

FISCAL YEAR 2014-2015

---

# PHEAA BRIEFING MATERIALS

---



---

# TABLE OF CONTENTS

---

PHEAA’s Overview ..... 2

PHEAA-Administered Programs ..... 4

Pennsylvania State Grant Program ..... 5

    Maximum Award History – PA State and Federal Pell Grants (Chart 1) Pg. 6

    Average State Grant Award Purchasing Power (Chart 2) Pg. 7

Special Programs ..... 8

PHEAA’s Public Service Initiatives ..... 9

Revenue Streams ..... 10

School & Community Partnerships ..... 11

PHEAA-Managed Assets..... 12

    Total Assets Managed (Chart 3) Pg. 12

    Total Assets Managed vs. Personnel (Chart 4) Pg. 13

PHEAA Board of Directors ..... 14

---

---

# PHEAA'S OVERVIEW

---

**T**he Pennsylvania Higher Education Assistance Agency (PHEAA) recently marked its 50th anniversary since being created by an act of the Pennsylvania General Assembly on August 7, 1963.

This act was followed by a voter referendum on November 5, 1963 that approved the act and amended the Pennsylvania Constitution to authorize for the first time grant and loan-making to individuals pursuing postsecondary education. Everything PHEAA undertakes in fulfillment of its mandate is focused on helping Pennsylvania students achieve an affordable higher education. For 5 decades, we have helped generations of Pennsylvanians from all walks of life to afford a college education.

PHEAA was established as an independent public corporation in order to improve postsecondary education opportunities for Pennsylvania students and families. The agency identified its core mission, "Creating Affordable Access to Higher Education," and set out to provide financial aid services and support to that end, through a variety of programs.

## PHEAA'S LINES OF BUSINESS

PHEAA's mission is one of public service and, in order to fulfill it, the agency has developed several business lines in the financial services industry that provide funding to support Pennsylvania students and families. PHEAA conducts student loan servicing activities nationally as FedLoan Servicing and American Education Services (AES).



FedLoan Servicing services loans owned by the federal government, one of the few chosen contracted servicers selected for the nation's growing federally-owned student loan portfolio. AES is one of the largest third-party loan servicers in the country, serving national banks, community banks, credit unions, secondary market loan owners, private education loan owners, and the federal government. As of June 30, 2013, we were servicing \$140.9 billion of federally-owned loans and \$59.2 billion of third-party and PHEAA-owned loans, totaling \$200.1 billion. The funds generated from these extensive servicing operations are used to improve educational opportunities and increase the affordability of college for Pennsylvania students.

