



UHEAA: Looking forward in 2020

- 10 years since the federal takeover of student lending
- 12 years since the financial markets meltdown



Since 1977 UHEAA has provided students . . .

\$12M in grants to 13,000 recipients

\$252M in borrower savings and benefits

\$7B in loans

9,775 borrowers with loan rehabilitation



Today UHEAA . . .

Employs over **400** staff

Contributes **\$29M** in salary & benefits annually to local economy

Services **\$18.4B** in student loans

Offers **low-rate** private loans

Administers **6** state financial aid programs



December 5, 2019

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3

UHEAA's strategic business priorities for 2020

- Monitor existing federal contract and NextGen opportunities
- Manage UHEAA bonds
- Grow *Complete Student Loan* program
- Manage guarantor operations for successful conclusion over time
- Manage six state financial aid programs
- Expand outreach and business development efforts
 - Evolving educational landscape
 - Supporting nontraditional and under-privileged students



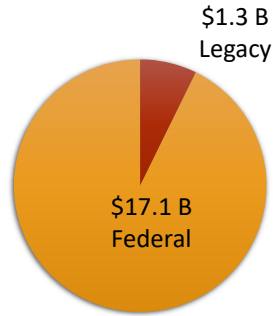
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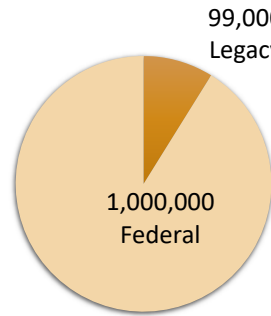
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UHEAA portfolio volume: Highest in history

\$18.4 billion



1.1 million accounts



As of November 30, 2019

UHEAA employment: Highest staffing in history

383 employees

Plus 32 Shared, central services employees:
(UHEAA pays approximately 75% of the cost)



2020 Challenges



- Federal contract
- Staffing

Federal contract update

- Consultations with Board from June 2019 meeting
- Stay involved in the federal contract for now
- Monitor developments: NextGen servicing initiative
 - Role
 - Compensation
- Future opportunity probability
 - Federal student loan holdings
 - 47 million accounts
 - \$1.5 trillion



Federal contract update



- Federal contract through March 2020
- Extension highly likely through a series of "Task Orders."

Status of current contract

November 4, 2019 notice from the U.S. Department of Education's Federal Student Aid (FSA) office:

"Servicers should be prepared to continue performance beyond the end of the current ordering period..."

...FSA will place additional orders prior to the expiration of the current ordering period."

- Length or timing of extensions unknown

House and Senate pending Appropriations Bill language

*"The Committee is concerned about the planned timeline for transitioning to NextGen. Accordingly, the Committee directs the Department to **extend current student loan servicing contracts** . . . to ensure there is adequate time to fully stand up NextGen and that there is no disruption in service for borrowers."*



Federal contract update

- Extended through March 2022
- Keeps us in NextGen
- Extension goes beyond the 2020 presidential election



Secretary Betsy DeVos calls for Federal Student Aid (FSA) to become independent

- Urges Congress to establish FSA as independent "government corporation" run by "a professional, expert, and apolitical board of governors"
- Calls FSA's current structure an "untamed beast" that cannot satisfy the political whims of Congress.



"I'm not so sure the federal government should monopolize student lending, but if it does - and, for now, it essentially does - then it must provide services on par with world-class financial firms." – Betsy DeVos

Federal contract reforms needed

- Met with FSA lead contract officer in DC – September 2019
- Significant contract reforms are needed.
- Stagnant contract revenues
- Escalating costs
 - Labor
 - Systems
 - Training
 - Compliance
 - Security



NextGen proposal submitted

- Despite legal challenges and protests, the U.S. Department of Education moved ahead with its new NextGen procurement.
- October 2018, UHEAA was one of six selected nationwide under previous procurement.
- UHEAA's new proposal submitted by the August 2, 2019 deadline.
- UHEAA's strong submission: 564-page response
- Selection timeline unknown



New development: NextGen senior official resigns

- October 2019: Wayne Johnson resigned to run for Senate
- Led the NextGen effort
- Called student loan system “fundamentally broken”
- Advocates loan forgiveness up to \$50,000 per borrower
- Letter from Congress questioning his departure (See attached letter in Tab 6.1)



Personnel and staffing

- Tight labor market
 - At every position level
- Recently lost newly-hired senior director for operations
 - Aggressive recruitment underway
- Need to hire approximately 50 staff between now and early 2020



UHEAA Snapshot: Personnel

Steps management has taken:

- Hired a second full-time recruiter
- Overhauled training program
- Enhanced employee referral program
 - \$1,500 incentive for call center
- Implemented progressive, competency-based pay plan for call center



Loan Purchase Program (LPP) Budget

- 2020 positive operating income budgeted at **\$2.1 million**
- First quarter results in
 - ✓ Tracking according to plan
- Lower interest rates than budgeted
 - Improves bottom line
 - Reduces bond expense



