

EXECUTIVE DIRECTOR'S REPORT

FY2005 MAP and IIA Status Report

As of a U.S. Department of Education application-received date of November 6, 2004 the number of *announced* applications, or completed applications from Illinois residents who plan to attend an institution participating in the Monetary Award Program (MAP), was 320,015 compared to 308,237 in FY2004, for an increase of 3.8 percent. The number of applicants determined *eligible* for MAP totaled 216,218, up from 209,974, for a 3.0 percent increase. The Commission suspended award announcements for applications with a receipt date of August 16 or later. So far, approximately 20,000 applications have been placed into suspension status. As of November 6, 101,937 students have been paid \$121.2 million, or 35.8 percent of the \$338.7 million FY2005 appropriation.

Application volume for the Silas Purnell Illinois Incentive for Access (IIA) Program totaled 41,207, an increase of 5.0 percent over the 39,240 received in FY2004 at this point. To be eligible for IIA, applicants must be in their freshman year and have limited family resources to pay for college. Due to insufficient funds, only applicants with a zero Expected Family Contribution are being considered for IIA and award announcements were suspended at the same time as in MAP. Claims totaled \$2.5 million, or 34.7 percent of the \$7.2 million FY2005 appropriation. Staff continues to monitor both MAP and IIA expenditures.

College Illinois! Update

On October 27th, *College Illinois!* opened its 2004-2005 enrollment period, which will extend through March 31, 2005. Entering the program's 7th enrollment period, more than 42,000 prepaid tuition contracts have been purchased to benefit over 36,000 future college students and staff is optimistic that several thousand more Illinois families will be joining the *College Illinois!* family in the year ahead.

Commissioners are encouraged to take some time over the next several months to visit the program's Web site and review our new marketing materials. There is a new look for the program this year, as we redirect our marketing efforts, in large part due to the feedback we received from potential clients that agreed to be part of focus groups that were assembled to determine how most effectively to convey the message needed to motivate families to save for college.

Basically, the new campaign features children sleeping peacefully, but goes on to suggest that for parents to achieve a similar state, they might want to think about participating in programs such as *College Illinois!*, a program that will enable them to achieve the peace of mind that comes from knowing they've taken steps to address one of the most critical stages of their child's life: a college education. After showing the sleeping children, the new ads subtly suggest that parents who participate in *College Illinois!* will sleep worry-free as well. While embarking on this new strategy, staff has opted to retain the program's already-established brand and logo. Rex and Tony, the animated characters that were at the forefront of earlier marketing campaigns, have been relegated to a reduced role but due to the brand recognition and popularity they still enjoy, they have been retained.

Training Opportunities for Partners

This year's Fall Seminars for Partners, "*Meeting Information Challenges*," have been designed to help ISAC's partners meet the daily challenges of too much information, too many students, not enough time. These free-of-charge, half-day sessions are open to high school and college admission counselors, regional superintendents, agencies and organizations, financial aid administrators, business officers, lenders and servicers, and are being offered at 15 locations throughout the state starting on November 16th and continuing through December 17th.

For the first time ever, ISAC is offering an online registration and confirmation process. The majority of the over 1200 partners who have registered so far have taken advantage of this enhancement to **collegezone.com** by submitting their registration information electronically and receiving an electronic confirmation - all in a few minutes!

Topics to be covered this year include the following:

- Overview of the financial aid process, the 2005-06 *Free Application for Federal Student Aid* (FAFSA), and the High School Scholarship Programs (HSSP).
- Operational updates on ISAC programs and the latest federal news.
- Update on College Zone enhancements such as the development of an online FAFSA reference manual and the integration of IllinoisMentor.
- Tools and resources to help students navigate the college planning process.
- Highlights of the Electronic Access Conference for financial aid administrators.
- Understanding professional judgment in the financial aid process.
- Trends in the student loan industry.
- Planning a successful financial aid night which is a required session for any staff whose school is planning to be a Host Site for an event during Financial Aid/Admission Awareness Month in February 2005.

