

FINANCIAL AUDIT

Montana Guaranteed Student Loan Program

For the Fiscal Year Ended June 30, 2012

DECEMBER 2012

11-06B

REPORT SUMMARY

Due to changes in federal regulations in fiscal year 2011, the Montana Guaranteed Student Loan Program (GSL) no longer guarantees new student loans. The GSL program will end when there are no guaranteed loan balances remaining. As of June 30, 2012, GSL had an outstanding Guaranteed Loan Balance of \$1,635,014,002.

Context

GSL operates under the guidance of the Board of Regents. It provides access to post secondary education through guaranteeing student loans.

As the guaranteed loan balance decreases, there will be less revenue to fund GSL's operations. When operating costs exceed revenues, GSL needs to use the assets in its operating fund to provide its required loan guarantee services. When no assets remain, another funding source will be required, because federal regulations require GSL to service all the loans it guaranteed.

House Bill 2 from the 2011 Legislative Session transferred \$5 million in scholarships and loan forgiveness from the General Fund to GSL's Federal Special Revenue Fund in the 2013 biennium. As a result, the June 30, 2013, operating fund's assets are projected to be half what they were as of June 30, 2011.

During fiscal year 2012, GSL purchased over \$25 million of student loans from financial institutions. GSL purchased these loans as a result of borrowers defaulting, filing bankruptcy, becoming disabled, or dying. This is a \$3 million decrease in loans purchased from the previous fiscal year.

GSL recovered \$7.9 million from borrowers on outstanding loans. In accordance with Federal Family Education Loan Program regulations, GSL remitted \$5.5 million of the amounts collected to the U.S. Department of Education, and retained a net \$2.4 million.

GSL's current default rate is 3.7 percent.

Results

We issued an unqualified opinion on GSL's financial statements. There were three prior audit recommendations. GSL implemented two and partially implemented one. This report discusses the partially implemented prior audit recommendation but contains no further recommendation.

Recommendation Concurrence	
Concur	0
Partially Concur	0
Do Not Concur	0
Source: Agency audit response included in final report.	