

California Student Aid Commission

Annual Report to the Legislature on EdFund

Federal Fiscal Year

October 1, 2008 – September 30, 2009

Report Date: April 1, 2010

Adopted by the California Student Aid Commission on February 25, 2010

CALIFORNIA STUDENT AID COMMISSION



April 1, 2010

Dear Members of the Legislature:

The California Student Aid Commission (Commission) is responsible for financial aid policy leadership and oversight of EdFund (nonprofit auxiliary) and the Federal Family Education Loan (FFEL) Program that impacts over 2.4 million students nationwide.

The Commission is directed by statute to provide to the Legislature an annual report on its loan services auxiliary organization—EdFund. Each year, the Commission enters into an operating agreement with EdFund to administer the FFEL Program and provide administrative support for Cal Grant and specialized programs.

In this report, you will find an update of the 2008-09 federal fiscal year activities of EdFund and the challenges faced by EdFund and the Commission with the state budget crisis and the federal government transitioning both the financing and delivery of federally subsidized student loans.

The proposed shift in federal student loan policy and funding, both at the Federal and State level, is having tremendous impact on the financial aid for students of California.

Significant Shifts:

- Since the enactment of Senate Bill 89 (Chapter 182, Statutes of 2007), which provided the Director of Finance with the authority to approve all of the actions, approvals, and directions of the Commission affecting the state student loan guarantee program until the consummation of a sale or other transaction to maximize its value, the Commission's oversight actions have been reversed at the expense of the California taxpayers and students.

- Governor's Proposed Sale of EdFund

As part of the 2007-08 State budget process, Governor Schwarzenegger proposed the sale of the Commission's auxiliary. Senate Bill 89 (Chapter 182, Statutes of 2007) was enacted to provide the Director of Finance with the authority to conduct the sale by January 1, 2011. In 2009, the Director of Finance contracted with the investment firm of FBR Capital Markets to conduct the selection process among qualifying guaranty agencies. At the writing of this report, it is our understanding that three organizations have submitted bids. However, no final agreement has been concluded. The current proposed 2010-11 State Budget includes a budgeted revenue estimate of \$450 million to be received by the sale. Any change in the designation of the guaranty agency from the Commission to another guaranty agency, or amendment of the terms of the Commission's existing contract with the federal government, must be approved by the U.S. Secretary of Education.

- Importance of Transition Funding to Support Cal Grant Program

Through the Commission's annual operating agreement, EdFund provides necessary administrative and business services that support the State's Cal Grant and eleven specialized loan forgiveness, scholarship and grant programs serving over 303,000

students. The Commission remains concerned that State General Funds will not be available to replace the existing funding or services provided by its auxiliary estimated to be \$5.3 million. Business services such as shared financial aid publications (such as Fund Your Future), help-desk technology support, mailing and warehouse services are essential to the administration of the Commission's programs. The 2009-10 operating budget for the Commission was reduced by almost \$3.5 million or 25 percent. The Commission's current administrative budget is now less than one percent of total funds administered. Any further reductions in service will have a major impact on the timely and effective delivery of state-funded financial aid programs and outreach services.

- Credit Crisis and Federal Student Loan Reform Changes Student Loan Market

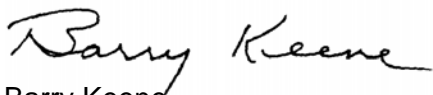
Since the passage of Senate Bill 89, there has been significant change in the federal student loan environment. As a result of the credit crisis in 2009, Congress passed legislation to provide student loans directly financed by the federal Treasury. This legislation has reduced the participation of private lenders in the Federal Family Education Loan Program.

Early last year, the Obama Administration proposed the elimination of the FFEL Program and thereby proposed using the savings in lender subsidies to fund an increase in the federal Pell grant award. According to the U.S. Department of Education, the expected passage of the student aid provisions of the Reconciliation Act of 2010 (HR 4872), has resulted in an estimated 96 percent of colleges taking the necessary steps to begin the transition to the federal Direct Lending Program.

It is also important to note that prior to the proposed sale of EdFund, state and federal law allowed for guaranty agencies to use Student Loan Operating Funds to fund outreach and other student financial aid related activities. HR 4872 provides continued federal funding for the College Access Challenge Grant Program, which will provide funds to increase student financial aid awareness and to assist low-and middle-income students in their preparation and success in college. The Commission's proposed 2010-11 budget includes provisions to apply for these funds to continue its support for the California Student Opportunity and Access Program (Cal-SOAP) and Cash for College Program. These funds are critical to the continued operation of the Commission's successful outreach efforts that have supported growth in the number of Cal Grant and federal Pell grant recipients. These federal funds are presently matched with private foundation and business group funding and support. The loss of federal and private support will significantly impact the ability of the Commission to inform students of financial aid assistance for college.

The Commission stands ready to work with the Legislature and the Administration to identify and implement the best resolution for the delivery of federal and state financial aid to California college and university students. We can be reached at (916) 464-8271. Working together, we can ensure that education beyond high school is available to Californians students.

Sincerely,



Barry Keene
Chair



Diana Fuentes-Michel
Executive Director



Mission

Making education beyond high school financially accessible to all Californians.

www.csac.ca.gov



Mission

EdFund is dedicated to maximizing benefits to borrowers by being the premier service provider in the student loan industry.

www.EdFund.org

The Commission is required to provide an annual report to the Legislature on its auxiliary organization, EdFund, consistent with Section 69529.5 of Article 2.5, Chapter 2, Part 42 of the California Education Code which states:

- §69529.5 (a) The commission shall report the following information to the Legislature on April 1 of each year, with respect to the operation of the auxiliary organization:
- (1) A description of the services provided by the auxiliary organization.
 - (2) The auxiliary organization's annual budget, funded activities, and personnel, including the sources of revenue available to fund its operations.
 - (3) Descriptions of changes made in the delivery of loans to California students and enhancements to programs and activities administered by the commission. The descriptions shall reflect all changes, both positive and negative.
 - (4) The level of compensation of managers and executives of the auxiliary organization.
- (b) Commencing on April 1, 2005 and on April 1 of each year, ending on April 1, 2010, the commission shall specifically describe the actions taken, and report the costs incurred and the revenues realized, by the auxiliary organization in disbursement services, loan servicing and repayment, secondary markets and private lender activities that the auxiliary organization undertakes pursuant to subdivision (a) of Section 69522.

