



Michigan Finance Authority

Issuer Overview

February 2015

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MFA Organizational Overview

Executive Summary

- The Michigan Finance Authority (“MFA” or the “Authority”) is pleased to meet with you to share information about the Authority, its governance, operational structure and strategic positioning
- MFA is an autonomous public body corporate within the Michigan Department of Treasury, offering low-cost financing to public and private agencies that provide essential services to citizens of the State of Michigan
- A programmatic and experienced participant in the municipal finance market, MFA has issued over **177 series** of bonds and notes totaling over **\$20 billion** utilizing a variety of financing vehicles including taxable and tax-exempt offerings, fixed-rate securities, variable rate demand bonds, indexed floaters, and commercial paper **since its inception in May 2010**
 - **Eleventh** largest issuer of municipal debt for **2014** ⁽²⁾ with over **\$2.825 billion** of issuance
 - Unemployment Obligation Assessment Revenue Bond transaction with **\$3.2 billion** of proceeds was named Bond Buyer’s “**Deal of the Year**” for **2012**
- The student lending agency of the State, formerly known as Michigan Higher Education Student Loan Authority, is part of the Authority and the Authority has extensive experience as a lender and guarantor of certain federal student loans as well as fixed and variable rate private education loans
- The Authority owned over **\$1.022 billion of student loan assets** as of September 30, 2014
- Representatives that will provide a comprehensive overview of the Authority, and more specifically, the Michigan Student Loan Program, include:
 - **Mr. Joseph L. Fielek:** Deputy State Treasurer, Michigan Department of Treasury; and former Executive Director, Michigan Finance Authority
 - **Ms. Mary G. Martin:** Director, Bureau of State and Authority Finance; and Executive Director, Michigan Finance Authority
 - **Mr. Lee Donner:** Financial Advisor, Managing Director, First Southwest Co.⁽³⁾

Notes

1. Figures as of fiscal year-end September 30, 2014 unless otherwise noted
2. Thomson Reuters; As of calendar year-end 2014
3. First Southwest is an independent registered municipal advisor to MFA



