



Vision

2010 Annual Report



Support from USA Funds bolsters
Latino student success.

2010 Executive Message

The Rev. Theodore M. Hesburgh, former president of the University of Notre Dame, once said, "The very essence of leadership is that you have to have vision." During 2010 our governing board, management and staff focused much of their energy on reshaping the organization's vision to continue USA Funds® leadership role in enhancing preparation for, access to and success in higher education.

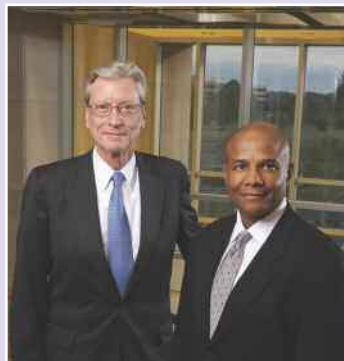
The federally mandated end of new guaranteed student loans through the Federal Family Education Loan Program prompted dozens of inquiries from representatives of colleges and universities about the future of the valued services that USA Funds had been providing to postsecondary institutions in our role as a FFELP guarantor. We feature two of these in-demand services — our financial literacy program for college students and our training services to campus financial aid administrators — in greater detail later in this annual report.

USA Funds responded by declaring its vision to continue to support postsecondary institutions with services that help them better serve their students, through student loan borrower counseling, debt management, default prevention, student retention and success, student aid program compliance and related services. To realize this vision, USA Funds in 2010 established a new school and student services division, staffed

with experienced consultants to higher education, customer support experts and financial aid training specialists. This team is consulting with their campus contacts throughout the nation to develop new and enhanced services that advance our nonprofit mission through direct services to postsecondary institutions.

During the past decade, USA Funds' access and outreach programs have provided more than \$100 million in scholarships to students and grants to nonprofit organizations to improve student access to and success in higher education. During 2010 our access and outreach programs took the first steps in a new strategic direction with a more focused vision for our grant-making to benefit populations that face special barriers to higher education. As illustrations of this new focus, we feature in this report students whose futures are brighter because of USA Funds' support of a Latino Scholarship Fund in Indiana and the Advancement Via Individual Determination program in Kansas.

USA Funds continues to be responsible for more than \$90 billion in federal student loans that it previously guaranteed. During 2010, with the oversight and concurrence of our governing board, USA Funds' staff hammered out the details of a vision for continuing our support of students,



Carl C. Dalstrom (left)
President and Chief Executive Officer

Ernest J. Newborn II
Chairman

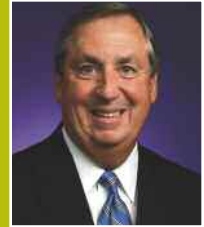
former students, and their parents to help them successfully repay their federal education loans. As detailed later in this report, USA Funds continues to invest in intensive default prevention programs that have a better than 93 percent success rate in helping student loan borrowers resolve serious repayment issues. We also offer the support of an ombudsman to help borrowers who face special challenges with their student loans.

With our vision for the future firmly established, we look forward in 2011 to continuing our role as a national leader that works to ensure every deserving student has the opportunity to benefit from higher education. ■

Vision:

Access and Outreach

Bob Ballard, USA Funds Senior Vice President, Access and Outreach



USA Funds' access and outreach division continues to focus on advancing postsecondary education preparedness, access and success. Our grant-making primarily targets programs and services assisting under-served, low-income middle school and high school students, students of color, and first-generation postsecondary students.

Our strategy for grant-making has evolved during 2010, with a new award cycle that is allowing us to better manage the grant-making process and become more familiar with our grant recipients and the work they do. We continue to examine approaches to awarding grants that allow us to be more focused, innovative and impactful.

For 2011 we look forward to establishing and cultivating collaborative partnerships to best reach and serve our target audiences. As one organization we can make a difference — but by pairing our knowledge and resources with like-minded organizations, we can have an even greater impact.

We're also expanding our grant-making, with a particular emphasis on persistence in and completion of higher education. As part of that effort, in March we'll announce the recipients of two, \$1 million awards to promote college success, the USA Funds Trustees' National Award for College Success and the USA Funds John Burkhart Indiana Award for College Success.

Helping to inform our grant-making strategy will be a newly assembled national access and outreach advisory council.

Now is a time of change at USA Funds, and part of those changes are new approaches to access and outreach. We move forward with new strategies and the optimism that our grant-making will have a positive impact on our targeted audiences. ■



A young man with a goatee, wearing a pink button-down shirt and a backpack, smiling in a hallway. The background shows a modern building with large windows and columns.

Program Ignites Passion for Student Leadership

USA Funds-supported efforts helped Christian Lozano
prepare and pay for college.

As Christian Lozano prepares to discuss the student leadership and community activities in which he's involved, he adds a disclaimer that he's "taking it easy" this year.

But his work as a sophomore at Indiana University-Purdue University Indianapolis seems far from "easy" — unless you compare it with his list of activities from his freshman year.

Since Lozano arrived on campus in 2009, he's become a leader in countless activities — ranging from student mentoring, to campus housing government, to community outreach in Indianapolis and elsewhere in the country. Meanwhile, he maintains a grade point

in Indiana. The 2010 Latino Scholarship Fund Dinner raised more than \$150,000.

In what he now calls "the best decision I ever made," Lozano got involved in Project Stepping Stone while he was a senior at East Chicago High School in Indiana. The program offers a one-week college preparatory session as well as college and workplace visits. The passion for learning and leadership that Lozano developed in the program have earned him a variety of college scholarships — including two through Project Stepping Stone.

USA Funds also provides funding for a number of other groups that work to advance higher education

preparedness, access and success for Latino students across the United States. In the last decade, for example, USA Funds has provided \$1 million to the national Hispanic Scholarship Fund, with \$100,000 awarded in 2010. USA Funds' support for *Excelencia* in Education, which advances policies and practices that support Latino educational achievement, has reached \$350,000 in the last five years.

Sergio Aguilera, retired consul of Mexico for Indianapolis, helped to establish the Indiana Latino Scholarship Fund in 2008. He continues to work with USA Funds on that effort and in other initiatives that aim to advance Latino student achievement.

"We want to continue to support students who are motivated to go to college, but we don't want to stop at access. We want to make sure they succeed," Aguilera says. "With the help of USA Funds, we're enjoying additional support to do that."

Once Lozano completes his undergraduate work, he'd like to pursue a career in business or higher education. As he decides which route to take after receiving his degree, he's also focusing on how best to serve others while he's still in school.

Among his current activities are mentoring freshmen and Latino students, volunteering at the local Ronald McDonald House each week, leading the planning for an "alternative spring break" of community service, and chairing his fraternity's philanthropy committee.

"Organizations that support scholarships are investing in students' education," he says. "To repay that investment, I stay active on campus and in the community. I gain experience and knowledge from everything I'm doing, and I'm excited to keep learning and growing." ■

"Organizations that support scholarships are investing in students' education. To repay that investment, I stay active on campus and in the community."

— Christian Lozano, recipient of USA Funds-sponsored scholarships


average of 3.4 as he pursues a bachelor's degree in business marketing and supply chain management.

The 20-year-old traces his interest in student leadership to his work with Project Stepping Stone.