Section 69529.5 of Article 2.5, Chapter 2, Part 42 of the California Education Code, as amended, pertaining to the creation of an auxiliary organization of the California Student Aid Commission.

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EXECUTIVE SUMMARY

The California Student Aid Commission (Commission) is responsible for financial aid policy leadership and oversight of EdFund (nonprofit auxiliary) and the Federal Family Education Loan (FFEL) Program that impacts over 2.4 million students nationwide.

The Commission is directed by statute to provide to the Legislature an annual report on its loan services auxiliary organization—EdFund. Each year, the Commission enters into an operating agreement with EdFund to administer the FFEL Program and provide administrative support for Cal Grant and specialized programs.

In this report, you will find an update of the 2008-09 federal fiscal year activities of EdFund and the challenges faced by EdFund and the Commission with the state budget crisis and the federal government transitioning both the financing and delivery of federally subsidized student loans.

The proposed shift in federal student loan policy and higher education funding, both at the Federal and State level, is having a tremendous impact on student access and financial aid delivery for California students.

Significant Shifts:

Governor's Proposed Sale of EdFund

- In September 2007, the Governor and Legislature agreed to legislation (Chapter 182, Statutes of 2007 [Senate Bill 89]) that authorized the Department of Finance (DOF) to sell EdFund or identify an alternative financial arrangement for the administration of the FFEL Program.
- In proposing the sale of EdFund, Governor Schwarzenegger stated that the student loan guarantee business is not a core mission or competency of State government. Senate Bill 89 provides the Director of Finance the authority to conduct this process.
- In 2009, the Director of Finance contracted with the investment firm of FBR Capital Markets to conduct the selection process among qualifying guaranty agencies. At the time of this report, a sale advisor has been identified but a contract for the sale has not been executed. Three guaranty agencies are currently interested in pursuing the purchase of EdFund. As a result of federal changes that made the student loan guarantee program less financially attractive, the Administration's original estimate of generating approximately \$1 billion was reduced to \$450 million for 2010-2011.
- Any change in the designation of the guarantee agency from the Commission to another guaranty agency, or amendment of the terms of the Commission's existing contract with the federal government, must be approved by the U.S. Secretary of Education.
- Since the enactment of Senate Bill 89 (Chapter 182, Statutes of 2007), which provided the Director of Finance with the authority to approve all of the actions,

approvals, and directions of the Commission affecting the state student loan guarantee program until the consummation of a sale or other transaction to maximize its value, the Commission's oversight actions have been reversed at the expense of the California taxpayers and students.

- The most recent example of this is the unilateral action by the Director of Finance to rescind the Commission's November 2009 action reducing EdFund's 2009-10 budget to save \$13 million in state funds (by eliminating funding for executive incentive compensation and lobbying contracts) and providing for stricter guidelines for executive management travel. The Commission had unanimously approved this budget and had asked that EdFund come back within 30 days if they had further budgetary revisions. However, EdFund did not.

Importance of Transition Funding to Support Cal Grant Program

- Through the Commission's annual operating agreement, EdFund provides necessary administrative and business services that support the State's Cal Grant and eleven specialized loan forgiveness, scholarship and grant programs serving over 303,000 students. The Commission remains concerned that State General Funds, in an amount estimated to be \$5.3 million, will not be available to replace the existing funding and services provided by its auxiliary. Business services such as shared financial aid publications (such as Fund Your Future), help-desk technology support, mailing and warehouse services are essential to the administration of the Commission's programs.
- The 2009-10 operating budget for the Commission was reduced by almost \$3.2 million or nearly 25 percent from its 2008-09 funding levels. The Commission's current administrative budget is now less than one percent of total funds administered. Any further reductions in service will have a major impact on the timely and effective delivery of state-funded financial aid programs and outreach services.

Credit Crisis and Federal Student Loan Reform Changes Student Loan Market

- Since the passage of Senate Bill 89, there has been significant change in the federal student loan environment. As a result of the credit crisis in 2009, private lenders were unable to issue new student loans because they had no access to funds. Congress passed legislation to provide emergency access to funds directly from the federal government. This legislation will expire later this year. The participation of private lenders in the Federal Family Education Loan Program is declining in anticipation of the lack of funds after this legislation expires and the move to Direct Lending described below.
- Early last year, the Obama Administration proposed the elimination of the FFEL Program and thereby proposed using the savings in lender subsidies to fund an increase in the federal Pell grant award. According to the U.S. Department of Education, the expected passage of the Student Aid and Fiscal Responsibility Act (SAFRA), House Resolution (HR) 3221, has resulted in an estimated 96 percent of colleges taking the necessary steps to begin the transition to the federal Direct Lending Program.

- It is also important to note that prior to the proposed sale of EdFund, state and federal law allowed for guarantee agencies to use Student Loan Operating Funds to fund outreach and other student financial aid related activities.
- In anticipation of the sale and to preserve the assets in the student loan program, the Commission's administrative budget and funding for California Student Opportunity and Access Program (Cal-SOAP) was shifted from the Student Loan Operating Fund (SLOF) back to the State General Fund in State Fiscal Year 2007-08. Since then, the only appropriations from the SLOF were for the Cal Grant Program in the amount of \$24 million in 2008-09 state fiscal year, and an additional \$32 million in the 2009-10 state fiscal year.
- HR 3221 provides continued federal funding for a new Access and Completion Fund, which will provide funds to increase student financial aid awareness and to assist low-and middle-income students in their preparation and success in college.
- The Commission's proposed 2010-11 budget includes provisions to apply for these funds to continue its support for the California Student Opportunity and Access Program (Cal-SOAP) and Cash for College Program. These funds are critical to the continued operation of the Commission's successful outreach efforts that have supported growth in the number of Cal Grant and federal Pell grant recipients. These federal funds are presently matched with private foundation and business group funding and support. The loss of federal and private support will significantly impact the ability of the Commission to inform students of available financial aid assistance for college.

Future of Family Education Loan Program

In trying to plan for this changing business environment, the Commission and EdFund have had to make certain assumptions about future FFELP guaranty agency revenues, expenses, and business activities for the federal fiscal year 2009-10. Among the more notable assumptions are:

- Commission new loan guarantee volume for federal fiscal year 2009-10 will drop by over 50% from the \$10.365 billion guaranteed in 2008-09.
- The loan processing and issuance fee (LPIF) revenue will drop from \$32.934 million in 2008-09 to \$13.418 million in 2009-10. This will be a revenue decrease of \$19.516 million or 59%.
- The account maintenance fee (AMF) revenue will drop from \$22.889 million in 2008-09 to \$18.171 million in 2009-10. This will be a decrease of \$4.718 million or 21%.
- The default aversion fee (DAF) revenue will drop from \$13.087 million in 2008-09 to \$11.543 million in 2009-10. This will be a decrease of \$1.544 million or 12%.
- Net collections on defaulted loans revenue is projected to drop from \$104.260 million in 2008-09 to \$101.100 million in 2009-10. This will be a decrease of \$3.160 or 3%.
- The overall summary is a projected revenue decrease of \$28.938 million or 17%.