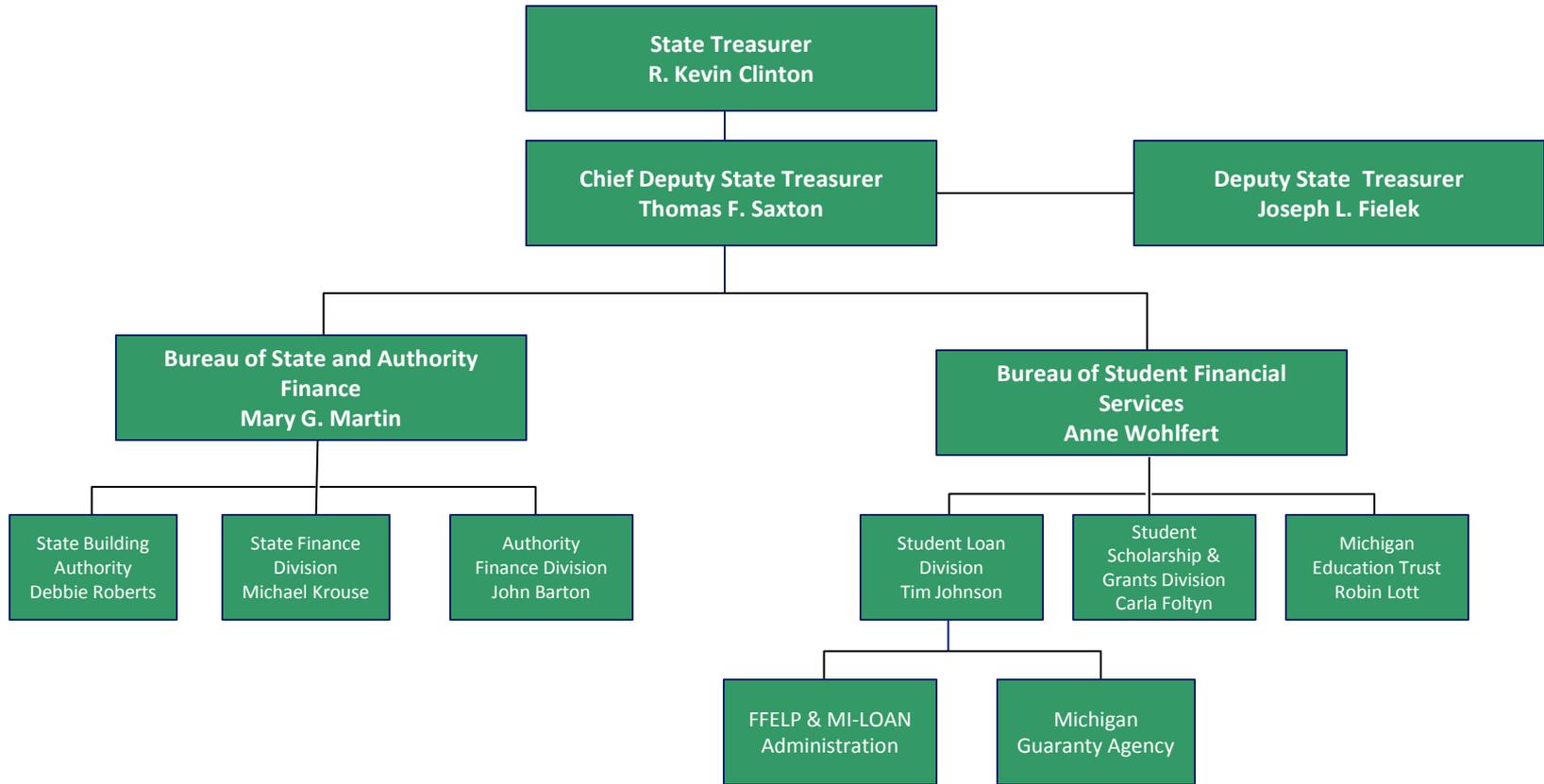
Michigan Finance Authority



Bureau Organization, Structure and Purpose

Bureau Organization, Structure and Purpose

Organizational Overview



Bureau Organization, Structure and Purpose

Bureau of State and Authority Finance Overview

- The Bureau of State and Authority Finance (the “Bureau”) is responsible for the operations and fiscal activity pertaining to the issuance of State and Authority bonds and notes
- Responsibilities include MFA and State of Michigan general obligation debt related activity
 - The Bureau provides comprehensive oversight and is responsible for the execution of:
 - Bond and note issuance and offering document preparation
 - Compliance with Federal laws pertaining to the issuance of tax-exempt debt
 - SEC disclosure requirements
 - In addition, the Bureau performs fiscal agent services for various State and Authority bond issues, including debt repayment, banking, accounting and investment functions
 - The State has approximately \$1.9 billion in general obligation and \$7 billion in dedicated revenue debt outstanding
 - MFA has approximately \$16.4 billion in bonds and notes outstanding
 - The Bureau also assists in managing the State Treasurer’s common cash fund, preparing cashflow projections based on the State’s budget, receipt and disbursement activity, and providing oversight of compliance with the Federal Cash Management Improvement Act
 - \$4.0 billion of investments, on average
 - \$48 billion of annual State budget, receipt and disbursement activity
 - More than \$18 billion in annual Federal fund draws
- The Bureau is also responsible for the administration of the Michigan School Bond Qualification and Loan Program, which provides a state credit enhancement and loan program for qualified school district bonds
 - Currently there is over \$13 billion in state-qualified school district bonds and \$1.7 billion in loans outstanding

Notes

1. Figures as of fiscal year-end September 30, 2014 unless otherwise noted



Bureau Organization, Structure and Purpose

History and Legislative Purpose ⁽¹⁾

- Created by Executive Order No. 2010-2, the Authority is an autonomous public body corporate within the Michigan Department of Treasury, exercising its powers, duties and functions independent of the State Treasurer
 - The Authority is governed by a board of directors (the “Board”) appointed by the Governor with the advice and consent of the State Senate
 - The State Treasurer or designee serves as Chairperson of the Board
 - The Authority is the successor to various bonding authorities, all of which were created by statute for the purposes of fostering and promoting the efficient financing of certain approved undertakings by governmental units for eligible purposes (see next slide for a listing)
 - To effectuate such purposes, the Authority is authorized to issue bonds or notes and to make money available to governmental units through proceeds derived therefrom
 - The Authority is committed to taking advantage of the efficiencies of capital markets, having issued over \$4.4 billion of new issue and refunding volume through 31 transactions in fiscal year 2014
 - As of September 30, 2014, the Authority had a total of \$16.4 billion bonds and notes outstanding

Notes

1. Figures as of fiscal year-end September 30, 2014



Bureau Organization, Structure and Purpose

Former Bonding Authorities

- To further improve efficiency in Michigan government ten public finance authorities were consolidated into the Michigan Finance Authority pursuant to Executive Order 2010-2
 - MFA as successor to former bonding authorities of Michigan
 - **Michigan Higher Education Assistance Authority (“MHEEA”)**
 - ◆ Guarantor of Family Education Loan Program (“FFELP”) loans through the Michigan Guaranty Agency (“MGA”)
 - **Michigan Higher Education Student Loan Authority (“MHESLA”)**
 - ◆ State lending agency, complements and supplements the loan efforts of Michigan private lenders
 - Michigan Forest Finance Authority
 - Michigan Higher Education Facilities Authority
 - Michigan Municipal Bond Authority
 - Michigan Public Educational Facilities Authority
 - Michigan State Hospital Finance Authority
 - Michigan Tobacco Settlement Finance Authority
 - Michigan Underground Storage Tank Finance Assurance Authority
 - State Higher Education Facilities Commission



