

# Iowans Helping Iowans

Supporting Iowa students and families in unprecedented times



2008 Year in Review



## Iowans Helping Iowans: Collaborative Efforts Addressed Student Needs in 2008

Gov. Culver, State Auditor Vaudt and the members of the Iowa General Assembly:

Iowa Student Loan started doing business in 1981 as a nonprofit corporation for the purpose of helping Iowa students and parents gain access to college through low-cost loans. Throughout the years, we have delivered on our mission by helping more than 300,000 Iowans plan, prepare for and finance their postsecondary education. In the process, we have reinvested \$120 million in Iowans through loan savings, counseling and servicing programs, and loan forgiveness. However, we have never been so challenged in delivering on our mission as in 2008.

The continuing credit crisis, which escalated from a U.S. problem a year ago to a global crisis in 2008, is threatening to make it even more difficult for students and families to obtain funds for college. At Iowa Student Loan, we took proactive and innovative action with Iowa partners and federal officials to ensure students had uninterrupted access to federally guaranteed student loans in the fall of 2008.

Iowa Student Loan exists to help provide capital to make student loans in Iowa. Student loans are complicated to make and collect. Typically, capital providers such as banks, credit unions, investment funds and insurance companies would not invest in student loans unless they could rely on an intermediary with special expertise to make sure the loans were successful. Iowa Student Loan was created to be that specialist in Iowa, to ensure that capital flows to the Iowa students who need loans.

In January 2008, we began to witness the early effects of trouble in national financial markets triggered by problems with subprime mortgage loans. The problems quickly spread to other credit instruments such as auto loans, credit cards and student loans.

Based on the cutbacks announced by major national student loan providers, we knew there could be a shortage of student loans in the fall of 2008 if financial markets did not turn around. We needed to respond quickly to make certain that federally guaranteed loans were available for the 60,000 to 70,000 college-bound Iowa students who needed them.

Our priorities were simple:

- Make sure that no one was forced to drop out of college in Iowa because they were unable to locate a lender willing to provide funds.
- Focus on ensuring availability of federally guaranteed student loans by whatever means possible.

With the help of the state's banks and credit unions, we developed a program called "Iowans Helping Iowans" to assist those students who rely on student loans in part or in whole to pay for college. As a result of Iowa Student Loan management's foresight, creativity and diligence, coupled with Iowa community lenders' leadership, we were able to help avert a potential crisis in the state. This annual report will also detail other challenges successfully faced during the 2008 calendar year.

As my term on board of Iowa Student Loan ends and I step aside as chairman, I want to thank Gov. Culver for appointing such qualified individuals to Iowa Student Loan's board of directors. I also appreciate the vote of confidence in the reappointed board members, who, along with the new members, will help Iowa Student Loan meet the challenges of this national economic crisis and help ensure that no Iowan foregoes college for lack of student loan availability.

Dolph Leytze  
Chairman of the Board, 2008  
Iowa Student Loan

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### Our Mission

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

### Fulfilling Our Nonprofit Purpose

Iowa Student Loan is a nonprofit corporation. State law gives nonprofit entities unrestricted power to operate a business. The law does not require a nonprofit corporation to break even or to take a loss; however, if a nonprofit corporation does earn excess revenues over expenses, the law requires that those excess revenues be used to meet the stated nonprofit mission. Because Iowa Student Loan has no shareholders, it pays no dividends; rather, 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 has a tax-exempt status as a not-for-profit educational organization under section 501(c)(3) of the Internal Revenue Code. This means that Iowa Student Loan pays no federal income tax, which allows more of the excess revenue beyond expenses to be returned to Iowans.

### The Purpose of This Report

This report has been prepared as a summary of activities Iowa Student Loan undertook in 2008 to support its nonprofit mission.

## Supporting Iowa Students and Families in Unprecedented Times: Implementing Changes to Better Serve Iowans

Gov. Culver, State Auditor Vaudt and the members of the Iowa General Assembly:

Iowa Student Loan, a private, nonprofit corporation, was created at the urging of Gov. Robert Ray to ensure that Iowans had access to loans for college, to keep the student loan business and associated jobs in Iowa, and to make certain that Iowans reaped the benefits of student loan earnings. In 2008, we saw the most rapid and dramatic changes to ever impact student lending. There was a continuation of notable increases in the needs of students and families; significant changes in regulations at both the state and federal levels; changing levels and methods of federal support for guaranteed loans; and, most dramatically, rapid deterioration of national credit markets, rendering traditional bond financing for student loans of all types nearly impossible to access.

Thanks to the leadership of our board members and staff, coupled with the support of our business partners and public policymakers at both the state and federal levels, we have managed to meet the goals set forth by Gov. Ray despite these challenges.

The narrative titled "Meeting Challenges and Achieving Successes" details the numerous unprecedented challenges Iowa Student Loan faced in 2008. "Unprecedented" is a term repeated throughout this report because it not only best describes the challenges we faced, but also the actions we took to ensure Iowa students and families obtained the resources needed to access college.

First, I want to acknowledge the efforts of so many who collaborated on solutions — starting with Iowa financial institutions and Iowa colleges and universities and including other state officials, most notably the governor, attorney general, superintendent of banking, superintendent of credit unions and legislative leaders. I also want to note the extraordinary efforts of federal officials to help mitigate the possible negative impacts of dramatically difficult economic conditions, including members of Iowa's Congressional delegation and officials of the U.S. Department of Education and U.S. Treasury Department. As a result of our collaborative efforts with these groups and individuals, great strides were made to ensure access.

In addition, 2008 was a year in which questions were raised and changes were recommended in regard to some of our operations. The Iowa attorney general provided a report with recommendations that in the future will hold Iowa Student Loan to even higher standards. As detailed in the section titled "Actions to Improve Our Practices," we are in the process of implementing these recommendations. These efforts, in working with the attorney general, will continue as Iowa Student Loan strives to be the most student-friendly loan provider possible.

