DEPARTMENT OF HIGHER EDUCATION

STATE GUARANTY STUDENT LOAN PROGRAM

YEAR ENDED JUNE 30, 1999

From The Office Of State Auditor
Claire McCaskill

Report No. 2000-27
April 21, 2000
www.auditor.state.mo.us

AUDIT REPORT

YELLOW SHEET

Office Of The
State Auditor Of Missouri
Claire McCaskill

April 2000

The following areas of concern were discovered as a result of an audit conducted by our office of the Department of Higher Education, State Guaranty Student Loan Program.

The Department of Higher Education contracts with a loan program servicer to maintain records, process loans and claims, and collect on defaulted loans guaranteed through the Federal Family Education Loans program.

The reauthorization by the federal government of the Higher Education Act, in October 1998, replaced preclaims assistance and supplemental preclaims assistance with a single activity, default aversion assistance. Default aversion assistance consists of the activities of a guaranty agency that are designed to prevent defaults by borrowers who are at least 60 days delinquent.

The Department of Higher Education has experienced some difficulties in implementing the default aversion billing process and errors have caused some loans to be billed more than once. Contributing to this problem was the fact that, prior to the issuance of its final regulations on October 29, 1999, the U. S. Department of Education twice issued preliminary guidance to guaranty agencies that changed the method for calculating default aversion fees. To ensure default aversion fees are not under or over billed, the Department of Higher Education should consult with the U.S. Department of Education and ensure they are properly calculating the fees. In addition, they should ensure no duplicate billing occurs.

The final regulations included a prohibition against conflicts stating that an outside entity to whom a guaranty agency contracts may not perform default aversion activities and hold or service a loan, or collect on a defaulted loan within three years of the claim payment date. Although the department has entered into a contract with an entity other than its loan servicing contractor to perform default aversion activities, as of December 22, 1999, the Department of Higher Education had not assigned accounts to the new contractor. Allowing the loan servicer to continue providing preclaims assistance while servicing and collecting on the same loans appears to violate the provision against conflicts.

To ensure the collection of all default aversion fees, the Department of Higher Education should contact the U.S. Department of Education to determine if the department is eligible to receive default aversion fees when the loan program servicer performs some of the default aversion assistance activities.

DEPARTMENT OF HIGHER EDUCATION
STATE GUARANTY STUDENT LOAN PROGRAM

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CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON
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Honorable Mel Carnahan, Governor
and
The Coordinating Board for Higher Education
and
Dr. Kala M. Stroup, Commissioner
Department of Higher Education
Jefferson City, Missouri 65109

We have audited the accompanying financial statements of the State Guaranty Student Loan Program of the Department of Higher Education as of and for the year ended June 30, 1999, as identified in the table of contents. These financial statements are the responsibility of the program's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the State Guaranty Student Loan Program as of June 30, 1999, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated December 22, 1999, on our consideration of the program's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

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The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the program's management and was not subjected to the auditing procedures applied in the audit of the financial statements referred to above.

An integral part of the program's funding comes from federal awards. Those federal awards are reported on in the State of Missouri Single Audit Report issued by the State Auditor's office. The single audit is conducted in accordance with the provisions of Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Claire McCaskill
State Auditor

December 22, 1999 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	Alice M. Fast, CPA, CIA
In-Charge Auditor:	Karen A. Wolf
Audit Staff:	Todd Stoll
	Michael J. Monia
	Monique Williams

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Honorable Mel Carnahan, Governor
and
The Coordinating Board for Higher Education
and
Dr. Kala M. Stroup, Commissioner
Department of Higher Education
Jefferson City, Missouri 65109

We have audited the financial statements of the State Guaranty Student Loan Program of the Department of Higher Education as of and for the year ended June 30, 1999, and have issued our report thereon dated December 22, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the financial statements of the State Guaranty Student Loan Program are free of material misstatement, we performed tests of the program's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no material instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted an instance of other noncompliance which is presented in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of the State Guaranty Student Loan Program, we considered the program's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

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Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the management of the State Guaranty Student Loan Program and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Claire McCaskill
State Auditor

December 22, 1999 (fieldwork completion date)

Financial Statements

Exhibit A

DEPARTMENT OF HIGHER EDUCATION
STATE GUARANTY STUDENT LOAN PROGRAM
COMBINED BALANCE SHEET
JUNE 30, 1999

		Federal Student Loan Reserve Fund	Guaranty Agency Operating Fund	Restricted Reserve Fund	Restricted Interest Fund	Automatic Transfer of Money (ATOM) Fund	Total (Memorandum Only) June 30, 1999	Total (Memorandum Only) June 30, 1998
ASSETS								
Cash and investments (Note 2)	$	37,583,585	5,607,255	12,968,668	1,029,185	252,021	57,440,714	52,314,827
Due from federal government:								
Reinsurance (Note 3)		5,284,091	0	0	0	0	5,284,091	4,681,935
Loan processing and issuance fee		0	322,928	0	0	0	322,928	0
Administrative expense allowance		0	0	0	0	0	0	654,257
Supplemental preclaims assistance		0	0	0	0	0	0	137,947
Guarantee fees receivable		53,009	0	0	0	0	53,009	41,719
Consolidation fees receivable		0	0	0	0	0	0	2,350
Accounts Receivable		91,110	0	0	0	0	91,110	
Due from other funds		3,090,032	388,262	0	0	0	3,478,294	70,614
Total Assets	$	46,101,827	6,318,445	12,968,668	1,029,185	252,021	66,670,146	57,903,649
LIABILITIES AND FUND BALANCE								
Liabilities:								
Accrued payroll	$	0	6,121	0	0	0	6,121	6,245
Employee fringe benefits payable		0	28,378	0	0	0	28,378	20,118
Accounts payable		551,509	1,117,258	0	23,818	0	1,692,585	2,631,365
Accrued leave liability		0	69,939	0	0	0	69,939	0
Deferred federal advances (Note 4)		1,874,831	0	0	0	0	1,874,831	1,874,831
Due to federal government (Note 5)		0	0	12,968,668	0	0	12,968,668	6,718,706
Due to schools		0	0	0	0	147,054	147,054	213,237
Due to lenders		0	0	0	0	52,992	52,992	24,013
Due to other funds		385,815	3,040,504	0	0	51,975	3,478,294	70,614
Total Liabilities		2,812,155	4,262,200	12,968,668	23,818	252,021	20,318,862	11,559,129
Fund balance		43,289,672	2,056,245	0	1,005,367	0	46,351,284	46,344,520
Total Liabilities and Fund Balance	$	46,101,827	6,318,445	12,968,668	1,029,185	252,021	66,670,146	57,903,649

