



Future
FOCUS

1993 ANNUAL REPORT
TEXAS GUARANTEED STUDENT LOAN CORPORATION

"For me, higher education is the future. It's the way to fulfill your dreams, and I think everyone should have a chance to do that."

Freshman High School Student Marco Martinez

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EXECUTIVE MESSAGE

"Today's students want—and expect—more from us. We won't be able to rely on 'the way we've always done it.' Our old solutions will not meet the needs of this new generation."

In summing up the past fiscal year for this report, we're pleased to be a bit overwhelmed. In the midst of an uncertain year for the student loan industry, Texas Guaranteed Student Loan Corporation (TGS LC) enjoyed an excellent performance.

After all, practically everything about the federal student loan program saw change in 1993. Even the founding concept of the student loan program as a private/public partnership was challenged—and changed by the introduction of a non-pilot federal direct lending program.

We don't know exactly how all this will play out over the next several years. Like every other program participant, we spent much of the year seriously examining the future of the program, and our role. Since TGS LC is intrinsically tied to the Federal Family Education Loan Program (FFELP), there was some concern in the community—and in the Corporation—that the phase-in of the Federal Direct Student Loan Program (FDSL P) could ultimately translate into our demise.

After much corporate analysis and strategic planning, we emerged with two absolute certainties. First, that the mission of this Corporation—to help remove barriers to postsecondary education—will not change. Second, that TGS LC will adapt, evolve and not miss a step as we continue to deliver on our mission.

TGS LC will never again be the corporation that you see reflected in this annual report as we take advantage of the chance we now have to re-invent ourselves. Nor can we anticipate that the student loan program will ever return to what it was prior to passage of the Student Loan Reform Act of 1993. Our configuration may change, but our commitment and our capability to aid the citizens of this state as they pursue their dreams of postsecondary education remain strong and unwavering.

Our mission may be the *only* thing about TGS LC that doesn't change as we respond to the new student financial aid environment. Our mission, established by the Texas Legislature at our creation in 1979, isn't out of touch. It's becoming more relevant. Despite our tremendous success in making postsecondary education financing

available to more than one million students, barriers to such education remain. In addition to the major financial obstacle to a higher education, barriers also include lack of information, lack of inspiration, overwhelming information and intimidating bureaucracy.

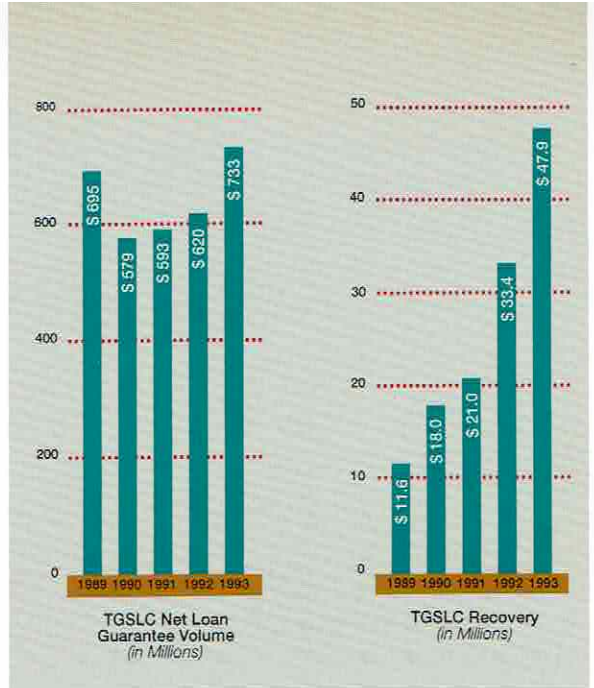
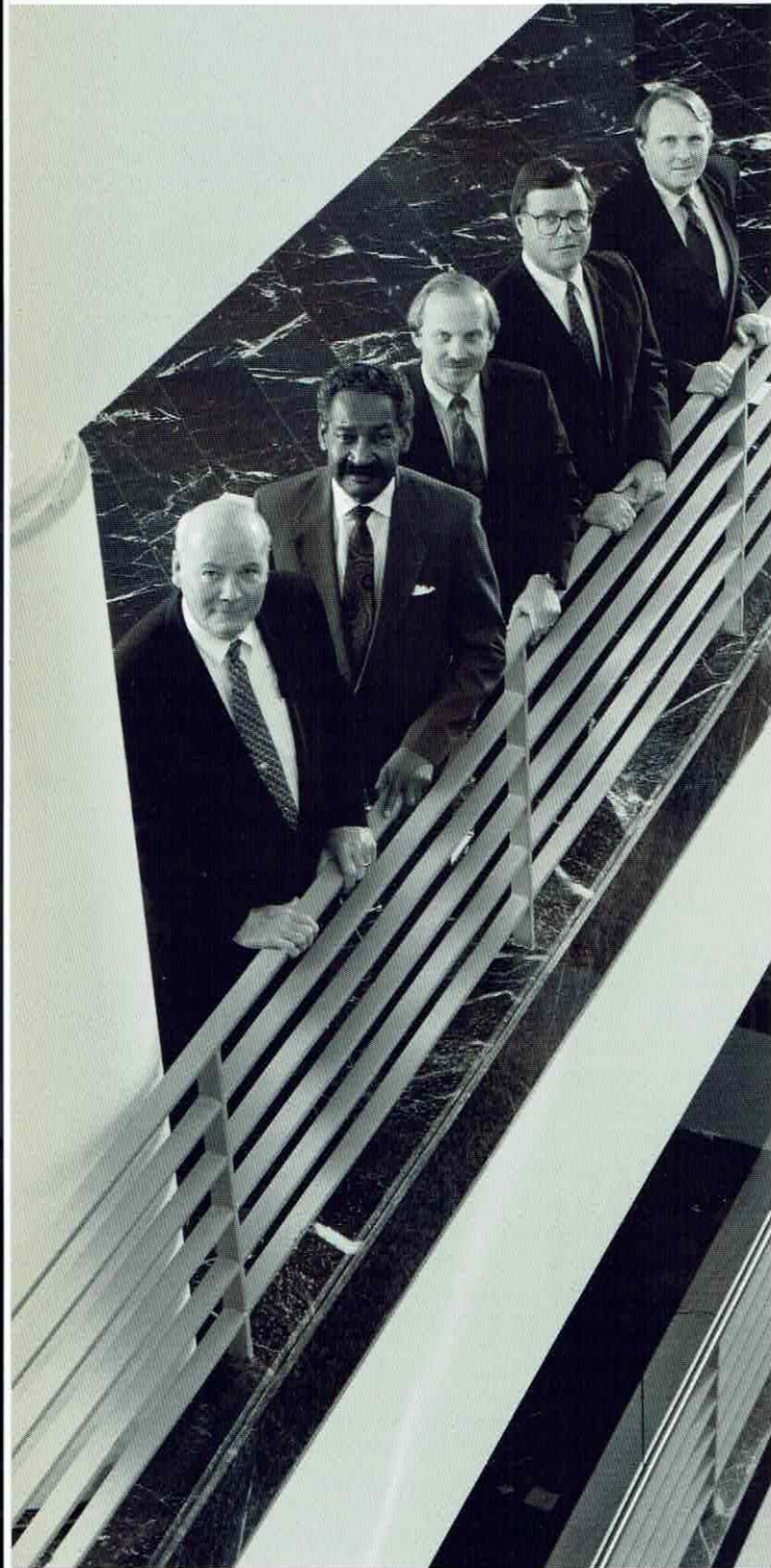
Our ability to help students overcome—if not remove—these barriers means much more than just the success of Texas Guaranteed Student Loan Corporation. It will make an important difference to the economic future of this state. We must be able to provide access to all of our citizens as they make their own educational choices.

