



IOWA COLLEGE

STUDENT AID COMMISSION

External Examiners' comments



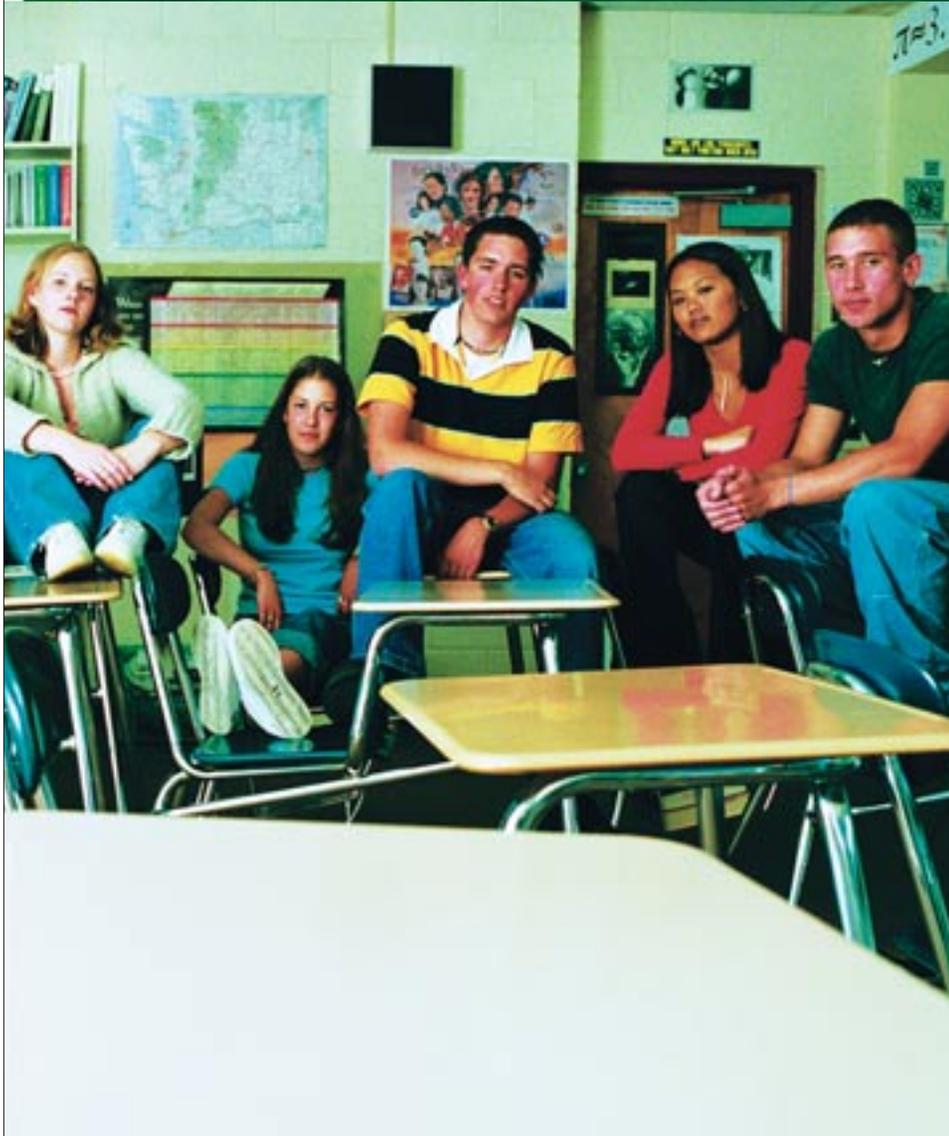
education

2002-2003

ANNUAL REPORT

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Executive Message



The mission of the Iowa College Student Aid Commission has always been to promote affordable access to higher education – to help Iowa families find the financial resources that open the doors to educational opportunities at the colleges or universities of their choice.

We know that students and parents work hard to save and budget the financial resources for a college education. On behalf of the State of Iowa and the General Assembly, our agency supports Iowa students and families with scholarships, grants, forgivable loans, student loan guarantees, informational resources, and a range of services that assist borrowers throughout the repayment process.

The financial aid impact of Commission-administered programs in the 2002-03 academic year is described in this report to Iowans.

Included are these components:

- An investment of \$45.7 million made it possible for 15,741 students to receive Iowa Tuition Grants and pursue undergraduate degrees at Iowa's independent colleges and universities (grant report on page 7);
- Iowa Grants were awarded to 2,670 students who faced barriers to higher education due to insufficient family resources (grant report on page 8);
- 1,136 college freshmen received State of Iowa Scholarships in recognition of their high school academic achievements (scholarship report on page 11);

- Nearly 3,000 Iowans received Vocational-Technical Tuition Grants or ACE Grants – support that aids students enrolled in vocational programs at community colleges throughout the state (grant report on page 9);
- 458 students made a commitment to teach in high-need education areas. They were awarded Iowa Teacher Shortage Forgivable Loans and agreed to become Iowa teachers after graduating with special training to teach in hard-to-fill subject areas (Iowa's teacher program described on page 13);
- More than \$340 million in student loan financing was guaranteed by the Commission to support 56,000 Iowa students and parents who borrowed for 2002-03 education expenses using Iowa's FFEL Program (guaranteed student loan report on page 18);
- While working to prevent student loan defaults, more proactive efforts were made to increase recoveries on defaulted loans, saving taxpayers millions of dollars and ensuring that resources are available to help future students finance a college education (loan collections report on page 23).



MICHELLE DURAND-ADAMS
Commission Chair



GARY W. NICHOLS
Executive Director

Executive Message

In 2003, the Commission reached its 40-year anniversary as a state agency. As we reflect on that milestone, we note that two of our programs, State of Iowa Scholarships and Iowa Tuition Grants, have been in existence for nearly the entire life of our agency. Tens of thousands of Iowans, and now multiple generations, have benefited from the widespread availability of this educational support. The pages that follow provide specific data on the 2002-03 program dollars invested in scholarships, grants, forgivable loans, and other opportunities that benefit Iowa students. For the most part, State of Iowa General Fund appropriations support the scholarship and grant programs administered by the Commission.

Grants and scholarships are essential pieces in the financial aid equation; yet, when it comes to financing postsecondary education, more students and families depend on federal student loans than on any other source of financial aid. Students and families use loans to close the gap between available resources (scholarships, grants, savings, family budget) and the cost of a college education.

The Commission became the federally-designated guarantee agency for Iowa's Federal Family Education Loan Program (FFELP) in 1978. As a guarantor, our role has been to encourage private Iowa lenders to participate in the partnership that makes financial resources widely available to student borrowers who, essentially, start with no credit history or assets. Private lenders support the FFEL Program because of the Commission's guarantee and the range of services we provide to the financial aid community. Especially valuable are Commission services that lead to a high repayment rate among Iowa-FFELP student loan borrowers.

Today there is virtually universal access to low-interest student loans. Since our first student loan was guaranteed in 1979, more than 600,000 Iowa students and families have used the Commission's low-cost loan program to unleash their potential through postsecondary education. An extensive report on the operation of the Commission's Guaranteed Student Loan Program begins on page 18.



More students and families depend on federal student loans than on any other source of financial aid.

Higher Education in Iowa

IOWA HIGHER EDUCATION TRENDS

Enrollment

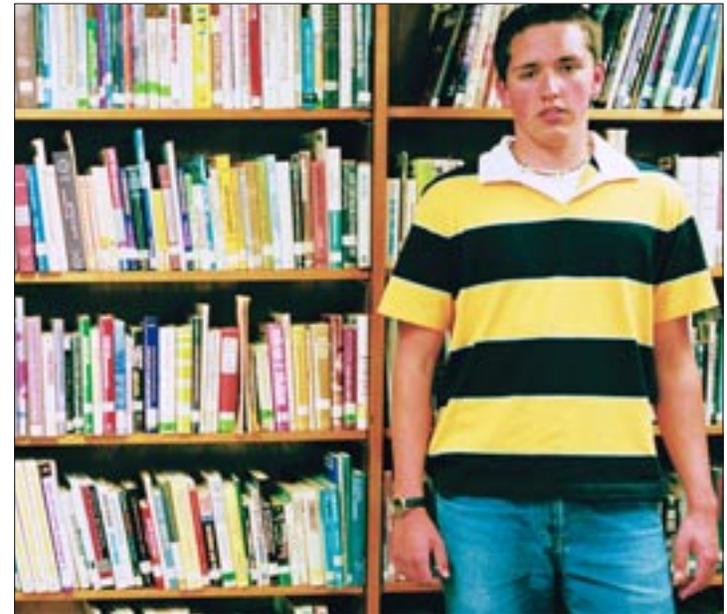
- Enrollment at Iowa colleges and universities totaled 175,827 undergraduate students and 22,768 graduate students in the fall of 2002, for a total statewide of 198,595 students enrolled in postsecondary education.
- Undergraduate enrollment at Iowa institutions increased 28.1 percent between 1988 and 2002. Graduate enrollment increased 6.6 percent.
- Among Iowa residents, undergraduate enrollment increased 23.4 percent between 1988 and 2003.
- Part-time undergraduate enrollment increased 57.5 percent between 1988 and 2002.

Cost of Attendance

- Between FY 1999 and FY 2004, the cost of attendance increased 20.5 percent at Iowa community colleges; 49.5 percent at Regent universities; and 25.4 percent at independent colleges and universities (cost of attendance includes tuition, fees, room and board and other college expenses).
- Between FY 2003 and 2004, the cost of attendance increased 8.9 percent at Iowa community colleges; 10.7 percent at Regent universities; and 5.7 percent at independent colleges and universities.

Financial Aid

- Colleges and universities provide a significant number of students with either merit-based or need-based financial assistance known as "institutional aid." Iowa students received \$405 million from institutional sources in FY 2002 (most recent data reported). That was a three-fold increase from the amount of institutional assistance students received in 1988 (\$148 million).
- Iowa families borrowed approximately \$625 million to help pay college expenses in 2002-03. That amount is more than three times the total amount (\$180 million) borrowed in 1988.



State Grant Programs

GRANTS TO ENSURE BROAD ACCESS TO HIGHER EDUCATION

According to the U.S. Bureau of Labor Statistics, 60 percent of new jobs created between today and 2010 will require some higher education. Today, more than **two-thirds of the fastest growing occupations require postsecondary degrees**. These statistics reflect dramatic shifts to a global society that is more dependent on advanced technologies than ever before. Parents and students know that higher education is critical to their chances to succeed in life; and to ensure that success, efforts must be made to make college affordable through a combination of grant aid and low-cost student loans.