"The knowledge I gained through that program made me want to go to IUPUI to be part of opportunities for Latino students," he says. "I developed a passion to be successful, and to have bigger goals for myself."

Project Stepping Stone is a college preparatory program for Indiana Latino high school students. USA Funds is a sponsor of the program, which is one of the initiatives USA Funds supports through the Indiana Latino Scholarship Fund. USA Funds has provided \$150,000 to the Latino Scholarship Fund during the past three years, with \$100,000 of that amount awarded in 2010.

Fundraising events that USA Funds has supported have garnered an additional \$500,000 for multiple organizations that offer scholarships to Latino students



Christian Lozano (center) is a sophomore at Indiana University-Purdue University Indianapolis.

Support Expands College Preparatory Efforts

About a decade ago, the teachers at Wichita North High School in Kansas got a wake-up call.

As the urban population that the school serves shifted, the school's enrollment changed as well. Where North's students had been mostly white and middle class, they now were mostly minority and many were living in poverty.

In 2002 North High School learned that its graduation rate was 48 percent — the second-worst in the state.

Stacie Valdez, then an English teacher at the school, joined others in looking for ways to address the issues facing the school's students. Of the several initiatives undertaken, one still stands out as a success not only at North but also at other buildings in Wichita Public Schools: AVID.

AVID, or Advancement Via Individual Determination, is an endeavor that USA Funds supports in Wichita schools. The national program targets students who are in the academic middle but have the desire to go to college and the willingness to work hard.

By the 2008-2009 school year, North High School's graduation rate jumped to 85 percent. The following year, Valdez became AVID's district-wide director and turned to USA Funds for help expanding the program.

"AVID is changing the culture of the schools, and it's changing it in some ways you can't even describe," Valdez says. "You walk in and see college signs everywhere. You hear people saying that college is an option. We're not accepting the mediocre anymore."

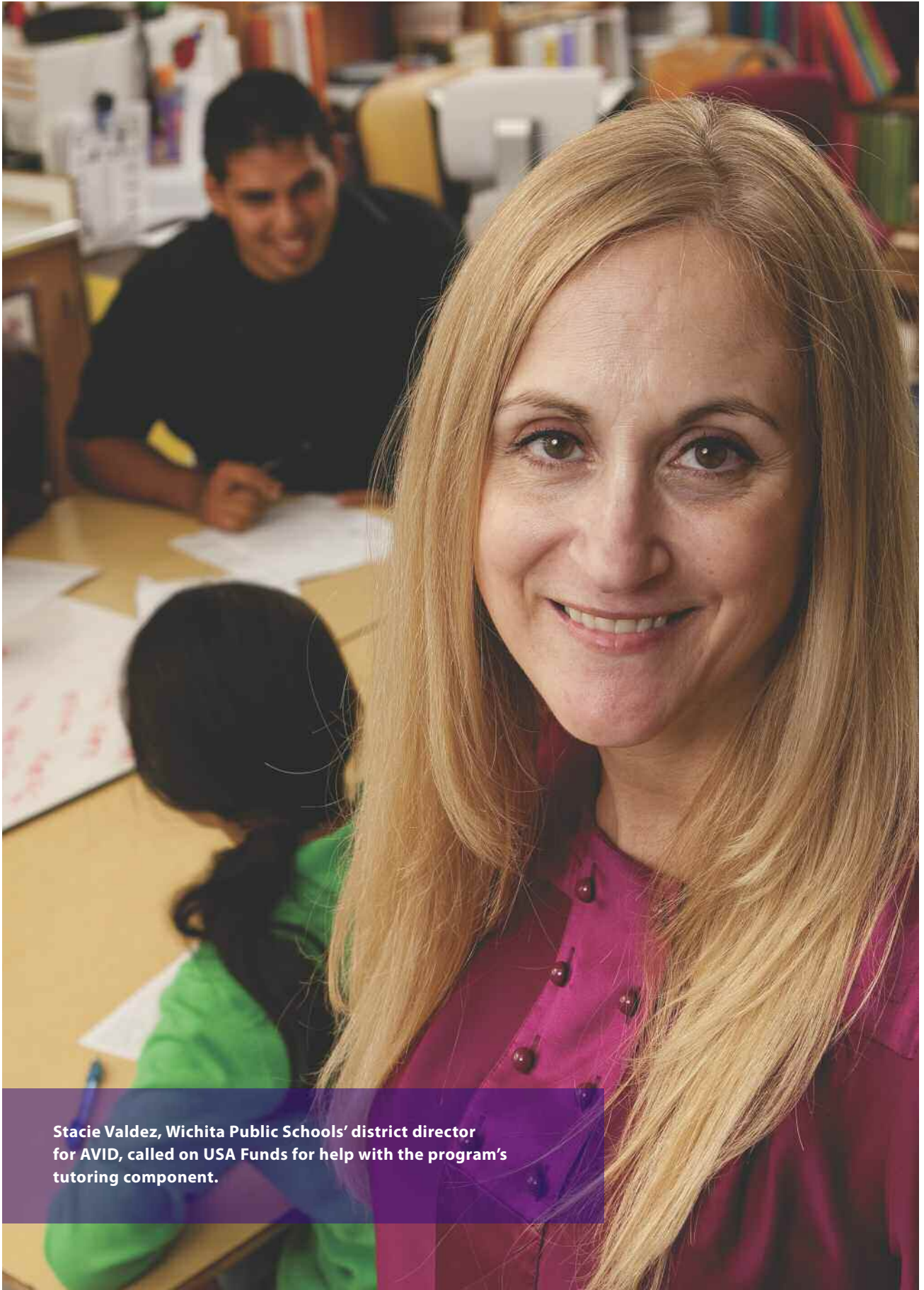
AVID places participating students in rigorous courses and provides support with studying and with college entrance and placement exams. The program also offers family workshops and field trips to colleges and businesses, as well as a community service component.

As AVID branched out to other schools in the district, Valdez noticed that two of the schools were struggling to offer tutoring that met the standards established by AVID. USA Funds' grants have funded AVID tutor training and have allowed Wichita schools to expand their tutoring — and the program overall, with some 150 additional students now involved.

USA Funds has provided nearly \$91,000 to support AVID in Kansas in the past two years — with nearly \$61,000 awarded in 2010. Wichita's is the second AVID program to receive support from USA Funds; since 2003, USA Funds has awarded more than \$500,000 to the AVID program at Lawrence Township Schools in Indianapolis.

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Stacie Valdez, Wichita Public Schools' district director for AVID, called on USA Funds for help with the program's tutoring component.

In 2009-2010, more than 90 percent of the AVID students who graduated from Wichita schools pursued postsecondary education, training or the military.

AVID's tutoring is student-focused, with tutors guiding them but not providing answers. Many of Wichita's tutors are AVID graduates from the district.

"We want to see students at the white board writing out questions and talking to other students about what they

Angel Rogers is a 17-year-old junior at Wichita Heights High School, and has been involved in AVID since her freshman year. Tutorials have been a key component in her success in the program, and in school overall. And that impact doesn't stop with her — she tutors her younger sisters at home.

Rogers says AVID's focus on academics and the help it provides in finding scholarships keep her committed to succeeding in the classroom. She will be the first in her family to attend college and is eyeing criminal justice or psychology as a major.