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

DEPARTMENT OF HIGHER EDUCATION
STATE GUARANTY STUDENT LOAN PROGRAM
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 1999

	State Guaranty Student Loan Fund	Federal Student Loan Reserve Fund	Guaranty Agency Operating Fund	Restricted Reserve Fund	Restricted Interest Fund	Automated Transfer of Money (ATOM) Fund	Total (Memorandum Only) Year Ended June 30, 1999	1998
REVENUES (Note 6)								
Guarantee fees	$ 361,818	744,465	0	0	0	1,845,582	2,951,865	2,249,338
Federal reimbursements:								
Reinsurance	11,089,099	19,313,905	0	0	0	0	30,403,004	51,054,664
Administrative expense allowance (Note 7)	1,309,882	0	0	0	0	0	1,309,882	2,147,117
Loan processing and issuance fee (Note 8)	0	0	891,118	0	0	0	891,118	0
Account maintenance fee (Note 9)	0	0	1,580,589	0	0	0	1,580,589	0
Supplemental preclaims assistance (Note 10)	171,004	213,831	0	0	0	0	384,835	739,704
Interest income	626,663	1,264,180	145,032	938,109	0	131,999	3,105,983	2,757,627
Loan recoveries	6,795,134	0	20,992,694	0	0	0	27,787,828	25,240,393
Loan disbursements from banks	0	0	0	0	0	181,150,100	181,150,100	131,080,286
School returns	0	0	0	0	0	4,191,826	4,191,826	2,698,257
Consolidation fees	0	0	0	0	0	0	0	32,850
Miscellaneous	4,750	2,399	2,019	0	0	0	9,168	6,353
Total Revenues	20,358,350	21,538,780	23,611,452	938,109	0	187,319,507	253,766,198	218,006,589
EXPENDITURES								
Personal service	359,568	0	887,977	0	0	0	1,247,545	1,023,674
Employee fringe benefits	77,882	0	242,099	0	0	0	319,981	257,401
Expense and equipment (Notes 11 and 12)	1,936,961	0	4,504,131	0	87,501	0	6,528,593	6,243,086
Defaulted loan purchases	11,809,238	35,015,605	0	0	0	0	46,824,843	53,184,714
Loan recovery reimbursements	4,222,210	0	0	0	0	0	4,222,210	17,180,276
Collection agency fees (Note 13)	599,872	0	2,066,316	0	0	0	2,666,188	2,397,446
Payments to federal government	0	0	0	6,484,334	0	0	6,484,334	6,484,334
Payments to schools	0	0	0	0	0	183,172,688	183,172,688	132,433,443
Payments to lenders	0	0	0	0	0	2,169,238	2,169,238	1,345,160
Bank charges	0	0	0	0	0	19,189	19,189	13,650
Total Expenditures (Note 19)	19,005,731	35,015,605	7,700,523	6,484,334	87,501	185,361,115	253,654,809	220,563,184
REVENUES OVER (UNDER) EXPENDITURES	1,352,619	(13,476,825)	15,910,929	(5,546,225)	(87,501)	1,958,392	111,389	(2,556,595)
OTHER FINANCING SOURCES (USES)								
Operating transfers: (Note 14)								
In	589,312	16,431,849	837,843	6,484,334	938,109	0	25,281,447	7,967,365
Out	0	(7,238,838)	(15,146,108)	(938,109)	0	(1,958,392)	(25,281,447)	(7,967,365)
Residual equity transfer	(48,107,555)	47,573,486	534,069	0	0	0	0	0
Appropriations exercised by other state agencies (Note 15)	(24,137)	0	(80,488)	0	0	0	(104,625)	(64,500)
REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)	(46,189,761)	43,289,672	2,056,245	0	850,608	0	6,764	(2,621,095)
FUND BALANCE, JULY 1	46,189,761	0	0	0	154,759	0	46,344,520	48,965,615
FUND BALANCE, JUNE 30	$ 0	43,289,672	2,056,245	0	1,005,367	0	46,351,284	46,344,520

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

DEPARTMENT OF HIGHER EDUCATION
STATE GUARANTY STUDENT LOAN PROGRAM
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
YEAR ENDED JUNE 30, 1999

		Appropriations	Expenditures	Lapsed Balances
STATE GUARANTY STUDENT LOAN FUND, FEDERAL STUDENT LOAN RESERVE FUND, GUARANTY AGENCY OPERATING FUND				
Loan program administration:				
Personal service / Expense and equipment	$	7,382,160	6,562,423	819,737
Purchase of defaulted loans, reimbursement to federal government of loan recoveries, and investment of funds of the State Guaranty Student Loan Fund		65,000,000	46,836,628	18,163,372
Total State Guaranty Student Loan Fund, Federal Student Loan Reserve Fund, Guaranty Agency Operating Fund		72,382,160	53,399,051	18,983,109
RESTRICTED INTEREST FUND				
Personal service / Expense and equipment		144,601	87,501	57,100
Total Restricted Interest Fund		144,601	87,501	57,100
Total All Funds	$	72,526,761	53,486,552	19,040,209

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

DEPARTMENT OF HIGHER EDUCATION
STATE GUARANTY STUDENT LOAN PROGRAM
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying financial statements present only selected data for each fund of the State Guaranty Student Loan Program of the Department of Higher Education.

The State Guaranty Student Loan Fund, Federal Student Loan Reserve Fund, Guaranty Agency Operating Fund, Restricted Reserve Fund, Restricted Interest Fund, and the Automated Transfer of Money (ATOM) Fund, presented in Exhibits A and B, are separate accounting entities, recording all assets, liabilities, equities, revenues, and expenses related to the funds' activities.

Expenses presented for any fund or program may not reflect the total cost of the related activity. Other direct and indirect costs provided by the department and other state agencies are not allocated to the applicable fund or program.

The "Total (Memorandum Only)" column is presented as additional analytical data. Because this column does not identify the restrictions that exist by fund, it should be read only with reference to the details of each fund.

