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# STUDENT FINANCIAL SERVICES BUREAU

ANNUAL REPORT 2009

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### **Student Financial Services Bureau**

The mission of the Student Financial Services Bureau is to excel in assisting citizens to pursue postsecondary education by providing equality of access to student financial resources and information. The Administration Office directs the Student Financial Services Bureau, which consists of four divisions: Michigan Education Trust, Michigan Guaranty Agency, Michigan Higher Education Student Loan Authority and Fiscal Affairs, and Office of Scholarships and Grants.

The bureau administers 33 state and federal student financial assistance programs, most of which fall under the purview of the Boards of the Michigan Higher Education Assistance Authority, the Michigan Higher Education Student Loan Authority, and the Michigan Education Trust. The Michigan legislature created these boards as separate and distinct entities. Through its leadership, the Administration Office coordinates the planning, organizing, and execution of all programs. Oversight of compliance with established policies as well as applicable federal and state laws, regulations, and administrative rules is also the responsibility of the Administration Office.



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### Michigan Education Trust and Michigan Education Savings Program

Michigan Education Trust (MET) allows parents, grandparents, businesses and others to prepay undergraduate tuition for a child residing in Michigan at any Michigan public university or college. MET also provides refunds if a student chooses to attend a Michigan independent college or out-of-state college. The total purchase amount of a MET contract is eligible for a state tax deduction and earnings are exempt from federal taxes if used for qualified higher education expenses at any qualified higher education institution in the nation or abroad.

Michigan Education Savings Program (MESP) offers seven investment options to encourage families to save for higher education. Savings may be used for tuition, fees, room, board, books and equipment required for enrollment. Account contributions are eligible for a state tax deduction up to \$10,000 per year for joint tax filers (\$5,000 for single tax filers) and earnings are exempt from federal tax if used for qualified higher education expenses at any qualified higher education institution in the nation or abroad.



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### Michigan Guaranty Agency

Since 1965 the Michigan Guaranty Agency (MGA), as the State-designated Federal Family Education Loan Program (FFELP) guarantor in Michigan, assists students and their parents with financing a postsecondary education through low-cost guaranteed student loans. Since its inception, MGA has guaranteed over \$13.5 billion in student loans. MGA services include training and technical support services to schools and lenders, borrower information programs and customer assistance starting from loan application through the repayment process, as well as outreach and financial literacy activities.



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### **Michigan Higher Education Student Loan Authority and Fiscal Affairs**

Michigan Higher Education Student Loan Authority (MHESLA) ensures Michigan residents access to financial assistance to pursue a postsecondary education at a school of their choice. This is accomplished by providing financial assistance in the form of federally-insured educational loans directly to students and parents of students and by purchasing such student loans from other lenders, thus providing the lenders with the liquidity they need to continue providing student loan access.

Fiscal Affairs administers the fiscal activities for all of the offices and programs within the Michigan Higher Education Assistance Authority (MHEAA) and MHESLA. The fiscal activities include accounting; budget; capital formation; cash management; audit liaison; financial analysis and forecasting; and federal State and management reporting. It provides the financial management structure that contributes to the achievement of the mission, goals and objectives of MHEAA and MHESLA, which impacts millions of students and their families and hundreds of higher education and lending institutions in Michigan served by the two Authorities.



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### Office of Scholarships and Grants

The Office of Scholarships and Grants (OSG) administers eleven State and five federally-funded scholarship and grant programs. These programs allow Michigan students access and choice in achieving their higher education goals. The programs include:

- Michigan Competitive Scholarship (MCS)
- Michigan Tuition Grant (MTG)
- Michigan Merit Award (MMA)
- Michigan Promise Scholarship (Promise)
- Children of Veterans Tuition Grant (CVTG)
- Tuition Incentive Program (TIP)
- Michigan Nursing Scholarship (MNS)
- Adult Part-Time Grant (APTG)
- Michigan Educational Opportunity Grant (MEOG)
- Michigan Work-Study—Undergraduate (MWSU)
- Michigan Work-Study—Graduate (MWSG)
- Leveraging Educational Assistance Partnership (LEAP)
- Special Leveraging Educational Assistance Partnership (SLEAP)
- Robert C. Byrd Scholarship Program (BYRD)
- GEAR UP Michigan! Scholarship (GEAR UP)
- Paul Douglas Teacher Scholarship Program (Douglas)



