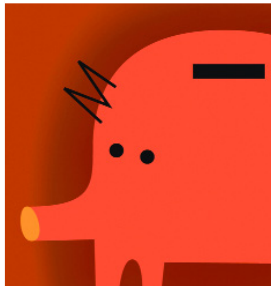


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A N N U A L
R E P O R T

VSAC: Serving Vermonters since 1965



45
years of service



**VSAC'S MISSION IS TO ENSURE THAT ALL VERMONTERS
HAVE THE NECESSARY FINANCIAL AND INFORMATION RESOURCES
TO PURSUE THEIR EDUCATION GOALS BEYOND HIGH SCHOOL.**

Thank you to two Vermont leaders who paved the way for VSAC

PHOTO: JOHN LAZENBY



Philip Hoff

Philip H. Hoff, a Burlington attorney, made history in 1962 when he was elected Vermont's first Democratic governor since 1853. He served three terms, overseeing dramatic changes in the social welfare, development, and environmental fields. An early advocate of racial justice, Hoff established a program that brought minority students from New York City to Vermont to work alongside local youth on summer projects. He also proposed creating VSAC and other organizations that continue to provide a social safety net for Vermonters. Hoff served in the Vermont House prior to being elected governor and returned to Montpelier to serve in the Vermont Senate in the 1980s.

“My interest in education was directed not just at people with means, but at the potential of all human beings. And that was very much a part of my approach to VSAC.

“I wanted to make it possible for every Vermonter to attend some form of post-high school education. So it wasn't just directed at college; it was directed at post-high school education, which included junior college. I wanted it to be all-encompassing.

“I also didn't want to limit the funds available to just Vermont schools. It seemed to me that as a state we were broader than that and we shouldn't adopt a parochial attitude, but an encompassing attitude, so that if a child was admitted to Harvard or Dartmouth or whatever, a prestige school that fitted his needs and capacity, I wanted to be helpful.

“So it wasn't just (funding for) four-year colleges; it was for various forms of post-high school education, and was directed at the college of the student's choice, no matter where it was located.”

Richard Mallary

Richard W. Mallary, a resident of Brookfield, was a sponsor of legislation that led to the creation of VSAC in 1965. He has had a stellar career in both the public and private sectors in Vermont, serving in the Vermont House twice (including periods as Appropriations Committee chair and House Speaker), in the Vermont Senate, and as Vermont's representative to the U.S. House. He also held appointed positions in the administrations of three Republican governors: Deane Davis, Richard Snelling, and James Douglas. He has served on the boards of both the Vermont State Colleges and VSAC.

“The impetus for creating VSAC was partly the need for student grants, but also to eliminate the patronage-based senatorial scholarships. After we created VSAC, senatorial scholarships existed for a period of time, but some senators turned them over to VSAC for distribution. As things evolved, financial aid provided by the state was primarily needs-based, but there was a small component of merit scholarships.

“The high tuition/high aid approach basically came about during the Deane Davis administration. The state was financially strapped, with the university and state colleges needing money. And basically it was his concept — I think that's when we first really dealt with it philosophically — that we would put additional money into VSAC. Instead of all of the state's higher education dollars going into institutional aid, some of it would go directly to the people who needed it.

“Grant portability has been a component of the VSAC system ever since it was created. I happen to be a believer and supporter of portability. If it's to benefit the individuals, shouldn't we give them the option of getting their education where it best fits their needs?”