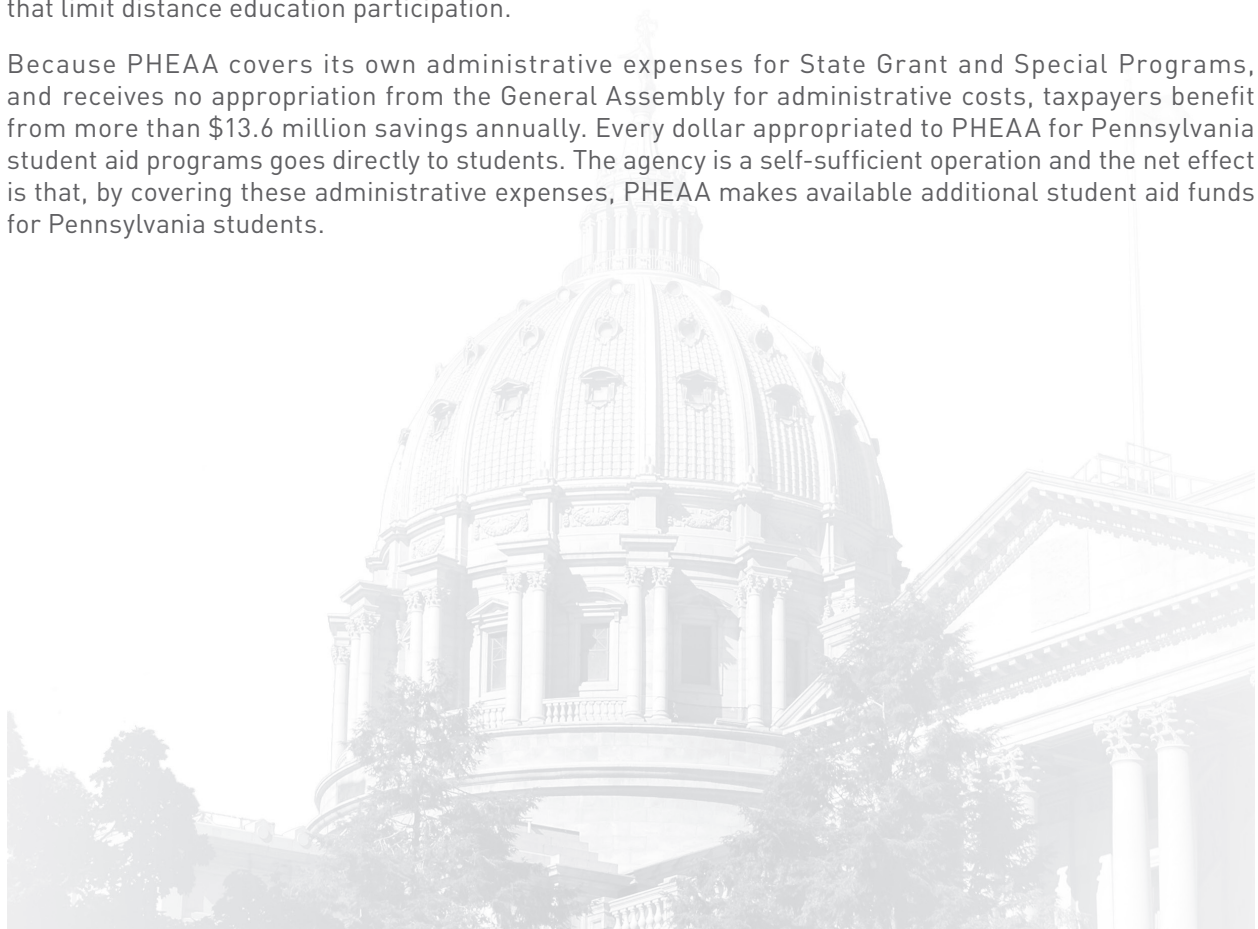
## PA STATE GRANT & SPECIAL PROGRAMS

In 1966, the Pennsylvania State Grant Program was created by the General Assembly and, shortly thereafter, the programs administered by PHEAA were expanded to include a multimillion dollar federal funds matching program, which was designed to capture increasing amounts of new federal dollars available for additional student aid. Today, the State Grant Program comprises approximately 179,500 awards for the 2013-14 academic year and preceding summer for a total of \$452 million.

For the 2013-14 academic year, pursuant to Act 59 of 2013, PHEAA expanded the State Grant Program for the purposes of providing State Grant awards to online students at participating institutions while gathering vital data concerning the number of Pennsylvania residents receiving postsecondary education through online learning.

This 5-year pilot program allows students enrolled at eligible participating institutions in programs of study that are structured more than 50 percent online or for students who are enrolled online for more than 50 percent of their term credits to be eligible to receive a Pennsylvania State Grant. These students would otherwise have been ineligible for State Grant assistance under current regulations and policies that limit distance education participation.

Because PHEAA covers its own administrative expenses for State Grant and Special Programs, and receives no appropriation from the General Assembly for administrative costs, taxpayers benefit from more than \$13.6 million savings annually. Every dollar appropriated to PHEAA for Pennsylvania student aid programs goes directly to students. The agency is a self-sufficient operation and the net effect is that, by covering these administrative expenses, PHEAA makes available additional student aid funds for Pennsylvania students.



# PHEAA-ADMINISTERED PROGRAMS

**I**n addition to the State Grant Program, PHEAA administers a variety of programs at the request of the General Assembly at no cost to taxpayers so that every dollar appropriated by the Legislature is used for program participants.

PROGRAMS	2012-13 BUDGET	2013-14 BUDGET	2014-15 REQUEST TO GOVERNOR'S BUDGET OFFICE	2014-15 GOVERNOR'S PROPOSED BUDGET
<b>STATE GRANT PROGRAM</b>				
<b>Grants to Students</b>	\$344,888,000	\$344,888,000	\$362,132,000	\$344,888,000
<b>PHEAA State Grant Supplement*</b> <small>PHEAA provides revenue generated by its loan servicing business to the State Grant Program, as determined by the Board of Directors.</small>	\$75,000,000	\$75,000,000	\$75,000,000 <i>(anticipated)</i>	\$75,000,000
<b>PHEAA State Grants to Distance Education Students*</b> <small>PHEAA provides revenue generated by its loan servicing business to the State Grant Distance Education Pilot Program, as determined by the Board of Directors.</small>	n/a	\$10,000,000	\$10,000,000 <i>(anticipated)</i>	\$10,000,000
<b>STATE GRANT PROGRAM FUNDING SUBTOTAL</b>	<b>\$419,888,000</b>	<b>\$429,888,000</b>	<b>\$447,132,000</b>	<b>429,888,000</b>
<b>SPECIAL PROGRAMS</b>				
<b>Institutional Assistance Grants (IAG)</b> <small>Assists independent, postsecondary institutions maintain enrollment levels and stabilize their educational costs.</small>	\$24,389,000	\$24,389,000	\$25,608,000	\$24,389,000
<b>Matching Funds Program</b> <small>Provides a match for federal and other funds to postsecondary schools, foundations, and employers. Programs under this umbrella include Federal and State Work-Study Programs and Partnerships for Access to Higher Education (PATH).</small>	\$12,496,000	\$12,496,000	\$13,121,000	\$12,496,000
<b>Horace Mann Bond-Leslie Pinckney Hill Scholarship Program</b> <small>Supports graduates of PA Historically Black Colleges &amp; Universities to pursue selected professional and graduate educational programs at PA state-related universities.</small>	\$534,000	\$534,000	\$534,000	\$534,000
<b>Cheyney Keystone Academy Program</b> <small>Helps with recruitment and enrollment of gifted students at Cheyney University of Pennsylvania.</small>	\$1,525,000	\$1,525,000	\$2,000,000	\$1,525,000
<b>Higher Education for Disadvantaged Students</b> <small>Provides support services for undergraduate students whose cultural, economic and educational disadvantages might impede their ability to successfully pursue higher education opportunities.</small>	\$2,246,000	\$2,246,000	\$2,358,000	\$2,246,000
<b>Higher Education of Blind or Deaf Students</b> <small>This program helps to defray the necessary expenses of any blind or deaf student who is a Pennsylvania resident and is enrolled in an eligible institution of higher education.</small>	\$47,000	\$47,000	\$49,000	\$47,000
<b>PA Targeted Industry Program (PA-TIP)*</b> <small>Provides grants to students for programs of study less than 2 years in length in the agriculture, energy or advanced manufacturing fields.</small>	\$5,000,000	\$5,000,000	\$5,000,000 <i>(anticipated)</i>	\$6,000,000
<b>Internship Program</b> <small>Provides scholarships to PA residents attending PA-based colleges and universities and pursuing an internship through The Washington Center for Internships and Academic Seminars; funded by PHEAA revenues in 2012-13.</small>	\$200,000	\$350,000	\$0	\$0
<b>Ready to Succeed Scholarships</b> <small>Funding for students from middle-income Pennsylvania families.</small>	n/a	n/a	\$0	\$25,000,000
<b>SPECIAL PROGRAMS FUNDING SUBTOTAL</b>	<b>\$462,370,000</b>	<b>\$465,870,000</b>	<b>\$48,670,000</b>	<b>\$72,237,000</b>
<b>PROGRAMS FUNDING TOTAL</b>	<b>\$466,125,000</b>	<b>\$476,475,000</b>	<b>\$495,802,000</b>	<b>\$502,125,000</b>