"I've become a role model," says Rogers, "and I'm hoping others will follow in my footsteps."

Stories like Rogers' are evidence of the importance of AVID — and the organizations that support it, Valdez says.

"If we want to give kids opportunities, we need to do more than just tell them college is a possibility. We need to give them the support they need to get there," says Valdez. "It's the difference between teaching someone to swim by simply throwing him in the lake, and teaching

him by saying, 'I'm going to swim alongside you and help you when you need it.' ■

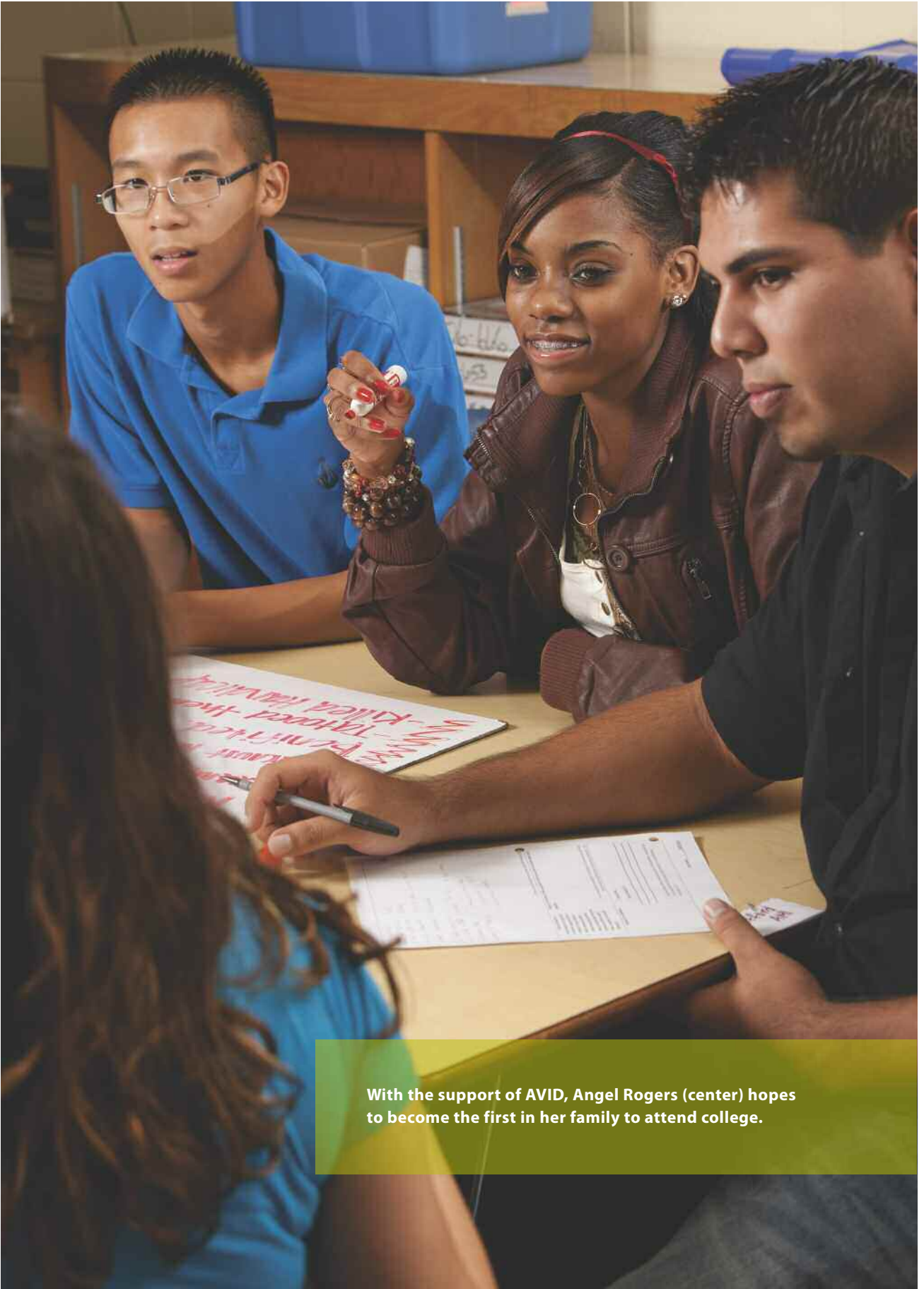
don't understand," Valdez says. "It's a huge thing when you look at kids becoming independent thinkers."

"AVID is changing the culture of the schools. You hear people saying that college is an option."

— Stacie Valdez, AVID district director



AVID places students in rigorous courses and provides support with studying and college entrance and placement exams.



With the support of AVID, Angel Rogers (center) hopes to become the first in her family to attend college.

Vision:

School and Student Services

Denise Feser, USA Funds Senior Vice President, School and Student Services



U SA Funds' school and student services team is dedicated to providing customized solutions that help colleges and universities meet the needs of their students.

We continue to deliver key products, services and programs that USA Funds has been providing postsecondary institutions as a federal student loan guarantor. We also will offer additional products and services of value to schools.

From promoting student financial literacy through our USA Funds Life Skills® program, to providing USA Funds University training to keep school staff up to date on financial aid and professional development topics, we're working to complement and enhance schools' existing services.

The broad scope of our services also focuses on debt management, default prevention, student retention, loan counseling and financial aid policy.

USA Funds' school and student services staff are leveraging the latest tools and technology to address schools' needs, and we're gathering input from higher education personnel to guide us in this product development and enhancement.

A group of consultants with vast experience in the postsecondary student services arena is working with individual schools to create customized action plans that employ those USA Funds products and services to meet each school's unique goals.

As a result of this consultative approach, USA Funds products and services will effectively address the needs of colleges and universities — and individual schools will employ the tools that meet their own specific needs. ■

"It's good to have a program that breaks things down in a language that we can understand."

— **Eliza Catalino**, Syracuse University junior, about USA Funds Life Skills



Financial Literacy Initiative Features USA Funds Life Skills

Becky Rose knows each USA Funds Life Skills lesson her students complete and whether they've retained what they've learned.

The loan education specialist in the Office of Financial Aid and Scholarship Programs at Syracuse University receives a USA Funds Life Skills report every two weeks. Each report provides details about specific lessons students have taken and their scores on pre- and post-tests in each unit.

