

Chart 1
USA Funds' California Loan Volume
by Loan Type

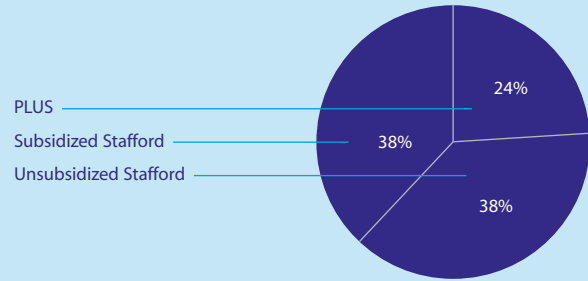
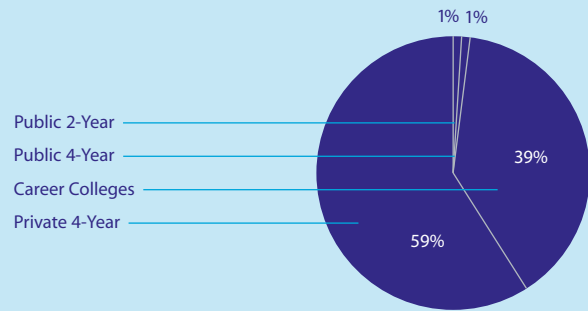


Chart 2
USA Funds' California Loan Volume
by Institution Type



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.



As the nation's leading guarantor of federal education loans, 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.

In California, during the fiscal year ending Sept. 30, 2006, USA Funds guaranteed nearly \$985 million in new education loans to more than 94,400 borrowers — including Federal Stafford loans for 78,530 students and Federal PLUS loans for 15,930 parents and students. USA Funds served 149 postsecondary institutions in California.

USA Funds works with California schools and lenders to help reduce student-loan-default rates. The most-recent default measure, the 2004 cohort-default rate, was 2.9 percent for California borrowers with USA Funds-guaranteed loans, compared with the default rate of 4.7 percent recorded among all California 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 California, including the following:

- ◇ USA Funds' debt-management consultants assisted 26 California 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 California stands at 65.

◇ Thirty-eight schools in California 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 10 debt-management workshops in California to help schools learn more about USA Funds Life Skills, and about student retention and its role in default prevention. A total of 143 higher-education professionals took part in workshops in Fresno, Los Angeles, Pasadena, Oakland, Riverside, Sacramento, San Diego and San Francisco.

In 2006 USA Funds significantly expanded its commitment to programs for California schools and lenders, and the students and families they serve, to enhance preparation for, access to and success in higher education. The following are some highlights:

California advisory council

To ensure that its services meet the needs of postsecondary education in California, USA Funds established a California financial-aid advisory council, which includes financial-aid administrators for California colleges and universities and representatives of lending institutions. A California 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 California. During fiscal 2006 USA Funds conducted 16 financial-aid workshops — in Fresno, Irvine, Oakland, Pasadena, Riverside, Sacramento, San Bernardino, San Diego and Woodland Hills — for a total of 491 participants. Financial-aid administrators from 24 California postsecondary-school campuses took advantage of USA Funds University online-learning courses during 2006.

Fourteen education-lending professionals attended a USA Funds Education-Lender Forum in San Diego to stay up to date on developments in the education-finance marketplace.

Scholarship support

The USA Funds Access to Education Scholarships® program awarded 984 new and renewal scholarships totaling nearly \$1.5 million to deserving college-bound students in California. 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, five California postsecondary schools received \$69,500 from USA Funds through this program in fiscal 2006.

Under the USA Funds Scholars program, USA Funds awarded \$36,000 in scholarships to graduating seniors from 12 California 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 California schools and community- and faith-based organizations its USA Funds Unlock the Future® early awareness program. Fifteen 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.

Excelencia in Education research

Grants from USA Funds supported work in California from *Excelencia* in Education, which provides analysis of the educational condition of Latino college students. Two reports from the organization provided institutional and policy recommendations aimed at enhancing postsecondary access and success for California students, particularly Latinos.

Community-colleges initiative

USA Funds funded a review of literature and best practices, as well as three conferences to focus on critical issues confronting community colleges in California. The California Community Colleges Chancellor's Office aims to bolster student success and the academic preparedness of community-college students.

Puente Project

The Puente Project's high-school program received funding from USA Funds. The project is an academic-preparation program aimed at increasing the number of educationally disadvantaged students who enroll in four-year colleges and universities, earn college degrees, and become community mentors and leaders.

Tomás Rivera Policy Institute

USA Funds provided financial assistance for fund-raising events conducted by the California-based Tomás Rivera Policy Institute, and for an education conference that included the presentation of a USA Funds-commissioned report from *Excelencia* in Education. TPRI seeks to inform policy on key issues affecting Latino communities.

UNITE-LA

College, career and financial-aid events from UNITE-LA received support from USA Funds. The organization is an affiliate of the Los Angeles Area Chamber of Commerce that facilitates education and work-force-development programs.

'La Habra Goes to College'

A USA Funds grant to Advance! funded "La Habra Goes to College," an event at the La Habra Community Center at which hundreds of students and their families learn how to apply for college, complete financial-aid forms and hear about college life from students and local postsecondary-school representatives.

AVID

USA Funds supported college tours through the Advancement Via Individual Determination program at Foothill High School in Bakersfield. AVID places academically average students in a rigorous curriculum and encourages them to pursue postsecondary education.

Summerbridge Sacramento

Summerbridge, a program that targets academically motivated students attending low-income middle schools, conducted a college visit with the help of USA Funds.

Table 1 25 Largest California Schools By Loan Volume Served by USA Funds

- Art Institute of California
- ITT Technical Institute
- Chapman University
- Azusa Pacific University
- Pepperdine University
- Fashion Institute of Design & Merchandising
- University of La Verne
- Alliant International University
- Universal Technical Institute
- Westwood College
- University of Redlands
- University of San Diego
- Fuller Theological Seminary
- Biola University
- DeVry University
- California Lutheran University
- Fielding Graduate University
- Argosy University
- Southern California University of Health Sciences
- Concordia University in Irvine
- California Institute of the Arts
- Vanguard University of Southern California
- La Sierra University
- Fresno Pacific University
- Chapman University School of Law

Table 2 10 Largest Lenders By Loan Volume Served by USA Funds in California

- Sallie Mae Education Trust
- J.P. Morgan Chase
- Wells Fargo Bank
- Citibank Student Loans
- Bank of America
- ALL Student Loan
- Nellie Mae
- AMS Education Loan Trust
- Brazos
- Dollar Bank