Appropriations, presented in Exhibit C, are not separate accounting entities. They do not record the assets, liabilities, and equities of the related fund but are used only to account for and control the department's expenditures from amounts appropriated by the General Assembly for the fiscal year.

Expenditures presented for each appropriation may not reflect the total cost of the related activity. Other direct and indirect costs provided by the department and other state agencies are not allocated to the applicable fund or program.

B. Basis of Accounting

The financial statements for the State Guaranty Student Loan Fund, Federal Student Loan Reserve Fund, Guaranty Agency Operating Fund, Restricted Reserve Fund, Restricted Interest Fund, and the ATOM Fund, Exhibits A and B, are prepared in conformity with generally accepted accounting principles. The statements are presented on the modified accrual basis of accounting which recognizes revenues when they become both measurable and available to pay current liabilities and expenditures when the related liability is incurred.

Employees earn a specified number of vacation leave hours monthly, depending on the number of years employed. Accrued vacation leave cannot exceed the number of hours earned in two years. Compensatory time is accrued as it is earned by eligible employees under the Fair Labor Standards Act.

Employees earn ten hours of sick leave monthly, with no limit on the number of hours that may be accrued. Since accrued sick leave is not paid to employees upon their termination, no related liability appears in the financial statements.

The Statement of Appropriations and Expenditures, Exhibit C, is presented on the state's legal budgetary basis of accounting which recognizes expenditures on the encumbrance method. Expenditures include amounts payable or encumbered at June 30 and paid during the lapse period, which ends August 31. The authority to expend appropriations ends with the close of the lapse period. However, the General Assembly may authorize reappropriation of the unexpended balances of capital improvement appropriations for the following year. The General Assembly also may authorize biennial capital improvement appropriations, for which the unexpended balances at June 30 of the first year of the two-year period are reappropriated for expenditure during the second year.

The budgetary basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Fiscal Authority and Responsibility

The department administers transactions in the funds listed below. The state treasurer as fund custodian and the Office of Administration provide administrative control over fund resources within the authority prescribed by the General Assembly except for the ATOM Fund, which is controlled entirely by the department.

<u>State Guaranty Student Loan Fund</u>:

This fund was established by Section 173.120, RSMo 1994, to receive all funds appropriated to it by the General Assembly, and all charges, gifts, grants, and requests from federal, private, or other sources made for the purpose of assisting students in financing their education. On October 7, 1998, the U.S. congress enacted the Higher Education Amendments (HEA) of 1998. The new legislation resulted in the elimination of the State Guaranty Student Loan Fund and required the creation of two new funds: the Guaranty Agency Operating Fund and the Federal Student Loan Reserve Fund. The legislation became effective retroactively on October 1, 1998. On that date, the assets, liabilities, and fund balance of the State Guaranty Student Loan Fund were transferred to the Guaranty Agency Operating Fund and the Federal Student Loan Reserve Fund.

Federal Student Loan Reserve Fund: This fund was created pursuant to the provisions of the HEA of 1998 that requires guaranty agencies to account for transactions related to claim payment and default aversion activities in a separate fund. The legislation provides that the fund is the property of the United States government and may only be used to pay claims to lenders and to pay default aversion fees to the Guaranty Agency Operating Fund.

Guaranty Agency Operating Fund: This fund was created pursuant to the provisions of the HEA of 1998 that requires guaranty agencies to account for operating revenues and expenditures in a separate fund. The legislation provides that the fund is the property of the guaranty agency and may be used to pay for the operations of the Federal Family Education Loan Program (FFELP) and other student assistance activities.

Restricted Reserve Fund: As described in Note 5 to the financial statements, this fund was established to comply with the requirements of the Balanced Budget Act of 1997 that amended the Higher Education Act of 1965. This fund represents monies which are restricted for eventual payment to the U.S. Treasury. Revenues include monies which the department earns on the investments of the reserve.

Restricted Interest Fund: This fund represents interest earned on the restricted reserve fund. Interest monies are to be used solely for default prevention activities.

ATOM Fund: The department serves as an escrow agent by disbursing student loan funds to schools on behalf of participating lenders. Revenues include guarantee fees charged to the lender and monies which the department earns on investment of the fund.

D. Employee Fringe Benefits

In addition to the social security system, employees are covered by the Missouri State Employees' Retirement System (MOSERS) (a noncontributory plan) and may participate in the state's health care, optional life insurance, deferred compensation, and cafeteria plans. The optional life insurance and cafeteria plans involve only employee contributions or payroll reductions. Also, the deferred compensation plan involves employee payroll deferrals and a monthly state matching contribution for each participating employee.

The state's required contributions for employee fringe benefits are paid from the same funds as the related payrolls. Those contributions are for MOSERS (retirement, basic life insurance, and long-term disability benefits); social security and medicare taxes; health care premiums; and the deferred compensation plan match.

Employee fringe benefits in the financial statements at Exhibits A and B are the transfers from the State Guaranty Student Loan Fund and Guaranty Agency

Operating Fund for costs related to salaries paid from those funds. Transfers related to salaries are not appropriated by agency and thus are not presented in the financial statements at Exhibit C.

The Governmental Accounting Standards Board's *Codification of Governmental Accounting and Financial Reporting Standards* requires certain disclosures regarding public employee retirement systems and postemployment benefits such as health care and life insurance benefits provided to retired employees. Required disclosures for the state financial reporting entity are included in the State of Missouri Comprehensive Annual Financial Report issued by the Office of Administration.

2. Cash and Investments

The balances of the State Guaranty Student Loan Fund, Federal Student Loan Reserve Fund, Guaranty Agency Operating Fund, Restricted Reserve Fund, and the Restricted Interest Fund are pooled with other state funds and invested by the state treasurer.

Amounts in the ATOM Fund represent cash and investments which are in the custody of the department. The department has determined that a checking account and repurchase agreement are appropriate types of accounts and investments for its needs.

Deposits

The carrying amount of the ATOM Fund's deposits was $146 which was also the bank balance.

The ATOM Fund's deposits at June 30, 1999, were entirely covered by federal depositary insurance or by collateral securities held by the program's custodial bank in the department's name.

Investments

The ATOM Fund's investment at June 30, 1999, was a repurchase agreement with a carrying amount of $251,875 and a bank balance and market value of $1,139,014.

Of the reported amount at June 30, 1999, $251,875 represents investments that were insured or registered or for which the securities were held by an independent bank in the department's name.