ILLINOIS STUDENT ASSISTANCE COMMISSION
FISCAL YEAR 2005 APPROPRIATION SUMMARY REPORT
(July 1, 2004 - October 31, 2004)

	FY2005 Appropriation	Year-to-date Expended	Number of Recipients	Percentage Expended
<u>STATE GENERAL FUNDS</u>				
SCHOLARSHIPS AND GRANTS				
Monetary Award Program	\$338,699,800	\$104,636,816	98,575	30.9%
MAP Reserve Fund	875,000	0	0	0.0%
Illinois Incentive for Access Grants	7,200,000	2,181,500	8,962	30.3%
Teacher Loan Forgiveness Program	500,000	56,355	12	11.3%
Minority Teacher Scholarships	3,100,000	101,804	598	3.3%
Illinois Future Teachers Corps Scholarships	4,100,000	196,667	537	4.8%
Student to Student Grants	950,000	49,329	N/A	5.2%
Dependents Grants	350,000	88,944	31	25.4%
National Guard Grants	4,500,000	0	0	0.0%
Illinois Veteran Grants	19,230,000	3,349,530	4,880	17.4%
Merit Recognition Scholarships	5,400,000	1,713,500	3,424	31.7%
Illinois Scholars Program	3,020,000	3,020,000	N/A	100.0%
TOTAL	\$387,924,800	\$115,394,445	117,019	29.7%
Administration Expense (see detail on next page)	4,551,000	1,187,555	N/A	26.1%
<u>TOTAL, STATE GENERAL FUNDS</u>	<u>\$392,475,800</u>	<u>\$116,582,000</u>		<u>29.7%</u>
<u>SPECIAL REVENUE FUNDS</u>				
STUDENT LOAN OPERATING FUND				
Administration Expense (see detail on next page)	60,146,600	9,395,289	N/A	15.6%
Federal Loan System Development & Maintenance	5,000,000	641,742	N/A	12.8%
TOTAL	\$65,146,600	\$10,037,031	N/A	15.4%
FEDERAL STUDENT LOAN FUND				
Loan Guarantee Program	190,000,000	33,212,599	N/A	17.5%
TOTAL	\$190,000,000	\$33,212,599	N/A	17.5%
SCHOLARSHIPS AND GRANTS				
Transfer to ED -Paul Douglas Funds Collected	400,000	0	N/A	0.0%
Federal Robert C. Byrd Fellowships	1,800,000	837,750	488	46.5%
TOTAL	\$2,200,000	\$837,750	488	38.1%
OTHER				
ISAC Accounts Receivables	300,000	35,879	N/A	12.0%
Higher Education License Plate Program	70,000	51,650	N/A	73.8%
Optometric Education Scholarship Program	50,000	50,000	10	100.0%
IVG- National Guard Grant Fund	20,000	0	0	0.0%
Illinois Future Teachers Corps Scholarship Fund	60,000	0	0	0.0%
Contracts and Grants Fund	70,000	7,500	N/A	10.7%
<u>TOTAL, SPECIAL REVENUE FUNDS</u>	<u>\$257,916,600</u>	<u>\$44,232,409</u>		<u>17.1%</u>
GRAND TOTAL	<u>\$650,392,400</u>	<u>\$160,814,409</u>	<u>117,517</u>	<u>24.7%</u>

ILLINOIS STUDENT ASSISTANCE COMMISSION
FISCAL YEAR 2005 APPROPRIATION REPORT
ADMINISTRATION
(July 1, 2004 - October 31, 2004)

