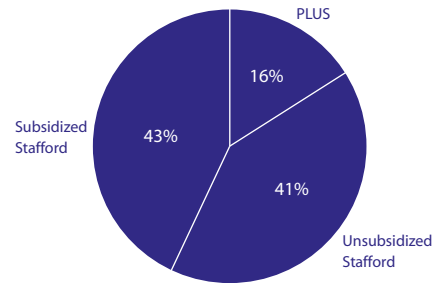
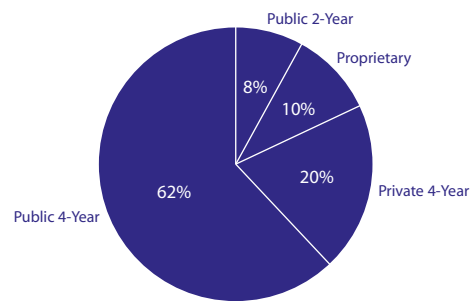


Chart 1
USA Funds' Indiana Loan Volume
by Loan Type

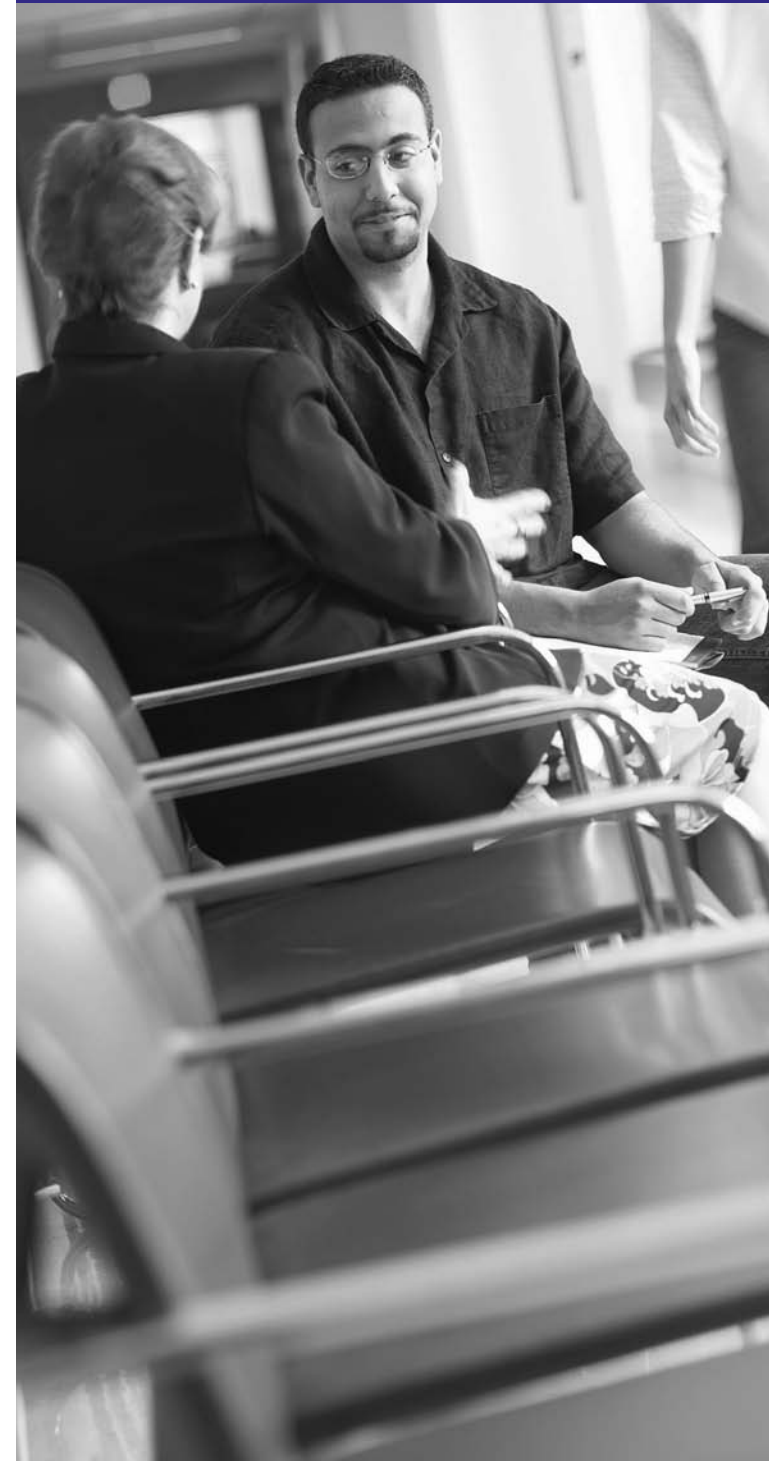


USA Funds® is the nation's leading education-loan guarantor. A nonprofit corporation, USA Funds works to enhance postsecondary-education preparedness, access and success by providing and supporting financial and other valued services.

Chart 2
USA Funds' Indiana Loan Volume
by Institution Type



www.usafunds.org



USA Funds® has served Indiana as its designated guarantor of federal education loans since 1995. As Indiana's designated guarantor, USA Funds links colleges, universities, proprietary schools, 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, 2004, USA Funds guaranteed more than \$1.1 billion in new education loans to nearly 158,000 Indiana borrowers — including 141,814 students and 15,965 parents — and served 69 postsecondary institutions in Indiana.