3. Due from Federal Government - Reinsurance

This amount represents defaulted loan claims to be reimbursed by the U.S. Department of Education (USDE) at June 30, 1999, net of amounts due to the USDE for refunds of claims previously reimbursed, collections on defaulted loans, including administrative wage garnishments, collections on rehabilitated loans, and amounts received for loans paid in full through consolidation. The amount reimbursed by USDE for defaulted loan claims is considered to be "reinsurance" to the DHE since the agency has already purchased the defaulted loan from the lender, "insuring" the lender against further loss. Except for refunds of claims previously reimbursed, which are fully refundable to the USDE, federal regulations allow the DHE to retain a percentage of amounts collected. The percentages retained vary according to the type of collection and the reinsurance rate effective at the time of the claim payment. The difference between amounts collected and the DHE retention is due to the USDE, and is offset against amounts due to the agency from the USDE for reinsurance on defaulted loans.

For loans disbursed prior to October 1, 1993, the reinsurance agreement between the Coordinating Board for Higher Education (CBHE) and the Secretary of the USDE provides for reinsurance claims to be paid at 100 percent if the net default rate of the loan program is less than 5 percent of the total amount of loans in repayment at the end of the preceding federal fiscal year. For loans disbursed between October 1, 1993, and September 30, 1998, the reinsurance agreement between the CBHE and the Secretary of the USDE provides for reinsurance claims to be paid at 98 percent if the net default rate of the loan program is less than 5 percent of the total amount of loans in repayment at the end of the preceding federal fiscal year. For loans disbursed on or after October 1, 1998, the reinsurance agreement between the CBHE and the Secretary of the USDE provides for reinsurance claims to be paid at 95 percent if the net default rate of the loan program is less than 5 percent of the total amount of loans in repayment at the end of the preceding federal fiscal year. If the net default rate exceeds 5 percent, USDE reimbursements for reinsurance are reduced. The following default rates occurred for the Missouri Student Loan Program:

June 30,	Default Rate (%)
1999	2.85
1998	3.59
1997	4.08
1996	3.17

4. Deferred Federal Advances

This amount represents advances from the USDE to supplement the fund balance which backs the department's loan guarantees. The USDE may require that the advances be repaid whenever the fund balance is determined adequate to back current outstanding loan guarantees. As of June 30, 1999, the principal amount was $1,874,831.

5. Due to Federal Government

The Balanced Budget Act of 1997 amended the Higher Education Act of 1965 to require the U.S. Secretary of Education to recall approximately $1 billion in funds from guaranty agencies. Under this provision, guaranty agencies are required to deposit a portion of their funds into restricted accounts for eventual transfer to the U.S. Treasury. The deposits into the restricted accounts are to be made in equal annual installments within 90 days after the beginning of federal fiscal years 1998 through 2002. All funds in the restricted accounts will be transferred to the U.S. Treasury on September 1, 2002. The DHE estimates that approximately $32,000,000 of its funds will be recalled. The following schedule represents deposits that have been or will be made to the restricted reserve fund:

Fiscal Year	Deposit Amount	Cumulative Amount
1998	$ 6,484,334	$ 6,484,334
1999	6,484,334	12,968,668
2000	6,484,334	19,453,002
2001	6,484,334	25,937,336
2002	6,484,334	32,421,670

The HEA of 1998 requires guaranty agencies to return additional reserve funds to the federal government. The law requires guaranty agencies to return an additional $85,000,000 in fiscal year 2002, $82,500,000 in fiscal year 2006, and $82,500,000 in fiscal year 2007. The amount to be returned by the Missouri State Guaranty Student Loan Program has not been determined.

6. Funding Sources

The HEA of 1998 significantly changed the sources and amounts of revenue available to guaranty agencies to finance expenditures of the Guaranty Agency Operating Fund and the Federal Student Loan Reserve Fund. The legislation assigned funding sources that were available in previous years to a specific fund or in some cases, totally eliminated a funding source. The following table summarizes the distribution of previous funding sources:

Funding Source:	Guaranty Agency Operating Fund	Federal Student Loan Reserve Fund
Guarantee fees		X
Federal reimbursements:		
Administrative expense allowance (1)	N/A	N/A
Reinsurance		X
Supplemental preclaims assistance (1)	N/A	N/A
Interest income	X	X
Loan recoveries	X	
Miscellaneous	X	X

(1) The HEA of 1998 eliminated these funding sources.

In addition, the HEA created new funding sources for each fund. A table representing the distribution of the new funding sources and a brief description of each funding source follows:

Funding source:	Guaranty Agency Operating Fund	Federal Student Loan Reserve Fund
Loan processing and Issuance fee	X	
Account maintenance fee	X	
Default aversion fee	X	
Transfer of Secretary's Equitable Share of Loan Recoveries		X

7. Federal Reimbursements - Administrative Expense Allowance

This amount represents USDE allowances to the DHE for administering the loan program. Payments are computed quarterly and equal .85 percent of loans guaranteed during the quarter. As described in Note 6, the HEA of 1998 eliminated this funding source.

8. Federal Reimbursements – Loan Processing and Issuance Fee

This amount represents an administrative fee paid by the USDE to the DHE that equals .65 percent of loans originated during the quarter. Payments are computed quarterly based on amounts reported to the National Student Loan Data System (NSLDS).

9. Federal Reimbursements – Account Maintenance Fee

This amount represents an administrative fee paid by the USDE to the DHE that equals .12 percent of outstanding loans. Payments are computed quarterly based upon amounts reported on the quarterly federal 1130 report and to the NSLDS.

10. Federal Reimbursements - Supplemental Preclaims Assistance (SPA)

Prior to the HEA of 1998, guaranty agencies with a reinsurance agreement with the USDE were required to provide SPA on accounts that were delinquent at least 120 days. The USDE paid the DHE one percent of the total unpaid principal and accrued interest on the loan as of the date the lender submitted a Request for Collection Assistance (RCA), the beginning of the preclaims assistance. As described in Note 6, the HEA of 1998 eliminated this funding source.

11. Guarantor Servicer Fees

The DHE contracts with a guarantor servicer to provide accounting records, billings, application processing, loan maintenance, default aversion, claims services, and collection services. Expense and equipment expenditures of the State Guaranty Student Loan Fund and Guaranty Agency Operating Fund, as presented in Exhibit B, include guarantor servicer fees of $ 1,090,602 and $ 3,033,208, respectively, for the year ended June 30, 1999.

