

RESOURCE MATERIAL

for a

Presentation by

Mr. Gary W. Nichols
Executive Director
Iowa College Student Aid Commission

to the

Iowa General Assembly
Joint Education Appropriations Subcommittee

January 24, 2001

The information in this report was prepared to support the January 24, 2001 presentation to the Joint Education Appropriations Subcommittee. The document includes an overview of programs administered by the Commission, responses to specific questions provided in advance of the meeting, and a list of Commission representatives attending the session.

Commission Representatives:

- Mr. Gary W. Nichols, Executive Director**
- Ms. Brenda Easter, Director of Special Programs**
- Mr. Keith Greiner, Ed.D., Research Director**
- Mr. Donald Duzik, Chair, Default Reduction Task Force**
Financial Aid Administrator, Western Iowa Tech Community College,
Sioux City.

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Commission Overview

The Commission administers several State-funded scholarship, grant, and loan programs and is Iowa's designated guarantee agency for Federal Family Education Loan Program (FFELP) activities. The following summary describes the programs and FFELP activities.

**IOWA COLLEGE STUDENT AID COMMISSION
PROGRAM SUMMARY**

Program

Purpose

Programs Emphasizing Access and Choice

- **Iowa Tuition Grants** Provides access to Iowa independent colleges and universities. Over 29,000 students with financial need applied for help -- 14,667 were assisted in FY 2000.

- **Vocational -Technical Tuition Grants** Provides access to vocational programs at Iowa community colleges. Over 17,000 students with financial need applied for help -- 5,729 received assistance in FY 2000.

- **College Work-Study** Provides work and learning opportunities, for 1,121 Iowa students at Iowa colleges and universities in FY 2000.

- **Iowa Grants** Provides assistance to students with exceptional financial need at Iowa colleges and universities -- 2,249 students received average awards of \$636 in FY 2000.

- **State of Iowa Scholarships** Provides an incentive for exemplary academic performance in high school and an incentive to study at Iowa colleges and universities. 4,865 high-school students applied in FY 2000 -- 1,200 received assistance.

Programs Emphasizing Recruitment and Retention

- **National Guard Benefits** Provides an education benefit for members of the Iowa National Guard. 744 Guard members received awards averaging \$1,200 in FY 2000.

- **Osteopathic Forgivable Loans** Provides a loan forgiveness incentive for graduates of Des Moines University-Osteopathic Medical Center to practice in Iowa. One hundred twenty-seven students received loans of \$4,000 in FY 2000. Seventy-three recipients are currently practicing medicine in Iowa.
- **Physician Repayment Benefits and Scholarships** Provides scholarship and loan repayment incentives for graduates of Des Moines University-Osteopathic Medical Center to practice in rural Iowa communities. In FY 2000, ten graduates received loan repayment benefits, and eleven students received scholarship benefits. Forty-six communities are benefiting from the program.
- **Chiropractic Forgivable Loans** Provides a loan forgiveness incentive for graduates of Palmer College of Chiropractic to serve an Iowa area of need. Twenty-two students received awards of \$4,554 in FY 2000. Thirty recipients are practicing in 25 Iowa communities.
- **Forgivable Loans for Teachers** Provides an incentive for undergraduate and graduate education students to serve in shortage areas designated by the Iowa Department of Education. Ninety-six students received loans in FY 2000 -- 186 will be served in FY 2001. Fifty-six teachers have completed the program and are teaching in 45 Iowa communities.
- **ACE Grants** Provides an incentive for Iowans to obtain training for high-tech jobs in the state. Approximately 125 ACE Grants will be awarded to students in FY 2001.

- **US Army Educational Benefits** **Proposed to provide an education benefit to U. S. Army recruiters located in Iowa. The program will provide assistance to attend college and will connect individuals with Iowa job opportunities.**

Program Emphasizing Special-Needs Students

- **Foster Child Grants** **Provides college access and support to Iowans who were in foster care while in high school. Extends a State parental commitment to these students. Ten first-year students were helped in FY 2000 -- 21 first year students received assistance in FY 2001.**

Federal Family Education Loan Program

The Commission provides a wide array of student loan services to the students and families of Iowa and its lender, college and university partners. These services are provided both internally and in tandem with various third-party servicers. A summary of the services provided by or on behalf of the Commission, and the entity providing those services, will be found on page 18.

Higher Education Information Services

The Commission provides higher education information services for college and university officials, State policy-makers, and the public, while coordinating higher education data activities between over 56 Iowa colleges and universities and the National Center for Education Statistics.

Governor's FY 2002 Budget Recommendations

The Governor's proposal includes a \$1,340,000 increase in funding for the Commission. The proposal includes increases in four areas summarized below.

- **A \$1,100,000 increase in the Iowa Tuition Grant appropriation to increase the maximum grant from \$4,000 to \$4,100.**

- A \$125,000 increase in funding for osteopathic forgivable loans for students at Des Moines University-Osteopathic Medical Center. This is intended to reinstate a 2000 legislative session reduction.
- A \$65,000 appropriation for the Commission's Iowa Foster Child Grant Program. This amount will assist students and support a dedicated staff member to work closely with participants.
- A \$50,000 appropriation to enhance recruitment efforts for those leaving military service and armed forces recruiting efforts on Iowa's state university campuses.