USA Funds works with Indiana schools and lenders to help reduce student-loan-default rates. During the last 10 years, Indiana's default rate has dropped nearly 59 percent. The most-recent measure, the 2002 cohort-default rate, was 4.4 percent. 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 2004 provided a broad spectrum of services in Indiana, including the following:

- ◇ USA Funds’ debt-management consultants assisted 25 Indiana 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 at no cost to Indiana schools the USA Funds Life Skills® financial-literacy course. The number of schools in various stages of implementing USA Funds Life Skills in Indiana stood at 24.
- ◇ Eleven schools in Indiana used Default Management System™ software, which provides assistance with call or letter campaigns to borrowers experiencing repayment difficulties. USA Funds offers DMS at no cost to Indiana schools.

USA Funds also provided and supported a variety of other programs for Indiana schools, lenders, students and families — and their communities — to support preparation for, access to and success in higher education. The following are some highlights from 2004:

Indiana advisory council

To ensure that its services meet the needs of postsecondary education in Indiana, USA Funds hosts regular meetings of its Indiana financial-aid advisory council, which includes financial-aid administrators for Indiana colleges and universities, as well as representatives of lending institutions. In addition, Indiana financial-aid professionals and education lenders are represented 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 free workshops conducted in Indiana. During fiscal 2004, USA Funds conducted six student-loan workshops — in Bloomington, Indianapolis and South Bend — for a total of 118 participants.

Scholarship funding

The USA Funds Access to Education Scholarships® program awarded 415 new and renewal scholarships totaling \$601,500 to deserving college-bound students in Indiana for the 2004-2005 academic year.

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.

USA Funds also awarded \$94,500 in scholarships to graduating seniors from 20 Indiana high schools under the USA Funds Scholars program, which assists outstanding students in communities in which USA Funds has offices.

Early awareness program

USA Funds provides at no cost to Indiana schools and community- and faith-based organizations its USA Funds Unlock the Future® early awareness program. Four 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.

College-planning Web site

USA Funds partnered with College Answer®, the foremost online resource for “going-to-college” information, to present Indiana College Answer. The Web site, located at www.indiana.collegeanswer.com, offers students and families information to assist in planning and paying for higher education, plus free access to a database of billions of dollars in scholarships.

College Goal Sunday

USA Funds supports College Goal Sunday in Indiana. The event provides high-school seniors and their parents free help in completing the application necessary to qualify for federal aid for college. More than 4,600 students and parents in Indiana received assistance at 34 College Goal Sunday sites during 2004. USA Funds also sponsored for the fourth consecutive year the “USA Funds Countdown to College” supplement to *The Indianapolis Star*. The publication promotes Indiana’s College Goal Sunday and provides higher-education admissions and financial-aid information.

USA Parents

The USA Funds initiative USA Parents continued to offer various programs for parents, to build stronger family relationships, enhance the home environment, and increase the probability of success in Science Bound. An effort of Indianapolis Public Schools, Purdue University and the Indianapolis business community, Science Bound encourages underrepresented IPS students to enroll in college and graduate in the fields of science, technology and engineering.

College- and career-preparation guides

Serving as corporate sponsor for the third consecutive year, USA Funds supported the 2004-2005 edition of *Next Indiana: A Guide to Life After High School*. Targeted to high-school juniors and seniors, the magazine explains the options available to students after high school and includes information about topics such as handling finances and choosing a career.

For the second year, USA Funds also was corporate sponsor of *GRAD*, a magazine for Indiana college seniors. The magazine focuses on graduate-study opportunities, employment prospects and quality of life in Indiana.

Charter-high-school support

USA Funds continued to support the Flanner House Higher Learning Center. The first charter high school in Indianapolis, the center offers a computer-based high-school-equivalency-degree program for at-risk students and dropouts.

Indiana Black Expo initiatives

USA Funds contributed to an annual Indiana Black Expo event in Indianapolis that teaches students about the importance of education and community involvement, and supported back-to-school rallies across the state, as well as school kits and workshops that help students prepare for college-admissions tests and conduct scholarship searches.

Public-school programs

A USA Funds grant to Lawrence Township Schools in Indianapolis supported a program that places academically average students in a rigorous curriculum and encourages them to pursue postsecondary education. USA Funds also supported a YMCA-sponsored program that provides college-preparatory assistance to middle- and high-school students in IPS.

Mentoring assistance

A program that provides mentors to low-income students to broaden their educational options received support from USA Funds. The Starfish Initiative aims to make college-preparatory education a viable choice for more inner-city students in Indianapolis.

Table 1

25 Largest Indiana Schools by USA Funds Loan Volume

Indiana University Bloomington	Indiana University South Bend
Indiana University-Purdue University Indianapolis	Lincoln Technical Institute
Purdue University	Indiana Wesleyan University
Ivy Tech State College	Indiana University Northwest
Indiana State University	Anderson University
University of Notre Dame	Indiana University Southeast
Indiana University-Purdue University Fort Wayne	Indiana Institute of Technology
Indiana Business College	University of Evansville
University of Southern Indiana	Taylor University
ITT Technical Institute	Marian College
University of Indianapolis	International Business College
Butler University	Indiana University East
	Tri-State University

Table 2

10 Largest Lenders by Loan Volume Served by USA Funds in Indiana

Bank One
First National Bank in Sioux Falls
Fifth Third Bank
Indiana Secondary Market for Education Loans
Sallie Mae
National City Bank
Nelnet
Purdue Employees Federal Credit Union
Citibank Student Loans
J.P.Morgan Chase