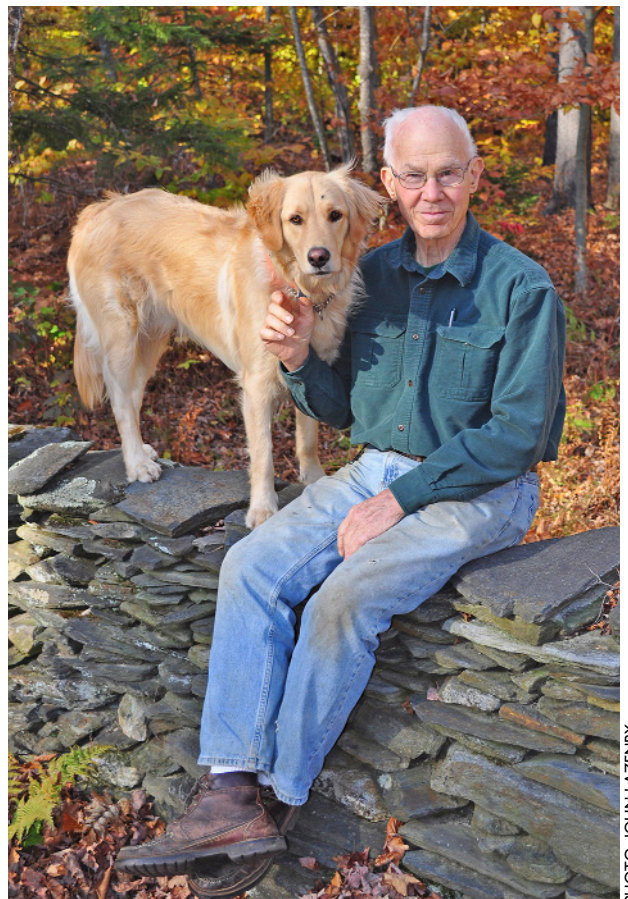


PHOTO: JOHN LAZENBY

VSAC is a public, nonprofit corporation created by the Vermont Legislature in 1965 to help Vermonters plan and pay for education or training beyond high school. In FY10, VSAC administered Vermont's 529 college savings plan, outreach services to encourage low-income Vermonters to aspire to college, statewide college and career planning services, need-based state grants, dozens of public and private scholarships, and federal and private loans.



VSAC gratefully acknowledges Chris Robbins, who served on our board for 19 years, including eight as chair. Said Chris about his service:

“VSAC plays a vital role in helping Vermonters explore their education and career options and then assisting individuals with financing and other support as they pursue their chosen paths. I am proud that I was able to help VSAC through several major transitions, and have faith that the organization will continue to be an important resource for future generations of Vermonters.”

Cover photos: clockwise from top left, VSAC staff members Tia Ganguly, Zack Luby, Dianna Mitchell, and Liam Danaher; bottom left, VSAC customer Audrey Reid.

Cover photo, VSAC building: Sandy Macys

Illustrations © Doug Ross

A message from VSAC's board chair & president

We had occasion in FY10, VSAC's 45th year of operation, to reflect with pride on how the organization started — and how far we have come — while mourning changes in federal law that will reduce the services we are able to provide Vermonters.

In March of 2010, the president signed legislation eliminating the Federal Family Education Loan (FFEL) program, which VSAC had administered in Vermont since the program's inception decades ago. FFEL was replaced by a system of direct government lending in which loan servicing is provided by a few, mostly for-profit, national contractors.

VSAC's approach as a nonprofit FFEL lender was to provide students and parents with comprehensive financial aid information; personalized and knowledgeable loan counseling; and generous borrower benefits that made our federal loans among the lowest-priced in the nation. In addition, we were able to use FFEL revenues to support a wide array of career and college planning services at no cost to the state of Vermont or its residents. It was with heavy hearts that we shut down our FFEL operations on June 30, 2010.

At the same time, we knew that we still had important work to do and would need to be creative and resourceful in reconfiguring the way we pay for and deliver our many other services. The vision of our “founding fathers” — former Gov. Phil Hoff and former legislator Dick Mallary — and the social mission that sprang from their vision are always in our minds. We are grateful for their pioneering efforts and for the work so many others have undertaken since 1965 to ensure that VSAC could expand its reach and serve more Vermonters.

We take time in this report to salute:

- Phil Hoff, Dick Mallary, and the many other state leaders who contributed to VSAC's evolution and still participate in advancing our mission
- the dozens of people who have donated countless hours of volunteer service as members of our board, folks like Chris Robbins, who stepped down from the board in 2010 after 19 years of service, including eight years as chair
- our staff, who, despite the loss of some valuable team members to other organizations, have recommitted themselves to their work, our customers, and VSAC's future
- our professional colleagues in schools, colleges, social service agencies, and other organizations, with whom we partner often and who have given us great support
- Vermont's three-member congressional delegation, who worked to secure a role for nonprofits like VSAC in direct loan servicing, who increased funding for our outreach services, and who collaborate with us frequently to address challenges facing Vermont students and families
- and, last but not least, our customers, more than 1,200 of whom took the time to write us in FY10 to say how much they valued our help.

The social mission assigned to VSAC in 1965 has proved remarkably durable throughout the years and will continue to guide us with hope and confidence as we enter a new phase of development as an organization dedicated to serving Vermonters.

DOROTHY R. MITCHELL
VSAC BOARD CHAIR

DONALD R. VICKERS
VSAC PRESIDENT & CEO

“We are a middle-class family with a daughter in college. Neither parent attended college, but we feel it is a must for her. VSAC is always a call away with an array of helpful information. VSAC visited our school and helped many parents with the online FAFSA. Having all of our financing in one place has been very helpful.”

Betsy Miller
Jamaica, VT

Saving for college

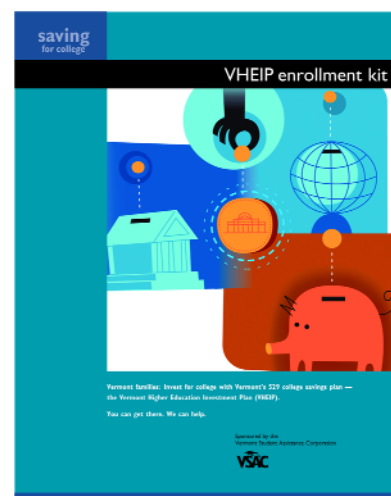
FY10 marked the 10th year VSAC has overseen the Vermont Higher Education Investment Plan (VHEIP), Vermont’s official 529 college savings program. VSAC was pleased that VHEIP significantly outperformed many other 529 plans throughout the country during the year.