In addition, the guarantor servicer performs collection activities on defaulted accounts for 120 days after default claim paid date. The servicer retains a portion of the amount collected as a collection fee. Expense and equipment expenditures of the State Guaranty Student Loan Fund and Guaranty Agency Operating Fund, as presented in Exhibit B, include guarantor servicer commission fees of $ 331,516 and $ 743,102, respectively.

12. Supplemental Preclaims Assistance Fees

The DHE contracts with a company to provide default prevention procedures. Supplemental preclaims assistance fees of $ 92,555 and $ 173,769 for the year ended June 30, 1999 are included in the expense and equipment expenditures of the State Guaranty Student Loan Fund and Guaranty Agency Operating Fund, respectively, as presented in Exhibit B.

13. Collection Agency Fees

The DHE contracts with several collection agencies for collection services. The collection agencies keep a portion of collections as commission fees.

14. Operating Transfers

A. Default Aversion Fee

The DHE collects a fee for preventing delinquent borrowers from defaulting. The DHE is eligible to collect a one-time fee on each loan where a lender files a Request for Collection Assistance (RCA) with the guaranty agency. The fee is calculated as 1 percent of the delinquent loan balance and may be transferred no more frequently than monthly from the Federal Student Loan Reserve Fund to the Guaranty Agency Operating Fund. Transfers in to the Guaranty Agency Operating Fund, as presented in Exhibit B, include default aversion fees of $ 755,899 for the year ended June 30, 1999. If the DHE collects the fee on a loan that subsequently defaults, the DHE must rebate 1 percent of the loan balance at the time of claim payment to the Federal Student Loan Reserve Fund.

B. Secretary's Equitable Share of Loan Recoveries

The Secretary's Equitable Share of Loan Recoveries is transferred from the Guaranty Agency Operating Fund to the Federal Student Loan Reserve Fund since all collections on defaulted loans are deposited in the Guaranty Agency Operating Fund upon receipt. Transfers in to the Federal Student Loan Reserve Fund, as presented in Exhibit B, include $15,146,108 of secretary's equitable share of collections.

15. Appropriations Exercised by Other State Agencies

The Missouri General Assembly made appropriations from the State Guaranty Student Loan Fund and the Guaranty Agency Operating Fund for the loan program's proportionate share of the department's rental payments. These appropriations are administered by the Office of Administration, Division of Facilities Management.

16. Contingent Receivable

During fiscal years 1988 and 1989, the DHE used a total of $4,088,370 for scholarships and legal costs relating to the scholarships from the State Guaranty Student Loan Fund. These expenditures were reported in the State Single Audit Report for the two years ended June 30, 1989. In March 1993, the United States Department of Education (USDE) issued an audit determination of this report stating that the total $4,088,370 had been improperly spent and that the State Guaranty Student Loan Fund must be reimbursed. The DHE appealed this determination in July 1993; however, the USDE ruled in April 1994 that the appeal was denied. As of June 30, 1999, a general revenue appropriation and the related reimbursement to the State Guaranty Student Loan Fund have not been made. Governor Carnahan sent a July 7, 1995, letter to Education Secretary Richard Riley to resolve the requirement. However, a formal response has not been received from the U.S. Department of Education.

17. Federal Direct Student Loan Program

The Omnibus Budget Reconciliation Act of 1993 (Public Law 103-66) created the Federal Direct Student Loan Program (FDSLP) whereby the federal government, rather than private lending institutions, will fund loans to all eligible students attending participating postsecondary educational institutions beginning July 1, 1994 for the 1994-95 academic year. Participation by the education institutions is strictly voluntary. Originally, the federal government had planned a five-year phase-in period for the FDSLP, which operates parallel to and competes directly with the Federal Family Education Loan Program (FFELP), administered by the DHE. Currently, no legislation has been passed nor is pending to cap or repeal the FDSLP, or to limit the FFELP. Instead, the Clinton Administration and the U.S. Department of Education have expressed the desire for both federal student loan programs to co-exist, allowing postsecondary schools to choose which program to utilize. To date, the FDSLP comprises about 30 percent of the student loan volume in Missouri.

18. Escheatment Funds

The loan program servicer maintains an escheatment account which includes old outstanding checks and payments which cannot be made because of insufficient information. These funds are the property of the State Guaranty Student Loan Program and totaled $ 84,219 at June 30, 1999. These monies are not included in the financial statements.

19. Reconciliation of Total Expenditures to Appropriated Expenditures

Total expenditures for the State Guaranty Student Loan Fund, Federal Student Loan Reserve Fund and Guaranty Agency Operating Fund on Exhibit B reconcile to appropriated expenditures on Exhibit C as follows:

		Year Ended June 30, 1999
TOTAL STATE GUARANTY STUDENT LOAN FUND, FEDERAL STUDENT LOAN RESERVE FUND, AND GUARANTY AGENCY OPERATING FUND EXPENDITURES PER EXHIBIT B	$	61,721,859
Refunds of claims paid		5,034
Guarantee fee refunds		6,519
Expense and equipment refunds		12,944
Employee fringe benefits		(319,981)
Accrued leave liability		(69,939)
Loan recovery reimbursements		(4,222,210)
Late reporting interest		(2,945)
Guarantor servicer commissions		(1,074,618)
Collection agency commissions		(2,657,612)
TOTAL STATE GUARANTY STUDENT LOAN FUND, FEDERAL STUDENT LOAN RESERVE FUND, AND GUARANTY AGENCY OPERATING FUND EXPENDITURES PER EXHIBIT C	$	53,399,051

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Current Recommendations

DEPARTMENT OF HIGHER EDUCATION
STATE GUARANTY STUDENT LOAN PROGRAM
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S CURRENT RECOMMENDATIONS

We have audited the financial statements of the State Guaranty Student Loan Program of the Department of Higher Education as of and for the year ended June 30, 1999, and have issued our report thereon dated December 22, 1999.

The following Management Advisory Report presents our finding and recommendation arising from our audit of the program's financial statements.

