

FINANCING HIGHER EDUCATION

REPORT 2016

Making North Dakota Better

President's Message



Nearly 50 years ago, Grady Porter was a student at Valley City State College when he received the country's first federally funded student loan through Bank of North Dakota (BND).

Since that time, hundreds of thousands of North Dakotans have taken advantage of BND's programs for their higher education needs.

At BND, we help make North Dakota better by assisting residents with the financing and planning of their higher education aspirations. We believe in a cradle-to-career approach starting with College SAVE, the state-sponsored 529 plan. As children grow, they and their parents may research college-related information from the College Planning Center or Why Apply websites. Students can receive scholarships through North Dakota Dollars for Scholars, access DEAL Student Loans for college and finally, refinance with the DEAL One Loan for repayment.

We commit resources to this effort as a strategy to fulfill the Bank's mission of promoting agriculture, commerce and industry in North Dakota. A well-educated workforce is a fundamental component of a strong economy. Our commitment to assist North Dakotans achieve their higher education dreams is unwavering.

A handwritten signature in black ink that reads "Eric Hardmeyer". The signature is fluid and cursive, written in a professional style.

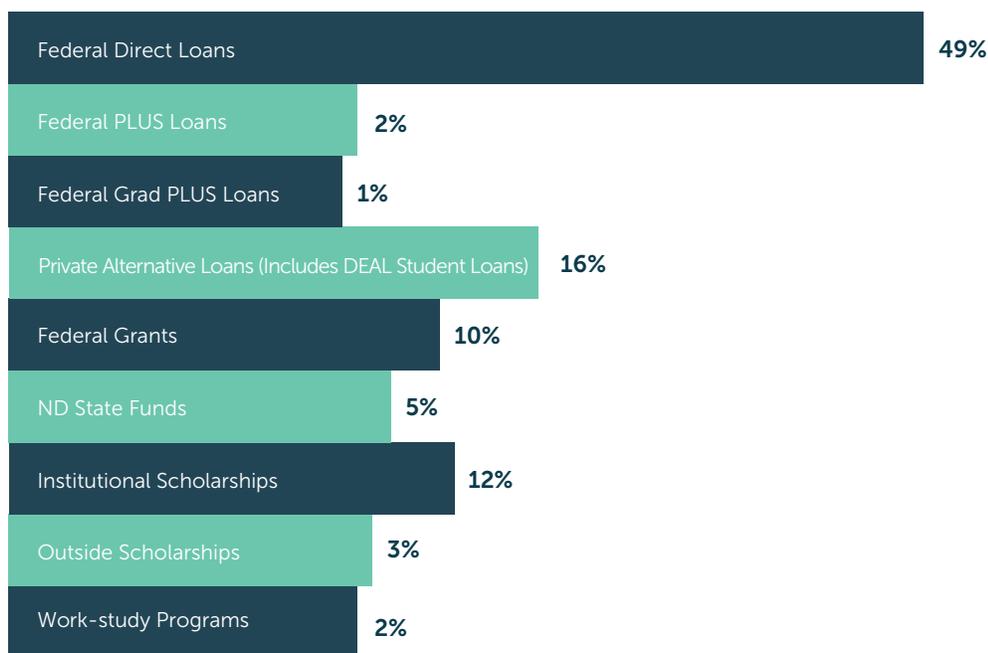
Eric Hardmeyer
President/CEO

How do students pay for college in North Dakota?

Financial aid data was collected for the 2015-16 academic year from the University of Jamestown, the University of Mary and North Dakota University System which includes all state colleges and universities.⁽¹⁾

The total financial aid dollars for the 2015-16 academic year was \$629,016,652 and was distributed to 103,386 students.

Payment sources received by North Dakota colleges and universities



Education levels in North Dakota*



40% have an associate degree



27% have a bachelor's degree



8% have a graduate or professional degree

*North Dakota residents, 25 years of age and older⁽²⁾

College SAVE

College SAVE is the state's 529 higher education savings plan and it is growing! North Dakotans are saving more for college than ever through the plan, an average of \$1.6 million per month. Five years ago, the monthly average savings was \$575,000. The number of accounts have tripled in the same time period to nearly 20,000 accounts. Saving for college makes a difference for North Dakotans.