Line Item	STATE GENERAL FUNDS			STUDENT LOAN OPERATING FUND			TOTAL		
	FY2005 Appropriation	Year-to-date Expended	% Expended	FY2005 Appropriation	Year-to-date Expended	% Expended	FY2005 Appropriation	Year-to-date Expended	% Expended
Personal Services	\$1,988,000	\$672,339	33.8%	\$15,200,200	\$4,590,384	30.2%	\$17,188,200	\$5,262,723	30.6%
Employee Retirement Paid by State	0	0	N/A	456,000	0	0.0%	456,000	0	0.0%
Retirement	320,200	116,096	36.3%	2,448,100	787,175	32.2%	2,768,300	903,270	32.6%
Social Security	152,000	49,635	32.7%	1,163,000	332,091	28.6%	1,315,000	381,726	29.0%
Group Insurance	N/A	N/A	N/A	3,603,100	1,187,583	33.0%	3,603,100	1,187,583	33.0%
Contractual Services	1,802,600	246,919	13.7%	9,864,300	1,485,548	15.1%	11,666,900	1,732,468	14.8%
Contractual - Collection Agency Fees	N/A	N/A	N/A	24,000,000	897,622	3.7%	24,000,000	897,622	3.7%
Travel	26,400	1,126	4.3%	190,000	27,053	14.2%	216,400	28,179	13.0%
Commodities	32,800	1,589	4.8%	240,000	23,490	9.8%	272,800	25,079	9.2%
Printing	100,000	5,113	5.1%	627,000	15,480	2.5%	727,000	20,592	2.8%
Equipment	10,000	0	0.0%	529,000	5,823	1.1%	539,000	5,823	1.1%
Telecommunications	113,500	94,630	83.4%	1,793,500	33,813	1.9%	1,907,000	128,442	6.7%
Operation of Auto Equipment	5,500	109	2.0%	32,400	9,226	28.5%	37,900	9,334	24.6%
TOTAL	\$4,551,000	\$1,187,555	26.1%	\$60,146,600	\$9,395,289	15.6%	\$64,697,600	\$10,582,844	16.4%

ILLINOIS STUDENT ASSISTANCE COMMISSION
Federal Student Loan Reserve Fund (FSLRF)
Comparative Sources and Uses Report
Federal Fiscal Year to Date
(October 2003 - September 2004)

	2004	2003
BEGINNING CASH BALANCE, 10/01/03	\$60,692,612	\$44,242,699
Sources of Funds		
Collections	38,578,361	42,370,558
Repurchases, Rehabs & Consolidations	25,654,535	15,149,660
Non- Reinsurable Claims	248,368	1,687,079
Reinsurance	95,753,742	117,613,078
IRS Offsets	2,948,733	2,620,284
Interest on Investment	726,903	688,626
Miscellaneous Income	3,197	6,151
Return of Working Capital from SLOF*	0	13,000,000
Transfer from Federal Reserve Fund	0	2,987,409
Refund to Dept. of Education from SLOF	304,704	66,728
Total Sources	164,218,542	196,189,571
Uses of Funds		
Reimbursements to Lenders	102,137,614	116,901,540
Borrower Refund	739,318	623,543
Funds Remitted to Dept. of Education-Default Collection	28,371,190	33,004,627
Funds Remitted to Dept. of Education-Repurch/Rehabs/Consolidation	18,014,498	12,174,000
Collections on Non-Reinsurable Claims	168,214	116,221
SLOF Retention-Default Collections	8,202,640	9,212,982
SLOF Retention-Repurch/Rehabs/Consolidations	5,402,640	2,205,095
Transfer to SLOF - Account Maintenance Fee:	1,181,461	813,486
IRS Offsets Refunded	2,838,438	2,638,293
Default Aversion Fees	1,901,199	2,049,870
Total Uses	168,957,213	179,739,655
ENDING CASH BALANCE, 09/30/04	\$55,953,942	\$60,692,612
ACCRUAL ADJUSTMENTS		
DUE TO/FROM DEPT. OF EDUCATION		
Due From Dept. of Education		
Reinsurance Claims Filed	9,529,903	7,669,363
Total Due from Dept. of Education	9,529,903	7,669,363
Due To Dept. of Education		
Collections Share	(2,411,339)	(2,348,819)
Reinsurance Repayments	(2,421,887)	(1,436,757)
Other	(950,325)	(950,325)
Total Due to Dept. of Education	(5,783,551)	(4,735,901)
Net Due from Dept. of Education	3,746,353	2,933,462
OTHER ADJUSTMENTS		
SLOF Retention Payables	(1,338,393)	(1,005,839)
Cost of Collection due from SLOF	244,209	190,171
Non-Reinsurable Claims	38,147	0
Collections on Non-Reinsurable Claims	(36,892)	(58,266)
Default Aversion Fee Deferred Charge:	6,574,051	5,725,573
Default Aversion Fee Payable	(172,774)	(207,815)
Other Receivable	71,936	80,520
Vouchers Payable-Lender Reimbursement	(1,257,438)	(1,997,601)
Due to Dept of Education Reserve Recall	(6,382,113)	(6,382,113)
Total Other Adjustments	(2,259,268)	(3,655,370)
ADJUSTED FUND BALANCE, 09/30/04	\$57,441,027	\$59,970,704