Default Aversion Assistance

The Department of Higher Education (DHE) contracts with a loan program servicer to maintain records, process loans and claims, and collect on defaulted loans guaranteed through the Federal Family Education Loans (FFEL) program. Under the terms of the contract, the loan program servicer is also responsible for providing preclaims assistance on loans that are between 50 to 70 days delinquent. The DHE contracts with another company to provide supplemental preclaims assistance (SPA) on loans that are at least 120 days delinquent. Prior to the reauthorization of the Higher Education Act (HEA), effective October 7, 1998, the DHE received a SPA fee on delinquent loans that were cured in accordance with 34 CFR Part 682.404.

The reauthorization of the HEA replaced preclaims assistance and SPA with a single activity, default aversion assistance. Default aversion assistance consists of the activities of a guaranty agency that are designed to prevent defaults by borrowers who are at least 60 days delinquent. The default aversion activities are similar to activities previously performed for preclaims assistance and SPA. Final regulations governing default aversion activities were issued by the USDE on October 29, 1999 with an effective date of July 1, 2000.

A. The reauthorization legislation eliminated the SPA fee but allowed the DHE to receive default aversion fees for performing default aversion activities on delinquent loans in response to a lender's request for default aversion assistance. The DHE, in conjunction with its loan servicer, developed a default aversion billing process to implement the new legislation retroactive to October 7, 1998.

   The DHE has experienced some difficulties in implementing the default aversion billing process. Prior to the issuance of its final regulations on October 29, 1999, the USDE twice issued preliminary guidance to guaranty agencies that changed the method for calculating default aversion fees. The DHE attempted to revise its billing processes to implement the new guidance but made errors that caused some loans to be billed more than once. According to the final regulations issued by the USDE, a guaranty agency may bill for a default aversion fee only once for each loan.

To ensure default aversion fees are not under or over billed, the DHE should consult with the USDE and ensure they are properly calculating the fees. In addition, they should ensure no duplicate billing occurs.

B. The final regulations issued by the USDE on October 29, 1999 also included a prohibition against conflicts stating that any outside entity with whom a guaranty agency contracts may not perform default aversion activities and hold or service a loan, or collect on a defaulted loan within three years of the claim payment date. Although the DHE has entered into a contract with an entity other than its loan servicing contractor to perform default aversion activities, as of December 22, 1999, the DHE had not assigned accounts to the new contractor. The DHE's loan servicer is continuing to provide preclaims assistance until the new contract is implemented.

Allowing the loan servicer to continue providing preclaims assistance while servicing and collecting on the same loans appears to violate the prohibition against conflicts. According to USDE personnel, because the DHE elected to retroactively implement the default aversion fee billings, the DHE should implement all of the default aversion activities rules including the prohibition against allowing a single entity to perform default aversion assistance and service or collect on the same loans. As of June 30, 1999, the loan program servicer did not perform collection activities on the loans for which it provided default aversion activities because those loans did not have time to default. However, the DHE has not established procedures to ensure that the loan program servicer does not perform collection activities on those loans in the future.

To ensure the collection of all default aversion fees, the DHE should contact the USDE to determine if the DHE is eligible to receive default aversion fees when the loan program servicer performs some of the default aversion assistance activities.

WE RECOMMEND the DHE:

A. Consult with the USDE and establish procedures to ensure default aversion billings are accurate and complete. In addition, adjustments should be made to correct the duplicate billings.

B. Resolve the issue concerning the prohibition against conflicts with the USDE.

AUDITEE'S RESPONSE

A. The DHE has been diligently working with its loan servicer to refine and enhance its default aversion billing and assignment processes. During January and February 2000, the DHE participated in meetings conducted at its loan servicer's headquarters in Jacksonville, Florida and is currently participating in weekly conference calls dedicated to the resolution of default aversion issues. It should also be noted that the DHE detected the duplicate *billing problem early in the process and brought it to the loan servicer's attention. The DHE continues to test its default aversion billing statements for further evidence of duplicate billing problems. A manual adjustment for amounts overbilled will be made on the next default aversion billing statement. We will clarify any remaining issues with the USDE during their upcoming technical assistance visit in April 2000. We expect to have these issues resolved by the next audit.*

B. The DHE has discussed the issue with its loan servicer and is in the process of identifying any loans that were billed for a default aversion fee and have subsequently defaulted. Once these loans are identified, the DHE will determine whether its loan servicer is currently collecting on the loan. If so, these loans will be reassigned to one of the DHE's other collection agencies for collection. In the future, all defaulted loans for which the DHE collected a default aversion fee and the loan servicer performed preclaim activities will be assigned to one of the DHE's collection agencies for collection. We will also discuss this issue with the USDE during their upcoming technical assistance visit in April 2000. We expect to have these issues resolved by the next audit.

This report is intended for the information of the management of the State Guaranty Student Loan Program of the Department of Higher Education and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Follow-Up on State Auditor's Prior Recommendations

DEPARTMENT OF HIGHER EDUCATION
STATE GUARANTY STUDENT LOAN PROGRAM
FOLLOW-UP ON STATE AUDITOR'S PRIOR RECOMMENDATIONS

This section reports follow-up action taken by the State Guaranty Student Loan Program of the Department of Higher Education on recommendations made in the Management Advisory Report (MAR) of our report issued for the year ended June 30, 1998.

Reconciliation of Federal Reports

The DHE contracts with a loan program servicer to manage aspects of this program. The loan program servicer is responsible for providing data used to compile monthly (1189) and quarterly (1130) reports submitted by the DHE to the United States Department of Education. The DHE did not reconcile applicable sections of the 1130 reports to the 1189 reports.

Recommendation:

The DHE establish and implement procedures to reconcile the 1189 and 1130 reports and maintain documentation of the reconciliations.

Status:

Implemented.

STATISTICAL SECTION

History, Organization, and
Statistical Information

DEPARTMENT OF HIGHER EDUCATION
STATE GUARANTY STUDENT LOAN PROGRAM
HISTORY AND ORGANIZATION

In 1978, the Missouri General Assembly created the Missouri Student Loan Program (MSLP) to administer the Federal Family Education Loan Program (FFELP) in the state of Missouri on behalf of the Coordinating Board for Higher Education (CBHE). The CBHE has statutory authority to oversee the MSLP and to act as the guaranty agency for the FFELP. In this capacity, the CBHE, acting through the MSLP, guarantees loans made to students by eligible lending institutions.

