

2014-15 Annual Report



FOCUSED ON SUCCESS

With more than 50 years of experience in the ever-changing student aid industry, the Pennsylvania Higher Education Assistance Agency (PHEAA) is focused on helping today's students find success. And that, in turn, is our own success.

It is our mission to help students and families afford postsecondary education, a necessary step on the path to achieving their goals and dreams.

Our business lines, through American Education Services (AES) and FedLoan Servicing, fund this mission, providing \$104.8 million in public service to students and their families. Our earnings pay for the administration of many state-funded programs, including the Pennsylvania State Grant Program. In this way, we can ensure that every dollar appropriated goes directly to students.

With every initiative, every innovation and every new program, we remain focused on providing students everything they need to assure a successful future.



CONTENTS

A Message from the Chairman and Vice Chairman	4
A Message from the President and CEO	5
Public Service	6
State and Federally-Funded Programs	8
Partnerships	12
Student Loan Servicing	14
School Relations	16
Technology	18
Financial Statements	20
PHEAA's Locations	22
Board of Directors	23

A MESSAGE FROM THE...



CHAIRMAN AND VICE CHAIRMAN

PHEAA's mission has withstood the test of time. It is our mission to provide affordable access to higher education for Pennsylvania students and their families. It was true in 1963, when the Agency was created by an act of legislation, and it is still true today. Our commitment has not wavered.

What has changed is our products, programs and services – and for the better. Each year, we strive to create new financial aid offerings to reach our mission and improve the financial aid experience for students.

The new Ready to Succeed Scholarship Program (RTSS) distributed its first funds in the fall of 2014-15. Thanks to a \$5 million appropriation by the Pennsylvania General Assembly in 2013-14, this program provides awards to high-achieving students whose annual family income does not exceed \$110,000. PHEAA is administering this program with the Pennsylvania Department of Education. As with the Pennsylvania State Grant Program, PHEAA funds the administrative costs of the program at no cost to taxpayers.

In addition to funding the administration of the State Grant Program, it is a great source of pride to us that PHEAA has, yet again, supplemented the program with another \$75 million in funding. From the 2011-12 fiscal year through the 2014-15 fiscal year, PHEAA has provided \$275 million in supplemental funding to the State Grant Program. PHEAA's Board of Directors committed to another \$75 million in 2015-16, helping to ensure the success of future students of higher education.

We couldn't provide this meaningful funding without the business earnings from our servicing activities conducted by American Education Services (AES) and FedLoan Servicing. Our servicing loan portfolios couldn't continue to grow without positive borrower experiences, resulting from superb customer service. All of the pieces fit together to form the foundation for achieving our public service mission.

On behalf of the PHEAA Board of Directors, it gives us great pleasure to be a part of something that is so beneficial to the future of Pennsylvania and its students.

Sincerely,

A handwritten signature in black ink that reads "William F. Adolph, Jr." in a cursive style.

Representative William F. Adolph, Jr.
Chairman, PHEAA Board of Directors

A handwritten signature in black ink that reads "Wayne D. Fontana" in a cursive style.

Senator Wayne D. Fontana
Vice Chairman, PHEAA Board of Directors

PRESIDENT AND CEO

At PHEAA, our business model focuses on fulfilling our public service mission – creating affordable access to higher education for Pennsylvania’s students and their families. To that end, our servicing activities provide funding for our public service initiatives.

Under our servicing entities – American Education Services (AES) and FedLoan Servicing – we serve students and borrowers in all 50 states and territories. We manage \$360 billion in loans, including \$226 billion in federally-owned loans, which we service directly for the U.S. Department of Education. Our 250 lending partners and secondary market clients rely on PHEAA to service loans; as such we service a total of \$45 billion in student loans on our systems for these third-party commercial clients.

Our business earnings fund a wide variety of student aid programs, products and services, without taxpayer support, including the PA Targeted Industry Program (PA-TIP) and the State Grant Distance Education Pilot Program (SGDEPP). MySmartBorrowing.org is our free interactive online tool designed to help students make the right decisions for their future while avoiding overborrowing.

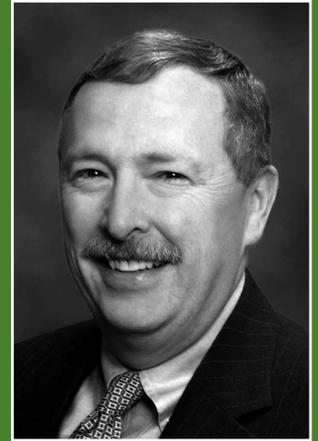
Our business earnings also fund the administration of many state-funded programs, including the Pennsylvania State Grant Program at a cost of \$10.5 million. We were able to provide another \$75 million supplement to the program, totaling \$275 million since 2011-12, making it possible for a greater number of students to benefit from a State Grant. Our success with this program led to our selection by the General Assembly to administer the new Ready to Succeed Scholarship (RTSS) Program.

I am pleased to report on yet another year of successfully serving Pennsylvania’s students and their families with innovative programs, products and services to meet their postsecondary needs.

Sincerely,



James L. Preston
President and CEO



PHEAA was created in 1963 to serve the needs of Pennsylvania's college-bound students and their families in affording the cost of higher education. Our public service mission continues today, more than 5 decades later, as the ever-increasing cost of postsecondary education makes our efforts even more necessary.

Pennsylvania State Grant Program – As the third largest need-based student grant program in the nation, the Pennsylvania State Grant Program has been administered by PHEAA since 1966, allowing every dollar appropriated by the General Assembly to go directly to students. We fund this \$10.5 million annual administration cost from our business earnings.