Now we all need to turn our attention and efforts toward continuing to make student loans available despite credit constraints and national financial market turmoil. In an environment where families are challenged to find the funds they need for college, we will continue to seek innovative ways to find solutions. Contrary to the common view of a student loan provider, it is our hope that Iowans can marshal additional resources to provide more grant aid and scholarships so that the need for student loans decreases. While the credit crisis continues and the student loan market remains frozen, we plan to use our tax-exempt and taxable bonding capability to attract Iowa investors, both individuals and corporations, so that Iowans can help our college students achieve their goals in 2009 and beyond.

Steve McCullough  
President and CEO  
Iowa Student Loan

## Iowans Helping Iowans in 2008: Executive Summary

Legislation passed by the Iowa General Assembly and signed into law by the governor in 2008 (HF 2690) included, among other provisions, the following:

2. ANNUAL REPORT AND AUDIT. The qualified student loan bond issuer shall submit an annual report to the governor, general assembly and the auditor of state by January 15 setting forth its operations and activities conducted and newly implemented in the previous fiscal year related to use of the allocation of the state ceiling in accordance with this chapter and the outlook for the future. The report shall describe how the operations and activities serve students and parents. The annual audit of the qualified student loan bond issuer shall be filed with the office of auditor.

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. As a result, Iowa Student Loan is submitting this report to the governor, state auditor and general assembly pursuant to the above requirement. Iowa Student Loan will also be filing with the office of the auditor an annual audit pursuant to the statutory language.

As the title of this document suggests, 2008 was an unprecedented time in student lending. Due to national bond market closures and other economic disruptions Iowa Student Loan has not yet been able to utilize the 2008 tax-exempt bond allocation. However, Iowa Student Loan will use the allowable “carry-over” provisions of law to make every attempt to issue bonds utilizing both that allocation and the 2009 allocation during the months ahead. When market conditions allow, Iowa Student Loan will issue tax-exempt bonds to extend its programs to more Iowans and/or reduce cost to Iowans in the coming year. When conditions permit such an issuance of bonds, Iowa Student Loan will be following the new provisions requiring transparency and openness required by state law.

In the meantime, the information provided in this document will provide insight into unprecedented challenges in a year where nothing was certain in terms of the availability of needed resources for students and families. Additionally, this document will provide information on the innovative and responsive steps Iowa Student Loan, in collaboration with many others, took to make certain all possible resources were made available to Iowa students and families seeking success in postsecondary education. Most notably, despite all the financial challenges it faced, Iowa Student Loan provided leadership to find alternative ways to deliver needed services that would keep college access possible for Iowans.

**As a public-spirited nonprofit organization serving Iowans, we welcome comments, questions or suggestions on our activities at any time.**

## Iowa Student Loan Mission

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

### Iowans Helping Iowans: Carrying Out the Iowa Student Loan Mission

Iowa Student Loan was incorporated as a private, nonprofit corporation under the laws of the state of Iowa. This means, among other things, that its article of incorporation and any amendments thereto, are filed with the Iowa secretary of state. A common misconception is that Iowa Student Loan is a state agency created by statute. This is not the case, as Iowa Student Loan was created as a private nonprofit corporation with some key public purposes. Iowa Student Loan does not request and has never received appropriations for its operations, and its staff members are not state employees.

Iowa Student Loan is classified as a 501(c)(3) educational organization under the federal Internal Revenue Code, which means, among other things, it files a Form 990 tax return every year. Consistent with Internal Revenue Service regulation of 501(c)(3) organizations, Iowa Student Loan must comply with a range of regulations, most notably the requirements that annual revenue available in excess of operating needs, and appropriate financial reserves against future losses, be put into programs and services benefiting students and families consistent with the corporate mission. The assets of the organization may not be used for the private benefit of any officer or director of the corporation. Iowa Student Loan has made significant community reinvestments in Iowa students and families with such funds whenever available.

#### ISL Service Corp.

Additionally, to comply with IRS guidelines, the company created a small for-profit subsidiary, ISL Service Corp., which is charged with handling transactions that might not fall within Iowa Student Loan's tax-exempt purposes, but which the board believes are in the best interest of Iowans. One example of this is the creation and management of a joint data transmission system effort with the Iowa College Student Aid Commission, known as iLink, which more quickly and efficiently transfers information and funds to and from Iowa colleges. No officers of Iowa Student Loan receive any compensation from ISL Service Corp. In 2008, ISL Service Corp. provided loan change processing, lender resolution issues, loan processing guidelines and other services to 67 Iowa colleges.

#### Board of Directors

According to the specifications of the articles of incorporation, Iowa Student Loan is governed by an 11-member board of directors, appointed by the governor of Iowa. The board selects its own officers. The board also has adopted bylaws to further refine the general methods of doing its business, along with various operating policies in areas such as audit reviews, personnel policies, financial benchmarking, budgeting and strategic planning.

The board of directors – among its many points of control over the organization – employs a chief executive officer, who in turn is responsible for day-to-day operations of the organization and has direct authority over vice presidents and senior managers.

## Liquidity for Student Loans

The key function of the organization throughout its history has been to provide liquidity for federally guaranteed student loans originated by local financial institutions. An additional function added in the early 1990s was to capitalize and operate a supplemental private loan program for students needing resources in excess of available state and federal aid programs. Both of these functions were performed historically through Iowa Student Loan issuing bonds – mostly taxable but some limited-amount tax-exempt – to fund these loans. These bonds are not state obligations, thereby not triggering questions about state constitutional provisions prohibiting debt. Iowa Student Loan was created as, and remains, a self-governed organization.

## Student Loan Expertise

An emerging and key area in Iowa Student Loan's evolution has been the expertise developed in successfully managing and servicing a large portfolio of student loans. The work of Iowa Student Loan employees in this area has led to consistently high customer satisfaction ratings, and reasonable success in default aversion, delinquency management and collections. Additionally, the loan operations division of Iowa Student Loan has the largest number of employees whose employment contributes directly to the economic development of our state.

