

**Andy Davis**  
**ISAC Update**  
**2008 ILASFAA Annual Conference**  
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**Crowne Plaza, Springfield, Illinois**

Good morning. Wow – what a difference a year makes! I think many of you know me by now. I am Andy Davis, Executive Director of ISAC. When I spoke to you at last year’s conference, it was the first time that most of us had met one another. Given the long-term partnership of ISAC and ILASFAA, and the long tenure of so many of the leaders of both of our organizations, there was probably a lot of natural apprehension about some of the new faces at ISAC, about the future of our organization, and the future of the partnership. So, I am extremely pleased to be here this morning, to report to you that ISAC is still here, is still strong, and is still committed to our partnership with all of you. In fact, given that we have achieved so much of what we promised you last year in terms of re-focusing our agency singularly on Illinois, I believe we’re better positioned to make our partnership stronger than ever.

I understand the theme of this year's conference is "Overcoming Challenges, Celebrating Successes." I would be hard-pressed to come up with a better theme for my first year at the helm of ISAC. While many of the challenges and successes were predictable, just as many were surprises. It probably wouldn't be too big of a stretch for me to predict that it will be a pretty good description of our upcoming year as well.

We recently changed the ISAC mission statement. It used to read "To benefit society by enabling individuals to develop to their fullest potential through access to quality education." When I first read that, I thought it was pretty wordy and didn't exactly come to the point. But more important, while I didn't exactly think that we had lost our way, I sure as heck thought we had lost our focus – our focus on the people of Illinois. We are the financial aid agency for Illinois – offering scholarships, grants, a prepaid tuition program, loans, loan repayment/forgiveness programs, outreach initiatives and loan guarantees. So I asked for a much simpler, more direct statement to be developed that reminded our staff why we were here. I even had it put on the

back of everyone's ID badge. It now says, quite simply, "Making College affordable for Illinois students."

When I stood up here last year, I told you that this was pretty much what we were going to be about. And I'm here to tell you today, that that is what we have done and what we will continue to do.

Even without knowing all of the challenges that would be thrown our way, the tasks ahead of us when I last spoke to you seemed daunting: how to steer ISAC through the uncertain currents of a rapidly-changing student loan industry, how to address the emerging needs of a very different student population, how to modernize and recast a 50-year-old agency, and how to do more with less.

The most pressing challenge was to stem the losses from our student loan portfolio. In 2006, we lost \$6 million - mostly in loans made to out-of-state residents attending out-of-state schools - and trends indicated further losses. Not only did we face the continuing competitive pressures from the

marketplace, but passage of the CCRAA and the soaring cost of borrowing spurred by the sub prime mortgage crisis forced us to act quickly.

In three transactions, we sold about \$3 billion of our \$4.2 billion student loan portfolio, and in so doing boosted the proportion of “Illinois-nexus” loans from 29 percent to more than 75 percent. This also enabled us to pay down \$3.3 billion in debt, while covering the cost of the MAP Plus Program and boosting funding for the Monetary Award Program (MAP). In fact, in 2007, ISAC administered a record \$448 million in scholarships and grants to Illinois students, made \$250 million in student loans, and guaranteed another \$1.8 billion in loans to 208,000 students and families.

**Selling the portfolios that we did when we did was a prudent move. Had we kept them, we would have lost an additional \$12 million due to the CCRAA alone, and another \$15 million due to the higher cost of borrowing.** Still, although paring down the portfolio had softened this blow, we weren’t shielded completely, and the losses that we experienced forced another tough decision: a workforce reduction. Beginning last summer,

senior management undertook a thorough agency-wide evaluation of all job functions. We identified 50 positions that were no longer essential and could be eliminated. The process was methodical and difficult, and the result is a more streamlined operation to better serve Illinois students, families and taxpayers.

This self-evaluation, restructuring and belt-tightening offered a chance to re-define and re-invigorate ISAC. We are more focused on helping Illinois students and are operating more economically, without losing the capacity to provide core outreach functions. As I mentioned last year, I came to the agency with a commitment to listen and learn, and that commitment remains. I've learned much this last year and continue to learn from my staff, other financial aid colleagues, as well as the students and families I've had a chance to interact with. And I do listen. I especially enjoy the part of my job where I get to visit campuses and professional meetings that afford me an opportunity for more one-on-one interaction. It was during one of these meetings that I heard the need for a loan program to help those students who have exhausted other financial resources to graduate from college. To that

end, ISAC created the *College Illinois! Capstone*<sup>SM</sup> Loan program for Illinois seniors that need that extra help to reach the finish line. Because we are leaner and more agile, we can try creative approaches, such as Capstone. A new idea being developed with the Illinois Education Foundation and the Aetna Foundation is an innovative pilot program to cut attrition rates among low-income nursing students at Prairie State College by providing mentoring, tutoring and life coaching.