The availability of need-based grants expands access to education. Nationally, the Pell Grant program provides assistance to approximately one-quarter of our country's undergraduate students. Pell Grants are limited to those students facing the highest financial barriers. The amounts awarded cover portions, not the entire amount, of students' education costs.

Like many states, Iowa policymakers created educational grant programs to extend financial aid to more families than are eligible for the federal grant, and to add further support for those students with the greatest need. Iowa General Fund Appropriations for student grant programs totaled \$50.7 million in 2002-03. This funding was used to provide 22,231 awards to Iowa students who were eligible to receive grants through the programs described below.

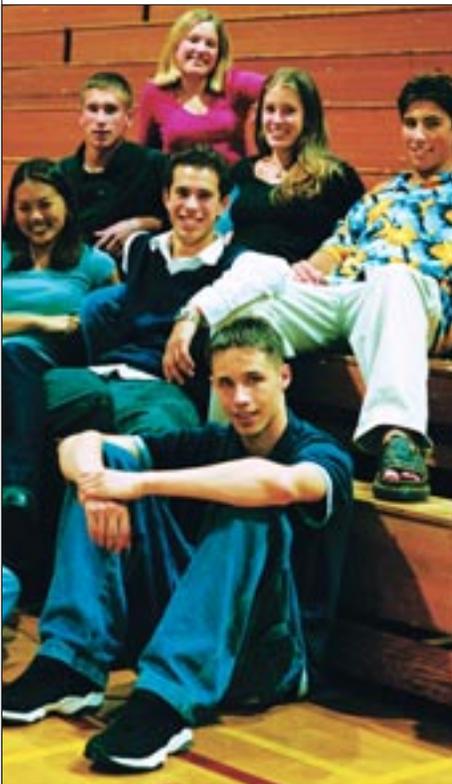
Financial aid dispensed in the form of grants, which is aid that does not have to be repaid, rarely covers the full costs of a college education. Some people erroneously equate grant aid with a "full ride," but in fact, studies of undergraduate financing affirm that most grant recipients who complete a bachelor's degree have borrowed federal student loans and graduate with student loan debt.



State Grant Programs

AWARD METHODOLOGY – WHO IS ELIGIBLE FOR IOWA-FUNDED GRANTS?

Students apply for state and federal grants by completing the Free Application for Federal Student Aid (FAFSA). Student and parent financial information submitted through the FAFSA is analyzed by a federal processing center using methodology approved by the U.S. Congress. The analysis considers family income, family size, number of family members enrolled in college, selected assets, age of parents, and other pertinent factors. It is designed to provide an estimate of how much each family can reasonably be expected to contribute toward annual education expenses (Expected Family Contribution = EFC).



EFC figures are used by Commission staff and college and university officials to identify students in need of assistance, and to estimate the amount of financial aid each student needs to meet college expenses (college expenses minus EFC = maximum aid).

The Commission establishes EFC awarding levels for the Iowa Tuition Grant and Iowa Vocational-Technical Tuition Grant Programs. Students with EFCs at or below the awarding levels receive grants to assist them in paying education costs at Iowa colleges and universities.

Methodology Data / Iowa Tuition Grants and Iowa Voc-Tech Tuition Grants

Iowa Tuition Grants	2002-03	2001-02	2000-01
EFC (a)	\$9,000	\$9,000	\$9,750
Median income (b)	\$43,465	\$44,355	\$41,802
Average need (c)	\$12,413	\$11,198	\$9,986
Iowa Voc-Tech Tuition Grants	2002-03	2001-02	2000-01
EFC (a)	\$1,001 to \$3,800	\$2,750	\$3,200
Median income (b)	\$35,703	\$25,354	\$27,796

(a) Awarding parameter Expected Family Contribution (EFC)

(b) Median family income of dependent recipient

(c) Average need of dependent recipients

State Grant Programs

IOWA TUITION GRANTS

The Iowa Tuition Grant was created by the General Assembly more than 30 years ago to provide students and families with greater access to educational opportunities available at Iowa's independent colleges and universities. Grants are awarded to Iowa students based on income parameters. The students may be enrolled in accredited programs at any of 36 independent colleges and universities located in communities throughout the state.

When the Iowa Tuition Grant was established in 1969, the grant covered 76 percent of the average cost of tuition and fees and 38 percent of the total student budget for a student enrolled at an independent college or university in Iowa. By 1980, the grant covered 47 percent of the average tuition and fees and 30 percent of the total student budget. This past year, 2003, the grant's purchasing power dropped to a level equivalent to 23 percent of average tuition and fees and 15 percent of the average student budget.

In contrast to the downward trend of those statistics, the demand for Iowa Tuition Grants rose to a record high in 2002-03. The number of Iowa students eligible to receive the Iowa Tuition Grant reached 32,306 – double the number of students who could be supported with available funds. In tandem with rising college enrollments, the number of grant-eligible applicants increased by 5.5 percent from the previous year. The number of students who received the grants rose by 3.7 percent.

The Iowa Tuition Grant is applied to an eligible student's tuition and educational fees. Students with Expected Family Contributions (EFCs) at or below the annual awarding level, and who apply before the deadline, qualify for grants. The statutory maximum for the award is \$4,000. The maximum award has been reduced in some years due to a higher number of eligible applicants and reduced state appropriations. Iowa students may be eligible to receive the grant for up to four years of full-time undergraduate study (adjustments are made for less than full-time status).

IOWA TUITION GRANTS

Awards	2002-03	2001-02	2000-01
Eligible Applicants	32,306	30,621	29,315
Recipients	15,741	15,178	14,588
Maximum Award*	\$3,600	\$3,775	\$4,000
Average Award**	\$2,906	\$3,122	\$3,335
Expenditures	\$45,737,256	\$47,378,344	\$48,655,731

* By statute, the maximum award is \$4,000. A lower award was used to extend grants to more students when eligible applicant numbers rose without a corresponding increase in the source of funds.

** The average award is lower than the maximum due to adjustments made for part-time students and those who enroll for one semester or enrollment term.

State Grant Programs

IOWA GRANTS

Iowa Grants were awarded to 2,670 Iowa students last year – an 8.7 percent rise from the previous year. Legislators developed the Iowa Grant Program in 1990 to assist Iowa students with the greatest financial need. The recipients may be enrolled at any accredited Iowa college or university. Award decisions are based on a need-based ranking system used in the financial aid process at each institution. Federal leveraging funds augment state support for these grants.

Last year's Iowa Grant recipients came from families with median incomes of \$25,000. The average Expected Family Contribution (EFC) was \$2,500.

The General Assembly sets the formula for apportioning Iowa Grant funds to each sector of Iowa higher education. The statute allows a maximum award of \$1,000; however, a lower maximum award has been used to offset the increased number of eligible applicants and reduced state appropriations.

IOWA VOCATIONAL-TECHNICAL TUITION GRANTS

The Iowa Vocational-Technical Tuition Grant Program provides assistance to community college students pursuing vocational and career option training. Program eligibility is determined by the Iowa Department of Education and includes vocational fields such as nursing, computer programming, and a variety of other areas related to industrial skills or specialized vocations.

DISTRIBUTION OF IOWA GRANT ASSISTANCE

Iowa Grant Distribution for 2002-03

Regent universities:	667 recipients	\$508,435
Independent colleges and universities:	1,271 recipients	\$493,562
Community colleges:	732 recipients	\$350,226
Total in fiscal year:	2,670 recipients	\$1,352,223

Iowa Grant Awards Data	2002-03	2001-02	2000-01
Recipients (all sectors)	2,670	2,456	2,490
Maximum Award	\$1,000	\$940	\$1,000
Average Award	\$506	\$552	\$631
Expenditures (combined state and federal dollars, as shown below)	\$1,352,223	\$1,356,177	\$1,571,571

Source of Funds for Iowa Grants	2002-03	2001-02	2000-01
State appropriations	\$1,029,884	\$1,076,159	\$1,144,850
Federal LEAP/SSIG dollars*	\$322,339	\$325,577	\$451,517

*Federal Leveraging Educational Assistance Partnership (LEAP) / State Student Incentive Grant (SSIG) – in return for allocating State of Iowa funds to assist students with need, Iowa is eligible to receive these federal dollars which are added to the Iowa Grant allocation distributed to assist students with the greatest financial need.

State Grant Programs

IOWA VOCATIONAL-TECHNICAL TUITION GRANTS, *continued*

The program was restructured in 2003 to allow funds to be targeted to students who did not have access to other non-repayable aid, and to raise the award to a more meaningful amount. Before the change, many students received Pell Grants and smaller awards from the Iowa Vocational-Technical Tuition Grant. By changing the awarding structure, more significant grants (\$1,200 rather than \$650) are available to students who do not receive federal Pell Grants, but who still demonstrate a need for financial aid. The change that took effect last year shows that the number of voc-tech grant recipients was reduced from 5,866 in FY 2002 to 2,767 in FY 2003. At the same time, however, a greater number of community college students, a net increase of 1,400 students, received non-repayable aid. They were awarded federal Pell Grants or Iowa Vocational-Technical Tuition Grants or both.

ACE GRANTS

Students at 10 community colleges were eligible to receive Accelerated Career Education (ACE) grants in 2002-03. As a component of Iowa's economic development strategy, the ACE program is a partnership between community colleges and private industries. The goal is to educate and train Iowans for employment in areas related to value-added agriculture, advanced manufacturing, and information technology. Education grants are offered to full-time students in eligible programs of study. The Iowa Department of Economic Development determines which educational programs are eligible for student assistance.

IOWA VOCATIONAL-TECHNICAL

Tuition Awards	2002-03	2001-02	2000-01
Recipients	2,767	5,899	6,051
Maximum Award	\$1,200	\$650	\$650
Average Award*	\$857	\$392	\$401
Expenditures	\$2,371,526	\$2,312,103	\$2,379,598

* The average award is lower than the maximum due to adjustments made for part-time students and those who enroll for one enrollment period. Vocational-Technical Tuition Grants are available for two consecutive years of full-time undergraduate study at an Iowa community college (adjustments are made for less than full time status).