Budget preview: Loan Guarantee Program (LGP)

- Positive operating income budgeted for FY 2020
- Most functions of LGP replaced by Federal Direct Loan Program in 2010
- Primary activity: repayment and rehabilitation of defaulted student loans



UHEAA Snapshot: Loan Guarantee Program (LGP)

Management plan:

- Bring LGP to orderly conclusion over time
- Supplement operations with agency operating fund, as needed
 - Projected agency operating fund balance at June 30, 2020:
\$13 million



UHEAA bonding

- Total bonds outstanding: \$1.17 billion*
- Six trusts
- Full compliance with all debt covenants and principal and interest payments
- Forecasted maturity when the bonds are paid in full: 2023 – 2031



*As of October 31, 2019

December 5, 2019

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23

Bond ratings upgraded to AAA by Standard & Poor's

Two UHEAA bond ratings raised

- June 3, 2019
- 2012-1 (Original issue amount \$519 million – current balance: \$157 million)
- 2014-1 (Original issue amount \$277 million – current balance: \$118 million)
- From AA+ to AAA

S&P Global
Ratings



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24

Bond rating confirmations: AAA

- November 2019: Three UHEAA bond indentures confirmed at AAA
 - 2012
 - 2014
 - 2016
- Investment-grade indebtedness
- AAA is the top financial rating – the highest level of creditworthiness

Fitch
Ratings



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25



Refinance Graduate Undergraduate

School	Borrower Count	Total Disbursed
Roseman University	42	\$ 1,175,921
Southern Utah University	35	808,188
Utah State University	57	596,337
University of Utah	57	526,227
Utah Valley University	43	447,856
Westminster College	25	199,534
Salt Lake Community College	20	140,961
Brigham Young University	22	106,050
University of Chicago	1	35,000
Weber State University	4	16,551
Arizona State University	1	8,000
University of Texas Medical	1	8,000
Montreat College	1	7,500
TOTAL	309	\$ 4,076,125

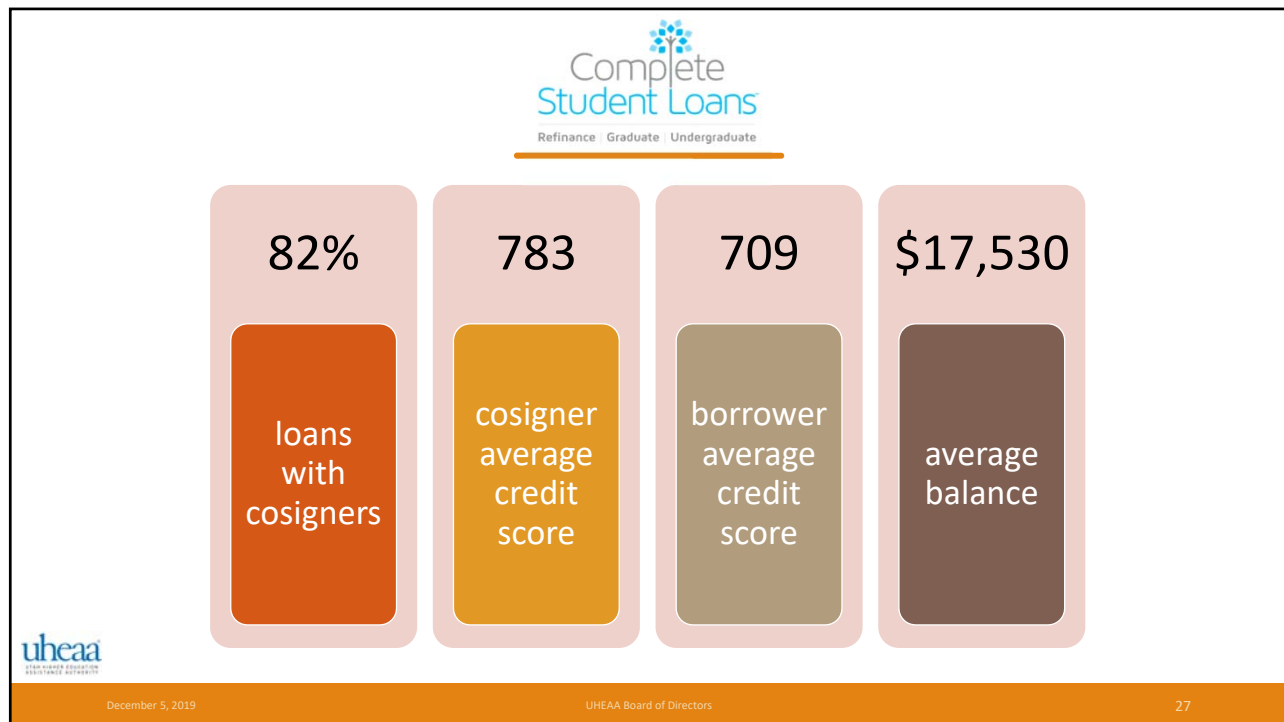
As of October 31, 2019



December 5, 2019

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26



DC developments: Nation's student loan policy

47 million Americans have student loan debt

\$1.5 trillion – four times what it was in 2005

- Student loan debt is second only to the amount of mortgage debt.
- Delinquency rates for student loans are the highest of any form of household debt.
- 11.5% of student loans are 90 days or more delinquent or in default.