\*Program supplements and support for the 2014-15 will be determined by the PHEAA Board of Directors during the 2014-15 Commonwealth budget process; the BOD has already committed \$25 million to the State Grant Program for 2014-15.

---

# PENNSYLVANIA STATE GRANT PROGRAM

---

**S**ince Program inception, PHEAA has served as the sole administrator of the Program, distributing over \$9 billion in State Grant awards. This represents over 6.2 million awards through the end of the 2012-13 award year.

The 2010-11 report, the most recent available, from the National Association of State Student Grant and Aid Programs (NASSGAP) indicates that Pennsylvania ranks third in the nation for award dollars provided by state need-based financial aid programs.

For 2013-14, almost 700,000 Pennsylvanians filed a Free Application for Federal Student Aid (FAFSA), the first step in obtaining a State Grant. PHEAA continues to seek opportunities to simplify the application process and encourage students to explore all sources of aid available to them. For 2013-14, Pennsylvania was one of only nine states that participated with the United States Department of Education with a direct electronic interface between the online FAFSA application and our own online State Grant Form (SGF). This initiative allows students and families to apply for both state and federal aid in one easy process, 24/7.

## CHART 1

Illustrates the federal Pell Grant and Pennsylvania State Grant award maximums and averages over the past 5 years and projections for 2014-15.

Pennsylvania ranks in the top 10 states nationally in terms of the number of Pell Grant recipients and total award dollars provided. Approximately 77 percent of State Grant recipients were also Pell Grant recipients in 2013-14.