Bureau Organization, Structure and Purpose

Governance Structure

- The Authority is governed by a seven member Board of Directors comprised of the State Treasurer and six gubernatorial appointees
- The Board is tasked with providing overall governing direction to the Authority
 - Administrative functions of the Authority, including budgeting, procurement, personnel and management function are under the direction and supervision of the Bureau of State and Authority Finance
 - The Authority is not empowered to create debt or liabilities on behalf of the State or to pledge the full faith and credit of the State
 - The Authority is empowered to borrow money and to issue bonds and notes to provide sources of funding for governmental units and eligible public and private agencies that provide essential services to citizens of the State of Michigan
 - MFA is authorized to assist governmental units in financing and marketing municipal debt and tax-exempt bonds
- **Chair**
 - **R. Kevin Clinton**, State Treasurer
- **Members**
 - **MaryLee Davis**, Senior Advisor to the Dean and Professor, College of Osteopathic Medicine, Michigan State University
 - **Timothy Hoffman**, Director of Regulatory Affairs, Consumers Energy
 - **Charlotte P. Edwards**, Retired Banker
 - **Donald H. Gilmer**, Former County Administrator, State Legislator and State Budget Director
 - **Travis Jones**, Senior Vice-President and CFO, GreenStone Farm Credit Services
 - **JulieAnn Karkosak**, Vice-President and General Counsel, Toyota Boshoku America, Inc.
- **State Treasurer Representative**
 - **Thomas F. Saxton**, Chief Deputy State Treasurer
- **Executive Director**
 - **Mary G. Martin**, Director, Bureau of State & Authority Finance

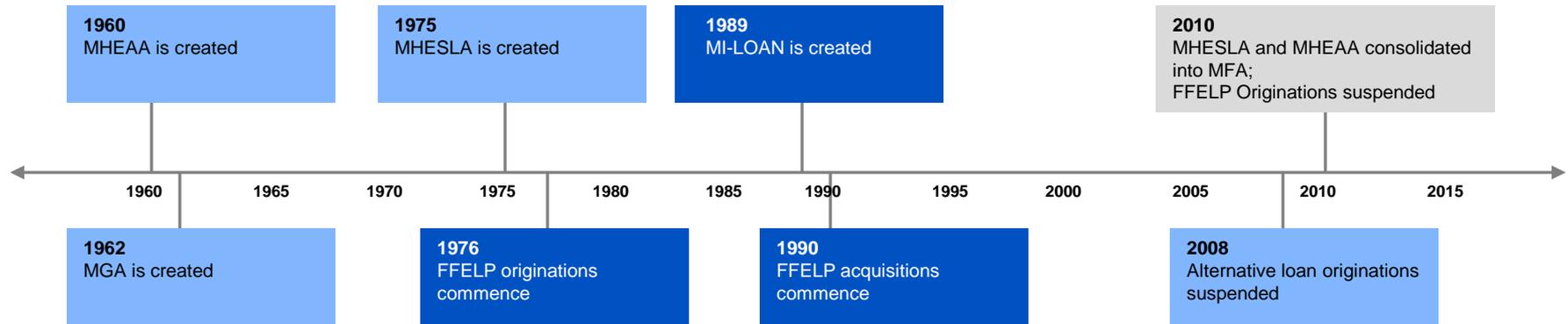
Notes

1. Thomas F. Saxton, in his capacity as State Treasurer Designee, frequently acts as Chairperson at meetings of the Board



Bureau Organization, Structure and Purpose

Student Loan Program



- Both the student lending and FFELP loan guarantor functions for the State were consolidated into the Authority, effective May 2010
- As successor to both MHESLA and MHEAA, the Authority is authorized to serve as administrator of Michigan’s Higher Education Student Loan Program, and in this capacity, acquire, finance, and guarantee FFELP loans as well as originating alternative student loans (the “MI-LOAN Program”)
 - Established in 1975 pursuant to Act 222⁽²⁾, MHESLA was created as a state lending agency to complement and supplement the loan efforts of Michigan private lenders
 - Since inception, \$4.7 billion of FFELP and \$360.0 MI-LOAN Program student loans were originated or acquired
 - Established in 1960 pursuant to Act 77⁽³⁾, MHEAA serves as an eligible guarantor of FFELP loans through the MGA
 - Since commencement of operations in November 1962, MGA has guaranteed over **\$14 billion** of FFELP loans, and continues to monitor, process claims and collect defaults on a **\$2.3 billion** FFELP portfolio

1. Figures as of fiscal year-end September 30, 2014
2. Act 222, Public Acts of Michigan, 1975, as amended
3. Act 77, Michigan Public Acts, 1960



Bureau Organization, Structure and Purpose

Bureau of Student Financial Services Overview

- Administration of various other programs is performed within the Department of Treasury's Student Financial Service Bureau including
 - Scholarship and grant programs
 - 529 college savings plans
 - The Michigan Education Savings Program
 - ◆ Assists families with preparing for higher education expenses through various investment alternatives
 - The Michigan Education Trust program
 - Allows parents, grandparents, businesses and others to pre-purchase undergraduate tuition at today's rates
- The Student Loan Program Division is responsible for the following
 - Loan Servicing
 - Default prevention
 - Michigan Guaranty Agency
 - Outreach services
 - Collections on defaulted student loan debt