## Community Reinvestments

Finally, Iowa Student Loan also has made a number of community reinvestments with available resources over the years, most notably discounting loan products for students; funding and managing a state-requested private supplemental loan program; providing loan forgiveness programs for teachers, nurses and deployed military personnel; and offering an array of college planning services provided at no cost for high school students and their families.

## By the Numbers

Iowa Student Loan operates on a July 1 – June 30 fiscal-year basis. Projected revenues and proposed expenditures are reviewed and ultimately approved by the board annually in early summer, prior to the beginning of the new fiscal year. Iowa Student Loan currently has approximately 325 employees, most housed in leased corporate office space in West Des Moines and at the Iowa College Access Network® (ICAN) College Planning Center at Jordan Creek and a smaller contingent in the Cedar Rapids College Planning Center. Iowa Student Loan currently has more than 300,000 active customer accounts and carries more than \$3 billion in outstanding student loan obligations on its books.

## Partnering With Iowa Financial Institutions

There are 109 Iowa financial institutions that participate in either the Federal Family Education Loan Program (FFELP) with Iowa Student Loan or carry private loans serviced by Iowa Student Loan.

To advance our mission, strategic alliances have been formed with:

- Iowa Bankers Association
- Iowa Credit Union League
- Community Bankers of Iowa

## Supporting Iowa Students and Families in Unprecedented Times: Meeting Challenges and Achieving Successes in 2008

This past year, Iowa Student Loan and other nonprofit groups and organizations across the country faced dramatic challenges. Below is a summary of some of the specific challenges and how Iowa Student Loan, in collaboration with other organizations and individuals, sought to deliver on its mission.

### I. Unprecedented Challenge:

#### National Financial Market Turmoil

National turmoil resulted in the closure of bond markets for student loans ending a traditional source of funds for student loans of all types in February 2008. Interest rate changes and federal legislative changes reducing yields on federally guaranteed student loans made alternative funding almost impossible to locate during 2008. The national economic downturn made loan needs even more critical as other family resources were squeezed.

#### Potential Impact for Iowa Students and Families: Federal Student Loan Shortages

The national financial market turmoil caused possible shortages of federally guaranteed FFELP loans relied on by thousands of Iowa students and families as the bedrock of their financial resources for college access.

### Successes: Federally Guaranteed Loans Available for Iowans

Iowans who qualified for federally guaranteed loans in 2008 were able to receive them as a result of innovative financing efforts.

- In early spring, an Iowans Helping Iowans backup plan for federally guaranteed loans with Iowa banks and credit unions was led by Iowa Student Loan. One hundred lenders agreed to hold loans on their books, if necessary.
- A temporary federal student loan liquidity program was passed and implemented. Iowa Student Loan supported the passage of the program and was one of its first participants.



## Potential Impact for Iowa Students and Families: Supplemental Student Loan Scarcity

Due to the national financial market turmoil, there was no funding available to the Iowa Partnership Loan Program®, which in previous years provided needed gap financing for students and families who had exhausted all other sources.

### Successes: Some Supplemental Loans Made Available

Short-term alternatives, including increased federal loan limits, counseling of students to seek cosigners and other options, and creation of innovative last-resort emergency loans, preserved college access for Iowans.

- Federal officials increased Federal Stafford Loan limits, which colleges and universities implemented quickly to offset part of the demand for private loans. Iowa Student Loan was fully supportive of these efforts and explicit in counseling students to fully utilize all federal resources for which they were eligible before seeking any private loans.
- Beginning in March, Iowa Student Loan worked with local lenders and colleges to educate and encourage students to seek other available sources of money for the fall term.
- In May, Iowa Student Loan partnered with 16 lenders to fund and then implement the Iowa Alliance Private Student Loan Program<sup>SM</sup> – a last resort program for a limited number of Iowa students with no other option to stay in school.
- Iowa Student Loan has led efforts to work with individual financial institutions and several individual colleges to create campus-based supplemental loan programs for students. These programs conform to new regulatory standards.

## Potential Impact for Iowa Students and Families: Unfavorable Loan Terms

The use of tax-exempt bonds to lower costs and increase availability of student loans was not possible in 2008 due to the economic conditions.

### Successes: Loan Terms Still Competitive

Iowa Student Loan has trimmed a number of existing benefit programs just as most lenders have nationally, but has continued with its commitment to help find alternative ways to make all types of loans available at reasonable costs. Because Iowa Student Loan focuses especially on students most in need of additional loans to stay in college, Iowans can still access loans.

Iowa Student Loan is using “carry-over” authority for tax-exempt bonds in 2009 to actively seek alternative methods to generate tax-exempt funds that can help lower costs and/or increase availability of additional programs for students. The plan is to issue bonds in 2009 when credit conditions permit to begin to “make up” for lost 2008 opportunities, potentially lowering students’ costs.

## **II. Unprecedented Challenge:**

### **Natural Disasters Disrupt College Plans/Loan Repayments**

Natural disasters such as tornadoes and floods devastated a number of Iowa communities during the spring and summer months, dramatically impacting students and families in those areas.

#### **Potential Impact on Iowa Students and Families: Inability to Obtain or Repay Loans**

Students and families living and/or working in impacted areas faced increasing needs for student assistance and/or for extended repayment options due to the disruptions caused by these events. Failure to provide such assistance would have meant a lack of college access for some students, and possible difficulty making payments for those in repayment. Missing payments would have had far-reaching effects on an individual's credit report.

#### **Successes: Special Loan Forbearance Programs**

Along with state and federal officials, colleges and universities, and local lenders, Iowa Student Loan provided special assistance to those in need.

- The state of Iowa and federal officials provided a number of sources of extra funding assistance to those in need due to the disasters. Iowa Student Loan supported and promoted those efforts.
- Iowa Student Loan borrowers in repayment who were impacted by the disasters were offered an opportunity to qualify for a new Natural Disaster Forbearance for Private Loans Program created in June 2008.

## **III. Unprecedented Challenge:**

### **Economic Downturn Threatens Other Needed Loan Student Services**

Declining revenues, fund availability problems and related economic challenges in 2008 threatened the ability of Iowa Student Loan and other organizations to continue to deliver other non-loan programs upon which Iowans rely to help ensure college success.