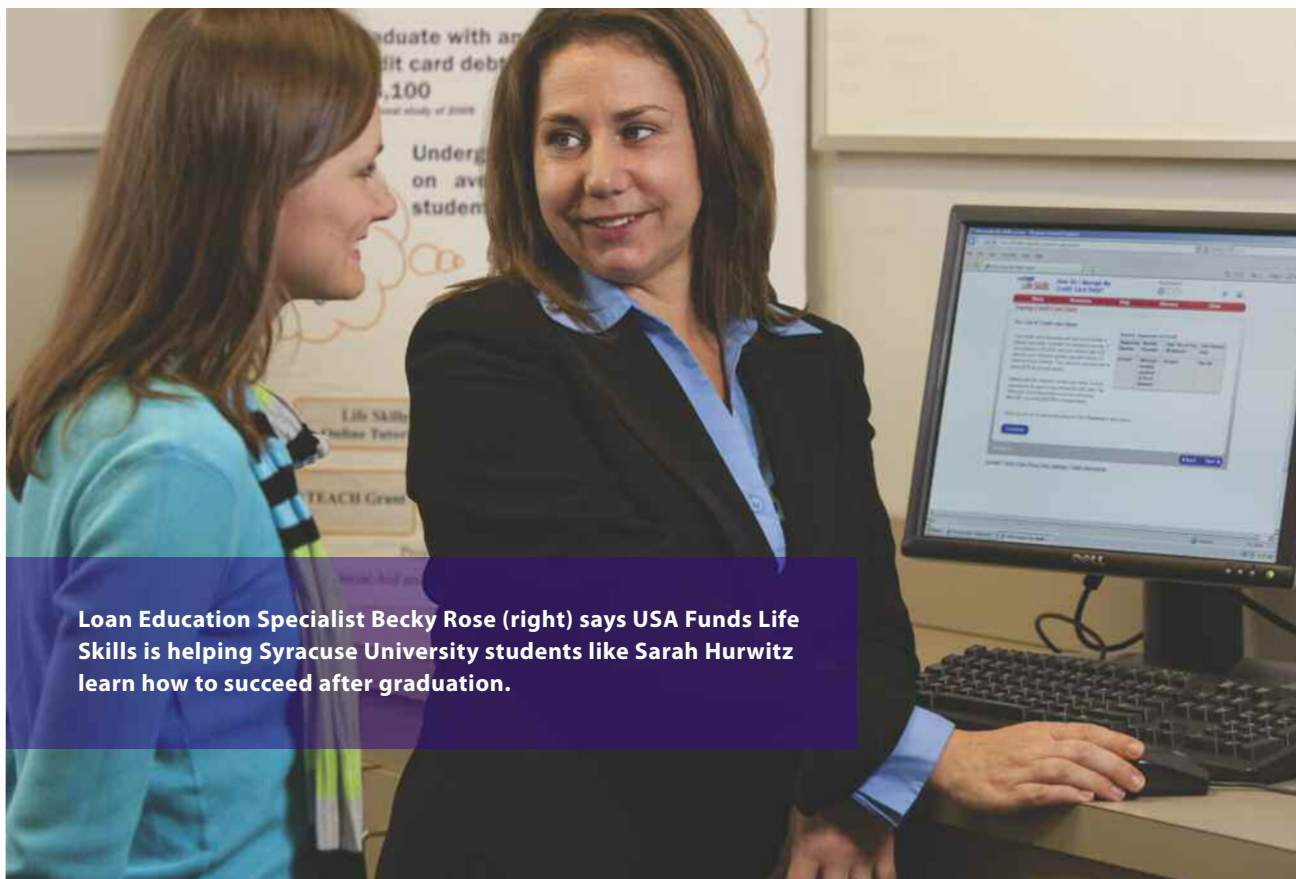
The ability to measure students' learning contributed greatly to the university's decision to incorporate USA Funds Life Skills into a multifaceted financial literacy program launched in April.

"We want to make sure our students are increasing their knowledge and improving their financial literacy skills," Rose says. She also uses the information to design presentations on students' favorite topics and to provide data about the program's success.

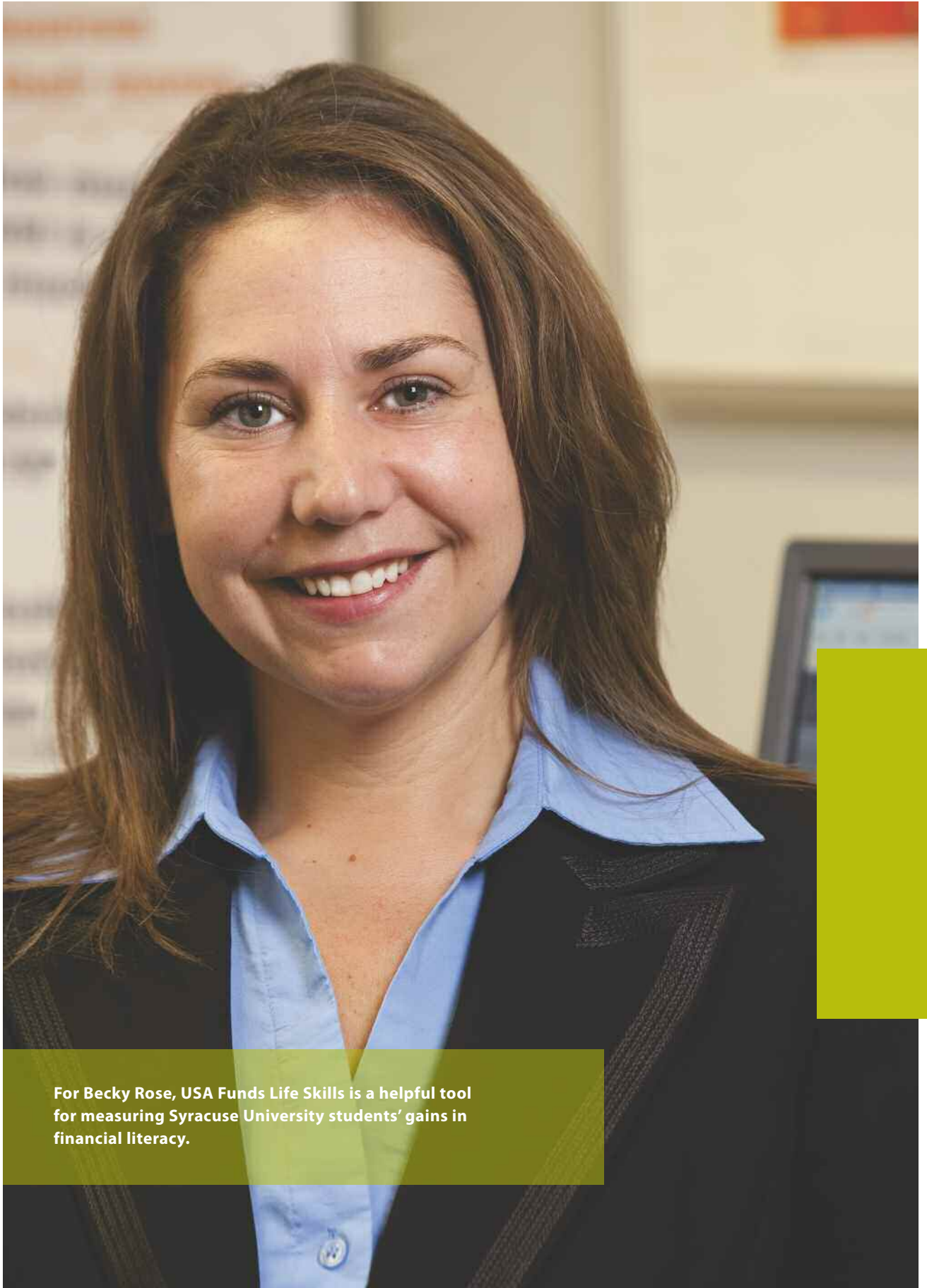
The program, named for the Syracuse mascot Otto the Orange, is called "I Otto Know This!" One component of the program is to offer USA Funds Life Skills life lessons on the university's website for all students to access.

