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PRESENTATION ON IOWA STUDENT LOAN

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Executive Summary: Dr. Tahira Hira, Executive Assistant to the President at Iowa State University, serves as the Board of Regents representative on the Iowa Student Loan Board of Directors. The board provides oversight and checks and balances to ensure that Iowa Student Loan adheres to its mission and meets its obligations. Dr. Hira is a professor of Personal Finance and Consumer Economics at ISU. Since 1976, she has taught and conducted research in family financial management, consumer credit, gambling, and consumer bankruptcy in the United States and a number of other countries. She created ISU's Financial Counseling Clinic, which conducts research and provides hands-on experience in research and counseling to graduate and undergraduate students.

Iowa Student Loan (ISL) is a nonprofit corporation that has no shareholders and pays no dividends. It 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. It employs approximately 275 Iowans, who are not state employees, in quality jobs. Its mission is to help Iowa students and families obtain the resources necessary to enroll in postsecondary education.

ISL is self-funded and does not receive state appropriations to fund its operations. It generates resources for its programs when it has a positive margin between the rates on its student loans and the costs to fund and service them. "Total revenues for the corporation in FY 10 were \$117.3 million. Major sources of revenue included student loan interest (\$106.9 million); student loan fees (\$7.6 million); interest on investments (\$0.6 million); and other (\$2.2 million)."

One of ISL's priority goals is to make financing available to students who need funds beyond available state and federal aid to finance college. The three programs provided encourage students to exhaust all state and federal financial aid, including federal loans, first. Applications for the loan programs include disclosures recommended by the Iowa attorney general.

- ◇ The *Partnership Advance Education Loan* is financed by ISL through issuance of federally tax-exempt private activity bonds. It became available to students in late 2009 and offers three options, each with different fixed interest rates. This loan is one of few available supplemental private student loans with a fixed rate.
- ◇ The *Iowa Alliance Loan Program*, a partnership with Iowa-area banks, is for students who have no creditworthy cosigner and who would be unable to attend or remain in school without supplemental private student loan funds. ISL partnered with 15 Iowa-area bank lenders to assist students most in need. The features of the loan program are transparent terms, including a variable interest rate that students know before applying. The Iowa Bankers Association is assisting to build awareness about this program to its members.

- ◆ The *Credit Union-Based Private Loan Program*, a collaborative effort with Iowa credit unions that want to create their own private student loan programs, is for students who might have to drop out of college if they cannot obtain private student loans. ISL works with a growing number of credit unions in Iowa and surrounding states dedicated to ensuring access to supplemental private student loans with transparent terms. The assistance that Iowa lenders can contribute with ISL's help is a critical component of college success. The Iowa Credit Union League is assisting to build awareness about this program to its members.

As part of ISL's attempt to educate students and their families about personal finances and the need to limit borrowing for college when possible, Dr. Hira has worked with other board members and staff on the creation of a unique online course that private student loan applicants are required to complete.

Student Loan Game Plan is an innovative online responsible borrowing resource that was integrated into ISL's private loan program applications in December 2010. This resource, well received by focus groups, educates applicants on how student loan decisions can affect their future. Interactive features allow the applicant to enter information about previous borrowing, estimated future borrowing, expected future salary, and estimated future expenses to calculate an approximate student loan debt-to-income ratio. Applicants are informed about how this ratio can indicate future financial success or difficulty. They are encouraged to consider different means of reducing costs and increasing income to reduce borrowing. Applicants of all private student loan programs owned or serviced by ISL are required to complete this interactive educational resource.

- ◆ ISL funds several community reinvestment programs with its available funds. These programs tie in with state priorities, enhance the efforts of colleges and public agencies, and help fill gaps that have not been funded by state appropriations.
 - *ISL Nurse Educator Grant* helps graduate-level nurse educator students who are also teaching in a nursing program at an Iowa college or university. The program awards as many as 32 grants of up to \$4,000 each academic year. Grants of up to \$2,000 for each term help offset costs related to their educational programs for eligible applicants. As of March 8, 2011, a total of \$86,000 had been awarded as grants to 25 Iowa nurse educators.
 - *ISL Teacher Career Establishment Grant* helps new teachers in Iowa with startup costs to become established in their chosen career. As many as 62 nonrenewable grants of up to \$2,000 will be available to new classroom teachers who (1) graduated in Fall 2010 or will graduate in Spring 2011 or Summer 2011; (2) are certified in a state-designated shortage area in Iowa; and (3) are contracted to begin their first teaching job in a shortage area after January 1, 2011. As of March 24, 2011, approximately \$40,000 grant dollars had been awarded to 22 Iowa teachers in subject shortage areas.
 - *ISL Nursing and Teacher Education Loan Forgiveness Programs* have helped approximately 250 nurses and 300 teachers to receive more than \$2.5 million in loan forgiveness. These recipients are not affected by the new programs and will continue to receive loan forgiveness benefits.

- *ISL Armed Forces Interest Reduction Program* was extended for service members entering federal active duty through December 31, 2011. The program recognizes service members deployed for wartime efforts since September 11, 2001 by reducing interest to 0% for up to 24 months on their private loans owned by ISL. As of December 31, 2010, more than \$560,000 in student loan interest had been forgiven on 551 service members' student loans.

- ◇ For 10 years, the Iowa College Access Network (ICAN) operated as a division of ISL and provided services aimed at preparing Iowa's middle and high school students for college. In 2009, the ISL board voted to incorporate ICAN as an independent nonprofit 501(c)(3) educational organization. ICAN's new status and independent governing board positioned it to be a recipient of private donations and federal grants to fund new and expanded college access services. In 2010, ISL contributed more than \$1.7 million of in-kind donations of property, equipment, inventory, services, and shared activities.