

May 25-26, 2017

ITEM 175-104-R0517

Authorization to Negotiate and Execute the Transfer of Student Loan Guaranty Services

THAT

The Board of Regents of Higher Education authorize the Commissioner of Higher Education to negotiate and execute the transfer of the student loan guaranty services currently provided by the Montana Guaranteed Student Loan Program to a guaranty agency approved by the United States Department of Education.

EXPLANATION

The federal government centralized student loans under the Direct Loan Program beginning July 1, 2010, with all new student loans being administered directly by the federal government. Prior to that date, the Montana Guaranteed Student Loan Program (MGSLP) administered the student loan program for Montana and guaranteed loans of private Montana lenders.

Since July 1, 2010, MGSLP has continued to administer the old loan program and provide guaranty agency services. MGSLP is a federally funded program and is no longer able to sustain its operations without suffering annual financial losses. The annual financial losses are expected to worsen with each successive year due to a shrinking guaranty portfolio.

Transferring the guaranty responsibilities is necessary to avoid future liabilities that MGSLP has no ability to cover with state funded resources. MGSLP has the resources to cover their current liabilities with its federal funding, but with the reduced cash flows and current and projected operating losses that ability will be severely limited in the future.

ATTACHMENTS

None