

Iowa Superintendent of Banking

Annual Review of the Qualified Student Loan Bond Issuer Iowa Student Loan Liquidity Corporation For the fiscal year July 1, 2024, to June 30, 2025

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. Examiner Ty Hubbell was appointed by Superintendent James E. Johnson to conduct the review.

Report of Total Assets, Total Liabilities, Loan Volume, Reserves and Affiliates

Iowa Student Loan Liquidity Corporation (ISL) provided audited financial statements dated June 30, 2025 (FY25) which the independent auditors' report noted presented fairly, in all material respects, the financial position of ISL as of that date.

As of June 30, 2025, total assets and deferred outflows of resources were \$1.556.8 billion. Total assets consisted primarily of net student loans receivable of \$1,247.9 billion and investments of \$199.3 million. Total assets and deferred outflows decreased \$73.2 million (4.49%) from June 30, 2024 (FY24). Cash and investments decreased 8.12% (\$17.7 million) compared to FY24, while student loan payment collection receipts and interest received on investments exceeded use of cash for operational, capital expenditures, and loan purchase and funding by \$112.5 million. Use of cash for debt service exceeded proceeds from notes and bond issuances by \$130.3 million. Together these contributed to the overall decrease in cash and investments.

Net student loans receivable decreased \$53.9 million (4.14%) to \$1.248 billion compared to \$1.302 billion in FY24. Collected receipts of principal and interest on student loans exceeded the purchase or origination of student loans. ISL purchased or originated \$118.1 million in student loans during FY25, an increase of \$5.2 million during the same period in FY24. Accrued interest receivable increased \$0.1 million (0.19%).

Government guaranteed loans made up 43.12% of the student loan portfolio with private loans the remaining 56.88% at the end of FY25 compared to 46.53% government and 53.47% private at the end of FY24. Federally insured student loans currently carry a 97% guaranty of the principal and interest on loans disbursed after July 1, 2006, while there is no guaranty for private loans. ISL management periodically reviews the student loan portfolio performance and evaluates the probability of losses to determine its allowance for loan loss reserve (ALL). The ALL evaluation on the federally insured loan portfolio is conducted separately from the private loan portfolio. ISL considers a private loan to be in a default status when it reaches 120 days delinquent or greater. For defaulted loans, a 100% allowance is applied to the outstanding principal balance for the

Iowa Superintendent of Banking

Annual Review of the Qualified Student Loan Bond Issuer Iowa Student Loan Liquidity Corporation

For the fiscal year July 1, 2024, to June 30, 2025

allowance calculation less a future recovery factor for certain loan types. For all other non-defaulted private loans, a net allowance percentage based on historical experience is applied to the outstanding principal balance. A private loan is charged off when the loan reaches 270 days delinquent without any principal or interest payment activity during the previous 12 months.

ISL established a loan loss reserve of \$0.768 million (0.14%) on the government portfolio of \$538.7 million and \$10.74 million (1.51%) on the private portfolio of \$710.69 million in FY25. At the end of FY24 the loan loss reserve for government loans was \$1.072 million (0.18%) and \$10.03 million (1.44%) for private loans.

On June 30, 2025, ISL had cash deposits of \$0.86 million, which were covered by federal depository insurance or collateralized trust accounts. Investments and cash equivalents of \$199.28 million included \$3.71 million of corporate notes/bonds and \$187.45 million of money market mutual funds investing in United States government and agency obligations.

Total liabilities were \$1.039 billion, a decrease of \$77.4 million (6.93%) as compared to FY24. Debt activity made up most of the change. Bond and note maturities totaled \$171.2 million, which was above the issuance of notes and bonds payable, totaling \$93.7 million. Additional debt was issued to fund student loan originations and portfolio purchases and refinance existing debt.

The change in deferred gain on refunded debt activity includes amortization totaling \$3.0 million and is based on changes in applicable outstanding debt.

ISL's net position at the end of FY25 was \$504.2 million, a \$4.7 million (0.94%) increase from FY24.

Total operating revenues for FY25 were \$97.9 million, a decrease of \$18.5 million (15.89%) from FY24. Investment income decreased by \$1.4 million in FY25 compared to FY24. Most of this decrease was attributed to lower yields on invested balances during FY25. Invested yields fell from 4.38% in FY24 to 4.11% in FY25. ISL's average owned outstanding student loan portfolio decreased by \$107.7 million (7.09%) in FY25. Student loan yields decreased to 6.29% compared to 6.69% in FY24.

