

Chart 1
USA Funds' Arizona Loan Volume
by Loan Type

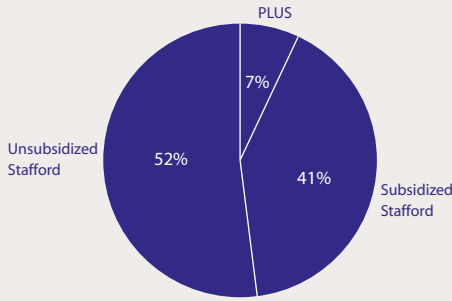
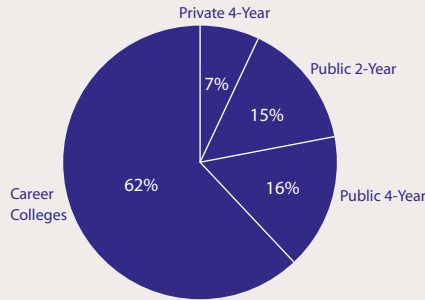


Chart 2
USA Funds' Arizona Loan Volume
by Institution Type



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.



USA Funds® has served Arizona as its designated guarantor of federal education loans since 1981. As Arizona's designated guarantor, USA Funds links colleges, universities, career colleges, 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, 2005, USA Funds guaranteed more than \$786 million in new education loans to more than 90,500 Arizona borrowers — including 85,834 students and 4,695 parents — and served 63 postsecondary institutions in Arizona.

USA Funds works with Arizona schools and lenders to help reduce student-loan-default rates. During the last 10 years, Arizona's default rate has dropped more than 70 percent. The most-recent default measure, the 2003 cohort-default rate, fell to 5.8 percent — a decline of nearly 11 percent from the previous year in the default rate among all Arizona student-loan borrowers. 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 2005 provided a broad spectrum of services in Arizona, including the following:

- ◇ USA Funds’ debt-management consultants assisted 27 Arizona 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 the USA Funds Life Skills® financial-literacy course. The number of schools in various stages of implementing USA Funds Life Skills in Arizona stands at 38.
- ◇ Fourteen schools in Arizona use USA Funds-provided tools that help students and graduates stay on the path to successful repayment. The new, Web-based USA Funds Debt ManagerSM assists with call or letter campaigns to borrowers experiencing repayment difficulties.
- ◇ To give schools greater flexibility as they help students track their education loans, USA Funds supports the Borrower Debt Management Information Service. Schools often use the service during student-loan exit counseling with borrowers.
- ◇ USA Funds conducted four debt-management workshops in Arizona to help schools learn more about USA Funds Life Skills, and about student retention and its role in default prevention. A total of 77 higher-education professionals took part in workshops in Flagstaff, Phoenix and Scottsdale.

USA Funds also supported a variety of other programs for Arizona schools and lenders, and the students and families they serve, to enhance preparation for, access to and success in higher education in 2005.

Arizona advisory council

To ensure that its services meet the needs of postsecondary education in Arizona, USA Funds hosts regular meetings of its Arizona financial-aid advisory council. The council includes financial-aid administrators for Arizona colleges and universities, representatives of lending institutions, as well as officials of the state’s commission for postsecondary education, board of private postsecondary education, and private-school association. An Arizona financial-aid professional also serves 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 a wide array of training opportunities, including free workshops in Arizona. During fiscal 2005 USA Funds conducted four financial-aid workshops, in Phoenix and Tucson, for a total of 181 participants.

Scholarship funding

The USA Funds Access to Education Scholarships® program awarded 355 new and renewal scholarships totaling \$516,000 to deserving college-bound students in Arizona for the 2005-2006 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.

In celebration of the 25th anniversary of USA Funds’ service as Arizona’s designated guarantor, USA Funds in 2005 announced that it will create the Arizona Silver Anniversary Scholarships™. For 2006-2007, the program will double to \$500,000 USA Funds’ support for new scholarships to residents of Arizona.

Under the USA Funds Scholars program, USA Funds awarded \$28,500 in scholarships to graduating seniors from nine Arizona high schools. USA Funds Scholars are outstanding students in USA Funds’ designated states and in communities in which USA Funds has offices.

Early awareness program

USA Funds offers at no cost to Arizona schools and community- and faith-based organizations its USA Funds Unlock the Future® early awareness program. Twenty 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.

‘Investing in Arizona’s Future’

USA Funds underwrote a report that provided recommendations about financial aid for low-income students in Arizona. The Arizona Commission for Postsecondary Education released “Investing in Arizona’s Future” at an event marking USA Funds’ 25th anniversary as Arizona’s designated guarantor.

Children’s hospital mobile classrooms

To help young patients stay on track with their schoolwork during their hospital stays, USA Funds made a commitment to donate three educational carts to the Phoenix Children’s Hospital. These “mobile classrooms” will provide teachers and students with educational capabilities previously unavailable at the hospital.

Learning Communities

USA Funds joined a coalition of organizations that are focusing services on six pilot communities — including Sunnyside Unified School District in Tucson — in a bid to improve access to postsecondary education for low-income students. The Learning Communities Coalition is partnering with local leaders across the nation to significantly increase the number of youths in the selected communities who complete high school and successfully pursue postsecondary education.

College-planning Web site

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

College Goal Sunday

In partnership with ACPE and other organizations, USA Funds supports College Goal Sunday in Arizona. The event provides high-school seniors and their parents free help in completing the application necessary to qualify for federal aid for college. A total of 3,234 students and parents in Arizona received assistance at 23 College Goal Sunday sites during 2005. USA Funds also sponsored for the fifth-consecutive year “USA Funds Countdown to College.” The publication is an insert in the *Arizona Republic* in Phoenix and *Arizona Daily Star* in Tucson. “USA Funds Countdown to College” promotes Arizona’s College Goal Sunday and provides higher-education admissions and financial-aid information.

Jobs for Arizona’s Graduates

For the fourth-consecutive year, USA Funds collaborated with Jobs for Arizona’s Graduates, a school-to-work transition program, in an effort to help at-risk students in Arizona stay in school and to graduate with the skills necessary to gain employment or further their education.

College Summit Arizona

USA Funds provided funding to pilot College Summit Arizona, an initiative to enhance higher-education access for low-income students. College Summit provides a support system to bridge the gap between high-school graduation and postsecondary training for students who had not considered college.

Table 1

25 Largest Arizona Schools By USA Funds Loan Volume

University of Phoenix	DeVry University
University of Arizona	Glendale Community College
Western International University	Phoenix College
Midwestern University	The Bryman School
Mesa Community College	Conservatory of Recording Arts and Sciences
Apollo College	Estrella Mountain Community College
Ottawa University	Central Arizona College
Rio Salado College	American Institute of Technology
The Art Institute of Phoenix	Cochise College
Pima Community College	The Golf Academy of Arizona
Scottsdale Community College	Argosy University
ITT Technical Institute	
High-Tech Institute-Phoenix	
GateWay Community College	

Table 2

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

Bank One
Southwest Student Services Corp.
Bank of America
Midwestern University
Wells Fargo Bank
Sallie Mae Education Trust
University of Arizona
AMS Education Loan Trust
J.P. Morgan Chase
College Loan Corp.