

FINANCIAL AUDIT

Montana Guaranteed Student Loan Program

For the Two Fiscal Years Ended June 30, 2017

DECEMBER 2017

17-06

REPORT SUMMARY

As of October 1, 2017, the loan servicing portion of the Montana Guaranteed Student Loan Program was transferred to a federally-approved national education loan servicing provider, as approved by the Board of Regents in May 2017. The full-time equivalent positions remaining as of October 1, 2017, were 5.5. The Montana Guaranteed Student Loan Program will continue to offer other student financial aid-related activities.

Context

The Montana Guaranteed Student Loan Program (MGSLP) is administered by the Office of the Commissioner of Higher Education. MGSLP guarantees federal loans that were granted prior to 2011. The last borrowers to receive loans by MGSLP received loans in 2008 and 2009. MGSLP purchases loans as a result of borrower default, bankruptcy, disability, or death.

At the end of fiscal year 2017, the MGSLP had loans outstanding of approximately \$1.1 billion. The program's guaranteed loans have decreased by over \$100 million annually for the past six years. A change in federal regulations resulted in no further guarantees of new loans as of fiscal year 2011. However, as of fiscal year-end 2017, the program was the guarantor of the existing loans.

During fiscal year 2017, MGSLP purchased over \$17 million guaranteed student loans from financial institutions. MGSLP purchased over \$15 million loans in fiscal year 2016.

MGSLP keeps a percentage of payments made on purchased loans, loans bought back by lenders after completion of a successful rehabilitation plan, and payments made as part of federal direct consolidations.

MGSLP also administers a variety of scholarship programs and assists in administering the Montana Family Education Savings Program.

Results

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

Our audit did not result in any recommendations, and we issued an unmodified opinion on the MGSLP financial statements. This means the financial statements and related notes presented in this report can be relied upon.