

Chart 1
USA Funds' Arizona Loan Volume
by Loan Type

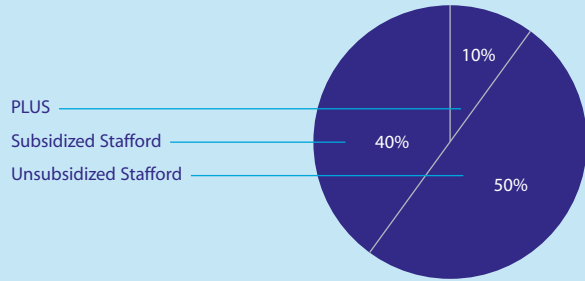
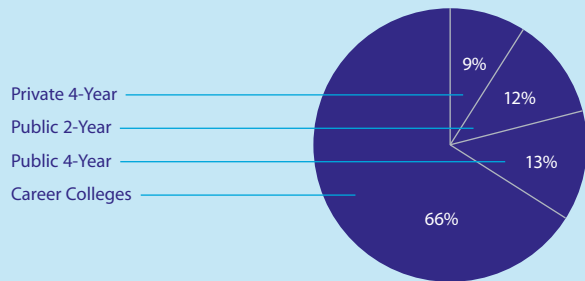


Chart 2
USA Funds' Arizona Loan Volume
by Institution Type



USA Funds® is the nation's leading education-loan guarantor. A nonprofit corporation, USA Funds works to enhance postsecondary-education preparedness, access and success by providing and supporting financial and other valued services.



USA Funds® has served Arizona as its designated guarantor of federal education loans since 1981. As Arizona's designated guarantor, USA Funds links colleges, universities, career colleges, private lenders, students and parents to promote financial access to college. USA Funds supports critical education-loan services, including loan-application processing, customer assistance and default prevention and recovery, as well as policy guidance and training of school and lender staff.

During the fiscal year ending Sept. 30, 2006, USA Funds guaranteed more than \$895 million in new education loans to more than 101,000 Arizona borrowers — including Federal Stafford loans for 93,455 students and Federal PLUS loans for 7,623 parents and students. USA Funds served 56 postsecondary institutions in Arizona.

USA Funds works with Arizona schools and lenders to help reduce student-loan-default rates. The most-recent default measure, the 2004 cohort-default rate, was 6.0 percent for Arizona borrowers with USA Funds-guaranteed loans, compared with the default rate of 7.0 percent recorded among all Arizona student-loan borrowers. The cohort-default rate measures the percentage of students who entered repayment on their education loans during a given federal fiscal year and defaulted on their loans prior to the end of the following fiscal year.

Debt-management initiatives

To partner with postsecondary institutions in their debt-management efforts, USA Funds in 2006 provided a broad spectrum of services in Arizona, including the following:

- ◇ USA Funds' debt-management consultants assisted 22 Arizona schools in their work to curb student-loan defaults.
- ◇ To equip postsecondary institutions to teach their students to manage their time and money wisely while they are on campus and after graduation, USA Funds offers the USA Funds Life Skills® financial-literacy course. The number of schools in various stages of implementing USA Funds Life Skills in Arizona stands at 25.
- ◇ Twenty-four schools in Arizona use USA Funds-provided tools that help students and graduates stay on the path to successful repayment. The Web-based USA Funds Debt Manager® assists with e-mail, call or letter campaigns to borrowers experiencing repayment difficulties.

◇ USA Funds offers a new online tool, USA Funds Stafford Loan GuideSM, that schools can customize to automate the entrance-counseling process and provide Stafford-loan borrowers with memorable guidance.

◇ To give schools greater flexibility as they help students track their education loans, USA Funds supports the Borrower Debt Management Information Service. Schools often use the service during student-loan exit counseling with borrowers.

◇ USA Funds conducted nine debt-management workshops in Arizona to help schools learn more about USA Funds Life Skills, and about student retention and its role in default prevention. A total of 163 higher-education professionals took part in workshops in Phoenix and Yuma.

USA Funds also supports a variety of other programs for Arizona schools, lenders, students and families — and their communities — to enhance preparation for, access to and success in higher education. The following are some highlights from 2006:

Arizona advisory council

To ensure that its services meet the needs of postsecondary education in Arizona, USA Funds hosts regular meetings of its Arizona financial-aid advisory council, which includes financial-aid administrators for Arizona colleges and universities, representatives of lending institutions, as well as officials of the state’s commission for postsecondary education, board of private postsecondary education, and private-school association. An Arizona financial-aid professional also serves on USA Funds’ national advisory council.

Staff-training opportunities

USA Funds helps colleges and lenders comply with program regulations and keeps them informed of policy developments and improved services through a wide array of training opportunities, including free workshops in Arizona. During fiscal 2006 USA Funds conducted four financial-aid workshops, in Phoenix and Tucson, for a total of 186 participants. Financial-aid administrators from 20 Arizona postsecondary-school campuses took advantage of USA Funds University online-learning courses during 2006.

A USA Funds Education-Lender Forum in Phoenix helped education-lending professionals stay up to date on developments in the education-finance marketplace.