However, it is important to understand that even with these anticipated revenue reductions, the Commission's FFELP participation is financially beneficial for the State. In 2009-10, it is anticipated that this participation will generate approximately \$48.6 million in excess revenue for the State after expenses. While no new FFELP loans are anticipated to be guaranteed after July 1, 2010, the Commission projects continued FFELP net revenue for at least three years beyond the 2009-10 federal fiscal year. This revenue will be attributed to the Commission's existing FFELP loan portfolio, which will continue to be serviced as student borrowers enter repayment.

Finally, while at the time of this report, HR 3221 has not passed the U.S. Senate, the federal Department of Education has shifted significant departmental resources towards meeting the July 1, 2010 deadline for full implementation of Direct Lending Program. Final provisions currently being negotiated by the Obama Administration with Congress will determine what role, if any, guarantee agencies will play as the federal Family Education Loan Program is discontinued.

Results in Brief

Through EdFund, the Commission has provided enhanced services and options to students in California and across the United States. As required by statute, this report provides information on the background of the Commission and the creation of EdFund, as well as information on the services provided by EdFund nationally, changes in the delivery of loans, program enhancements, the operational budget, and the level of compensation for managers and executives of EdFund.

Services Provided

EdFund provides the following guaranty agency services consisting of: guarantee services, default aversion assistance, payment of insurance claims, collections, loan portfolio management, and program oversight. Other functions EdFund provides include: personal customer service; loan management solutions for schools and lenders; information technology support; and outreach and communications.

For 2008-09, EdFund processed more than \$10.4 billion in student loans and provided services and support to nearly 2.5 million students:

Borrowers with activity in 2008-09

Borrowers with new loan guarantees	924,485
Borrowers entering the loan repayment "grace" period	170,122
Borrowers entering loan repayment	607,978
Borrowers with loans going to preclaim	623,506
Borrowers with loans going to default claim	146,451
Total students served	2,472,542

Prior to 1999, the Commission's loan program activities were limited to the in-state or California market. Legislation enacted in 1999 authorized the Commission to expand its loan operations out-of-state. In 2008-09, 67 percent of the Commission's loan guarantee volume was for borrowers attending out-of-state institutions.

In 2008-09, 59 percent of loan guarantee volume, excluding consolidations, was for borrowers at for-profit and proprietary institutions, resulting in a higher-than-industry-average loan default rate and associated claims payments. During 2008-09, the Commission/EdFund paid \$1.18 billion in claims on defaulted loans guaranteed by the Commission, an increase of \$165 million or 16 percent over the \$1.02 billion in claims paid in 2007-08, reflecting both the overall growth of the loan portfolio as well as its composition.

The Commission's cohort default rate for 2007 was 11 percent versus the national average of 6.7 percent.

Changes in Loan Delivery

As a result of the Higher Education Reconciliation Act (HERA) and the College Cost Reduction and Access Act (CCRAA), lenders have experienced three consecutive years of significant reductions in FFEL Program subsidies received from the federal government. National economic conditions and the associated credit crisis have drastically impacted the willingness and ability of lenders to participate in FFEL Program loans. Lenders exiting the FFEL Program, the liquidity crisis, and the reduced profitability of the FFEL loans have caused some lenders to no longer participate in the rehabilitation of defaulted FFEL Program loans. The loss of rehabilitated loans as a collection technique has resulted in a significant revenue loss for many guarantors.

In anticipation of liquidity issues in the FFEL Program, U.S. Department of Education (ED) working with guaranty agencies took steps to ensure students had access to loans through the Lender-of-Last Resort program. California statute was amended in September 2008 to allow loan origination or capitalization activities authorized pursuant to an agreement with the United States Secretary of Education for the Lender-of-Last-Resort program.

Annual Budget

In Federal Fiscal Year (FFY) 2008-09, revenues collected by EdFund totaled \$173 million against total expenses of \$143 million, with \$91 million of these expenses from standard loan program activity. The remaining expenses were predominantly related to the federal default fee subsidy of \$52 million and the Commission's administration of non-loan program activities, including outreach and funding Cal Grants, of approximately \$24 million. These expenses resulted in an operating surplus of approximately \$6 million.

Level of Compensations for Managers and Executives

Executive management salaries are set by the EdFund Board of Directors based on market surveys and individual qualifications; all other salaries are set by the EdFund Human Resources Division based on market surveys and in consultation with hiring managers. EdFund's executive management may receive incentive compensation as set forth in the Operating Agreement pursuant to the Commission's "Policy Statement and Guidelines Memo for EdFund Incentive Compensation Plans."

The Commission approved 2008-09 incentive compensation for EdFund rank-and-file, based in part on EdFund staff's explanation that the incentive compensation for EdFund rank-and-file is required as part of the employees' expected compensation for the year

and is considered a contractual item. For 2007-08, EdFund rank-and-file received incentive compensation of \$3.7 million.

For 2008-09, the Commission did not approve incentive compensation for EdFund's executive management. Chapter 182, Statutes of 2007 (Senate Bill 89) requires that increases in compensation or benefits for EdFund officers, including discretionary bonuses and retention bonuses, be approved by DOF. For FFY 2007-08, DOF agreed with the Commission. The Commission is awaiting DOF response on this action for FFY 2008-09.

BACKGROUND

The Commission is the State's principal provider of intersegmental statewide grant aid to postsecondary students. Founded in 1955 as the California State Scholarship Commission, the 15-member Commission's primary programmatic responsibilities include operation of the State-funded Cal Grant Program. The Commission will distribute approximately \$950 million to California's college students during the 2009-10 academic year through its Cal Grant, targeted grant, scholarships and loan forgiveness programs. The Commission also administers financial aid awareness and outreach programs, such as Cal-SOAP and Cash for College, in collaboration with business, private industry and community-based organizations. The Commission administers the FFEL Program through its nonprofit auxiliary, EdFund.

