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Information Item

California Student Aid Commission

Executive Director's Report

Enclosed for review is a written report from the Executive Director of the California Student Aid Commission, which includes:

- a. EdFund Report (Information)
- b. Grant Advisory Committee Report (Information)

Recommended Action: For information only. No action required.

Responsible Person(s): Diana Fuentes-Michel
Executive Director



Executive Director's Report September 2009

Dear Commissioners,

As California students start another academic year, the State's financial condition continues to challenge us all to do more with less. The Commission continues to experience an increase in the number of students who have contacted us for information about their Cal Grant or other financial aid program status. We have received over 943,633 FAFSAs this year; over 16.9 percent more than last year at this time. At the time of this report, we have received over 20,000 emails or telephone inquiries from students who have sought to change their enrollment status or make a school change. Our WebGrants for Students internet web site has experienced a growth in usage (up to 209,000 accounts established so far) as well as our increased volume in the Commission's call center. We have expanded our call center hours during this peak period in a response to the large number of calls from students and their families. I have included below, a few of the emails that the Commission's staff has received from students about their experiences.

I just wanted to send a note to express my appreciation for the help I received today, August 25th, around 9:30 a.m., from your Cal Grant representative, Eric. I called today concerned about my Cal Grant disbursement because I was advised (by Sacramento State University) that it was uncertain when students would be receiving their CAL GRANTS. And although the word is that there is still no definite date when the funds will be disbursed, Eric assured me that the funds have been approved and that they are certain to be disbursed once an agreement has been reached between those allocating the monies. With that, he answered all of my questions, providing excellent customer service – with a smile in his voice, and a great personality; I parted from the conversation feeling very reassured that the funds are not lost, just delayed. It makes stressful times like this easier when those with the information are helpful, nice, and knowledgeable about the issue at hand. Thanks Eric! I really appreciated his help.

I'd like to take this opportunity to thank you very much for all your help! When I had questions or concerns all I had to do was call or go online and everything was made clear. Your services have been spectacular, and the help was tremendous! Again, thank you for a fantastic job and never failing to be there for those in need!

I just wanted to express my satisfaction with the California Student Aid Commission Office, located in Rancho Cordova, CA, which I contacted for information today regarding my Cal Grant. I understand the state is considering eliminating the staff at this office to help balance the budget. I found this office to be very helpful in giving me answers as to why I was

experiencing problems with my Cal Grant. These were answers my school's Financial Aid Office could not give me and answers not given online through my WebGrants4Students account. I would hate to see these jobs eliminated as it would make it even more difficult to gather information pertaining to Cal Grant.

I just wanted to say thank you for all the support you have provided. Though I try to stay in touch with the school my granddaughter will be attending to make sure her financial information is up to date, I become frustrated with that process. It is difficult to get in touch either by phone or in person because of many, many students trying to do the same thing. Their systems are overloaded and sometimes they are unable to access the information I need to know. CSAC, on the other hand, has been very accessible and highly helpful in making our way through the financial aid maze. Most specifically, I have been speaking to Ray and he has been very helpful to me. Again, thank you for your efficiency in spite of your lack of budget. I really appreciate it.

Thank you so much for your help and information about my cal grant status. Everyone I've talked to has been more than eager to help me, easy to understand, and tries to help me with any questions that I have. When I went to the financial aid office at my cal state school they were not able to help me. I was just told to call the cal state student aid commission number. Anyway just wanted to let you know that the student support service given has been very helpful to me.

While the Governor's veto of the Commission's budget has left the future of the Commission's funding uncertain, the Commission staff continues to process Cal Grant and other specialized awards. I am extremely proud of the Commission's 105 staff who work tirelessly on behalf of California students. We have remained committed to our mission of making postsecondary education beyond high school possible.

Here below is a report of the highlights of each division's recent activities.

Information Technology Update

The Commission's Information Technology and Program Administration and Services Divisions have been extremely busy as they work to meet an increased workload with less processing time (as a result of the three furlough days). The total number of awards now being processed is 306,130 of which 193,498 are renewal students who are returning to college or career educational programs this year. Here is a look at the 2009-10 volume of awards:

Cal Grant Awards

- Entitlement awards are up by 10% from last year's numbers (up from 71,658 to 78,891)
- Entitlement transfer awards are down by 18% (down from 17,286 to 14,091)
- Competitive Cal Grant awards now await the September 2nd filing

Chafee Awards

- *Number of Applicants up from 15,215 to 16,078; number of completed applications waiting for processing now 6,187 awards*

The Information Technology staff continues to make corrections and updates to our system on an on-going basis. They also support the Commission's APLE program and hope to work towards the automation of the other specialized programs within the Commission.