Pennsylvania School Services Team – This team is comprised of 14 Higher Education Access Partners, one manager and support staff, working in partnership with financial aid administrators and high school counselors to meet the higher education planning needs of students and families. In 2014-15, our Access Partners hosted 247 FAFSA Completion Sessions and 446 Financial Aid Nights, to assist college-bound students and their families in correctly completing the Free Application for Federal Student Aid (FAFSA®) and finding the most effective financial aid package. They demonstrated our free career and college-planning website, EducationPlanner.org, and interactive debt management tool, MySmartBorrowing.org, to high school students during 285 in-school computer lab sessions. In total during 2014-15, their outreach activities, including early awareness events, were funded by PHEAA at a cost of \$2.5 million.

Resources and Materials – It is our belief that the importance of higher education should be introduced and fostered at an early age; we encourage students to start thinking about their future by providing free outreach materials.

- **Funding Your Future** – Each December, this mailing goes to Pennsylvania high school seniors who took the SAT or ACT College Admissions Examinations during their junior year. This important financial aid information was received by more than 83,000 students and their families during the 2014-15 academic year.
- **Pennsylvania Student Aid Guide** – This annual publication is our most comprehensive college-planning resource, walking readers through the entire financial aid process. It is distributed to school counselors in every high school in Pennsylvania; they then order the quantity needed for their students. More than 140,000 guides were distributed in 2014. Both an interactive version and a Spanish version are available at PHEAA.org.
- **EducationPlanner.org** – This college-planning site guides students (college-bound, returning, non-traditional, parents, and school counselors) through the entire process, from choosing a major and career, to applying for admission and funding tuition.



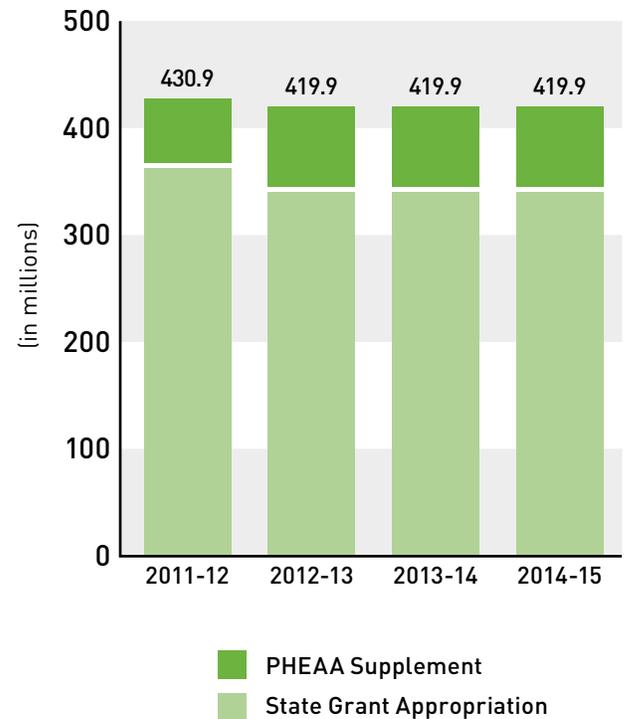
- [MySmartBorrowing.org](#) – This interactive tool helps students calculate what they can afford to borrow based on their career choice, location and cost of tuition. We encourage students to seek a path in which they don't have to borrow; but, if they must, we promote SMART borrowing.
- [YouCanDealWithIt.com](#) – This default prevention and debt management tool assists borrowers who have just entered into repayment or are about to graduate to start them off on the right financial footing. Our Fiscal Year 2012 cohort default rate (the most recent available) from the U.S. Department of Education, which measures the percentage of borrowers who have defaulted on their student loans within 36 months of entering repayment, was 8.8 percent, well below the national average of 11.8 percent.
- [Servicemembers and Veterans](#) – In appreciation for their service, PHEAA places special focus on active duty servicemembers and veterans. We provide guidance in financial matters through [PHEAA.org/militarybenefits](#) and dedicated landing pages at [aesSuccess.org/military-service](#) and [MyFedLoan.org/military-service](#). Through our partnership with the Pennsylvania Department of Education (PDE), we assess any gaps in support to these students and find ways in which to create more access to higher education opportunities. We also offer employment benefits.

STATE AND FEDERALLY-FUNDED PROGRAMS

With our focus firmly on public service, we use our business earnings from student loan servicing activities conducted by American Education Services (AES) and FedLoan Servicing to fund the administration of state and federal financial aid programs. This ensures that every state-appropriated dollar goes directly to students and saved taxpayers \$15.4 million during the 2014-15 fiscal year.

Pennsylvania State Grant Program – Established in 1966, this program is currently the nation’s third-largest need-based state grant program. PHEAA is its sole administrator and will provide a total of \$350.0 million in supplements from 2011-12 through expected supplements in 2015-16, offsetting the state’s decreased appropriation to the program. The State Grant Program made 173,856 total awards in the 2014-15 award year, including summer awards, with a maximum grant value of \$4,011 and an average academic year award of \$2,922.

SUPPLEMENT AND APPROPRIATION FUNDING



State Grant Distance Education Pilot Program (SGDEPP) – 2014-15 marks the second year of the 5-year pilot, testing regulatory and policy considerations for grant funding for students enrolled in an online program of study (more than 50 percent). PHEAA allocated \$10 million from its business earnings for each of the first 2 years to allow students at participating schools to receive a State Grant for online studies. As of June 2015, SGDEPP has benefited 8,196 students at 68 postsecondary schools.

Ready-to-Succeed Scholarship Program (RTSS) – The 2014-15 award year debuted RTSS, providing awards to high-achieving students whose family income does not exceed \$110,000. PHEAA administers the \$5 million appropriation from the Pennsylvania General Assembly, in close cooperation with the Pennsylvania Department of Education. In its initial year, 3,252 students received awards totaling nearly \$4.8 million.

