evidence, documented procedures, etc.) in order to prove readiness to service Direct Loans.
- ▶ Working with its service provider to complete setup and testing of the Direct Loan computer operating system.
- ▶ Completing the security clearance process for all required employees.
- ▶ Testing payment and refund processes with the U.S. Department of the Treasury.
- ▶ Testing Aspire's computer operating system process for sending files to the National Student Loan Data System, which is the central database for Title IV student financial aid information.
- ▶ Completing tests with several other external entities for the sending and receiving of files containing information needed to service Direct Loans.

Aspire is on track to receive an initial allotment of 100,000 accounts in April 2012.

### More Customer Service Work on the Horizon

While Direct Loan servicing will provide a large addition to the companies' portfolios, Iowa Student Loan and Aspire will continue to pursue new servicing opportunities locally and nationally in the coming year. Iowa Student Loan and Aspire staff leverage extensive knowledge of the education finance marketplace and consumer lending to assist lenders and other nonprofits in the development of supplemental private student loan programs.

During 2011, Aspire began working with a number of other state nonprofit loan providers. As these peer organizations had limited or no experience in private student loan programs, Aspire entered into consulting agreements to provide support. Aspire is well-positioned to provide an attractive, turnkey, third-party loan servicing solution to any of these secondary markets that choose to proceed with funding a program. In addition, as part of the servicing agreements, Aspire clients have access to and can utilize Iowa Student Loan's innovative Student Loan Game Plan financial literacy tool.

Aspire continues to operate iLink, its private loan data routing and disbursement service. With a strong track record of quality service, Aspire has been able to expand the footprint of iLink usage with the addition of new lender customers. And when Aspire begins to service Direct Loans, the scope of iLink services will be expanded to provide a variety of assistance to postsecondary institutions across the country.

Iowa Student Loan has helped hundreds of thousands of Iowa families succeed in college. While this will continue to be their primary focus, Iowa Student Loan and Aspire now have the opportunity to help students throughout the country as they service Direct Loans and help peer organizations in other states start supplemental student loan programs. These new customers and their borrowers will now also benefit from Iowa Student Loan's dedication and caring approach, demonstrated by the organization's continuing innovation of customized resources needed for student success.



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