As of June 30, 2010, VHEIP had assets of \$116.6 million, including participant contributions and plan earnings, in 10,860 accounts. Since the program began, VHEIP participants have taken qualified withdrawals of \$24.9 million on behalf of 1,664 beneficiaries.

VHEIP enables Vermont taxpayers to benefit from a state income tax credit when they contribute to the plan and to receive additional state and federal tax breaks when they make qualified withdrawals. Preliminary figures for the 2009 tax year show that more than 2,300 Vermonters received VHEIP tax credits totaling about \$1.1 million.

In FY10, after completing a nationwide bid process, VSAC renewed its contract with TIAA-CREF for VHEIP asset and program management. The new agreement increases the number of VHEIP investment options from three to six and replaces a low-risk investment option previously managed by VSAC with a guaranteed option managed by TIAA-CREF. VSAC also increased the contribution limit per beneficiary from \$240,100 to \$352,800.

VSAC and TIAA-CREF collaborated to ensure that as many Vermonters as possible were aware of VHEIP and understood the value of saving as a way to reduce dependence on education loans. A highlight was a summer reading contest co-sponsored by VHEIP and Vermont’s community libraries, in which TIAA-CREF provided four students — representing four regions of the state — with \$1,000 each to go toward college savings. VSAC also updated its popular saving for college guide, which provides information on VHEIP and other avenues available to families seeking to put money aside for college.



VSAC observed key milestones in FY10: the 40th year providing outreach services through the federal TRiO programs and the 10th year administering GEAR UP and VHEIP. Celebrating with VSAC were (left to right): U.S. Senator Bernie Sanders; John Tracy, an aide to U.S. Senator Pat Leahy; and U.S. House member Peter Welch.

Career & college planning

VSAC continued to offer Vermonters free career and college planning information through publications, online resources, walk-in services, direct service at schools and other locations statewide, and a variety of presentations and events.

VSAC Resource Center

VSAC's walk-in center served 28,678 customers in FY10, the highest number in the center's history. Customers received assistance with college and career planning, paying for college, applying for financial aid, and repaying loans. Customers also utilized the center's eight public access computers and free lending library, borrowing more than half of the center's 9,000 books, periodicals, and videos. The VRC provided 16 free workshops throughout the academic year on topics such as choosing a college, exploring careers, managing personal finance, preparing for standardized tests, and applying for financial aid.

VSAC Presentations

VSAC again offered free evening Paying for College presentations at 67 high schools serving Vermonters. A condensed, online version of the presentation was available for those who could not attend a live presentation or wanted to review the content. VSAC drew 1,587 participants, the most yet, to its ninth College Pathways program for high school sophomores, juniors, and parents. The event, featuring student and parent workshops on all aspects of college planning, is held annually in three locations: Castleton State College in southwestern Vermont, Saint Michael's College in northwestern Vermont, and Lyndon State College in the Northeast Kingdom.



PHOTO: DAVID HAWKHURST/WILSON CENTRE

“VSAC had wonderful, informative sessions about applying/paying for college. It was reassuring knowing that I could easily drive to the VSAC building and talk with a loan officer who would patiently guide me through the loan process, or I could check out library materials on careers. Paying for college can be an intimidating process, and I'm grateful VSAC was there for me.”

Nikki Nichols
Essex Junction, VT



Tyler Bergmeier, an advisor in the VSAC Resource Center, with some of the thousands of books VSAC has available for loan through public libraries statewide.



“During an exciting and anxiety-ridden time in our lives, VSAC’s phone counselor went above and beyond to provide me with the reassurance and guidance I needed to navigate the intricacies of college financing. She is a great ambassador for VSAC.”

Bob Durkee
Wilder, VT

Publications and Widgets

VSAC distributed 65,000 planning for college guides, paying for college guides, adult student handbooks, and scholarships booklets to about 650 schools, libraries, and agencies throughout the state.

In an effort to provide Vermont families with ready access to timely tips, VSAC introduced a high school “road map widget” into its online services in late FY09 and promoted its use with schools, tech centers, libraries, and other organizations during FY10. The widget is a Web application that can be embedded within a school or organization’s site to connect users to college and career planning information maintained and updated often by VSAC. Once loaded, the widget requires no maintenance by the host site. It provides students and parents with easy access to important tips, such as reminders about college and financial aid application deadlines; dates for workshops, events, and tests; and information about ways students can explore their interests and possible careers.



