

2006-2007
ANNUAL REPORT

Looking to
the Future



MONTANA HIGHER EDUCATION
STUDENT ASSISTANCE CORPORATION

MESSAGE FROM THE PRESIDENT

– DR. SHEILA STEARNS, PRESIDENT
MONTANA HIGHER EDUCATION STUDENT ASSISTANCE CORPORATION

After 24 years of helping Montana students and their families finance their postsecondary education, Montana Higher Education Student Assistance Corporation (MHESAC) has no doubt about the service it has provided.

But it occurred to us this year that, for those people whose lives MHESAC hasn't directly affected, the company's efforts and intentions may not be quite as apparent.

Upon consideration of the level of uncertainty that has consumed the student loan industry in recent months as a result of widespread investigations of impropriety, MHESAC decided to reintroduce itself to the communities it serves and underscore its values.

That effort to reach out to Montana residents has taken a number of forms throughout the course of the year. On one level, that work has been simple – as easy as posting more detailed information about MHESAC board meetings and finances on the company Web site.

It also required extending a friendly handshake to Montana legislators and media contacts through informational mailings and visits to affirm those crucial relationships.

Ultimately, it is through all of MHESAC's efforts and partnerships that we will reach our goal of providing every Montanan with access to higher education, no matter what their economic status.

So, in an industry in transition, MHESAC's doors remain open to the public, its willingness to develop new and unique partnerships intact and its commitment to Montana students steadfast.

At MHESAC, we're looking forward to tomorrow and the opportunities it holds for Montana students.

MHESAC: REACHING OUT TO MONTANA, DELIVERING EDUCATION

In 2007, the Montana Higher Education Student Assistance Corporation (MHESAC) continued its tradition of serving Montana students and its partners in the ethical and professional manner that has become its trademark.

In so doing, MHESAC increased its number of Montana and non-Montana borrowers from 92,776 in 2006 to 96,836. Hand-in-hand with that rise in the number of borrowers came corresponding growth in outstanding principal in student loans in MHESAC's portfolio from \$1.3 billion in 2006 to \$1.39 billion.

As an extension of that growth activity, MHESAC's loan acquisitions and originations totaled \$338 million and the issuance of annual financings necessary for loan acquisitions totaled \$234.1 million.

MHESAC also provided its Montana lending partners with more than \$110 million in capital for low-cost Federal Stafford and PLUS education loans.

As such, MHESAC's business activities continued to parallel its mission of lowering the cost of repaying student loans for Montana borrowers by reducing interest rates, providing principal reductions and eliminating up-front costs. In Fiscal Year 2007, MHESAC delivered more than \$5.6 million in such borrower benefits, up from \$2.7 million the previous year.

In the past 10 years, more than \$34 million in borrower benefits have been delivered to Montana students and current projections show more than \$50 million will be available for Montana borrower benefits over the life of these loans.

FISCAL YEAR	TOTAL ACCOUNTS RECEIVING BENEFITS	PRINCIPAL REDUCTION	INTEREST RATE REDUCTION	ORIGINATION & DEFAULT FEES PAID	TOTAL BENEFIT AMOUNT DELIVERED
PayLe\$\$					
FY1995-2005	42,045	\$ 2,585,379	na	na	\$ 2,583,379
FY2006	7,667	388,696	na	na	388,696
FY2007	11,144	342,682	na	na	342,682
Incentives					
FY2000-2005	39,920	14,240,396	na	na	\$ 14,240,396
FY2006	717	26,504	na	na	26,504
FY2007	395	15,844	na	na	15,844
\$wiftstart					
FY2000-2005	13,518	9,738,637	na	na	9,738,637
FY2006	3,386	1,536,087	na	na	1,536,087
FY2007	3,704	1,301,920	3,181	na	1,305,101
Montana's Choice					
FY2007	45,705	7,492	27,185	3,600,099	3,634,776
ACH Interest Rate Reduction					
FY2007	6,447	na	332,215	na	332,215
TOTAL BENEFITS DELIVERED					
	174,638	\$ 30,181,637	\$ 362,581	\$ 3,600,099	\$ 34,144,317

MHESAC: DISTRIBUTES REBATES TO MONTANA STUDENTS

As a reflection of the Montana Higher Education Student Assistance Corporation's (MHESAC) dedication to helping Montana students in 2007, it forgave over \$180,000 for more than 700 Montana borrowers as part of its new Montana Rewards Program.

"The purpose of the rebates that ranged up to \$500 was to demonstrate MHESAC's commitment to Montana students by helping them pay off the final amounts due on their Montana's Choice student loans," said Jim Stipcich, chief executive officer/president of MHESAC's business manager, Student Assistance Foundation (SAF).

He explained that Montana's Choice customers with outstanding loan balances of \$500 or less were eligible for the rebate as a result of their commitment to making regular, timely payments on their accounts.

"We believe it's an appropriate way to reward Montana students for taking their student loan repayment obligations seriously," he said. "After they've come that close to paying off their student loan debt, it's our privilege to take them the rest of the way."