**For every dollar
BND invests in the
ND Matching Grant
Program, residents
have saved \$7.**

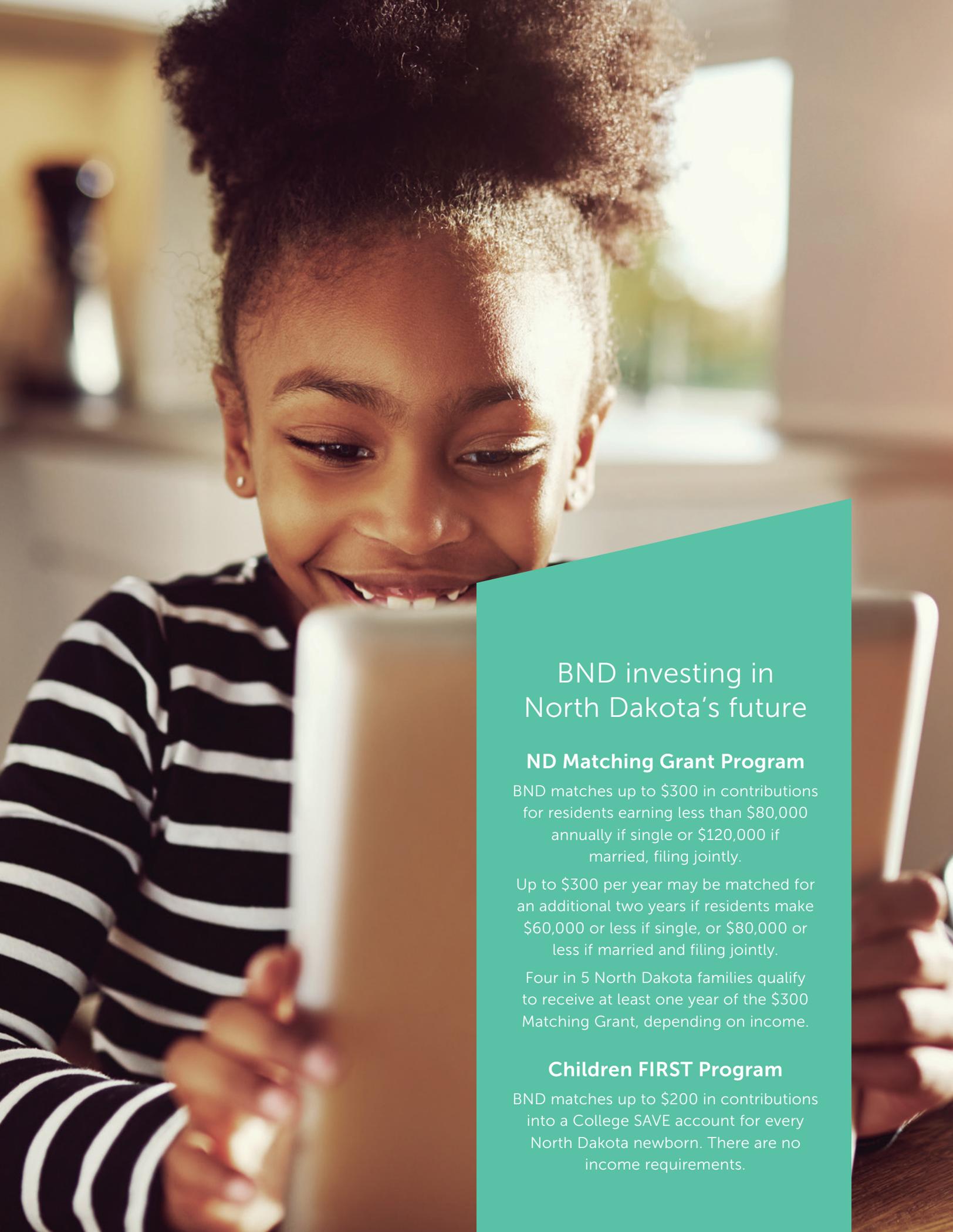


1,796 grants
distributed in 2016

19,871 active College
SAVE accounts



**For every dollar
BND invests in the
Children FIRST
Program, residents
have saved \$20.**



BND investing in North Dakota's future

ND Matching Grant Program

BND matches up to \$300 in contributions for residents earning less than \$80,000 annually if single or \$120,000 if married, filing jointly.

Up to \$300 per year may be matched for an additional two years if residents make \$60,000 or less if single, or \$80,000 or less if married and filing jointly.

Four in 5 North Dakota families qualify to receive at least one year of the \$300 Matching Grant, depending on income.

Children FIRST Program

BND matches up to \$200 in contributions into a College SAVE account for every North Dakota newborn. There are no income requirements.

Planning for college



BND provides college planning resources to parents, students and high school counselors looking for advice on career planning, preparing for college and financing a college education. Resources are available for all residents with an emphasis on first-generation, low-income students.

Dual Credit Assistance

Dual Credit Courses are college courses taken during high school that allow a student to earn both high school and college credits. BND funded 740 course fees for low-income students in 2016.

College Application Month

College Application Month was spearheaded by BND for the first time in 2016. More than one-third of the state's high school seniors took advantage of BND's commitment to pay for one \$35 application fee per student to a North Dakota college.



Crash Courses

Approximately 500 residents attend Crash Courses that are held in 10 rural communities each year. Students in grades 7-12 and their parents learn about current workforce needs and receive college preparation resources.

Financial Aid Information Nights

Financial Aid Information Nights are web-based presentations provided to high school seniors and their parents to educate them on the types of financial aid and how to complete the FAFSA. At least 12 sessions are held and parents can attend one at the local high school or from home.

Indian Youth Leadership Academy

The Indian Youth Leadership Academy welcomes Native American students from across the state each summer to participate in a variety of leadership development opportunities while learning from speakers and mentors.