Institutional Assistance Grants (IAG) Program – Administered by PHEAA, IAG provides formula grants to 88 independent, nonprofit Pennsylvania colleges and universities to help them maintain enrollment levels and stabilize their educational costs. During Fiscal Year 2014-15, \$24.6 million in grants was provided.

PA Targeted Industry Program (PA-TIP) – PHEAA has funded this program with \$16 million for the first 3 years, providing need-based awards to students enrolled in short-term programs in energy, advanced materials and diversified manufacturing, and agriculture and food production. Recipients receive awards up to the equivalent of the maximum State Grant award or 75 percent of the allowable program costs, whichever is less, to be used for educational costs. In total, PA-TIP has assisted 1,628 recipients with more than \$5.2 million in net grants disbursed during the 2014-15 academic year.

Higher Education Act of the Disadvantaged (Act 101) Program – PHEAA administers Act 101, which provides funding for support services for undergraduate students whose economic and educational disadvantages might impede their ability to achieve higher education. During the 2014-15 academic year, Act 101 provided \$2.5 million in funding to 33 programs at 31 schools, providing assistance to 3,838 students.

Teacher Education Assistance for College and Higher Education (TEACH) Grant Program – PHEAA, under FedLoan Servicing, is the exclusive servicer for the TEACH Grant, tracking participants to ensure they fulfill their agreement and administering loans for those who fail their service obligation. In order to qualify for the \$4,000 maximum grant, students must teach in a high-need field at a public or private elementary or secondary school serving low-income families for at least 4 academic years within 8 calendar years of completing or ceasing enrollment in the program of study for which they received aid.

Public Service Loan Forgiveness (PSLF) Program – Established to encourage entrants into public service employment, this program is exclusively serviced by PHEAA, under FedLoan Servicing. While the first loans will not qualify until October 2017, PHEAA is currently assisting more than 257,000 applicants track their progress and maintain eligibility.



Blind or Deaf Beneficiary Grant Program – In accordance with Act 26 of 2011, PHEAA began administering this program in August 2011 for blind or deaf students who are Pennsylvania residents and enrolled in postsecondary education to help defray their expenses. The maximum award is \$500. A total of \$46,084 was disbursed to 95 students during the 2014-15 academic year.

John R. Justice Student Loan Repayment Program (JRJSLRP) – PHEAA administers this program with the Pennsylvania Commission on Crime and Delinquency, providing up to \$60,000 for loan repayment to state and federal prosecutors and public defenders with a 3-year contract.

Federal Teacher Loan Forgiveness Program – This program assists teachers teaching full-time for 5 consecutive years in a prescribed elementary or postsecondary school serving low-income families. PHEAA facilitates for its borrowers, providing up to \$17,500 in loan forgiveness on the principal and interest on Federal Family Education Loan Program (FFELP) loans and Direct Loan Program loans.

Pennsylvania Health Practitioner Loan Repayment Program (LRP) – PHEAA and the Pennsylvania Department of Health co-administer LRP for physicians and dentists who serve underserved residents and areas of Pennsylvania. If they have a 3- or 4-year contract, they may receive up to \$64,000 in educational loan repayment. Qualifying nurse practitioners, midwives and physician assistants may receive up to \$40,000.

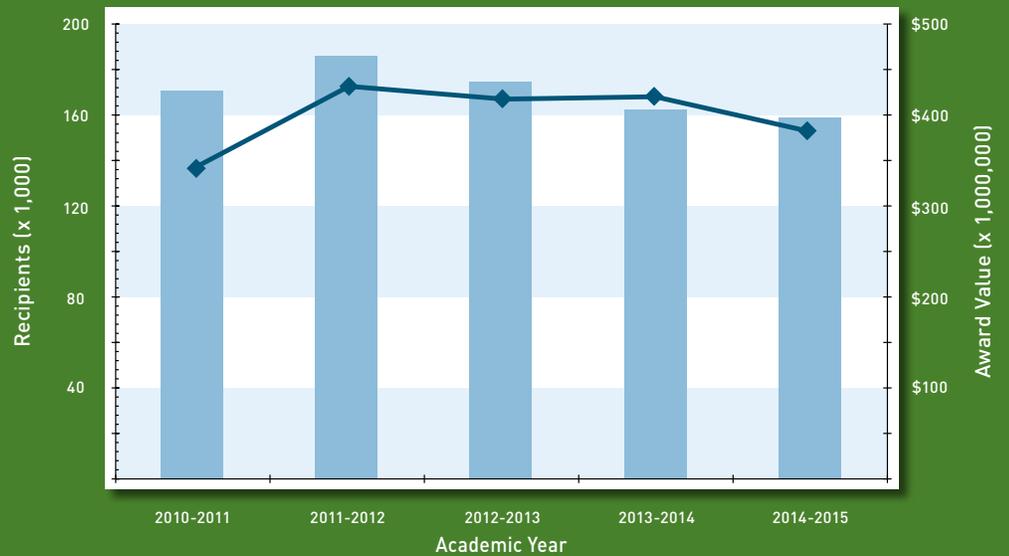
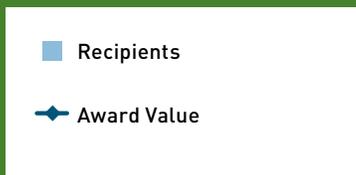
Matching Fund Programs

- **Pennsylvania State Work-Study Program (SWSP)** – Through SCWP, Pennsylvania students are given the opportunity to earn money for their education-related expenses while gaining real-world experience in their field of study. Approved employers can be reimbursed for up to 40 percent of the student's approved earnings during the academic year and summer term.
- **Federal Work-Study On-Campus Program (FWS-ON)** - Under this program, eligible students may be employed through the FWS Program by the institution in which the student is enrolled, or off-campus with federal, state or local public agencies, private nonprofit or for-profit organizations. FWS-ON assists postsecondary schools in meeting their required federal match by providing matching funds.
- **Federal Work Study Community Service Program (FWS-CS)** – Eligible students may perform community service in federal, state and local government offices and nonprofits. FWS-CS assists postsecondary institutions in meeting their federal community service requirement by providing matching funds.
- **Partnerships for Access to Higher Education (PATH)** – State Grant recipients are paired with nonprofit, community-based Pennsylvania organizations and foundations. PHEAA may match the scholarships provided on a dollar-for-dollar basis, up to \$2,500.