ACE GRANTS

	Student Recipients:	Average Student Award:	Total Expenditure:
2001-02	95	\$1,520	\$144,397
2002-03	104	\$1,528	\$158,877

Community Colleges offering Accelerated Career Education programs eligible for ACE education grants in 2002-03:

Des Moines Area Community College	Iowa Lakes Community College
Eastern Iowa Community College (Clinton)	Kirkwood Community College
Hawkeye Community College	North Iowa Area Community College
Indian Hills Community College	Southeastern Community College
Iowa Central Community College	Southwestern Community College

State Grant Programs

IOWA NATIONAL GUARD EDUCATIONAL ASSISTANCE

Funding for the Iowa National Guard Educational Assistance program is one way the State of Iowa demonstrates its commitment to the men and women who serve in national security positions at home and abroad. When many Iowa Guard units were activated for duty early in 2003, it became clear that fewer individuals would be able to utilize the education benefits in the spring semester, and that recipient numbers would likely drop further for 2003-04. To assist Guard members who participate in federal student loan programs, our staff took steps to contact lenders and ensure that loan deferment options would take effect so that delinquent payments or defaulted loans would not be a concern for active-duty Guard members.

IOWA FOSTER CHILD GRANTS

Some young Iowans have lived through difficult personal circumstances and have never considered college to be within their reach. This is particularly true among youth who have been supported by Iowa foster care services. Generally, foster children live with a series of foster families, receiving support from the families and the state until they reach age 18.

Most youth who have “aged out” of foster care have no connection to family financial resources. Even with the availability of need-based education grants, there is a gap in the financial resources and support they need to make college enrollment a reality.

To fill that gap, our agency and colleagues with the Iowa Department of Human Services (DHS) developed a pilot project that provides education grants to foster care youth. State general fund money has not been available to fund these grants. Instead, we have used other agency resources, as well as federal dollars that became available through a grant received by the DHS for the support of at-risk youth.

Iowa Foster Grant awards range from \$2,000 to \$4,200. The grants are used for education expenses at Iowa colleges or universities. The student recipients also receive assistance from federal Pell Grants and institutional support from the colleges and universities in which they enroll.

IOWA NATIONAL GUARD EDUCATIONAL ASSISTANCE			
Awards	2002-03	2001-02	2000-01
Applicants	1,153	1,096	1,239
Recipients	949	1,044	1,144
Average Award	\$1,153	\$1,122	\$1,069
Expenditures	\$1,094,123	\$1,171,325	\$1,223,064

RECIPIENTS BY SECTOR—IOWA NATIONAL GUARD ASSISTANCE			
Award distribution for 2002-03:		Award distribution for 2001-02:	
	Student recipients	Expenditures	Student recipients
Regent universities	338	\$547,607	\$520,270
Independent colleges and universities	147	\$207,521	\$253,799
Community colleges	464	\$338,995	\$397,256

IOWA FOSTER CHILD GRANTS				
Recipients	2002-03	2001-02	2000-01	1999-00
New Awards	10	12	13	10
Renewal Awards	15	13	8	0
Total / Students receiving awards	25	25	21	10
Average Award	\$2,792	\$2,700	\$2,637	\$2,400
Total Expenditure*	\$69,800	\$67,600	\$55,300	\$24,000

* Not a General Fund expenditure

Scholarship Programs

STATE OF IOWA SCHOLARSHIP

The purpose of student grants is to level the playing field for those who face financial obstacles. Another higher education goal supported by Iowa policymakers is to recognize and reward academically-talented young Iowans. To make that investment in future community leaders, we administer two scholarship programs that recognize high school seniors for their outstanding academic achievements. One program is funded by the State of Iowa, and the other uses federal funding.

Award Data	2002-03	2001-02	2000-01
Applicants	4,773	4,813	4,829
Designated Scholars	1,614	1,676	1,685
Monetary Recipients*	1,136	1,217	1,202
Average Award	\$392	\$392	\$389
Expenditures	\$445,010	\$476,671	\$467,799

* Monetary awards apply to those scholars who enroll at Iowa colleges or universities.

The State of Iowa Scholarship Program has been in existence since 1965. Its purpose is to recognize and reward high school seniors for their academic accomplishments. Students from all Iowa high schools are selected for this distinctive honor, and their selection is based on class rank and academic test scores.

The Governor recognizes State of Iowa Scholars at an awards ceremony. As a financial reward, Scholars each receive a modest stipend applied to first-year college expenses at any Iowa college or university.

ROBERT C. BYRD HONOR SCHOLARSHIP

The Robert C. Byrd Honor Scholarships follow a more competitive selection process to reward students who demonstrate the highest levels of academic achievement and leadership. The prestigious award provides a \$1,500 academic scholarship. The scholarship is renewable for up to four years of education – \$6,000 in total. The awards accompany students to their choice of any college or university in the country.

Awards	2002-03	2001-02	2000-01
First-time Applicants	452	388	489
First-time Recipients	70	66	73
Renewal Awards	211	223	213
Expenditures*	414,000	\$420,750	\$425,250

Academic profile for 2002-03 recipients: Average ACT: 33 Average GPA: 3.99
* Federal source of funding

The Robert C. Byrd Honor Scholarship is a federally-funded program. Iowa's Department of Education is designated to ensure that qualified Iowa students receive these scholastic awards, and this is implemented through an agreement with the Commission. Our working relationships with high school guidance counselors, as well as college and university administrators, provide a supportive framework for the administration of the annual Byrd Scholarship competition. To apply, the high school senior must be in the top ten percent of his or her graduating class, obtain a minimum score of 28 on the ACT or 1,240 on the SAT exam, and earn a minimum grade point average of 3.5 (on a 4.0 scale). Applications and reference letters for all eligible applicants are ranked by members of an academic review panel made up of college deans, admission and financial aid directors, and other academic leaders. Scholarship recipients are selected by the panel.

Scholarship Programs

GOVERNOR TERRY E. BRANSTAD IOWA STATE FAIR SCHOLARSHIPS

Another special scholarship recognizes young Iowans who have strong academic and leadership credentials and have made significant service contributions to the Iowa State Fair. The Terry E. Branstad Iowa State Fair Scholarships honor Iowa's former governor, while rewarding many outstanding students. The Governor Terry E. Branstad Scholarships were created eleven years ago and are funded by the Iowa State Fair Scholarship Endowment. Each year four recipients receive \$1,000 scholarships. An additional \$2,000 scholarship is awarded as the State Fair Queen Scholarship.

FORGIVABLE LOANS INVEST IN SHORTAGE-AREA PROFESSIONALS

Iowans understand how important it is to have well-trained professionals living and working in our communities. In small towns and rural areas, families and neighbors need access to doctors, nurses, teachers, and providers of other essential services. These professionals need to be well-educated; and from that perspective, the Commission can play a role in efforts to recruit and retain talented young people to fill high-need positions throughout the state.

Education benefits in the form of forgivable loans are an attractive incentive for individuals who want to pursue education and training in high-demand professions. Iowans gain from the investment in this kind of education benefit because student recipients fulfill service obligations in communities where services are in short supply. The service may be the delivery of quality health care in a rural community or the teaching of hearing-impaired students in a local school district.

Recruitment and retention efforts have been particularly successful in two areas: the recruitment of qualified teachers to fill shortage areas in Iowa's K-12 schools, and the recruitment of osteopathic physicians who stay in Iowa to provide community health care services. Our programs in these areas were formulated in partnership with other public and private entities who also wanted to take proactive steps to address specific challenges facing Iowa communities.

STATE FAIR SCHOLARSHIP

	2002-03	2001-02	2000-01
Applicants	79	79	69
Recipients	4	4	4
Award per recipient	\$1,000	\$1,000	\$1,000
State Fair Queen Scholarship Award *	1	1	1
Award Amount	\$2,000	\$2,000	\$2,000

* Funding for the State Fair Queen Scholarship is provided by the Iowa State Fair Board.



Forgivable Loans

IOWA TEACHER SHORTAGE FORGIVABLE LOAN PROGRAM

One of the first things Governor Vilsack did after taking office in 1999 was to propose the Iowa Teacher Shortage Forgivable Loan Program. School administrators throughout the state were lacking qualified professionals to teach special need students and to teach specific subjects such as math and science.

At the same time, college students were accumulating greater debt from student loans, and out-of-state school districts were bringing attractive recruitment packages to Iowa campuses, hoping to enlist new graduates with teaching degrees from our colleges and universities. Iowa's need for qualified new teachers was clearly evident, but financial incentives were skewed in favor of fast-growing population centers in other states.

That situation has been changed by the Iowa Teacher Shortage Forgivable Loan Program. The program's goal is to invest in Iowans who will utilize their talents and education as teachers in high-need positions in Iowa's K-12 schools. The forgivable loan incentive provides participating students with direct education assistance of up to \$9,000. Each recipient receives up to \$3,000 per year as a sophomore, junior, senior, or graduate student, as long as he or she is studying in an accredited education program leading to certification for teaching in a shortage area.

Forgivable loan recipients agree to teach full-time in Iowa shortage areas for at least five years. They have the flexibility of teaching in any Iowa school – public or private – and they may change schools while completing their service obligations. The Iowa Teacher Shortage Forgivable Loan Program is supported by appropriations from the State of Iowa, and also by special federal appropriations.

POSITIVE OUTCOMES –

Program growth shows recruitment success

	2002-03	2001-02	2000-01	1999-00	1998-99
Student Recipients *	458	324	188	96	25
Average Award	\$2,736	\$2,669	\$2,792	\$2,842	\$2,686
Total Expenditures **	\$1,253,119	\$864,831	\$525,000	\$272,839	\$67,161

* Recipient numbers include first-time awards and renewal awards.

** Expenditures represent a combination of funding from state and federal sources.



Forgivable Loans

Positive Outcomes—Teacher Placements

Cumulatively, new hires and continuation placements add up to 341 shortage-area teaching positions filled by qualified new teachers who were recruited and received education benefits through the Iowa Teacher Shortage Forgivable Loan Program.

A record number of students in the Iowa Teacher Shortage Forgivable Loan Program graduated in the spring of 2003. These 136 new graduates had gained the qualifications and expertise needed to teach in shortage areas, and their plans were to pursue positions in Iowa's K-12 schools.