* SLOF - Student Loan Operating Fund

ILLINOIS STUDENT ASSISTANCE COMMISSION
Student Loan Operating Fund (SLOF)
Comparative Sources and Uses Report
Federal Fiscal Year to Date
(October 2003 - September 2004)

	2004	2003
BEGINNING CASH BALANCE, 10/01/03	\$22,875,059	\$34,107,313
Sources of Funds		
SLOF Retention-Default Collections	8,202,640	9,212,982
Direct Consolidation Costs	9,915,325	10,561,004
Loan Processing & Issuance Fees	6,041,535	5,331,288
Account Maintenance Fees	6,437,379	5,985,654
Default Aversion Fees	1,901,198	2,049,870
Interest on Investments	331,986	482,682
SLOF Retention-Repurch/Rehabs/Consolidation	5,402,640	2,205,095
Collections on Non- Reinsurable Claims	168,214	116,221
Miscellaneous Income	16,400	43,253
Transfer from Reserve Recall Fund	2,410	1,173,372
Total Sources	38,419,725	37,161,417
Uses of Funds		
Administrative Expenses	33,601,803	33,639,873
Return of Working Capital to FSLRF	0	13,000,000
Non- Reinsurable Claims	248,368	1,687,079
Refund to Dept. of Education	304,704	66,728
Total Uses	34,154,874	48,393,677
ENDING CASH BALANCE, 09/30/04	\$27,139,915	\$22,875,058
ACCRUAL ADJUSTMENTS		
DUE TO/FROM DEPT. OF EDUCATION		
Due From Dept. of Education		
Loan Processing & Issuance Fees	1,327,160	2,154,089
Account Maintenance Fees	1,532,065	1,429,025
Total Due from Dept. of Education	2,859,225	3,583,114
Due To Dept. of Education		
Non-Reinsurable Claims	(38,147)	0
Collections on Non-Reinsurable Claims	36,892	58,266
Total Due to Dept. of Education	(1,255)	58,266
Net Due from Dept. of Education	2,857,970	3,641,380
OTHER ADJUSTMENTS		
Due to Illinois GRF	(833)	(1,272)
SLOF Retention Receivable	1,338,393	1,005,839
Due to FSLRF Cost of Collection	(244,209)	(190,171)
Default Aversion Fee Receivable	172,774	207,815
Default Aversion Fee Deferred Revenue	(6,574,051)	(5,725,573)
Interest on Investments	33,573	30,881
Fixed Assets	292,800	398,943
Vouchers Payable-Administrative Expenses	(3,543,686)	(2,830,321)
Other Payables	(133,196)	(142,026)
Total Other Adjustments	(8,658,435)	(7,245,885)
ADJUSTED FUND BALANCE, 09/30/04	\$21,339,449	\$19,270,554

