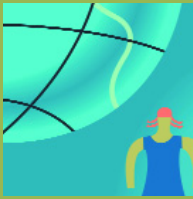


Helping Vermonters reach their dreams



VSAC, a public, nonprofit corporation established in 1965 by the Vermont Legislature, has pursued the same mission for 43 years, although our programs have expanded considerably to meet the changing needs of Vermont students and families.

Through VSAC, Vermonters have easy and convenient access to services that, in most states, are offered by multiple organizations. This “one-stop shopping” capability, combined with our emphasis on friendly and knowledgeable customer service, is recognized nationally as a model for how to help families navigate the college planning and financing processes. We pride ourselves on providing exceptional value to the people we serve and to the state of Vermont, for which VSAC administers many programs at no cost to taxpayers.



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

From VSAC's Board Chair and President

Fiscal year 2008 was among the most challenging periods in VSAC's 43-year history, but the organization emerged on a path that we believe will enable it to remain financially viable and of continued service to Vermonters for generations to come.

The challenge came in the form of turmoil in the financial markets that made it impossible for many education lenders throughout the U.S. to refinance their existing portfolios or secure capital for new student and parent loans. While many lenders had to turn to the federal government for help, VSAC was able to forge an agreement within Vermont that provided private capital for new loans for the 2008-09 academic year — becoming the first entity of its kind in the nation to do so.

Fortunately, VSAC was already on a strategic planning course aimed at helping the organization operate as economically as possible while maintaining comprehensive services for our customers. By the time the fiscal year concluded, we had begun taking steps that will continue through the next two budget cycles to weather continuing economic uncertainty in the U.S. by cutting expenses and increasing efficiencies.

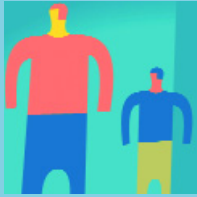
Despite new demands placed on our staff, our 366 employees never wavered in their commitment to VSAC and our mission — ensuring that as many Vermonters as possible have the information and financing they need to pursue education or training beyond high school. That work took many forms:

- expanding our much-heralded outreach services for low-income and “first-generation” college students through the launch of the Start Where You Are college access campaign and enhanced career development services for schools and individuals
- providing a range of free college and career planning activities, including walk-in services and workshops at our resource center in Winooski, statewide access to our library materials and online planning tools, and conferences and presentations for students and parents
- raising awareness of the importance of college savings and fostering continued enrollment in the VSAC-sponsored Vermont Higher Education Investment Plan, Vermont's official 529 plan
- distributing state education grants to thousands of students through our base appropriation, as well as Next Generation scholarship funds, from the state of Vermont
- generating additional private support for scholarships and assisting in the administration of dozens of scholarships available to Vermonters
- offering affordable student and parent loans to Vermonters and non-residents attending Vermont colleges through competitive pricing that included more than \$11 million in fee waivers and other discounts
- developing innovative and reliable channels to loan capital so that students and parents can continue to obtain the education loans they need

As we look to the future, helping Vermonters reach their dreams for life beyond high school will remain at the heart of everything we do as an organization.

CHRIS ROBBINS
CHAIR, VSAC BOARD OF DIRECTORS

DONALD R. VICKERS
VSAC PRESIDENT



Student Services (263 employees)

VSAC's largest division comprises departments that provide direct service to customers, primarily in education finance but also in the college and career planning arena.

Financial Aid Delivery & Operations

Financial Aid Delivery & Operations processes applications for education grants, scholarships, and loans administered by VSAC; awards aid to eligible applicants; services loans in repayment; and works with postsecondary schools to ensure a seamless financing process for students and the institutions they attend. In FY08, FADO:

- awarded \$20.7 million in mostly state-funded grants to nearly 12,000 students pursuing full-time, part-time, or non-degree study.
- disbursed \$6.2 million in more than 3,000 scholarships funded by private, federal, and state sources, including VSAC.
- disbursed \$453 million in federal and private education loans for 61,387 borrowers. Included were federal Stafford loans for undergraduate and graduate students; federal PLUS loans for parents and graduate students; federal loan consolidation; and private and institutional student loans. *(VSAC discontinued consolidation mid-way through the fiscal year, when interest rate and regulatory changes rendered it a less economical option for most borrowers and for VSAC.)*
- serviced more than 180,000 loans for more than 100,000 borrowers using 14 different loan programs.
- issued \$11.5 million in borrower discounts.
- worked with more than 800 postsecondary institutions to facilitate electronic exchange of loan data and to streamline the financial aid process.
- provided financial aid services for seven Vermont postsecondary institutions. *(This was discontinued at the end of the fiscal year due to federal regulatory changes governing the relationships between schools and lenders, including nonprofit agencies like VSAC.)*