Another new idea, just introduced at our Commission Meeting on April 4<sup>th</sup>, is the *College Illinois! Individual Development Account (IDA)* for low-income families. The proposed program would allow families with incomes no greater than 200% of the poverty level the opportunity to accumulate assets toward the purchase of a 529 prepaid tuition contract. The savings goal of the IDA will be the equivalent of the price of a four-semester community college contract. This means that a family that begins the program when their child is an infant can have two years of community college paid for by the time that child enters kindergarten. At the same time we were pursuing these new concepts, ISAC implemented two new programs signed into law by

Governor Blagojevich, the Veterans' Home Nurse Loan Repayment Program and the Nurse Educator Loan Repayment Program.

Cutting edge - yet sensible - solutions must be employed to reach today's college student. The face of the typical Illinois college student is changing: students are older, there are more female and minority students than ever, and many are veterans or the first in their family to attend college. Since I began this job, the Division of Public Service has experienced tremendous growth. The number of staff dedicated to promoting equal access to quality higher education has expanded from four – yes, four outreach professionals for the entire state of Illinois – in January 2007, to sixteen positions today – reaffirming our commitment to the students of the State of Illinois.

The increase in staff has allowed the Division of Public Service to grow in expertise as well as reach. Staff is now organized by area of expertise, including: Financial Literacy; Parent Outreach; Adult and Nontraditional Students; Early Awareness; and Rural Outreach, just to name a few. Also, two additional bilingual outreach coordinators have joined the division,

allowing us to expand the number of presentations that can be done in Spanish, and allowing us to provide outreach in Polish for the first time. We've also added a full-time staff member dedicated to College Access Marketing, and another individual who will spend all of his time working with the many schools that have asked for Public Service's help to implement a community outreach strategy using our Vertical Outreach Team Model.

Many staff from the Public Service Division are present here today to provide you with more information—as are many other ISAC staff, I should note.

To better address this changing college population, ISAC's diverse workforce has drastically increased our outreach efforts. (One of the highlights of my summer was participating in the spectacular Bud Billiken Parade, carrying a banner that urged millions of parade watchers to start planning now for college.) Further, ISAC's workforce is notable for the large number of women we have in both the general workforce (more than

60 percent) and in management positions. In fact, females comprise two-thirds of our Senior Management Team.

We are committed to providing excellent customer service to students and clients through our College Zone Outreach Centers, Web site, live phone operators, publications and constituent services staff. In 2007, ISAC staffers cut through college financial aid red tape to directly assist tens of thousands of people who reached us by phone, the Internet or in person.

In addition to the initiatives that we've undertaken on our own, ISAC is actively collaborating with fellow state agencies on projects to improve education and economic development in Illinois.

At the moment, the project with the most steam and potentially the broadest reach is an initiative spearheaded by the Illinois Board of Higher Education developing what is called "A Public Agenda for Illinois Higher Education: Planning for College and Career Success". This public agenda is intended to be a planning blueprint for the State to direct policies and resources to the

higher education and career needs of Illinois residents and to address the current and future economic needs of the state. The goal of the process, as mandated by the General Assembly, is “to study the challenges and opportunities facing higher education, the State’s workforce needs, demographic trends, and higher education funding and student financial aid,” and in so doing, to guide institutions and policy makers as they set priorities and allocate resources. The process has been broken down into multiple phases, and there are opportunities for public involvement at every stage. [As a side note, not only is ISAC at the table helping represent the financial aid community in these meetings, but Judi Flink of the University of Illinois (and the Chairperson of the federal Advisory Committee on Student Financial Assistance) has also been an active participant].

The first phase of the process involved an analysis of the state’s social and economic data to define its needs for higher education, and you can find a draft of the Public Needs Report on the IBHE website, [www.ibhe.org](http://www.ibhe.org). The second phase of the process is underway now: a review of Illinois’ current higher education policies to determine how well they align with our needs.

The draft Policy Audit Report is due this month, to be followed by a series of public meetings to discuss the reports. The process will culminate in Phase III, the Development of a Preliminary Public Agenda that will provide recommendations for higher education goals, seek to define sector responsibilities, detail coordination strategies and accountability measures, and set a timetable for implementing the recommendations. Again, if you want to be part of this process or keep track of it, I really encourage you to check out the Public Agenda link on [ibhe.org](http://ibhe.org). We know how important student financial aid is to preserving education access, and because of that I think it's important that the voices of the financial aid community are part of this project, advocating on behalf of students. If you have questions, comments or concerns regarding this Public Agenda initiative, please contact IBHE or feel free to contact my office – we need to hear from you.