*Helping Students Pay for College*



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### Fiscal Year 2009 in Review

#### Michigan Education Trust

The Michigan Education Trust (MET) became the nation's first prepaid tuition program in 1988. In Fiscal Year (FY) 2009, MET sold 3,286 MET contracts on behalf of Michigan children and representing \$44 million in prepaid tuition. In FY 2009, MET also implemented the Charitable Tuition Program. MET assets were nearly \$1 billion dollars.

#### Michigan Education Savings Program

The Michigan Education Savings Program (MESP) provides an opportunity for parents, grandparents and others to save for postsecondary education through a college investment account. In FY 2009, 8,524 new accounts were opened for Michigan children. MESP assets reached over \$2 billion dollars. In 2009 a new broker-sold version of the MESP was launched, MI 529 Advisor Plan. The program manager is TIAA-CREF, Tuition Financing, Inc., and the Plan Administrator and Distributor is Allianz Global Investors Distributors LLC.

Together MET and MESP held and sponsored several marketing initiatives during the year including the College Savings Challenge, the Meadowbrook Children's Festival, Michigan Library Summer Reading Program, and Logo Display at The Henry Ford.

#### Michigan Guaranty Agency

Despite the continued turmoil in the financial markets and the loss of lenders that suspended operations in the Federal Family Education Loan Program, this past fiscal year MGA guaranteed nearly \$722 million in federal student loans providing access to higher education for 212,000 Michigan residents and students attending Michigan postsecondary educational institutions.

In addition to recovering more than \$69 million from defaulted borrowers, MGA averted defaults on 88% of loan accounts where payments were 60 or more days past due, preventing over \$1 billion in loan defaults.

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### Fiscal Year 2009 in Review

#### Office of Scholarships and Grants

In FY 2009, the Office of Scholarships and Grants (OSG) disbursed \$214 million in scholarships and grants to assist 171,000 Michigan students with higher education expenses. Working cooperatively with the Department of Human Services (DHS) and the Department of Management and Budget (DMB), the Student Financial Services Bureau was able to document that OSG's scholarship and grant program qualified as match expenditures which allowed the State to receive \$170.5 million dollars under the Federal Temporary Assistance to Needy Families (TANF) program.

#### Michigan Higher Education Student Loan Authority

The Michigan Higher Education Student Loan Authority (MHESLA) ended its suspension and resumed originating Federal Family Education Loan Program loans. MHESLA also implemented a MI-LOAN Program Rehabilitation Option in FY 2009.

#### College Access Challenge Grant

Governor Granholm designated MGA within the Department of Treasury to administer the College Access Challenge Grant (CACG). This grant is sponsored by the U.S. Department of Education provided Michigan with approximately \$2.1 million in Year I of the grant cycle (FY 2009) and with approximately \$2.2 million in Year II (FY 2010). CACG is meant to foster partnerships among federal, state, and local governments and philanthropic organizations that are aimed at increasing the number of low-income students who are prepared to enter and succeed in postsecondary education.

A component of the CACG is to develop and implement a state-wide college access Web portal, a "one-stop-shop" where Michigan students and parents can plan for, apply to and learn how to pay for college. The Department of Treasury has issued a contract to ConnectEDU for the implementation of this portal (contingent on State Administrative Board approval). Work on the Web portal is expected to begin by January 1, 2010 with a target completion date of late-July 2010.

CACG also is funding startup costs for the Michigan College Access Network (MCAN), the creation of which was announced by Governor Granholm on April 28, 2009. MCAN will promote postsecondary education by supporting local, community-based college access programs throughout the state of Michigan. MCAN has launched a new professional development Web site, [www.micollegeaccess.org](http://www.micollegeaccess.org), with information detailing the grant process for Michigan communities to start, expand, or enhance local college access programs.