## CHART 2

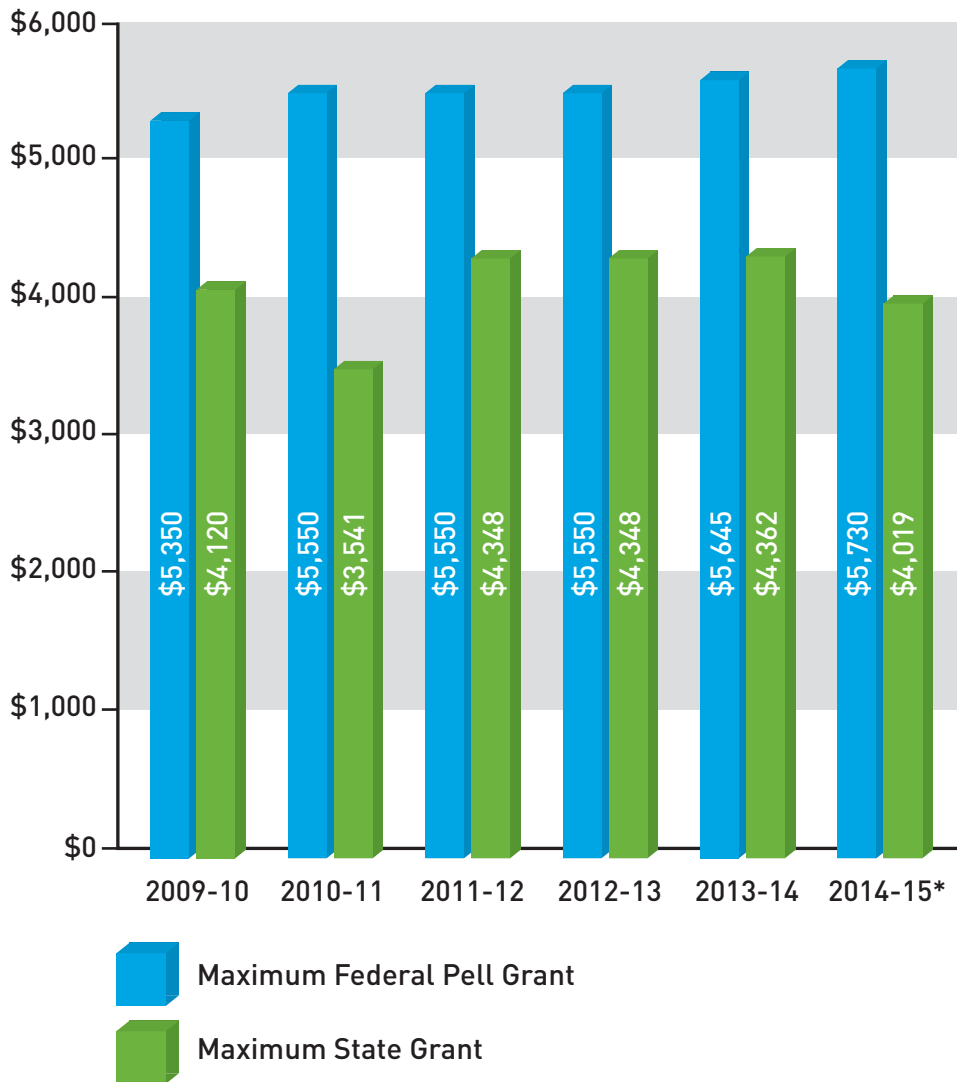
Illustrates the average State Grant award as a percentage of tuition and fees, or the purchasing power, over the past 5 years and projections for 2014-15. The current estimate used for this projection restrains the actual number of recipients for 2014-15 in order to sustain purchasing power. The final decision on the 2014-15 award formula will be determined in late April by PHEAA's Board of Directors. However, the downward trend is a concern as families struggle to meet college costs which continue to rise.

For 2014-15, the final value of the average award will reflect the combined impact of several factors: 1) availability of resources, especially the Commonwealth appropriation, 2) cost of attendance inflation and 3) the impact of the economy on the number of Pennsylvanians choosing postsecondary participation and the resources they have available to spend on this choice.

## CHART 1

### Maximum Award History - PA State & Federal Pell Grants

Years 2009-10 through 2014-15 (est.) as available



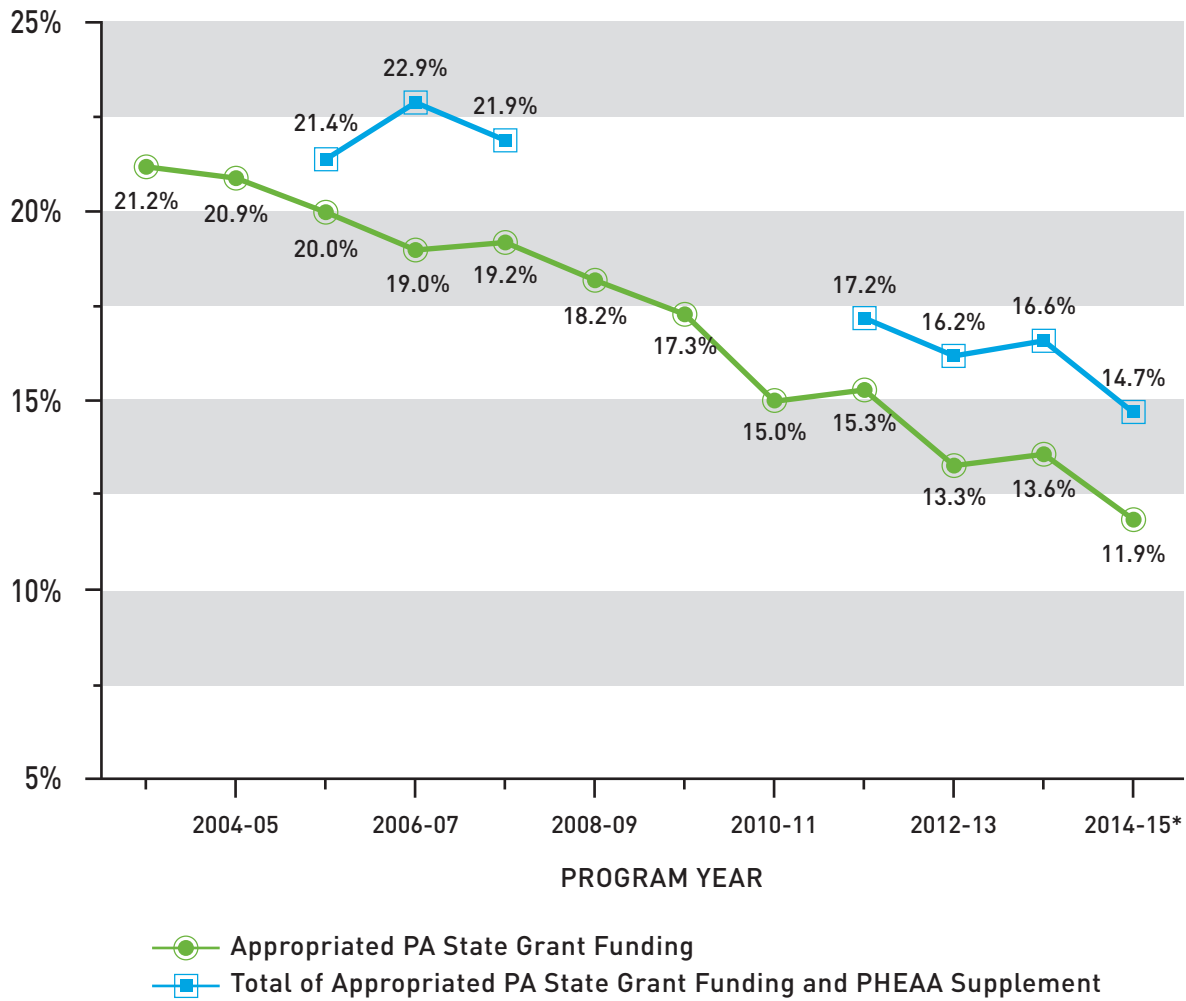
\* Note: The State Grant maximum award is based on the Governor's proposed budget and PHEAA's \$75 million anticipated supplement.