Contact center specialists at SAF began receiving telephone calls from appreciative customers immediately after the qualifying loans were discharged.

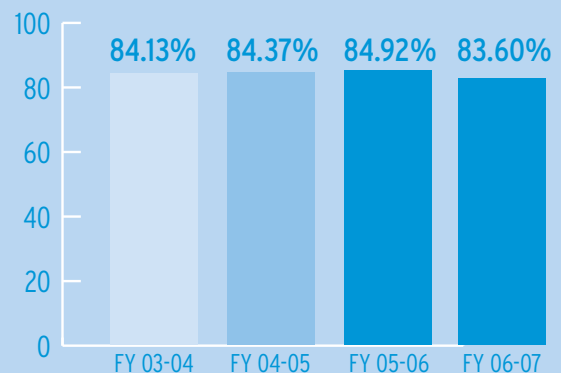
"We handled a number of calls from customers who received notification that their loans had been paid off," he said. "It was especially rewarding to hear how pleased they were that their loan obligations were complete, and know that we played an important role in that success."

FY07 MHESAC Borrower Benefits

MHESAC delivered \$5,630,618 in benefits to 63,990 accounts in FY2007.

	Dollars Delivered	Number of Accounts
Payle\$\$	\$ 342,683	7,453
Incentives	15,844	681
\$wiftstart	1,305,101	3,704
Montana's Choice	3,634,776	45,705
ACH Interest Rate Reduction	332,215	6,447
TOTAL DELIVERED	<u>\$5,630,618</u>	<u>63,990</u>

Montana Stafford loan market share (aggregated)



MHESAC: VISITING MONTANA COMMUNITIES

In order to help the public better understand MHESAC's efforts on behalf of Montana students and families, the company launched an informational campaign in 2007.

Portions of that effort were as simple as making corporate information more immediately available and apparent on www.mhesac.org.

Now, visitors to the site are quickly introduced to MHESAC's mission, and can readily locate corporate information including contact numbers, board meeting schedules and more.

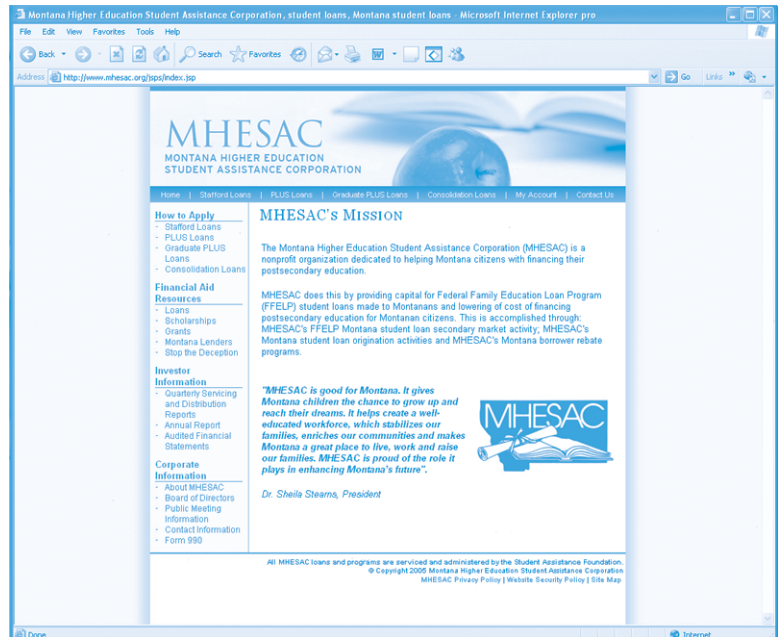
In addition, the site features investor information such as annual reports and audited financial statements.

As another part of that effort, MHESAC provided informational packets to Montana's leaders during the 2007 Legislative Session, and extended a direct invitation to the Montana media to learn more about MHESAC and what we do for students.

That involved expanding press release distribution, working with reporters on stories about the student loan industry and developing opinion pieces that were featured in the Billings Gazette and the Bozeman Daily Chronicle.

Jim Stipcich, chief executive officer and president of MHESAC's business manager, Student Assistance Foundation, took time out from his busy schedule to visit with editorial boards at the Helena Independent Record and the Great Falls Tribune.

"We thought it was important to go out and visit legislators and the media to emphasize our openness to any questions they might have," Stipcich said. "In fact, we welcome working with them to help Montana students."



MHESAC: SHOWCASING MONTANA'S CHOICE LOANS

Montana's Choice Loans attained a higher level of visibility in June 2007 with the launch of a new Web site dedicated solely to the popular product line.

While Montana's Choice Stafford, Parent PLUS, Grad PLUS and Consolidation loans have always had their place on MHESAC's home page, the new, eye-catching site focuses the spotlight on the products and the associated benefits MHESAC provides to Montana students.