Michigan Finance Authority



Student Loan Program

Student Loan Program

Student Loan Experience⁽¹⁾

- Federal Family Education Loan Program (“FFELP”) - Originator and secondary market liquidity provider
 - Originated or acquired FFELP assets have been primarily financed through the issuance of tax-exempt asset-backed securities, such as Auction Rate Securities (“ARS”) and variable rate demand bonds (“VRDBs”) backed by a letter of credit
 - 83 series of bonds or notes, for a par amount of approximately \$5.2 billion have been issued for student loan purposes by MHESLA and MFA
 - All of MFA’s ARS have been retired and there are approximately \$153.5 million of VRDBs outstanding backed by \$183.0 million of FFELP Loans
 - As of December 31, 2014, MFA also has temporary financing facilities that warehouse approximately \$651.3 million of FFELP Loans (*See the following slides for stratifications of this portfolio*)
- Alternative Loan Program - Originator of alternative loans through the MI-LOAN program
 - MFA’s alternative loan portfolio is approximately \$187 million and is permanently financed through tax-exempt, fixed rate bonds that were issued in November of 2014
 - There have been no new originations in this program since February of 2008

Notes

1) Figures as of fiscal year-end September 30, 2014, unless otherwise noted



Student Loan Program

Borrower Benefit Programs

- The MFA had historically offered very generous borrower benefit programs to FFELP borrowers
 - Some borrower benefit programs were universal while others were offered based on the loan type (Michigan Advantage Consolidation), the borrower's degree program (Michigan Engineering Incentive) or for limited periods of time (Prompt Pay Savings)
 - Under the Michigan Students First Program, student loan interest rates were reduced to zero percent after the borrower completed making 36 consecutive on-time payments
- Borrower benefits that had not yet been qualified for (excluding the Electronic Payment Savings borrower benefit) were discontinued on June 30, 2010. However, borrowers who had already received such benefits prior to June 30, 2010 were able to keep those benefits
- The MFA's termination of borrower benefits on June 30, 2010 led to a class action lawsuit in early 2013
- The MFA settled a class action law suit related to the discontinuance of a borrower benefit program with all eligible classes of FFELP borrowers in April 2014
- Currently, the MFA only offers borrower benefits for borrowers that register to have their payments deducted via an automated electronic payment
 - Borrowers can receive a 0.25% interest rate reduction if they elect to make monthly loan payments through the automated Electronic Payment Savings (EPS) option
 - Borrowers who receive three non-sufficient funds notices within a 12-month period will become ineligible for this option. If the loan loses eligibility, the interest rate will be increased to the current statutory rate

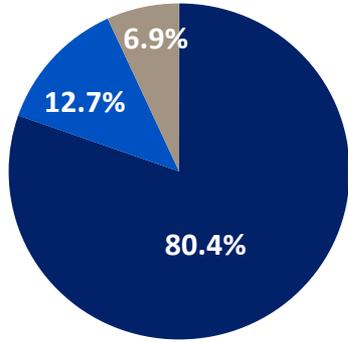


Student Loan Program

FFELP Student Loan Program Funding Composition

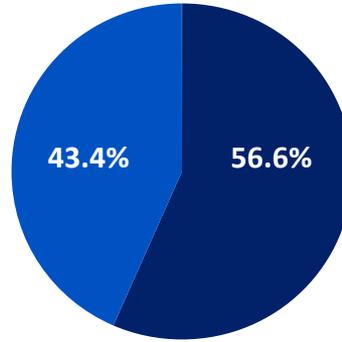
■ As of December 31, 2014, MFA is warehousing approximately \$ 651.1 million of loans in temporary financing facilities

Loan Type



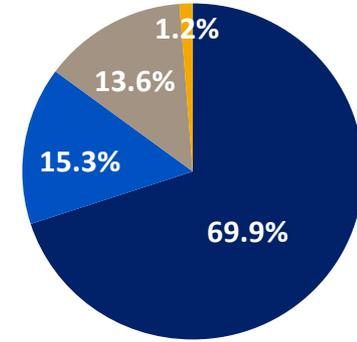
■ Stafford ■ Consolidation ■ PLUS/Grad PLUS

Subsidy Type



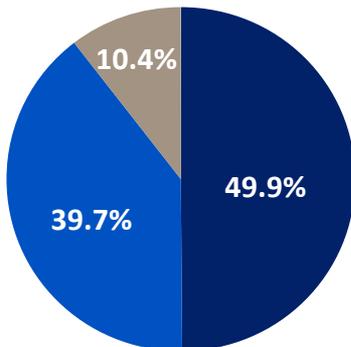
■ Unsubsidized ■ Subsidized

Loan Status



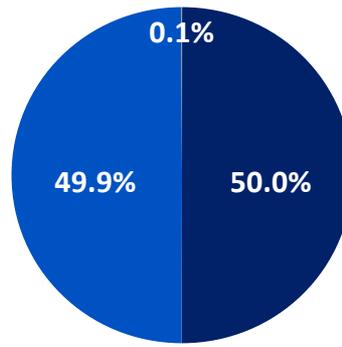
■ Repayment ■ Forbearance
■ Deferment ■ School/Grace