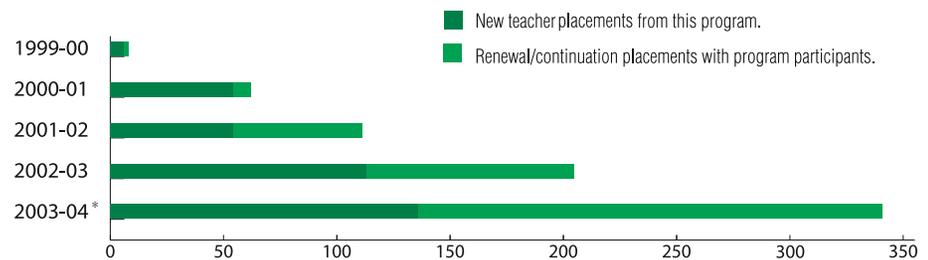
** The table shows federal dollars used to fund Iowa Teacher Shortage Forgivable Loans in the latest two academic years. This amount is part of a larger total, \$3 million in federal funding, which was secured by Iowa Senator Tom Harkin and appropriated to allow Iowa's program to support more future teachers over the next five to eight years. The federal dollars have been received and are designated for the renewal awards for student participants as they continue toward completion of their academic degrees.

Iowa's elected officials were able to designate these federal funds for our Iowa teacher recruitment program because it was shown that our schools face a growing shortage of qualified teachers as a high number of veteran teachers near retirement. Federal funding also was made available because of our program's demonstrated success and high demand by students who wanted to participate and serve in shortage-area classrooms.

SOURCE OF FUNDS invested in the education of students who committed to teach in Iowa shortage-area positions

	State Dollars	Federal Dollars
1998-99	\$90,000	--
1999-00	\$250,000	--
2000-01	\$525,000	--
2001-02	\$472,279	\$400,000
2002-03	\$472,279	\$762,324
Total by source	\$1,809,558	\$1,162,324 **

NEW AND RENEWED TEACHER POSITIONS 1999-2004



* Graduates from the Class of 2003 were hired to fill K-12 teaching positions for year 2003-04.

Forgivable Loans

DESIGNATED SHORTAGE AREAS

The Iowa Department of Education determines the shortage areas based on the teacher placement information it collects from Iowa's K-12 schools. When there is a shortage of qualified teachers, schools face the prospect of hiring individuals who teach "out-of-field" or who are uncertified for a particular field. The list below shows the shortage areas designated for 2002-03 and 2003-04.

SPECIAL EDUCATION:

K-6 & 7-12 Multicategorical Resource
K-6 & 7-12 Behavior Disorders
K-6 & 7-12 Multicategorical Special Class
with Integration
PK-K Early Childhood Special Education
K-6 & 7-12 Mental Disabilities
K-12 Moderate/Severe/Profoundly Handicapped
K-6 and 7-12 Learning Disabilities
Birth to 21 Itinerant Hearing Impaired
Birth to 21 Itinerant Visually Impaired
K-6 Physically Handicapped *

REGULAR EDUCATION:

K-12 English as a Second Language
K-12 Industrial Technology
K-12 Mathematics
K-12 Science (all)
7-12 Agriculture
K-6 and 7-12 Music
K-6 and 7-12 Counselor
K-12 Talented & Gifted
K-6 and 7-12 School Media Specialist
7-12 Foreign Language
PK-6 & 7-12 Principal
7-12 Family & Consumer Sciences *

* added as shortage areas for 2004-05



Forgivable Loans

LOAN FORGIVENESS FOR PHYSICIAN RECRUITMENT

The State of Iowa has an interest in ensuring that highly-trained health professionals are accessible to Iowans living in all areas of the state. As the demographics of rural Iowa change, access to quality medical providers becomes more of a challenge.

Recruitment scholarships and forgivable loans have been available since 1991 to assist future doctors as they pursue medical studies at Des Moines University (DMU). The impact of this investment has been felt in 56 small communities (populations of 10,000 or less) that were able to attract a well-trained doctor of osteopathic medicine who received education benefits from the Iowa Physician Recruitment Program. Additional Iowans have access to health care services provided by some of the hundreds of osteopathic physicians who earned forgivable loans to help them afford the costs of medical school.

The Osteopathic Forgivable Loan Program allows Iowa medical students to receive loan forgiveness (cancellation) on a portion of their student loan debt if they agree to practice in Iowa for at least two years following graduation. To date, forgivable loans have been awarded to 481 DMU students. The forgivable loan program allows participating doctors of osteopathic medicine to complete their service obligations in any health care setting within the state.

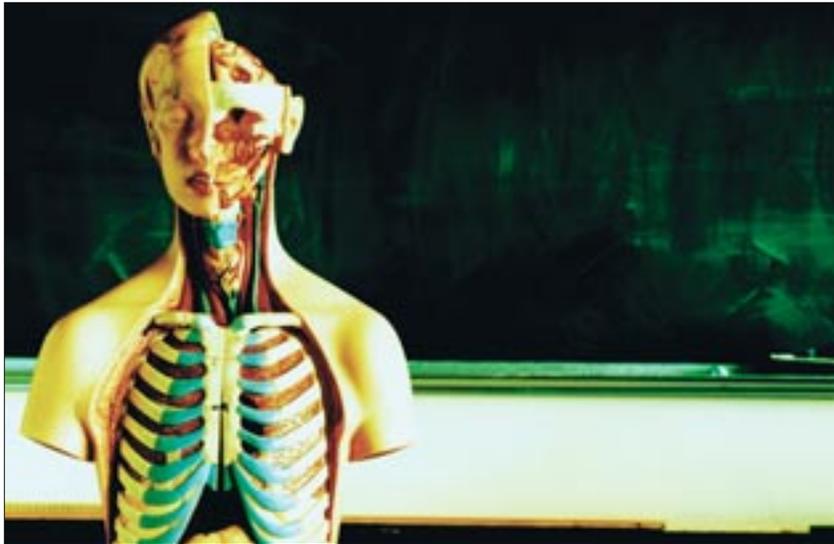
A second education assistance program provides incentives to those physicians who agree to serve in areas where physician shortages are more acute. This program is the Physician Recruitment Program which began nine years ago as a partnership between the State of Iowa and Des Moines University. Recipients of these benefits provide at least two full years of service in underserved communities as a condition of the tuition scholarships they accept as students in the DMU medical program. Other physicians choose to receive the loan repayment benefit, which requires a service obligation of at least four years in an underserved community.

OSTEOPATHIC FORGIVABLE LOANS

Program Participant Status	2002-03
Students	139
Grads in residency programs	138
Grads in military	0
Loans in forbearance	3
Students on leaves of absence	0
Physicians in repayment or loans repaid	84
Practicing physicians	112
Loans in default	4
Loans canceled by death	1
Total recipients (since 1991)	481

Awards	2002-03	2001-02	2000-01
Recipients	133	147	140
Average Award	\$2,985	\$3,200	\$3,985
Total Expenditure	\$397,000	\$470,400	\$558,000

Forgivable Loans



PHYSICIAN RECRUITMENT BENEFITS

PROGRAM PARTICIPANT Status as of 6/30/03

2002-03 Students and Graduates	Tuition Scholarships	Loan Repayment Benefits
Students	0	0
Graduates in residency programs	12	0
Practicing physicians in service period or physicians who have completed their service obligations	15	64
Loans repaid	9	5
Loans in forbearance	0	2
Loans in default	0	0
Total Participation (students & grads)	36	71

PHYSICIAN RECRUITMENT SCHOLARSHIP AND LOAN RECRUITMENT INFORMATION

Scholarships	2002-03	2001-02	2000-01
First-time recipients	3	7	0
Renewal awards	3	8	8
Total recipients	6	15	8
Average award	\$19,955	\$15,033	\$14,966
Total expenditures	\$119,728	\$225,496	\$119,731
Loan Repayment	2002-03	2001-02	2000-01
Negotiated contracts	8	5	8
Average award	\$30,000	\$30,000	\$30,000
Total expenditures	\$240,000	\$150,000	\$240,000



The Guaranteed Student Loan Program

FFELP – The Federal Family Education Loan Program

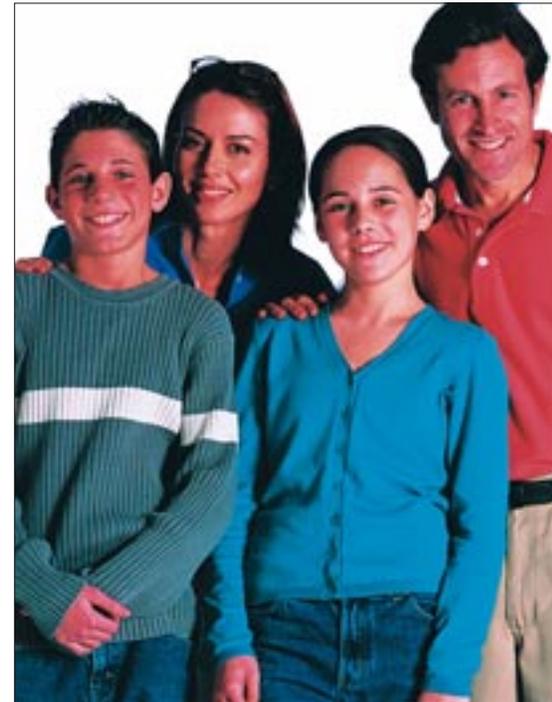
Loan guarantees provided by the Commission last year made it possible for Iowa students and their families to borrow approximately \$300 million to invest in higher education. Since 1979, the Commission has provided \$4.2 billion in loan guarantees for students and parents.

Federal student loans have had the greatest impact on access to postsecondary education since the GI Bill. The foundation for this success is a partnership that includes private lenders, the federal government, state or nonprofit guarantee agencies, and campus financial aid administrators. For 25 years, the Commission has served as Iowa's designated guarantor for the Federal Family Education Loan Program. FFELP began in 1965 as the Guaranteed Student Loan Program, and today it is the nation's largest student loan program.

As a guarantor in the FFEL Program, our role is to make sure that affordable financing is readily available so that Iowans can invest in higher education for their sons and daughters, or for themselves. Through our partnership with private lenders, Iowans have access to the country's **most affordable student loans**. In addition, borrowers receive superior customer service and assistance through all stages of the loan repayment process.

In 1994, the Federal Direct Student Loan Program (direct lending) was initiated to give colleges and universities a choice between loan delivery through FFELP or the federal government's Direct Loan Program. When direct lending is used, the capital for student loans is drawn directly from the federal treasury. Customer service is provided by the federal government and its contracted vendors.