The overriding budget goal for the Iowa Tuition Grant Program is to provide access though support comparable to the state subsidy at Regent Universities. Currently, the maximum Iowa Tuition Grant is 71 percent of the comparable state subsidy at a Regent University. The Governor's proposal will raise the maximum grant to \$4,100 in 2002, approximately 72.3 percent of the state subsidy compared to the Commission's recommendation for a \$4,200 award that would equal almost 74 percent of the subsidy. (In 1980 the maximum was 75.4 percent of the subsidy.)

The Osteopathic Forgivable Loan Program encourages graduates of Des Moines University-Osteopathic Medical Center to practice medicine in Iowa. Funding for osteopathic loans was reduced by \$125,000 for FY 2001, which is the amount collected in FY 1999 from graduates who left the state. Collection revenue is an excellent source of funds for supporting increased enrollments and raising the loan amount to provide a more meaningful incentive for graduates to practice medicine in the state. The Commission proposes restoration of \$125,000 to continue to maintain the incentive for Osteopathic Physicians to remain in Iowa. Failure to retain sufficient funding could force the Commission to reduce annual awards from \$4,000 to approximately \$2,500.

The Foster Child Grant appropriation would provide access to a population with substantial, unique barriers to education. The Commission funded a pilot program in FY 2000 for Foster Children, to encourage those who have received foster care to continue their education at Iowa colleges and universities. The pilot provided financial assistance to attend college, along with staff counseling, follow-up and support. The pilot program demonstrated the effectiveness of both components as eight of the original ten students are enrolled for the spring 2001 semester. The experience supports national research that suggests financial support, counseling support and a sense of constancy are essential to keep these young Iowans in college and support their success. By extending the State's parental role beyond age 18, through college, these at-risk Iowans have a much greater chance of success.

Default Reduction Program

The Iowa College Student Aid Commission is Iowa's designated guarantor for the Federal Family Education Loan Program (FFELP, formerly the guaranteed student loan program). The Commission guarantees approximately \$250 million in new student loans annually on behalf of mostly state-based lenders and services a guarantee portfolio of \$1 .9 billion. Lenders provide loan funds to students and the Commission guarantees the lenders against loss in the event borrowers fail to make payments. The Commission maintains a Federal Student Loan Reserve Fund to purchase defaulted student loans from lenders (at a rate of 98 percent of the default amount) and this Fund is reinsured by the Federal government (at a rate of 95 percent of the amount paid to lenders).

In 1993, the United States Congress asserted that the full faith and credit of the United States backed guaranteed student loans in the event a guarantor could no longer meet its loan guarantee obligations. This, in effect, reduced the need for guarantors to maintain significant loan loss reserve levels and paved the way for Congress to recall a portion of each guarantor's student loan reserve funds. (Up to this point, the Commission's financial consultants continually recommended that the Commission maintain the highest reserve ratio possible to signify financial soundness to its lender partners.)

As part of the Balanced Budget Act of 1997, Congress required the return to the Federal Treasury of approximately \$1 billion in guaranty agency reserves by the end of Federal FY 2002. The Commission's share of this amount is approximately \$30 million, or \$6 million per year over five years, to be deposited in a special recall or "set aside" account. The first of five annual installments was made to the set-aside account in December of 1997 and the last will be made in December of this year.

A second account was established as recommended by federal statute for the interest earned on the set-aside fund. A provision of the Balanced Budget Act of 1997 permits guaranty agencies to use this interest for enhanced default reduction activities (above what is required of guarantors by federal regulation).

While no specific guidelines have been provided by the U.S. Department of Education on how interest on the set-aside account must be used, the Department did provide the following examples of permissible uses: partial loan cancellation for good repayment performance; debt management and job placement counseling for "high-risk" borrowers; and developing public service announcements that detail the consequences of default. The Department further states that the funds should be used to provide "additional assistance for disadvantaged and high-risk borrowers". While not

required by law, officials strongly urge guarantors to request Department approval before committing funds.

Over the past three years, Commissioners have approved several initiatives to be funded using the interest on the set-aside fund. These activities, along with the authorized funding amounts, are summarized in the table below.

Commitments Through FY 2001

1 – Default Reduction Task Force (\$2,500/Year)	\$7,500
2 – Default Reduction Materials for FAO's	\$2,500
3 – Student Status Management System	\$10,000
4 – Student Loan Outfitters (\$75,000/Year)	\$225,000
5 – Foster Child Grant Pilot Program	\$300,000
6 – Disaster Relief Grant Program	\$1,036,912
7 – Repayment Assistance Program (proposed)	\$1,000,000
Total Commitments (Actual and Proposed)	<u>\$2,581,912</u>
Funds Accrued Through June 2001 (approx.)	\$2,900,000
Non-Committed Funds	<u>\$318,088</u>

Expenditure Summaries

1. A task force with members representing Iowa colleges, universities and lenders, the Commission, and Iowa Student Loan Liquidity Corporation (Iowa's designated secondary market for student loans). The Task Force meets periodically to develop and discuss default reduction initiatives to be considered for Commission approval. A modest allotment of \$2,500 per year covers travel and meeting expenses.