Federal Stafford loans are the largest source of federal student aid for eligible undergraduate, graduate, and professional students. There are two types of Stafford loans: subsidized, for which the government pays the interest while students are in school and during grace and deferment periods; and unsubsidized, for which students pay all the interest on the loans. Students may receive both types of loans at the same time.

Under the FFEL Program, qualified students can receive Stafford and/or Graduate/Professional PLUS loans, and their parents can receive PLUS loans (loans for parents) for the college costs of their dependent student. The FFEL Program also provides Consolidation loans which allow students to combine existing loans to make repayment more manageable. These loans are backed by the federal government and guaranteed by guaranty agencies, like the Commission.

There are currently 35 FFEL Program guaranty agencies in the United States. The Commission, through EdFund, is one of the nation's leading providers of student loan guarantee services under the Federal Family Education Loan Program. EdFund offers students a wide range of financial aid and debt management information, while supporting schools with advanced loan processing solutions and default prevention techniques. EdFund is headquartered in Rancho Cordova.

Development of the EdFund Model

Since 1978, the Commission has worked with three different loan program administration models. From 1978 to 1993, the Commission's loan program activities were outsourced to an external contractor. In 1985, following a comprehensive review of both grant and loan program operations, the Commission decided that it could operate the guarantee program most effectively by removing outside contractors and managing both operations and technology directly within the State system.

This decision was a result of an assessment that external contracting did not always guarantee superior service and its administrative costs were higher than desired by the Commission. Additionally, the Commission wanted to expand services to schools, make system operations more efficient, and save costs by merging the grant and loan administrative systems onto the same technology platform.

Following years of planning and system programming, the grant system became operational in 1991 and the loan system became operational in early 1993. From 1993 to 1996, the Commission administered all of the primary student loan program activities,

except for mainframe support of the central database that was provided by the State's data center. The Commission continued to outsource some data programming through Electronic Data Systems (EDS), and also contracted with external collection agencies.

Since 1997, the Commission has administered the loan program through EdFund. The Commission originally pursued the creation of EdFund as a result of competitive pressures that threatened to force the Commission out of the FFEL Program. Prior to the creation of EdFund, the Commission found the administration of the loan program difficult under State-agency constraints specifically due to inflexible data processing and technology system limitations and unresolved federal and state regulatory compliance issues. During this time, relations between guarantors and the U.S. Department of Education (ED) were tense because of ED's desire to implement the William D. Ford Federal Direct Loan (Direct Loan) Program.

Competitors who sensed that the Commission was in a vulnerable position because of its technology and service deficiencies entered the California market aggressively beginning in 1993. At the same time, about 30 percent of schools, including some of the largest public universities, changed to the new federal Direct Loan Program, which began its operations nationwide in 1994-95. In California, the share of Commission-guaranteed loans dropped from nearly 90 percent prior to 1993 to close to 50 percent by 1995.

The Commission and EdFund have Saved California Money

Loan program revenue has been appropriated during State Fiscal Years 2003-04 through 2006-07 to fund the Commission's administration and program budgets as noted below. Use of the loan program revenue represented State General Fund savings.

- \$11 - \$15 million annually for the Commission's administrative budget;
- \$8.5 million annually for the California Student Opportunity and Access Program (Cal-SOAP);
- \$197.5 million total for the grant awards provided by the Cal Grant Program in 2004-05 and 2005-06. (an additional \$24 million was appropriated in 2008-09, and \$32 million in 2009-10 for the Cal Grant Program)

The Commission also approved the use of loan program funding for its annual Cal Grant Public Awareness Campaign and Cash for College Program from 2003-04 thru 2007-08 to build student awareness of the opportunities afforded to them through the Cal Grant program and various other State and federal financial aid programs.

EdFund has also provided administrative services to the Commission such as mailings, printing, and technology support, which saves the Commission staff time and money. The Commission and EdFund continued their collaboration on the FAFSA for Student/Parents Video and Fund Your Future Publications. These products are used by students, parents and schools to help students fill out the FAFSA and provide information on State and federal financial aid programs.

Sale of EdFund

In May of 2007, the Governor proposed the sale of the student loan program assets, commonly referred to as the "Sale of EdFund", indicating that the student loan guarantee business is not a core mission or competency of State government. Chapter 182, Statutes

of 2007 (Senate Bill 89) established the parameters for this sale and authorized the Director of the Department of Finance (DOF) to act as an agent for the sale or alternative financial arrangement. In September 2008, Chapter 757, Statutes of 2008 (Assembly Bill 519) extended the authority for the "Sale of EdFund" from January 2009 to January 2011.

The bill prohibits the Commission from authorizing or approving any operating agreement with EdFund to perform any new or additional services, except those services authorized by DOF as necessary or convenient for either the operation of EdFund or to accomplish the goal of maximizing the value of the State student loan guarantee program assets and liabilities. The bill requires the Commission and EdFund to obtain approval from DOF of all actions, approvals, and directions of the Commission until the consummation of the sale or the alternative transaction.

DOF originally worked with Bear Stearns as an advisor for the "Sale of EdFund". However, during the process Bear Stearns was acquired by JP Morgan who subsequently declined to enter into a contract with DOF. In December 2008, DOF selected FBR Capital Market for the advisor to the Director of the Department of Finance for the sale or alternative transaction to achieve the maximum value of EdFund and related assets.

The bill requires DOF to notify the Chairpersons of the Joint Legislative Budget Committee and the Senate and Assembly Budget Committees of DOF's determination to proceed with a transaction other than a sale within 30 days prior to the consummation of the transaction or a later date that DOF determines to be most beneficial to the transaction. Upon the consummation of the sale or other transaction, DOF shall notify the Secretary of State and the Chairperson of the Joint Legislative Budget Committee.

In addition, the bill requires DOF to deposit all proceeds on any sale or any funds achieved through any other arrangement into the General Fund. If neither a sale nor any other transaction is anticipated, DOF must stop all activities authorized upon the earlier of either 30 days following written notice to the Joint Legislative Budget Committee that no sale or transaction will be pursued, or January 10, 2011.

As a result of federal changes that made the student loan guarantee program less financially attractive, the original estimate in 2008 of generating approximately \$1 billion has been reduced to \$450 million in the 2010-11 State Budget by DOF. The Commission staff is currently researching as to how this number was derived.