In our view, Iowa students and families benefit from the marketplace competition that fuels FFELP. Students and parents have substantial choice among FFELP lenders who compete to offer lower financing costs and provide responsive customer service managed by Iowans. Financial aid colleagues at local campuses benefit from our technological investments that have created time-saving and reliable systems for loan processing and financial aid delivery.



A hallmark of Iowa's FFEL Program is that we and our lending partners continually invest in services and technology to improve the administrative process and lower borrowing costs for Iowa students and families.

The Guaranteed Student Loan Program

STUDENT LOAN ACTIVITY & VOLUME

The number of students and parents who annually benefit from the Commission's guarantee on federal student loans has increased by 40 percent in the past five years. In 2002-03, more than 54,000 students received Commission-backed loans. In 1997-98, the number of borrowers was 31,269. In addition, last year nearly 2,000 Iowa parents utilized the Parent Loan for Undergraduate Students (PLUS), also guaranteed by the Commission.

In total, 48 Iowa colleges and universities, and dozens beyond our state border, participate in the Iowa-FFELP. Loan volume figures in this report include the loans borrowed by students enrolled at those institutions, or the PLUS loans for the parents of those students.

The combined total of the federal student loan volume for both FFELP and direct lending shows that Iowa students and parents borrowed approximately \$630 million to pay for college expenses last year.

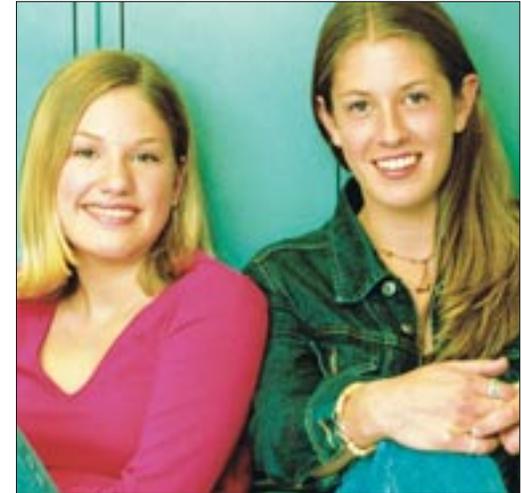
FFELP LOANS

Four types of federal education loans are available through the FFEL Program and guaranteed by the Commission.

- **Subsidized Stafford Loans** are made to students who demonstrate financial need. The federal government pays all interest costs for subsidized Stafford Loan borrowers while those borrowers are in school, and during grace and deferment periods.
- **Unsubsidized Stafford** Loans are available to students regardless of their financial need. The borrower is responsible for all interest that accrues on these loans.

Unsubsidized loans became available 10 years ago (1993) and since then, the number of borrowers has increased significantly in Iowa and nationally. Many borrowers receive both subsidized and unsubsidized Stafford Loans. Federal loan program provisions limit the amounts students may borrow in each academic year, up to an undergraduate maximum of \$23,000 (Stafford Loan limit for a dependent student).

- **Federal PLUS Loans** are for parents of dependent undergraduate students. Parents may borrow up to the cost of attendance per child, minus financial aid from other sources. Unlike other types of student loans, repayment plans begin soon after the loans are disbursed.
- **Federal Consolidation Loans** help borrowers manage repayment of multiple loans by combining all eligible loans into a single, new loan with the option of a longer repayment period. The new loan is guaranteed and administered as a FFELP Loan.



The Guaranteed Student Loan Program

IOWA FFELP – Loans to Iowa Students

Stafford Loan Volume*	2002-03	2001-02	2000-01
Subsidized loans:			
# of borrowers	42,549	36,569	30,849
Guaranteed amount	\$172.4 million	\$152.9 million	\$129.1 million
Unsubsidized loans:			
# of borrowers	26,328	22,318	19,033
Guaranteed amount	\$151.1 million	\$134.7 million	\$114.1 million
Total Stafford Loans:**			
# of borrowers	48,787	42,162	35,657
Guaranteed amount	\$323.5 million	\$287.7 million	\$243.3 million
Ave. loan amount	\$6,632	\$6,823	\$6,822

* Gross guarantees

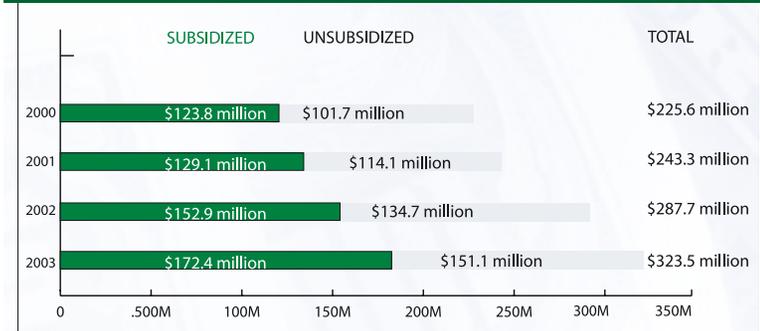
** Some students borrow both subsidized and unsubsidized loans. The borrowers are counted in each loan category if they borrowed both types, but each unique borrower is counted just once in the figures showing borrower totals (the last row of the table).

IOWA FFELP – PLUS and Consolidation Loans

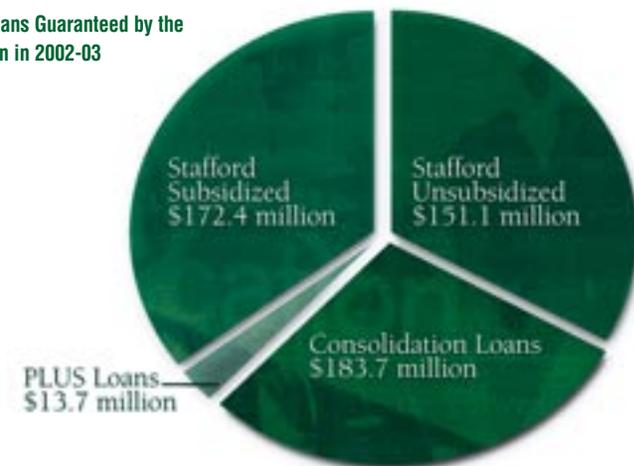
PLUS Loans *	2002-03	2001-02	2000-01
Borrowers	1,998	1,850	1,979
Guaranteed Amount	\$13.7 million	\$12.6 million	\$12.4 million
Average Loan Amount	\$6,853	\$6,786	\$ 6,264
Consolidation Loans *			
Borrowers	5,557	3,456	2,552
Guaranteed Amount	\$183.7 million	\$97.9 million	\$90.7 million
Average Loan Amount	\$33,055	\$28,328	\$35,538

* Gross guarantees

STAFFORD LOANS GUARANTEED BY THE COMMISSION



Types of Loans Guaranteed by the Commission in 2002-03



The Guaranteed Student Loan Program

INTEREST RATES

Government-backed student loans are available at low rates of interest. Interest rates dropped to historic lows on July 1, 2002, and in the 38-year history of the federal student loan program, rates have never been lower than today. By federal statute, rates are reset each July 1 based on a formula tied to U.S. Treasury bills and the Commercial Paper Index (CPI).

The interest rate on loans in repayment status is slightly higher than the in-school rate. Even so, the rate of 3.42% that took effect July 1, 2003, compares with the 8.19% rate in effect as recently as 2000-01. The interest rate on Stafford Loans can never exceed 8.25%.

Tax benefits lower college financing costs

Low interest rates are a positive trend in a period of rising tuition and college costs. Another positive trend has been the expanded use of federal tax credits and deductions which can reduce a family's costs for financing a college education. More than \$72 million was saved by 95,000 Iowa families who claimed the Hope and Lifetime Learning Tax credits in the 2001 tax year (most recent data available). Most taxpayers who qualify for these benefits have annual incomes between \$30,000 and \$100,000.

IOWA FFELP – Loans to Iowa Students

	Stafford Loan	PLUS (parent)	Consolidation
Interest Rate for 2002-03 academic year 7/01/02–6/30/03	Borrowers in school: 3.46% In repayment: 4.06%	4.86%	Rate is the weighted average of the loans being consolidated rounded to the next highest 1/8th%
Interest Rate for 2003-04 academic year 7/01/03–6/30/04	Borrowers in school: 2.82% In repayment: 3.42%	4.22%	
Maximum Allowable Interest Rate	8.25%	9.00%	8.25%

The Guaranteed Student Loan Program

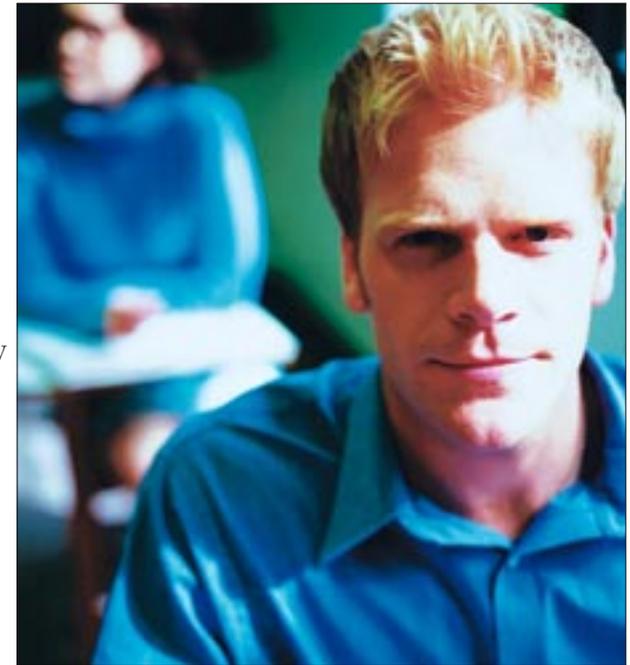
RESPONSIBLE BORROWING – SUCCESSFUL REPAYMENT

Low-cost student loans ensure broad access to higher education. But even as we recognize the tremendous benefits of a robust student loan program, our paramount objectives are to help students avoid excessive debt and then, upon attainment of their education goals, help them meet repayment obligations in consistent and cost-saving ways. These are the goals of our Student Loan Outfitters Program, which delivers services and resources to students at every stage of the student loan and repayment process. The Student Loan Outfitters program is described in more detail on page 27.