USA Funds Life Skills is a Web-based financial literacy program that helps students learn to manage their money and time wisely while in school and after graduation. The content is divided into easy-to-use life lessons that can be customized.

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Loan Education Specialist Becky Rose (right) says USA Funds Life Skills is helping Syracuse University students like Sarah Hurwitz learn how to succeed after graduation.



For Becky Rose, USA Funds Life Skills is a helpful tool for measuring Syracuse University students' gains in financial literacy.

Nationwide, USA Funds Life Skills is in use on 58 campuses at 49 institutions. More than 3,525 students are registered users, with 14,631 user sessions completed in 2010.

At Syracuse, students can learn about topics such as managing credit card debt and the importance of credit scores and credit reports. They also can access life lessons about protecting themselves from identity theft, developing and living on a budget, and how much income they can expect after graduation.

In addition to making the life lessons available on the university's website, Rose says that Syracuse incorporates USA Funds Life Skills in its overall financial literacy effort by:

- ♦ Using USA Funds Life Skills life lessons in presentations to students in sororities, fraternities and residence halls.
- ♦ Incorporating materials in the "SummerStart" program for incoming students.
- ♦ Including life lessons in the McNair Scholars Program, which helps students make the transition from undergraduate to graduate school.

- ♦ Providing USA Funds Life Skills information in the "I Otto Know This!" e-newsletter from the financial aid office.

"We looked at many financial literacy programs," Rose says, "and we chose USA Funds Life Skills because students could complete the information at their own pace, they could relate to the information, and the information was current."

Another plus: USA Funds Life Skills' interactivity and videos.

"Students tell us the program is fun, not boring," Rose says.

About 18,000 undergraduate and graduate students attend the university, based in Syracuse, N.Y., and about 80 percent use some sort of financial aid to help pay for college.

Sarah Hurwitz is a junior majoring in broadcast journalism. The information about credit cards and credit scores gave her tips she can use after she graduates — when she plans to get her first credit card. "It also gave me details I should know as a student to start building a healthy credit history," she says.

For Eliza Catalino, a junior advertising major, USA Funds Life Skills makes financial literacy topics easy to comprehend. "When it comes to finances, things can get complicated," she says, "so it's good to have a program that breaks things down in a language that we can understand."

The fact that students are learning information that they can use in their lives after Syracuse underscores the importance of the overall financial literacy program, Rose says.

"We chose USA Funds Life Skills because students could complete the information at their own pace, they could relate to the information, and the information was current."

— **Becky Rose, Syracuse University**

- ♦ Featuring components of USA Funds Life Skills in the freshman forum and transfer student classes.
- ♦ Making completion of a USA Funds Life Skills lesson one of three options that students in the Money Awareness Program, or M.A.P., may complete to satisfy a financial literacy requirement each semester. M.A.P. provides grants in place of student loans for eligible students.

"We feel it's our responsibility to provide our students with something extra while they are here," she says. "It's not just about classroom learning. We need to give our students life skills so they can succeed when they leave here, and USA Funds helps us to do just that." ■

Training Keeps Financial Aid Office Informed

During the three years Kristi Ransom has been the director of student financial services for the Rockford, Ill., campus of Rasmussen College, she's had a personal trainer, of sorts, by her side: USA Funds.

Through USA Funds' training offerings, she and her staff have completed dozens of online training courses, participated in webcasts about current issues, and attended workshops twice each year.

Ransom says that having access to up-to-date, relevant training materials has not only proven helpful for the Rockford office, but also has helped create consistency across Rasmussen's 21 campuses. The college has campuses in Illinois, Wisconsin, Minnesota, Florida and North Dakota.

"The reason I like USA Funds' training is that the sessions are so much more effective than a lot of other training I've had," Ransom says. "The material is engaging and interactive, and you retain more information."

She appreciates that she can determine the pace at which she completes the online courses, and she can measure her progress. "You get more out of the training that way," she says.

Every new employee in the Rockford financial aid office completes a series of 18 online training courses. Topics range from specifics about federal loan and grant programs, to e-mail and telephone etiquette, to counseling students about credit card debt. Ransom completed the courses when she became the director, and she says the foundation the courses provided was invaluable.

Continued on page 16.





USA Funds University training — including assistance from Regional Training Executive Mandy Sponholtz (left) — pays off for Kristi Ransom of Rasmussen College.

Through USA Funds University, USA Funds offers financial aid professionals a variety of ways to stay up to date on changes to the federal student aid program.

In 2010 alone, USA Funds University conducted 114 free financial aid workshops, with nearly 3,500 school and lender representatives attending events in 59 cities nationwide.

Financial aid administrators and lenders recorded nearly 17,000 learner sessions through online courses, while 93 webcasts reached more than 9,000 participants.

Additionally, the USA Funds Ask PolicySM e-mail resource offers quick answers from USA Funds policy experts on specific policy questions. In 2010 USA Funds Ask Policy responded to 1,145 inquiries.

Ransom says USA Funds' training has been a part of the process as the Rasmussen campuses have standardized their approach to student financial aid. In fact, in the last year, Rasmussen financial aid professionals have taken advantage of 1,196 online training course sessions and registered 1,090 times for webcasts.

"When you become standardized, you can have more impact on students," Ransom says.

Most students at Rasmussen are nontraditional students juggling both work and school, and sometimes a family. The average age is 28, and the majority of students receive financial aid. On the Rockford campus, about 1,000 students are enrolled, and most are pursuing associate degrees. Throughout the college's campuses, students can earn associate and bachelor's degrees in areas such as allied health, technology and design, business, education, nursing and justice studies.

Ransom incorporates the information from online courses and webcasts into her weekly team meetings with her eight-member staff. Last summer Ransom also required her staff to register for four webcasts, focusing

on topics such as the return of Title IV program funds, professional judgment, common audit findings, and the Family Educational Rights and Privacy Act.

She says the webcast about professional judgment was particularly helpful, as it addressed changes to the provision allowing financial aid administrators the authority in certain cases to exercise their professional judgment when determining a student's eligibility for aid.