Total operating expenses for FY25 decreased \$11.3 million (10.79%) over FY24 totals. Total interest expense on bonds and notes payable during FY25 decreased \$8.2 million (14.62%) from FY24. The average debt outstanding decreased in FY25 by \$115.1 million (9.57%). Decreases in variable debt yields contributed to the increase in debt interest expense. Debt-related expenses decreased in FY25 by \$1.3 million compared with the FY24 amount. Most of this relates to less cost of issuance expenses and letter of credit fees incurred during FY25 compared to FY24. General and administrative expenses decreased \$2.4 million (5.75%) and is the primary due to less loan fees and related expenses on a smaller outstanding student loan portfolio.

Iowa Superintendent of Banking

Annual Review of the Qualified Student Loan Bond Issuer Iowa Student Loan Liquidity Corporation

For the fiscal year July 1, 2024, to June 30, 2025

With a \$488.5 million net position, \$9.1 million in loan loss reserves, and a conservative investment policy, it appears ISL has the reserves and liquidity to adequately protect the organization's assets from potential future losses.

Aspire Resources, Inc. (ARI), a wholly owned for profit subsidiary of ISL, was incorporated in 2001 to provide services not related to ISL's nonprofit purpose. ARI has developed systems and procedures for loan origination and disbursement related processes including the functions of electronic data transmissions management, web reporting, loan information delivery, and centralized loan disbursement services. ARI also provides on-going portfolio servicing for student loan portfolios. ARI's board of directors is appointed by the board of ISL but operates independently with members who are not members of ISL's board. ARI and ISL share operating costs with interfund payables/receivables reflecting the net activity associated with the shared services.

ARI is reported as a discretely presented component unit of ISL. Total assets for FY25 were \$40.87 million, a decrease of \$2.89 million (6.59%) from FY24. Total assets consisted mainly of cash (\$6.75 million), cash equivalents (\$0.16 million) and investments (\$26.39 million). ARI had \$26.4 million invested in United States agency obligations and \$1.6 million in money market mutual funds investing in United States government and agency obligations.

FY24 total liabilities were \$4.02 million compared to \$5.24 million in FY24. Total net position was \$36.85 million, a decrease of \$1.66 million (-4.32%) from FY24.

The decrease in net position for FY25 was \$1.66 million on total operating revenues of \$16.62 million as compared to FY24's increase in net position of \$610,014 on total revenues of \$18.97 million. Total operating revenues came mainly from servicing student loans.

As of September 30, 2025, ARI was servicing 275,514 student loans with an outstanding principal balance of \$2.37 billion compared to 295,686 student loans with a \$2.42 billion outstanding principal balance on September 30, 2024.

* The Governmental Accounting Standards Board (GASB) defines deferred outflows of resources as a consumption of net assets that is applicable to a future reporting period and deferred inflows of resources as an acquisition of net assets that is applicable to a future reporting period. Deferred outflows of resources have a positive effect on net position that is similar to assets, but are not assets, and likewise deferred inflows of resources have a negative effect on net position but are not liabilities. Thus, the GASB requires them to be identified separately from the assets and liabilities.

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

ISL helps students and their families who need extra funds beyond financial aid, federal student loans and other sources by offering supplemental education loans. Once college is over, ISL can

Iowa Superintendent of Banking

Annual Review of the Qualified Student Loan Bond Issuer Iowa Student Loan Liquidity Corporation

For the fiscal year July 1, 2024, to June 30, 2025

help with a collection of refinance loan programs for those who are seeking different repayment options.

ISL has established procedures to inform borrowers about the advantages of loans for which the students may be eligible that are available under Title IV of the Federal Higher Education Act.

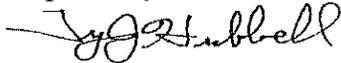
ISL's online application site contains the statement that "the suite of Partnership Loan products and College Family Loans are designed to supplement -not replace- other sources to fill funding gaps for students and parents. Students and parents should work with financial aid professionals at their respective colleges and universities to explore and exhaust all sources of student financial aid before seeking a private loan". The site also provides transparent terms and rates on each loan product for students and their families to review before beginning the application process.

The disclosures given at the time a student or parent applies for a private student loan also include extensive information about the cost of guaranteed student loans versus private student loans. The selected loan program is described as a supplement to, not replacement of, federal, state, or institutional sources of funding for education costs.

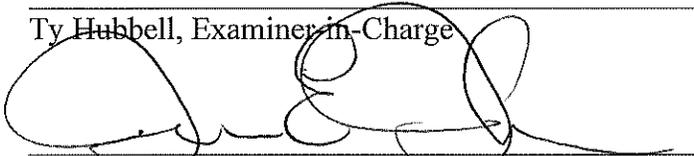
Verification of Compliance with Bond Issuing Requirements

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

Respectfully submitted,



Ty Hubbell, Examiner in Charge



James E. Johnson, Iowa Superintendent of Banking

1-12-26

Date