<u>Member Name</u>	<u>Institution</u>
Cathy Gomez	Hamilton College
Cindi Reints	Cornell College
Debbie Craig	USA Group
Debi Beatty	Muscatine Community College
Janice Cordell	Luther College
Mark Warner	University of Iowa
Michelle Durand-Adams	Chair, Iowa College Student Aid Commission
Peg Julius	Kirkwood Community College
Steve Loven	College Planning Center
Tim Kremer	University of Dubuque
Don Duzik	Western Iowa Tech. (Task Force Chair)

2. The first project of the Task Force was to create a resource manual for use by college and university financial aid officials to share “best practices” for reducing student loan defaults.

3. Commissioners earmarked \$10,000 to develop Internet-based communication options for college and university officials to submit “at-risk” borrower names and demographic information to the Commission.

4. The first major initiative of the Commission geared towards enhanced default reduction was the creation of the “Student Loan Outfitters” program. Outfitters staff work with students who have been identified as being “at-risk” of default, as submitted by college and university financial aid officials. These borrowers receive guidance on the many tools available to help students avoid default, including authorized deferments, forbearance, and repayment options geared toward lowering monthly payments.

5. The Foster Child Grant Program was created in February 1999 to assist Iowa students in the Foster Child Program pursue higher education. Commissioners earmarked \$300,000 to fund a five-year pilot program which will pay tuition and fees at public colleges and universities and a set stipend for student’s attending independent colleges and universities. To-date, \$76,800 has been provided to 23 students. Attendance-by-institution follows:

<u>Number of Students</u>	<u>Institution</u>	<u>Total Awards</u>
2	Iowa State University	\$ 9,000
1	University of Iowa	\$ 5,000
1	University of Northern Iowa	\$ 3,000
4	Des Moines Area Community College	\$ 11,000
1	Ellsworth Community College	\$ 1,000
1	Iowa Lakes Community College	\$ 2,000
1	Kirkwood Community College	\$ 2,000
1	Marshalltown Community College	\$ 2,000
1	North Iowa Area Community College	\$ 2,000
1	Northeast Iowa Community College	\$ 2,000
1	Scott Community College	\$ 4,000
1	Western Iowa Tech Community College	\$ 1,800
1	American Institute of Business	\$ 4,200
1	Briar Cliff College	\$ 4,200
2	Central College	\$ 12,600
1	Hamilton Business College	\$ 4,700
1	Luther College	\$ 4,200
1	Waldorf College	\$ 2,100
23		\$ 76,800

6. The Disaster Relief Grant Program was approved by Commissioners in December 1999 to provide grants to Iowa students whose families had been adversely impacted by the on-going farm crisis and recent natural disasters. Commissioners approved the use of approximately \$1 million for this program. Due to the size of this commitment, Commissioners sought the approval of the U.S. Department of Education before moving ahead with the program. While the Department was supportive of the concept, officials did not originally feel that the Commission's proposal met the spirit of "default reduction." Staff modified the original proposal by requiring participating colleges and universities to match Disaster Relief Grant allocations (thus, doubling the size and impact of the program) and limiting the borrowing of disaster relief grant recipients to subsidized student loans. These modifications, and the strong support of Governor Vilsack and Senator Harkin, won Department approval of the program in May 2000.

To-date, 718 Iowans have received disaster relief grants totaling over \$700,000. Average awards per institution range from \$338 to \$3,037, with an overall average per recipient of \$1,005. All program funds will be awarded by the end of the 2001-2002 academic year. Following is the allocation by sector:

	<u>Institution</u>	<u>Allocation</u>	<u>Percent of Total</u>
Regent	Universities	\$ 245,520	23.68%
Independent	Institutions	\$ 536,310	51.72%
	Community Colleges	\$ 255,082	24.60%
	Totals	\$1,036,912	100.00%

7. Commissioners also approved the development of a repayment assistance program in December 1999, although funding for this program would not be available until the fall of 2001 (when sufficient additional interest will have accrued to support new initiatives). Staff is developing program criteria in conjunction with the Default Reduction Task Force for Commissioner consideration later this year. Examples of possible repayment assistance includes:

- making interest only payments for borrowers who have exhausted their economic hardship deferment eligibility;
- purchasing loans from borrowers with high debt-to-income ratios and placing these borrowers on income contingent repayment plans;
- making three or six full payments on behalf of a borrower and considering the payments a forgivable loan if the borrower makes subsequent payments for an agreed upon time;
- assisting defaulted borrowers with monthly payments so that the borrowers can earn the right to rehabilitate their defaulted loans, thus reversing all record of the original defaults.

Accelerated Career Education Program

The Accelerated Career Education (ACE) program is intended to encourage community colleges to partner with state businesses to offer programs that support the new state economy. The program is funded from employer withholding funds. \$3 million for curriculum development and operational costs was authorized for FY 2001. This amount will increase to \$6 million in FY 2002.

An additional \$5.3 million was appropriated from the Rebuild Iowa Infrastructure Fund (RIIF) for FY 2001 for physical plant construction. The Governor is recommending \$5.0 million from RIIF for FY 2002.

The Commission administers a need-based student grant component that provides up to \$2,000 for students studying in designated areas. The current level of funding (\$250,000) will assist 125 students attending Kirkwood Community College and North Iowa Area Community College.