Start Where You Are

This award-winning program began in 2007 to help teens connect their interests and passions to traditional and emerging careers and to provide information about the range of education and training options available, particularly close to home in Vermont. The program started with one-time funding from the Vermont Legislature, and has evolved with support from a federal College Access Challenge Grant (CACG). CACG, initially awarded for two years, was renewed in FY10 for another five.



Start Where You Are (SWYA) employs a variety of tactics to increase college aspiration. In FY10, 4,318 Vermont students received direct service at their schools and at teen centers from the program’s roving “opportunisto,” schools received *SWYA* consultation services, and the program’s fun and engaging Web site — www.startwhereyouarevt.org — was available 24/7 to help students and parents think more broadly about life after high school.

In FY10, VSAC created a new section of the site — www.startwhereyouarevtpro.org — for educators and other professionals who work with students on career planning.

Liam Danaher, a 2009 graduate of Saint Michael's College now employed as the Start Where You Are “opportunisto,” participated in VSAC outreach programs while growing up in Randolph and is pleased to be motivating another generation of Vermont students.

Outreach services

In addition to providing services through its federal College Access Challenge Grant, VSAC participates in three federal outreach programs — Talent Search and GEAR UP for students in grades 6 through 12, and Educational Opportunity Center (EOC) for adult learners — designed to motivate and assist low-income and first-generation college-bound students as they prepare for education and careers. The intensive work pays off: Students served by Talent Search and GEAR UP enroll in college at higher rates than Vermont students generally. VSAC’s outreach services also extend to the general population of Vermonters. VSAC in FY10 added \$4 million of its own resources to \$4.7 million in federal funds to provide a total of 54,436 customer contacts (some individuals are served more than once and in a variety of settings).

Caseload and Cohort Services

In FY10, VSAC provided individual counseling to 1,366 Talent Search participants at 50 schools, 1,796 GEAR UP students at 53 schools, and 2,391 EOC clients at sites statewide. In addition, 4,869 students at 38 of the GEAR UP schools benefited from partnership activities such as after-school programs, tutoring, college visits, and college transition assistance.

- Using a caseload approach, **Talent Search** serves students who have the potential to succeed but need help realizing their goals. The program helps students improve their self-awareness; explore career and college options; develop planning, decision-making, and academic skills; and understand financial aid. The program also provides parent workshops, home visits, and meetings; field trips and campus visits; student mentoring and tutoring; academic support; summer program opportunities; and assistance with college and financial aid applications.
- **GEAR UP** uses both a caseload and cohort (whole class) approach to provide many of the same services to families that Talent Search offers. In addition, the program enables some students to take college classes while still in high school and guarantees renewable college scholarships to students meeting eligibility criteria.
- **EOC** provides adult learners with individual counseling and group sessions on career decision-making, education planning, and financial aid. Also provided are workshops tailored specifically for clients of other agencies serving adults.

General Services

In addition to providing caseload and cohort services, VSAC offers a number of statewide outreach services to help students of all ages achieve their college and career goals. Services are provided through presentations for students and parents at middle schools, high schools, and other sites; college and career fairs; “forms nights,” during which students and parents receive hands-on help with financial aid applications; and professional development for educators and agency staff. VSAC conducted 258 middle school workshops with 4,359 attendees, 473 high school workshops with 13,977 attendees, and career and education planning sessions for 8,811 adults in individual or group settings. Also, professionals at 30 Vermont elementary schools, middle schools, and high schools benefited from VSAC consultations and trainings, resulting in improved career and college planning services for more than 7,000 students.



“VSAC is an invaluable part of my school counseling toolbox. My students have benefitted from VSAC’s outreach counselor visits, forms nights, College Pathways workshops, and high-quality printed materials such as the Scholarships booklet. I use VSAC’s Web site every time I meet with a student regarding career/college counseling. VSAC is the best college resource around!”

**Marie Eddy
Hinesburg, VT**



“Growing up in rural Vermont, I wasn’t exposed to the world of college. The VSAC counselor at my high school helped me explore my college options and find money to pay for college. Without her help, the process would have been a lot more daunting and locating funding would have been a lot more difficult. I hope VSAC will be there for future generations of Vermonters.”

Audrey Reid
Canaan, VT

Grant programs & state affairs

Grants for Full-time, Part-time, and Non-degree Study

VSAC awarded nearly \$20.4 million in Vermont grants to 12,717 students enrolled in college or training programs during FY10 (the 2009–10 academic year). More than 9,200 full-time students received grants worth \$17.6 million, nearly 2,500 part-time students received grants totaling \$1.2 million, and more than 1,000 non-degree students received awards worth \$1.6 million.

The impact of the recession on Vermont families was apparent in the number of grant applications VSAC received and in attrition among grant recipients (the percentage of students who are awarded grants but do not enroll). Grant applications, numbering 23,653, were up significantly from prior years, particularly in the non-degree category. By November of 2009, funding for both full-time and non-degree students was fully committed. Attrition was 22.4 percent, the highest rate in the grant programs’ history.