Servicer Breakout



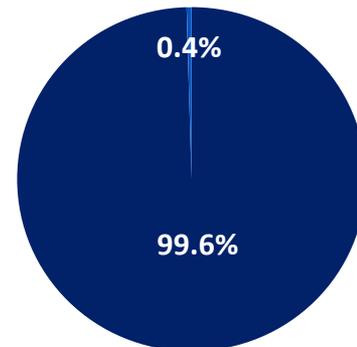
■ Great Lakes ■ Nelnet ■ Navient

Guarantor Mix



■ MGA ■ GLHEC ■ USAF/ISAC

Rehabilitated Loans



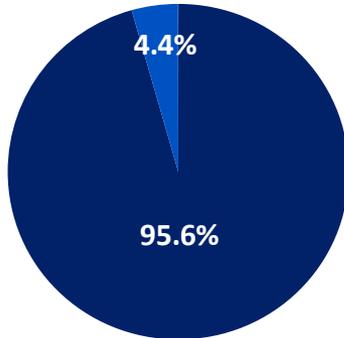
■ Not Rehab ■ Rehab



Student Loan Program

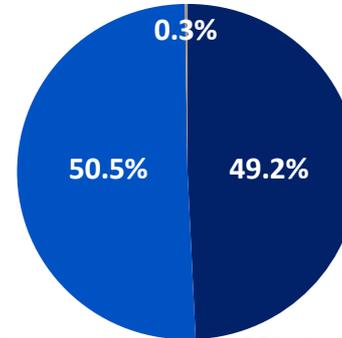
FFELP Student Loan Program Funding Composition ⁽¹⁾

SAP Index



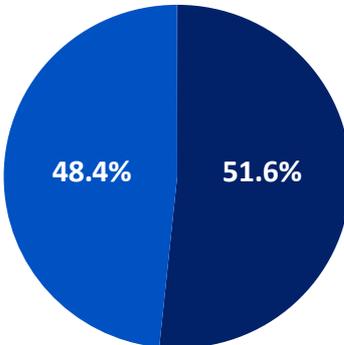
■ one-month LIBOR ■ 91-day T-Bill

Guaranty



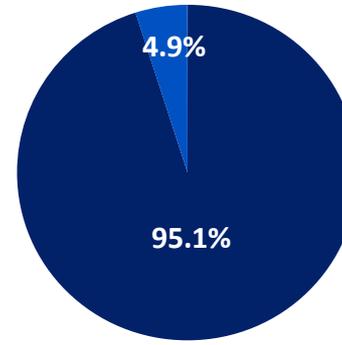
■ 97% Guaranteed ■ 98% Guaranteed
■ 100% Guaranteed

Floor Income Loans



■ No Floor Income ■ Floor Income

Post October 1, 2007 Legislation Loans



■ Pre 10-1-2007 ■ Post 10-1-2007

Notes

1. Figures as of December 31, 2014



Michigan Finance Authority



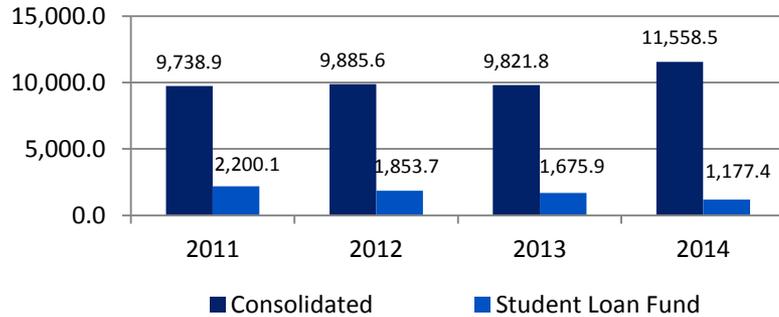
Financial Overview

Financial Overview

MFA Historical Trend Analysis

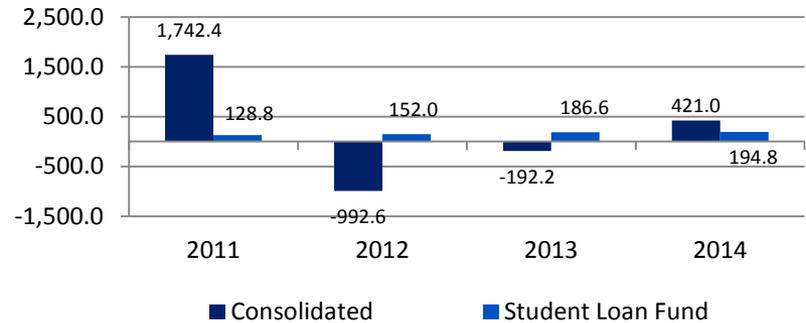
Total Assets

Fiscal Year-End September 30th
(\$ Millions)