2014-15 State Grant Program Academic Year Statistics By Institutional Sector As of June 30, 2015

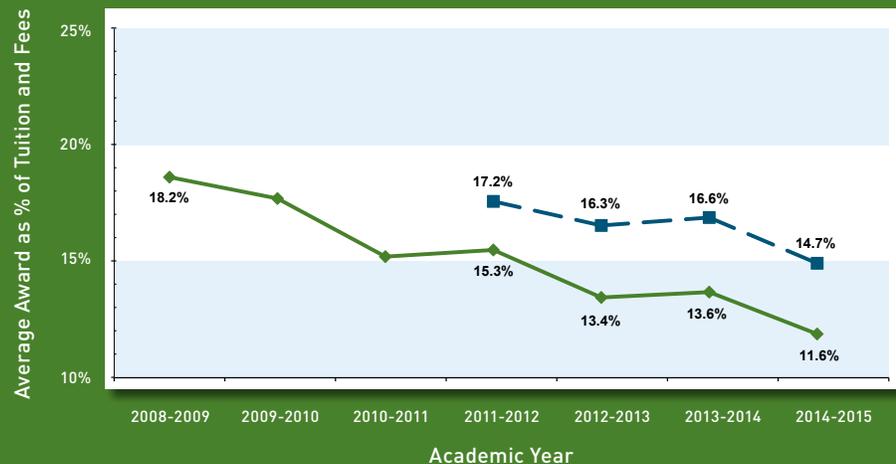
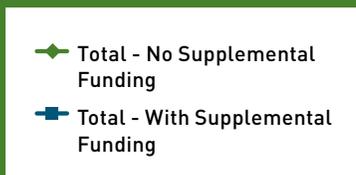
Type of Institution	Recipients	% of Recipients	Award Value	% of Award Value
PA Independent Four-Year Colleges and Universities	45,211	28%	\$135,968,598	35%
PA State System of Higher Education Universities	31,773	20%	\$85,391,838	22%
PA State-Related Universities	33,718	21%	\$101,608,390	26%
PA Independent Two-Year Colleges	3,546	2%	\$9,358,661	2%
PA Community Colleges	27,240	17%	\$26,767,110	7%
PA Hospital Schools of Nursing	1,123	1%	\$2,885,565	1%
PA Postsecondary Business, Trade, and Technical Schools	9,125	6%	\$22,879,034	6%
Total PA Institutions	151,736	94%	\$384,859,196	99%
Total Out-of-State Institutions	9,675	6%	\$4,771,184	1%
Total All Institutions	161,411		\$389,630,380	

STATE GRANT PROGRAM – ACADEMIC YEAR TRENDS



AVERAGE STATE GRANT AWARD PURCHASING POWER

(as % of Tuition & Fees)



PARTNERSHIPS

We are dedicated to the partnerships we have fostered within the higher education community. These close-knit relationships allow us to continue meeting the changing needs of students, families, educators, schools, and organizations as we work to achieve our public service mission.

Pennsylvania Internship Program – Through PHEAA's partnership with The Washington Center, this program provides scholarships to Pennsylvania students enrolled in a Pennsylvania institution and attending The Washington Center's Internships and Academic Seminars. Recipients gain hands-on experience in Congressional offices, federal agencies, and public and private companies. The \$350,000 appropriation from the Pennsylvania General Assembly, in addition to \$110,000 in carryover funds from 2013-14, aided 80 students in 2014-15; public college or university students received a total of \$400,000 in aid, while private school students received \$52,000.

Bond-Hill Scholarship Program – This program was a result of the 1999 agreement between the Commonwealth and the U.S. Office of Civil Rights for recent graduates of Cheyney and Lincoln University who are pursuing professional or select graduate programs at The Pennsylvania State University (PSU), Temple University or the University of Pittsburgh. Tuition, books and related fees are reimbursed. As the disbursing agent, PHEAA has disbursed \$94,731 million for the 2014-15 award year, while the Pennsylvania Department of Education (PDE) administers the program.

Cheyney University Keystone Academy Scholarship – The Commonwealth and the U.S. Office of Civil Rights came to a second agreement in 1999, providing full tuition to eligible students for a year-for-year service commitment, preparing the students for a future position of leadership. This state-funded program is administered jointly by Cheyney University of Pennsylvania and the Pennsylvania State System of Higher Education (PASSHE). PHEAA, as the disbursing agent, disbursed \$1.5 million, for the 2014-15 award year for this program.

Educational Assistance Program (EAP) – Jointly administered by PHEAA and the Pennsylvania Department of Military and Veteran Affairs (DMVA), EAP provides tuition assistance for eligible members of the Pennsylvania National Guard. In 2014-15, there were 2,464 recipients with net grants totaling \$11.8 million.

Chafee Education and Training Grant Program – Administered by PHEAA and the Pennsylvania Department of Human Services, Chafee offers grant assistance to Pennsylvania undergraduate students aging out of foster care who are attending an approved Federal Title IV postsecondary institution. There were 398 recipients in 2014-15, receiving net grants totaling \$1.5 million.