#### **Potential Impact on Iowa Students and Families: Needed Services Potentially Discontinued**

Economic conditions may have led to the elimination of needed Iowa Student Loan-funded programs such as:

- free college planning services for high school students and their families.
- loan forgiveness programs for new nurses and teachers.
- interest rate reduction programs for deployed members of the armed forces.

All of these programs fill critical needs and their elimination would have left voids that could have negatively impacted our state and its families.

## **Successes: Key College Planning, Nurse, Teacher and Military Programs Maintained**

Iowa Student Loan reduced other expenditures and implemented budget efficiencies allowing it to continue to meet its prior commitments to provide needed non-loan services to Iowans.

- The Iowa College Access Network and its staff operating from offices in West Des Moines and Cedar Rapids continued to provide thousands of Iowans free and objective college planning services across all 99 counties of the state. A more complete description of these services is provided in this document (see page 15).
- Loan forgiveness programs for new nurses and teachers, while modified, were maintained despite economic difficulties, as was the interest reduction program for deployed members of the armed services. A description of these programs, data on program utilization and a report on program participant evaluations are provided in this document (see pages 16 and 17).

## **IV. Unprecedented Challenge: Rapid Pace of Legal, Regulatory Changes**

Sweeping changes were undertaken at both the state and federal level in student lending regulation, and many became effective very quickly during the year. The challenge for Iowa Student Loan was to respond and implement both the general changes called for in state and federal legislation, as well as the best practices recommendations for our organization that came from the attorney general and state auditor.

### **Potential Impact on Iowa Students and Families: Delays in Providing Improved Customer Services and Disclosures**

Failure to quickly and appropriately meet these standards would have jeopardized the availability of needed resources provided by Iowa Student Loan to students and families, and would have limited their ability to utilize a local nonprofit organization where Iowans are able to help Iowans succeed in postsecondary education.

## **Successes: Rapid Implementation of Needed Operational Improvements**

Iowa Student Loan supported and implemented many improvements in these standards during the year.

- Iowa Student Loan supported adoption of state HF 2690, as well as the new federal Higher Education Opportunity Act amendments, and is actively implementing these new provisions as noted in the following section.
- Iowa Student Loan adopted a model Code of Conduct (see page 18).
- Customer satisfaction in the midst of changes at Iowa Student Loan remained high.
- Iowa Student Loan is committed to providing services leading to college success for Iowans through methods that conform to applicable new state and federal law, as well as best practice suggestions made by state officials, including the attorney general and state auditor. A chart, beginning on the next page, details some of the key items that are being implemented to meet Iowa Student Loan's high goals.

## Supporting Iowa Students and Families in Unprecedented Times: Actions to Improve Our Practices

New state and federal legislation as well as reports containing suggestions for improvements at Iowa Student Loan were issued in 2008. The information below summarizes the process to date on implementing some of the key recommendations of state officials.

Action	Source	Status
Remove the state superintendent of banking from the Iowa Student Loan board of directors to avoid any potential conflict of interest.	State Auditor Attorney General HF 2690	Completed
Remove Iowa College Student Aid Commission representative from the Iowa Student Loan board of directors to avoid any potential conflict of interest.	State Auditor Attorney General	Completed
Remove Iowa Student Loan member from the Iowa College Student Aid Commission board to avoid any potential conflict of interest.	State Auditor HF 2690	Completed
Change Iowa Student Loan board compensation policy to end fee payments for members who are public employees.	State Auditor Attorney General	Completed
Subject Iowa Student Loan board deliberations relating to issuance of tax-exempt portion of bonds and allocation of state ceiling to open meetings and open records.	State Auditor Attorney General HF 2690	Completed
Should conform – to maximum extent possible – to open meetings and open records.	State Auditor Attorney General	Completed
Review executive compensation at Iowa Student Loan to ensure that it is appropriate.	State Auditor Attorney General	Completed (Both reviews concluded compensation was appropriate.)
File annual Iowa Student Loan audit with state auditor.	State Auditor HF 2690	Completed
File annual report with the state auditor, general assembly and governor providing information on activities and services provided and financial information.	State Auditor HF 2690	Completed
Annual review by state superintendent of banking. <ul style="list-style-type: none"> <li>Review level of financial reserves to determine adequacy.</li> <li>Review procedures about federal loan promotion and reports to the general assembly by Jan. 15.</li> </ul>	Attorney General HF 2690	Completed (Issuance pending.)
Improve FFELP consolidation loan disclosures on monetary savings. Iowa Student Loan discontinued this program on Feb. 29, 2008.	Attorney General	Completed (Signed Memorandum of Understanding with attorney general.)

Action	Source	Status
Clarify, in advertisements, borrower actions to qualify for discounts or benefits.	Attorney General	Completed
Increase efforts to improve Iowa Student Loan disclosures promoting federal loans before private loans.	Attorney General HF 2690	Implement model disclosure pertaining to private loans.
Increase efforts to require certification that federal loan eligibility is exhausted before borrowers receive private loan funds.	Attorney General HF 2690	In process
Include new disclosures clearly and conspicuously in any application, including private loans.	HF 2690	In process (Pending new rules and forms from attorney general.)
Should refrain from using the term "lowest cost" in loan marketing.	Attorney General	Completed
Include life-of-loan total interest examples in marketing materials.	Attorney General HF 2690	In process (Pending new rules and forms from attorney general.)
Increase print size of borrower disclosures.	Attorney General	Completed
End reimbursement programs for colleges for loan processing. (This was only in existence for private loans, never federal loans.)	Attorney General HF 2690	Completed (Proactively ended such programs in 2007.)
End other relationships with colleges now prohibited by HF 2690.	Attorney General HF 2690	Completed (Proactively ended such programs in 2008.)
End provision of printing services and other incidentals at no cost to colleges.	Attorney General HF 2690	Completed (Proactively ended such programs in 2008.)
Adopt a strict model code of conduct.	Attorney General	Adopted
Disallow any portion of Iowa College Access Network (ICAN) employees' compensation to be determined by Iowa Student Loan disbursement workloads.	Attorney General	Mistake corrected immediately
Consider transferring college planning services from Iowa Student Loan to Iowa College Student Aid Commission.	Attorney General	Iowa Student Loan is committed to ensuring vitally needed college planning services are continually available for Iowans. (Iowa Student Loan is preparing information needed for fully informed consideration by its new board of directors of the issues involved in how to best provide these services in the future.)

