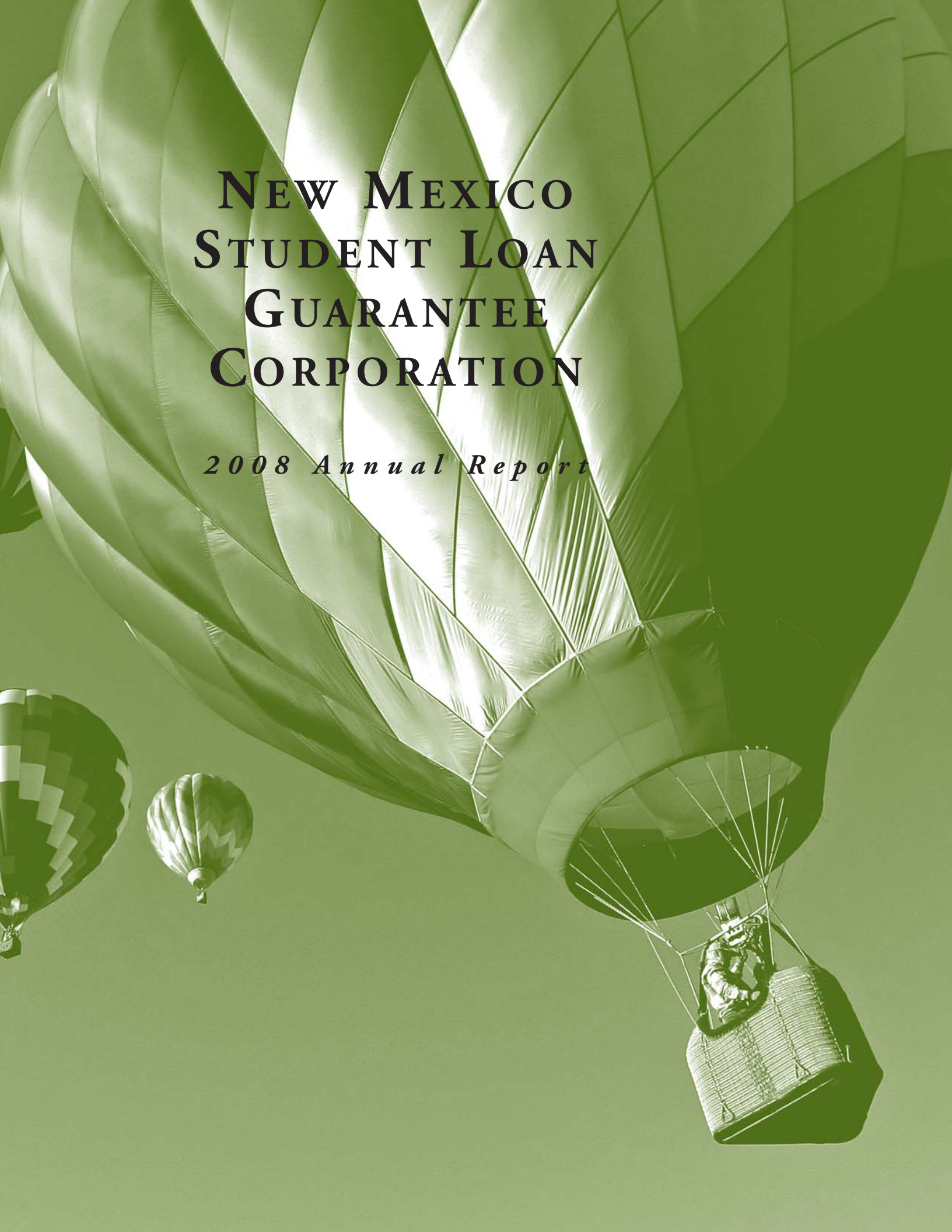
New Mexico Student Loan Guarantee Corporation

2008 Annual Report



Executive Message

As a not-for-profit organization, the New Mexico Student Loan Guarantee Corporation (NMSLGC) continues to support New Mexico students and parents by providing access to post-secondary education. In 1981, the State Legislature created the New Mexico Student Loan Guarantee Corporation to help make higher education more affordable and accessible to New Mexicans. After more than 27 years, NMSLGC's cumulative guarantees total more than $3 billion.