Program Administration & Services Update

- Commission staff has completed the 2009-10 March 2 Cal Grant award processing including the Cal Grant C award process which was fully automated for the first time this year. Staff is currently working on the 2009-10 September 2 application process to make awards by the end of September.
- Commission staff will begin the 2010-11 GPA upload process after processing the September 2 application and award process is complete. The Commission anticipates the GPA upload process to be ready in October.
- Commission staff communicated via teleconference with segmental representatives to discuss the 2009 Fall term advance. Because the State Controller's Office continues to issue registered warrants, or IOUs, in the place of cash, segmental representatives are requesting to delay the advance until cash is available. Commission staff is delaying the advance per their request until funds are available through the electronic funds transfer (EFT) process. A special alert will be released to campuses next week with more specific details on the Fall advance.
- The Commission's call center, staffed only half-days, received over 49,000 calls between January 1 and July 31, 2009. Last year during the same period but with more staff and full-time call center hours, the Commission received approximately 83,000 calls. Responding to a recent increase in the number and heightened anxiety of calls from parents and students we felt compelled to increase the hours of the call center. From August 17 to October 30, the Commission's call center hours will be expanded to assist students and parents with their Cal Grant and other financial aid questions. Commission staff is also responding to 200-300 emails daily.
- Effective January 1, 2009, Senate Bill 1158 (Chapter 516, Statutes of 2008) made several changes to the APLE program. Commission staff hosted a stakeholders' teleconference on February 23, which included APLE coordinators and financial aid administrators. The APLE regulation packet was submitted to the Department of Finance on July 22, 2009, and to the Office of Administrative Law on July 28. The public comment period began on August 7 and ends on September 21. Commission staff will request a special meeting of the Commission in November to adopt regulations.
- Assembly Bill 12 of the Fourth Extraordinary Session, the local government trailer bill to the 2009 Budget Act Amendments, was signed by the Governor and chaptered into law on July 28, 2009. It establishes the California National Guard Education Assistance Award Program to be jointly administered by the Office of the Adjutant General (AG) and the Student Aid Commission. An appropriation of \$1.8 million was made to the Military Department for this program in the 2009 Budget Act to cover start-up expenses and awards, and the Commission and the Military Department will need to develop an interagency agreement so costs incurred by the Commission for issuing and processing awards may be reimbursed. The statute tasks the Commission with developing emergency rules and regulations in consultation with stakeholders in preparation for a January 1, 2010 application start date. Commission staff met with the Military Department on August 18 to discuss the regulation process and program implementation.

Audit Update

- The 2008-09 audit of the loan program financial statements by Perry-Smith, L.L.P. is currently underway and is due to the State Controller's Office on October 15. Perry-Smith will present the audit to the Commission at its November meeting.
- The Bureau of State Audits has notified us that they will be performing the annual federal compliance audit of the Federal Family Education Loan Program for fiscal year 2008-09. The BSA (BSA) will hold their entrance conference this week.

Federal Policy and Programs Division Update

The September Commission agenda will include several items concerning the oversight and administration of the federal student loan program. Federal legislation is still pending regarding the future of the federal student loan program. H.R.3221 eliminates the federal Family Education Loan Program and replaces it with expansion of the Direct Lending Program by July, 2010. Commission staff will be updating the Commission on recent events at the September meeting.

This division recently welcomed Patricia Landaker as manager of the Federal Policy and Program Division, assisting Ed Emerson, chief of the oversight division. Patti has worked in both the private and public sector, most recently working with Project Pipeline, a district internship teacher education program here in Sacramento. Prior to her work with Project Pipeline, Patti has also worked for the Governor's Office of the Secretary for Education and the California Postsecondary Education Commission. Please join me in welcoming Patti to the Commission.

External Affairs Update

This month, I participated in the White House Initiative on Hispanic Affairs' community forum held at Sacramento City College. The forum discussion topics included information presented on President Obama's higher education agenda, including an update on the status of the President's proposals on the simplification of the FAFSA, the College Access and Completion Fund and federal student loan reform. I will be sharing with you under separate cover, my letter regarding the Commission's efforts to increase student access.

Below is a summary of the actions taken by the Commission at its June 30-July 1, 2009 meeting.

	ACTIONS TAKEN BY THE COMMISSION	STATUS UPDATE
1	<p>Interagency Agreements</p> <p>The Commission took the following actions:</p> <ul style="list-style-type: none"> • Ratified the amendment to the interagency agreement with the Attorney General's Office for legal services to increase the amount by \$240,000 from \$135,000 to \$375,000; and • Authorized the Executive Director to enter into an interagency agreement for \$275,000 with 	<p>Both interagency agreements have been approved by the Department of General Services and are fully executed.</p>