*FSLRF - Federal Student Loan Reserve Fund

ILLINOIS STUDENT ASSISTANCE COMMISSION
ILLINOIS DESIGNATED ACCOUNT PURCHASE PROGRAM
August 31, 2004

	<u>CURRENT MONTH</u>	<u>PREV. MONTH</u>	<u>FY TO DATE</u>	<u>CUMULATIVE</u>
<u>Disbursements:</u>				
Student Loan Originations & Purchases				
Average Borrower Indebtedness	\$7,561	\$10,601	\$8,537	\$5,623
Number of Borrowers	17,950	8,490	26,440	1,094,420
Total Originations & Purchases	\$135,715,651	\$90,003,125	\$225,718,776	\$6,153,913,634
Operating Expenses	\$5,040,497	\$5,058,185	\$10,098,681	\$325,906,217
<u>Collections:</u>				
Principal - Student	\$61,198,761	\$75,577,425	\$136,776,187	\$2,664,222,544
Interest - Student	4,873,809	4,632,889	9,506,698	557,157,091
Principal - Guarantor	4,525,126	4,840,731	9,365,857	747,387,801
Interest - Guarantor	157,819	171,605	329,425	47,458,428
Federal Interest Benefits	0	4,485,223	4,485,223	201,402,999
Special Allowance	0	2,919,905	2,919,905	118,958,894
<u>Summary:</u>				
Total Principal	\$65,723,887	\$80,418,156	\$146,142,044	\$3,411,610,345
Total Interest	5,031,628	9,289,717	14,321,346	806,018,518
Total Special Allowance	0	2,919,905	2,919,905	118,958,894
	<u>\$70,755,515</u>	<u>\$92,627,778</u>	<u>\$163,383,295</u>	<u>\$4,336,587,757</u>

ILLINOIS STUDENT ASSISTANCE COMMISSION

COLLEGE ILLINOIS!

Sources and Uses Report

September 2004 -- FY 2005

BEGINNING MARKET VALUE TOTAL FUNDS BALANCE, 07/01/04

Cash at Custodians and ISAC	\$ 6,917,130
SSgA S&P 500 Index Fund	74,731,176
Banc One Investment Advisors	90,752,710
William Blair & Co.	50,591,291
SSgA Russell 1000 Growth CTF	13,117,136
Wasatch Advisors	50,226,220
JFL International Equity Fund LLC	25,624,770
SSgA Russell 2000 Fund	26,331,960
LSV Asset Management	42,647,733
SSgA Large Cap Value	42,536,023
Richmond Capital Management	75,379,327

Total Beginning Balance

\$498,855,476

SOURCES OF FUNDS

Contributions received	13,836,857
Application and other fees	244,583
Interest from Treasury and Banks	28,338
Unrealized Interest on Investment	3,245,206
Unrealized Gain on Investment	681,794

Total Sources

18,036,778

USES OF FUNDS

Administrative Expenses	739,761
Refunds to Purchasers	783,178
Tuition Payments	915,225
Investment Expense	217,190
Realized Loss on Investments	1,510,729
Unrealized Loss on Investments	0

Total Uses

4,166,083

ENDING MARKET VALUE TOTAL FUNDS BALANCE, 09/30/04

Cash at Custodians and ISAC	\$ 6,371,553
SSgA S&P 500 Index Fund	76,355,683
Banc One Investment Advisors	93,700,326
William Blair & Co.	22,474,180
LSV Asset Management	43,748,805
SSgA Large Cap Value	43,779,813
Nicholas-Applegate	13,245,237
Wasatch Advisors	50,660,070
JFL International Equity Fund LLC	25,052,339
Kenwood Capital	13,179,772
Holland Capital	22,069,806
New Amsterdam	22,531,837
Richmond Capital Management	79,556,750

Total Ending Balance

\$512,726,171

ILLINOIS STUDENT ASSISTANCE COMMISSION

COLLEGE ILLINOIS!