Anything less is not acceptable. Today's students want—and expect—more from us. It is our role and our responsibility to meet their diverse demands. We won't be able to rely on "the way we've always done it." Our old solutions will not meet the needs of this new generation. We must open new avenues.

A SOLID STORY

Fortunately, the status quo has never satisfied TGS LC. As an innovator on the technological forefront, our corporate record also includes consumer advocacy on the national front. We have expanded our services to focus on what student borrowers need—answers to questions, understandable forms and publications, quick guarantee and disbursement of funds and guidance during the repayment process. TGS LC offers toll-free telephone access to assist current and prospective borrowers. We have overnight guarantee and an electronic funds transfer process to get students their money when they need it. We have a default prevention department to counsel students on deferment and forbearance options. And, we offer programs for students affected by a school closing and those who wish to repair their credit after defaulting on a student loan.

Our commitment to providing these services does not waver because of an experimental program with big promises. This offer of a "one size fits all" program does not address the diverse needs of students today. Instead, TGS LC is concentrating on expanding our personalized service, offering customized solutions to over-worked financial aid offices and overburdened students and parents.



STEPPING UP TO THE CHALLENGE

It's not easy to expand service at the same time traditional sources of revenue decline. Nor is it easy to compete with an unknown. Without our record of accomplishments and the strong financial restoration that TGSCL managed over the past three years, it would seem almost impossible. Yet, as you will see in the accompanying charts, the report from the Finance Division and the audited financial statements, the Corporation has never been stronger. In fiscal year 1993, TGSCL achieved an all time high in loan volume, a healthy mix of school types in the portfolio mix (82% four-year school volume), a rock solid reserve level and a record surplus. If we had not confronted the problem of rising claims and portfolio imbalance, we would be presenting a very different picture. Instead, TGSCL mastered the financial challenge. We didn't retreat then and we won't retreat now. We expect to repeat history and emerge an even stronger corporation as a result of our flexible and assertive response to the direct lending challenge.

PUTTING RESOURCES TO WORK

Our current financial picture puts us in an unprecedented position of strength. We will draw from this solid foundation for crucial support as we reengineer our current processes, products and services to offer new and innovative alternatives for students and parents.

We're proud of our regained financial health, but we're even more proud of how we put our resources to work. Our mission compels us to invest resources in ways that benefit the student community by providing better service at lower cost. We have provided a family of services built around the Federal Family Education Loan Program, beyond the mere processing of loan applications for guarantee. We have tried to anticipate needs and be there to meet them.