For the fiscal year October 1, 2007 through September 30, 2008, NMSLGC guaranteed 54,752 loans totaling over $226 million for students and parents. Another accomplishment was attaining a cohort default rate of 2.8 percent, the lowest in the guaranty agency's history, while the national average was 5.2 percent. NMSLGC helped to prevent default for over 14,000 borrowers, representing nearly $198 million in principal and interest. We continue to educate borrowers of the options available to them while in repayment, as well as provide financial education to prevent defaults. Of those borrowers in repayment, 15,709 loans were paid in full this fiscal year, representing $61,824,418 in principal. Despite all our efforts, there will always be borrowers who default. This year over $6 million was collected on defaulted loans.

One of NMSLGC's initiatives this year was to provide information to prospective students with a newly designed website, Going2College.org, which touches on career exploration as well as planning for college, finding a college and paying for college. The guaranty agency also has representation with the New Mexico JumpStart Coalition, which supports financial literacy education.

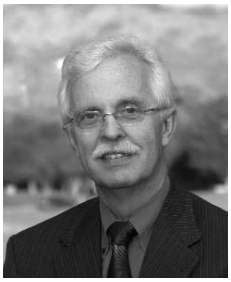
NMSLGC continues to provide training services to partner schools and business partners - reviewing possible web-based applications and imaging tools that promote a paperless office environment and exploring video-conferencing opportunities that eliminate the need for school and business partner on-site visits. The guaranty agency also continues to train financial aid officers and business partners on the loan delivery processes, including the life of the loan process at NMSL, regulatory changes that impact the current loan delivery process, and education on alternative loan borrowing.

The employees of the NMSLGC and its sister organization, the New Mexico Educational Assistance Foundation (NMEAF), earned remarkable recognition for customer service by receiving a cumulative score of 6.2 on a seven-point scale in an independent customer satisfaction survey. Additionally, the organizations were selected as one of New Mexico Business Weekly's "Best Places to Work."

The Higher Education Act was reauthorized on August 14, 2008, after years of extensions and delays. As a result of legislation, forthcoming changes and challenges will be met with determination and resolve. As we look toward 2009-2010, NMSLGC continues its commitment to provide outstanding customer service to its borrowers and business partners.

We are thankful for the continued support we receive from New Mexico schools and students, and look forward to serving them in the future.

Mark S. Pike
Chairman



Elwood G. "Woody" Farber
President

Overview

The New Mexico Student Loan Guarantee Corporation (NMSLGC) is a private, non-profit organization created by the New Mexico Legislature in 1981, along with its sister organization the New Mexico Educational Assistance Foundation (NMEAF). The companies operate a "doing business as" (dba) arrangement under New Mexico Student Loans. Its primary function is to guarantee Federal Family Education Loan Program (FFELP) loans for New Mexico residents and students who attend New Mexico postsecondary institutions.

NMSLGC processes student loans submitted for guarantee; issues loan guarantees; monitors the status of loans; provides default aversion assistance to lenders; pays lender claims for loans unpaid due to default, bankruptcy, death or disability; and collects on loans for which default claims have been paid.

We strive to maintain strong relationships with our participating educational and lending partners. Toward that end, NMSLGC provides default management assistance in addition to financial aid training, guidance and program review for student loan administrators at our partner institutions. Our goal is high quality, cost-efficient customer service.