Sources: CNBC, November 1, 2019
 Fox Business, November 4, 2019
 Lending Tree, Student Loan Hero, October 2019
 Moody's Investors Service, November 1, 2019

DC developments: Nation's student loan policy

Presidential candidates student aid proposals:

- Forgive some or all student debt
- Dramatically increase Pell Grants
- Free public college
- Student debt: disproportionate impact on younger people



DC developments: Nation's student loan policy

"Their proposals are crazy. . . Who do they think is actually going to pay for these? It's going to be two of the three Americans that aren't going to college paying for the one out of three that do."

– U.S. Secretary of Education Betsy DeVos appearing on Fox News, November 4, 2019



DC developments: Nation's student loan policy

"A one-time forgiveness act could create a 'moral hazard' with limited economic benefit."

MOODY'S
INVESTORS SERVICE

November 1, 2019

DC developments: Nation's student loan policy

"Student loan forgiveness would not address wealth inequality since two-thirds of outstanding student loan debt is held by the upper-half of earners."

(New York Federal Reserve, quoted in CNBC, November 1, 2019)



Clean financial statement audit

Financial statement audit

- Clean financial statement audit for the year ending June 30, 2019
- No findings
- Unqualified opinion



Outreach Services: New FAFSA Season

Since the 20-21 FAFSA launched October 1, 2019:

130 schools

hosted a UHEAA-Sponsored FAFSA Completion Open House

Approx. 1,400 Families

attended a FAFSA Completion Open House through 11/15/19

35%

of students who attended a FAFSA Completion Open Houses identify as first-generation college students

Over 22,000 views
of the 20-21 FAFSA Walk-Through video

Over 200
comments/questions fielded

51.4 percentage point increase

in senior FAFSA completion over PY
#1 largest increase in the US
(National College Access Network)

UHEAA Outreach award

- \$10,000 award from National College Access Network (NCAN)
- Excellence in Training and Professional Development Award
- UHEAA's outreach work in West Valley City – NCAN's FAFSA Completion Challenge
 - Training high school counselors: mechanics of the FAFSA
 - Granite School District



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35

State financial aid programs



UHEAA administers six state student aid programs

1. Matching funds for Federal Supplemental Educational Opportunity Grant (FSEOG)
2. Matching funds for Federal Work Study Program (FWS)
3. Higher Education Success Stipend Program (HESSP)
- 4. Access Utah Promise Scholarship Program**
5. Veterans Tuition Gap Program (VeT Gap)
6. T.H. Bell Teaching Scholarship Program

UHEAA absorbs all administrative costs for these programs into its operating budget.



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36

Access Utah Promise Scholarship

(First-year allocations)

Institution	FY2020 Promise Scholarship Allocation	Percent of Total
Utah Valley University	\$ 592,700	24%
Utah State University	432,600	17%
University of Utah	364,000	15%
Salt Lake Community College	338,600	14%
Weber State University	326,200	13%
Dixie State University	146,600	6%
Southern Utah University	139,650	5%
Snow College	75,600	3%
UTECH Institutions	63,965	3%
TOTAL DISTRIBUTION	\$ 2,479,915	



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37

Recent letters from Utah Promise recipients



"I am forever grateful to have received the Utah Promise-Dream Weber scholarship. I honestly began to cry when I saw the scholarship. This has dramatically improved my financial burden especially since I lost my father while I was a high school student. Because of the scholarship, I am a step closer to achieving my goal . . ."



December 5, 2019

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38

Recent letters from Utah Promise recipients

"I feel incredibly privileged to receive a Utah Promise-Dream Weber scholarship. I am a first generation college student and will be able to concentrate on my studies toward a Bachelors of Science in Nursing rather than worrying about financial strains."



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File Edit Connection Setup Window Help Script Guarantee Enrollment Maintenance Batch Loan Sales Private Loans On Demand

Compass ACH Setup Waive Late Fees

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 DAVID A FEITZ STD NOTICE MMDDCCYY
 RES- UT 001954 CTZ- A DFT/RFND- N 05- LN PRD 041979 111979 10- REF Y
 13- REQ LN AMT 000000 16- STD SIGN Y 03181979
 ENDORSER EDS- SSN
 UTAH STATE UNIVERSIT 23- SCH 00367700 SCH NOTICE MMDDCCYY
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 F7=PREV F8=NEXT F9=PRT F10=LG0H F11= F12=CAN
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