The Governor also signed Chapter 184, Statutes 2007 (Senate Bill 91) on August 24, 2007. Senate Bill 91 would repeal provisions to existing law relating to the establishment and operation of EdFund and the State's participation in the FFEL Program

To preserve the assets in the student loan program, the Commission's administrative budget and funding for Cal-SOAP was shifted from the SLOF back to the State General Fund in State Fiscal Year 2007-08. In anticipation of the sale of EdFund, the Governor's Proposed 2008-09 Budget includes additional resources in the Commission's budget for prospective activities necessary to reestablish essential core business and technology services that EdFund has been providing to the Commission. However, with the delay in the "Sale of EdFund" these funds were shifted to support the cost of the Commission's move to a new facility in 2008-09. DOF never authorized the Commission's move and only \$500,000 was appropriated in 2009-10 to reestablish the services upon a sale of EdFund.

SERVICES PROVIDED BY EDFUND

EdFund provides the following guaranty agency services on behalf of the California Student Aid Commission:

- Guarantee services: As a designated guaranty agency under the FFEL Program, the Commission (through its auxiliary EdFund) provides lenders with a guarantee of recovery of 97 percent of a borrower's indebtedness. It is this guarantee that enables lenders to make loans to students based solely on the student's eligibility for a federal student loan, as certified by the school he/she has chosen to attend, and the student's signature, confirming his/her agreement to repay. There are no credit checks or co-signer requirements. EdFund also performs loan-record maintenance and reporting for, and to, the U.S. Department of Education (ED).
- Default aversion assistance: Lenders must request default aversion assistance from the guaranty agency or guarantee services provider when a loan is between 60 and 120 days past the payment due date. As a part of this process, EdFund engages in an active default aversion program designed to assist the borrower in achieving a successful repayment experience. This is accomplished by increasing borrower awareness of the variety of available repayment plan options and opportunities for deferment and forbearance, as well as the potential consequences of defaulting on a student loan.
- Payment of insurance claims: Default occurs after the borrower fails to make payments for at least 270 days, a period during which the borrower is typically contacted multiple times by the lender and guaranty agency and offered a variety of options for returning his or her loan to good standing. After a loan reaches a default status, the lender submits a claim to the guaranty agency. The guaranty agency then purchases the defaulted loan from the lender at rates determined by federal statute. The guaranty agency is in turn reimbursed by the federal government a percentage of the payment made by the guaranty agency to the lender. For all loans guaranteed after October 1, 1998, which later default, the guaranty agencies receive 95 percent reimbursement from ED.
- Collections: When the guaranty agency pays an insurance claim to the lender, it then attempts to collect reimbursement from the borrower. Funds a guaranty agency recovers from defaulted borrowers through the collections process are returned to the federal government, minus a percentage retained by the guaranty agency. If the guaranty agency exhausts all opportunities to collect on a loan, the loan may ultimately be transferred back to the federal government through a process known as subrogation.
- Loan Portfolio Management: EdFund administered an existing loan guarantee portfolio valued at approximately \$35 billion at the end of 2008-09. EdFund tracks each loan's status on a routine basis and submits periodic reports to ED. EdFund also consolidates status updates from FFEL Program lenders and inputs them to the federal government through its National Student Loan Data System.
- Program Oversight: EdFund's Program Review and Compliance Unit is responsible for reviewing its school and lender partners' compliance with federal

regulations governing participation in the FFEL Program. The EdFund staff performs compliance reviews on educational institutions based on their cohort default rates, and for lenders based on their guarantee volume with EdFund.

EdFund also administers the following functions:

- Customer Service: EdFund provides customer service to the schools and students it serves via a network of regional client relations managers located throughout California and the nation. EdFund's Client Services team of 68 client relations managers and support staff consists chiefly of seasoned former school financial aid administrators and lender representatives who work directly with school clients to ensure quality service delivery and strong customer satisfaction. Regional staff also works with high schools, educating staff and students about financial aid programs and participating in financial aid workshops.
- Delinquency Aversion and Default Prevention: To assist schools to lower their cohort default rates (CDRs), EdFund provides customized default prevention plans, helping to focus the limited resources of schools on efforts that will yield improved results when measuring their CDR. With the recent legislative change that will hold all schools accountable for a new three-year cohort default rate, efforts have focused on assisting schools with the implementation of default prevention and delinquency aversion measures that will help manage the impact of this regulatory change. EdFund provides webinar training to schools on a wide variety of topics including Repayment Options, Understanding Cohort Calculations, and Counseling Delinquent Borrowers.

EdFund offers training and ongoing support on a wide range of default prevention products that include: EdTe\$t, an online loan counseling tool; CMS, a cohort management tool; and the online Student Loan Debt Summary for borrowers. EdFund provides online financial literacy materials, such as *Building Futures ~ Financial Literacy* materials, including a comprehensive Instructor's Guide, 11 power point presentations on a wide variety of budgeting, saving and credit topics and student workbooks to compliment many of the session topics. Train-the-trainer webinars are offered to school staff to help them prepare to deliver the material to their student population.

- Loan Guarantee Management Support for Borrowers, Schools and Lenders: EdFund provides loan guarantee guidance and information to borrowers and their families throughout the life of the loan by phone and written correspondence. Additionally, EdFund provides extensive information and technical support for its school and lender customers seeking to track and manage large volumes of student loans. Managing the loan guarantee also involves reporting data to the National Student Loan Data System (NSLDS). Finally, EdFund is responsible for implementing the Commission's Lender of Last Resort program in the event a California borrower cannot obtain a loan through a traditional FFEL Program lender. This ensures all eligible borrowers in California receive FFEL Program student loans.
- General Information Technology Support: EdFund provides technical support to participants in the financial aid process through the loan management system and

several auxiliary Web-enabled functions and services. In 2008-09, EdFund made major modifications to its systems to help realize an improved loan rehabilitation strategy that allows borrowers to regain access to the Federal Loan Rehabilitation Program and restore their credit, and to expand its processing capacity.