	ACTIONS TAKEN BY THE COMMISSION	STATUS UPDATE
	<p>the Department of Technology Services (DTS) for the period of July 1, 2009 through June 30, 2010.</p>	
<p>2</p>	<p>California Student Opportunity Access Program (Cal-SOAP) Consortia Contracts</p> <p>The Commission took the following actions:</p> <ul style="list-style-type: none"> • Ratified the funding revisions to the 2008-09 Cal-SOAP contract amendments; and • Authorized the Executive Director to execute contracts totaling \$7,349,000 with the Cal-SOAP consortia for the 2009-10 award year at the allocation levels recommended by the Cal-SOAP Project Directors and Commission staff and, if needed, to reallocate the Career Technical Education funding as equitably as possible to the participating consortiums. 	<p>Staff is in the process of reviewing all of the Annual Program Plans (APP) submitted by the consortia and preparing the contracts for signature.</p>
<p>3</p>	<p>State and Federal Issues and Legislation</p> <ul style="list-style-type: none"> • The Commission adopted a position of support for Assembly Bill (AB) 669 (Fong) Postsecondary Education: Residency Requirements. • The Commission directed Commission staff to seek urgency legislation that would conform state law to the recent changes in Federal law by seeking an amendment to the California Education Code to remove the portion of the state law that requires the Commission to consider Veterans Benefits as assets; and to direct the Grant Advisory Committee to continue its discussions on other Veterans Benefits issues. 	<ul style="list-style-type: none"> • AB 669 was on the Assembly floor at the time of the printing of the agenda materials, but within the week will likely be on the desk of the Governor awaiting his signature. • Staff submitted a request for urgency legislation pertaining to the Veterans Benefits issue, but because of other budget priorities, the Legislature has chosen not to take it up in the 2009 session.
<p>4</p>	<p>Operating Agreement Amendment</p> <p>Commission staff was directed to amend the Operating Agreement and the Commission's policy on EdFund Incentive Compensation Plans to suspend incentive compensation for the EdFund 2009-10 fiscal year for all EdFund employees, except employees covered by the Collection Commission Plan for Internal Collection staff currently in effect.</p>	<p>Consistent with legislative requirements, the Operating Agreement amendment was sent to the Joint Legislative Budget Committee and the Department of Finance with a due date of September 17, 2009 to allow for a 45-day review.</p>

	ACTIONS TAKEN BY THE COMMISSION	STATUS UPDATE
5	<p>Executive Director's Performance Evaluation</p> <p>The Commission approved the following items:</p> <ul style="list-style-type: none"> • Proposed 2008-09 timeline, as presented; • Role of the PEN Committee, with amendments to the General Schedule; • Survey of Employees and Stakeholders, with amendments; and • Survey Recipient List, with amendments. 	<p>The amendments were made as directed. The PEN Committee discussed the Executive Director's performance evaluation at its August 28, 2009 meeting and plans a continuance of the meeting on September 3.</p>
6	<p>Commission Officers</p> <p>The terms of the existing Commission officers were extended until the Commission elects new officers after the State Budget issues involving decentralization and consolidation are resolved.</p>	<p>The State Budget issues are still in the process of being resolved.</p>
7	<p>Commission Meeting Minutes</p> <p>The Commission approved the April 16, 2009 meeting minutes as presented.</p>	<p>The Commission meeting minutes will be signed by the Commission's Secretary, Yasmin Delahoussaye.</p>

In addition, I am including the EdFund Report (Tab 5.a) and the Grant Advisory Committee Chair's Report (Tab 5.b).

As a new academic year begins, the Commission and its staff anticipate the increasing needs of students seeking to enroll and continue their education during these tough economic times. We stand ready to work with the Commission as it looks towards identifying ways to continue to streamline our process and helping our colleagues in the delivery of financial aid and outreach services. I look forward to seeing you at our next meeting on September 3, 2009 in Sacramento.

Sincerely,

Diana Fuentes-Michel
 Executive Director
 California Student Aid Commission



President's Quarterly Report to the Board of Directors For April 1 – June 30, 2009

Submitted August 2009

EdFund is far outpacing loan volume projections for the 2008-09 fiscal year, booking 53.1 percent more new loans, year to date, than in 2007-08. The reasons for this astonishing performance primarily include a desire by schools to continue working with EdFund to meet the needs of their students and, for some, a push to process their loans ahead of the June 30 end-date of EdFund's federal default fee policy.

Legislative Issues

Federal: The week of July 15, George Miller (D-CA), chairman of the House Education and Labor Committee, along with 21 Democratic co-sponsors, introduced HR 3221 – The Student Loan Reform and Fiscal Responsibility Act of 2009. The bill advances President Obama's budget proposal to eliminate the FFEL Program, converting all new student loan volume to the Direct Loan Program. The president had originally proposed to funnel all of the reported savings from switching to direct lending into a Pell Grant increase and to make Pell a true entitlement. Likely due to its \$200+ billion price tag, the legislation does not create the new entitlement but does fund a significant Pell increase along with a student loan interest rate reduction, \$12 billion in funding for the community college initiative announced mid-July by the President, and an additional \$10 billion in funding for early childhood education. The bill spends \$77 billion of the estimated savings on new programs and directs \$10 billion away from education programs to deficit reduction.