The attrition increase was particularly marked among grant recipients served by the state’s Next Generation program, which provides supplemental aid for four years of school to students who exhibit high need as evidenced by a family contribution calculation of zero. In FY10, VSAC provided Next Generation funds to its third cohort of students eligible for this form of support. Of the 435 applicants in VSAC’s first cohort, only 348 actually enrolled in school. By the second and third years, the first cohort had dropped to 236 and 196 students, respectively. VSAC has observed a similar pattern among its second cohort of Next Generation students.

College affordability remains an obstacle for many families served by VSAC. Over the years, increases in state and federal grants have not kept pace with the growth in college charges, resulting in families having to borrow more than ever to pay for college. Federal student loan limits have increased but not at a level that satisfies demand, prompting many students to seek private loans to supplement other financing. VSAC finds it increasingly difficult to meet its long-held objective to provide grant recipients with a level of aid (federal Pell grant, Vermont grant, and parent contribution) equivalent to 100 percent of tuition and fees at Vermont’s state colleges.

Level funding from the state, combined with greater demand for Vermont grants, forced VSAC to reduce grant levels for full-time students by \$300 for the 2010–11 academic year. VSAC anticipated that it would need to impose earlier-than-usual application cutoff dates of late summer 2010 for full-time students and fall 2010 for part-time and non-degree students.

VSAC was pleased to bring a new self-service grant system online at the end of the fiscal year. The system enables students and schools to access grant account information and submit required documentation through the *myVSAC* button on the home page of the VSAC Web site.

State Affairs

The Commission on Higher Education Funding (CHEF), of which VSAC was a member, signed a new compact in February 2010 with the goal of ensuring that 60 percent of Vermonters obtain two- or four-year degrees by 2019. Later in 2010, the Vermont Legislature approved a measure to replace CHEF with a new pre-kindergarten through grade 16 council. The council's charge is to help the state achieve its college access goals by monitoring and influencing Vermont students' transition from high school to college.

With VSAC revenues decreasing due to changes in the federal education loan system, the Vermont Legislature authorized VSAC to use up to 7 percent of its FY11 state appropriation for administration of the state grant programs. VSAC pledged to use as little as possible in order to maintain adequate funding for students, and did not find it necessary to draw on state funds for administrative support for grants awarded for 2010–11. However, VSAC will need to request this authority again once the Legislature takes up the FY12 state budget.

Legislators expressed enormous concern and support for VSAC in light of federal changes that will reduce funding for key services VSAC provides Vermonters. VSAC was asked to report by January 15, 2011, to both the Legislature and the new PreK–16 Council on the effect of federal legislation on VSAC and its services.



Peter Shumlin, then the president pro-tem of the Vermont Senate and later elected governor, represented legislative leaders at the FY10 event marking the anniversaries of VSAC's outreach and college savings programs.

“Finding the time to navigate the system of financial aid is difficult for a single parent with three children, but VSAC helped me through it all the way to my master’s degree. In addition, when my oldest was a senior in high school, we were able to access VSAC’s free workshops on college planning. This information was invaluable, and both my daughter and I would have been lost without it.”

**Heather Mattison
Whiting, VT**

VSAC’s Student Surveys: Charting Progress & Assisting Policy Makers

For many years, VSAC has tracked college-going rates of Vermont high school graduates, sharing that information with stakeholders seeking to encourage Vermonters of all ages to pursue education or training beyond high school. Every two years, VSAC surveys Vermont high school seniors shortly before graduation to determine their post-high school plans. A year later, VSAC conducts a follow-up survey with the same students to see what the graduates actually did. The most recent in-school survey, for the Class of 2010, produced a college aspiration rate of 74.8 percent, a decline from the rate of 76.3 percent posted for the Class of 2008. The most recent follow-up survey, for the Class of 2008, produced a college continuation rate of 73.2 percent, an increase from the rate of 70 percent for the Class of 2005.



“VSAC is the reason why I was able to attend college for four years. Without my scholarships through VSAC and the Vermont grant, the loans I would have had to take out would have been too great and I would not have been able to afford my education. I give thanks to VSAC for helping me pursue my education, and I hope VSAC will be able to help others in the future to the extent they’ve helped me.”

Justine Madore
Canaan, VT

Scholarship programs & development

Scholarship Programs

VSAC administered 169 scholarship programs in FY10, providing 3,048 scholarship awards worth a total of \$5.3 million. Programs were funded by private, state, and federal donations and grants and from VSAC endowment funds.

VSAC completed the second year in which it has used an early March deadline for students to submit their scholarship applications. This has enabled VSAC to award scholarships by mid-May, thus giving students sufficient time to finalize their college financing plans before the fall semester starts. In FY10, VSAC created an “early-bird” incentive: Students whose applications were received by February 12 were entered into a random drawing for three \$1,000 scholarships from VSAC. In addition to motivating and assisting students, this project succeeded in helping the scholarships staff to manage their heavy processing workload, ensuring that VSAC could meet its spring target for finalizing awards.