Forsivable Loan Repayments

The Iowa College Student Aid Commission operates three forgivable loan programs, including the Osteopathic Forgivable Loan Program, the Chiropractic Forgivable Loan Program, and the Iowa Teacher Shortage Forgivable Loan Program. Resources and Expenditures Summaries for each program follow.

Osteopathic Forgivable Loan Program

	<u>1999-2000</u>	<u>2000-2001</u>		<u>Estimated 2001-2002</u>
Beginning Balance	\$138,566	\$105,863		\$112,231
Appropriation	\$379,260	\$254,260		\$379,260
Loan Sales		\$210,108		\$100,000
Collections (1)	\$94,037	\$100,000	2	\$100,000
Total Resources	\$611,863	\$670,231		\$691,491
Forgivable Loan Expenditures	\$506,000	\$558,000		\$608,000
Ending Balance ³	\$105,863	\$112,231	2	\$83,491
Number of Awards ⁴	127	140		152
Average Award	\$4,000	\$4,000		\$4,000
Physician Placements	73	89	2	102

- (1) Fiscal year collections generally are not available to fund awards in the year collected.
- (2) Estimate.
- (3) Approximately \$21,000 (10%) will be held in reserve to purchase outstanding loans sold with recourse.
- (4) Increasing due to increased recruitment of Iowa residents.

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Chiropractic Forgivable Loan Program

	<u>1999-2000</u>	<u>2000-2001</u>		<u>Estimated 2001-2002</u>
Beginning Balance	\$0	\$5,861		\$2,000
Appropriation	\$100,000	\$100,000		\$100,000
Loan Sales				-0-
Collections ¹	\$6,061	\$2,000	2	\$9,600
Total Resources	\$106,061	\$107,861		\$111,600
Forgivable Loan Expenditures	\$100,200	\$105,861		\$102,000
Ending Balance	\$5,861	\$2,000	2	\$9,600
Number of Awards	22	23		22
Average Award	\$4,554	\$4,550	2	\$4,550
Chiropractic Placements	30	40	2	50

(1) Fiscal year collections generally are not available to fund awards in the year collected.

(2) Estimate.

Iowa Teacher Shortage Forgivable Loan Program

	<u>1999-2000</u>	<u>2000-2001</u>	<u>Estimated 2001-2002</u>
Beginning Balance ¹	\$22,839	\$0	\$1,400
Appropriation	\$250,000	\$525,000	\$525,000
Loan Sales			\$0
Collections ²	\$0	\$1,400	\$2,000
Total Resources	\$272,839	\$525,000	\$528,400
Forgivable Loan Expenditures	\$272,839	\$525,000	\$526,400
Ending Balance	\$0	\$1,400	\$2,000
Number of Awards	96	175	175
Average Award	\$2,842	\$3,000	\$3,000
Chiropractic Placements	56	72	96

(1) In 1999-2000, the Industrial Technology Forgivable Loan Program was replaced by the Iowa Teacher Shortage Forgivable Loan Program. FY 1999 funds remaining in the Industrial Technology Forgivable Loan Program were carried over to FY00.

(2) Fiscal year collections generally are not available to fund awards in the year collected.

Work-Study Carry-Over

The management of college and university work-study funds is very fluid because of the constantly changing work requirements of employers and work opportunities for students. Thus, college and university officials from time to time end the school year with funds in their work-study accounts. The following summary lists balances for each participating Iowa college and university along with notes summarizing various unusual circumstances.

IOWA COLLEGE WORK-STUDY PROGRAM
FUNDING CARRYOVER HISTORY

<u>Institution</u>	<u>1999-2000</u>	<u>1998-1 999</u>	<u>1997-1 998</u>
Iowa State University	\$ -	\$ 1, 757	\$ -
University of Iowa		87, 838 ⁽¹⁾	
Allen College	-	32	875
American Institute of Business		298	
American Institute of Commerce	-		19,278
Briar Cliff College	-	1, 332	
Drake University	19,767 ⁽⁴⁾		
Hamilton Business College		33, 127 ⁽³⁾	
Iowa Methodist	-	1, 824	1, 576
St. Luke's School of Nursing	999	1, 270	
University of Dubuque	1		
Des Moines University OMC (a)	-		1, 332
Des Moines Area C.C.	-	7	7
Eastern Iowa C.C.	-		
Indian Hills C.C. (b)	-	89, 110 ⁽⁴⁾	107, 563 ⁽⁴⁾
Iowa Central C.C.	-	3, 785	11, 448
Iowa Valley C.C. -- Ellsworth C.C.	1,179	2, 144	633
Iowa Western C.C.	11, 458	5	
Kirkwood C.C.	2,697		
North Iowa Area C.C.	13, 147	2, 325	5,489
Northwest Iowa C.C.	1, 641		2, 034
Southeastern C.C.	264		-
TOTALS	\$51, 153	\$224, 854	\$150,235

(1) Indian Hills experienced difficulties allocating funds because of staffing issues.

The College has resolved its staffing issues and is now effectively administering the program.

(2) A one-time, late-year allocation adjustment resulted in the University of Iowa balance.

(3) A change in ownership caused the Hamilton College administrative staff to focus on transition activities with a resulting delay in Work-Study awards.