FUTURE FOCUS

The theme of this report, Future Focus, reflects our excitement about what's in store for TGSCL and the people we serve. As we look to the future, we know that our current array of services will not

Guiding the corporation in 1993: (pictured from front to back) Board Chairman Alan Rash, President Milton G. Wright, Executive Vice President Dan Pearson, Senior Vice President of Finance Ellis Tredway and Senior Vice President of Information Systems Services Bill Stoble.



be enough. We embrace the challenge of direct lending because it acts as an incentive for our current program to excel with more personal service. We see a future in which a single program can't possibly fulfill the varying needs of Texas' diverse population the way a state designed and operated program can. A state-specific program, built through the input of all participants, with customized applications for differing institutions will become the national model. Our vision is to succeed through superior customer service.

But there's no use focusing on an ambitious future if you haven't accomplished anything in the past. As you'll see in the following pages, we've accomplished a lot as a guarantor. We're proud of these accomplishments and of our relationship with our customers. Their continued support encourages us. We're confident that we can build on our record and give every student a flexible, responsive, and effective program that meets their expanding individual needs and helps them to fulfill their personal destinies.

For this report we selected a mere handful of students who have benefited from a student loan. These students took out loans while in school, graduated, and are working doing what they want to do. They are aware of the increased choices they enjoy in life with the help of their loans. We also talked to some current students who are relying on a loan this semester as they pursue their goals. And we heard from some future students who aren't so sure what their future will bring, but are optimistic about it, understanding that the loan program will be there when they need it.

Beyond what the student loan program did for these individuals is what each of them is returning to society. After all, the borrowers aren't the only ones who benefit from the program. In this report, we feature an elementary school teacher, preparing the children of the '90s for their adulthood in the next century. A single mother who is fulfilling her goal of attending college at the same time as her two sons. A physical therapist helping patients recover their broken futures. A non-traditional student who redirected his career onto the fast track with training from a technical college. These bright and dedicated individuals could have succeeded without the assistance of a student loan. But we like to think we made their life goals easier to achieve. That's fulfilling our mission. It's why we were created; it's what we can contribute; it's why we will continue.

Sincerely,

ALAN V. RASH
Chairman of the Board

MILTON G. WRIGHT
*President and Chief
Executive Officer*



The 1993 Board of Directors: (pictured from front to back) Chairman Alan Rash, Vice Chairman Dr. Wright L. Lassiter, Jr., Secretary Dr. Barbara Reagan, Dr. Jaime Chahin, Lee Elliott Brown, Chris Tome (representing State Comptroller John Sharp), Yvette Clark and Rene Gonzales. (Not pictured are Gary Bruner, Christi Craddick, Jen' nan Ghazal, Mark Griffin and Dr. J. Malon Southerland).





SEEING THE MISSION THROUGH TRANSITION

are, in fact, greater for pursuing this objective. The course of action had been set years before the federal alterations were introduced:

- to improve speed, efficiency, responsiveness and personal service in higher education finance;
- to re-examine and reengineer the processes, products and services we presently offer;
- to set new standards—not only of delivery, but of oversight, integrity and taxpayer value—at the state, regional, and federal levels; and
- to provide new alternatives that serve the needs of students and parents in all their diversity, in one of the nation's fastest-growing populations and largest geographic areas.

THE CONTINUING ELECTRONIC EVOLUTION

To improve and expand its range of services, TGSLC continued to make strides in the innovative application of state-of-the-art technologies. We introduced several products to streamline operations for all participating institutions, freeing up individual staff members to devote the personal attention and care students really need.

We continued to connect schools and lenders to our Loan Information Network Clearinghouse (LINC) software, enabling them to automate loan processing. As a result, 94% of the 253,431 loans we guaranteed this fiscal year were transmitted electronically.

After a loan application is processed and approved, the next task is to get the loan funds into the student's hands quickly and efficiently—a process that traditionally evokes images of long, frustrating lines and delays on registration day. That's where TGSLC's Electronic Funds Transfer (EFT) feature, ExpressFunds, comes into play, transmitting over \$50 million in disbursements.

With the TexNet® wide-area network and ExpressFunds, network participants move student-specific loan disbursements electronically from the lender into a restricted account at the school. Schools can then post individual disbursement data to the student's

"After dropping out of college, I was working as a waitress and realized I wouldn't be happy until I was doing what I do best—teaching children. Student loans helped me finish my degree, get my teaching certificate, and make a difference in kids' lives."

*Sue George
Second Grade Teacher,
Galindo Elementary School
Graduate, St. Edward's
University, Austin*

personal account. ExpressFunds provides schools with a single process that internally integrates one set of contracts to sign, a consolidated set of files and/or reports to handle, creating a personalized disbursement and per-disbursement audit trail.

The TexNet developers enhanced ExpressFunds by allowing it to process PLUS loans. And in response to the Common Application, TexNet combined ACH (automated clearinghouse) transactions for multiple disbursements to the same student on the same day, lowering lender EFT disbursement costs. Next year, TGSLC will test a return process that will allow schools to electronically return funds to lenders, thus completing the circle.

Just a few years ago, borrowers like Sue George and John Coburn waited days to hear if their loan application was approved, followed by more anxious days or weeks waiting for their disbursement checks. Today, our electronic enhancements are invisible to students like Saturday Johnson and Roland Cavazos. But the results are apparent.