- Communications and Outreach: EdFund's communication and outreach efforts include the production and coordination of a wide range of informational workbooks, brochures, rack cards and newsletters, as well as conference and trade show participation. One publication on how to pay for education past high school, *Fund Your Future*, is distributed to tens of thousands of students and parents each year. In cooperation with EdFund, the Commission's *Fund Your Future* workbook and brochure for California covers not only federal grants, scholarships and work-study, but all the aid offered by the state of California, featuring Cal Grants. EdFund also offers a variety of Web-based tools for students and schools and participates in the college access initiative by providing content to support going2college.org. Other products include EdWise® (an online financial planning guide for students) and a library of informational streaming video presentations.
- EdFund Link: This bi-weekly HTML newsletter provides EdFund customers with updates on EdFund product launches and enhancements, as well as industry developments.
- School-based Software: **gps** – The EdFund Student Loan Navigator, EdFund's school-based software product, continues to provide school users with flexibility through its robust application processing features. **gps** is one of only two truly open systems in the industry, which has allowed EdFund to gain market share from competitors, particularly among four-year institutions. To date, 109 schools have selected **gps** as their system of choice.
- Student Loan Debt Summary: EdFund generates a borrower statement showing total loan indebtedness. Over 340 schools are signed up and over 600,000 statements were made available for borrowers. Providing the Electronic Student Loan Debt Summary realized over \$400,000 dollars in printing and mailing savings for fiscal year 2008-09.

Summary of Key Measurements

Loan Guarantee Volume

Total Stafford and PLUS loan dollars, excluding consolidations, equaled \$10.4 billion.

CSAC/EdFund's 2008-09 fiscal year guarantees grew 26 percent over 2007-08 levels, from \$8.2 billion to \$10.4 billion. While most school types experienced gains, the majority of the growth occurred in proprietary, two-year public and four-year private categories at 49 percent, 36 percent and 11 percent respectively. Despite the impending shift to direct lending and the imminent sale of EdFund, volume was retained and expanded due in large part to the 2008-09 academic year federal default fee strategy. This default fee strategy involved using the Commission's Student Loan Operating Fund (SLOF) to pay the federal default fee on behalf of borrowers attending schools with lower loan default

rates. The volume increase came primarily from schools with cohort default rates of 9.0 percent or less.

Consolidation loan volume was virtually halted in 2008-09, falling 99.9 percent over the prior year, from \$1.1 billion to \$0.3 million. Steep reductions in federally based subsidies to lenders coupled with the credit market crisis combined to drive lenders out of the loan consolidation business.

National Guarantor

Prior to 1999, the Commission's loan program activities were restricted to the in-state (California) market. In 1999, legislation was enacted that authorized the Commission to expand its loan operations out of state. In 2008-09, the Commission was one of the nation's leading guarantors and 68 percent of its loan guaranty volume was for students attending institutions headquartered out-of-state.

Nationally, approximately 59 percent of total Stafford and PLUS guarantee volume in 2008-09 came from borrowers at for-profit and proprietary institutions. While EdFund promotes an open access approach, this higher-risk type school volume results in CSAC/EdFund having higher-than-industry-average loan default rates and associated claims payments. The defaulted loan claims in turn provide the collection revenue discussed below.

Defaulted Loans

Default claim dollars paid totaled \$1.18 billion for fiscal year 2008-09. This represents a 16.2 percent increase from the \$1.02 billion for the prior year. In fiscal year 2008-09, EdFund's default aversion efforts helped over 495,053 delinquent borrowers resolve repayment difficulties, preventing nearly \$5.2 billion dollars in student loan defaults.

Cohort Default Rate

In order to permit the uniform assessment of loan defaults for the various guarantee agencies, schools and lenders, the U.S. Department of Education utilizes a standardized method for calculating loan defaults called the cohort default rate (CDR). The most recent available CDR is for loans entering repayment in 2007. The Commission's (CDR) for 2007 was 11.0 percent, an increase of 3.8 percent over the 2006 CDR. By comparison, the national average increased 28.8 percent, from 5.2 percent to 6.7 percent. Because of the substantially more challenging composition of its portfolio administered by EdFund, the EdFund CDR is expected to be greater than the national average. It is important to note that, even in the case of higher default-rate schools, the vast majority of the students are repaying loans without incident, and benefit from the FFEL Program.

Collections on Defaulted Loans

Net recoveries on defaulted loans for fiscal year 2008-09 totaled \$104 million, 1.1 percent more than the \$103 million collected during 2007-08. When measured against the defaulted loans portfolio available for collections in 2008-09, this represented a slight collection performance percentage decline from the prior federal fiscal year. However, changes and disruptions in the financial and student loan markets seriously impacted collection efforts.

A focused effort to pursue alternative loan-rehabilitation lenders was triggered by the abrupt departure from the market of EdFund's long-standing rehabilitation lender-partner in November 2008. Successful negotiations secured new relationships with other lenders but with discounts that reduced the amount EdFund receives from lenders for the rehabilitated defaulted loans they purchase. Given the credit crisis and associated liquidity constraints, lenders were only willing to participate with additional financial incentives, so the Operating Fund bears a portion of the rehab costs.

Despite having no available rehabilitation lenders in the market for over four months, effective rehabilitation retention-counseling enabled more than 95 percent of defaulted borrowers to stay-the-course to become eligible for rehabilitation once the rehabilitation lender pool was re-established. The \$88.8 million in loan rehabilitation revenue was 15.3 percent higher than 2007-08 levels, prior to lender discounts paid. All other collection types increased as well, with wage garnishments increasing 60.2 percent, voluntary borrower payments increasing 14.5 percent and Direct Loan consolidations increasing 10.5 percent.

The collection cost rate decreased nearly 18 percent for the 2009 calendar year, from 18.16 percent to 14.96 percent.

Revenue and Services Provided to the Commission and the State

In 2008-09, the state's loan program activities generated positive net revenues of approximately \$31 million. Other activities funded by its loan program revenue included \$24 million in Cal Grant awards and Commission grant administrative costs of \$407,000. These added expenses reduced overall operating revenues net of expenses to approximately \$6 million for 2008-09.

Approximately 25 percent of EdFund's printing and mailing capabilities, as well as warehouse capacity, is devoted to supporting the Commission and the State of California, including printing and mailing all Cal Grant delivery system award letters and notifications. EdFund also continues to provide technology support to the Commission.

CHANGES IN DELIVERY OF LOANS ~ PROGRAM ENHANCEMENTS

EdFund implemented several federally required changes to the delivery and servicing of loans.

Federal Issues

Legislative priorities this year focused on the most monumental changes in federal student loan policy since President Johnson signed the Higher Education Act in 1965. Building on a proposal floated during the 2008 presidential campaign, President Obama proposed to eliminate the Federal Family Education Loan (FFEL) Program as part of his preliminary budget outline released in February 2009. The president also proposed shifting all new loan volume to the William D. Ford Federal Direct Loan (Direct Loan) Program beginning July 1, 2010.

Congressional leaders opted to include reconciliation instructions in their fiscal year 2010 budget resolution as the vehicle to implement student loan reform. Using this procedure allows the legislation to be advanced under filibuster-proof rules in the United States Senate, clearing the path for easier passage.