The bill includes no specific or assured role for existing FFEL Program guarantors. Instead, guarantors are eligible to compete for servicing and are given a preference in securing grants under the College Completion and Innovation Fund. Language is included in the contract servicing section of the bill that gives a nod to a small list of the services currently provided by the nation's guarantors, but does nothing to ensure that any of the services continue in the new world of 100 percent Direct loans.

Later in July, the House Education and Labor Committee approved H.R. 3221, the "Student Aid and Fiscal Responsibility Act," by a margin of 30-17. Debate on the bill was only moderately contentious, as Republicans tried to argue for a continued role for private lenders in the student loan program. A Republican substitute offered by the committee's Ranking Member, John Kline (R-MN), sought to essentially maintain the status quo by extending current ECASLA (Ensuring Continued Access to Student Loans Act) for a period of five years. All Democrats voted for the Miller bill, and Rep. Tom Petri (R-WI) and Rep. Todd Platts (R-PA) crossed the aisle to vote for the elimination of the FFEL program.

Chairman Miller's manager amendment contained a few changes to the student loan provisions. It adds language directing the Secretary to consider the labor ramifications of decisions regarding the awarding of servicing contracts to non-profit lenders and servicers, and removes the provisions that would have eliminated subsidized loans for graduate students.

A timeline for consideration of the bill by the full House remains uncertain. Given that both healthcare and student loan reform may be considered under reconciliation rules, both proposals were slated for floor consideration together. Recent public debate and differences within the Democratic party indicated that healthcare will not move in the House prior to the month-long August recess. House leaders apparently plan to move the student loan reform bill in September when they return from the August recess.

Nonprofit Secondary Market Endorsement

Shortly after the introduction SAFRA, due to the carve-out it grants for the servicing of federal student loans, two nonprofit lenders issued statements endorsing the legislation to eliminate the FFEL Program. In the same week, the trade association of nonprofit federal loan providers, the Education Finance Council (EFC), followed suit. They remain the only student loan industry trade association to endorse the legislation.

Senate Companion Bill

Work on a companion student loan bill in the Senate has reportedly begun, but has been sidelined by a focus on health care. The Senate may choose to use the House bill as a starting point, or may craft an entirely new piece of legislation. Either way, no action is expected in the Senate until after the month-long August recess.

President's Community College Initiative Included in Student Loan Reform Bill

On July 14, President Obama visited a community college in Warren, Michigan to announce the details of the "The American Graduation Initiative," which aims to increase college-going and college completion rates in the US by increasing federal spending on community colleges.

The proposal is designed to increase higher education graduation rates, improve community colleges' educational facilities, and develop and provide new educational offerings to meet the needs of employers and students. According to details released by the White House, the initiative would invest \$12 billion over the next ten years to increase the number of community college graduates by five million by the year 2020—the year the president has targeted for his goal of having the highest proportion of college graduates in the world.

The new community college initiative would be paid for by diverting some of the reported savings from moving all new student loan volume to the Direct Loan Program. Authorizations for the new programs are included in Chairman Millers' student loan reform proposal, HR 3221 (see above).

Congress Passes HEOA Technical Amendments

After several months of inactivity, the Senate finally advanced an amended version of the House's proposal to make technical amendments to the Higher Education Opportunity Act. HR 1777, which passed the House earlier this year, has been stalled in the Senate due to a full Senate floor schedule and objections by a few Senators over a number of specific issues. The Senate passed the amended bill by unanimous consent, sending it back to the House for a second consideration. The

House accepted the changes, passing it a second time also under unanimous consent. Most notably, guarantors that have not been able to secure lenders to purchase rehabilitations loans, now have a vehicle for the Department of Education to purchase the loans. Rehabilitation loans were not eligible loans under the Ensuring Continued Access to Student Loans Act (ECASLA) and so most lenders stopped purchasing the loans from guarantors last fall. The legislation also clarifies that lenders and guaranty agencies may perform entrance and exit counseling functions on behalf of a school without violating prohibited inducement rules.

Department of Education Takes Steps to Simplify the FAFSA

Education Secretary Arne Duncan announced a series of changes to the process for applying for federal student aid, including streamlining of the Free Application for Federal Student Aid (FAFSA). Duncan stated during a press conference that the simplified form focuses on (1) a shorter and simpler online application that skips unnecessary questions, (2) legislation to remove more than half of the financial questions, and (3) a Web application that will let some families easily answer the remaining financial questions with data from the Internal Revenue Service. House Education and Labor Committee Chairman George Miller (D-CA) applauded the administration's efforts, adding that he would work with Secretary Duncan to further the process with necessary legislative changes when his committee takes up student loan reform legislation later this session.