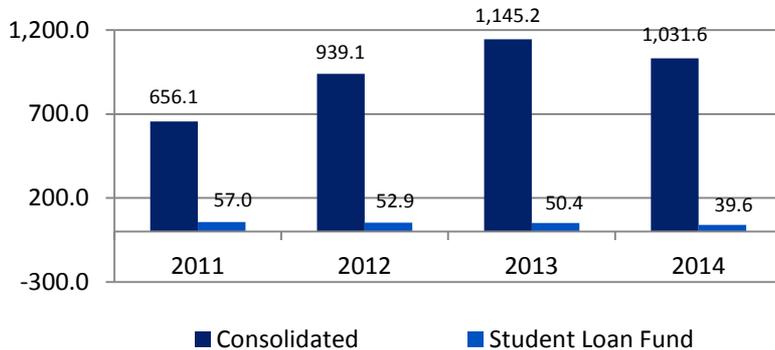
Net Position (1)

Fiscal Year-End September 30th
(\$ Millions)



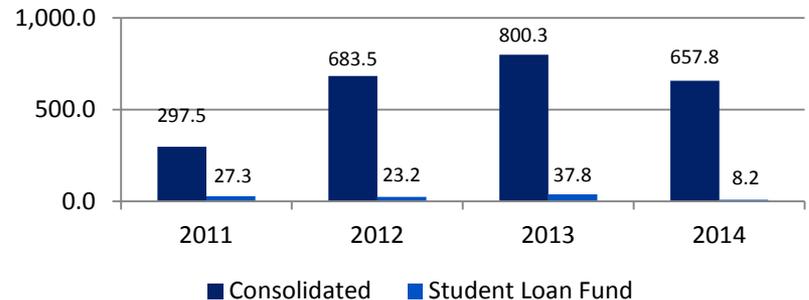
Operating Revenue

Fiscal Year-End September 30th
(\$ Millions)



Net Income (1)

Fiscal Year-End September 30th
(\$ Millions)



Notes

- (1) Fiscal Year-end 2012 Net Assets and Net Income, include proceeds from Unemployment Obligation Assessment Revenue Bonds transferred to the Department of Licensing and Regulatory Affairs ("LARA") to repay Federal liability but no corresponding receivable was booked
- (2) Additional information is available in MFA's annual report at: <http://www.michigan.gov/treasury> under Bond Finance and Investments, Michigan Finance Authority



Michigan Finance Authority



FFELP Performance Information

FFELP Loans Performance Information

MFA Student Loan Operations

- The MFA FFELP portfolio is serviced by
 - Great Lakes Educational Loan Services, Inc.
 - Nelnet Servicing, LLC
 - Navient Corporation
- It is anticipated that FFELP servicing will be consolidated at one of these three servicers within the next year
- For the last six calendar years, MFA has had a total of **\$43,074** of net rejections on **\$317.8 million** of claims for a **total net reject rate of 0.014%**

	CY 2008	CY 2009	CY 2010	CY 2011	CY 2012	CY 2013	CY 2014
Claims Paid	67,429,620	73,722,803	61,307,880	29,215,759	29,840,185	23,593,420	32,690,301
Net Reject (\$)	2,005	-	2,489	2,873	15,954	19,753	-
Net Reject (%)	0.00%	0.00%	0.00%	0.01%	0.05%	0.08%	0.00%



Michigan Finance Authority



Investor Reporting

Investor Reporting

MFA Investor Reporting Practices

- MFA Investor Relations Website
- Reports to Bondholders
 - Monthly servicing reports will include, but are not limited to:
 - Waterfall distributions, including principal and interest distributions on the bonds
 - Outstanding bond amounts and applicable interest rates
 - Fees and expenses accrued and paid
 - Student loan profile
 - Trust balance sheet and parity levels
 - Trust income statement
- Quarterly Servicing reports will contain a snapshot of the portfolio characteristics at the end of the reporting period
- Servicing reports will be posted to the investor information section of MFA's website
- Investor relations contact:
 - StudentLoanFinance@michigan.gov



Michigan Finance Authority



Appendix A

Senior Management and Financial Advisor Biographies

Senior Management & Financial Advisor

Key Personnel

- Tom Saxton has been a Deputy Treasurer since 2006, overseeing the Bureau State and Authority Finance. Prior to joining the Department of Treasury, Mr. Saxton worked at the Department of Management and Budget for more than 20 years. He served in various senior level positions that included responsibilities statewide for capital outlay financing, risk management, real estate, and facilities administration. Mr. Saxton holds a BA in Marketing (1975) and a MBA (1978) from Michigan State University. In July 2014, Tom was appointed overall Chief Deputy Treasurer for the Department.
- Joseph L. Fielek was named Deputy Treasurer for Financial and Administrative Services in September 2013. Mr. Fielek oversees the Offices of Accounting Services, Collections, Departmental Services, Financial Services and Privacy and Security. Mr. Fielek has worked for Treasury for over 30 years. Mr. Fielek has held several cash and debt management positions, the most recent being the Director of The Bureau of State and Authority Finance and also the Executive Director for the Michigan Finance Authority. Prior to working in the cash and debt management area, Mr. Fielek was an internal auditor for the Department. Mr. Fielek holds a B.A. degree in accounting from Michigan State University, has a CPA Certificate of Examination and is a Certified Internal Auditor.
- Mary Martin has been employed with the Michigan Department of Treasury since 2003. She is the Director of the Bureau of State and Authority Finance, which administers the issuance and payment of state bonds and notes, manages the state's common cash fund and includes the Michigan Finance Authority, State Building Authority and School Bond Qualification and Loan Program. Mary previously served as the Director of the Student Loan Division and Assistant Director of the School Bond Qualification and Loan Program within Treasury and worked as an audit supervisor with the Michigan Office of the Auditor General. She received a Bachelor of Business Administration Degree with an accounting concentration from the University of Michigan-Flint and is a Certified Public Accountant.
- Lee Donner has served as a Managing Director at FirstSouthwest since 1999. Mr. Donner specializes in Public Finance, with a particular emphasis on student loan finance and short-term structures. Collectively, he has more than 38 years of student loan experience, including 32 years of experience in student loan investment banking and extensive experience working in short-term financing structures. Prior to joining FirstSouthwest, he was employed as a Senior Vice President and Managing Director at EVEREN Securities, Inc. (f/k/a Principal Financial Securities, Inc.). In addition, Mr. Donner has acted as Managing Director of Education Finance for Llama Company and Vice President in the Public Finance Division of Rauscher Pierce Refsnes, Inc. Mr. Donner is a graduate of the University of Texas at Arlington, with a Bachelor of Arts in English. He is also a Registered Representative of the Financial Industry Regulatory Authority ("FINRA"), and is Series 7, 24, 53, 63 and 79 certified.