Development

Continuing difficulties in the financial markets caused some of the scholarships VSAC administers to go “under water” in FY10, meaning that the balances in the funds were lower than the original contributions. With one exception, the THV Endowment, funds that were under water did not award scholarships; this decision was made to protect principal and the funds’ future viability.

Despite the challenging economy, VSAC scholarship donors remained inspired by the need for this form of student aid, and, through their remarkable generosity, ensured that students could continue to rely on this critical source of funding. VSAC continues to work with existing and new donors to develop broader and deeper resources for scholarship opportunities.



“Dealing with financial aid applications and loan repayment choices can be challenging for families,” says Deborah Altemus, a senior customer relations counselor. “I enjoy helping customers with their grant, scholarship, and loan questions.”

Loan programs & federal affairs

Loan Programs

In FY10, VSAC provided 53,644 new education loans worth \$282.4 million. Of the total, \$261.1 million was in federal loans and \$21.3 million was in private loans. Combined with consolidation of existing loans, VSAC provided \$393.9 million to student and parent borrowers in FY10. VSAC's outstanding education loan portfolio, representing 109,882 borrowers and 244,519 accounts, stood at \$2.4 billion at the end of the fiscal year.

VSAC continued to provide borrower benefits in the form of discounts, annual rebates, and fee waivers. These benefits saved VSAC borrowers \$10.1 million in FY10, for a cumulative total of \$148.2 million since borrower benefits were instituted in FY95.

VSAC was among a few lenders nationally to offer private student loans in FY10. In response to high demand during the 2009–10 academic year, VSAC was able to extend the deadline for its variable-rate private loan from December of 2009 to February of 2010.

Later in 2010, VSAC decided to seek funding for a fixed-rate private student loan for the 2010–11 academic year that would be competitive with the pricing on federal parent loans. Demand tends to outstrip supply in the private loan market, and pricing varies widely. In many cases, the best rates are available only to those in the highest credit tiers, and borrowers are enticed with offers for which few qualify. In creating its new fixed-rate private loan, VSAC sought to provide borrowers with straightforward information, as well as rates and terms that were as favorable as possible.

Federal Affairs

The major federal affairs development of FY10 was enactment of legislation ending the Federal Family Education Loan (FFEL) program, in which VSAC had participated for many years, and replacement of FFEL with government direct lending. About 90 percent of VSAC's revenues had come from FFEL. Nearly two-thirds of those revenues supported administration of education loan programs for Vermonters and students attending Vermont institutions. The remainder — including \$4 million annually to match federal outreach grants — subsidized information, counseling, and financial aid programs that VSAC offers at no cost to the state of Vermont or our customers.

During the prior two fiscal years, the credit crisis and federal budget cuts had already forced VSAC to reduce its budget and trim staff positions through attrition. The elimination of FFEL on July 1, 2010, will require further cuts as VSAC no longer guarantees or issues new federal loans and as our existing loan portfolio pays down.

Fortunately, VSAC enjoyed strong backing from customers, professional colleagues, the Vermont public, and state and federal lawmakers as the direct lending legislation worked its way through Congress and after it was signed by President Obama in March of 2010. More than 1,200 customers sent messages of support to VSAC, primarily through a special "VSAC Voices" Web site developed to communicate with the public about the effect of the federal legislation on our services.

"I came to VSAC with 50 10-year-old college credits, a nursing daughter, and virtually nothing else. My VSAC outreach counselor saw my potential and worked with me to find grants and scholarships so that I could continue from the community college on to a four-year bachelor's program. I am now well on my way to becoming a high school English teacher."

**Blithe Devon
Rutland, VT**

“We used VSAC loans for one of our kids and had to use federal direct loans for the other. We were able to call and visit VSAC to make sure we understood the loans and our best options. It was not easy to talk with anyone in the federal system, and impossible to visit, but we were able to use that service because we were educated by VSAC. For us, the best option was personal and local.”

Greg Morgan
Essex Junction, VT

In addition, a number of professional colleagues wrote to us and to Vermont newspapers to describe the many ways in which VSAC partners with schools, colleges, and agencies to serve Vermonters. And, most important, Vermont’s three members of Congress — Rep. Peter Welch, Sen. Bernie Sanders, and Sen. Pat Leahy — took Vermonters’ concerns to heart. Amendments sponsored by Rep. Welch and Sen. Sanders enhanced support for vital outreach services that VSAC provides and required the government to include non-profits like VSAC in direct loan servicing contracts that otherwise would have been available only to the for-profit sector.