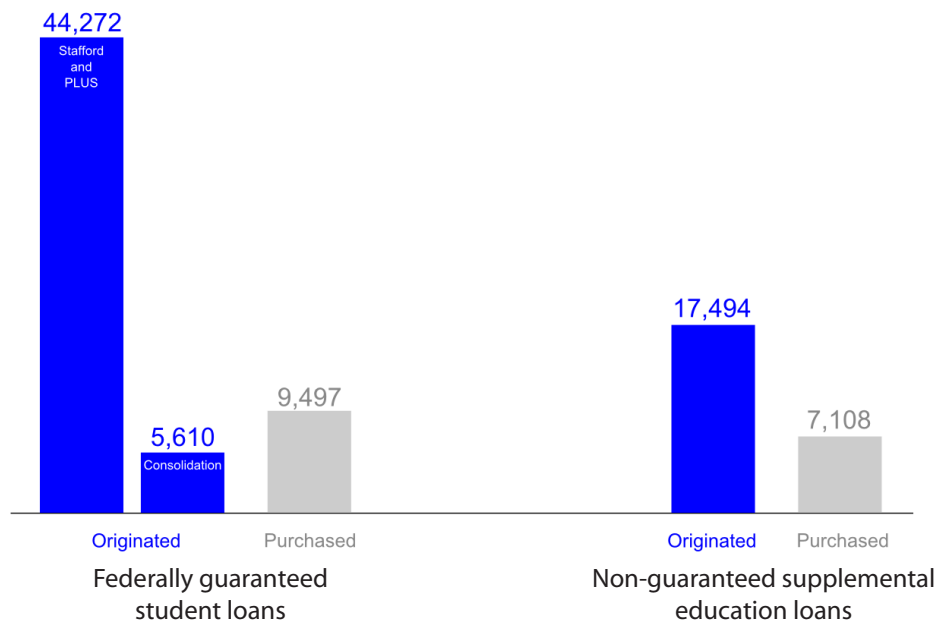
**In fiscal year 2008, Iowa Student Loan helped more than 300,000 active borrowers pay for college.**

## Iowans Helping Iowans: Fiscal Year 2008 Student Loan and Financial Data

Net student loans outstanding increased 11.62% (\$383.7 million) to \$3.7 billion at the end of fiscal year 2008 compared to fiscal year 2007. Iowa Student Loan purchased or originated more than \$731 million in student loans during 2008. This was a 30% (\$319.9 million) decrease over the 2007 amount. Total originated and purchased loan volume included the following categories:

- Originated (on behalf of our lenders) FFELP Stafford and PLUS Loans: \$304 million. Total number of borrowers: 44,272.
- Originated FFELP Consolidation Loans: \$149.9 million. Total number of borrowers: 5,610.
- Purchased FFELP: \$64.8 million. Total number of borrowers: 9,497.
- Originated Private Loans: \$138.7 million. Total number of borrowers: 17,494.
- Purchased Private Loans: \$73.4 million. Total number of borrowers: 7,108.

### Student Loans Originated and Purchased Counts of Borrowers - FY2008



These figures are for the fiscal year ending June 30, 2008 and do not reflect figures for the last six months of calendar 2008, which are not yet available.

## Iowa College Access Network® (ICAN)

Besides sending out a variety of publications and materials, since the beginning of the current school year through Dec. 31, ICAN staff have:

- delivered 491 presentations.
- answered 3,050 phone calls.
- met with students and families in 619 one-on-one appointments.

## Supporting Iowa Students and Families in Unprecedented Times: Reaching Out Through College Planning Services and the Iowa College Access Network®

In September 2008, the Iowa College Access Network® (ICAN) College Planning Center in West Des Moines celebrated its 10th anniversary. Originally created as the College Planning Center in 1998 and joined by a second branch in Cedar Rapids in 2006, ICAN has delivered on its promise to help individuals attain their educational and career goals.

Today, ICAN has 16 employees and provides a variety of presentations and services for schools. ICAN now offers monthly college planning tips, e-newsletters, publications, an informative Web site and more, all at no cost. Presentations at schools statewide feature topics such as high school and college planning, financial aid, money management and college success. In addition, three of ICAN's representatives are bilingual, thus allowing all of ICAN's services to be provided in Spanish.

### College Access

ICAN is the official Statewide College Access Network for Iowa, as designated by the National College Access Network (NCAN). NCAN works to improve access to and success in postsecondary education for disadvantaged, underrepresented and/or first-generation students.

ICAN has evolved to meet the changing socio-economic and minority needs over the past 10 years. The College Planning Center was created to help high school students apply for financial aid and attain a college education. Today, the staff at ICAN's College Planning Centers assist students with completing and filing the Free Application for Federal Student Aid (FAFSA), and they reach out to middle school and non-traditional students to help them succeed through high school and course planning. The staff also offers advice on how to make higher education a positive experience.

### Initiatives

ICAN has been instrumental in bringing many national college access programs to Iowa, as well as raising financial literacy awareness among today's students. ICAN continues to sponsor **KnowHow2GOIowa**, part of a national campaign designed to help students achieve their dreams of going to college, created by the American Council on Education, Lumina Foundation for Education and the Ad Council.

ICAN is the lead organization for the first-ever **Iowa College Goal Sunday**, which will take place in six locations in Iowa in February 2009. Iowa College Goal Sunday is part of a national program funded by grants from Lumina Foundation for Education. It is a program in which volunteers provide free, on-site assistance to families in filing the FAFSA, which is the first and most important step in qualifying for financial aid.