Pennsylvania State System of Higher Education (PASSHE) – This is the 15th year of our partnership with PASSHE in support of the Pennsylvania State Gaining Early Awareness and Readiness for Undergraduate Program (GEAR UP). This program was established to improve students' academic performance and increase the number of students pursuing higher education. While PHEAA no longer administers scholarship funding for this program, we do provide outreach services and activities.



STUDENT LOAN SERVICING

Our public service mission is funded by our student loan servicing activities. In an ongoing cycle, our quality customer service allows us to grow our loan portfolio which, in turn, allows us to continue giving to the community. PHEAA services student loans nationally under American Education Services (AES) and FedLoan Servicing.

American Education Services (AES) – In 1999, PHEAA began servicing student loans under AES to dispel any incorrect notions that we could only serve Pennsylvanians. AES grew into one of the largest third-party servicers in the country, servicing both Federal Family Education Loan Program (FFELP) and Alternative Loan products for more than 250 national banks, community banks, credit unions, secondary market loan owners, government agencies, and private education loan owners. As of June 30, 2015, AES is servicing \$52.0 billion in loans.

- **Remote Client Services Program** – System support is provided to our nationwide partners through this program, enabling our Remote Clients to service \$10.9 billion in commercial assets and \$34.1 billion in federally-owned assets, totalling \$45.0 billion as of June 30, 2015.

FedLoan Servicing – Under the name of FedLoan Servicing, PHEAA was selected by the U.S. Department of Education as a servicer for the Federal Direct Loan Program (FDLP). As of June 30, 2015, FedLoan Servicing is servicing \$226.0 billion in loans.

- **Teacher Education Assistance for College and Higher Education (TEACH) Grant Program** – FedLoan Servicing is the exclusive servicer of TEACH. We track participants to ensure that agreements are fulfilled and administer the loans for those who do not meet their eligibility requirements. As of June 30, 2015, FedLoan Servicing is servicing \$444.5 million in TEACH grants.
- **Public Service Loan Forgiveness Program** – We are also the exclusive servicer for this program. Since the first loans won't enter into forgiveness until October 2017, we are assisting participants in tracking their service and helping to ensure they continue to meet their obligations for future participation.
- **School Sector Representatives** – Representatives are designated to serve the unique needs of each school sector – public, private, proprietary, and graduate/professional – by cultivating relationships and connections for first-hand knowledge of their school's needs, enabling them to provide customized solutions and superior service.
 - » **FiveStar Training Program** – Skill-building webinars, resources and practical tools are provided to meet the ongoing needs of financial aid professionals. The FiveStar Training Council provides an online forum for dialogue and information sharing with our school partners.
- **FedLoan Servicing Borrower Experience Team** – This team focuses on the borrower, working to establish positive communications and serving as their advocate throughout the financial aid process. Policies, processes and initiatives are created to meet the specific needs of the borrower.

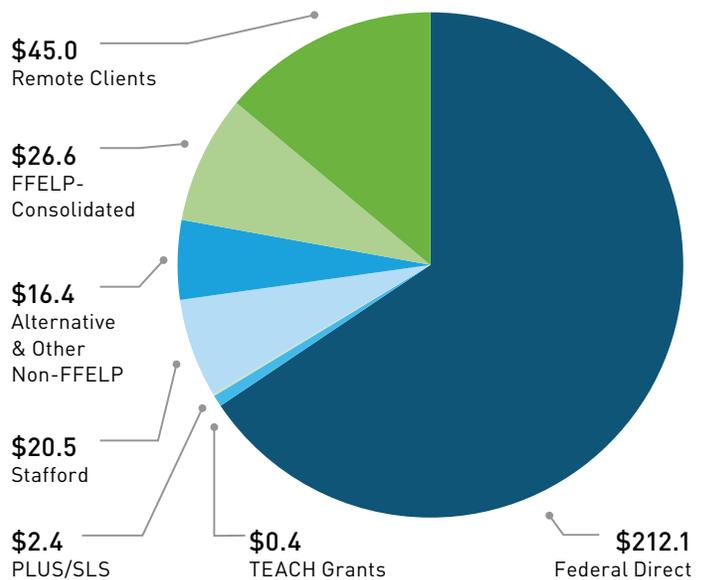


Customer Service

- Account Access** – Our secure online Account Access customer portal provides customers the ability to keep their accounts current, offering online payment and the ability to update their personal information. aesSuccess.org serves customers with FFELP and Alternative Loans owned by commercial lenders while MyFedLoan.org serves FFELP and Direct Lending borrowers who have loans serviced by the U.S. Department of Education.
- Interactive Voice Response (IVR)** – This interactive phone service allows borrowers the ability to obtain their account information, request forms and make phone payments via the phone. Mobile websites allow online payment.
- Call Centers** – Our customers receive the personal assistance they need from our experienced Customer Service Representatives, accessible via web-enabled tech support, including email and toll-free services.