They've reduced—and on some campuses, eliminated—the waiting lines to endorse a check. They've also dramatically reduced the wait for funds to be delivered to the school. What used to be a three week process can now be completed in as little as 24 hours.

Another feature TexNet brought on line this year is its ExpressPC service, which allows network users to access TGSLC's Loan Guarantee Operations Database. ExpressPC includes BusinessTalk™, an electronic bulletin board system. BusinessTalk now includes electronic editions of two of our key publications: *Shoptalk*, a periodical dedicated to articles interpreting policy and procedure; and *The PULSE*, a news digest of higher education finance current events. TexNet's developers promised our clients a user-driven, user-designed network service. To live up to this promise, we established the TexNet User Group. The group exchanges notes and offers suggestions about the network, giving TexNet developers a list of priorities for future network services and





SEEING THE MISSION THROUGH TRANSITION

enhancements. This interaction with our local partners to develop a better system is one example of how a state and regional presence works to provide a responsive, flexible program.

In Fiscal Year 1993, TGSCL re-tooled its offices with an enhanced version of an often overlooked device: the telephone. In March, the Corporation installed the first PBX system in the industry to introduce RISC (Reduced Instruction Set Computing) processing.

The system quickly proved its value in increased customer support, providing fewer busy signals, faster connections and voice mail options. TGSCL staffers can be dialed direct by simply adding the 873 prefix to their individual four-digit extension number. Employees on the road can easily retrieve their voice mail and return customer calls.

The PBX system, combined with an Automated Call Distribution (ACD) switch, produced dramatic call handling results in crucial service areas. In the five months following the switch's installation, our Default Prevention Department answered almost 29,000 calls and made over 110,000 outbound calls. Its call abandon rate improved to just under 0.5% by allowing calls to be directed straight to an available representative.

These tools contributed to the department's ability to resolve 63% of the fiscal year's 120-day Requests For Assistance (RFAs) from lenders, often meaning the difference between borrower default and a lasting credit smear, or restored repayment.

In the same time period, our Collections Department answered 94,893 calls and made 294,274 outgoing calls, with call abandons dropping to around 3%.

Tracking incoming and outgoing calls, call length, and response time is now more efficient. This allows for customized reporting, such as forecasting incoming call volumes to adjust staffing levels for optimum service. To our customers, that means knowing their toll-

"I got married at 17 and started a family early. I told my sons 'when you're ready to go to college, Mom's going to go with you.' As a single mother, student loans were the only way I could realize that dream."

*Teresa Pesquera
Junior Business Student
St. Edward's University,
Austin*

free calls for help will be routed directly to a representative with no frustrating moments left hanging "on hold."

CLIENT SERVICES: MORE IMPORTANT THIS YEAR THAN EVER

In Fiscal Year 1993, TGSCL worked overtime to "get the word out" about new products and services, and about changes in federal regulations, policies and procedures.

In addition to conducting on-site visits, Client Services provided small group training—by request—for schools in several regions across Texas. The department also conducted quarterly seminars in Austin, designed for 40-50 people, dealing with new regulations and providing other training opportunities to peer professionals. In the future, Client Services account representatives will

play an even more important role in customizing services for individual institutional clients.

Fiscal Year 1993 began with TGSCL's first annual fall conference. This brought financial aid professionals, lenders and secondary markets together in unprecedented numbers to exchange ideas, solve problems, and seek solutions in higher education finance. TGSCL used this successful formula as a template for the 1994 fall conference, adding new features to keep attendees up to tempo with the many changes in the financial aid environment.

BEST FINANCIAL YEAR EVER

In Fiscal Year 1993, TGSCL's loan volume grew by 18% over the previous fiscal year. Within that volume is the healthiest portfolio mix the Corporation has yet achieved, with fully 82% of outstanding loans to borrowers enrolled in four-year institutions, 8% to students at two-year institutions, and 10% to proprietary school borrowers.

This strong portfolio mix, combined with improved collections and default prevention tools and performance, reduced the number of claims TGSCL received in the fiscal year by 12%, lowering claim payments by \$52 million.





SEEING THE MISSION THROUGH TRANSITION

The efforts of Compliance, Default Prevention, Customer Assistance and other departments brought TGSLC another successful milestone. When a FFELP loan guarantor's defaults reach a certain percentage of loans in repayment, a federal "trigger" is set off, penalizing the guarantor by reducing the rate of federal reimbursement below 100% on those loans. In FY 1993, TGSLC kept more borrowers out of default, restoring them to regular repayments and favorable credit standing. As a result, for the first time in our history, TGSLC did *not* hit any federal default rate "trigger."

Under Reauthorization, "front-end" revenues for loan origination and processing were reduced, calling for even greater emphasis on ways to tighten and refine "back end" revenue generating effectiveness. Collections increased by 38% over the previous fiscal year, amounting to a total of more than \$48 million.

An unexpected by-product of the Federal Emergency Unemployment Compensation Act of 1991 was a provision granting guarantors the ability to administratively garnish up to 10% of the disposable income of borrowers whose defaulted student loans meet certain criteria. This provision overrides a Texas constitutional prohibition against wage garnishment.