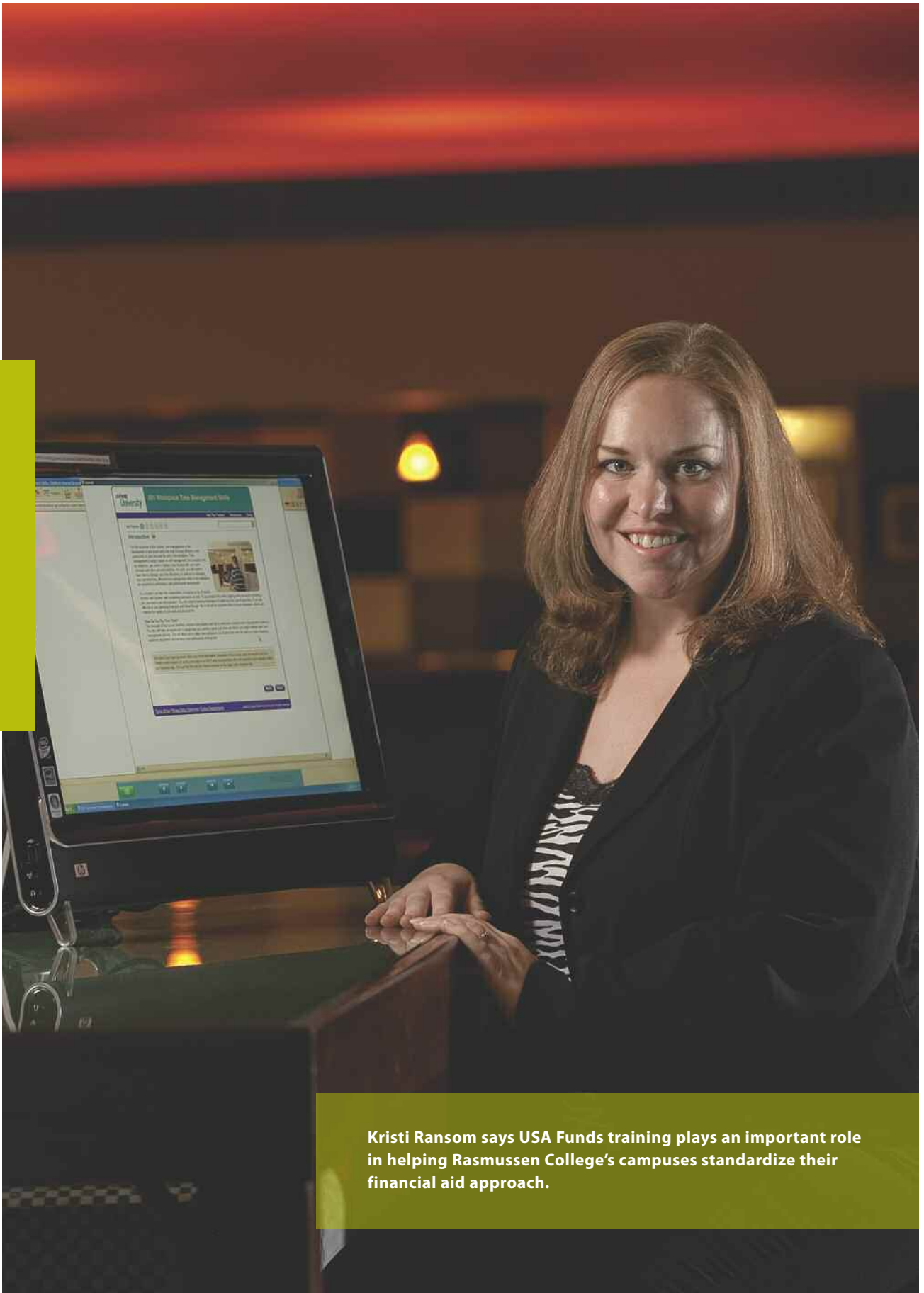
"USA Funds' training provides consistency because we're all getting the same information," she says.

"We genuinely appreciate what we get out of our USA Funds training sessions, and having up-to-date information helps us serve our students."

— Kristi Ransom, Rasmussen College

The training has paid off. Two years ago, Ransom says, an external audit of her office found four issues to examine. But the following year, the Rockford office audit showed no issues — and Rockford received the cleanest report of all the Rasmussen campuses.

"Sometimes I dread other training because I think it's going to be a waste of time — and there's never enough time in the financial aid office," Ransom says. "But with the USA Funds training, I don't have that sense of dread. We genuinely appreciate what we get out of our training sessions, and having up-to-date information helps us serve our students." ■



Kristi Ransom says USA Funds training plays an important role in helping Rasmussen College's campuses standardize their financial aid approach.

Vision: Guarantor Services

Rick Buckingham, *USA Funds Vice President, FFELP Operations*



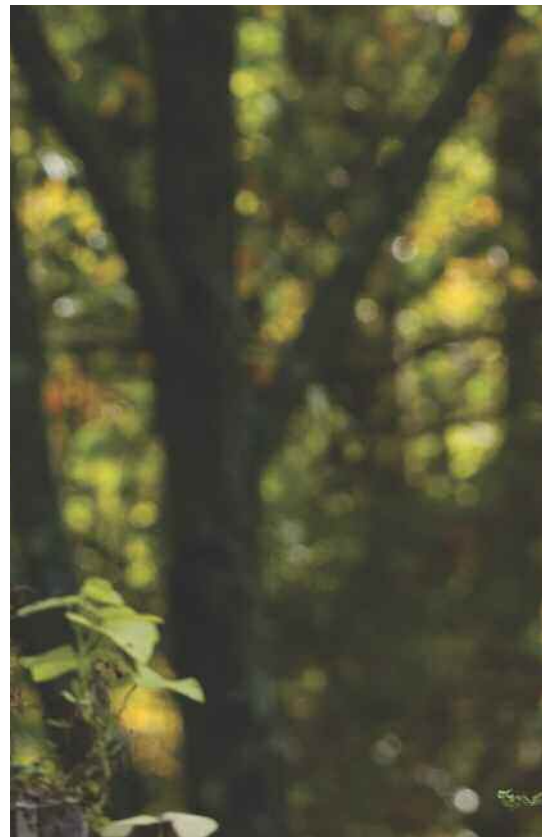
The disbursement of new loans through the Federal Family Education Loan Program has ended. But USA Funds' commitment to our responsibilities as a FFELP guarantor is alive and well.

USA Funds will continue to support the outstanding services we have provided as the nation's leading student loan guarantor. For those FFELP loans that remain in USA Funds' portfolio, we are performing duties aimed at assisting borrowers and protecting the federal fiscal interest.

For borrowers experiencing repayment difficulties, we will be there to educate them about their options for getting back on track with their payments. For borrowers with issues related to their FFELP loans, we will be there to investigate and find solutions.

For schools with students who have FFELP loans, we will be there with print and electronic resources that encourage successful repayment. For schools, lenders and other organizations with loans remaining in the program, we will be there to help ensure compliance with FFELP regulations. And for lenders seeking reimbursement on FFELP loans, we will be there to review those claims and coordinate repayment.