Customer Relations

VSAC's Customer Relations department provides comprehensive, personalized counseling to students and parents as families plan for college; apply for education grants, scholarships, and loans; and repay loans. CR oversees services offered through the VSAC Resource Center in Winooski, staffs VSAC's phone lines to answer virtually any question that comes counselors' way, and works with student and parent borrowers during the 10 years or more of loan repayment in an effort to help customers manage their education debt. During FY08, CR:

- served 24,483 walk-in customers at the resource center.
- managed the center's public access computers and lending library containing more than 7,800 resources available to Vermonters statewide.
- staffed 117 presentations at Vermont high schools and college campuses on the topics of paying for college and managing education debt.
- placed and received nearly 500,000 calls, and responded to more than 15,000 e-mails, pertaining to financial aid, loan repayment, and other inquiries from customers.

Claims, Collections & Compliance

The department's compliance employees monitor, and ensure VSAC compliance with, myriad state and federal laws and regulations governing education loan programs, privacy and security of customer information, and more. Claims and collections employees assist borrowers who are at risk of defaulting, or have defaulted, on their education loans, as well as undertaking default collection activities.

- VSAC consistently enjoys among the lowest loan default rates in the nation. VSAC's rate for the most recent reporting period, federal FY06, was 2.2 percent, compared to a national rate of 5.2 percent.
- The department is also successful at collecting on defaulted loans, with \$14 million collected in FY08.
- In addition, the department has one of the oldest and most successful loan rehabilitation programs in the nation; in FY08, this activity helped remove 315 VSAC borrowers and \$4.4 million in loans from default.

The Student Services division also includes the departments of **Information Technology** and **Integrated Data & Project Management**.

- IT employees identify, build, deploy, and support secure, high-quality technology solutions to meet business goals; train staff on the use of new technologies; evaluate new products and services; monitor industry initiatives; integrate business processes; protect customer information; maintain server, telecom, and desktop operating systems; and oversee enterprise and purchased software applications.
- IDPM employees manage projects, resolve system issues, and support systems used by Student Services staff. Examples of tasks this department undertakes are 1098 and 1099 reporting, privacy notifications, awarding of borrower discounts, credit reporting, and updating of Web site content.



Policy, Research & Planning (68 employees)

Career & Education Outreach

VSAC's Career & Education Outreach department oversees information and counseling services for low-income and "first-generation" college students through three federal grants and the state's Start Where You Are program, as well as providing all Vermonters with access to comprehensive college and career planning information. In FY08, CEO:

- provided intensive services to 1,803 students in grades 6 through 12 at 53 Vermont schools through the federal GEAR UP program. An additional 5,449 students at 38 of the participating schools benefitted from GEAR UP partnership activities, such as after-school programs, tutoring, college visits, and college transition assistance.
- provided intensive services to 1,376 students in grades 6 through 12 at 50 schools through Talent Search, a federal TRiO program.
- counseled 2,249 adult learners through the Educational Opportunity Center, a federal TRiO program.
- initiated career and college planning conversations among disadvantaged teens statewide through the Start Where You Are campaign, a program that has literally gone on the road throughout Vermont with seed money from the state and ongoing support from VSAC.
- hosted a variety of career development and college planning workshops for middle and high school students, their parents, and adult learners.
- continued efforts to create a statewide career development system through curriculum and professional services for schools and educators, six career fairs serving 3,426 students and 805 adult learners, services in the VSAC Resource Center, and the Vermont Career Gateway Web portal.
- collaborated with departments of state government, Vermont colleges, professional organizations, business groups, and a variety of social service agencies to assist Vermonters with career and education planning.

Vermont Higher Education Investment Plan

VSAC has administered Vermont's 529 college savings plan, the Vermont Higher Education Investment Plan, since the program's inception in late 1999. The plan offers affordable minimum contributions (\$25 at a time or \$15 per pay period by payroll deduction), three investment options, low expenses, and attractive federal and state tax benefits.