Michigan Finance Authority



Appendix B

Supplemental Financial Information

Financial Overview

MFA Aggregate Operations

Consolidated Statement of Net Position

Fiscal Year-end September 30th

(\$ millions)

Assets and Deferred Outflows of Resources:	2014		2013		2012		2011	
Cash and investments	2,721.5	23.5%	3,045.5	31.0%	2,983.3	30.2%	2,703.4	27.8%
Receivables (Bonds, Loans and Interest), net	8,807.0	76.2%	6,728.8	68.5%	6,844.3	69.2%	6,984.4	71.7%
Other assets and deferred outflows of resources	30.0	0.3%	47.5	0.5%	58.1	0.6%	51.1	0.5%
Total Assets and Deferred Outflows of Resources	11,558.5		9,821.8		9,885.6		9,738.9	

Liabilities and Deferred Inflows of Resources:								
Bonds and notes payable (plus interest)	11,095.1	99.6%	9,968.3	99.5%	10,835.3	99.6%	7,954.4	99.5%
Arbitrage rebate	31.7	0.3%	35.0	0.3%	32.3	0.3%	31.0	0.4%
Other liabilities and deferred inflows of resources	10.7	0.1%	10.8	0.1%	10.5	0.1%	11.0	0.1%
Total Liabilities and Deferred Inflows of Resources	11,137.5		10,014.0		10,878.2		7,996.5	

Net Position:

Restricted ⁽¹⁾	3,532.8		3,243.5		2,890.0		2,559.7	
Unrestricted ⁽²⁾	(3,111.8)		(3,435.7)		(3,882.6)		(817.3)	
Net Position	421.0		(192.2)		(992.6)		1,742.4	

Total liabilities and net position	11,558.5		9,821.8		9,885.6		9,738.9	
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Balance Sheet Highlights

- In fiscal year 2014 total assets increased \$1.7 billion while liabilities increased \$1.1 billion, resulting in an increase in net assets of \$613.2 million (319.0%)
- Unemployment obligation asset bonds are payable from future collections, however, accounting principals preclude the Authority from recording anticipated receipt of proceeds as the underlying economic event has not yet occurred

Notes

1. Restricted net position are available solely within the respective trust estate
2. Unrestricted net position are unconditionally available to the Authority

Source: MFA audited financial statements



Financial Overview

MFA Aggregate Operations

Consolidated Statement of Revenues, Expenses and Changes in Net Position

Fiscal Year-end September 30th

(\$ millions)

Operating Revenues:	2014		2013		2012		2011	
Governmental Activities ⁽¹⁾								
Tobacco Settlement	63.9	6.2%	87.9	7.7%	65.8	7.0%	63.1	9.6%
Unemployment Obligation	459.4	44.5%	458.1	40.0%	261.7	27.9%	0.0	0.0%
Business-Type Activities ⁽¹⁾								
Municipal Bond Fund	443.3	43.0%	523.0	45.7%	532.8	56.7%	510.4	77.8%
Student Loan Fund	39.6	3.8%	50.4	4.4%	52.9	5.6%	57.0	8.7%
Non-Major Funds	25.3	2.5%	25.8	2.3%	25.8	2.7%	25.6	3.9%
Total operating revenues	1,031.6		1,145.2		939.1		656.1	

Operating Expenses:

Governmental Activities ⁽¹⁾								
Tobacco Settlement	76.4	20.4%	76.6	22.2%	76.1	2.1%	75.3	21.0%
Unemployment Obligation	53.8	14.4%	61.6	17.9%	3,342.3	91.0%	0.0	0.0%
Business-Type Activities ⁽¹⁾								
Municipal Bond Fund	194.7	52.1%	175.2	50.8%	205.6	5.6%	232.5	64.9%
Student Loan Fund	31.4	8.4%	12.6	3.7%	29.8	0.8%	29.8	8.3%
Non-Major Funds	17.4	4.7%	18.9	5.5%	20.2	0.5%	20.9	5.8%
Total operating expenses	373.8		344.9		3,674.0		358.5	