## CHART 2

### Average State Grant Award as a Percentage of Average Tuition & Fees at Postsecondary Institutions

Program Years 2003-04 through 2014-15 (est.)

#### AVERAGE AWARD AS % TUITION & FEES



\*Note: The State Grant maximum award is based on the Governor's proposed budget and PHEAA's \$75 million anticipated supplement.



---

# SPECIAL PROGRAMS

---

**P**HEAA administers a number of “Special Programs” that support a variety of focused objectives, including:

- **HORACE MANN BOND-LESLIE PINCKNEY HILL SCHOLARSHIP PROGRAM**  
Developed to support graduates of PA Historically Black Colleges to pursue selected professional and graduate educational programs at PA State-related universities
- **CHAFEE EDUCATION AND TRAINING GRANT PROGRAM**  
Provides federal grants to foster youth to provide additional resources for the cost of postsecondary and vocational training
- **CHEYNEY KEYSTONE ACADEMY PROGRAM**  
Recruits gifted students to enroll at Cheyney University of Pennsylvania
- **EDUCATIONAL ASSISTANCE PROGRAM FOR NATIONAL GUARD MEMBERS**  
Provides grants to full-and part-time National Guard members who commit to a 6-year enlistment in the PA National Guard
- **HIGHER EDUCATION FOR DISADVANTAGED STUDENTS**  
Provides support services for undergraduate students whose cultural, economic and educational disadvantages might impede their ability to successfully pursue higher education opportunities; also known as Higher Education Equal Opportunity Program (Act 101)
- **HIGHER EDUCATION OF BLIND OR DEAF STUDENTS**  
Helps to defray the necessary expenses of any blind or deaf student who is a Pennsylvania resident and is enrolled in an eligible institution of higher education
- **INSTITUTIONAL ASSISTANCE GRANT (IAG) PROGRAM**  
Provides support to private postsecondary schools to develop and preserve a planned system of higher education
- **MATCHING FUNDS PROGRAM**  
Provides matching funds for federal dollars to match private foundation scholarships, to help maximize student awards, and to supply work experience for students in community service agencies or areas related to their major
- **POSTSECONDARY EDUCATIONAL GRATUITY PROGRAM**  
Provides waivers of institutional charges at state-owned and supported institutions of higher education for children of selected service members who died in the line of duty
- **PENNSYLVANIA INTERNSHIP PROGRAM**  
Supports internship opportunities offered through The Washington Center for Internships and Academic Seminars
- **PENNSYLVANIA TARGETED INDUSTRY PROGRAM (PA-TIP)**  
Provides grants to students pursuing short term educational programs in the energy, materials and diversified manufacturing, and agriculture and food production fields

PHEAA works collaboratively with a number of other agencies to administer these Special Programs, including the Pennsylvania Departments of Education, Public Welfare, Labor and Industry, and Military and Veterans Affairs, in addition to the Pennsylvania State System of Higher Education.

As with the State Grant Program, all administrative costs for Special Programs are covered through PHEAA's business earnings. This allows \$3.2 million dollars per year, which would be used for administrative costs, to go to students, schools and employers.

---

# PHEAA'S PUBLIC SERVICE INITIATIVES

---

**A**s part of its core mission, PHEAA works directly with Pennsylvania's secondary and postsecondary schools and provides outreach services to middle and high school students and their families about the importance of higher education.

PHEAA's Pennsylvania School Services group plays a vital role in PHEAA's outreach effort, through which we reach students, parents, teachers, school counselors, financial aid administrators, staff from community and social agencies, and the general public.

