

Presentation on Montana Higher Education Student Assistance Corporation (MHESAC)

January 12, 2017



Organizational History

- **Montana Higher Education Student Assistance Corporation (MHESAC)**
 - Montana not-for profit entity which commenced operations in 1983
 - Capital source and secondary market for student loans – Federal Family Education Loan Program (FFELP)
 - Provided capital for more than \$2.5 billion in student loans to more than 200,000 Montanans
 - Not only a capital provider but helping to help lower the cost of financing education
 - To date, more than \$55 million in loan principal and interest rate reductions provided to Montanans
- **Managed under a contract with the Student Assistance Foundation (SAF)**
 - Montana not-for profit entity which commenced operations in 2000
 - Student loan servicing organization
 - Management support organization
 - Provides public benefit monies and programs designed to help Montana families and students prepare for, and pay for, the cost of college.
 - To date, more than \$32 million in such public benefits.
- **Proceeds from this model fund public benefit programs for the benefit of Montana students and citizens**
 - Combined MHESAC and SAF have had more than 536,000 individual contacts with Montanans through these programs
 - 70,000 through MHESAC borrower benefits
 - 466,000 through SAF public benefit programs



Changes in Student Loan Industry

- Federal student loans disrupted by “Great Recession” (2007-09)
 - MHESAC provided funding for Montana students until 2010
- Federal Direct Loan Program expanded (mandated) nationwide (2010)
 - Ended a 45 year partnership between the private sector and the federal government to deliver federal student loans
- Servicing of federal direct student loans contracted among five larger servicers and several nonprofit servicers (2012)
- Federal government announces plan to consolidate servicing of federal direct loans to one contract (2016)
- Consolidation among FFEP players escalating; servicers discontinuing operations due to economic constraints of Direct Loan servicing, diminishing FFEL portfolios; servicing charges decreasing (2015- current)



Impact in Montana

- MHESAC's secondary market activity discontinued (ceased delivering new loans) (2010)
- Great Recession negatively impacted MHESAC's economics (2008-2012)
- SAF's serviced portfolio increased then decreased (2010-2016)
- SAF's servicing activity concludes December 2016 due to competitive environment changes

- **TODAY, Both MHESAC and SAF remain operational**
 - Sub- servicing of MHESAC's student loan portfolio recently moved to Aspire Resources
 - SAF and MHESAC in pursuit of new business lines
 - **Montana Public benefit programs rebranded as Reach Higher Montana**
 - Now governed and funded by MHESAC



MHESAC Relationship with Regents

- MHESAC and Regents had very synced relationship until 2007.
 - Some separation implemented then due to political and financial crisis environment.
- MHESAC's financial picture was re-stabilized in 2012 and enhanced in 2016. Today, MHESAC's economics stronger than ever.
- MHESAC made federal tax status changes in 2015 that allow it to expand the ways it can be a major contributor in the Montana college access and success effort.
- Recent restructuring has positioned MHESAC to be a strong partner with the Regents in the go-forward as we all work cooperatively to enhance college access and success.
- MHESAC Board, Management and OCHE have recently re-instituted enhanced communication and coordination.



New and Emerging Business Activities

- MHE SAC

- Responsible for its \$900 million student loan portfolio and related financing
- Possible investor in initiatives and entities that provide products and services that enhance the ability of students and families to address the cost of higher education
- Provide products to assist with planning for, and paying for, higher education
- Governs and funds Reach Higher Montana

- SAF

- Remains the contracted manager and master servicer for MHE SAC
- Pursuing contracts for management and master servicing opportunities with others in the student loan industry
- Pursuing contracts for management and backroom support services to Montana not-for-profits



Reach Higher Montana

- Continuation of public benefit activities to Montana citizens
 - FAFSA Completion
 - Scholarships to Montanans
 - Foster Care Education and Training Vouchers
 - Summit for Youth in Foster Care
 - College Access and Success Statewide Outreach to students and parents – RHM Offices in Helena, Billings, Bozeman, Butte, Great Falls, Missoula, Flathead
 - Support for Montana College Access Network
- MHESAC's restructuring positions it to provide up to \$1.3 million annually for RHM college access and success programs through at least 2027 (and likely beyond)
- RHM commencing Strategic Planning for future Montana public benefit programs



Questions?

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