Kline Takes Over as Ranking Member on the Education and Labor Committee

This week, the House Republican Steering Committee announced Rep. John Kline (R-MN) will be the new Ranking Member on the Education and Labor Committee. Rep. Kline replaces Rep. Howard "Buck" McKeon (R-CA) who recently left for a post on the House Armed Services Committee. Rep. Kline is a conservative known for his opposition to the "card-check" labor legislation. On the education front, he strongly supports full funding for special education and the expansion of charter schools. He is serving his fourth term in the Congress, having been a consultant, a farmer and a member of the Marine Corps before his election to the House of Representatives. Kline beat out Reps. Cathy McMorris Rodgers (R-WA) and Joe Wilson (R-SC) for the position.

Brookings Holds Student Aid Reform Forum

The Brookings Institute held an event in Washington in May titled, "The Future of Student Aid," featuring remarks from Bob Shireman of the Department of Education, Celia Sims of the office of Sen. Richard Burr (R-NC), Phil Day of NASFAA, and Sandy Baum and Michael McPherson from the College Board's "Rethinking Student Aid" initiative.

Participants tried to avoid the topic of the president's proposal and the FFEL v. DL debate, because, as stated by Inside Higher Ed, "despite the proposal's seeming grandiosity, it is actually very narrow in the overall scheme of the student aid system, and excessive focus on it will represent a missed opportunity." Despite these efforts, and warnings from Sims that the debate represented a "distraction," the topic did come up upon occasion.

Each of the presenters provided their perspective on simplification efforts, agreeing that the system needed a complete overhaul with simplification in mind, but did have small differences on the best ways to improve the system. Despite their minor differences, the group did seem to agree that the time is right for major reform, claiming the American public's concern over the cost of college and the president's goal of increasing the proportion of citizens with college degrees as the two driving factors.

Congress Passes Credit Card Reform Bill; Implications for Colleges and Students

The week of May 22, Congress adopted the Credit Card Accountability Responsibility and Disclosure Act ("Credit CARD Act") of 2009, and it is expected to be signed by

President Obama. The bill calls for profound changes in the manner of marketing, delivery, servicing and pricing of credit cards, including new restrictions aimed at limiting the credit card use of college students and other young adults.

Specifically, the legislation prohibits issuing a credit card or “open end consumer credit plan” to a consumer who has not yet turned 21 unless the following criteria have been met:

- A parent, legal guardian or other individual 21 or over with means to repay debts incurred by the consumer having joint liability on the account OR
- Submission by underage consumer of sufficient financial information that would indicate independent means of repaying debt.
- The Federal Reserve shall issue rules that will give a Safe Harbor for what information will be sufficient to demonstrate underage consumer independent means of repaying debt.

The legislation also addresses the marketing of credit cards on campus. It requires colleges to publicly disclose any contract or agreement they have made with card issuers for the purposes of marketing, and prohibits gifts for opening credit card accounts if the offer is made on campus, near the campus (as defined by the Federal Reserve), or at an event sponsored by the school. In addition, the legislation adds reporting requirements for institutions with marketing or affinity agreements with colleges and universities.

Democrats Tout IBR

During a call with members of the press in mid May, Democrats announced new benefits scheduled to take effect July 1 that will make college more affordable for students and allow borrowers to cap their monthly student loan payments at a reasonable percentage of their income. Beginning July 1, for the first time, students and borrowers will be able to participate in the new Income-Based Repayment program that caps their monthly loan payments at just 15 percent of their discretionary income. Features of the program stipulate that any current or future borrower whose loan payments exceed 15 percent of their discretionary income, based on a multi-factor federal formula, will be eligible and that after 25 years in the program, borrowers’ remaining debts will be completely forgiven.

Negotiated Rulemaking Teams Reach Consensus

Both loan issues negotiated rulemaking teams concluded their third and final meetings with consensus the first week of May. Team I (General/Lender Loan Issues) and Team II (School-based Loan Issues) achieved compromise from all sides, making significant improvements to the draft regulations for the Higher Education Opportunity Act (HEOA). The Department of Education will now issue a Notice of Proposed Rulemaking early this summer based on the consensus language agreed to in the neg reg sessions. After a comment period, ED will then issue Final Rules for HEOA no later than November 1, 2009.