NEW MEXICO STUDENT LOAN GUARANTEE CORPORATION

Our 2008 Accomplishments

- Contributed to community activities and events throughout the year:
  - College Goal Sunday
  - School-to-World Program
  - JumpStart Coalition
  - Statewide College Connection Nights at high schools
  - Golden Apple Awards for Teacher Excellence
  - Free Application for Federal Student Aid assistance workshops
  - Lt. Governor's Summit on Financial Education
- Expanded collaboration with the New Mexico Higher Education Department's College Access Challenge Grant project "Carve Your Path" to stress the importance of early college preparation and career exploration for pre-high school students
- Selected as one of New Mexico Business Weekly's "Best Places to Work"

New Mexico's Business Weekly Best Places to Work!

- Participated in the College Access Initiative, which provides first generation and non-traditional students with relevant materials and online information about postsecondary educational opportunities, including preparing for and applying to college, planning for a career, and paying for college. One of the initiative's projects is the Going2College website.
- Increased total cash and rehabilitation collections 27% from last year

Loan Programs

The Federal Family Education Loan Program (FFELP) provides low interest loans to students who need financial assistance to cover their postsecondary educational expenses. FFELP ensures access to and choice in higher education through a team lending approach. Participating postsecondary institutions certify student eligibility; lenders provide loan capital and NMSLGC guarantees loans on students' behalves.

NMSLGC guarantees four types of federal loans: Subsidized Stafford Loans, Unsubsidized Stafford Loans, Parent Loans for Undergraduate Students (PLUS), which includes Graduate PLUS loans, and Consolidation loans.

NMSLGC's Stafford and PLUS loan volume for 2008 increased slightly from 2007, with a total of $226.5 million guaranteed. This number represents approximately 49,000 borrowers, with an average loan of $4,620. Of these, 98.5 percent was disbursed to students attending postsecondary schools in New Mexico; the remainder was disbursed to New Mexicans attending out-of-state schools.

Default Aversion Specialists Howard Schaer & Elyse Elkins.

Melissa Dale is the Supervisor for NMSLGC—Beth Leeway is the Ombudsman.

Claims Examiners for the agency include Ginger Mitchell, Leslie DeLara & Brenda Bowman.

Kathy Montoya & Pamela Stephen assist in both Collections and Default Aversion. Roberta Aguilar works in Collections.

Federal Subsidized and Unsubsidized Stafford Loans

Based on demonstrated financial need, Federal Subsidized Stafford loans are accessible to eligible undergraduate and graduate students who attend approved postsecondary educational institutions—colleges, universities, technical and vocational schools. The federal government pays interest on subsidized loans while borrowers are in school, in the grace period and during eligible deferments.

In 2008, NMSLGC guaranteed more than $112.5 million in Federal Subsidized Stafford loans, bringing the total to $1.6 billion.

For students seeking additional educational funding, Federal Unsubsidized Stafford loans continue to be a valuable resource. Cumulatively, NMSLGC has guaranteed over $762 million in unsubsidized loans, with more than $110.6 million being guaranteed in 2008.

Federal PLUS Loans

NMSLGC also guarantees loans under the Federal Parent Loan for Undergraduate Students (PLUS) loan program. PLUS loans are available to help parents cover the cost of postsecondary education for their dependent children. Graduate and professional students can borrow under the Grad-PLUS loan program. The borrower must meet most requirements of a PLUS loan, but need not be a parent.

Although these loans are not based on financial need, the loan amount cannot exceed the student's cost of attendance less any other financial aid received. This year, NMSLGC guaranteed $3.3 million, bringing the cumulative total to $45.9 million.

Federal Consolidation Loans

Federal Consolidation Loans allow borrowers to consolidate and extend repayment of eligible educational loans. NMSLGC continues to experience a decline in the amount of Federal Consolidation loans

guaranteed, due to changes in regulations. Due to these changes, lenders have little incentive to increase consolidation volume. Accordingly, the industry has seen a decline in FFELP consolidations, and consolidation brokers are no longer actively seeking out new loans and borrowers. NMSLGC guaranteed approximately $24.8 million in Federal Consolidation loans this year, a 77 percent decrease from last year. Cumulatively, more than $638.5 million in consolidated loans has been guaranteed.