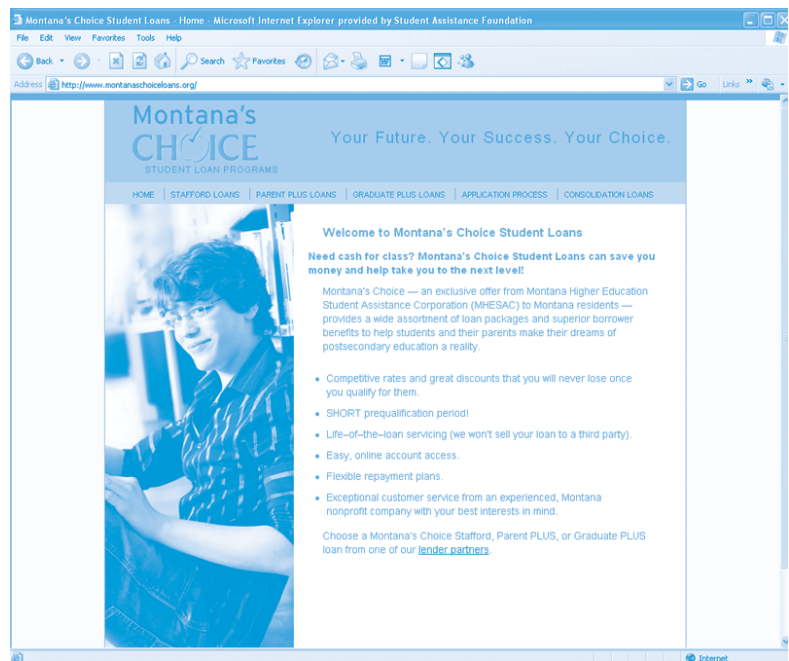
The site promotes benefits including MHESAC's competitive rates, flexible repayment plans and exceptional customer service from MHESAC's business manager, nationally recognized nonprofit Student Assistance Foundation (SAF).

Because applying for financial aid can be a confusing process, the Montana's Choice Web site provides visitors with simple steps to follow, such as where to complete the Free Application for Federal Student Aid (FAFSA), and get a FAFSA pin.

In addition, the site provides easy access to a comprehensive list of lender partners – without which Montana's Choice loans couldn't be as effectively delivered – and quick links to Montana school sites.

Finally, visitors to the site are invited to contact SAF, if they need further assistance handling the financial aid process.

To view the Montana's Choice Web site, go to www.montanaschoiceloans.org.



Montana Higher Education Student Assistance Corporation

CONDENSED BALANCE SHEET

June 30, 2007 and comparative totals for 2006 (expressed in thousands)

ASSETS	2007	2006
CURRENT ASSETS	\$ 5,254	\$ 9,008
RESTRICTED ASSETS	1,846,516	1,637,554
OTHER ASSETS	15,230	14,926
TOTAL ASSETS	\$ 1,867,000	\$ 1,661,488
LIABILITIES AND NET FUND ASSETS		
CURRENT LIABILITIES	39,138	36,975
LONG-TERM DEBT	1,772,416	1,582,051
OTHER LIABILITIES	17,009	19,617
TOTAL LIABILITIES	1,828,563	1,638,643
FUND NET ASSETS	38,437	22,845
	\$ 1,867,000	\$ 1,661,488

Montana Higher Education Student Assistance Corporation

CONDENSED STATEMENT OF REVENUE, EXPENSE
AND CHANGES IN FUND NET ASSETS

June 30, 2007 and comparative totals for 2006 (expressed in thousands)

	2007	2006
TOTAL OPERATING REVENUE	\$ 128,444	88,765
TOTAL OPERATING EXPENSE	113,710	80,867
OPERATING INCOME	14,734	7,898
NONOPERATING REVENUES (EXPENSES)	858	(4,838)
INCREASE IN NET ASSETS	15,592	3,060
FUND NET ASSETS, BEGINNING OF YEAR	22,845	19,785
FUND NET ASSETS, END OF YEAR	\$ 38,437	\$ 22,845

MHESAC BOARD OF DIRECTORS

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GREAT FALLS

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JUDY CHAPMAN, SECRETARY
BILLINGS

BRUCE MARKS, TREASURER
HELENA

MONTANA HIGHER EDUCATION STUDENT ASSISTANCE CORPORATION (MHESAC)

is a not-for-profit organization dedicated to helping assure financial access to postsecondary education opportunities for Montana citizens. We do this by ensuring access to student loans and lowering the cost of financing postsecondary education. This is accomplished by providing capital in the Federal Family Education Loan Program (FFELP) student loan secondary market, loan origination activities and borrower rebate programs.

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

For loan-related questions call:
(800) 852-2761

For lender services call:
(800) 223-2914

THE MHESAC BOARD OF DIRECTORS THANKS THE LENDERS, SCHOOLS AND BUSINESS PARTNERS WHO HAVE CONTRIBUTED TO MHESAC'S SUCCESS IN OUR MISSION OF ASSURING ACCESS TO STUDENT LOANS FOR MONTANA CITIZENS AND LOWERING THE COST OF FINANCING POSTSECONDARY EDUCATION. THANKS ALSO TO THE STAFF OF STUDENT ASSISTANCE FOUNDATION FOR CONTINUING TO PROVIDE THE QUALITY SERVICE THAT MHESAC BORROWERS HAVE COME TO EXPECT.



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