TGSLC put this unexpected—but extremely effective—tool quickly to work. Our operational emphasis is on encouraging defaulted borrowers to enter repayment voluntarily—resorting to wage withholding only when borrowers don't respond to other methods.

Fully 30% of the borrowers slated for wage withholding avoided it by making voluntary repayment arrangements without a single dollar being taken from their paychecks. Notices were sent to 9,806 borrowers and wage withholding orders were sent to 638 employers. Payments received from borrowers in order to avoid wage withholding amounted to \$3,857,490, while wages actually withheld and paid by employers amounted to only \$275,742. These amounts will escalate, as wage withholding is projected to become a leading source of collection revenue.

"Music is my first love, but as a career, it was a dead end. So at 36, I started training for a new career. I learned that knowledge is power, and the student loan program allowed me to get that knowledge."

*Sanford Hayes,
Project Manager,
Cabletron Systems
Graduate, DeVry Institute,
Dallas*

Another unexpected means of gaining repayment of delinquent or defaulted student loans came through the new Texas Lottery. In the 1993 fiscal year, \$185,689 was paid to TGSLC in the form of stakes taken from the winnings of lottery players who had defaulted on student loans.

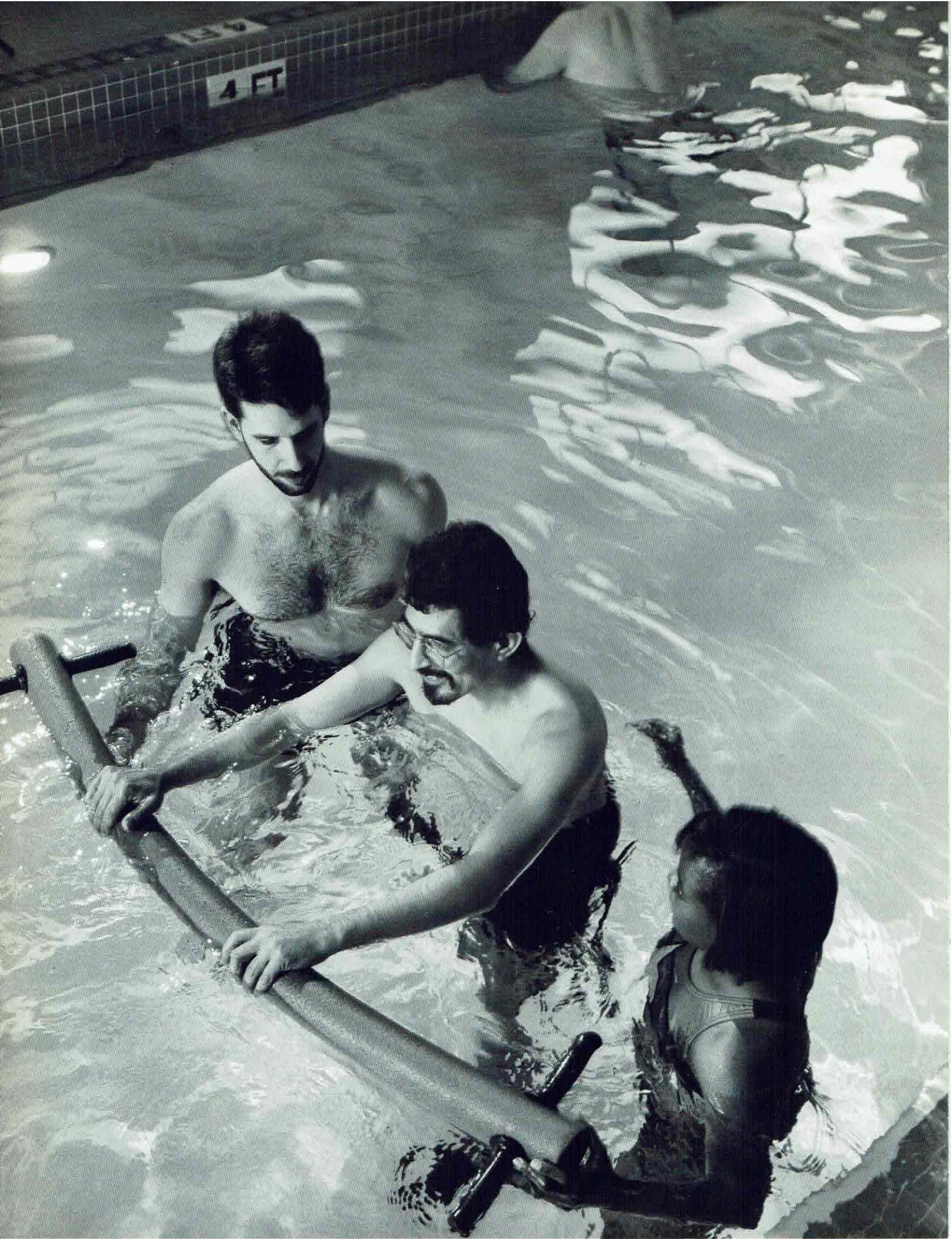
Our Compliance Department's continued vigilance in combating program abuse and protecting borrower rights paid off measurably in Fiscal Year 1993. The effectiveness of their previous years' efforts allowed a 20% decrease in compliance reviews, with only two institutional limitation rulings. As the number of high risk institutions decreases, Compliance will devote more of its resources to administering borrower advocacy processes. These include claim payment objections, IRS offset, wage withholding administrative hearings, and borrower complaints and fraud—activities critical to ensuring that borrower interests are protected.

