



2009-2010
ANNUAL REPORT
Serving Montana
Students for 27 years



MONTANA HIGHER EDUCATION
STUDENT ASSISTANCE CORPORATION

LETTER FROM THE CHAIR

On one hand, Fiscal Year 2009-10 marked the end of an era as schools across Montana and the country readied themselves for the arrival of the U.S. Department of Education's Direct Loan program.

But on the other, it was business as usual for the Montana Higher Education Student Assistance Corporation (MHESAC).

As we have for more than two decades, MHESAC and its lender partners worked together to ensure that students had funding to pay for their higher education.

Once again, MHESAC honored its business commitments to purchase more than \$100 million in new student loans from Montana financial institutions in the spring of 2010.

Plus, MHESAC delivered \$2 million in borrower benefits to its borrowers, complemented by superior customer service provided by MHESAC's business manager and loan servicer, nonprofit Student Assistance Foundation.

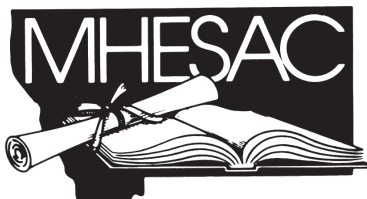
It is in the delivery of borrower benefits, and the conscientious servicing of loans by our business partner, that MHESAC sees its future in the lives of Montanans. And in our estimation, that is by no means a diminished role.

It is through our borrowers that MHESAC has gained its strength, and it is through their satisfaction and success that we will always measure our worth.

Fred Flanders

Fred Flanders, Board Chairman

Montana Higher Education Student Assistance Corporation



MHESAC: FACING THE FUTURE

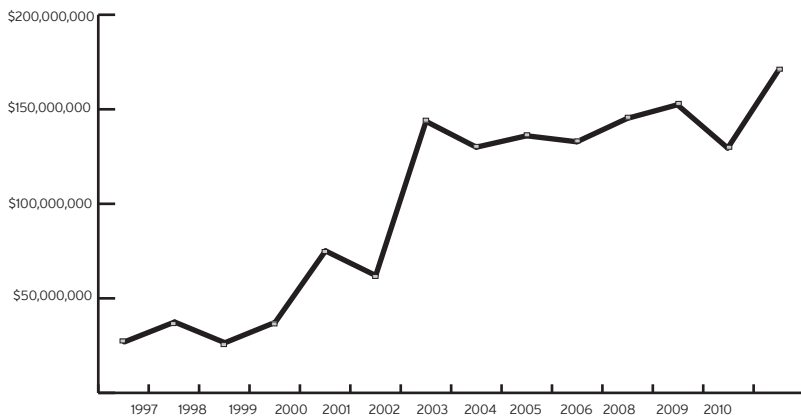
As the Federal Family Educational Loan (FFEL) program wound down in Fiscal Year 2009-10, the Montana Higher Education Student Assistance Corporation (MHESAC) continued to deliver the superb service to which its borrowers and business partners have become accustomed.

In fact, MHESAC originated almost \$39 million in FFEL loans for Montana students and acquired almost \$101 million in loans from its Montana lender partners. This brings MHESAC's portfolio to a total of \$1.5 billion, or 83,909 borrowers.

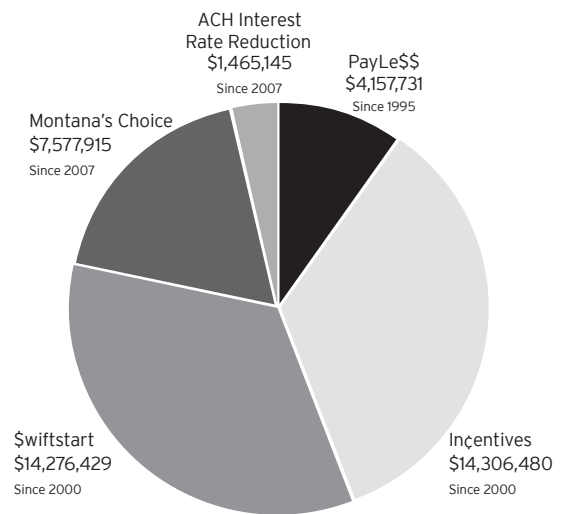
In addition to increasing its loan portfolio, MHESAC delivered \$2 million in borrower benefits to its customers through interest rate reductions, principal reductions and rebates. Since 1995, MHESAC has provided \$41.7 million in borrower benefits.

MHESAC, as part of its ongoing effort to address issues resulting from the recent crisis in the financial markets, redeemed what remained of its variable rate demand obligations (VRDOs). During FY10 MHESAC redeemed all but \$9.3 million of its VRDOs. The rest were redeemed in August 2010. At current interest rates, that redemption will save MHESAC about \$5.5 million per year in bond interest expense.

Last, but certainly not least, MHESAC reported that its operating income was in the positive for the first time in three years – a tremendous accomplishment given the financial and political turmoil that has plagued the industry.



Loan Volume Originated and Acquired from 1997 - June 2010



Borrower benefits delivered to Montana students by program from 1995 - June 2010

MONTANA HIGHER EDUCATION
STUDENT ASSISTANCE CORPORATION
CONDENSED BALANCE SHEET

June 30, 2010 and comparative totals for 2009

(expressed in thousands)

ASSETS	2010	2009
CURRENT ASSETS	\$4,619	\$ 3,926
RESTRICTED ASSETS	1,624,781	1,846,243
OTHER ASSETS	17,044	19,799
TOTAL ASSETS	<u>\$1,646,444</u>	<u>\$ 1,869,968</u>

LIABILITIES AND NET FUND ASSETS

CURRENT LIABILITIES	\$76,546	\$ 63,856
LONG-TERM DEBT	1,537,209	1,776,891
OTHER LIABILITIES	6,726	7,493
TOTAL LIABILITIES	<u>1,620,481</u>	<u>1,848,240</u>
FUND NET ASSETS	<u>25,963</u>	<u>21,728</u>
TOTAL LIABILITIES AND FUND ASSETS	<u>\$1,646,444</u>	<u>\$ 1,869,968</u>

MONTANA HIGHER EDUCATION
STUDENT ASSISTANCE CORPORATION
STATEMENTS OF REVENUE, EXPENSE AND
CHANGES IN FUND NET ASSETS

Year ended June 30, 2010 and comparative totals for 2009

(expressed in thousands)

	2010	2009
TOTAL OPERATING REVENUE	\$57,372	\$ 73,864
TOTAL OPERATING EXPENSE	51,801	86,791
OPERATING INCOME (LOSS)	5,571	(12,927)
NONOPERATING REVENUES (EXPENSES)	(1,336)	4,464
INCREASE (DECREASE) IN NET ASSETS	4,235	(8,463)
FUND NET ASSETS, BEGINNING OF YEAR	21,728	30,191
FUND NET ASSETS, END OF YEAR	<u>\$25,963</u>	<u>\$ 21,728</u>

MHESAC BOARD OF DIRECTORS

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BOARD CHAIR
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*TERM EXPIRED DURING THE FISCAL YEAR



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Helena, MT 59601-4901
www.mhesac.org

For general information
call MHESAC's business manager,
Student Assistance Foundation:
(406) 495-7800

MONTANA HIGHER
EDUCATION STUDENT
ASSISTANCE CORPORATION
(MHESAC) IS A MONTANA
PRIVATE, NONPROFIT
CORPORATION ORGANIZED
UNDER SECTION 150(d) OF
THE U.S. TAX CODE TO
PROVIDE MONTANA
CITIZENS WITH FINANCIAL
ACCESS TO HIGHER EDUCATION.