Net income	657.8	800.3	(2,735.0)	297.6
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Net position at the beginning of the year	(192.2)	(992.6)	1,742.4	1,444.8
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Restatement Due to Accounting Changes	(44.5)			
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Net position at the end of the year	421.0	(192.2)	(992.6)	1,742.4
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Notes

1. Restricted net position are available solely within the respective trust estate
2. Unrestricted net assets are unconditionally available to the Authority

Source: MFA audited financial statements

Income Statement Highlights

- Year-over-year, total operating revenues decreased 9.9% primarily as a result of operating subsidies received by the Municipal Bond Fund and the Tobacco Settlement Debt Service Fund compared to prior year receipts
- Operating expenses increased 8.4% primarily due to an increase in interest expense paid and the class action lawsuit in the Student Loan Fund and deferred charges and financing costs expensed as a result of the implementation of GASB 65 in the Municipal Bond Fund



Financial Overview

MFA Student Loan Fund

Statement of Net Position - Student Loan Fund

Fiscal Year-end September 30th

(\$ millions)

Assets and Deferred Outflows of Resources:	2014		2013		2012		2011	
Cash and investments	134.1	11.4%	493.5	29.5%	493.0	26.6%	551.5	25.1%
Receivables (Bonds, Loans and Interest), net	1,040.1	88.3%	1,176.6	70.2%	1,350.9	72.9%	1,637.7	74.4%
Other assets and deferred outflows of resources	3.3	0.3%	5.4	0.3%	9.7	0.5%	11.0	0.5%
Total Assets and Deferred Outflows of Resources	1,177.4		1,675.5		1,853.7		2,200.2	

Liabilities and Deferred Inflows of Resources:								
Bonds and notes payable (plus interest)	951.0	96.8%	1,451.3	97.6%	1,699.5	99.9%	2,041.3	98.6%
Arbitrage rebate	26.4	2.7%	28.2	1.9%	24.0	1.4%	20.9	1.0%
Other liabilities and deferred inflows of resources	5.2	0.5%	6.2	0.4%	8.2	0.5%	9.1	0.4%
Total Liabilities and Deferred Inflows of Resources	982.6		1,486.7		1,701.7		2,071.3	

Net Position:

Restricted ⁽¹⁾	-		7.0		8.4		9.2	
Unrestricted ⁽²⁾	194.8		182.8		143.6		119.6	
Net Position	194.8		189.8		152.0		128.8	

Total liabilities and net position	1,177.4		1,676.5		1,853.7		2,200.2	
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Balance Sheet Highlights

- In fiscal year 2014 total assets decreased \$501.4 million (excluding the deferred outflows of resources for \$3.2 million) while liabilities decreased \$504.1 million, resulting in an increase in net assets of \$5 million (2.6%)
 - Net asset change is primarily attributable to \$500.5 million of mandatory and optional redemptions of student loan bonds and notes less the issuance of bonds and notes
 - Net assets remain robust at \$194.8 million

Notes

1. Restricted net position are available solely within the respective trust estate
2. Unrestricted net position are unconditionally available to the Authority

Source: MFA audited financial statements



Financial Overview

MFA Student Loan Fund

Statement of Revenues, Expenses and Changes in Net Position - Student Loan Fund

Fiscal Year-end September 30th

(\$ millions)

Revenues:	<u>2014</u>		<u>2013</u>		<u>2012</u>		<u>2011</u>	
Interest revenue, net	34.4	86.8%	39.6	78.5%	45.5	86.0%	50.0	87.7%
Investment income	(0.0)	-0.1%	0.1	0.2%	0.1	0.2%	0.1	0.2%
Other	5.3	13.3%	10.7	21.2%	7.3	13.8%	6.9	12.1%
Total operating revenues	39.6		50.4		52.9		57.0	
Expenses:								
Interest expense	5.5	17.4%	(8.8)	-69.6%	(2.8)	-9.3%	1.2	4.1%
Bad debt expense	2.0	6.4%	1.8	14.5%	8.5	28.5%	10.8	36.2%
Arbitrage rebate	(1.8)	-5.6%	4.2	33.2%	3.1	10.5%	(0.5)	-1.5%
Other	25.7	81.9%	15.4	121.9%	20.9	70.2%	18.2	61.2%
Total operating expenses	31.4		12.6		29.8		29.8	
Net income	8.2		37.8		23.2		27.3	
Net position at the beginning of the year	189.8		152.0		128.8		101.6	
Restatement Due to Accounting Changes	(3.2)							
Net position at the end of the year	194.8		189.8		152.0		128.8	

Income Statement Highlights

- Year-over-year, operating revenues decreased 11.6% primarily due to loan principal declines in the student loan portfolio through borrower payments and claim payments
- Operating expenses increased by \$18.8 million primary from class action lawsuit related to discontinuance of borrower benefit programs and higher interest rates

Source: MFA audited financial statements