College Planning Center & Why Apply

The College Planning Center and Why Apply websites provide college planning and funding information. The Why Apply website focuses on Native American youth.

Scholarships

BND provides more than \$100,000 each year in scholarship funding for the local Dollars for Scholars chapters, the North Dakota Dollars for Scholars chapter and the Real DEAL Scholarship.

RUReady.nd.gov

RUReady.nd.gov is a website funded by BND and available to every school in North Dakota to assist students with career exploration and planning along with ACT preparation.

GED Exams

General Education Development (GED) exams are required for a student to graduate with a GED equivalent. Many of these students are low income. BND covers the fees for the first and final exams for these students.

Student Loans



Student Loans are an important tool for many North Dakota residents to help them achieve their higher education goals.

North Dakota residents and out-of-state students attending North Dakota colleges can borrow the DEAL Student Loan with no fees and lower interest rates than other private loans. Students are encouraged to access Federal Perkins and Federal Direct Student Loans before DEAL Student Loans as they may be eligible for federal loan repayment and forgiveness programs.

There were 6,298 new borrowers of DEAL Student Loans in 2016. BND's student loan portfolio currently consists of 63,444 active student loan borrowers who have 169,689 loans.

Considering North Dakota residents only, 69 percent of the student loans are held by 20- to 29-year-olds followed by 22 percent of 30- to 39-year-olds. The average amount of debt in BND's student loan portfolio for North Dakota residents is highest for 30- to 39-year-olds at \$25,568 per borrower; 20- to 29-year-olds average \$23,253 of debt.



Student Loan Refinancing

Since BND unveiled the new student loan refinancing option called DEAL One Loan in April 2014, more than 9,000 North Dakota residents have taken advantage of it. After refinancing ALL federal, DEAL and private student loans into one loan with a lower interest rate, a borrower may choose to shorten the loan term by making the same monthly payment they were making prior to refinancing. Others choose to pay a reduced refinanced monthly payment amount after refinancing to increase their discretionary income.

The stories we hear from residents after refinancing with DEAL One Loan are inspiring. One father was excited they could have a second child because they could now afford daycare. Another young lady was eager to move from her parent's basement because she could afford rent. And yet another was able to purchase a home.

\$48,289.04
Average
DEAL One Loan

9,000+ DEAL One
Loan borrowers

\$451 million refinanced since April 2014

BND average annual interest rates

North Dakota residents and out-of-state students attending a North Dakota college receive preferred interest rates.

	Fixed Interest Rate APR*	Variable Interest Rate APR*
2013	5.14%	1.78%
2014	5.40%	1.73%
2015	4.94%	1.78%
2016	4.61%	2.16%

*The Annual Percentage Rate (APR) for these borrowers is the same as the stated rate because BND pays the fees.

Interest rate comparison

In January 2016, BND compared its variable interest rates to those of the three most frequently used private lenders by our DEAL One Loan customers. BND offers the same variable interest rate to all North Dakota residents who qualify. Other financial institutions adjust the interest rate based on the customer's credit and banking relationship.

	BND	Lender A	Lender B	Lender C
Highest variable interest rate	2.01%*	14.25%	14.25%	12.20%
Lowest variable interest rate	2.01%*	1.75%	2.50%	1.99%
Average variable interest rate	2.01%*	7.71%	6.91%	6.46%

*The Annual Percentage Rate (APR) for these borrowers is the same as the stated rate because BND pays the fees.

BND invests in higher education

BND invests in programs that help North Dakotans achieve their higher education goals. Collaboration with local volunteers, high school counselors and college personnel aids in the success of these programs.

Program	Description	2015	2016
Children FIRST Grant	Since inception, 4,115 children have received this grant. There were 1,018 newborns* who enrolled for the grant in 2016.	\$100,300	\$193,100
ND Matching Grant	There has been 4,400 Matching Grants distributed since the program began; 778 grants were approved in 2016.	\$270,000	\$296,443
College Application Month	BND paid one \$35 application fee for every ND high school senior who applied to a ND college during his or her school's event.	-	\$95,165
Crash Courses	Ten rural communities host college preparation events annually.	\$60,000	\$60,000
Dual Credit Assistance	Low-income students receive assistance to pay for up to two college courses per year while in high school.	\$211,000	\$297,014
GED Exams	The first and final GED exam fees are covered by BND.	\$10,000	\$10,000
Indian Youth Leadership Academy	Native American youth gather in Bismarck for this week-long, annual leadership conference.	\$20,000	\$20,000
RUReady.nd.gov	This website provides career exploration, personal assessments, ACT preparation and financial aid information.	\$279,000	\$293,000
Scholarships	BND provides scholarships to North Dakota Dollars for Scholars and the Real DEAL Scholarship for students statewide.	\$127,000	\$127,000

*Actual receipt of Children FIRST and Matching Grant funds requires a match from another depositor, typically a family member.

(1) Judy Hager, personal communication June 6, 2016; Karrie Huber, personal communication July 12, 2016; Brenda Zastoupil, personal communication July 1, 2016. (2) Kevin Iverson, personal communication May 24, 2016.



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