Most students and families who use student loans view borrowing as a sound financial decision and they make it a priority to meet repayment obligations. Some students, however, are particularly vulnerable to debt and may borrow more money than they can reasonably manage to repay. Preventing borrowers from defaulting on their student loans is a responsibility we take very seriously. As we lower the number of defaults and improve post-default collections, we save taxpayers millions of dollars each year.

Cohort Default Rate

The cohort rate released for fiscal year 2001 represents the percentage of borrowers who entered repayment in 2001 and then defaulted in 2001 or 2002. The cohort default rate is defined by federal statute. Students who default on a loan are ineligible to receive further federal or state financial aid.



Cohort Default Rate	2001	2000	1999	1998	1997
National Rate	5.4%	5.9%	5.6%	6.9%	8.8%
Default Rate for Iowa Colleges and Universities	5.9%	6.1%	5.8%	5.9%	6.3%

The Guaranteed Student Loan Program

COLLECTION ACTIVITIES ON DEFAULTED LOANS

Claims

A loan is in default when a borrower fails to make a payment for nine months. When that occurs, the lender presents a claim for reimbursement to the guarantor. Perhaps the most important financial service we provide to participating lenders is accurate and timely processing and payment for claims on defaulted loans.

When a claim is filed, specially-trained members of our staff review the file to verify the legitimacy of the claim, and to confirm that the lender has performed “due diligence” as specified by federal regulations. On average, we review and process default claims for 4,200 borrowers each year. If the claim is in order, we purchase the defaulted loan from the lender and proceed to utilize all appropriate collection tools.

Our ability to make prompt payment on qualified claims provides liquidity for lenders to fund additional loans.

Collections

On behalf of the taxpayer, we attempt to collect on defaulted loans. In fiscal year 2003, more than \$37 million was recouped by Commission-led collection strategies that included recoveries made through third-party collection services, in-house collection efforts, offsets from income tax refunds, and loan consolidation. Our total “collectible” default portfolio totals approximately \$130 million.

Our percentage of defaulted accounts paid-in-full or settled continues to grow each year, rising from 38 percent in 1999 to 51.4 percent in 2003. Effective recovery, along with expanded default prevention activities, reduces the cost of providing FFELP loans and ensures that resources are available to help future students finance postsecondary education.

CLAIMS REPORT

Collections Report Fiscal Year	2002-03	2001-02	2000-01	1999-00
Submitted Claims	5,258	6,947	7,349	6,549
Value of Submitted Claims	\$35,814,819	\$42,986,097	\$41,929,609	\$35,331,889
Purchased Claims	4,466	6,254	6,197	5,130
Value of Purchased Claims	\$30,346,261	\$38,485,102	\$35,153,312	\$27,198,787
Average Claim Amount	\$6,795	\$6,154	\$5,673	\$5,302

* Number of reviewed claims exceed the borrower number of 4,200 (annual average) due to multiple loans held by the same borrower.

COLLECTIONS REPORT

Collections Report Fiscal Year	2002-03	2001-02	2000-01	1999-00
Collectible Portfolio	\$130,981,589	\$158,709,157	\$149,951,876	\$154,977,753
Collection Vendor Recoveries	\$6,601,501	\$6,625,436	\$5,876,963	\$6,452,089
In-house Recoveries	\$1,726,358	\$1,825,549	\$1,524,155	\$1,526,110
Federal Tax Offset Payments	\$3,810,537	\$4,830,712	\$4,256,534	\$3,878,026
State Tax Offset Payments	\$399,087	\$507,242	\$492,069	\$528,996
Loan Consolidation: through FFELP through FDLP	\$3,412,523	\$5,491,328	\$3,993,987	\$5,819,547
Total Collected	\$37,275,657	\$35,092,880	\$26,311,294	\$29,127,705
% of Defaults Paid-in-Full or Settled	51.41%	47.74%	45.00%	42.02%

The Guaranteed Student Loan Program

Collections, *continued*

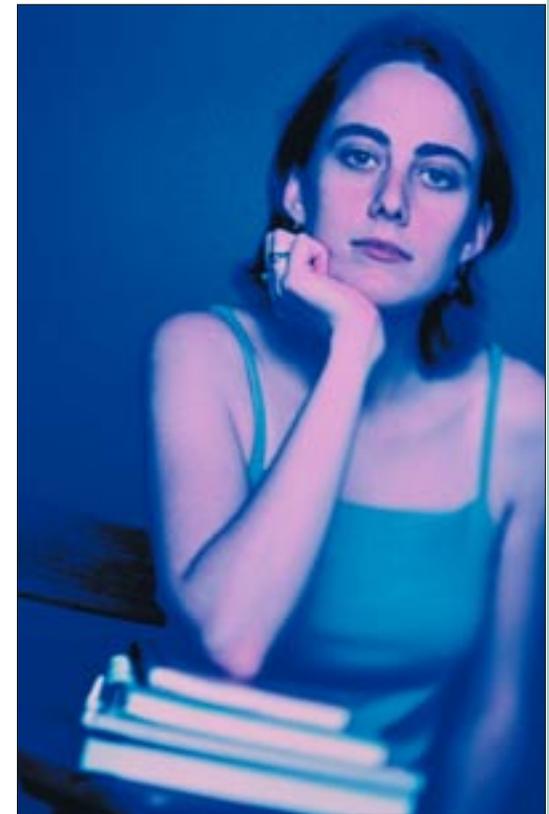
A majority of our defaulted accounts are placed with one of several private-sector collection vendors who are selected through a competitive bidding process and monitored closely for collection performance. In addition, our staff services an internal defaulted student loan portfolio of approximately \$25 million.

State and federal legislation permits guarantors to utilize a portion of the tax refunds due to defaulted student loan borrowers. By identifying those borrowers within our default portfolio, significant repayment occurs each year. For the 2002 tax year, \$3.8 million in federal taxes and \$399,000 in state taxes were offset and applied to borrower accounts. These loan obligation payments came from 16,000 defaulted borrowers.

The operational efficiencies in our collection program were recently extended to include a portion of the defaulted loans issued as Partnership Loans by Iowa's designated secondary market lender, Iowa Student Loan. Because our agency has an effective collections system and staff expertise, we are able to achieve a positive outcome on these loans. This includes a return on our agency investment, plus the added liquidity that Iowa Student Loan gains and can use to offer this education loan option to more Iowa students. Partnership Loans are private loans offered with favorable credit terms to help with financial needs that exceed the limits of the federal student loan program.

Loan Consolidation

Reports on defaulted loan activity routinely include the status of loans consolidated with the backing and assistance of the guarantee agency. Loan consolidation is one of the tools that can be used to help borrowers with defaulted loans get back into repayment. Consolidation combines all eligible loans into a single loan with an extended repayment period, and those factors may make it easier for a borrower to manage repayment. We've seen, however, that when loan consolidation is used inappropriately, it leads to subsequent defaults and higher costs borne by lenders and taxpayers. That's why our loan collections staff turns to loan consolidation as a strategy of last resort. Instead, we emphasize loan rehabilitation as a preferred option to help the borrower establish a consistent pattern of student loan repayment.



The Guaranteed Student Loan Program

Loan Rehabilitation

Loan rehabilitation is a strategy that offers favorable outcomes to all parties involved in student loan financing. In each year since we began rehabilitating loans, our staff has been able to help a greater number of borrowers gain substantial benefits through this course of action. In 2002-03, we helped 666 borrowers rehabilitate \$6.2 million in defaulted student loans. Since 1998, we have rehabilitated 2,656 defaulted borrower accounts with loans totaling \$20.4 million.

When a defaulted loan is rehabilitated, the borrower's record of default is expunged from his or her credit report. The borrower regains all the rights of non-defaulted borrowers. This is particularly valuable to students who drop out of school during difficult times, default on their loans, and later become better-prepared to re-enroll. A record of default would prevent them from receiving any type of state or federal financial aid.

A loan is rehabilitated when a borrower voluntarily makes 12 on-time monthly payments. Our staff identifies borrowers who would gain from this strategy, and helps those individuals understand the repayment obligations they must fulfill to earn the benefits of this remedy. As an added incentive, we waive the authorized fee of 18.5 percent chargeable to the borrower. This waiver saved borrowers nearly \$1 million in collection costs last year alone.

Through rehabilitation, a loan becomes a valuable, performing account. As part of our partnership with private-sector lenders, we allow lenders to repurchase the assets of rehabilitated loans.

LOAN REHABILITATION



Since initiating our loan rehabilitation program, we have helped 2,656 borrowers rehabilitate their default status and repay more than \$20 million of student loan debt.

Technology & Service in Student Loan Delivery

Technology is costly and constantly evolving, but we are committed to providing our clients with the best technological support possible. We can attain this goal by leveraging resources through strategic partnerships. The most pivotal of these is our collaboration with Iowa Student Loan – a partnership that made it possible to develop the iLink Service Center.

iLink utilizes a state-of-the-art information system to deliver faster and more convenient services to the financial aid community with whom we exchange student loan and financial aid data on behalf of Iowa students. Electronic financial aid disbursements, loan approvals, reports and informational services are customized to deliver Iowa-specific scholarships, grants and loans. As a service and technology hub, iLink provides financial aid staff with valuable time-savings, as well as quality service from Iowa-based employees who have a personal interest in helping Iowans succeed.

As a service to campus financial aid administrators working on behalf of Iowa students, the iLink Service Center supports:

- Iowa scholarship and grant management
- FFELP loan delivery
- Web-based reporting
- Electronic data transmission management
- HEA Title IV regulatory guidance



Our commitment to technology and innovation extended further in 2003. One result was the creation of iLink's school-based software, iSBS. We invested in the development of this customized software product to give our financial aid colleagues expanded online capabilities to more easily manage loan application processing and disbursement systems tailored to the needs of their students and campuses.

Another initiative is one that will provide improved and locally-managed services to help borrowers avoid default during the repayment process. We have developed a new agency servicing center, in partnership with Iowa Student Loan, which will employ Iowans to provide repayment-related services to our borrowers. We previously contracted with the Sallie Mae Corporation in Indiana to perform pre-claim and other services to communicate with borrowers about their repayment obligations. We gain closer oversight and provide a higher level of customer service by moving these functions to Iowa. Reliance on our own servicing center and local staff will provide significant cost-savings and lead to more positive repayment outcomes.