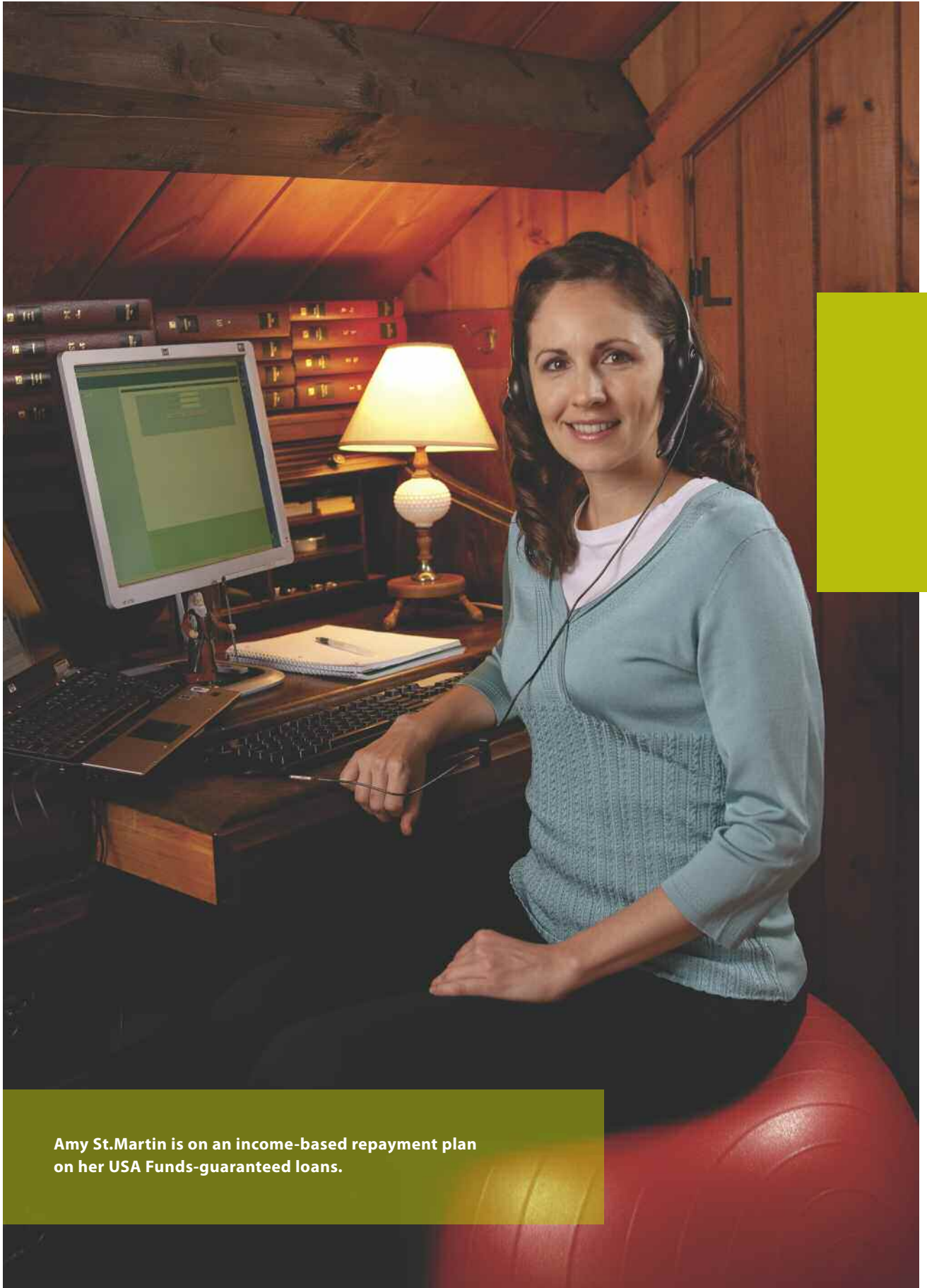
USA Funds' commitment to guarantor services goes beyond our obligations under federal law. We will be there because of our belief that all FFELP borrowers should have support and assistance to promote successful repayment of the loans that financed their college education. ■



A woman with long dark hair, wearing a white quilted hooded coat, stands in a forest. She is holding a white mug with a red floral pattern. The background is filled with green and yellow leaves, suggesting an autumn setting. A purple text box is in the top left, and another purple text box is in the bottom right.

Default Prevention Gets Borrower Back on Track

A USA Funds-supported default prevention specialist helped Amy St.Martin determine how best to get back to successfully repaying her student loans.



Amy St.Martin is on an income-based repayment plan on her USA Funds-guaranteed loans.

A Saturday morning phone call that Amy St.Martin answered on a whim got her back on track to successfully repaying her student loans.

Late on payments on more than \$63,000 in USA Funds-guaranteed loans, “I wasn’t answering my phone anymore,” St.Martin says, “because I knew people would be calling me to ask for money I couldn’t pay. But when the phone rang that day, I just decided to confront the situation again.”

“To have someone take care of me and say he could help — I don’t even have words for it.”

— Amy St.Martin, education loan borrower

On the line was Andrew Southworth, a default prevention specialist working on USA Funds’ behalf to counsel borrowers who are behind in their payments.

“He was amazing,” St.Martin says of Southworth. “I didn’t think anyone cared and that I’d be doing this all alone, but to have someone take care of me in that moment and say he could help — I don’t even have words for it.”

St.Martin had always held one or more jobs since she was 13. She had worked in Boston after receiving bachelor’s and master’s degrees from Simmons College there. But after spending more than two years employed in the world of finance, in 2008 St.Martin found herself without a job and fighting unexplained fatigue and joint pain.

She moved in with family members elsewhere in Massachusetts, to help defray costs. But as she struggled to find work and her health worsened, her unpaid bills began to accumulate. By late 2009 St.Martin had been granted loan forbearance — allowing her to delay her federal student loan payments — but that had expired.

When Southworth reached her, they examined her options for repayment relief. After discussing her circumstances with her, he determined that the

then-new income-based repayment plan would be a good route for her to pursue.

Income-based repayment limits a borrower’s monthly payments to a percentage of the borrower’s discretionary income. The job St.Martin had just gotten in member services for an insurance company paid just enough to get her started on repayment again.

“I could hear the frustration in Amy’s voice,” Southworth says of his call with St.Martin. “She is a very good person in a bad situation who wanted to do the right thing. Like most people, she wanted to repay her loans. She just needed someone to help her.”

Southworth is one of more than 250 default prevention specialists supported by USA Funds. In 2010, that team made nearly 85 million phone calls and sent 3 million pieces of correspondence to borrowers. In counseling borrowers, the specialists discuss options such as scheduling a payment, pursuing flexible repayment plans, and

considering deferment and forbearance to temporarily postpone or reduce monthly payments.

In 2010 the default prevention specialists’ efforts were successful in averting default on more than 93 percent of USA Funds-guaranteed loan accounts on which payments were reported by the lender as being 60 days or more past due.

In St.Martin’s case, the efforts have kept her current on her student loan payments since she spoke with Southworth at the end of 2009.

Today the 32-year-old St.Martin lives with her mother and stepfather in Halifax, Mass. Her health remains an issue, but her position with the insurance company allows her to work primarily from home. She is determined to repay the loans that funded her college education — and to continue to pursue her dreams.

“It feels good to give back to organizations that gave me the foundation I know I’ll be able to build on in the future,” St.Martin says. “I’ve had some obstacles, but I’ll never stop until I get where I have envisioned.”

She currently is working toward a business analyst certification funded by her employer and hopes one day to pursue a doctoral degree in sociology. Ultimately she’d like to teach at a postsecondary school. ■

Ombudsman Tackles Student Loan Disputes



USA Funds' Susan Leonard considers all angles and pursues creative solutions to address concerns.

Susan Leonard often is a student loan borrower's last resort.

As USA Funds' ombudsman, she helps settle disputes between borrowers and lenders, guarantors and the U.S. Department of Education. Leonard works with borrowers of loans guaranteed by USA Funds and its affiliate Northwest Education Loan Association®.

A 20-year veteran of USA Funds, Leonard tackles complaints from borrowers who previously have worked unsuccessfully with parties such as schools, lenders, collection agencies and guarantors to address their concerns.

"People I assist have gone through various other channels and feel like they've gotten nowhere," Leonard says. "They may be at their wits' end, and what they need is a neutral party who can say, 'I can give you help.'"