In addition, ICAN has helped middle school and high school students learn about budgeting and the consequences of choices through the interactive **ICAN Life Store**. Students pay bills after planning their budget for a level of income based on a predetermined level of education. The goal of the ICAN Life Store is to help students develop the knowledge and skills needed to create a spending plan for practical real-life situations and make the connection between education level and career choices.

**Iowa Student Loan has committed \$18 million to the nursing and teacher loan forgiveness programs, and additional funds for an interest reduction program for deployed military personnel.**

## **Supporting Iowa Students and Families in Unprecedented Times: Loan Forgiveness Programs**

The Iowa Student Loan Nursing and Teacher Education Loan Forgiveness Programs, currently in their fifth and third award year, respectively, continue to steadily grow and meet high expectations.

- The Iowa Student Loan Nursing Education Loan Forgiveness Program was created to provide recruitment and retention incentives in the form of education loan forgiveness for nursing educators and registered nurses (RNs) in Iowa communities.
- The Iowa Student Loan Teacher Education Loan Forgiveness Program was designed to supplement existing loan forgiveness programs offered to teachers by state and federal agencies. It provides recruitment and retention incentives in the form of student loan forgiveness to new teachers employed in state-designated subject shortage areas.

Here is a look at some of each program's positive outcomes to date.

### **Nursing Education Loan Forgiveness Program**

- 793 nursing students have been approved to participate in the program to date.
- 148 individuals have already received at least one year of loan forgiveness.
- 82 individuals have received at least two years of benefits, with approximately one-quarter of that number receiving three or more years of loan forgiveness.
- These recipients have worked in a total of 177 different nursing positions in 55 different Iowa counties.
- Projected program commitments will total \$8 million.

### **Teacher Education Loan Forgiveness Program**

- 493 teachers have been approved to participate in the program to date.
- 123 individuals have received at least one year of loan forgiveness.
- 67 individuals have already received two years of benefits.
- In total, these recipients have worked in 132 different teaching positions in 45 different Iowa counties.
- Projected program commitments will total \$10 million.

### **Iowa Student Loan Armed Forces Interest Reduction Program**

Iowa Student Loan has offered the Iowa Student Loan Armed Forces Interest Reduction Program. This program recognizes service members who have served, or are serving their country during wartime efforts since Sept. 11, 2001.

The program provides a benefit of 0% interest on non-defaulted private student loans for up to 24 months to borrowers in the U.S. Armed Forces while they are on federal active duty under Title 10 USC Section 12302. The benefit period is for borrowers deployed between Sept. 11, 2001, and Dec. 31, 2008. As of Dec. 31, 2008, 468 deployed members of the military had qualified for benefits under this program.



**94% of nurses and teachers participating in the Iowa Student Loan forgiveness program state that participation in the program has eased their repayment burden.**

## **Supporting Iowa Students and Families in Unprecedented Times: Loan Forgiveness Programs Make a Real Difference**

Iowa continues to face critical shortages of nurses and teachers in key speciality areas such as teachers of math and science, nurse educators and long-term care nurses. In cooperation with state officials, Iowa Student Loan responded several years ago to create incentive programs to assist students willing to train and enter these fields. A survey in 2008 measured how effectively the loan forgiveness programs are meeting their goals. Four groups (113 responding participants who have received at least one year of loan forgiveness benefits) were surveyed: long-term care nurses, rural nurses, nurse educators and teachers in shortage areas.

The survey revealed that one in four respondents made the decision to work in a shortage area after they were accepted into the Iowa Student Loan forgiveness program. This rate indicates that a large number of additional professionals may choose to work in a shortage area as participation in the loan forgiveness program grows.

Other key findings include that:

- Across all four groups, the influence of acceptance into the Iowa Student Loan forgiveness program rated 6.2 out of 10 (where 1 is “no influence” and 10 is “strong influence”).
- Overall, 34.5% of the participants stated that they applied for jobs outside their respective shortage area when they applied for their current job. Within that subgroup, 18.0% listed acceptance into the Iowa Student Loan forgiveness program as the biggest influence on their eventual decision to work in a shortage area.
- Only 8.8% of the participants stated that they applied for jobs outside of Iowa when they applied for their current job. This is an encouraging number as participants enroll in the program while in school.
- Overall, 42.5% of respondents view the forgiveness program as an incentive, indicating that more than four out of 10 participants possibly would not be employed in their shortage area if they had not been accepted into the loan forgiveness program.
- A large proportion of respondents (93.8%) said participation in the program has eased their repayment burden.

A matrix constructed to implicitly measure the impact of the loan forgiveness program through the assignment of ranks to responses to several questions showed that the group of long-term care nurses has been most impacted by the existence of the loan forgiveness program.

**More than four in 10 of the nurses and teachers participating in the Iowa Student Loan forgiveness programs say that without it, they may not have been employed in their respective shortage area here in Iowa.**

## Iowans Helping Iowans: Code of Conduct

Iowa Student Loan adheres to the following Code of Conduct.

- **Prohibition of Certain Remuneration to Institutions of Higher Education:** Iowa Student Loan will not provide anything of value to schools in exchange for any advantage or consideration related to Iowa Student Loan's education loan activity, including, but not limited to, placement on any school's preferred lender list.
- **Limitations on Staffing of Financial Aid Offices:** Neither Iowa Student Loan nor its agents will identify themselves to students, families or borrowers as employees of any school. Iowa Student Loan will not provide, without proper disclosure and transparency, staff for financial aid offices at any time wherein those employees will have contact with students for purposes other than general debt counseling.
- **Student Loan Advisory Boards:** Iowa Student Loan values the views of the financial aid community and will continue to seek their input on programs and services. Iowa Student Loan will not provide school employees with anything of value, including compensation or reimbursement of expenses, in exchange for their services on an advisory board.
- **Prohibition of Use of Opportunity Loans:** Iowa Student Loan will not enter into arrangements to provide private education loans to consumers who would otherwise not meet Iowa Student Loan's credit criteria in exchange for other specified loan volume.
- **Eligibility for Private Loans:** Iowa Student Loan encourages responsible borrowing and takes steps to ensure that borrowers receive the right amount of funding at the right time. Iowa Student Loan encourages students and parents to work with financial aid professionals at their respective colleges/universities to explore and exhaust other sources of federal, state and/or institutional financial aid whether it be grants or loans, prior to obtaining a private loan.
- **Full Disclosure of Sales of Loans to Another Lender/Service Provider:** Iowa Student Loan will disclose to consumers any agreement between Iowa Student Loan and any unaffiliated entity to sell loans if the sale results in Iowa Student Loan no longer servicing such loan.
- **Borrower Education:** Iowa Student Loan shall work with students, financial aid professionals, elementary and secondary school counselors and others to promote increased awareness of financial aid opportunities, to enhance access to postsecondary education and to increase financial literacy.
- **Protection of Privacy:** Iowa Student Loan is keenly aware of its obligations to protect the personal information entrusted to it by its customers. Iowa Student Loan shall protect the privacy of loan applicants and recipients and shall comply with all applicable federal and state laws that restrict the use of nonpublic personal information for purposes unrelated to the processing and administration of the consumer's loans, including honoring borrower requests pursuant to those provisions.