Our strategically-located team members--Higher Education Access Partners--provide financial aid presentations and FAFSA Completion Sessions, promote our career-and college-planning websites, and support awareness of state and federal student aid programs. The team also works specifically with lower-income students and secondary schools with low college attendance rates – all while strengthening relationships with like-minded organizations to create greater awareness of the importance of higher education.

During the 2012-13, our Higher Education Access Partners conducted more than 1,000 financial aid, FAFSA completion and early awareness events for more than 90,000 participants. They also hosted 59 training workshops for high school counselors and community organizations and conducted 410 visits to Pennsylvania high schools, postsecondary schools and other organizations.

PHEAA's [EducationPlanner.org](http://EducationPlanner.org) offers middle and high school students and teachers the information needed to proactively explore career paths. The site also offers a comprehensive overview, complete with calculators and worksheets, of the entire college-planning process, including detailed financial aid information. Additionally, [EducationPlanner.org](http://EducationPlanner.org) provides a gateway to one of the nation's largest free scholarship search engines.

Each year, PHEAA provides its "Pennsylvania Guide to Student Aid", the most complete financial aid planning publication available to Pennsylvania's high school students. PHEAA also distributes its "Funding Your Future" mailing to high school seniors who take the SAT/ACT test during their junior year, as well as publishes five monthly eNewsletters for audiences ranging from college-bound high school students to recent college graduates.

PHEAA's outreach services provide guidance and support to Pennsylvania students, families and the education community from early career-and college-planning activities through the college years and on to establishing a solid financial base for college graduates.

Most recently, PHEAA launched an online resource to help students and parents make smart borrowing decisions early in the planning process, ensuring manageable debt after graduation.

Our newest college-planning resource, [MySmartBorrowing.org](http://MySmartBorrowing.org), provides a unique interactive tool that includes estimators that assist users in identifying their possible cost of a higher education at different schools, future salary expectations for a particular degree, availability of related employment opportunities, and their potential ability to repay student loans comfortably while also affording an independent lifestyle after graduation.

[MySmartBorrowing.org](http://MySmartBorrowing.org) is the latest enhancement to PHEAA's award-winning college-planning website, [EducationPlanner.org](http://EducationPlanner.org), or directly at [MySmartBorrowing.org](http://MySmartBorrowing.org).

---

# REVENUE STREAMS

---

## LENDING AND SECONDARY MARKETS

PHEAA ceased the origination and purchasing of student loans in 2008 when PHEAA suspended its activities as a lender. PHEAA began purchasing student loans from financial institutions again in 2012. As of December 31, 2013, PHEAA owned \$7.3 billion, including federally guaranteed and private student loans. The federal government is the primary originator of federal loans and banks are the primary lender for private loans.

## SERVICING

PHEAA services student loans for financial institutions that choose not to service the loans they own, due to the complicated federal regulations related to student loans. PHEAA services commercial loans under American Education Services (AES). In 2010, PHEAA began servicing loans for the U.S. Department of Education under the name of FedLoan Servicing.

## INFORMATION TECHNOLOGY SERVICES

PHEAA provides services to lenders and not-for-profit organizations throughout the country that choose not to make the substantial investment in the technology necessary to originate, guarantee, and service loans.

---

# SCHOOL & COMMUNITY PARTNERSHIPS

---

## ADVISORY COMMITTEES

PHEAA has always engaged higher education partners, including financial aid administrators, secondary school personnel, state agencies, and community organizations, to solicit input about financial aid programs, outreach efforts and operational processes. In addition to individual contacts, advisory committees are established to provide a formal and efficient mechanism to present information and questions, consult with the participants, gather the information and, ultimately, use the advice and recommendations to enhance programs and services. The advisory committees include the following:

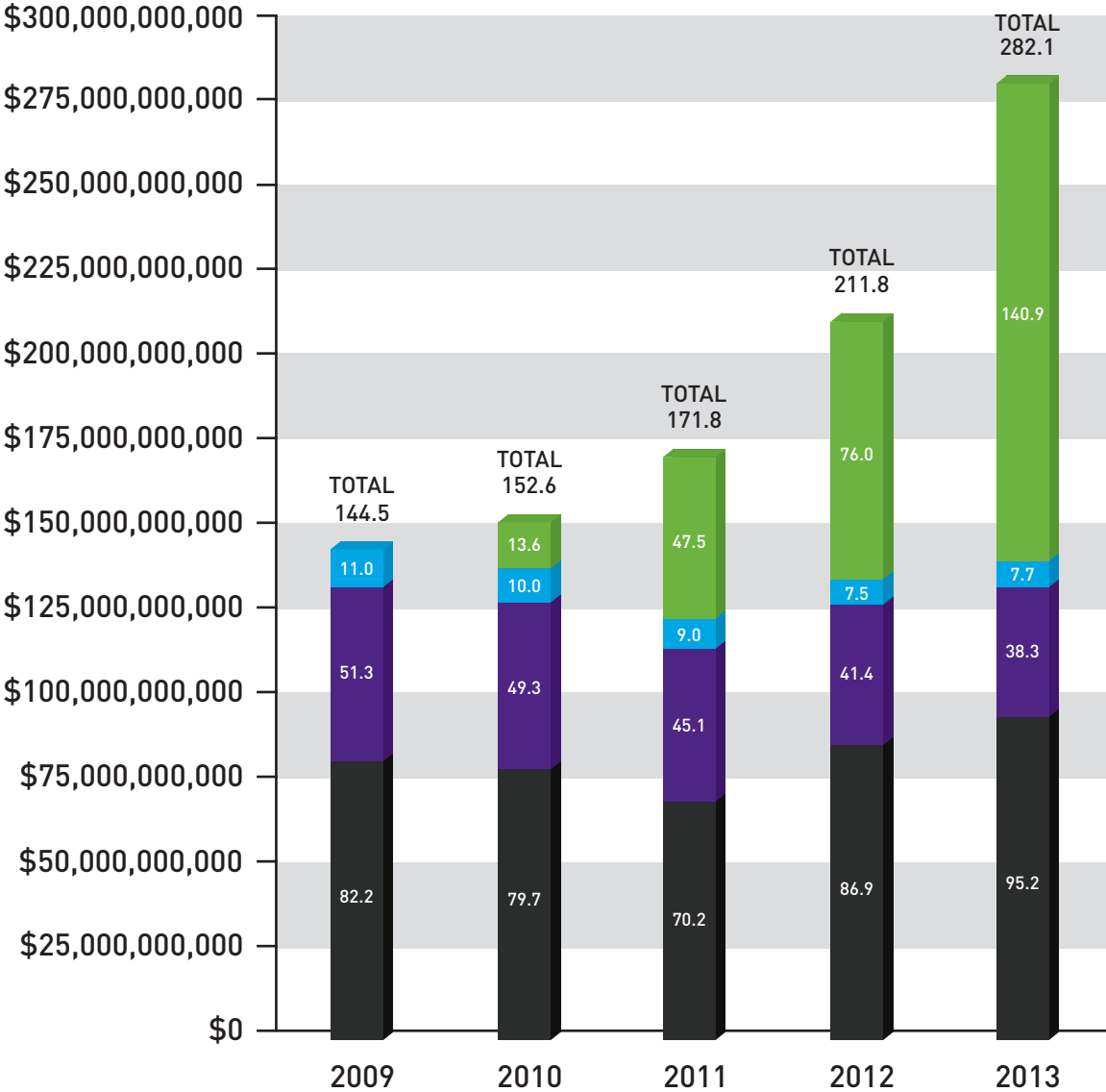
- **STATE GRANT ADVISORY COMMITTEE**  
Participants include representatives from secondary and postsecondary schools and higher education organizations. These experienced individuals provide perspectives on State Grant policy and the annual award formula and parameters.
- **MATCHING FUNDS ADVISORY COMMITTEE**  
This committee focuses on the State Work-Study Program component of the Matching Funds appropriation and, therefore, the participants are drawn from the postsecondary and employer partners in this employment program and provide input on program parameters, operations and materials.
- **GRANTS AND PROGRAMS ADVISORY COMMITTEE**  
Participants include representatives from a cross-section of postsecondary schools who review procedures related to program operations, communications and processes for the State Grant and Special Programs.
- **PARTNERSHIPS FOR ACCESS TO HIGHER EDUCATION (PATH) ADVISORY COMMITTEE**  
Nonprofit organizations and foundations that participate in this program meet to provide guidance on program operations, services and participation.
- **HIGHER EDUCATION FOR DISADVANTAGED STUDENTS (ACT 101)**  
Composed of Act 101 directors and enrollment support specialists, this advisory committee provides feedback and guidance on program operations and best practices in meeting the special needs of economically and educationally disadvantaged students.