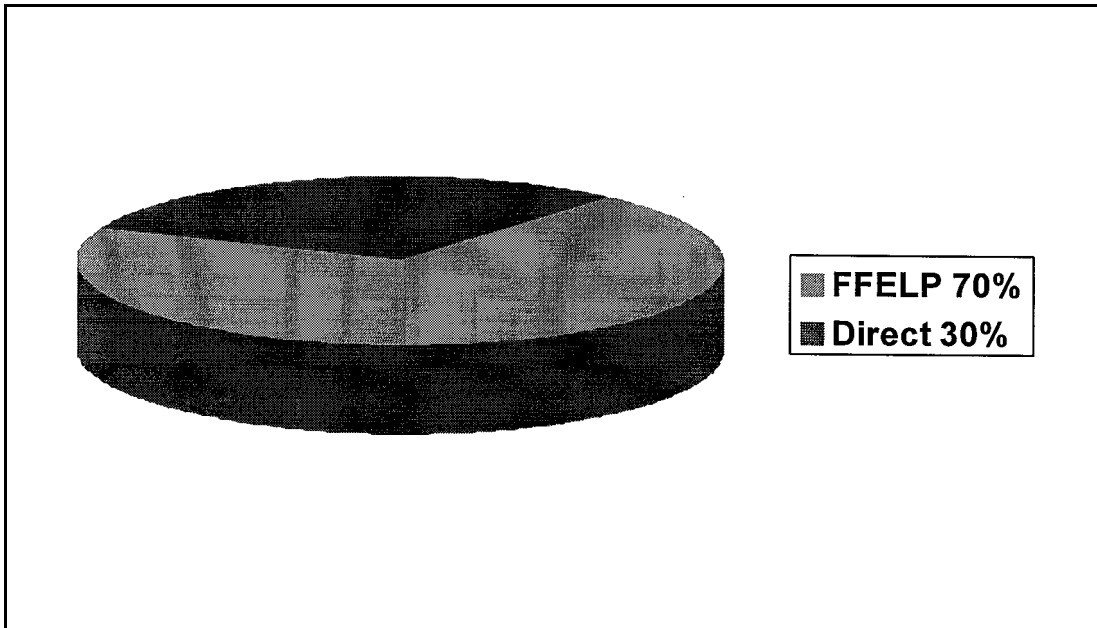
(4) A one-time carry-over was caused by the University's decision to out-source its food service operation,

FFELP Participation

The U. S. Department of Education administers two guaranteed student loan programs. The Federal Family Education Loan Program (FFELP) assists Iowa college and university students with private capital loans guaranteed by the Federal government with the Iowa College Student Aid Commission serving as the designated Iowa guarantee agency. The Federal Direct Loan Program

(FDLP) assists students with publicly generated Federal resources. Forty-one Iowa colleges and universities (70 percent) participate in the Commission's FFELP program, a participation rate similar to the national rate. Three institutions have returned to FFELP; no additional institutions have opted for Direct Lending.

FFELP PARTICIPATION BY IOWA COLLEGES AND UNIVERSITIES



IOWA COLLEGE STUDENT AID COMMISSION

FFELP Participation by Institution

<u>Institution</u>	<u>FFELP</u>	<u>Direct Loan Program</u>
All Iowa Colleges and Universities		
Independent 4-Year Institutions		
Briar Cliff College	X	
Buena Vista University - returned FY 1998	X	
Central College		x
Clarke College	X	
Coe College		X
Cornell College	X	
Divine Word College	X	
Dordt College	X	
Drake University	X	
Emmaus Bible College	X	
Faith Baptist College	X	
Graceland University		
Grandview College	X	
Grinnell College	X	
Iowa Wesleyan College	X	
Loras College	X	
Luther College		X
Maharishi University of Management	X	
Morningside College	X	
Mount Mercy College		X
Mount St. Clare College	X	
Northwestern College	X	
Saint Ambrose University - returned FY 2000	X	
Simpson College	X	
Marycrest International University	X	
University of Dubuque	X	
Upper Iowa University	X	
Vennard College	X	
Waldorf College		X
Wartburg College	X	
William Penn College	X	
Independent 2-Year Institutions		
American Institute of Business	X	
Community Colleges		
Clinton Community College	X	
Des Moines Area Community College		X
Ellsworth Community College	X	

Hawkeye Community College		x
Indian Hills Community College		X
Iowa Central Community College	X	
Iowa Lakes Community College	X	
Iowa Western Community College	X	
<i>Kirkwood Community College - Considering FFELP for FY 2001</i>		X
Marshalltown Community College – returned FY 2000	X	
Muscatine Community College	X	
North Iowa Area Community College		X
Northeast Iowa Community College		X
Northwest Iowa Community College	X	
Scott Community College	X	
Southeastern Community College	X	
Southwestern Community College		X
Western Iowa Tech. Comm. College	X	
Regent Institutions		
Iowa State University		X
University of Iowa		X
University of Northern Iowa		X
Professional Colleges and Universities		
Palmer School of Chiropractic	X	
Des Moines University of Osteopathic Medicine	X	
Business Colleges		
American Institute of Commerce	X	
Hamilton Business College	X	

Iowa Tuition Grant and Vocational-Technical Tuition Grant Expenditures

Total Iowa Tuition Grant expenditures through January 19, 2001, for academic year 2000-01 totaled \$39,141,929. The full allocation of \$48,712,000 will be awarded by the end of the academic year.