During the first state fiscal year of operations, the CBHE guaranteed $15,524,850 in FFELP loans to 7,289 borrowers. In contrast, as of June 30, 1999, the cumulative volume of loans guaranteed was $3,408,945,174, representing 1,241,523 in FFELP loans. Included in this total is $1,751,907,981 in outstanding loans.

The FFELP was created by the Higher Education Act of 1965, which is reauthorized by Congress every five years. There are currently four types of loans available to eligible borrowers under the FFELP:

Subsidized Federal Stafford Loan
Unsubsidized Federal Stafford Loan
Parent Loan for Undergraduate Students (PLUS)
Federal Consolidation Loan

Subsidized Federal Stafford Loans are need-based loans available to eligible undergraduate and graduate students. Generally, the federal government pays interest on the loan as long as the borrower is enrolled at least half-time and during the borrower's six-month grace period and authorized deferment periods.

Unsubsidized Federal Stafford Loans have the same terms and conditions as subsidized Federal Stafford Loans except that they are not need-based, and the borrower is responsible for all interest payments.

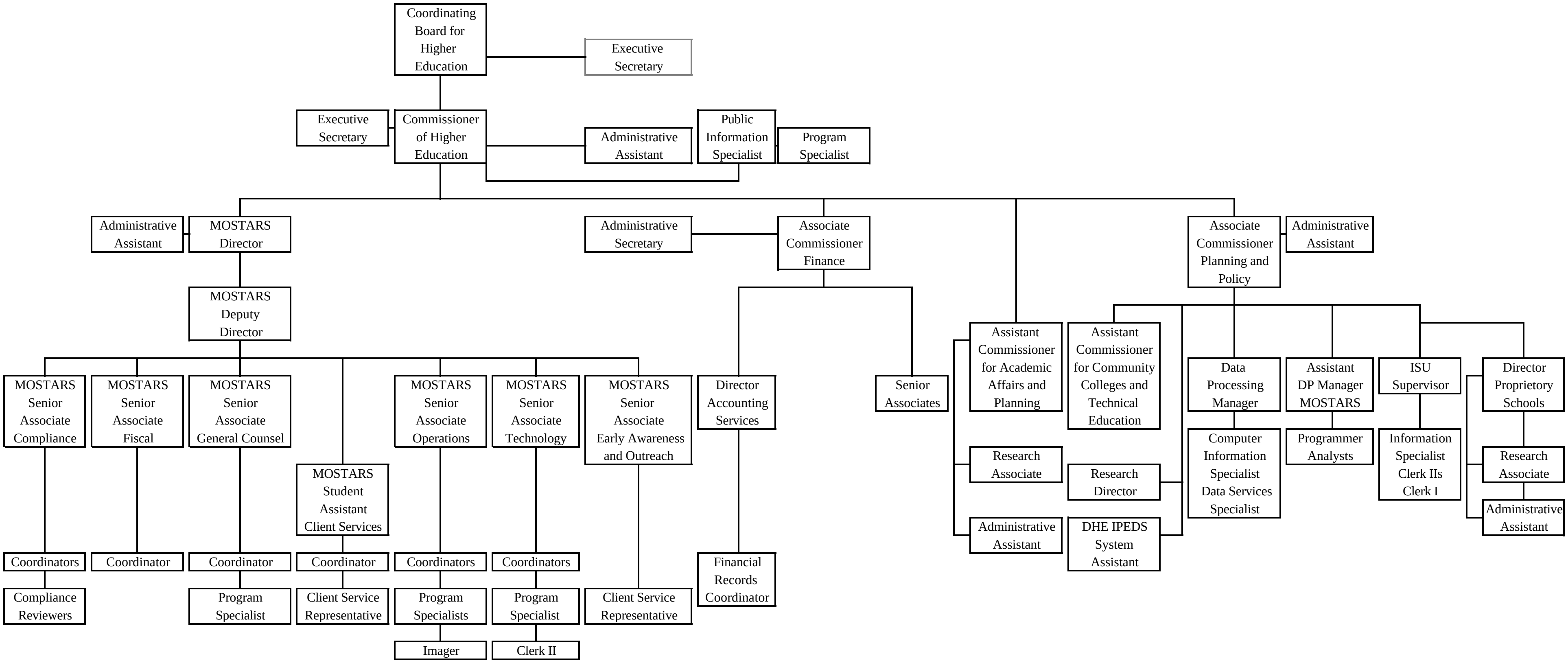
Parent Loans for Undergraduate Students allow parents to borrow guaranteed loans for dependent students. PLUS borrowers are responsible for all interest, and repayment generally begins within 60 days from the time the loan is fully disbursed.

Federal Consolidation Loans are available to borrowers who wish to combine existing student loans into one new loan. Generally, this results in lower monthly payments but higher total interest costs.

In August 1995, the department established the Automated Transfer of Money (ATOM) fund in an effort to aid schools by streamlining the delivery of Missouri student loan funds. By serving as an escrow agent, the department disburses student loan funds to schools on behalf of the participating lenders. As of June 30, 1999, the cumulative volume of disbursements to schools was 329,954 disbursements totaling $542,312,511. Currently, there are approximately 90 participating lenders and over 400 schools that receive the loan disbursements.

In October 1997, the CBHE approved a new organizational structure to combine the administration of the Missouri grant, scholarship, and federal loan programs into one student assistance area. The new division was named Missouri Student Assistance Resource Services (MOSTARS). MOSTARS was created as a "one stop shop" which, in coordination with high school counselors and college and university financial aid offices, will provide resource and information to ensure that Missouri citizens have an opportunity to finance postsecondary education. MOSTARS employs approximately fifty-one full-time equivalent employees.

