

MEMORANDUM

To: Board of Regents

From: Board Office

Subject: Report on Meeting of the Iowa College Student Aid Commission

Date: February 12, 2001

Recommended Action:

Receive the report.

Executive Summary:

The Iowa College Student Aid Commission (ICSAC) met on January 16 in Des Moines. The Commission received a report on the Governor's FY 2002 budget recommendations, approved a guarantee fee waiver, and adopted creation of an I-Link Service Center in partnership with the Iowa Student Loan Liquidity Corporation.

Background/Analysis:**FY 2002 Budget Recommendations:**

The Governor has recommended a \$1,340,000 increase in FY 2002 funding of ICSAC financial aid programs. The following table outlines the recommendations:

	FY 2001 <u>Appropriation</u>	FY 2002 Commission <u>Proposed</u>	FY 2002 Governor <u>Proposed</u>	<u>Increase</u>
Scholarship Program	\$ 498,540	\$ 498,540	\$ 498,540	
Tuition Grants	48,830,075	53,630,000	49,930,075	\$ 1,100,000
Voc-Tech Grants	2,482,400	2,982,400	2,482,400	
Work Study	2,750,000	2,750,000	2,750,000	
Iowa Grants	1,144,850	4,144,850	1,144,850	
National Guard Program	1,250,000	1,250,000	1,250,000	
Osteopathic Forgivable Loans	254,260	379,260	379,260	125,000
Physician Recruitment	395,000	395,000	395,000	
Chiropractic Forgivable Loans	100,000	200,000	100,000	
Teachers Shortage Loans	525,000	1,100,000	525,000	
Foster Child Grants		65,000	65,000	65,000
ACE Grants	250,000	3,010,000	250,000	
GEAR UP Matching Funds		337,000		
US Army Educational Benefits Administration	325,801	325,801	50,000	50,000
			337,534	
Total	58,805,926	71,067,851	60,157,659	1,340,000

I-Link Service Center:

ICSAC approved the establishment of a new customer service unit, through a 28E Agreement with the Iowa Student Loan Liquidity Corporation, to provide comprehensive financial aid support for colleges and universities in Iowa. For more than 15 years, ICSAC has provided customer support to the lenders, colleges and universities of Iowa in partnership with the Des Moines-based office of USA Group, the Commission's data service provider headquartered in Indianapolis, Indiana. ICSAC staff provided training, technical support, and regulatory guidance while the USA Group Des Moines handled loan application processing and change requests, guarantee fee billing, and the return of funds from schools to lenders. This partnership was particularly beneficial when many of the loan processing duties were of a manual nature and the USA Group Des Moines office had the flexibility to increase or decrease staffing size based upon seasonal workflow.

Advancements in technology and the shift of loan processing to the school financial aid offices have reduced the duties performed by the USA Group Des Moines office staff. ICSAC believes that an arrangement with the Liquidity Corporation will assure completion of existing duties performed by the USA Group and will promote a more effective delivery of financial aid services.

The two main goals of a new "I-Link Service Center" are to provide (1) a single point of contact for the transmission of electronic loan, scholarship and grant data, and (2) a single source of information and customer support for the financial aid-related inquiries. The I-Link Service Center will provide the following specific services:

- Process for schools to transmit electronic loan application-related data to multiple guarantors and lenders/servicers, and receive information back, using one point of contact;
- Support for the Iowa scholarship and grant programs;
- Support for the Iowa FFEL Program and issues concerning loans guaranteed by other guarantors;
- Resource for Title IV regulatory guidance;
- Loan application change requests on all ICSAC guarantees;
- Loan maintenance on all FFELP loans for I-Link participants, regardless of lender, servicer or guarantor;
- Return of funds from schools to lenders due to loan cancellations or overawards;
- Alternative loan processing support as requested by Iowa colleges and universities.

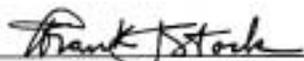
Benefits of the I-Link Service Center include the following:

- School and lender clients will have one point-of-contact for virtually all Iowa financial aid-related questions, including information on Iowa scholarships and grants, FFELP loan applications, and regulatory guidance;
- The I-Link process will allow schools to transmit electronic loan application and change request data to multiple guarantors and lenders/servicers, and receive information back, using one point of contact. Schools will not need to establish individual data-encryption protocol with multiple entities.
- The one-stop-shopping aspect of the I-Link Service Center emulates the single point of contact benefit of the Federal Direct Loan Program;
- Customer service and state-of-the-art electronic loan processing can be provided directly to school and lender clients without reliance on a third-party vendor.
- Lenders and servicers will receive loan application and change request data more promptly, allowing these institutions to provide competitive services on an individualized basis.
- Based on current loan volume experience, seven of ten new loans are owned or serviced by Iowa Student Loan Liquidity Corporation, indicating that significant guarantee servicing efficiencies will exist under the I-Link Service Center concept.
- Creation of the I-Link Service Center will accelerate the scholarship and grant processing enhancements.

Guarantee Fee Waiver:

In March of 1999, consultants with KPMG Peat Marwick, LLP, recommended that ICSAC waive its guarantee fee for the 1999-2000 academic year. KPMG officials made this recommendation based on the financial strength of the Commission's Federal Student Loan Reserve Fund. This action saved student and parent borrowers over \$1.9 million in fees during the 1999-2000 academic year.

Last year, ICSAC voted to extend the fee waiver for the 2000-2001 academic year, saving students and parents an additional \$2.4 million in fees. With extension of the waiver, Iowa families will save approximately \$2.7 million in fees for the 2001-2002 academic year.



Frank J. Stork