Total Iowa Vocational-Technical Tuition Grant expenditures through January 19, 2001, for academic year 2000-01 totaled \$1,748,150. The full allocation of \$2,482,400 will be awarded by the end of the academic year.

Special priority awards are authorized when it is determined that funding is available to help additional students. Special priority students meet all eligibility requirements but could not be given awards initially because of limited state appropriations. Eligible students remain unserved even following the disbursement of special priority funds.

FFELP Services Summary

College and University Institutional Services

- Automated Loan Application/Change Processing
Service Provider: USA Group

The Commission provides its most significant, and costly, service to its various constituencies through the utilization of USA Group's EAGLE System, a state-of-the-art, highly sophisticated data processing and status management system. Application and guarantee fee processing, borrower and loan status management, electronic claims processing, collections servicing, and government reporting are just some of the major activities provided through EAGLE. Using EAGLE, the Commission guaranteed approximately \$238 million in FY 2000 and maintains an outstanding portfolio of \$1.87 billion.
- Training/Technical Support
Service Provider: Commission Staff – Client Services

Training and technical support is provided to school and lender clients through telephone contacts, seminars, ICN training sessions, bulletins and one-on-one visits. This is a critically important service that allows the Commission to provide a local touch when assisting clients in administering highly regulated and very technical financial aid programs. This support also facilitates the relationship-building process, a key component in earning and maintaining customer loyalty.

- Enhanced Customer Support – Application and Disbursement Changes
Service Provider: USA Group – Des Moines Office

In 1995, the Commission contracted with USA Group to enhance the services provided out of its Des Moines office. A “one-stop” process was instituted for application and disbursement changes and returning refunds and over-awards to lenders. The creation and support of these services have been extremely well-received by the Commission’s college and university clients.

- WhizKid Software/Annual Maintenance
Service Provider: USA Group

WhizKid is a popular PC-based software program used by college and university financial aid staff to process student loan application and change request data. The Commission provides WhizKid software and the WhizKid annual maintenance expenses on behalf of all interested Iowa FFELP institutions. WhizKid can be used on a stand-alone PC or connected to a local area network (LAN) to allow multiple users. In FY 20000, virtually every Iowa student loan guaranteed by the Commission was electronically transmitted using the WhizKid software.

- Student Status Management
Service Provider: National Student Loan Clearinghouse

The Commission first contracted with the Clearinghouse in 1996. Through this agreement, Iowa colleges and universities are able to designate the Clearinghouse as their agent for completing the federally required student status confirmation report. College and university participants provide the Clearinghouse with student enrollment data on a regular basis and the Clearinghouse uses the data to update the Department’s National Student Loan Data System. Currently, 35 Iowa colleges and universities take advantage of the Clearinghouse’s services.

- **Common Manual – Unified Student Loan Policy**
Service Provider: Commission Staff, National Guarantor Community

Creation of the Common Manual is one of the most significant FFELP enhancements over the past several years. Every guarantor has adopted the Common Manual as its policy manual, meaning school and lender participants no longer need to track the individual policies of multiple guarantors. The Common Manual is updated as needed on a monthly basis through the use of interim bulletins and a new hard copy and electronic version is created and distributed annually.

- **Mapping Your Future**
Service Provider: Consortium of National Guarantors, Texas Guaranteed Student Loan Corporation

Mapping Your Future is an interactive Internet web site sponsored by nearly every guarantor in the nation. College and university officials can direct their students to this web site to complete federally-required entrance and exit interviews, access loan repayment calculators, budgeting tools, and salary indicators, or participate in nationwide “chat nights.” Several Iowa colleges and universities utilize Mapping Your Future services. The Commission has been a sponsor since 1998.

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Lender Services

- Automated Loan Application/Change Processing See description above under School Services.
- Default Aversion Assistance
Service Provider: USA Group Guarantors are required to offer default aversion assistance to lenders once a borrower reaches the 60th day of delinquency. A fee equal to one percent of the total of principal and interest on the delinquent account is paid to the guarantor to offset the expense of providing loan collection assistance. This fee, which is paid only once per borrower, must be refunded to the Department if the borrower eventually reaches default. USA Group performs default aversion assistance activities on behalf of the Commission from the 60th day of delinquency until the account is either brought current or reaches default (defined as the 270th day of delinquency).
- Default Claim Review/Payment
Service Provider: Commission Staff – Claim Review Area Perhaps the most important financial service the Commission provides to its participating lenders is processing and paying claims in the event of borrower default. Accurate and timely default claim processing is critically important to a lender's student loan cash flow and provides liquidity for the lender to fund additional loans. Currently, five claim review staff process on average 10,000 default claims per year. Staff is transitioning to USA Group's electronic claims processing (ECP) system, which will increase the efficiency of reviewing and purchasing claims. SallieMae, the Commission's second largest holder of ICSAC-guaranteed student loans,

and USA Group's loan servicing affiliate, are filing claims electronically this fiscal year. The Commission's largest lender client, Iowa Student Loan Liquidity Corporation, hopes to transition to ECP later this fiscal year.

- **Training/Technical Support**

See description above under College and University Services.