Initial estimates from the Congressional Budget Office showed \$94 billion in savings over a ten-year period from converting to Direct loans. The savings estimates were modified in June 2009 to \$87 billion.

The House Committee on Education and Labor passed HR 3221, the Student Aid and Fiscal Responsibility Act of 2009. A final bill was approved by the House in September.

It is expected the Senate will take up the bill in February 2010. A conference committee will then hammer out the differences between the House and Senate bills with potential final passage by February or March 2010.

Regulatory Activities

Negotiated Rulemaking, with a representative of EdFund serving as one of the negotiators, took place during the spring of 2009 as a result of the passage of the Higher Education Opportunity Act on August 14, 2008. Five Final Rule packages were published in the Federal Register at the end of October 2009. Regulation contained in these packages must be implemented no later than July 1, 2010.

Regulations affecting the Commission and EdFund include:

- Guarantors may now provide loan exit as well as entrance counseling for borrowers at postsecondary institutions;
- Service members Civil Relief Act now applies to borrowers making payments to guarantors;
- Defaulted borrowers must receive information on how to remove their loans from default on at least two separate occasions;

- Upon completion of the rehabilitation of a defaulted loan, the guaranty agency must request any consumer reporting agency remove the record of the default from the borrower's credit history;
- A borrower may only rehabilitate a defaulted loan one time;
- Financial and economic literacy materials are to be made available by the guarantor to a borrower who has rehabilitated a loan;
- A number of loan forgiveness and repayment programs were authorized but only the Public Service Loan Cancellation program was funded for Direct loan borrowers. Borrowers with FFEL Program consolidations will be allowed to re-consolidate in order to take advantage of this program;
- Cohort default tracking was extended to include a second year following the year a loan goes into repayment. The first cohort to be tracked in this manner are those borrowers who entered repayment beginning October 1, 2008 and ending September 30, 2009; and
- Total and Permanent Disability Discharge definition and process was redesigned and expanded to include a new category. Military members who receive a rating from the Secretary of Veterans Affairs due to a service-connected condition are considered totally and permanently disabled and not required to produce further documentation.

EdFund Improvement Initiatives

Cohort Management System: Recent improvements were made to add the new three-year cohort tracking period so a school has a single source to manage both two-year and three-year borrower data.

Corporate Account Services: In 2008-09, the majority of default prevention efforts focused on EdFund's corporate school clients. EdFund provided monthly webcast training on topics such as Delinquent Borrower Counseling, Loan Repayment Options and EdFund's Cohort Management System. In addition, EdFund prepared and provided a customized Default Prevention Implementation Plan to six top corporate clients and supported them in their implementation of the recommendations.

Default Prevention: EdFund continues to implement strategies to help borrowers successfully repay their loans. EdFund has refined its counseling techniques and implemented new performance standards and metrics to reinforce objectives. Additional skip-tracing tools were implemented that will increase the number of borrowers EdFund can counsel. EdFund employs targeted contact strategies based on the stage of delinquency and risk score for each borrower, and has enhanced the risk scoring of loans. An ever-increasing range of technology is utilized to maximize borrower contact, improve results and decrease costs, including enhanced use of the automated dialer and increased use of e-mail to reduce forms processing time. EdFund also continues to support schools with a focus on lowering defaults through a combination of financial literacy, student retention and default prevention programs.

EdFund.org: An entirely re-written and re-designed Web site was successfully launched in November of 2008. The new site provides easier access to EdFund products and services, more intuitive navigation, and a new student loan borrowers section with tools to help borrowers manage their loans and make online payments. EdFund also improved

data reporting by providing a more intuitive method for assigning completion codes to calls.

New and Improved Publications: Over two hundred publications that educate students and families about accessing and paying for college, as well as money management, were created (or updated) and re-designed in 2008-09.

Rehabilitation Enhancements: As a final improvement to the Web-based Borrower Portal, EdFund implemented a telephone payment system. Borrowers can now make payments on their defaulted student loan using a telephone and voice-response system. In all, borrowers can now make payments via www.edfund.org, telephone, in person and by mail.

The ability of eligible defaulted borrowers to rehabilitate their federal student loans had been another casualty of the liquidity crisis that crippled the credit markets. EdFund's rehabilitation lender exited the program in November of 2008, and this path out of default had to be temporarily suspended. Most guarantors could not secure a rehabilitation lender.

EdFund was able to convince six lenders to re-enter the program and re-launch the company's participation in the Federal Loan Rehabilitation Program in April 2009. As a result, thousands of eligible borrowers have already improved both their credit history and their financial future.

ANNUAL BUDGET

With the passage of the 1998 Reauthorization of the Higher Education Act, two funds were created to take the place of the former Federal Guaranteed Loan Reserve Fund. As directed by FFEL Program requirements, in 1999 state law created the Federal Student Loan Reserve Fund (Federal Fund) and the Student Loan Operating Fund (SLOF) in the state treasury. Federal law established FFEL Program revenue sources and allowable expenses for each fund. The assets of the Federal Fund are the property of the federal government, and their main purpose is to pay lenders for defaulted student loans. Money in the SLOF is the property of the state and must be used for loan program operating expenses and/or the support of financial aid-related activities.

The Commission and EdFund's actual SLOF revenues and expenses for federal fiscal year 2008-09 appear in Figure 1. EdFund operates on a federal fiscal year (October 1 through September 30) consistent with the federal budget cycle.

**Figure 1: Commission and EdFund Student Loan Operating Fund
Statement of Revenues and Expenses for FFY 2008-09
(\$ in thousands)**

REVENUES:	
Net recoveries on loan defaults	\$104,260
Account maintenance fee	\$22,889
Loan processing and issuance fee	\$32,934
Default aversion fee	\$13,087
Interest income	\$806
Total Loan Program Revenues	\$173,976
EXPENSES:	
Loan program personnel costs	\$51,138
Federal default fee subsidy	\$52,257
Operating expenses	\$20,847
External agency commissions	\$18,439
Commission FFEL Program operating expenses	\$410
Other expenses	\$2
Total Loan Program Expenses	\$143,094
LOAN PROGRAM REVENUES NET OF EXPENSES	\$30,882
Cal Grant awards	\$24,000
Grant administrative costs and other	\$407
Total Non-Loan Program Expenses	\$24,407
OVERALL OPERATING REVENUES NET OF EXPENSES	\$6,475

In FFY 2008-09, EdFund earned total loan program revenues of \$174 million and had expenses of \$143 million resulting in loan program revenues net of expenses of \$31 million. After including non-loan program expenses of \$24 million, overall operating revenues exceeded expenses by approximately \$6 million. Loan program expenses were comprised of \$91 million in operating costs and \$52 million in federal default-fee subsidy

funding on behalf of student borrowers. Non-loan program expenses funded \$24 million in Cal Grant awards.