PHEAA STUDENT LOAN SERVICING VOLUME

(in billions)

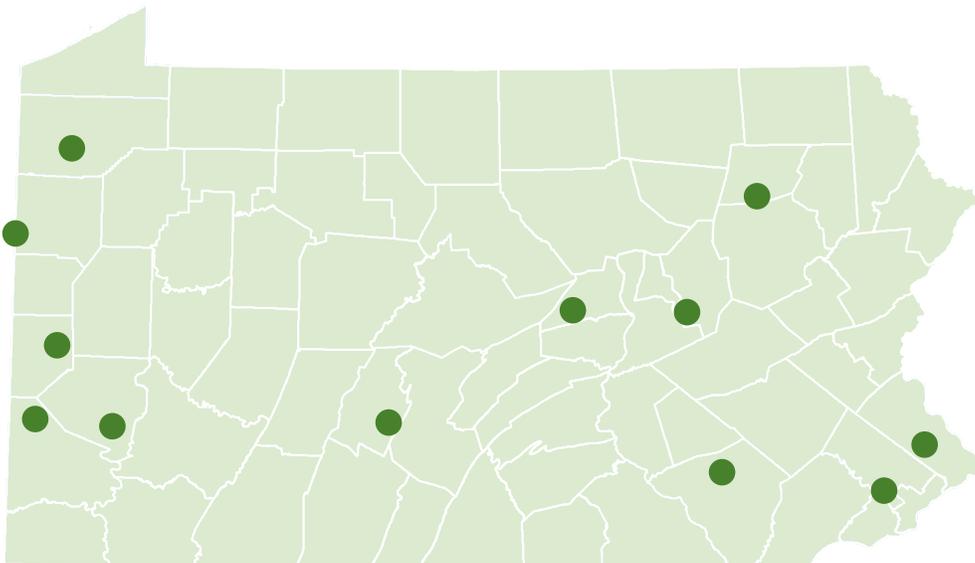


SCHOOL RELATIONS

When schools have the products and services they need, they can operate more effectively and efficiently. This allows them more time to focus on their students. By helping schools, we're helping students.

Higher Education Access Partners – Strategically located across Pennsylvania, these PA School Services members build long-term, personal relationships with members of the financial aid community and provide schools with personal, targeted introductions to our programs, products and services. During 2014-15, our Access Partners conducted 285 visits with postsecondary schools, offering customized technical support, industry updates and free student resources.

ACCESS PARTNERS



STATE-OF-THE-ART SOLUTIONS

Meteor Network – Borrowers, schools and financial aid professionals have non-proprietary, real-time access to financial aid records and consolidated data through the Meteor Network. Schools can access their secure data via the AES School Portal on aesSuccess.org and students can access their student loan data via the Student Portal.

Our long-term support of these organizations allows us to create the most effective financial aid solutions and programs:

- Pennsylvania Association of Student Financial Aid Administrators (PASFAA)
- Eastern Association of Student Financial Aid Administrators (EASFAA)
- National Association of Student Financial Aid Administrators (NASFAA)
- National Association of State Student Grant and Aid Programs (NASSGAP)

Counselor Workshops – High school counselors and professionals are invited to attend these free, statewide events, cohosted by PHEAA and PASFAA, to learn more about recent changes in financial aid programs and requirements. More than 900 participants attended the 41 workshops that were held in 2014-15.

Our free publications keep schools current on the most recent changes in the student aid industry:

- The **Common Manual**, posted on PHEAA.org, provides current information on the federal regulations and guarantor policy governing the Federal Family Education Loan Program (FFELP).
- Our monthly **Partner Newsletter** shares news and information from our Higher Education Access Partners to Pennsylvania financial aid administrators.
- The **Industry Bulletin** provides a monthly policy update to schools, lenders and servicers under PHEAA and FedLoan Servicing. It is also posted on PHEAA.org and MyFedLoan.org.
- The **FedLoan Servicing Bulletin** provides customized quarterly communications to every school with student loans serviced by FedLoan Servicing.
- The **FedLoan Servicing Snapshots** provide schools with a customized report of their full portfolio with FedLoan Servicing, including a repayment plan breakdown, delinquency report and Public Service Loan Forgiveness overview.



Our ongoing commitment to creating unique and innovative products and services allows us to consistently meet the ever-changing needs of students, families, schools, and community partners. PHEAA stands at the forefront of technology.

PHEAA.org – This Pennsylvania-specific site offers college-planning tools and information on programs such as the Pennsylvania State Grant Program and the Pennsylvania Work-Study Program. Account Access provides students secure access to grant and loan information. Schools and community partners benefit from online training webinars.

aesSuccess.org – Students nationwide, including Federal Family Education Loan Program (FFELP) borrowers and alternative loan borrowers serviced by American Education Services (AES), have access to online loan management tools and their accounts via this site. Schools are able to access alternative loan processing and tools to help them manage their delinquency rate. Lenders benefit from loan volume management assistance and tools that enable them to strengthen their own products.

MyFedLoan.org – This site offers online bill payment and repayment options to borrowers with loans owned by the federal government, either Direct or FFELP. Schools and partners have their own dedicated sections. It is the primary resource for the Department of Education's Public Service Loan Forgiveness Program and, as FedLoan Servicing is the exclusive servicer for the TEACH Grant Program, offers information for grant recipients.

EducationPlanner.org – This comprehensive site guides students through the entire college-planning process, from choosing a major and a career, to applying for admission and paying for it. Information is targeted at college-bound students, as well as returning students, nontraditional students, parents, and school counselors.

YouCanDealWithIt.com – Soon-to-be and recent college graduates find debt management and budgeting advice to get them started on the right financial foot after graduation. Parents and schools find information pertaining to them in separate sections.

MySmartBorrowing.org – This interactive tool allows students to see the cost of their intended school and expected salary in their chosen field.

AlecSM – Alec is a financial aid processing product, allowing partnering schools to manage their alternative loan certification process online, including those processed by AES. The time saved allows schools more time to focus on their students.

CompassSM – Our industry-leading servicing system allows other student loan servicers to convert externally-originated loans and service loans via borrower and third-party billing processes, allowing them to provide flexible repayment plans, customer service support, collection calls, and loan reporting.

PHEAA on Facebook – PHEAA's Facebook site provides further assistance in navigating the financial aid process. Deadlines, videos of financial aid experts and schedules for upcoming Financial Aid Nights and FAFSA Completion Sessions are included. An interactive discussion feature allows students to ask questions and engage in dialogue.