Financial Literacy Month Ends on the Hill

At the end of April, several events took place on Capitol Hill commemorating the end of another Financial Literacy Month. The House passed Rep. Rubén Hinojosa’s (D-TX) H.Res.357, a resolution supporting the goals and ideals of Financial Literacy Month, including raising public awareness about financial education, recognizing the importance of managing personal finances, increasing personal savings, and reducing personal debt in the United States. Sen. Akaka (D-HI) and Rep. Hinojosa, along with Rep. Carolyn McCarthy (D-NY) and Rep. Judy Biggert (R-IL) appeared at a

Financial Literacy Day event on Capitol Hill. This event provided information to hundreds of Hill staff about programs and activities organized throughout the nation by federal agencies, states, localities, schools, nonprofit organizations, businesses and other entities to empower individuals with the financial and economic knowledge necessary to make sound personal financial decisions during all stages of life. The event was sponsored by Junior Achievement, the Jump\$tart Coalition for Personal Financial Literacy, and the Council for Economic Education. EdFund participated in the event as part of a booth sponsored by the National Council of Higher Education Loan Programs.

Dodd Introduces Legislation to Protect Struggling PLUS Loan Borrowers

Senator Christopher Dodd (D-CT), senior member of the Senate Health, Education, Labor and Pensions Committee, introduced legislation at the end of April that would protect parents and students trying to use PLUS loans to finance their education expenses. The bill is designed to ensure that PLUS loan applicants can qualify even if they have had trouble making mortgage payments, in light of the recent market meltdown. The legislation would keep parents and students from being disqualified from receiving PLUS loans if they have been delinquent on payments or experienced a foreclosure on their primary residence during the recent mortgage crisis. The swift introduction of the legislation came out of a recent hearing held in the Senate Banking Committee, of which Senator Dodd is chair, where he learned that PLUS loan applicants who have been impacted by problems in the mortgage markets would then not have high enough credit scores to obtain a PLUS loan.

Business Planning Initiatives

Budget & Business Plan: The coming weeks will be critical for EdFund as Congress debates the president's budget proposal to eliminate the FFEL Program and move student loan funding to the federal Direct Loan Program. As legislation unfolds, the FFEL Program continues to experience the impact from prior federal legislation (ECASLA) enacted to deal with the economic downturn and associated liquidity issues. Additionally, progress on the governor's planned sale of EdFund continues with the assistance of the state's sale-side advisor; responses to the state's EdFund RFQ are due August 10, 2009. Despite facing these numerous challenges, EdFund's executive management team is working to ensure the company's long-term viability by continuously streamlining business operations and researching new business opportunities.

EdFund management has prepared the structural framework of the 2009-10 budget and business plan, but a final document cannot be produced until more is known about the fate and structure of the future federal student loan program. It appears that this will not be determined until after the August recess. However, to facilitate planning for the 2009-10 budget and business plan, both a status quo budget and a most likely budget scenario have been developed as planning tools for the Board. Once more is known about the structure of the federal student loan program, the 2009-10 budget and business plan will be finalized and presented to the Board for their review and approval. Budget reconciliation requires that decisions regarding the federal student loan program occur no later than October 15, 2009.

Technology Initiatives

- A significant systems modification now accommodates EdFund's new rehabilitation lenders and allows smooth transfers of these loans.
- Collection Agency Activity Reports were created to verify that the assigned portfolios are being worked according to EdFund's guidelines. The information from these reports will be used for forecasting and portfolio management.

- The Skip Vendor Systematic Validation project allows both Default Prevention and Internal Collections to systematically verify credit charges by the company's skip vendors and better analyze their performance.
- The company is creating a new Data Warehouse that will produce more flexible reports in less time.

Training and Policy Support for Schools and Students

Client Training – Financial Aid

EdFund's Financial Aid training team provided 73 training events during the quarter reaching over 2,227 participants and bringing the year-to-date total activities to 214 trainings provided to 6,700 financial aid professionals. Training was provided at schools and workshop sites throughout the United States, at association conferences and via webinar technology.

The Financial Aid training team provides approximately 9 webinars per month averaging an impressive 85 participants per webinar. Not only is the technology highly popular with our school customers but also a cost effective means of delivering training.

Client Training – Professional Development

During the third quarter, our Professional Development (PD) training team provided 117 workshops reaching 2,910 individuals. Year-to-date this group has conducted 239 workshops reaching 5,345 professionals. In addition to the standard professional development topics (team building, time management, etc) the team is now providing Financial Literacy Train-the-Trainer workshops as well.

Public Service

EdFund Charities Annual Golf Tournament

At this year's tournament, EdFund Charities raised over \$23,000 to support the Orphan Foundation of America and positively impact the lives of foster youth helping them to attain their higher education dreams.