Default Prevention

STUDENT LOAN OUTFITTERS promoting responsible borrowing and successful repayment

Guarantors have strong incentives to prevent default. The services we provide borrowers in the pre-claims, consolidation and rehabilitation aspects of loans were described on previous pages of this report. But it is essential to connect with borrowers earlier in the process to prevent situations that lead to unmanageable levels of debt.

The Student Loan Outfitters Program is designed to help students understand the financial costs and obligations in the use of student loans, and hopefully, to minimize the debt they accumulate. Through staff resources, innovative program development, and funding for campus-based initiatives, Outfitters provides a coordinated way to deliver tangible default prevention assistance to Iowa students and campus financial aid offices. Different tactics are used to meet needs that are specific to different segments of the student population, and to reach students at various points in their borrowing experiences. The tools we use in the Student Loan Outfitters Program are summarized below.

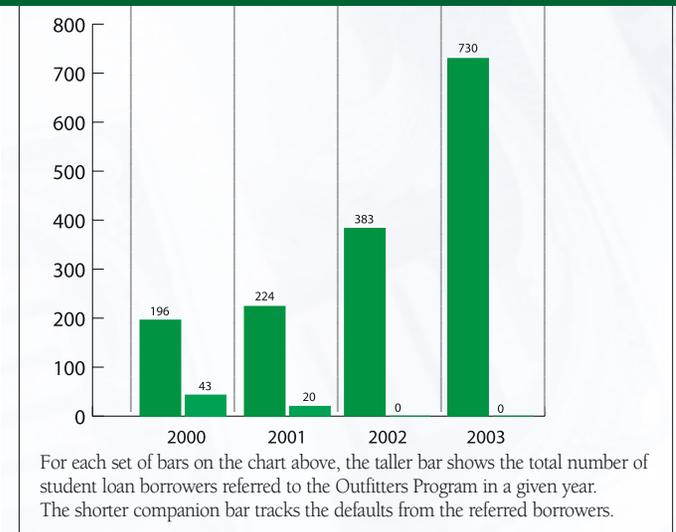
- **Reliable resources; boosting financial literacy**

The Outfitters program distributes information to promote responsible borrowing and successful loan repayment. Informational resources are distributed to students and financial aid administrators in formats that include the Outfitters Web site, CDs, worksheets, presentation packets, and brochures. Before graduating from college, more than 40,000 Iowa students annually receive the comprehensive Student Loan Outfitters Repayment Guide.

- **Borrower Referrals**

Iowa colleges and universities of any size using any loan program can utilize the Outfitters Referral Service to ensure that at-risk borrowers will receive the attention and resource information applicable to each borrower's financial situation. Our referral service focuses on early-stage prevention by directing assistance to borrowers with characteristics that make them more likely to be at risk of default. Financial aid administrators refer the names of those student loan borrowers, knowing that the names will not be outsourced to a third-party entity. Instead, those borrowers will receive personalized contact and assistance from our Commission staff.

OUTFITTERS REFERRALS: MEASURING SUCCESS



Default Prevention

- **Campus-based Default Reduction Grants**

Campus administrators who work with student financial aid on a daily basis know the needs and issues facing their students. To utilize that knowledge, we initiated a program last spring that offers financial incentives to help Iowa financial aid offices develop and implement new debt management and default prevention initiatives. The objective was to encourage the development of innovative programs that would reach students with messages about debt and the impact of financial choices students face.

We sought proposals in early 2003, and then awarded \$126,300 in grant funding for campus-based projects at 14 Iowa colleges and universities. The student-focused initiatives are being implemented in the 2003-04 academic year. The accompanying list shows the participating financial aid offices and the size of the Commission grants awarded to support those campus-based default prevention initiatives.



Hawkeye Community College	\$15,000
Iowa State University	\$15,000
Kirkwood Community College	\$15,000
Eastern Iowa Community College District (all 3 campuses to benefit)	\$10,000
Hamilton College (all campuses)	\$10,000
Indian Hills Community College	\$10,000
Iowa Valley Community College (programs at both campuses)	\$10,000
University of Northern Iowa	\$10,000
Western Iowa Tech Comm. College	\$10,000
AIB College of Business	\$5,000
Graceland University	\$5,000
Northwest Iowa Community College	\$5,000
Kaplan College	\$4,300
Buena Vista University	\$2,000
TOTAL	\$126,300

Research

RESOURCES FOR IOWANS

Choosing a college to attend and planning how to pay for it are important decisions for all students and families. Our Commission resources help tens of thousands of Iowans over these hurdles. Each fall the seniors and guidance counselors at all Iowa high schools receive copies of our college planning guide that describes state and federal financial aid programs and opportunities at Iowa colleges and universities. To reach thousands of parents and other individuals, we make this guide available at community libraries, at our state fair booth and major college fairs, or by requesting copies from our Web site.

We prepare and distribute a variety of brochures that describe specific financial aid programs and help families learn more about the options they face. We have seen a significant increase in the use of our Web site as a source for reliable information and online applications. Our client services staff conduct training sessions for campus financial aid officers and lenders to keep them up-to-date on regulatory issues and new services that affect financial aid delivery.

RESEARCH LEADERSHIP

Ongoing research and the analysis of reliable data are important functions assigned to the Commission. Working in partnership with college and university officials, our institutional research team collects and analyzes data on higher education costs, student financial aid, the impact of state-funded scholarships and grants, student debt, and other related topics. The Commission maintains a database of Iowa higher education data that includes historical data dating back to 1976. Specific research projects are conducted to address policy areas of interest to policymakers, Iowa's financial aid community, and the public.



Diversity Report

STUDENT AND FACULTY ETHNIC DIVERSITY

The Student and Faculty Ethnic Diversity Report traces the flow of minority high school graduates into Iowa colleges and universities, and presents a profile of the ethnic diversity of our colleges and universities. A few of the report's key findings are summarized.

- A high percentage of Iowa minority students completing high school programs are enrolling at Iowa colleges and universities. *



Student Profile			
	2002	2001	2000
Minority Enrollment	14,749	13,616	12,846
Iowa Residents (within that minority enrollment)	9,395	8,581	8,039
Percent of total Enrollment	7.40%	7.01%	6.85%
Change between 2002 and 2001 (Iowa resident figures)			9.49%
Change between 2002 and 1992 (Iowa resident figures)			63.76%

DIVERSITY

	High School Graduates 2001-02	Attending Iowa Institutions 2002-03
Black	756	447
Asian	657	467
Hispanic	662	411
Total	2,075	1,325

*This data compares the profile of high school graduates published by the Iowa Department of Education and summaries of first-time-first-year-degree-seeking students provided by Iowa colleges and universities.

- Minority student enrollment at Iowa colleges and universities is slightly higher than the state's overall minority population as a percentage of Iowa's total population, based on the 2000 census data.

Student Profile at Iowa Colleges & Universities	Iowa Population	
2002	2000	
Black	2.96%	2.10%
Asian	1.89%	1.30%
Hispanic	2.08%	2.80%
Native American	0.47%	0.30%

Faculty Profile			
	2002	2001	2000
Full and Part-time Faculty	13,240	13,143	13,012
Number of Minority Faculty	1,047	988	965
Percent of Minority Faculty	7.91%	7.52%	7.42%
Change between 2002 and 2001			5.97%
Change between 2002 and 1992			50.43%

Economic Impact of Higher Education

We know that higher education provides intrinsic benefits, as well as economic benefits, to individuals and to our society as a whole. Iowans with college degrees have greater incomes and improved quality of life than those without college degrees. The State of Iowa benefits from an educated population of taxpayers with higher incomes and increased abilities to serve in leadership positions throughout the state and in local communities.

Findings from income studies show that four-year college graduates who received Iowa student aid earn substantially more than the average income over the course of their employment careers (our study tracks 17 years in the job market).

Income Comparison of State of Iowa Financial Aid Recipients

With Iowa Median Incomes for 2000

	Average Income
State of Iowa Scholars	\$42,046
Iowa Tuition Grant	\$34,934
Vocational-Technical Tuition Grant	\$29,303
Iowa Median Income	\$28,360



Commissioners

A board of Commissioners governs the operation of the Iowa College Student Aid Commission. Commissioners are appointed by the governor to serve three-year terms. As specified by Iowa statute, they are selected to represent each sector of Iowa higher education, as well as lenders, postsecondary students, and the general public. Our 2003-04 Commissioners are listed below.

Michelle Durand-Adams, Chair
Lending Institutions
Waukee

Janice A. Friedel
Iowa Department of Education
Des Moines

Becki S. Lynch
Community Colleges
Cedar Rapids

Jim Crawford, Vice Chair
General Public
Des Moines

Linda M. Kennedy
General Public
New Hampton

Greg S. Nichols
Iowa Board of Regents
West Des Moines

John V. Hartung, Secretary
Independent Colleges and Universities
Indianola

Travis K. Knoop
Postsecondary Students
Mount Pleasant

Herman Quirnbach
Iowa Senate
Ames

Cecil Dolecheck
Iowa House of Representatives
Mt. Ayr

Rudolph S. Leytze
Iowa Student Loan Liquidity Corp.
Independence

FFELP Loan Volume FY 2002-03

LOAN VOLUME BY SCHOOL FOR FY03

INSTITUTION/LOCATION	TOTAL*
American College of Hairstyling, Cedar Rapids	\$95,187
American College of Hairstyling, Des Moines	\$195,123
American Institute of Business, Des Moines	\$3,111,336
American Institute of Commerce, Davenport	\$5,904,546
Briar Cliff College, Sioux City	\$3,840,843
Buena Vista University, Storm Lake	\$12,879,446
Clarke College, Dubuque	\$5,839,588
College of Hair Design, Waterloo	\$201,499
Cornell College, Mount Vernon	\$3,691,397
Des Moines University, Des Moines	\$28,592,987
Divine Word College, Epworth	\$116,187
Dordt College, Sioux Center	\$2,593,199
Drake University, Des Moines	\$16,285,131
Eastern Iowa Community College, Davenport	\$8,425,878
Ellsworth Community College, Iowa Falls	\$1,696,997
Emmaus Bible College, Duquhue	\$561,065
Faith Baptist Bible College, Ankeny	\$1,086,235
Grandview College, Des Moines	\$7,332,229
Grinnell College, Grinnell	\$3,115,217
Hamilton Business College, Cedar Rapids	\$19,211,637
Iowa Central Community College, Fort Dodge	\$6,849,559
Iowa Lakes Community College, Estherville	\$4,484,275
Iowa Methodist School of Nursing, Des Moines	\$40,437
Iowa Wesleyan College, Mount Pleasant	\$3,193,699
Iowa Western Community College, Council Bluffs	\$5,778,977
Kirkwood Community College	\$21,658,203
La James College of Hairstyling, Mason City	\$688,768