Revenues

FFEL Program revenue is comprised of four specific sources authorized and regulated by ED, along with interest income. The rate of federal reimbursement for certain services provided by EdFund was reduced by federal legislation enacted by Congress effective October 1, 2007.

The Commission uses no California General Fund support for the administration of the FFEL Program. In fact, as noted in the background section of this report, funds generated by the loan program were appropriated from 2003-04 through 2007-08 for the Commission's administrative expenses as well as grant awards and outreach programs previously paid by the General Fund.

The revenue sources are:

- **Net Recoveries on Loan Defaults** – Collection dollars retained after ED's fair share is deducted. The collection retention percentage from borrower payments is 16 percent. Retention on rehabilitation loan recoveries is 18.5 percent, plus the current collection cost rate. Retention on collections from defaulted loan consolidations is set at a maximum of 10 percent.
- **Account Maintenance Fee** – 0.06 percent of the original principal in the outstanding loan portfolio is paid to the guaranty agency on an annual basis.
- **Loan Processing and Issuance Fee** – 0.40 percent of the principal of new loans guaranteed is paid to the guaranty agency at time of loan disbursement.
- **Default Aversion Fee** – 1 percent of the principal and interest on loans more than 60 days delinquent that are brought current by counseling borrowers before the loan becomes 270 days delinquent and enters default. This fee is available for first-time default aversion assistance requests only, is paid from the Federal Fund, and must be refunded if the borrower subsequently defaults.
- **Interest Income** – Interest income from funds held in the Student Loan Operating Fund.

Personnel

The ability to recruit, hire, promote, compensate and lay off staff outside of state civil service was one of the key competitive advantages presented by the opportunity to transfer the Commission's student loan administrative and servicing functions to EdFund. Ensuring fair treatment of all employees regardless of their status as EdFund direct hires or state civil service employees continues to be a major priority for EdFund and the Commission.

In an effort to address these aims, Assembly Bill 3133, the legislation authorizing the Commission to establish EdFund, provided a mechanism so state civil service employees whose functions were transferred from the Commission into EdFund with a choice of remaining state civil service employees of the Commission while being assigned to work for EdFund. Of the 540 people employed at EdFund as of September 30, 2009, 528 (98 percent) were EdFund direct hires and 12 (2 percent) were state civil service employees of the Commission assigned to work for EdFund.

EdFund is an equal opportunity employer providing opportunity to all regardless of race, color, creed, national origin, ancestry, sex, marital status, disability, religious or political affiliation, age or sexual orientation.

LEVEL OF COMPENSATION OF MANAGERS AND EXECUTIVES

Members of the EdFund Board of Directors are appointed by the Commission and do not receive a salary. Compensation of a \$100 stipend is given for each day the Board or Board Committee meets. Reimbursement for actual and necessary travel expenses is also provided.

EdFund management salaries are based on national salary surveys of comparable non-profit corporations both within and outside of the student loan industry, and are based on a combination of EdFund norms and individual qualifications. Executive management salaries are set by the EdFund Board of Directors; all other salaries are set by Human Resources based on local market surveys and salary data, and in consultation with hiring managers. Salaries are set based upon national competitive averages. EdFund's executive management may receive incentive compensation as set forth in the Operating Agreement pursuant to the Commission's "Policy Statement and Guidelines Memo for EdFund Incentive Compensation Plans." The policy states that the Chair of the Commission reviews the incentive compensation amounts based on performance reports provided by the EdFund Board and the executive director. The Commission chair may either approve or decrease the incentive compensation amounts recommended by the EdFund Board. If either the executive director or the EdFund Board disagrees with the decision rendered by the Commission chair, one or both may request a closed session review by the Commission.

The Commission approved 2008-09 incentive compensation for EdFund rank-and-file, based in part on EdFund staff's explanation that the incentive compensation for EdFund rank-and-file is required as part of the employees' expected compensation for the year and is considered a contractual item. For 2007-08, EdFund rank-and-file received incentive compensation of \$3.7 million.

For 2008-09, the Commission did not approve incentive compensation for EdFund's executive management. Chapter 182, Statutes of 2007 (Senate Bill 89) requires that increases in compensation or benefits for EdFund officers, including discretionary bonuses and retention bonuses, be approved by DOF. For FFY 2007-08, DOF agreed with the Commission. The Commission is awaiting DOF response on this action for FFY 2008-09. Figure 2 is the compensation to EdFund's executive management for 2008-09. EdFund executive management received approximately \$1.5 million in total compensation for 2008-09.

**Figure 2: EdFund Executive Management Compensation
FFY 2008-09**

Position Title	Total Compensation
President	\$325,000
VP, Finance and Administration	\$221,600
VP, Legal and External Relations	\$212,000
VP, Information Technology Services	\$187,935
VP, Client Solutions and Services	\$180,250
VP, Default Management	\$177,700
VP, Audit Services	\$176,887
Total	\$1,480,637

Notes: VP Audit Services received incentive compensation as the position is considered within the EdShare contractual program.

CALIFORNIA STUDENT AID COMMISSION**Barry Keene, Chair**

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(Senate Rules Appointee)

Lynne de Bie

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(Governor Appointee)

Alexander Gonzalez

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Patricia Fong Kushida

General Public Representative
(Governor Appointee)

Bonaparte Liu

General Public Representative
(Governor Appointee)

Enrique Murillo

General Public Representative
(Speaker of the Assembly Appointee)

Israel Rodriguez

Independent California College or University Representative
(Governor Appointee)

Antonio Solórzano, Jr.

General Public Representative
(Speaker of the Assembly Appointee)

Fred Wood

University of California Representative
(Governor Appointee)

Four Vacancies (Governor Appointees)

California Community College Representative
Public, Proprietary, Non-Profit Representative
California State University Student Representatives
Independent California Colleges Student Representative

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Keith Yamanaka

Chief Deputy Director

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Ed Emerson

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Janet McDuffie

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Catalina Mistler

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General Counsel

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Martin Scanlon

CFO & Vice President, Finance and Administration