Loan Administration

The Loan Originations area is primarily responsible for contact with NMSLGC's customers — including borrowers, schools, and partner lenders. This department is the first point-of-contact for customer assistance. In addition, Loan Originations identifies and resolves issues related to the submission and processing of the Master Promissory Notes, loan guarantees, revisions and disbursements, return of funds, resolution of guarantee rejects, enrollment reporting, and National Student Loan Data System (NSLDS) processing.

Claims

When lenders are unable to collect student loans due to default, bankruptcy, disability or death, they submit claims to NMSLGC for recovery. This year, NMSLGC paid 2,365 defaulted claims totaling approximately $16.4 million; 54 bankruptcy claims totaling about $1.1 million; and 210 death or disability claims totaling over $2.8 million.

Collections

NMSLGC outsources the collection of defaulted accounts to three collection agencies. These agencies collected approximately $6.1 million this year.

Compliance and Program Operations

NMSLGC is responsible for program integrity, the agency's compliance with federal regulations and the Corporation's policies and procedures. In addition, NMSLGC is charged with oversight of both schools and lenders relating to compliance with federal regulations governing the Federal Family Education Loan Program (FFELP). Federal reporting of the Corporation's activities and the Student Loan Ombudsman — who is responsible for investigating and responding to student borrower concerns — are both essential functions of program operations.

Partner Training

Partner training is provided on student lending, regulatory changes and industry and system updates. NMSLGC hosts a fall conference each year for partners, and provides customized staff training on demand. In addition, staff responds to information requests from the public and works with the Marketing and Sales Department to ensure that all assistance requests are fulfilled and that New Mexicans are kept informed about the availability of student financial aid.

Default Aversion

NMSLGC works closely with the state's lenders and postsecondary institutions to provide guidance and training to help borrowers avoid defaulting on their student loans. Default aversion begins when a lender contacts the guarantor because a borrower has become at least 61 days delinquent. NMSLGC staff then attempts to make contact with the borrower to offer assistance and to provide information that can facilitate resolution of the account. The Corporation's default aversion specialists offer borrowers advice, assistance and a range of solutions in an attempt to prevent student loan defaults.

As a result of default aversion efforts, NMSLGC's cohort default rate is 2.8 percent. This is the lowest in the history of the guaranty agency and significantly below the national average of 5.2 percent. Cohort default rates are also calculated by the Department of Education for each postsecondary institution. NMSLGC partners with New Mexico institutions by providing assistance and information so that rates can be contained. An important aspect of preventing default is financial literacy. NMSLGC is committed to outreach to educate students of the need for responsible borrowing and decision-making.