- VHEIP has enjoyed consistent growth in accounts and contributions, with assets valued at more than \$92 million as of the end of FY08.
- Among the benefits is a 10-percent state income tax credit on yearly contributions of up to \$2,500 per beneficiary per taxpayer. For the 2007 tax year, the credit was worth \$828,854 to 1,710 Vermonters.
- To date, program management has been provided by TIAA-CREF Tuition Financing Inc. As VHEIP's 10-year anniversary approaches, VSAC has solicited proposals for future plan management and expects to choose a business partner before the start of FY10.

Research

VSAC's Research department collects and analyzes data from state and national sources to help Vermont policy-makers understand and respond to higher education challenges and needs. In FY08, Research staff:

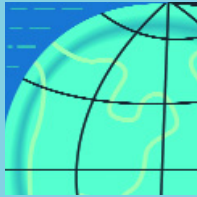
- analyzed college continuation, persistence, and completion data for Vermont high school graduates.
- examined college persistence and graduation rates for students served by the federal Talent Search and GEAR UP programs administered by VSAC.
- calculated average education debt upon graduation for Vermont grant recipients and for Vermont State Colleges graduates.
- supported VSAC efforts to provide foster youth with career and education planning information and to identify foster youth eligible for college scholarships.
- fulfilled data requests from the Vermont Legislature, many groups with which VSAC is affiliated, the media, and others.
- presented data at regional and national conferences, including events sponsored by the College Board.

The division of Policy, Research & Planning also includes VSAC's **Marketing & Information Services** team and its **Public Affairs** function.

- M&I produces dozens of publications and direct marketing pieces on a broad array of college savings, planning, and financing topics. Publications are distributed to Vermonters free of charge through schools, libraries, agencies, and other locations.
- M&I also coordinates VSAC's annual College Pathways conference for high school sophomores, juniors, and parents, which in FY08 attracted 1,518 participants. In all, M&I staffed or assisted other VSAC staff with 62 community events statewide, including "exit counseling" for borrowers about to graduate college, financial aid training workshops for education professionals, and VSAC's annual Paying for College evening presentations, held at 67 high schools serving Vermonters.
- VSAC's public affairs director serves as the organization's liaison with the media and oversees VSAC advertising. In FY08, this area coordinated the launch of, and helped develop outreach strategies for, the Start Where You Are campaign; worked to create the Vermont Scholarship Fund's first donor report; and assisted with print and marketing pieces for the Vermont Higher Education Investment Plan.

Each year, VSAC hears from many students and parents, thanking us for the assistance that has made it possible for generations of Vermonters to pursue their dreams. The following comes from a low-income, first-generation student served by our outreach programs. This student persevered through undergraduate and graduate school, all the while battling a serious medical condition:

"I am now three years out of treatment and getting my master's degree in international development, an educational track inspired by VSAC, who showed me what helping people can accomplish. Each and every step of the way, VSAC has made this possible. The financial help, access to resources, and opportunities have been amazing, but what I want to truly thank you for is your honest commitment to each student and your emotional investment in our lives."



Finance & Corporate Services (21 employees)

This area oversees all aspects of financial and facilities management for the corporation through several major groups.

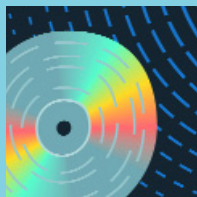
- **Finance & Treasury Management** has responsibility for accounting and reporting, management of a loan portfolio worth \$2 billion, bond issuance, financial audits, cash-flow projections, and financial modeling.
- **Purchasing** procures goods and services, generates RFPs for major purchases and contracts, identifies cost savings, contracts for telephone services, and manages the employee food service.
- **Facilities Management** handles mail delivery and processing, receiving, storage, space management, and building safety and security, and ensures that the VSAC office remains in good working order. VSAC's outbound mail volume in FY08 was 1,715,250 pieces.



Executive Office (10 employees)

This area is made up of the president and chief executive officer and his administrative staff, the **Human Resources** department, and the **State Affairs** function.

- Human Resources recruits and trains staff, builds leadership capacity, creates a supportive working environment, assures compliance with legal and ethical standards, and promotes wellness.
- The State Affairs area represents VSAC in the Vermont Legislature and on a variety of working groups pertaining to higher education and workforce development.