FAFSA on the Web – State Grant Interface – An electronic interface between the U.S. Department of Education’s FAFSA on the Web and the online State Grant Form allows students to apply for federal and state grants in one easy and seamless session.

Customer Service/eCommunications Call Center – Our web-enabled tech support, including email and toll-free services, provides students and families with quality customer service.

Mobile Sites – Borrowers with loans serviced by American Education Services (AES) and FedLoan Servicing can make payments on their account via their web-enabled cell phones and mobile devices.

OneLINK – OneLINK is a real-time guaranty servicing system, available via Alec on aesSuccess.org, allowing schools to customize and control the financial aid delivery process according to their specific needs.

FINANCIAL STATEMENTS

Statements of Net Position As of June 30 (in thousands)

	2015	2014
CURRENT ASSETS:		
Cash and cash equivalents	\$ 70,238	191,258
Restricted cash and cash equivalents	257,751	260,705
Restricted cash and cash equivalents – due to customers	64,470	57,132
Investments	562,145	478,556
Restricted investments	60,218	37,244
Student loans receivable	1,095,033	947,152
Interest income receivable	94,657	104,309
Due from Federal Student Loan Reserve Fund, net	69,349	90,768
Federal Student Loan Reserve Fund assets held for U.S. Department of Education, net	69,349	90,768
Other assets	47,477	46,898
Total current assets	2,390,687	2,304,790
LONG-TERM ASSETS		
Student loans receivable, net	5,819,102	6,245,917
Capital assets, net	75,959	61,639
Total long-term assets	5,895,061	6,307,556
TOTAL ASSETS	8,285,748	8,612,346
DEFERRED OUTFLOW OF RESOURCES:		
Deferred outflows of resources related to pensions	39,948	–
Deferred loss on bond refundings	2,013	2,728
Total deferred outflow of resources	41,961	2,728
CURRENT LIABILITIES		
Accounts payable and accrued expenses	144,122	175,118
Student loan financings	903,779	444,140
Amounts related to the Federal Student Loan Reserve Fund	69,349	90,768
Other financings	3,745	3,660
Total current liabilities	1,120,995	713,686
LONG-TERM LIABILITIES		
Student loan financings, net	5,852,233	6,621,556
Net pension liability	323,866	–
Other financings, net	35,290	39,772
Accrued expenses	21,007	18,405
Total long-term liabilities	6,232,396	6,679,733
TOTAL LIABILITIES	7,353,391	7,393,419
DEFERRED INFLOW OF RESOURCES:		
Deferred gain on bond refundings	168,779	192,404
Deferred inflows of resources related to pensions	1,068	–
Deferred gain on sales leaseback	451	548
Total deferred inflow of resources	170,298	192,952
NET POSITION		
Net investment in capital assets	75,959	61,639
Restricted for debt service	263,381	216,916
Restricted for financial aid grant programs	61,478	41,110
Unrestricted	403,202	709,038
TOTAL NET POSITION	\$ 804,020	\$ 1,028,703

Statements of Revenues, Expenses and Changes in Net Position

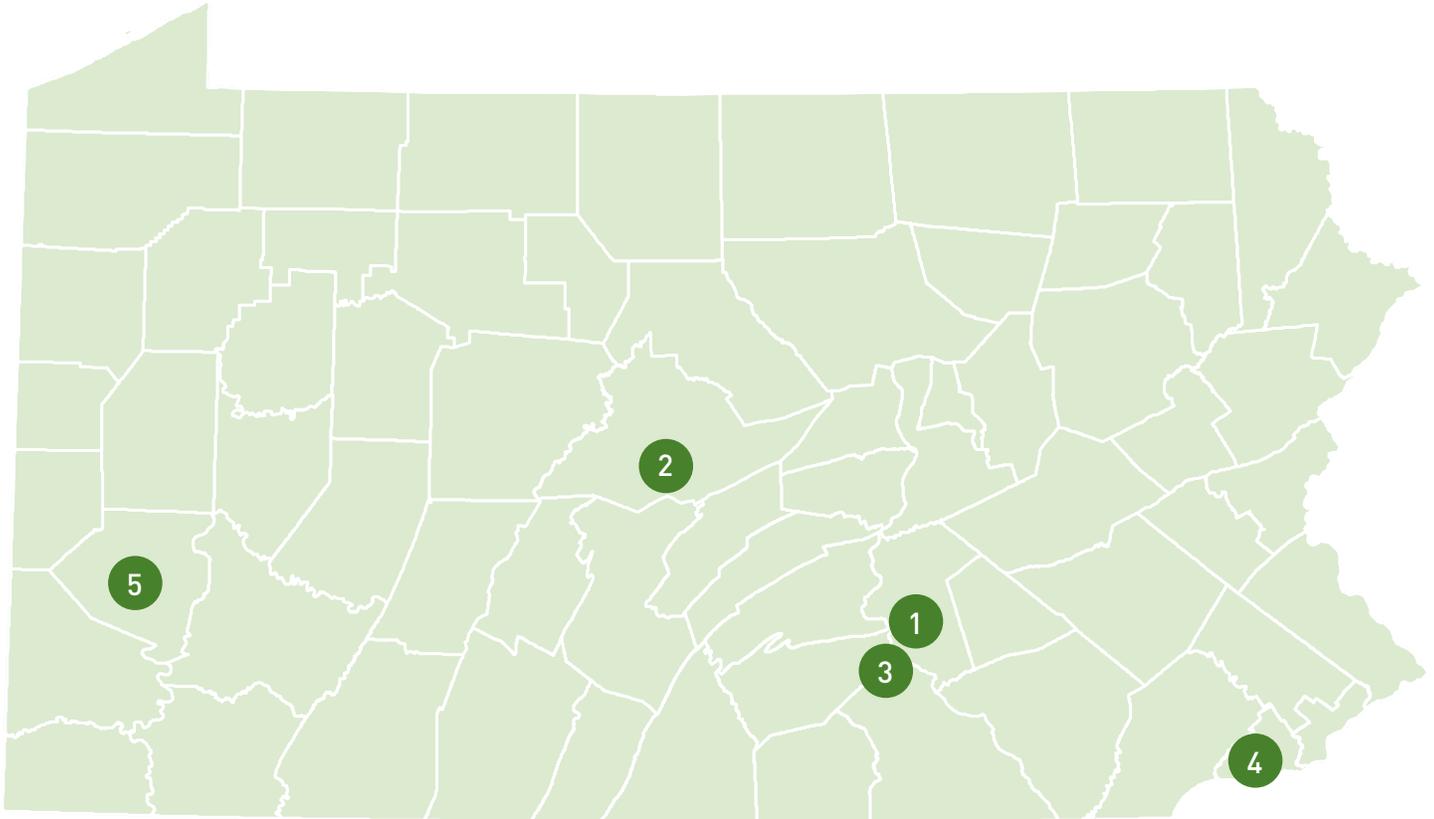
(Dollars in thousands)