INSTITUTION/LOCATION

INSTITUTION/LOCATION	TOTAL*
Loras College, Dubuque	\$5,860,032
Maharishi University of Management, Fairfield	\$1,008,563
Marshalltown Community College, Marshalltown	\$2,392,269
Mercy College of Health Sciences, Des Moines	\$2,698,544
Morningside College, Sioux City	\$4,301,801
Northwest Iowa Community College, Sheldon	\$1,089,883
Northwestern College, Orange City	\$5,051,743
Palmer College of Chiropractic, Davenport	\$53,383,000
Professional Cosmetology Institute, Ames	\$233,131
Simpson College, Indianola	\$8,654,306
Southeastern Community College, West Burlington	\$2,076,323
St. Ambrose University, Davenport	\$18,889,418
St. Lukes Coll. of Nursing & Hlth. Sciences, Sioux City	\$190,605
The Franciscan University, Clinton	\$2,526,234
University of Dubuque, Dubuque	\$5,429,485
Upper Iowa University, Fayette	\$12,655,214
Vennard College, University Park	\$374,230
Wartburg College, Waverly	\$8,749,935
Wartburg Theological Seminary, Dubuque	\$626,582
Western Iowa Tech Community College, Sioux City	\$5,690,373
William Penn College, Oskaloosa	\$8,869,618

OUT-OF-STATE INSTITUTIONS

\$19,007,006

* Gross Guarantees for Federal Stafford (subsidized and unsubsidized) and PLUS Loans.

TOTAL FOR FY03

\$337,228,000



Iowa FFELP Lenders FY 2002-03

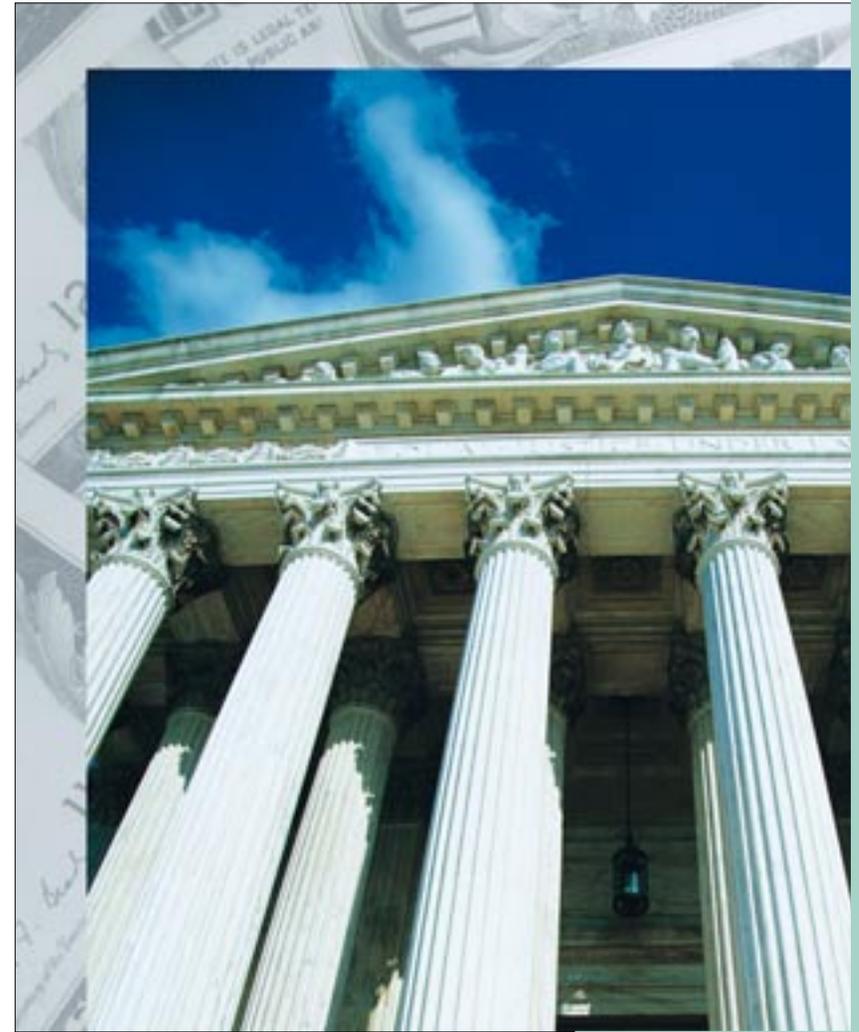
LENDER/LOCATION

2003

Iowa FFELP Lenders

US Bank, Des Moines	\$47,385,778
Palmer College of Chiropractic, Davenport	\$42,163,953
First Midwest Bank, Centerville, SD	\$21,881,434
Bank Iowa, Independence	\$21,830,383
Quad City Bank & Trust, Bettendorf	\$18,924,949
IHELP/Union Bank & Trust, Des Moines	\$18,295,393
West Des Moines State Bank, West Des Moines	\$18,182,904
John Deere Community Credit Union, Waterloo	\$14,115,931
Bankers Trust, Des Moines	\$13,093,276
Union Planters Bank, Des Moines	\$10,421,061
Security National Bank, Sioux City	\$9,870,769
Wells Fargo Bank, Sioux Falls, SD	\$9,768,335
First Federal Bank, Sioux City	\$6,269,580
Iowa Trust & Savings Bank, Oskaloosa	\$6,181,138
Dupaco Community Credit Union, Dubuque	\$4,438,627
State Bank of Waverly, Waverly	\$4,079,257
American Trust & Savings Bank, Dubuque	\$4,066,706
Northwest Federal Savings Bank, Spencer	\$3,569,604
Central Bank, Storm Lake	\$2,917,255
Mt. Vernon Bank & Trust, Mt. Vernon	\$2,735,852
Peoples National Bank, Council Bluffs	\$2,732,124
Citizens Community Credit Union, Ft. Dodge	\$2,599,353
Bank of America, Des Moines	\$2,575,242
Iowa State Bank, Alton	\$2,237,216
Des Moines Mercy Credit Union, Des Moines	\$1,730,122
Total	\$292,066,242

* Gross Guarantees for Federal Stafford (subsidized and unsubsidized) and PLUS Loans.



Financial Statements

Iowa College Student Aid Commission Federal Family Educational Loan Program Unaudited Combined Balance Sheet June 30, 2002 and 2003

	SFY 2003	SFY 2002
ASSETS		
Assets:		
Cash	\$39,640,461	\$39,011,942
Due from Federal Government:		
Default Reimbursements & SPA	\$2,048,755	\$1,938,184
Loan Processing Issuance Fee	\$166,749	\$144,333
Account Maintenance Fee	\$485,970	\$476,936
Guarantee Fees Due From:		
Lenders		
PLP Receivable	\$2,591,272	\$2,083,443
Osteopathic Receivable	\$176,787	\$88,550
Other Receivables		
Interest	\$269,261	\$588,918
Default Collections	\$163,688	\$261,996
Payment from DE for IRS Refunds	\$5,326	\$8,029
Misc	\$7,374	\$4,879
Total Assets	\$45,555,644	\$44,607,210
LIABILITIES AND FUND EQUITY		
Liabilities:		
Accounts Payable (USAF)	\$296,538	\$618,575
Salary and Benefits Payable	\$55,962	\$34,796
Due to Department of Education	\$1,406,825	\$1,647,360
Default Claims Payable	\$1,960,998	\$1,411,422
Other Payables	\$234,941	\$206,888
Federal Reserve Return	\$2,842,038	\$4,306,119
Total Liabilities	\$6,797,302	\$8,225,160
Fund Equity		
Fund Balance:		
Total Fund Equity	\$38,758,342	\$36,382,050
Total Liabilities and Fund Equity	\$45,555,644	\$44,607,210

Financial Statements

IOWA COLLEGE STUDENT AID COMMISSION FEDERAL FAMILY EDUCATIONAL LOAN PROGRAM Unaudited Statements of Revenues, Expenditures and Changes in Fund Balance, All Fund Types

SYF 2003	SFY 2002	REVENUE
Loan Processing Issuance Fee (LPIF)	\$1,933,053	\$1,644,223
Account Maintenance Fee (AMF)	\$1,970,982	\$1,958,425
Default Aversion Fee (DAF)	\$1,033,300	\$992,899
Default Aversion Rebate	\$266,009	\$357,253
Fed Pmts on Defaulted Loan and SPA	\$27,928,617	\$38,650,258
PLP Income	\$160,064	\$120,876
Osteopathic Repayment Revenue	\$15,224	\$11,927
Guarantee Loan Fees	\$1,667	\$959
Interest Income	\$1,269,769	\$3,088,532
Default Collections	\$22,608,948	\$22,368,293
Overpayments and Repurchases	\$2,242,518	\$2,700,503
Other	\$174,729	\$242,403
Total Revenues	\$59,604,880	\$72,136,551
EXPENDITURES		
Iowa Stafford Student Loan Adm.	\$5,721,288	\$5,601,149
Default Collection & Pmts to DE	\$9,713,120	\$11,827,711
Collection Expenses	\$3,803,194	\$3,631,572
Payments on Default Claims	\$31,367,550	\$40,155,533
Foster Grant Payments	\$69,520	\$63,390
Disaster Relief Payments-Default Aversion	\$15,209	\$962,524
Default Aversion Fees and Rebate	\$1,299,310	\$1,350,152
Due DE for Refunds & Rehab.	\$4,653,417	\$3,563,794
Due to Other Funds	\$277,816	\$170,309
Other	\$96,265	\$134,397
Total Expenditures	\$57,016,690	\$67,460,422
Revenues Over (Under) Expenditures	\$2,588,191	\$4,676,129
Other Financing Sources (Uses)		
Net increase/decrease in fair value of investments	(\$211,899)	(\$371,620)
Revenues and Other Sources Over Expenditures and Fund Balance	\$2,376,292	\$4,304,509
Revenue	\$2,376,292	\$4,304,509
Beginning of Year	\$36,382,050	\$36,383,660
Federal Reserve Return		(\$4,306,119)
Fund Balance End of Year	\$38,758,342	\$36,382,050



IOWA COLLEGE
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