## Iowans Helping Iowans: Oversight and Audits

### Oversight

Iowa Student Loan is a regulated lender. Primary oversight is the responsibility of the Iowa Student Loan board of directors, who are appointed by the governor. Primary federal oversight is by the following agencies (along with many others not mentioned):

- U.S. Department of Education
- Federal Trade Commission
- Internal Revenue Service

New Iowa state law enacted in May 2008 provides for additional oversight by:

- Governor
- State auditor
- Iowa superintendent of banking
- Attorney general
- Iowa legislature

### Audits

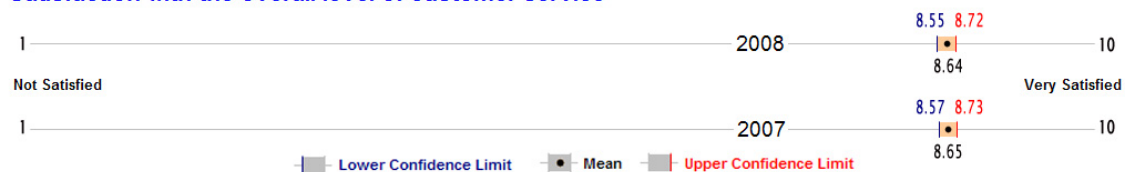
- **Financial Statement Audit** – An annual audit performed by an independent accountant.
- **Creditor Agreed-upon Engagement** – This annual engagement is required by Iowa Student Loan bond credit providers and loan servicing clients. It is completed by an independent accounting firm.
- **FFEL Program Audit** – As both a lender and servicer in the Federal Family Education Loan Program (FFELP), Iowa Student Loan is subject to the requirements listed in the Audit Guide, Compliance Audits (Attestation Engagements) for Lenders and Lender Servicers Participating in FFELP (the Guide) issued by the U.S. Department of Health and Human Services. Iowa Student Loan is required to complete a biennial audit.
- **SAS 70 Audit** – This annual audit covers the control objectives related to various servicing processes. This includes, but is not limited to, loan origination and disbursement, loan collection, and data routing.
- **Iowa Division of Banking Examination** – As a state-regulated lender, Iowa Student Loan is required to have annual audits performed by the Iowa Division of Banking.
- **Network Assessment** – Iowa Student Loan undergoes an annual network security review by an independent consultant.
- **U.S. Department of Education** – As a participant in FFELP and in addition to the recurring quarterly audits prescribed by the program, Iowa Student Loan is subject to review by the U.S. Department of Education and the Iowa College Student Aid Commission.
- **Additional Examination** – Board rating agencies, bond insurers and credit providers provide additional examination of Iowa Student Loan.

## Supporting Iowa Students and Families in Unprecedented Times: Customer Satisfaction

Despite challenging times in student lending, borrowers continue to give Iowa Student Loan high marks in the area of customer satisfaction. Nearly 1,300 borrowers responded to the 2008 annual borrower customer satisfaction survey, which was conducted by an outside vendor.

On a scale of 1 to 10, where 1 was “Not Satisfied” and 10 was “Very Satisfied,” borrowers demonstrated their satisfaction with Iowa Student Loan’s overall level of customer service by rating it at 8.64, nearly identical to the 2007 mean rating of 8.65. Sixty percent of the 2008 respondents gave a rating of 9 or 10.

### Satisfaction with the overall level of customer service



Borrowers rated the importance of many aspects of customer service as well as their satisfaction with those features. Iowa Student Loan is serving customers well in the areas that matter most to borrowers: the four most important characteristics (keeping confidential data secure, honesty in all aspects of business, the knowledge level and the professionalism of customer service representatives) also received the four highest levels of satisfaction.

High satisfaction scores also marked additional items of importance. The **unweighted average score for satisfaction** with the six items rated as most important to borrowers is **8.91** on a scale of 1 to 10 (where 10 is the best).

Respondents also indicated they were **likely to recommend Iowa Student Loan** to someone else with a mean rating of **8.41** on a scale of 1 to 10, where 1 was “Definitely Will Not” and 10 was “Definitely Will.”

The responses from this question were also used to compute the **Net Promoter Score (NPS)**. The NPS is a standard measurement of responses to a “likely to recommend” question. The NPS is found by subtracting the proportion of ratings below 7 from the proportion of 9 and 10 responses. **An average company usually finds its NPS in the 5% to 20% range. Iowa Student Loan received an NPS of 42.6%.**

Customer satisfaction is also high in relation to other financial service providers. Compared to data containing 11 NPS benchmarks from the consumer banking arena and eight NPS benchmarks from the credit card industry in fourth quarter of 2007, **Iowa Student Loan’s rating is higher than that of all 11 national consumer banks and all but one of the eight national credit card companies** in the benchmark report.

The level of customer satisfaction among Iowa Student Loan borrowers reveals that Iowa Student Loan continues to earn strong customer satisfaction ratings.