- **PLUS Credit Check**
Service Provider: USA Group

Federal regulations require that parent borrowers pass a prescribed credit test before gaining eligibility for PLUS Loans. The Commission, through its contract with USA Group, performs the required credit checks on behalf of its participating lenders. Lenders are notified in cases of adverse credit so that the lenders can disclose the reasons for loan denial in compliance with state and federal banking laws.

General Public Services

- **Telephone Customer Service**
Service Provider: Commission Staff

One of the primary duties of the Commission's client services staff is to provide prompt, courteous and accurate technical support to the many constituencies of the Commission. Five staff members in client services, along with the directors and support staff of the state programs, respond to nearly 200 calls per week.

- **Student Loan Outfitters - Your Guide to Repayment**
Service Provider: Commission Staff

Student Loan Outfitters is the Commission's internal default aversion program designed to enhance the Commission's overall default reduction efforts. *Outfitter's* services are performed by the Commission's client services staff.

Efforts include:

- the study of past and current default data to better identify borrowers at risk of defaulting;
- working with the FFELP Default Reduction Task Force and the Commission's communications firm to prepare and disseminate well-crafted, effective debt management literature to at-risk borrowers;
- using an improved student status management system to react quickly to information from schools and making attempts to counsel at-risk borrowers well before the borrowers' loans enter repayment;
- the creation and maintenance of a data base of at-risk accounts and tracking these accounts throughout their repayment (or delinquency) periods; and,
- being available by telephone and through the Internet to counsel borrowers on the many repayment and deferment options available to avoid default.

- **Borrower Debt Letter**
Service Provider: USA Group

The Borrower Debt Letter is a document that is mailed to students who are about to enter repayment on their student loans guaranteed by the Commission. The letter lists each of the borrower's loans, the lender of record, the original loan amount, and when the borrower's first payment is due. Borrowers are encouraged to contact their lenders if they have questions or need to provide new anticipated out-of-school dates.

- **Informational Brochures**
Service Providers: Commission
Staff and ICSAC Communications
Firm

The Commission provides several informational pieces to the general public, including the *Your Course to College* booklet, and the *Student Financial Aid Source Book*, *Repayment Guide*, and *Parent Guide* brochures. The *Your Course to College* booklet provides an overview of the student financial aid process, federal and state grants, and federal and private loans programs, and includes a brief summary of the colleges and universities in Iowa. It is distributed directly to juniors at Iowa high schools and to guests at the Iowa State Fair. The Commission distributes thousands of informational brochures directly to parents and students through its lender, college and university partners.

- **Internet Web site**
Service Providers: Commission
Staff and ICSAC Communications
Firm

The Commission introduced its Internet web site in 1996. The site provides an electronic version of the *Your Course to College* booklet, all of the Commission's brochures and bulletins, and the latest *Information Digest*. Visitors to the web site can locate a participating lender, hot link to one of the state's college or university web sites, send an e-mail to Commission staff or post a question on the financial aid bulletin board. Staff is investigating the possibility of using the Commission's web site as the single point of contact for processing all state and federal aid administered by the Commission.

- Public Service Announcements
Service Provider: ICSAC
Communications Firm

The Commission's communications firm (a marketing contractor chosen through a competitive bidding process every two to three years) creates a new public service announcement (PSA) roughly every other year. The 30- and 60-second spots run on television and radio stations throughout the state starting after the first of the year and continue through the spring financial aid application season. The main messages are to remind students to meet all filing deadlines for state and federal aid and that "We put the funds into learning."

- Financial Aid Nights (In-person and over ICN)
Service Provider: Commission Staff

Commission staff participate in over a dozen financial aid nights each year reaching nearly 750 parents and students throughout Iowa. Attendance varies from a few families to hundreds of parents and students at local high schools and lender facilities. The Commission also participates in financial aid nights held over the Iowa Communications Network (ICN).

Collection/Oversight Services

- Default Collections
Service Providers: Collection Vendors, Commission Staff

Attempting to collect defaulted loans is an important function the Commission performs on behalf of the taxpayer. Fortunately, the Commission has enjoyed a low default rate over the years and great success in eventually collecting a substantial portion of default dollars. The vast majority of default accounts are placed with one of several private-sector collection vendors. Vendors are selected through a

competitive bidding process and, once under contract, are rewarded with a larger percentage of placements based on performance. Currently, the Commission places new defaulted accounts with one of three vendors. Two other vendors remain under contract to continue collecting on paying accounts. Commission staff services an internal defaulted student loan portfolio totaling approximately \$25 million. The Commission's total "collectible" default portfolio totals approximately \$153 million. The Commission and its vendors collected over \$20 million in FY 2000.

- **Loan Rehabilitation**
Service Provider: Commission Staff

Federal regulations permit guarantors to expunge the adverse credit records and sell to eligible lenders the loans of defaulted borrowers that have made at least twelve consecutive and timely payments. The borrowers regain all the rights of non-defaulted borrowers, lenders receive a performing asset, and the taxpayer is made whole. Since 1995, the Commission has rehabilitated 736 defaulted borrower accounts with loans totaling \$3.7 million.