New edfund.org Web site

- Added 50 EdFund Link subscriptions
- Implemented additional tracking on the landing pages for Borrower Portal, e-Pubs, and EdFund Institute calendar and registration pages.
- File view tracking implemented
- New pages added for Put Program, IBR (page and calculator), TRIO Program and special announcements

Publications for Students and Schools

EdFund regularly updates content and creates new materials which are extremely well received by schools and students. New or revised publications completed in April-June 2009:

Training Workbooks – Twenty three new or updated workbooks expanding EdFund's online and in-person training offerings

Default Prevention – New booklets and flyers including protecting and rebuilding credit and student retention

Student Success/Financial Literacy/Money Management – Highlights include new outreach and financial literacy materials targeted to TRIO schools, updated materials on military benefits, loan limits and loan amounts for all federal loan programs and myriad student-focused financial literacy materials

Awards Received

EdFund received the following recognition and awards for all key publications, including the overall organizational branding initiative.

International Association of Business Communicators:

CRYSTAL AWARD:

EdFund Brand and Organizational Identity
Fund Your Future publication series

MERIT AWARD:

Web site

APEX Award: The new edfund.org won for most improved Web site.

Magnum Opus Award: EdFund's Tax Guide publication

ADDY Silver Award:

Fund Your Future publication series
InSight and OutLook loan counseling series

Customer Feedback

Mendocino College: Jackie Bradley, Assistance Dean Financial Aid, sent a glowing letter. "I could write a book on the ways EdFund has been helpful to the students and staff at our small rural college campus. EdFund has provided training both onsite and with invaluable webinars. The trainings are timely and some of the best available anywhere. In addition, the online Entrance and Exit Counseling make it possible for us to participate in the FFEL loan program and still remain compliant. The CMS program proved to be a valuable tool when this college was experiencing CDRs in excess of 20%. With this tool we have managed to keep our default rate in single digit numbers. The friendly, professional staff at EdFund is readily available to answer questions and explain processes."

American International College, Boston College and Mount Ida College: The TRIO directors were happy to have Jennifer Dudley visit with them to describe the financial literacy support initiatives that EdFund has available and to discuss the presentation content. These schools ordered our Fund Your Future publications and felt better prepared to conduct their own financial literacy presentations.

CET Chicago: On May 1 at the open house for the new location of CET, Marie LeConte was presented with an award for helping the school have the lowest Default rate in its system as well as working with all departments at the school in the best interest of the students.

Champlain College: At the April 28th EdFund FA Workshop in NH, Donna Stevens - DFA at Champlain College, commended EdFund on their support in Vermont. Donna said that EdFund has been excellent, extraordinary and that the Webinars, literature and workshops have been just what Vermont needed.

EdFund Training in Connecticut: There were 28 people in attendance at the EdFund Verification Workshop which was held at Goodwin College. The workshop consisted of a nice mix of schools. Several schools in attendance were: Eastern CT State University, Post University, Manchester Community College, Yale University School of Forestry, Goodwin College and Stone Academy. We received very positive feedback. Some of the comments included: *“this workshop was extremely helpful,” “I love attending EdFund workshops,” “EdFund offers and has the best trainings,”* This was the best training I ever attended.” After announcing EdFund’s upcoming June webinars, Velma asked attendees to indicate by a show of hands how many have participated in an EdFund webinar and approximately 75% of attendees raised their hands.

Garden City Community College (prospect): Kathy Blau, Director of Fin Aid, emailed Michelle Pursel after she sent out a flyer announcing the July EdFund webinars and said, *“I registered for almost all of them on your list! What a great opportunity for Barb & me to refresh our skills. We are hiring a new Financial Aid Advisor so I plan for that new employee to sit in on the ones later in the month. Thanks for hosting them!”*

Lake Forest College: Assistant Director of Financial Aid and Coordinator of Scholarships said “I think it is important to share with you our appreciation for the wonderful work Angela Vining accomplished this week with our Stafford Loan Exit Counseling Sessions. She presented a difficult topic in such a way that students were able to understand and grasp the ins and outs of Stafford Loan repayment. We thank you and Edfund for giving her the opportunity to share her talents and abilities with our Lake Forest College students.

Landmark College: Annie Zukowski had a conversation with Jennifer Desmarais – Assistant Director, to see if EdFund’s Loan Portal was meeting the needs of the office. Jennifer told Annie that the Loan Portal is unbelievable and that it has been a “saving grace” for everyone.

Middlebury CC of Vermont: At the VASFAA Conference in June, Philip Buley - FA Counselor at the campus site, approached the EdFund table and introduced himself to Annie Zukowski and Dan Dreves. Philip said he wanted to thank EdFund for providing excellent service to Vermont. He shared that he appreciated all of the emails and has been taking part in the webinar trainings. He said that he really found the "Federal Loan Limit and Interest Rate" sheet to be very valuable.

New England Institute of Technology: Diane Sadlier, ADFA shared that she was very impressed that someone answered the phone at the EdFund shipping center when she called to verify whose order had been shipped.

Sanford-Brown College: Director of Student Finance thanked Margaret for the training she provided: "I wanted to let you know we did a presentation on Improving Your Credit Scores (we took most of the information from the Seminars you provided). It went over very well."