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### Scholarship and Grant Programs

**Adult Part-Time Grant:** Provides assistance for independent, undergraduate students who have been out of high school (other than GED or adult education) for at least two years. Grant availability is limited to two years of study with a maximum award amount of \$600 per academic year for students enrolled part-time.

**Children of Veterans Tuition Grant:** Provides undergraduate tuition assistance to certain children of qualified veterans who meet Michigan residency requirements. The renewable award pays a maximum of \$2,800 per academic year.

**GEAR UP Michigan! Scholarships:** Delivers over \$6 million in scholarships to needy students from three urban public school systems: Detroit, Muskegon, and Flint. These awards utilize federal funds received as part of the GEAR UP Grant administered by the Michigan Department of Labor and Economic Growth. Scholarships are renewable for up to four years in an amount equal to Pell Grant maximums. Payments began in FY 2008.

**Leveraging Educational Assistance Partnership & Supplemental Leveraging Educational Assistance Partnership:** Provides federal funds to supplement the state aid programs. These funds are co-mingled with the funds appropriated for the Michigan Competitive Scholarship.

**Michigan Competitive Scholarship:** Provides renewable scholarships for students enrolled in approved degree-granting Michigan colleges and universities based on academic merit and financial need. The maximum award is currently \$1,300 per academic year.

**Michigan Educational Opportunity Grant:** Provides assistance for undergraduate students who enroll at least half time at public Michigan colleges and universities. The award maximum is currently \$1,000 per academic year.

**Michigan Merit Award:** Based on academic merit as determined by student performance on the MEAP high school tests, provides a maximum award of up to \$3,000 (\$2,500 for high school component and \$500 for middle school component) for students through the high school graduating class of 2006.

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### Scholarship and Grant Programs

**Michigan Nursing Scholarship:** Provides renewable scholarships for students enrolled in approved programs that lead to a LPN, ADN, BSN, or MSN degree. Students can receive up to \$4,000 per academic year. Recipients are required to work as a direct patient care practitioner or as a teacher of nursing in Michigan for one year for each year of assistance. The scholarship reverts to a loan if the student fails to fulfill the work requirement.

**Michigan Promise Scholarship:** Provides up to \$4,000 to high school graduates who have taken the Michigan Merit Exam (MME) for successfully completing two years of postsecondary education (beginning with the high school graduating class of 2007).

**Michigan Tuition Grant:** Provides grant assistance to needy students attending Michigan non-profit, independent colleges and universities. The maximum award is currently \$2,100 per academic year.

**Michigan Work-Study Undergraduate:** Offers work opportunities for undergraduate students who enroll at least half time at participating degree-granting Michigan colleges and universities. Employment may be on campus or with private, off-campus employers.

**Michigan Work-Study Graduate:** Offers work opportunities for graduate students who enroll in degree-granting colleges and universities with participating graduate programs.

**Paul Douglas Teacher Scholarship Program:** Although no longer funded, this program provided federal scholarships for students who were required to teach for two years for each year awarded. Students who did not meet the teaching requirement had their scholarship revert to a loan.

**Robert C. Byrd Scholarship:** Merit-based federal program designed to promote student excellence and achievement. This program currently provides a \$1,500 award each year for four years.

**Tuition Incentive Program:** Pays tuition and mandatory fees for eligible students. Eligible students are those who have or have had Medicaid coverage for 24 months within a 36-month period as identified by the Department of Human Services.



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### Loan Programs

**Federal Consolidation Loan Program:** Allows student and parent borrowers to consolidate several types of federal student loans into one loan. The legal basis for the Federal Consolidation Loan Program is the Higher Education Act of 1965, as amended.

**Federal Family Education Loan Program (FFELP):** Loan programs authorized by Title IV, part B of the Higher Education Act of 1965, as amended, that includes the Federal Stafford, Federal PLUS, Federal SLS, and Federal Consolidation Loan Programs.

