

FINANCIAL AUDIT

Montana Guaranteed Student Loan
Program

For the Two Fiscal Years Ended June 30, 2015

DECEMBER 2015

15-06

REPORT SUMMARY

At the end of fiscal year 2015, the Montana Guaranteed Student Loan Program guaranteed loans of approximately \$1.3 billion. This is down from \$1.4 billion in fiscal year 2014 and \$1.5 billion in fiscal year 2013. A change in federal regulations resulted in no further guarantees of new loans as of fiscal year 2011, however, the program is still the Guarantor of the existing loans. Based on current federal policy, in 2018 or 2019, the program will begin winding down until no guaranteed loan balances remain.

Context

The Montana Guaranteed Student Loan Program (GSL) is administered by the Administrative & Fiscal Affairs Division of the Office of the Commissioner of Higher Education. GSL guarantees federal loans that were given out prior to 2011. GSL purchases loans as a result of borrowers defaulting, filing bankruptcy, becoming disabled, or dying. During fiscal year 2014, GSL purchased over \$25 million guaranteed student loans from the financial institutions. GSL purchased over \$17 million loans in fiscal year 2015.

The GSL program is able to keep a percentage of payments made on purchased loans (collection recoveries), loans bought back by lenders after completion of a successful rehabilitation plan (rehab), and payments made as part of federal direct consolidations.

The GSL program also administers a variety of scholarship programs and assists in administering the Montana Family Education Savings Program. Funding for administration of the above programs will need to come from

another source when the GSL program ceases operations.

Our audit focused on financial activity related to payments from the federal government, claims paid to lenders, cost of loan collections, and administrative costs.

We also examined documentation related to the history of guaranteed loan amounts. The original amount of loans outstanding has decreased from over \$2 billion in June 30, 2010, to \$1.3 billion in June 30, 2015.

The last borrowers to receive loans guaranteed by GSL received loans in 2008 or 2009. GSL estimates they will have diminished operations in 2018 or 2019, based on the last borrowers making 10 years of fully amortized payments.

Results

Our audit did not result in any recommendations, and we issued an unmodified opinion on the GSL financial statements.