Southern Connecticut State University: Southern Connecticut State University got the word that CSLF is not lending to their students, so Southern decided to send out new MPNs to students with a personal letter. The dilemma was they didn't have MPNs. So Velma Walters picked up the phone, called all the schools in CT that she has provided printed MPNs and then drove from school to school picking them up. Velma then delivered thousands (translates into millions of \$) of pre-printed EdFund MPNs to Southern Connecticut! Not only was the campus excited and appreciative, Velma had a smile on her face as well.

Southern New England School of Law: During a recent school visit with Sandra Silva Leger – DFA, Sandra commented on EdFund’s customer service and how impressed she was with the letter she received from Sam Kipp, commending SNE SL for lowering their CDR.

Southern Vermont College: During a recent school visit with Joel Phelps, DFA, Joel told Annie Zukowski, CRM that an Account Manager for ASA, came in to visit her. She told the Account Manager she was dedicated to EdFund and she would have to "knock her off her feet" to switch to an ASA guarantee. Annie asked Joel if this happened and Joel said "she didn't tell me anything exciting. I think she gave me a marketing folder but I never opened it".

Suffolk University Law: Suffolk University Law School Director of Financial Aid Kristi Jovell e-mailed Jered Stewart the following, "*I have been very pleased with our EdFund relationship this year, and your contributions have been a large part of that satisfaction.*" Suffolk Law is a current EdFund client and guaranteed \$39.5 million in volume with EdFund in 2008-09. Kristi also informed Jered that the school plans to continue using EdFund for 2009-10. This is great news since Suffolk Law was a new EdFund client in 2008-09 and plans to continue using EdFund even though we have discontinued paying the default fee.

University of Vermont: Dan Dreves had a conversation with Marie Johnson, DFA, where she shared how much the campus appreciates EdFund and Annie Zukowski's efforts to support them. Marie said when it came to a 2nd guarantor decision besides the state guarantor, VSAC, the decision was very easy.

Wentworth Institute of Technology: EdFund provided Outstanding Customer Service training for thirty seven staff and directors in Boston. Members of the Financial Aid, Admissions, Student Services and Enrollment Management departments expressed appreciation for the excellent training and this opportunity also fostered relationships for EdFund's Whole Campus Initiative campaign.

Windham Community Memorial Hospital Program of Radiologic Technology: Velma Walters, CRM presented the EdFund *Welcome Kit* to Mark Patros, Senior Executive for Medical Affairs, Executive Director, PHO (Program Administrator) on July 17. Mark shared with Velma how impressed he was with the EdFund Welcome Kit and thought "EdFund is first class."

Worcester State College: The Financial Aid Counselor, Margaret Shagro, appreciated the ELM support she receive from Jennifer Dudley, Margaret wrote, "I just wanted to say thank you so much for coming in today to help me with the ELM process. Some of the issues ELM was addressing concerning the setup were definitely above my head and your help made my job so much easier. I couldn't have accomplished this without you. You're the best!" Because of EdFund's support of the school, the Director of Financial Aid, Jayne McGinn, was pleased to offer referrals to Jennifer for EdFund's Whole Campus Approach campaign.

**Grant Advisory Committee (GAC) Meeting
July 9, 2009**

**Committee Chair's Report
Susan Gutierrez, GAC Chair**

The Grant Advisory Committee (GAC) met by teleconference on Thursday, July 9, 2009.

The actions taken by GAC consisted of the following:

- After discussion in the morning's workgroup meeting on Payment Periods for Non-Term Programs, GAC determined that no action can be taken on this issue at this time. A resolution that would meet the needs of all segments would require modification to the WebGrants payment reporting system, for which there are currently no available resources.
- Long standing discussion of Cal Grant Account Maintenance and Annual Interest Calculation issues, including the concept of "negative interest" and the question of why interest is calculated on a calendar year basis instead of a fiscal year basis, was resolved for the time being through a proposal to address the Cal Grant Advance process and related issues as a workgroup topic for 2010.
- GAC determined that the Duplication of Efforts workgroup topic would be discontinued, given the pending status of various proposals for decentralization of Cal Grant program administration.

Review of 2009 Workgroup Priorities

- Veterans Issues: Work on this topic concluded at the February 2, 2009 GAC Workgroup and Meeting, with recommendations forwarded to the Commissioners for their subsequent meeting.
- Duplication of Efforts: Work on this topic was discontinued as reported above.
- Cal Grant C Program: Work on this topic resulted in recommendations forwarded to the Commissioners for their April 2009 meeting. Data collected subsequent to the implementation of changes to eligibility determination for the 09-10 award cycle will be analyzed by GAC at their October 2009 workgroup meeting.
- APLE Utilization: This topic has not yet been addressed by GAC.
- Payment Periods for Non-Term Programs: Work on this topic was concluded as reported above.