**Federal PLUS and Graduate PLUS Loan Programs:** Allows parents to borrow on behalf of undergraduate students to help meet educational expenses. The legal basis for the Federal PLUS Loan Program is the Higher Education Act of 1965, as amended. The legal basis for the Graduate PLUS Loan Program is the Deficit Reduction Act of 2005.

**Federal Subsidized Stafford Loan Program:** Offers low interest rate loans. Interest is subsidized by the federal government pending certain requirements. The legal basis for Federal Stafford loans is the Higher Education Act of 1965, as amended.

**Federal Unsubsidized Stafford Loan Program:** Offers low interest rate loans. The federal government does not subsidize interest. The legal basis for Federal Stafford loans is the Higher Education Act of 1965, as amended.

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### Michigan Education Trust Plans

**Full Benefits Plan:** This plan guarantees full in-state tuition and mandatory fees at any Michigan public university, or tuition and mandatory fees at Michigan public community colleges (in-district or out-of-district) up to the number of credit hours required for a standard four-year baccalaureate degree (usually 120 semester credit hours).

Individuals may purchase in semester increments up to 8 semesters (4 years) of tuition.

**The Limited Benefits Plan:** The Limited Benefits Plan guarantees in-state tuition and mandatory fees at Michigan public universities, or tuition and mandatory fees at Michigan public community colleges (in-district or out-of-district), up to 105 percent of the weighted average tuition of all Michigan public four-year universities. If a student decides to attend a Michigan public college where tuition costs are higher than average, the number of credits allowed will be prorated based on the number of credit hours MET can purchase with 105 percent of the weighted average cost of Michigan public four-year universities. This plan might not cover the full cost of Michigan's most expensive institutions.

Student who attend a school where tuition is not fully covered under the Limited Benefits Plan will receive the number of credit hours MET can purchase at the time of enrollment.

Individuals may purchase in semester increments up to 8 semesters (4 years).

**The Community College Plan:** This plan provides in-district tuition and mandatory fees at Michigan public community colleges. Some areas of the state are not within a community college district. Students who attend a community college out of their district will be responsible to pay the difference between the out-of-district and in-district tuition costs.

Individuals may purchase in semester increments up to 4 semesters (2 years) under this contract.

MET recognizes that not all students will attend a Michigan public college. If the beneficiary chooses to go to a Michigan independent (private) college or to an out-of-state college, MET does not provide full tuition at those institutions. Instead, MET pays a refund based on the plan chosen.



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### Michigan Education Savings Plan Investment Options

**Moderate Age-Based Allocation Option:** The Moderate Age-Based Allocation Option was formerly known as the Managed Allocation Option. This is the core Investment Option offered under MESP. The investment objective of this Investment Option is to earn a rate of return that is greater than the rate of increase in the costs of higher education while limiting the risk of losing principal.

**Conservative Age-Based Allocation Option:** This Investment Option invests in the same underlying Funds as the Moderate Age-Based Allocation Option. However, the initial contributions to this Investment Option are less heavily invested in equities and real estate than in the Moderate Age-Based Allocation Option. While the Conservative Age-Based Allocation Option maintains the investment objective of earning a rate of return that is greater than the rate of increase in the costs of higher education while limiting the risk of losing principal, it is less likely to keep pace with rising tuition rates because with less risk and lower volatility the investment returns are generally lower.

**Aggressive Age-Based Allocation Option:** This Investment Option also invests in the same underlying Funds as the Moderate Age-Based Allocation Option. However, the initial contributions to this Investment Option are more heavily invested in equities and real estate than in the Moderate Age-Based Allocation Option.

**100% Equity Option:** MESP allocates your contributions, together with any return on your contributions, under this Investment Option among the TIAA-CREF International Equity Fund, the TIAA-CREF Mid-Cap Growth Fund, the TIAA-CREF Mid-Cap Value Fund, the TIAA-CREF Small-Cap Equity Fund, and the TIAA-CREF S&P 500 Index Fund.