VSAC hopes to negotiate a servicing agreement with the federal government in early 2011, and to begin servicing direct loans in the summer of 2011. In order for negotiations to succeed, VSAC needs either a favorable fee per account (based on 100,000 accounts, the modest number designated in the legislation for each participating nonprofit) or a major increase in the number of accounts to permit economies of scale in pricing. Regardless of the outcome, the new direct loan servicing model eliminates the “front-end” federal loan counseling VSAC has traditionally provided, requiring Vermonters to get that information from their colleges or through self-service on the Web.

Toward the close of FY10, VSAC “put,” or sold to the federal government, most of the \$350 million in education loans it made for the 2009–10 school year with funds provided by the federal Ensuring Continued Access to Student Loans Act (ECASLA). VSAC has typically avoided selling loans to a third party, but did so as required by ECASLA.

VSAC ended FY10 concerned about the effect that direct lending, combined with the “put” of VSAC loans for 2009–10, will have on parents and students. Some students will end up with as many as three loan servicers: VSAC for loans made before the 2009–10 academic year; the servicer designated by the U.S. Department of Education for the 2009–10 loans VSAC “put” to the government; and the federal servicer designated for direct loans for 2010–11 and beyond. (The Department of Education will work during the next few years to unify student accounts.) As for parent borrowers, they will no longer be able to look to VSAC for help resolving credit issues that prevent them from being approved for federal parent PLUS loans.

In other federal action in FY10, VSAC worked with Sen. Leahy’s office to help Vermont veterans, and the colleges they attend, cope with a processing backlog at the federal Veterans Administration that had prevented students and schools from receiving timely payment of education benefits. VSAC also launched a research project to determine the impact of federal FAFSA (Free Application for Federal Student Aid) simplification on the delivery of state grant programs.



Customer relations & borrower support

VSAC's customer relations counselors help students and their families when the student is entering college, is continuing another year of education, or has finished college and is repaying education loans. Services include assistance with planning for college, applying for financial aid from VSAC, and loan repayment and debt management.

In FY10, counselors helped more than 207,600 customers by phone and responded to more than 12,000 e-mails. The department was able to accomplish more with fewer staff through efficiencies that included steering a portion of inbound calls to the Web or to topical phone messages, and employing automated outbound calls to reach borrowers at risk of default on their loan payments.

About a third of customers with whom counselors interacted were past due on their loans, reflecting the dire economic conditions affecting many borrowers. Counselors worked to help customers understand repayment options available during periods of financial hardship, such as temporary reduction or postponement of payments, and to resolve loan delinquencies.

VSAC's delinquency portfolio was up slightly during the year, but the organization continued to maintain one of the lowest cohort default rates in the nation. The rate for the most recent reporting period, federal FY08, was 4.8 percent for VSAC compared to 7 percent for the nation.

VSAC logged 387,080 delinquency resolution calls, resulting in a default aversion rate of nearly 32 percent and collection of more than \$23 million in defaulted loans. VSAC operates one of the oldest and most successful loan rehabilitation programs in the nation, with more than 3,800 borrowers removed from default, for a total of nearly \$34.7 million, in FY10.



“VSAC was a partner through three degrees, enabling me to consolidate my loans and simplify my life upon graduation. Even while 3,000 miles away and working to repay those loans from another country, I always felt comforted that a fellow Vermonter was looking after my best interest.”

Brian Hilliard
Medford, MA



Michael St. George, Sue Kehaya, and Jessica Lunau are among the VSAC counselors who help customers on the phone or by e-mail.



“After graduating college in 2005 and keeping in touch with my friends, I began to realize how much more affordable my college education was. Because of VSAC, I was able to successfully start a career without pouring all of my hard-earned money into interest on my student loans.”

Peter DiFranco
New York, NY

Budget, finance & staffing

VSAC was subject to an annual independent audit of its financial statements, as required by state law. VSAC also underwent its annual federal loan program compliance audit, as required by the U.S. Department of Education. In addition, VSAC was audited as an ECASLA participant (under the “conduit” program for 2008–09 and the “participation” and “put” programs for 2009–10) according to the audit schedules and standards established by ECASLA. None of VSAC’s audits resulted in adverse findings.

VSAC took advantage of the low interest rate environment to buy back at a discount a portion of its bonds in the frozen auction rate security market. The buybacks restored the health of VSAC’s student loan trusts to pre-credit-crisis levels.

VSAC responded to the elimination of FFEL by planning for a 30-percent budget reduction over the course of the three years following FY10 and working to increase revenues through initiatives such as the federal College Access Challenge Grant and possible expansion of VSAC’s private loans. VSAC’s existing federal loan portfolio will generate revenues at a declining rate for 10 years, until the portfolio pays down entirely.