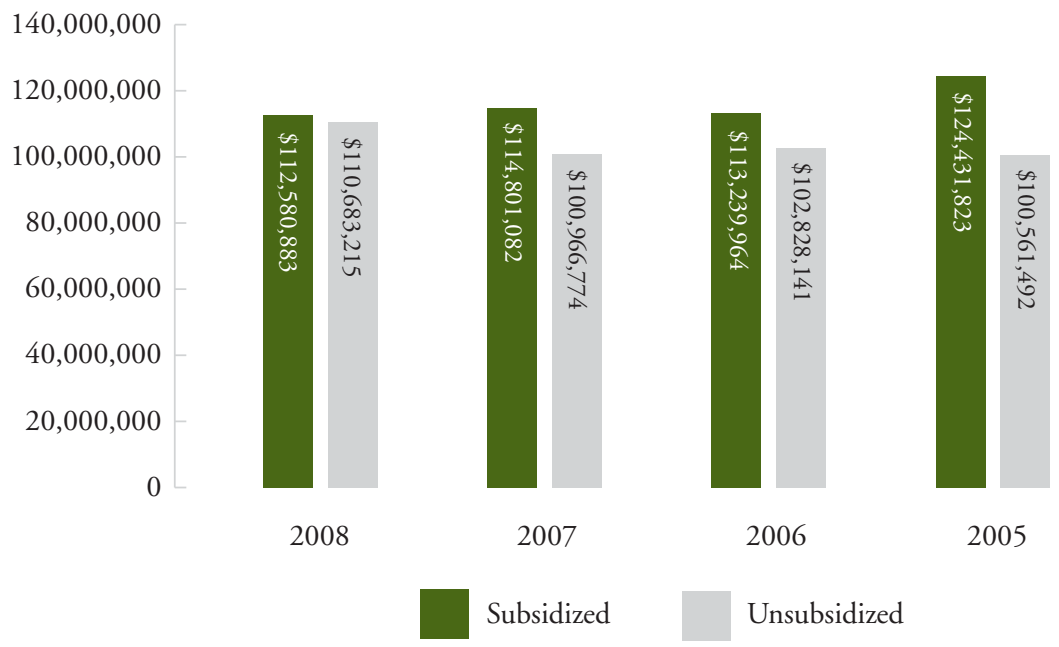
NMSLGC
CONDENSED BALANCE SHEET
September 30, 2008
Audited

	Combined Total
Assets	
Cash & Short Term Investments	$15,425,890
Reinsurance Receivable	253,743
Other Receivables	802,634
Prepaid Expenses	12,826
Total Assets	$16,495,093
Liabilities and Fund Balances	
Default Reserves	2,118,173
Accounts Payable and Accrued	470,876
Total Liabilities	2,589,049
Fund Balances	13,906,044
Total Liabilities & Fund Balance	$16,495,093

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Combined Total
Revenues:	
Collections on defaulted claims	$1,762,995
Other Revenues	3,918,101
Total Revenues	$5,681,096
Expenses:	
Foundation Service Agreement	$1,424,784
Collection Agency Fees	639,283
AES Service Agreement	369,142
Other Expenses	1,903,953
Total Expenses	4,337,162
Excess of Revenue Over Expenses	$1,343,934
Fund Balance, Beginning of Year	12,562,110
Fund Balance, End of Year	13,906,044

FFELP Loan Volume



Management Team

ELWOOD G. "WOODY" FARBER
President

SARAH S. BRANCH
Executive Vice President/Secretary

BRAD ALLPASS
Treasurer

REGINALD J. STORMENT
Vice President and General Counsel

CECILIA EVJEN
Vice President of Administrative Services

PAUL C. PADILLA
Vice President of Information Technology

CHRISTOPHER SANCHEZ
Internal Audit Director

CAROLYN HOLDER
Director

Board of Directors

The New Mexico Student Loan Guarantee Corporation is governed by a five-member Board of Directors. Its members include:

- Two officers or directors of New Mexico financial institutions
- The Cabinet Secretary of the New Mexico Higher Education Department
- The Chair of the Board of Directors of the New Mexico Educational Assistance Foundation
- A representative of the general public

MARK PIKE, Chairman
Senior Vice President, Wells Fargo Bank

MARIA GRIEGO-RABY, Vice Chair
Representative-at-Large

DION KIDD-JOHNSON
President & Chief Operating Officer
Western Commerce Bank

DR. REED DASENBROCK
Cabinet Secretary
New Mexico Higher Education Department

RICHARD N. CARPENTER (NMEAF Chairman)
New Mexico Institute of Mining & Technology Regent

Mission

New Mexico Student Loans is an association of full-service lending, loan servicing and loan guarantee organizations providing quality financial services and cultivating strong professional relationships to encourage and assist in the pursuit of higher education, thus enhancing the quality of life and future success of our stakeholders.

NEW MEXICO STUDENT LOAN GUARANTEE CORPORATION

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