



## NEWS RELEASE

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FOR IMMEDIATE RELEASE

### **ISL Board Supports Recommendations in State Auditor Report**

DES MOINES, IOWA (October 26, 2007) – **Iowa Student Loan** announced today that it has received the report generated from the State Auditor’s review of the corporation. The review, conducted with the full support of the ISL’s board of directors, recommended no financial management changes, but offered suggestions for increasing public board representation as well as increasing communication and reporting with the state.

“We thank David Vaudt and his staff for the comprehensive review of our organization, which entailed a tremendous amount of study and analysis of reports, audits, financial statements and other information about ISL,” said **Steve McCullough**, chief executive officer. “We are pleased with the findings and constructive actions proposed by the auditor’s office. We believe the report is an important step in validating that ISL is a well-managed corporation working for the benefit of Iowans.”

“We look forward to discussing the report with the government oversight committee on October 29,” McCullough added.

ISL is a private, nonprofit corporation that was formed at the request of **Gov. Robert Ray** in 1979 to ensure Iowa students have access to low-cost education financing. The corporation has served more than 300,000 Iowa students and families by providing approximately \$5 billion in federally guaranteed and private higher education loans.

The report summarizes the State Auditor’s review into three areas: Financial Considerations, Organizational Considerations and Oversight Considerations.

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## **Financial Considerations**

After reviewing ISL's audited financial statements and other financial information, the report included no suggestions for changes to ISL's financial management. The report acknowledges that ISL has grown rapidly over the past four years, reflecting the increase in the overall demand for student loans. The report specifically identifies the following factors:

- Increases in tuition.
- The increased need for lowans to finance college expenses with debt.
- Students and families choosing ISL products because of their "favorable loan terms."

The review also emphasizes that ISL's financial reserves, which are needed to support its bond issues and assure the corporation's debt will be repaid, help reduce the interest rates on its bonds. Lower interest on bonds translates into lower rates on loans for students and families.

Though the auditor declined to comment of the adequacy of ISL's reserves, the report says, "Maintaining adequate reserves is a prudent management philosophy and practice for ISL ... By maintaining reserves, necessary programs can be preserved when unanticipated expenses occur or expected revenue does not materialize..."

In fulfilling its mission, ISL reinvests a significant portion of the increase in its net assets in programs that lower the cost of borrowing and provide services to help students plan and prepare for college. During fiscal year 2007, ISL provided \$33 million in borrower benefits and other assistance.

"The review confirms the fact that students choose ISL and its lenders because they offer favorable interest rates and benefits such as fee waivers," McCullough added.

## **Organizational Considerations**

The state of Iowa does not control the operations of ISL, which is a private corporation, but the auditor points out that the state has influence through the Governor's appointment of board members and regulation by the Division of Banking. In reviewing the board composition,

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the auditor suggests that improvements could be made by replacing the Superintendent of Banking and the appointee representing the Iowa College Student Aid Commission—the state guarantor for student loans—with general public members who are current or former student loan borrowers.

“ISL’s success in accomplishing its mission has been in large part due to having a strong, capable board of directors focused on helping students,” McCullough said. “We have confidence that Governor Culver will continue this tradition with the appointment of qualified candidates to the board.”

### **Oversight Considerations**

The review offers three primary adjustments to provide further oversight of ISL. They are: filing the corporation’s audit with the State Auditor’s Office for public review; requiring ISL to prepare and present an annual or biennial report of its activities supporting its nonprofit mission of helping Iowa students and families plan; and formalizing the organization’s practice of open board meetings.

The auditor report provides that ISL would maintain confidentiality of proprietary business information and strategies that would benefit its competitors if disclosed. This is essential to the corporation and consistent with the rules and regulations governing private, nonprofit 501(c)(3) corporations operating in Iowa.

“Our board believes the report suggestions are helpful in enhancing communication between ISL and policymakers and creating better public awareness about the corporation’s role in providing low-cost education financing,” McCullough said. “We look forward to working with the legislature and the governor.”

### **About Iowa Student Loan**

Iowa Student Loan is the state-designated, private, nonprofit secondary market for student loans. Since 1981, ISL has helped 300,000 students and families plan, prepare and secure resources for higher education through the offering of low-cost loans and borrower benefits and programs. The corporation employs 400 people in West Des Moines.