

**AGENDA ITEM 6.**

**IDAPP'S QUARTERLY INVESTMENT REPORT**

**Submitted for:** Information

**Summary:** The Statement of Investment Policy for the Illinois Designated Account Purchase Program (IDAPP) was originally approved by the Commission on November 15, 1999 and was most recently reaffirmed on January 16, 2004. Under the Policy, staff is required to present a quarterly report summarizing IDAPP's investments, which is contained in this item.

**Action requested:** None

**ILLINOIS STUDENT ASSISTANCE COMMISSION**  
**IDAPP'S QUARTERLY INVESTMENT REPORT**

**Introduction**

The Illinois Designated Account Purchase Program (IDAPP) administers the investment of funds in the various student loan revenue bond issues of the Illinois Student Assistance Commission. These funds are held pending the origination and purchase of student loans or prior to payment of interest or principal or pursuant to certain terms of the bond documents. In accordance with the Illinois Public Funds Investment Act, the investment of these funds is restricted to investment grade securities and is further restricted to only the highest grade securities by the bond documents themselves. IDAPP funds are typically invested in the following categories: money market funds, U.S. Treasury Securities, U.S. Agencies and savings accounts.

Money Market Funds refer to trustee money market funds which invest in high-quality, short-term securities that are issued or guaranteed by the U. S. government, by U.S. government agencies, and in securities subject to repurchase agreements. IDAPP uses money market funds as an investment vehicle to meet day to day originations, purchase commitments and to meet debt service requirements.

U.S. Treasury Securities refer to direct obligations of the U.S. government, backed by the "full faith and credit" of the government, and thus by its ability to raise tax revenues and print currency. The Bureau of Public Debt of the Department of the Treasury issues U. S. Treasury Securities. IDAPP uses U.S. Treasury Securities as an investment vehicle to meet origination and purchase commitments projected over the next twelve months and to meet debt service requirements. Examples of U.S. Treasury Securities are U.S. Treasury Notes, U.S. Treasury Bonds and U.S. Treasury Bills.

U.S. Agencies refer to obligations issued by divisions of the U.S. government and by government-sponsored enterprises, created by Congress to fund certain groups of borrowers such as homeowners and farmers. IDAPP uses U.S. Agency Securities as an investment vehicle to meet origination and purchase commitments projected over the next twelve months and to meet debt service requirements. Examples of U.S. Agencies are the Federal National Mortgage Association ("Fannie Mae") and the Federal Home Loan Mortgage Corporation ("Freddie Mac").

Savings refer to savings accounts at commercial banks, which are insured up to \$100,000 by the Federal Deposit Insurance Corporation ("FDIC") and are required by IDAPP as part of its line of credit agreements with several financial institutions.

The market value of the investments reflects changes in the value of the investments from the par or purchase value due to changes in market interest rates relative to the coupon rates. The market values can be larger or smaller than the par values but do not materially impact IDAPP because the investments are normally held until maturity and thus not sold at the market value.

Below is a summary of IDAPP's investments as of June 30, 2004.

**Summary**

	<u>Par Value</u>	<u>Market Value</u>	<u>Percent</u>
Money Market Funds	\$115,861,663	\$115,861,663	15
U.S. Treasury Securities	0	0	0
U.S. Agencies	676,197,000	679,485,714	85
Savings	<u>2,908,766</u>	<u>2,908,766</u>	<u>0</u>
	<u>\$794,967,429</u>	<u>\$798,256,143</u>	<u>100%</u>
	<u>Due &lt; one year</u>	<u>due &gt; one year &amp; &lt; five years</u>	<u>due &gt; five years &amp; &lt; ten years</u>
Money Market Funds	\$115,861,663	\$0	\$0
U.S. Treasury Securities	0	0	0
U.S. Agencies	676,197,000	0	0
Savings	<u>2,908,766</u>	<u>0</u>	<u>0</u>
	<u>\$794,967,429</u>	<u>\$0</u>	<u>\$0</u>