Vice President & General Counsel (4 employees)

VSAC's general counsel is involved in a host of legal and financial matters, including in the bond finance arena, and supervises the organization's **Development** and **Internal Audit & Risk Management** departments.

- VSAC's development director works with existing and potential donors to enhance scholarships for Vermonters. Through the Vermont Scholarship Fund, a charitable affiliate VSAC established to accept tax-deductible contributions, donors can give in one of three ways: endowed funds, annual funds, and the pooled Great Expectations Scholarship Fund. In FY08, VSAC worked with donors to create 11 new scholarship programs for Vermonters. (*A wealth of information about scholarship donors and recipients is available in the Vermont Scholarship Fund's annual donor report.*)
- The Internal Audit & Risk Management department was created in 2007 to provide objective, risk-based services to all areas of the organization. This department provides support to VSAC management and to the Audit Committee of the VSAC Board of Directors. Its activities complement, but do not replace, the annual audit of VSAC's finances conducted by an independent accounting firm and federal audits required of organizations like VSAC that participate in federal education loan programs.

Statement of Net Assets (in thousands)**2008****2007****Assets**

Cash and investments	\$93,349	\$270,109
Education loans receivable (including interest)	2,103,775	1,895,433
Other assets	34,722	36,015
Total assets	<u>\$2,231,846</u>	<u>\$2,201,557</u>

Liabilities

Bonds and notes payable (plus interest)	\$2,068,471	\$2,020,066
Arbitrage earnings rebatable	25,390	32,254
Other liabilities	13,140	10,407
Total liabilities	<u>\$2,107,001</u>	<u>\$2,062,727</u>

Net Assets

Restricted	\$62,302	\$85,581
Unrestricted	60,068	51,182
Net investment in property and equipment	2,475	2,067
Total net assets	<u>\$124,845</u>	<u>\$138,830</u>
Total liabilities and net assets	<u>\$2,231,846</u>	<u>\$2,201,557</u>

Statement of Revenues and Expenses (in thousands)**2008****2007****Revenues**

Interest earned from education loan financing	\$142,286	\$147,635
Other loan and guarantee program revenues	5,804	6,537
Investment interest	7,676	10,381
Vermont state appropriations	20,459	18,524
Federal grants	4,867	4,347
Scholarship and gift revenue	3,937	4,598
Other revenue	462	878
Total operating revenues	<u>\$185,491</u>	<u>\$192,900</u>

Expenses

Student aid	\$26,345	\$22,511
Interest rebated to borrowers	6,749	6,074
Interest on debt	100,478	74,653
Other loan financing costs	28,309	38,916
Corporate operating expenses and depreciation	37,595	34,764
Total expenses	<u>\$199,476</u>	<u>\$176,918</u>

Excess (deficit) of revenues over expenses	(13,985)	15,982
Total net assets at the beginning of the year	138,830	122,848
Total net assets at the end of the year	<u>\$124,845</u>	<u>\$138,830</u>

A complete set of financial statements as audited by an independent public accounting firm is available on VSAC's Web site or by request.



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 Board of Directors

Chris A. Robbins, *Chair*

Rep. Martha P. Heath, *Vice Chair*

David Larsen, *Secretary*

Pamela A. Chisholm

David Coates

Virginia Cole-Levesque

Sen. Ann E. Cummings

Dorothy R. Mitchell

G. Dennis O'Brien

Jeb Spaulding, *State Treasurer*

T. Spencer Wright

VSAC Staff Directors

Wanda Arce, *Research*

Donna Austin-Hawley, *Human Resources*

Marilyn Cargill, *Financial Aid Delivery & Operations*

Cody Fiala, *Customer Relations*

Joe Gallagher, *Corporate Services*

Bruce Hicken, *Finance/Controller*

Patrick Leduc, *Information Technology*

Gregg Mousley, *Claims, Collections & Compliance*

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

Irene Racz, *Public Affairs*

Linda Shiller, *Career & Education Outreach*

Dan Sullivan, *Integrated Data & Project Management*

Mary Welz, *Development*

Richard Westman, *Vermont Higher Education Investment Plan*



Vermont Student Assistance Corporation

10 East Allen Street, PO Box 2000, Winooski, VT 05404

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

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.

December 2008

