

FINANCIAL AUDIT

Montana Guaranteed Student Loan Program

For the Fiscal Year Ended June 30, 2011

DECEMBER 2011

11-06A

REPORT SUMMARY

In accordance with Federal Family Education Loan Program regulations, the Montana Guaranteed Student Loan Program (GSL) guarantees loans to eligible students for post-secondary education. At June 30, 2011, GSL's original principal balance of loans guaranteed was \$1,756,727,435. This is a drop of \$296 million from the previous fiscal year. GSL ceased guaranteeing any new loans in fiscal year 2011 because Congress changed the Federal Family Education Loan Program effective July 1, 2010. Therefore, GSL's original principal balance of guaranteed loans will decrease until it has no more outstanding loans.

**Context**

In fiscal year 2011, GSL purchased over \$28 million of student loans from institutions, due to the borrower defaulting on a loan, filing bankruptcy, becoming disabled or dying. This is an increase of \$7 million from fiscal year 2010.

During the current fiscal year GSL collected \$8 million from borrowers on loans purchased in the current and previous years. In accordance with Federal Family Education Loan Program regulations, GSL remitted \$5.8 million of that amount to the U.S. Department of Education.

GSL's current default rate is 2.8 percent.

**Results**

We issued an unqualified opinion on GSL's financial statements. This report contains three recommendations regarding noncompliance with the Montana Constitution and state law, an accounting error, and a financial statement preparation control deficiency. The previous report had no recommendations.

| Recommendation Concurrence                                     |   |
|--|---|
| Concur   | 3 |
| Partially Concur   | 0 |
| Do Not Concur  | 0 |
| <b>Source: Agency audit response included in final report.</b> |   |