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### Michigan Education Savings Plan Investment Options

**100% Fixed Income Option:** MESP allocates your contributions, together with any return on your contributions, under this Investment Option between the TIAA-CREF Bond Fund and the TIAA-CREF Inflation-Linked Bond Fund.

**Balanced Option:** MESP allocates your contributions, together with any return on your contributions, under this Investment Option among the TIAA-CREF S&P 500 Index Fund, TIAA-CREF Mid-Cap Growth Fund, TIAA-CREF Mid-Cap Value Fund, TIAA-CREF Small-Cap Equity Fund, TIAA-CREF International Equity Fund, TIAA-CREF Real Estate Securities Fund, TIAA-CREF Bond Fund and the TIAA-CREF Inflation-Linked Bond Fund.

**Principal Plus Interest Option:** Contributions under this Investment Option are allocated to the Funding Agreement issued by TIAA-CREF Life to MESP. The current Funding Agreement is an insurance contract which provides MESP with a guaranteed return of principal and an annual minimum rate of return, with the opportunity for additional returns. The guarantee is to MESP, not directly to account owners. The rate of any additional returns is declared in advance by TIAA-CREF Life for a period of up to 12 months and is not guaranteed for future periods. However, MESP cannot predict the amount of any such additional returns under the Funding Agreement beyond such 12-month period. The minimum rate over the term of the Funding Agreement will not be less than 1% nor greater than 3% and will be reset each year beginning on October 1. Please refer to the Disclosure Booklet for more detailed information regarding the calculation on the minimum rate.

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### Fund Distribution by Award Type

<b>PROGRAM</b>	<b>VOLUME</b>	<b>AMOUNT</b>
<b><u>Scholarships and Grants</u></b>		
Adult Part-Time Grant	5,868	\$2,645,980
Children of Veterans Tuition Grant	427	948,342
GEAR UP Michigan! Scholarship	198	896,192
Michigan Competitive Scholarship	28,832	38,444,428
Michigan Educational Opportunity Grant	4,435	2,084,057
Michigan Merit Award	3,815	5,278,030
Michigan Nursing Scholarship	1,546	4,444,154
Michigan Promise Scholarship	69,963	69,061,548
Michigan Tuition Grant	35,660	54,864,134
Michigan Work-Study Undergraduate	5,449	6,736,816
Michigan Work-Study Graduate	134	230,776
Robert C. Byrd Scholarship	894	1,342,155
Tuition Incentive Program	13,957	26,678,697
<b>TOTAL</b>	<b>171,178</b>	<b>\$213,655,309</b>

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### Fund Distribution

PROGRAM	VOLUME	AMOUNT
<b><u>College Savings Programs</u></b>		
Michigan Education Trust	3,286	\$44,183,215
Michigan Education Savings Plan	214,568	2,004,216,309
Michigan Education Savings Plan - Matching Grant	36,745	7,998,680
<b><u>Loans</u></b>		
Federal Subsidized Stafford Loan Program - MGA	105,742	\$320,021,414
Federal Unsubsidized Stafford Loan Program - MGA	101,737	367,473,302
Federal PLUS Loan Program - MGA	2,827	18,371,741
Federal Graduate PLUS Loan Program - MGA	1,568	13,313,791
Federal Consolidation Loan Program - MGA	99	2,795,199
Michigan Student Loan Program - MHESLA*	31	196,204
* Program suspended April 21, 2008, resumed August 3, 2009		

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### Statement of Compliance

The Student Financial Services Bureau complies with all federal laws and regulations prohibiting discrimination and with all requirements and regulations of the U.S. Department of Education. It is the policy of the Student Financial Services Bureau that no person on the basis of race, color, religion, national origin or ancestry, age, sex, marital status, or handicap shall be discriminated against, excluded from participation in, denied the benefits of, or otherwise be subjected to discrimination in any program or activity for which it is responsible or for which it receives financial assistance from the U.S. Department of Education.

The publication of this annual report is mandated by Section 10 of Public Act 77 of 1960, as amended and Part 2, Section 315 of Public Act 132 of 2009.

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