# PHEAA-MANAGED ASSETS

CHART 3

## Total Assets Managed

Years ended June 30

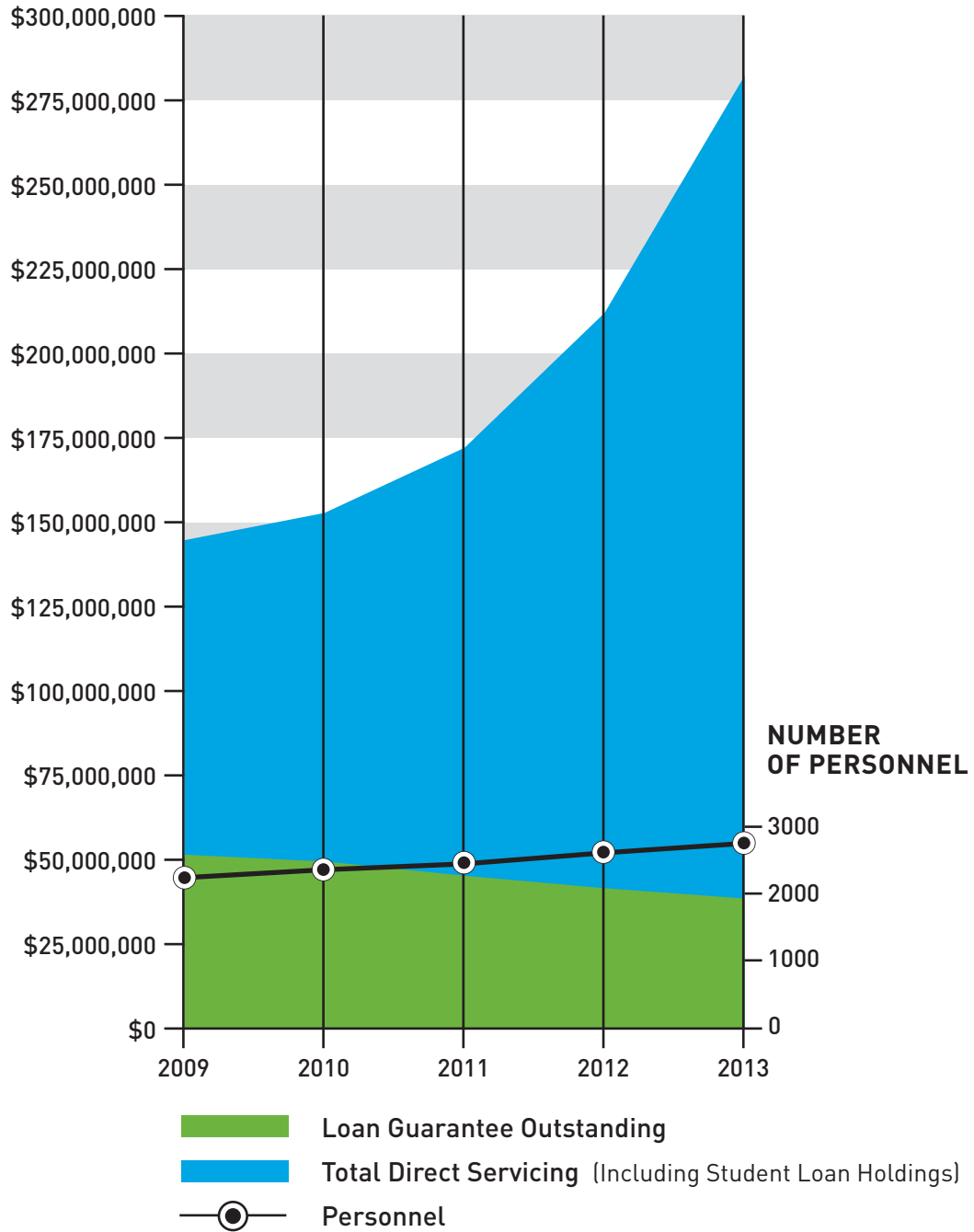


- 3<sup>rd</sup> Party-Owned Assets (AES)
- PHEAA-Owned Assets (AES)
- Guarantee Volume
- Federally-Owned Assets (FedLoan Servicing)

## CHART 4

### Total Assets Managed vs. Personnel

Years ended June 30



---

# PHEAA BOARD OF DIRECTORS

---

Representative William F. Adolph, Jr.  
Chairman, Springfield

Senator Wayne D. Fontana  
Vice Chairman, Pittsburgh

Representative Matthew Bradford  
Worcester

Representative Mike Carroll  
Avoca

Representative Paul I. Clymer  
Sellersville

Senator Edwin B. Erickson  
Newtown Square

Senator Lawrence M. Farnese, Jr.  
Philadelphia

Senator Mike Folmer  
Lebanon

Representative Jaret Gibbons  
Ellwood City

Senator Vincent J. Hughes  
Philadelphia

Representative Sandra J. Major  
Montrose

Representative Michael Peifer  
Greentown

Mr. D. Raja  
Pittsburgh

Honorable Roy Reinard  
Holland

Representative James R. Roebuck, Jr.  
Philadelphia

Senator Joseph B. Scarnati, III  
Jefferson

Chancellor Timothy R. Thyreen  
Waynesburg

Senator Robert M. Tomlinson  
Bensalem

Senator John N. Wozniak  
Johnstown

Dr. Carolyn C. Dumaresq  
Acting, PA Secretary of Education

---

# NOTES

---



---

# NOTES

---

Created in 1963 by the Pennsylvania General Assembly, the Pennsylvania Higher Education Assistance Agency (PHEAA) has evolved into one of the nation's leading student aid organizations. Today, PHEAA is a national provider of student financial aid services, serving millions of students and thousands of schools through its loan guaranty, loan servicing, financial aid processing, outreach, and other student aid programs.

PHEAA's earnings are used to support its public service mission and to pay its operating costs, including administration of the Pennsylvania State Grant and other state-funded student aid programs. PHEAA continues to devote its energy, resources and imagination to developing innovative ways to ease the financial burden of higher education for students, families, schools, and taxpayers. PHEAA conducts its student loan servicing activities nationally as American Education Services (AES) and FedLoan Servicing.

[PHEAA.org](http://PHEAA.org)

800.692.7392



Pennsylvania Higher Education Assistance Agency

**PENNSYLVANIA HIGHER EDUCATION ASSISTANCE AGENCY**

1200 North Seventh Street, Harrisburg, PA 17102-1444

These materials have been developed and paid for by PHEAA for informational purposes.  
The information contained herein is believed to be accurate at the time of printing.

LA-GACHB  
060514