Even before Reauthorization extended federal provisions regarding reimbursement for closed school tuition from May 1992 back to January 1986, TGSLC had successfully implemented a closed school policy, forgiving all or part of a loan if the borrower's school closed while he or she was in attendance. To date, TGSLC has forgiven \$2.3 million, providing relief to students who had been unfairly saddled with debts for an education they never received.

GIVING SOMETHING BACK TO THE COMMUNITY

TGSLC fosters the notion of a community exchange of resources among families and citizens, businesses, legislators and educational institutions in the neighborhood we share. Through this exchange, we give something back for the support these groups have contributed to the success of Texas' Guaranteed Student Loan program over the past 14 years.

TGSLC actively seeks the services and products of area businesses of all sizes and owned by people of all backgrounds to fulfill our operational needs. In Fiscal Year 1993, we were able to quantify this commitment through our participation in the Vendor Inclusion





SEEING THE MISSION THROUGH TRANSITION

Program (VIP). Of our discretionary operating expenditures, nearly 34% were made to minority- and/or woman-owned businesses.

As another aspect of this community interaction, TGSLC continued to pursue the goal of making higher education opportunity accessible to all Texans. We did this by making the FFELP's existence and availability known to groups that might miss the opportunities others take for granted. In a program of on-site public speaking engagements, TGSLC extended information to the farthest reaches of our sprawling geography, particularly in sectors largely populated by minority and low-income families and students.

In keeping with this outreach initiative, the Board of Directors also went on the road, holding regional meetings in El Paso, Dallas and San Antonio, reinforcing our commitment to statewide visibility, accessibility, and service.

Positive change in our neighborhood often comes from participation at the national level. The "simplification" imperative that emerged from Reauthorization called for standardization of procedures and forms. As a participant in the National Council of Higher Education Loan Program's (NCHELP) committees on operations, regulations, default management and servicing, TGSLC in Fiscal Year 1993 played a leading role in developing and designing common industry application and deferment forms.

PLANNING FOR THE FUTURE TOGETHER

With the accelerating speed of change in our industry, isolated adaptation is simply not enough. Planning for the future must include the entire community. This effort begins with the leadership and guidance of our Board of Directors, and includes the direct input of our schools, lenders, and secondary markets—individually and through representation on our Advisory Committees.

“With the help of student loans, I’m helping people now—instead of five years from now, working part-time jobs to pay for my classes.”

*John Coburn,
Physical Therapist,
Rehabilitation Hospital
of Austin
Graduate, Southwest Texas
State University,
San Marcos*

“My goal is to be a physical therapist. I like the idea of helping people return to productive lives. There’s no way I could stay in school full time without the student loan program.”

*Saturday Johnson
Kinesiology Student
Texas Woman’s University,
Denton*

With these collaborative insights, TGSLC strives to provide a clear, strong voice on behalf of the students and parents we represent, drawing on a long history of active participation in state and federal legislative bodies.

To hear those all-important voices, we’re putting technology to work in one of its best functions: instant, individual communication. TGSLC will soon be an active participant on the Internet, the international electronic information network created by scholars and educators—a primary learning resource for postsecondary students nationwide. The Internet will let TGSLC reach secondary school advisors, students, and parents with loan program information and application forms. And as the “information superhighway” brings more services into the homes of families in Texas and the Southwest, TGSLC’s products and services will become increasingly individualized.

Perhaps by the time Marco Martinez is ready for a postsecondary education, TGSLC will be able to help him select and apply to a college, find housing and open a bank account in his new college town, offer him an array of financial aid options, process his applications and deposit his disbursement funds in his account—all from the television or computer screen and telephone in his family’s living room. It may seem far-fetched today, but this is the type of tomorrow for which we’re positioning our resources.

Keeping a steady hand on present responsibilities, TGSLC continues to develop the capabilities to carry forth our goals and ideals. As you’ve seen, our focus is on future opportunities to serve people like Marco Martinez, Roland Cavazos, Sue George, Teresa Pesquera, Sanford Hayes, John Coburn and Saturday Johnson. Because we intend to provide a positive contribution to this rich cultural diversity, this exhilarating evolution of our social environment, this exciting Texas of tomorrow.



CORPORATE DIRECTORY

1993 BOARD OF DIRECTORS

Mr. Alan V. Rash

Chairman of the Board
El Paso

Dr. Wright L. Lassiter, Jr.