- **Income Tax Offsets**
Service Providers: Commission Staff, USA Group, Department of Revenue and Finance (State Tax Offsets), and Internal Revenue Service (Federal Tax Offsets)

Federal regulations permit guarantors to offset the state and federal tax refunds of defaulted student loan borrowers. For the 1999 tax year, the Commission offset \$3.9 million in federal taxes and \$529,000 in state taxes from approximately 17,500 defaulted borrowers.

- Assistant Attorney General Support
Service Provider: State of Iowa Attorney General's Office

The Commission benefits from the services of a full-time Assistant Attorney General (AAG) through a contract with the Iowa Attorney General's Office. One AAG and one legal secretary are assigned to the Commission. The AAG's primary duties are to oversee the Commission's administrative wage garnishment (AWG) program, litigate bankruptcies and other defaulted borrower accounts (when permitted by federal regulation), collect on defaulted Partnership Loan Program loans, and provide legal counsel to Commissioners and staff.

- Lender/School Audits (Accounting Firm)
Service Providers: Third-party Accounting Firm, Commission Staff

The Commission is required to perform biennial audits of its ten largest originating lenders and any school with a cohort default rate exceeding twenty percent. The Commission traditionally has outsourced this effort to third-party accounting firms in order to avoid conflicts of interest and separate the somewhat negative connotations of an audit from the customer-friendly services provided to Commission clients. Commission staff receive the audit reports for each institution and perform any required follow-up activities with the institutions before declaring audits closed. All audits performed on behalf of the Commission under its vendor contracts are reviewed by the State Auditor's Office on a regular basis.

- Telephone Customer Service for Defaulted Borrowers
Service Provider: Commission Staff – Collections Area

The Commission's collections area consists of five staff members responsible for collection activities on a \$25 million defaulted student loan portfolio. Approximately 200 outgoing collection calls per week are required to service this portfolio. More significantly, Commission collectors spend a great deal of time responding to incoming telephone calls from defaulted student loan borrowers whose accounts are placed with the Commission's collection vendors. Approximately 750 incoming calls a week are handled by Commission collectors.

- Loan Servicing
Service Provider: Commission Staff

The Commission provides loan servicing for a portfolio of defaulted Partnership Loan Program loans purchased at a discount from Iowa Student Loan Liquidity Corporation. The Partnership Loan Program is an alternative loan program funded and administered by Iowa Student Loan. To date, the Commission has purchased loans totaling approximately \$1.5 million. Loans are serviced in-house using a PC-based program developed for student loan servicing. Collection activities are directed by the Assistant Attorney General assigned to the Commission.

Cost Allocation

The Iowa College Student Aid Commission operates a number of programs with diverse funding sources. Primary funding for most programs comes from the Federal government, the State of Iowa, and the Commission's student loan operation. Because of these diverse funding sources, Federal and State auditors require the Commission to allocate costs to the appropriation.

The Commission allocates FTEs and salaries according to job descriptions, time allocations of subordinate staff and management assignments. These allocations may vary during the year due to assignment of specialized projects not envisioned in the individual's job description. Budgeted allocations follow.

IOWA COLLEGE STUDENT AID COMMISSION
FY 2001 EMPLOYEE COST ALLOCATION PLAN

	General Office <u>F.T.E.</u>	GSL <u>F.T.E.</u>
<u>Executive Support</u>		
Executive Director - Nichols	0.20	0.80
Confidential Secretary - Pitman	0.20	0.80
Director, Special Programs - Easter	0.30	0.70
Director, Research - Greiner	0.30	0.70
Research Associate - Mesecher	0.30	0.70
 <u>Program Administration</u>		
Director, State Student Aid Programs - Leeper	0.50	0.50
Administrative Assistant - Adair	1.00	
Administrative Assistant I - Westenfield	1.00	
Word Processor II - Campbell		1.00
Secretary II - Vacant	0.40	0.60
Receptionist - Livingston	0.20	0.80
 <u>Guarantor Services</u>		
Director, Guaranteed Student Loan Program - Fitzgibbon		1.00
Policy Officer - Molenburg		1.00
Program Planner II - Jacobsen		1.00
Program Planner II - Keahi		1.00
Program Planner II - Beckel		1.00
Program Planner I - Vacant		1.00
Administrative Assistant - N. Johnson		1.00
Program Planner III - Mohr		1.00
Administrative Assistant II - Vander Werff		1.00
Administrative Assistant I - Krueger		1.00
Administrative Assistant I - Vacant		1.00
Administrative Assistant I - Nutting		1.00
Administrative Assistant I - Kacy		1.00
Administrative Assistant I - Lust		1.00
Administrative Assistant I - Killen		1.00
Administrative Assistant I - Stewart		1.00
Administrative Assistant I - Moses		1.00
Administrative Assistant I - Darr		1.00
Administrative Assistant I - Webster		1.00
Clerk III - Bretz		1.00
 <u>Finance and Personnel</u>		
Director, Finance and Personnel - Mather	0.20	0.80
Accountant II - James	0.20	0.80
Administrative Assistant II - Telfer	0.20	0.80
Accounting Technician III - Curry	0.20	0.80
Accounting Technician II - Ferguson	0.05	0.95
Accounting Clerk II - Johnson		1.00
Accounting Clerk II - Fitchett	0.05	0.95
Typist Advanced - May	0.10	0.90
Data Entry Operator - Neades		1.00
 TOTAL	 5.40	 34.60