A series of budget cuts in the two years leading up to FY10 were accompanied by staff reductions through attrition rather than layoffs. VSAC’s staff numbered 323 at the end of FY10 (326 with the inclusion of temporary workers). VSAC had 392 staff positions at the high point in FY07, and 329 positions at the end of FY10. Many areas of the corporation worked to implement efficiencies that would allow fewer staff to manage a demanding workload; VSAC employees also took on responsibility for a larger share of their health insurance premiums. VSAC employees were again generous in their charitable giving, raising a total of \$34,590 in the annual United Way appeal and for a variety of individual charities through special workplace events.



Looking ahead...

VSAC ended the fiscal year facing an uncertain future, particularly as it relates to the outcome of direct loan servicing negotiations, but optimistic that the organization can make the transition to a new business model and continue to serve Vermonters for generations to come. Certainly, the services VSAC provides have never been needed more. Even though VSAC can no longer guarantee or finance federal loans, the organization offers dozens of postsecondary planning and financing services that are essential as Vermont works to create a sustainable economy and develop its workforce. In the coming months and years, VSAC will look for new ways to serve Vermonters through partnerships and opportunities that support the state’s goal of increasing the education level of as many residents as possible.

Statement of Net Assets <i>(in thousands)</i>	2010	2009
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Assets:

Cash and investments	\$ 141,700	\$ 127,084
Education loans receivable (plus interest)	2,411,116	2,290,257
Other assets	34,759	35,056
Total assets	<u>\$2,587,575</u>	<u>\$2,452,397</u>

Liabilities:

Bonds and notes payable (plus interest)	\$2,414,364	\$2,308,911
U.S. Treasury rebates payable	20,272	17,686
Other liabilities	15,196	11,826
Total liabilities	<u>2,449,832</u>	<u>2,338,423</u>

Net assets:

Restricted	98,710	74,816
Unrestricted	37,655	36,894
Net investment in property and equipment	1,378	2,264
Total net assets	<u>137,743</u>	<u>113,974</u>

Total liabilities and net assets	<u>\$2,587,575</u>	<u>\$2,452,397</u>
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Statement of Revenues and Expenses <i>(in thousands)</i>	2010	2009
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Revenues:

Interest earned from education loan financing	\$ 80,034	\$ 105,949
Other loan and guarantee program revenues	7,248	6,392
Investment interest	709	2,104
Vermont state appropriations	21,990	19,539
Federal grants	5,006	4,883
Scholarship and gift revenue	4,056	3,591
Other income (loss)	740	(241)
Total operating revenues	<u>119,783</u>	<u>142,217</u>

Expenses:

Student aid	25,823	24,744
Interest rebated to borrowers	6,671	6,346
Interest on debt	21,093	57,156
Other loan financing costs	36,469	29,783
Corporate operating expenses and depreciation	33,092	35,059
Total expenses	<u>123,148</u>	<u>153,088</u>

Deficiency of operating revenues over operating expenses	(3,365)	(10,871)
Gains on early bond retirements	27,134	0
Excess (deficiency) of revenues over expenses	<u>23,769</u>	<u>(10,871)</u>
Total net assets at the beginning of the year	<u>113,974</u>	<u>124,845</u>
Total net assets at the end of the year	<u>\$ 137,743</u>	<u>\$ 113,974</u>



PHOTO: GARY HALL

VSAC Executive Committee

Donald Vickers, *President & CEO*

Scott Giles, *Vice President, Policy, Research & Planning*

Pat Kaiser, *Vice President, Student Services & Information Technology*

Mike Stuart, *Vice President & Chief Financial Officer*

Tom Little, *Vice President & General Counsel*

VSAC Staff Directors

Wanda Arce, *Research*

Donna Austin-Hawley, *Human Resources*

Marilyn Cargill, *Financial Aid Delivery & Operations*

Cody Fiala, *Customer Relations*

Joe Gallagher, *Claims & Collections*

Bruce Hicken, *Finance/Controller*

Patrick Leduc, *Information Technology*

Gregg Mousley, *VSAC Resource Center*

Jaye O'Connell, *Compliance*

Laurie M. Oliver, *Internal Audit & Risk Management*

Irene Racz, *Public Affairs*

Linda Shiller, *Career & Education Outreach*

Dan Sullivan, *Integrated Data & Project Management*

Deborah Unica, *Social Marketing & VHEIP*

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T. Spencer Wright



Vermont Student Assistance Corporation

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Toll-free **800-642-3177** In the Burlington area **655-9602**

Visit us online at www.vsac.org E-mail us at info@vsac.org

Find us on Facebook at www.facebook.com/VermontStudentAssistanceCorporation

VSAC does not discriminate in employment or the provision of services on the basis of race, color, religion, national origin, sex, sexual orientation, gender identity, ancestry, place of birth, age, veteran status, disability, or any other legally protected status. Please contact VSAC at 800-642-3177 or 655-9602 in the Burlington area (TDD for hearing impaired, 800-281-3341 or 654-3766) if auxiliary aids or services are needed for application or participation in VSAC services.