Vice Chairman
Dallas

Dr. Barbara B. Reagan

Secretary
Dallas

Ms. Lee Elliott Brown

Houston

Mr. Gary W. Bruner

Southlake

Dr. Jaime Chahin

Austin

Ms. Christi L. Craddick

Midland

Mr. Mark Griffin

Lubbock

The Honorable John Sharp

State Comptroller of
Public Accounts
Austin

Dr. J. Malon Southerland

College Station

APPOINTED AUGUST 1993

Ms. R. Yvette Clark

Nacogdoches

Ms. Jen'nan Ghazal

Wichita Falls

Mr. Rene E. Gonzalez

San Antonio

CORPORATE MANAGEMENT

Milton G. Wright

President and Chief
Executive Officer

Dan Pearson

Executive Vice President and
Chief Operating Officer

EXECUTIVE DIVISION

Cal H. Abbott

Chief of Staff

T. Neal Combs

Senior Counsel

Kathleen A. Holden

Corporate Counsel

Joyce B. Williams

Director of Internal Audit

George C. Torres

Manager
Governmental Affairs &
Policy Analysis

Phillip E. Cervin

Manager
Loan Servicing

CORPORATE FINANCE DIVISION

Ellis E. Tredway

Senior Vice President

James D. Patterson

Vice President/Controller

Robin A. Fenner

Manager
Budget and Analysis

Lloyd W. Dodge

Manager
Claims

Philip E. Flora

Manager
Program Compliance

Gary L. Hopkins

Manager
Default Prevention

Robert L. Moddrell

Manager
Corporate Services

Mary O. Negrete

Manager
Human Resources

Geoffrey B. Tremayne

Manager
Collections

INFORMATION SYSTEMS SERVICES DIVISION

William G. Stobie

Senior Vice President

James S. Moran

Vice President/Information
Systems Services

Anita Sue Green

Manager
Information Processing

Dorothy L. Land

Managing Consultant
Guarantee

Edward B. Lee

Managing Consultant
Technical Support

Michael Nash

Managing Consultant
Claims

William W. Ritchie

Managing Consultant
Planning

Robin H. Starnes

Managing Consultant
Default Prevention/Collections

Samuel R. Suarez

Managing Consultant
Loan Servicing/Financial

Vickie S. Tanner

Managing Consultant
TexNet

MARKETING DIVISION

B. William Skidmore

Senior Vice President

Kim M. Alexander

Manager
Client Services

Shirley A. Cannon

Manager
Loan Guarantee Operations

Deborah Davenport

Manager
Customer Assistance

Nina M. Hold

Manager
Communications



TOP TWENTY-FIVE LENDERS



As the education finance industry enters a new stage in its evolution, the lender's role as the engine that drives our industry remains. We are grateful for their commitment to the students and institutions we serve, and we look forward to their continued participation as, together, we explore new avenues where their resources and expertise will ensure the higher education access we're working to preserve for coming generations.

NAME OF LENDER	AMOUNT GUARANTEED	NAME OF LENDER	AMOUNT GUARANTEED
Bank One, Texas, N.A. Irving, Texas	\$ 90,963,179	Texas Commerce Bank Houston, Texas	\$ 13,265,920
Texas Commerce Bank N.A. Houston, Texas	82,250,449	First National Bank of Abilene Abilene, Texas	12,600,126
Chase Manhattan Bank, N.A. Tampa, Florida	68,731,648	First National Bank of Amarillo Amarillo, Texas	11,997,018
NationsBank of Texas, N.A. Dallas, Texas	65,924,893	Texas Independent Bank Dallas, Texas	11,616,247
Texas Higher Education Coordinating Board Austin, Texas	49,087,388	First American Bank College Station, Texas	10,841,460
First Interstate Bank of Texas, N.A. Dallas, Texas	44,846,783	Texas Aggie Credit Union (Branch of Greater Texas Federal Credit Union) College Station, Texas	10,510,949
First National Bank of West Texas Lubbock, Texas	43,761,540	First State Bank Austin, Texas	10,451,354
Bank of America Texas, N.A. Irving, Texas	23,441,376	Bank One, Texas N.A. Amarillo, Texas	10,331,996
San Antonio Credit Union San Antonio, Texas	21,569,344	Educaid Austin, Texas	9,952,369
University Federal Credit Union Austin, Texas	16,687,768	AmWest Savings Association Bryan, Texas	8,613,585
First State Bank of Denton Denton, Texas	16,248,630	Kleberg First National Bank Kingsville, Texas	7,825,665
Farmers & Merchants National Bank Mart, Texas	15,334,365	Citizens State Bank Sealy, Texas	7,589,735
Frost National Bank San Antonio, Texas	13,644,226		



TOP TWENTY-FIVE SCHOOLS



Every year sees more Texas students looking to the guidance of our schools' financial aid officers to help them successfully reach their higher education goals. The continued commitment of these financial aid professionals provides a dramatic contribution to making better, more productive lives for countless young men and women. As a result, everyone in our state and the country shares in the long-term benefits. We at TGS LC salute these officers and the institutions they serve.

NAME OF SCHOOL	AMOUNT GUARANTEED	NAME OF SCHOOL	AMOUNT GUARANTEED
University of Texas at Austin Austin, Texas	\$ 61,809,869	Texas A&I University Kingsville, Texas	\$ 11,077,770
Texas A&M University College Station, Texas	50,699,157	Tarleton State University Stephenville, Texas	10,672,580
Texas Tech University Lubbock, Texas	37,377,829	Sam Houston State University Huntsville, Texas	10,424,203
University of North Texas Denton, Texas	30,853,229	Texas Woman's University Denton, Texas	10,390,848
University of Houston—University Park Houston, Texas	27,045,306	University of Texas Medical Branch at Galveston Galveston, Texas	9,876,232
Baylor University Waco, Texas	27,027,067	Abilene Christian University Abilene, Texas	9,589,754
Southwest Texas State University San Marcos, Texas	25,672,866	University of Texas Health Science Center, San Antonio San Antonio, Texas	9,375,504
Southern Methodist University Dallas, Texas	16,306,648	University of Texas Health Science Center, Houston Houston, Texas	9,128,576
Texas Southern University Houston, Texas	16,058,287	East Texas State University Commerce, Texas	8,602,303
University of Texas—Pan American Edinburg, Texas	14,571,693	University of Texas at El Paso El Paso, Texas	8,367,573
University of Texas at Arlington Arlington, Texas	14,523,823	St. Edward's University Austin, Texas	8,123,957
University of Texas at San Antonio San Antonio, Texas	12,219,498	Stephen F. Austin State University Nacogdoches, Texas	7,321,898