"To close an issue and know that I've made things better for someone is the highlight of my job."

— Susan Leonard, ombudsman

Complaints that Leonard addresses involve issues such as loan balances, repayment plans, collection practices, and loan discharge and cancellation. In 2010 alone, she worked to resolve nearly 200 borrower complaints.

Many of those cases involved borrower disability or financial hardship. One such inquiry involved a borrower who had been unsuccessful in getting federal student loan payment relief, despite facing what Leonard determined was severe physical and financial hardship that should have qualified him for a discharge of his loan obligation. In fact, he'd been attempting for so long to get relief based on his circumstances that the paperwork he'd originally submitted was out of date.

Recognizing the urgency of the situation, Leonard decided to investigate whether the borrower could resubmit the paperwork he'd previously filed, even though the form was not the current version. As a result

of her efforts, the Department of Education did accept the borrower's prior paperwork — and granted his request for discharge of his outstanding loan balance.

It's that determination to consider all angles and pursue creative solutions that make her an invaluable resource, according to one fellow ombudsman.

"She has many years of experience, so I know that if I have something I need, I can go through a big, long process to find it — or I can just call Sue," he says. "Despite all of her experience, she doesn't allow that to hinder her from looking at things in a different way. She's not closed to a different perspective, which I love."

Leonard's work benefits not only the borrowers she assists but also schools, lenders, the Department of Education and federal taxpayers.

"It's important to everyone that borrowers have someplace to turn to find a solution, or at least to get help determining where they stand," Leonard says.

She generally learns of a borrower's complaint directly from the borrower or through inquiries from the Department of Education, Congressional offices or USA Funds' or NELA®'s guarantor-servicer. In the case of one frustrated borrower attempting to rehabilitate her loan in 2010, the borrower contacted Leonard directly.

Rehabilitating a defaulted student loan removes the default from the borrower's credit record. The borrower first must make nine, voluntary, on-time monthly

payments in 10 months. In this case, the borrower reported that issues with the collection agency handling her account led her to miss a payment and get off track on her rehabilitation. Leonard intervened, re-establishing a reasonable payment for the borrower to make and facilitating an agreement for the borrower's previous payments to count toward the rehabilitation.

As she does at the conclusion of each case, Leonard outlined for the borrower the steps to take to resolve the situation. Leonard helped ensure that the borrower completed all necessary forms.

"I will find a way to make it better," she says. "It may not be exactly what the borrower wants, but I will get an answer. To close an issue and know that I've made things better for someone, no matter how long it takes, is the highlight of my job." ■

2010 Financial Highlights

Although the federal Health Care and Education Reconciliation Act of 2010 ended the origination of new Federal Family Education Loan Program loans, effective for those first disbursed after June 30, 2010, USA Funds' financial highlights continue to reflect its role as a student loan guarantor.

Under the federal Higher Education Act, the activities of a guarantor are financed from two distinct funds. The Agency Operating Fund includes guarantor-owned assets that may be applied to a wide range of initiatives in support of financial aid-related activities to promote access to education. The Federal Reserve Fund consists of federally owned resources managed by the guarantor to pay lender claims and support the guarantor's default prevention efforts.

Agency Operating Fund

(in thousands)	FY 2009	FY 2010
Total Assets	\$1,086,180	\$1,082,676
Total Liabilities	\$654,883	\$569,983
Net Assets	\$431,297	\$512,693
Total Revenue	\$435,852	\$432,160
Excess Revenue Over Expenses	\$55,442	\$81,381

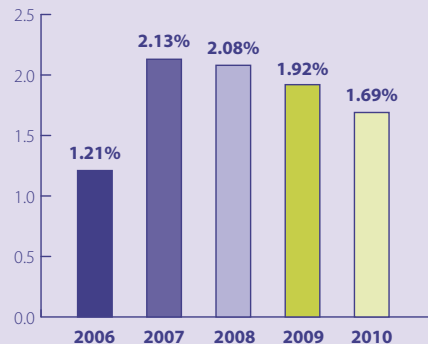
USA Funds' total operating assets include \$366 million and \$408 million as of Sept. 30, 2010, and Sept 30, 2009, respectively, in assets held in trust on behalf of the Federal Reserve Fund. USA Funds' assets consist largely of cash, investments and receivables. USA Funds employs its net assets to deliver exceptional default prevention services, support its access and outreach programs in support of higher education access, invest in products and services of value to postsecondary institutions and their students, and meet unexpected contingencies.

Federal Reserve Fund

(in millions)	FY 2009	FY 2010
Total Reserves	\$408	\$366
Total Loan Guarantees Outstanding	\$106,604	\$91,552
Reserve Ratio	0.38%	0.40%

As a guarantor of federal education loans, USA Funds is required to maintain reserves equal to at least 0.25 percent of the value of its outstanding loan guarantees.

Annual Default Rate FY 2006–2010



USA Funds invests significant resources to help borrowers avoid default on their education loans. The annual default rate compares the dollars in default on loans guaranteed by USA Funds against the dollar value of all USA Funds-guaranteed loans in repayment at the start of the year. This default rate often is called the trigger default rate, because higher default rates trigger lower federal reimbursement to a guarantor.

Default Recoveries FY 2006–2010



If, in spite of its intensive default prevention efforts, a borrower defaults, USA Funds continues to pursue payment of the education loan obligation. During fiscal 2010, USA Funds' default recovery efforts collected nearly \$1.3 billion, of which \$970 million was remitted to the federal government. This figure excludes collections from Internal Revenue Service federal tax refund offset. ■

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Editorial:

Trisha Turner, Sue Spence, Robert Murray and Jeri Moncel

Design:

Scott Meyer

Printing:

Mossberg & Company Inc.

Independent Auditors:

Ernst & Young, LLP, Indianapolis

Photography:

**Shawn Spence Photography and
Harold Lee Miller Photography**

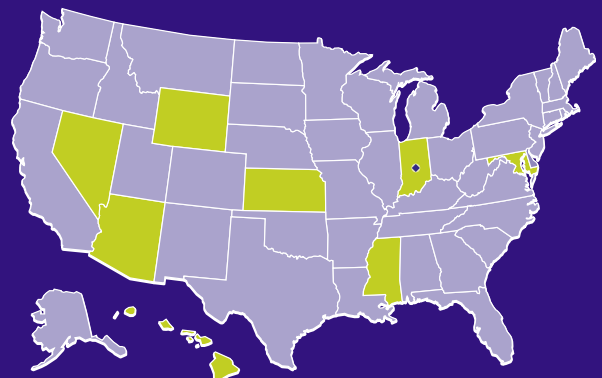
We gratefully acknowledge the individuals and organizations that allowed us to quote and photograph them for this report.

For additional copies of the 2010 USA Funds Annual Report, please write to: Manager, Corporate Communications; USA Funds; P.O. Box 6028; Indianapolis, Indiana, 46206.

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Designated States

Headquartered in Indianapolis, USA Funds serves students and parents, as well as educational and financial institutions, throughout the nation. In addition, USA Funds is the designated guarantor of loans in the Federal Family Education Loan Program for eight states (green).



www.usafunds.org

A nonprofit corporation, USA Funds® works to enhance postsecondary education preparedness, access and success by providing and supporting financial and other valued services.



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