

FINANCIAL AUDIT

Montana Guaranteed Student Loan Program

For the Fiscal Year Ended June 30, 2013

DECEMBER 2013

13-06

REPORT SUMMARY

At the end of fiscal year 2013, the Guaranteed Student Loan Program had an outstanding guaranteed loan balance of \$1.5 billion. Since a change in federal regulations resulted in no further guarantees as of fiscal year 2011, the program will end when no guaranteed loan balances remain outstanding.

Context

Guaranteed Student Loan Program (GSL) operates under the guidance of the Board of Regents. It provides access to post-secondary education through guaranteed student loans.

As the guaranteed loan balances decrease, 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. During fiscal years 2012 and 2013, the legislature funded over \$5 million in scholarships out of the GSL operating fund. As a result, the asset balance in the operating fund was \$4.3 million at June 30, 2013, as compared to \$8.8 million at June 30, 2011. When no assets remain, another funding source will be required, because federal regulations require GSL to service all the loans it guaranteed.

GSL purchases loans as a result of borrowers defaulting, filing bankruptcy, becoming disabled, or dying. During fiscal year 2013, GSL purchased over \$26 million of these

guaranteed student loans from the financial institutions. This is about a \$1.6 million increase in loans purchased from the previous year.

In the same time period, GSL recovered \$7.3 million from borrowers on outstanding loans. In accordance with Federal Family Education Loan Program regulations, GSL remitted \$5.4 million of the amounts collected to the U.S. Department of Education, and retained net revenue of \$1.9 million.

Results

During our audit we tested compliance with federal regulations governing the GSL. We also focused our audit effort on financial activity related to payments from the federal government, claims paid to lenders, and cost of loan collections and the related control systems. Our audit did not result in any recommendations. We issue an unmodified opinion on the GSL financial statements.

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

For a complete copy of the report (13-06) or for further information, contact the Legislative Audit Division at 406-444-3122; e-mail to lad@mt.gov; or check the web site at <http://leg.mt.gov/audit>
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