Scholarship funding

USA Funds awarded \$501,000 in scholarships to 334 Arizona residents under USA Funds Arizona Silver Anniversary ScholarshipsTM for the 2006-2007 academic year. The program commemorates USA Funds’

25 years of service as Arizona’s designated guarantor of federal education loans. In addition, USA Funds awarded \$244,500 in renewal scholarships to 167 Arizona students who previously had received awards through USA Funds’ national scholarship program, USA Funds Access to Education Scholarships[®]. These scholarships assist students in financial need — particularly those who are either members of ethnic-minority groups or are physically disabled — as they finance their higher education.

Established by USA Funds through Scholarship America in 2004, the Disaster Relief Fund for Postsecondary Education Students is helping low-income students whose studies were disrupted by major hurricanes during 2005. To assist their students, two Arizona postsecondary schools received \$50,000 from USA Funds through this program in fiscal 2006.

Under the USA Funds Scholars program, USA Funds awarded \$31,500 in scholarships to graduating seniors from nine Arizona high schools. USA Funds Scholars are outstanding students in USA Funds’ designated states and in communities in which USA Funds has offices.

Early awareness program

USA Funds offers at no cost to Arizona schools and community- and faith-based organizations its USA Funds Unlock the Future[®] early awareness program. Eight schools and organizations took advantage of the program, which introduces students and their families to the benefits of and options for education after high school.

Learning Communities

USA Funds continued its work with a coalition of organizations that are focusing services on six pilot communities in a bid to improve access to postsecondary education for low-income students. Sunnyside Unified School District in Tucson, one of the pilot communities, conducted a special kickoff event for its Learning Communities activities. The Learning Communities Coalition is partnering with local leaders across the nation to significantly increase the number of youths in the selected communities who complete high school and successfully pursue postsecondary education. Among the Learning Communities projects that USA Funds supported in 2006 was training through ScholarShop, a curriculum and resource center designed to motivate and prepare students for higher education.

Children’s hospital mobile classroom

To help young patients stay on track with their schoolwork during their hospital stays, USA Funds donated an educational cart to Phoenix Children’s Hospital. The EduCatTM mobile classroom provides teachers and students with educational capabilities previously unavailable at the hospital.

College-planning Web site

USA Funds partners with College Answer[®], the foremost online resource for “going-to-college” information, to provide college-planning information for Arizona residents at www.arizona.collegeanswer.com.

College Goal Sunday

In partnership with the Arizona Commission for Postsecondary Education and other organizations, USA Funds supports College Goal Sunday in Arizona. The event provides high-school seniors and their parents free help in completing the application necessary to qualify for federal aid for college. A total of 3,287 students and parents in Arizona received assistance at 29 College Goal Sunday sites during 2006. USA Funds also sponsored for the sixth-consecutive year “USA Funds Countdown to CollegeTM.” The publication is an insert in the *Arizona Republic* in Phoenix and *Arizona Daily Star* in Tucson. “USA Funds Countdown to College” promotes Arizona’s College Goal Sunday and provides higher-education admissions and financial-aid information.

ACPE initiatives

USA Funds lent its support to ACPE initiatives including the future development of a “Rapid Guide to Financial Aid” and the presentation of a conference about challenges facing higher education. Presented during the conference was a USA Funds-underwritten fact sheet, “Arizona’s Human Capital: Latino Students and Their Families.” The *Excelencia* in Education publication highlights the role of Latino students as a source of Arizona’s “human capital.”

Jobs for Arizona’s Graduates

For the fifth-consecutive year, USA Funds collaborated with Jobs for Arizona’s Graduates, a school-to-work transition program, in an effort to help at-risk students in Arizona stay in school and graduate with the skills necessary to gain employment or further their education.

Arizona Quest for Kids

USA Funds’ assistance to Arizona Quest for Kids helped provide middle-school students with mentoring, financial literacy, family resources and college guidance.

Fund-raising events

Women in need, at-risk and homeless youth, and a committee providing guidance to Phoenix city officials about youth and educational issues all benefited from fund-raising events supported by USA Funds.

Table 1

25 Largest Arizona Schools By USA Funds Loan Volume

University of Phoenix
University of Arizona
Midwestern University
High-Tech Institute-Phoenix
Universal Technical Institute-Arizona
Western International University
Universal Technical Institute Motorcycle Mechanics Institute
Mesa Community College
Pima Community College
Rio Salado College
The Art Institute of Phoenix
Apollo College
A.T. Still University
Collins College
Ottawa University
DeVry University
ITT Technical Institute
Scottsdale Community College
The Bryman School
Glendale Community College
GateWay Community College
Phoenix College
Argosy University
Estrella Mountain Community College
Conservatory of Recording Arts & Sciences

Table 2

10 Largest Lenders By Loan Volume Served by USA Funds in Arizona

J.P. Morgan Chase
Sallie Mae Education Trust
Southwest Student Services Corp.
AMS Education Loan Trust
University of Phoenix
Bank of America
Midwestern University
University of Arizona
Wells Fargo Bank
Kirksville College