For the years ended June 30

	2015	2014
OPERATING REVENUES AND EXPENSES		
INTEREST REVENUE		
Student loans	\$ 154,985	\$ 154,029
Investments	5,679	13,419
Total interest revenue	160,664	167,448
INTEREST EXPENSE		
Student loan financings	42,058	53,300
Other financings	580	1,994
Total interest expense	42,638	55,294
Net interest revenue	118,026	112,154
Provision for loan losses	(7,152)	(8,064)
Net interest revenue after provision for loan losses	110,874	104,090
NONINTEREST REVENUE		
Servicing fees	307,922	295,537
Retention of collections on defaulted loans, net	130,975	207,688
Federal fees	20,634	22,567
Gains on debt retirement	129	9,681
(Loss) gain on student loans sales, net	(752)	3,099
Other	(571)	(2,493)
Total noninterest revenue	458,337	536,079
Operating revenues	569,211	640,169
OPERATING EXPENSES		
Personnel and benefits	257,450	204,071
Professional services	58,698	55,552
Information technology	43,930	36,933
Mail services	35,148	35,531
Depreciation	11,789	9,827
Other	51,271	76,311
Total operating expenses	458,286	418,225
Operating income	110,925	221,944
NON-OPERATING GAINS		
(Loss) gain on sale of capital assets	(232)	175
Income before grants and financial aid	110,693	222,119
GRANTS AND FINANCIAL AID		
Commonwealth of Pennsylvania grants	403,616	397,293
Federal grants	1,572	1,876
Grants and other financial aid, net of refunds	(470,533)	(485,789)
Total grants and financial aid	(65,345)	(86,620)
Changes in net position	45,348	135,499
Net position, beginning of period (restated)	758,672	893,204
Net position, end of period	\$ 804,020	1,028,703

PHEAA'S LOCATIONS

As PHEAA has grown, so has our need for more Call Centers located across the Commonwealth, providing quality customer service and accessibility. To date, we have five locations to better serve the needs of our borrowers.



1

Headquarters

1200 North 7th Street
Harrisburg, PA 17102

Built in 1993;
opened spring of 1994



2

State College

Satellite Call Center
116 West College Avenue
State College, PA 16801

Opened summer of 2006



3

Westport Call Center

4600 Westport Drive
Mechanicsburg, PA 17055

Opened fall of 2006



4

Seaport Call Center

2501 Seaport Drive
Suite BH210
Chester, PA 19013

Opened fall of 2012



5

Parkway Center

11 Parkway Center
Suite 200
Pittsburgh, PA 15220

Opened fall of 2013

BOARD OF DIRECTORS



Representative William F. Adolph, Jr.
Chairman, Springfield



Senator Wayne D. Fontana
Vice Chairman, Pittsburgh



Senator Ryan Aument
Landisville



Representative Matthew Bradford
Worcester



Representative Mike Carroll
Avoca



Representative Sheryl M. Delozier
Cumberland



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Ellwood City



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Philadelphia



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Montrose



Representative Michael Peifer
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Mr. D. Raja
Pittsburgh



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Holland



Representative James R. Roebuck, Jr.
Philadelphia



Senator Mario M. Scavello
Monroe/Northampton



Senator Lloyd K. Smucker
Lancaster



Mr. Timothy R. Thyreen
Waynesburg



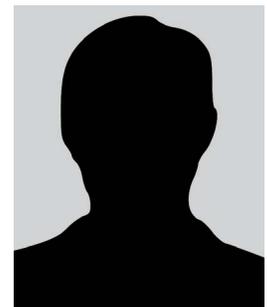
Senator Robert M. Tomlinson
Bensalem



Senator Sean Wiley
Erie



Senator John N. Wozniak
Johnstown



PA Secretary of Education

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, grant administration, outreach, and other student aid programs.

PHEAA's earnings are used to support its public service mission and to pay its operating costs, including the 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 FedLoan Servicing and American Education Services (AES). For more information, visit PHEAA.org.

PHEAA.org
800.692.7392



Pennsylvania Higher Education Assistance Agency

1200 North Seventh Street, Harrisburg, PA 17102-1444

These materials have been developed and paid for by the Pennsylvania Higher Education Assistance Agency (PHEAA) for informational purposes. Although the information contained in this document is believed to be accurate at the time of printing, PHEAA does not guarantee its accuracy. You should independently verify that this information is correct.

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