Total Program Performance

September 2004 -- FY 2005

APPROXIMATE INVESTMENT RETURN, 09/30/04

	<u>Ending</u> <u>Market Value</u>	<u>Fiscal</u> <u>Year-to-date</u>	<u>Since</u> <u>Inception</u>	<u>Inception</u> <u>Date***</u>
Total Program	\$512,726,171	0.4%	2.4%	7/6/99
Policy Benchmark*		-0.1%	3.0%	
Actuarial Assumption **		1.9%	7.9%	
Domestic Equity	\$308,045,203	-0.7%	-1.8%	7/6/99
William Blair	22,474,180	-0.2%	-9.4%	7/7/00
<i>Russell 1000 Growth</i>		-5.2%	-13.5%	
New Amsterdam	22,531,837		2.4%	7/15/04
Holland Capital	22,069,806		1.6%	7/15/04
<i>Russell 1000 Growth</i>		-5.2%	-5.2%	
LSV Asset Management	43,748,805	2.6%	6.5%	2/13/04
<i>Russell 1000 Value</i>		1.5%	3.7%	
SSgA	43,779,813	0.6%	1.7%	4/21/04
<i>Russell 1000 Value</i>		1.5%	2.4%	
Kenwood Capital	13,179,772		3.8%	7/15/04
Nicholas-Applegate	13,245,237		4.3%	7/15/04
<i>Russell 2000 Value</i>		0.2%	0.2%	
SSgA S&P 500 Index Fund	76,355,683	-1.9%	-2.6%	7/6/99
<i>S&P 500 Index</i>		-1.9%	-2.5%	
Wasatch Advisors	50,660,070	-3.2%	11.1%	9/7/01
<i>Russell 2000</i>		-2.9%	8.1%	
International Equity	\$25,052,339	-2.2%	18.5%	
Jarislowsky Fraser	25,052,339	-2.2%	18.5%	10/4/02
<i>MSCI EAFE</i>		-0.2%	24.5%	
Domestic Fixed Income	\$173,257,076	2.9%	7.2%	7/6/99
Banc One Investment Advisors	93,700,326	3.1%	3.5%	7/1/03
<i>Lehman Aggregate Index</i>		3.2%	2.8%	
Richmond Capital Management	79,556,750	2.7%	4.1%	10/7/02
<i>Lehman Intermediate Government/Credit</i>		2.7%	4.7%	
Cash Account	\$6,371,553	0.3%	3.2%	
T-Bills		0.5%	2.9%	

Note: Returns are preliminary and subject to revision pending the September 30, 2004 quarterly report.

* Policy Benchmark is 45% S&P500, 10% Russell 2000, 5% MSCI EAFE, 25% Lehman Aggregate, 13% Lehman Intermediate Government/Credit, and 2% T-bills. Previously, the benchmark was 50% S&P500, 10% Russell 2000, 38% Lehman Aggregate and 2% T-bills (from October, 2001 through October, 2002) and 50% S&P500, 47% Lehman Aggregate and 3% T-bills (prior to October, 2001).

** Actuarial assumption was revised to 7.75% effective 7/01/02. Prior to 7/01/02 the assumption was 8%.

*** Benchmark returns are as of the beginning of the month.

NUMBER AND DOLLAR VALUE OF PLANS, 09/30/04

Number of Plans

Plans Paid in Full	23,928
Active Plans	14,365
Cancelled Plans	4,380
Suspended Plans	30
Total Number of Plans	42,703

Purchased Value of all Plans \$765,586,478

- Active Plan: Plan which has been approved and contract payments are being made.
- Cancelled Plan: Plan that has been terminated either at the request of the purchaser or involuntarily due to delinquency, fraud, etc.
- Suspended Plan: Plan with an incomplete application or other outstanding omissions; a plan with this status is inactive.