DEPARTMENT OF HIGHER EDUCATION
STATE GUARANTY STUDENT LOAN PROGRAM
ORGANIZATION CHART
JUNE 30, 1999



DEPARTMENT OF HIGHER EDUCATION
STATE GUARANTY STUDENT LOAN PROGRAM
PROGRAM STATISTICS
LOANS GUARANTEED

FEDERAL SUBSIDIZED STAFFORD STUDENT LOAN PROGRAM (SSLP)

Year Ended September 30,		Loans Guaranteed During Year	Total Loans Guaranteed to Date	Average Size of Loan Guaranteed
1986 and prior	$	824,126,957	824,126,957	2,236
1987		109,860,344	933,987,301	2,290
1988		95,710,975	1,029,698,276	2,304
1989		104,304,308	1,134,002,584	2,318
1990		123,392,544	1,257,395,128	2,336
1991		150,441,323	1,407,836,451	2,359
1992		162,633,091	1,570,469,542	2,386
1993		187,700,329	1,758,169,871	2,431
1994		218,830,241	1,977,000,112	2,494
1995		161,814,986	2,138,815,098	2,529
1996		130,748,319	2,269,563,417	2,558
1997		149,205,698	2,418,769,115	2,590
1998		185,261,639	2,604,030,754	2,630
1999		190,388,523	2,794,419,277	2,670

FEDERAL UNSUBSIDIZED STAFFORD STUDENT LOAN PROGRAM (USSLP)

Year Ended September 30,		Loans Guaranteed During Year	Total Loans Guaranteed to Date	Average Size of Loan Guaranteed
1993	$	13,695,823	13,695,823	2,320
1994		55,230,171	68,925,994	2,920
1995		66,408,588	135,334,582	2,933
1996		57,314,322	192,648,904	2,967
1997		73,907,196	266,556,100	3,034
1998		103,112,219	369,668,319	3,146
1999		120,416,869	490,085,188	3,244

FEDERAL PARENT LOANS FOR UNDERGRADUATE STUDENTS PROGRAM (PLUS)

Year Ended September 30,		Loans Guaranteed During Year	Total Loans Guaranteed to Date	Average Size of Loan Guaranteed
1986 and prior	$	9,892,008	9,892,008	2,658
1987		3,017,208	12,909,216	2,684
1988		4,367,589	17,276,805	2,773
1989		6,286,876	23,563,681	2,847
1990		8,471,120	32,034,801	2,917
1991		11,230,270	43,265,071	2,978
1992		13,428,488	56,693,559	3,029
1993		13,371,943	70,065,502	3,190
1994		11,522,861	81,588,363	6,285
1995		11,218,115	92,806,478	3,390
1996		9,359,878	102,166,356	3,481
1997		12,683,865	114,850,221	3,612
1998		19,340,718	134,190,939	3,790
1999		22,704,277	156,895,216	3,981

FEDERAL SUPPLEMENTAL LOANS TO STUDENT PROGRAM (SLS)

Year Ended September 30,		Loans Guaranteed During Year	Total Loans Guaranteed to Date	Average Size of Loan Guaranteed
1986 and prior	$	18,041,953	18,041,953	2,775
1987		5,480,183	23,522,136	2,789
1988		6,939,321	30,461,457	2,792
1989		9,759,342	40,220,799	2,752
1990		12,411,963	52,632,762	2,753
1991		21,234,781	73,867,543	2,877
1992		24,603,045	98,470,588	2,892
1993		28,337,468	126,808,056	2,940
1994		21,145,273	147,953,329	2,962
1995 **		13,212	147,966,541	2,962

** No new SLS loans were made on or after July 1, 1994.

TOTAL LOANS GUARANTEED

Year Ended September 30,		Loans Guaranteed During Year	Total Loans Guaranteed to Date
1986 and prior	$	852,060,918	852,060,918
1987		118,357,735	970,418,653
1988		107,017,885	1,077,436,538
1989		120,350,526	1,197,787,064
1990		144,275,627	1,342,062,691
1991		182,906,374	1,524,969,065
1992		200,664,624	1,725,633,689
1993		243,105,563	1,968,739,252
1994		306,728,546	2,275,467,798
1995		239,454,901	2,514,922,699
1996		197,422,519	2,712,345,218
1997		235,796,759	2,948,141,977
1998		307,714,576	3,255,856,553
1999		333,509,669	3,589,366,222

DEPARTMENT OF HIGHER EDUCATION
STATE GUARANTY STUDENT LOAN PROGRAM
PROGRAM STATISTICS
DEFAULT CLAIMS PAID

		Stafford	PLUS	SLS	Unsubsidized Stafford
AS OF JUNE 30, 1997	$	303,054,375	4,244,307	29,507,750	3,947,899
Default claims paid during fiscal year 1998		25,628,232	918,850	2,921,550	5,445,480
AS OF JUNE 30, 1998		328,682,607	5,163,157	32,429,300	9,393,379
Default claims paid during fiscal year 1999		28,242,558	666,585	3,144,924	6,888,398
AS OF JUNE 30.1999	$	356,925,165	5,829,742	35,574,224	16,281,777

Defaulted loans represent loans which became delinquent and which the state purchased from the lender. Bankruptcy, death, and disability claims paid are excluded.

SERVICE FEES

During the audit period, GuaranTec administered the loan program for the department. The loan servicer is compensated on a fee-per-transaction basis. GuaranTec's billing rates for the period July 1, 1998 to June 30, 1999 were:

Service		Rate	
Mandatory Services			
Electronic Application Guaranteed	$	3.45	per transaction
Hard Copy Application		5.30	per transaction
Outstanding Loans - In School and In Grace		0.21	per loan
Outstanding Loans - In Repayment		0.54	per loan
Loan Delinquency Brought Current		4.24	per loan
Claim Paid		53.05	per transaction
Optional Services			
Application/Promissory Note Generated and Mailed		1.86	per transaction
Credit Check on PLUS applications		5.30	per transaction

The following loan amounts were outstanding at June 30, 1999 and 1998:

	June 30, 1999	June 30, 1998
Stafford	$ 1,147,221,774	1,130,150,022
Unsubsidized Stafford	317,016,498	244,341,858
PLUS	81,793,980	73,100,100
SLS	45,117,618	53,355,812
Consolidated	160,731,342	171,376,953
Refinanced	26,769	26,769
Total	$ 1,751,907,981	1,672,351,514

DEPARTMENT OF HIGHER EDUCATION
STATE GUARANTY STUDENT LOAN PROGRAM
PROGRAM STATISTICS
PORTFOLIO MIX

	Year Ended September 30,		
	1999 Portfolio Mix Percentages	1998 Portfolio Mix Percentages	1997 Portfolio Mix Percentages
Public	33.0 %	35.8 %	42.1 %
Private	53.4	50.4	41.4
Proprietary	11.1	10.6	12.7
Other (includes professional, vocational technical, theological, and out-of-state)	2.5	3.2	3.8
Total	100.0 %	100.0 %	100.0 %

The State Guaranty Student Loan Program monitors the program to ensure that a desirable mix is maintained.

* * * * *