Briefly, there are two other initiatives that I wanted to bring to your attention. First is the Illinois College and Work Readiness Partnership, of which the new P-20 Council is part. The ultimate goal of this project is to better integrate the various segments of the education pipeline, focusing initially on

curricular alignment and data sharing. For more information on the specifics, you can read a memorandum of understanding signed by the State Board of Education, the Governor's Office, and the Gates Foundation, which is funding technical support for the P-20 Council. This memo is also available at [www.ibhe.org](http://www.ibhe.org).

Finally, last year, the Governor created an Economic Development Sub cabinet of agency directors to coordinate and improve state efforts to spur job growth and investment. I was asked to participate in the Sub cabinet given the importance of access to education in preparing a workforce and attracting new jobs and investment to the State. An initial project of the Sub cabinet is geared towards increasing the supply of qualified nurses in the northeastern and southern regions of Illinois. Strategies being tested include a range of short- and long-term efforts from our nurse educator loan repayment program to programs to encourage middle scholars to study STEM (Science, Technology, Engineering, and Mathematics) fields.

In 2008, we will continue to provide customer and outreach services, operate our programs efficiently, and tirelessly promote our mission of Making College Affordable for Illinois Students. And I'm proud to say that we continue to pay for all of these vital services at no cost to taxpayers. Since 2005, ISAC has paid for all of its administrative costs, with agency revenues. This means that 100 cents of every state funded dollar goes directly to programs. We look forward to continuing to work with you that use our services now and hope to have the opportunity to work with others that don't currently work with ISAC. We think our services, programs, and products do help make college affordable for Illinois students - and we are all committed, as demonstrated by our attendance at this conference, to persevere.

In the coming year, despite the unprecedented disruptions in the financial markets, we will continue to serve the loan needs of our Illinois students. The state of Illinois can no more abandon student lending at this point in time than we would walk away from schools, highways and bridges. It is infrastructure; an essential part of a civilized society. The idea that a state agency would turn away from its mission because it was no longer lucrative

or no longer easy is simply not acceptable. To the students that are dependent on our agency to borrow money to go to school, we are here for you.

I don't think there is any need to rehash all of the particulars about lenders leaving the student loan business, but I do want to emphasize that while a lot of participants in the business are profit-driven, **ISAC is mission-driven**. So, when the profits go away, so do many of these profit driven participants.

ISAC is here for the long haul. And in that context, I want to address what is certainly an issue that is currently weighing heavily on the minds of you and your administrations, on your students and their families, and daily in the media. That issue is: will there be an uninterrupted flow of FFELP loan funds to students this fall? On that matter, I am extremely pleased to report to you the results of a meeting I attended in Washington last Friday. **The short answer is YES; there will be uninterrupted access to FFELP loan funds for Illinois borrowers this fall.** On Friday, along with representatives of the 30+ FFELP guaranty agencies around the country, I met with Secretary of Education Margaret Spellings and her senior staff to discuss how to make the

Lender of Last Resort Program a certainty as a safety net for this fall. I don't know how to say it much simpler than "ED gets it" Secretary Spellings made a firm and absolute commitment to those of us in the room that the Lender of Last Resort Program will be up and available this fall if it is needed.

And in recognition of the liquidity issues currently being experienced in the capital markets, Secretary Spellings made it equally clear that this commitment to LLR goes all the way up to and including access to the U.S. Treasury for funding for guarantors. So, while there are many details to be worked out, be assured that the State of Illinois, through ISAC and its lending arm, IDAPP, in full cooperation with the U.S. Department of Education and other governmental Departments, will ensure that loan funds remain available for Illinois students this fall.

We also have some positive news to report regarding our own lending outside the realm of LLR. While ISAC faces the same challenges in the capital markets as other industry participants in terms of dealing with the financing disruptions, I think we are in better shape than many, in terms of

liquidity. We believe that we already have enough funding on hand to carry us through this calendar year, and depending on demand, possibly the full academic year, and we are optimistic about the likelihood of our being able to raise enough additional liquidity to take care of the entire upcoming academic year.

In summary you are still here, and we are still here. And the reality is that we, all of us, must be. The value of a college education has never been higher but the same must be acknowledged for the cost. This intersection of civil societies requirements and student opportunity is where we serve. This investment a society makes in its students remains one of the most important commitments we make to civil life itself. In the new world of global financial uncertainty combined with the reality of the cost of higher ed we will be well served by modeling ourselves as Investment bankers in human capital. While we look at challenges from new perspectives though, the reality is that we will continue to do what we were originally created to do “Make College affordable for Illinois students.”