**Borrowers demonstrated their satisfaction with Iowa Student Loan's overall level of customer service by rating it at 8.64.**

### **Borrower Perceptions**

Borrowers find Iowa Student Loan to be a helpful, positive organization providing great products and customer service according to an internal survey conducted last spring. Respondents listed positive words to describe Iowa Student Loan customer service, products or the organization by using terms such as:

- Informative
- Accessible
- Reliable
- Understanding
- Helpful
- Fair
- Pleasant
- Friendly
- Excellent

The survey's main objective was to gain information about borrowers' perceptions of Iowa Student Loan as a student loan lender. However, additional information was also revealed.

Many students, because of their families' financial situation, need to borrow money to fund their educations. When these borrowers were asked if they believe that having a college education is worth the future student loan payments, a majority of the respondents (82.5%) indicated that the future loan payments were "worth it."

**An average company usually finds their Net Promoter Score (NPS) in the 5% to 20% range. Iowa Student Loan received an NPS of 42.6%**

## Iowans Helping Iowans: How Students Paid for College in 2008

Given the economic crisis of the latter half of 2008, previous private education loan borrowers faced new challenges when seeking private student loans for the 2008-2009 academic year. To better understand those challenges and how borrowers met them, Iowa Student Loan conducted a survey of borrowers. The large number of responses – 1,068 – allowed Iowa Student Loan to generalize with confidence the results over the population of previous Iowa Student Loan private loan borrowers.

Because of the effect of the credit crisis on Iowa Student Loan's ability to fund private loans, **nearly all of the approximately 15,000 students or parents who borrowed private loans from Iowa Student Loan for the 2007-2008 academic year did not take out a private loan from Iowa Student Loan for fall 2008.**

There were only 13 respondents (1.2%) who indicated they did not return to school for financial reasons. However, **41.8% of respondents indicated that they know the funding sources they used this year would not be available next year** and 42.4% were not sure if their funding sources would be available in the future. This lack of sustainability points to a possible college funding problem in the near future. A survey of 43 registrars across the country, released in January 2009 by the American Association of Collegiate Registrars and Admissions Officers (AACRA), indicated that more than 65% have noticed an increase in unpaid bills this year. The registrars told AACRAO that schools have seen the proportion of students having trouble paying bills rise to unprecedented levels along with higher than usual amounts left unpaid; one school is averaging \$3,000 per student with an unpaid bill.

The 419 respondents who responded that their parents contributed some money to their 2008-2009 college expenses were asked to indicate the sources of the funds. Nearly two-thirds of those respondents (**63.2%**) indicated that their **parents' earnings were one source of funds. Federal PLUS Loans** were the next most-frequently cited source (**24.6%**), followed by **private student loans (15.3%), personal loans** other than a federal or private student loan (**12.4%**) and expenses put on **credit cards (12.4%)**.

The 962 respondents who responded that they contributed some money to their 2008-2009 college expenses were asked to indicate the sources of the funds. More than three-fourths of the respondents (**78.0%**) indicated that **federal student loans were a source of funds. Student earnings** were the next most-frequently cited source (**68.7%**); followed by grants, scholarships and other aid that do not need to be repaid (63.9%); and private student loans (58.9%).

The majority of respondents (**64.9%**) **who obtained private student loans** for the 2008-2009 academic year indicated that they had a **more difficult** time obtaining a private student loan this year due to the current situation in the credit markets. The most-frequent reason for the increased level of difficulty, given by **53.1%** of the respondents who had more difficulty, was the **inability to find reasonable terms**. Of the 405 respondents who had more difficulty, **44.0%** said that the overall **process** was more **difficult** and **38.3%** listed having to find a **cosigner** as the reason. The study also indicated a significant increase in the use of grandparents and other relatives as cosigners.

## Iowans Helping Iowans: Board of Directors, 2008

Iowa Student Loan is governed by a board of directors appointed by the governor of Iowa. The board of directors, under the provision of the Iowa Student Loan Articles of Incorporation, as amended, consists of 11 Iowans who represent sectors of the financial industry, Iowa educational institutions and the general public. Once transition provisions for the amendment of the articles of incorporation are fully completed, all board member terms will be four years in duration. The board provides extensive oversight and strategic and policy direction, and ensures Iowa Student Loan adheres to its mission and meets its obligations. The following Iowans served as members of the board of directors in 2008.

- Catherine (Kay) E. Beyerink
- John O'Byrne
- John V. Hartung
- Laurie Hempen
- Patricia Keir
- Rudolph S. Leytze
- Steve Ollenburg
- Victoria Payseur
- Robert Wilson "Bill" Sackett

## Incoming Iowa Student Loan Board of Directors, 2009

On Jan. 6, 2009, Gov. Culver announced various appointments to the board of directors that will provide for a complete complement of 11 directors beginning immediately. These are the Iowans who will guide the future of the organization from here forward.

- Catherine "Kay" Beyerink, CEO, Telco Triad Community Credit Union
- Timothy Bottaro, Partner, Vriezelaar, Tigges, Edgington, Bottaro, Boden and Ross, L.L.P.
- Laurie Hempen, Human Resource Manager, Ceco Building Systems
- Christine Hensley, Vice President of Regional Community Affairs, Bank of the West
- Tahira Hira, Executive Assistant to President Gregory Geoffrey, Iowa State University
- Patricia Keir, Chancellor, Eastern Iowa Community College
- John O'Byrne, Retired President, Cresco Union Savings Bank
- Robert Wilson "Bill" Sackett, Attorney, Sackett & Sackett, P.C.
- Nicholas Spaeth, Executive Vice President, General Counsel and Chief Risk Officer, Federal Home Loan Bank
- Frank Thomas, Senior Counselor, Grinnell College
- J. Marc Ward, Attorney, Dickinson, Mackaman, Tyler & Hagen, P.C.

Iowa Student Loan's daily operations are led by the president and chief executive officer, subject to the direction of the board. The president and CEO is Steven W. McCullough.



**Phone: (800) 243-7552**  
**Web site: [www.studentloan.org](http://www.studentloan.org)**