THE FINANCIAL VIEW

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Fiscal Year 1993 represents the most successful year in TGSLC's history. Total revenue of over \$45 million, which exceeded that of any other year since TGSLC's inception, and avoidance of the federal reinsurance trigger for the first time ever contributed almost \$13 million to the Corporation's fund balance, now \$27.5 million. Highlights include:

- Loan guarantee volume of over \$700 million was an all-time high;
- A loan portfolio that represents the lowest risk mix TGSLC has seen in ten years, along with diligent default prevention efforts, dropped claims volume to its lowest level in four years;
- Record high recoveries on defaulted claims totaled almost \$50 million, double that of just two years ago;
- The guarantee reserve earmarked for claims payments grew to more than \$48 million, 1.86% of all outstanding loans, indicating TGSLC's ability to pay claims in the future; and
- Current assets are 2.6 times that of current liabilities, reflecting TGSLC's ability to meet its short-term obligations.

Despite the threat to future revenue due to potential declines in loan guarantee volume and guarantee fees related to the 1993 Congressional changes, TGSLC plans to preserve the financial strength it has worked so hard to build by:

- Providing quality service at a competitive price;
- Maximizing recoveries on defaults, which has become TGSLC's largest revenue source, and will account for almost two-thirds of its revenue five years from now;
- Continuing to manage defaults through loan portfolio management;
- Providing diversified products and services, both inside and outside the direct lending program;
- Assisting the Department of Education in facilitating the consolidation of guarantors;
- Maintaining strong cost controls to assure that funds are effectively spent; and
- Maintaining our guarantee reserves, which will result in an increasing reserve percentage as the portfolio matures and the balance of outstanding loans levels off.

Fortunately, TGSLC has already positioned itself to be less dependent upon new guarantees as a predominant revenue source, shifting emphasis to default recoveries on a portfolio whose age and size creates significant revenue opportunities. However, TGSLC will not diminish its efforts in providing the guarantee on new loans, doing whatever it takes to create and provide the best higher education financing and service solutions for Texans. TGSLC is committed to enhancing its services by increasing productivity and efficiency through advanced automation and aggressive reengineering and restructuring of our core business processes.

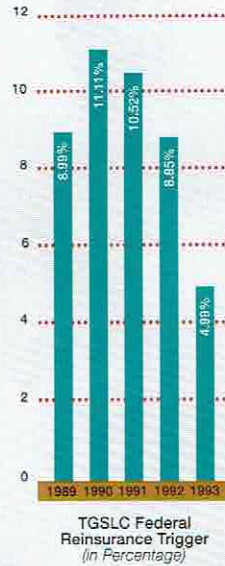
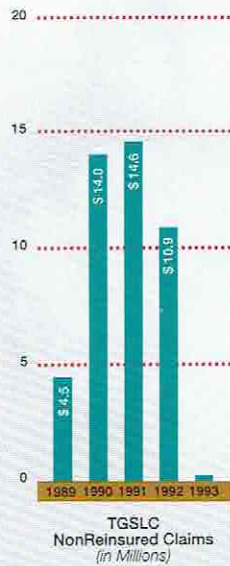
Historically, TGSLC has shown its ability to successfully adapt to an ever-changing environment. TGSLC is confident that it will enjoy similar success in meeting any new challenges.

ELLIS E. TREDWAY
Senior Vice President
Finance Division



FISCAL YEAR 1993 FINANCIAL HIGHLIGHTS

Reserve Fund (Dollars in Millions)	1993	1992	1991	1990	1989
Total Assets	\$ 89.0	\$ 65.0	\$ 62.2	\$ 60.1	\$ 59.5
Cash and Investments	39.4	38.5	24.2	16.3	24.1
Guarantee Reserves	48.1	39.0	35.1	38.3	39.2
Fund Balance (Deficit)	27.5	14.6	9.7	0.7	(0.9)
Revenues	45.3	40.7	37.5	34.4	33.9
Outstanding Loan Volume	2581.5	2,338.3	2,254.9	1,904.3	1,653.8
Guarantee Reserve Percent	1.9%	1.7%	1.6%	2.0%	2.4%





REPORT OF INDEPENDENT ACCOUNTANTS

TO THE BOARD OF DIRECTORS
TEXAS GUARANTEED STUDENT LOAN CORPORATION

We have audited the accompanying balance sheets of the Texas Guaranteed Student Loan Corporation (a Texas public non-profit corporation) as of September 30, 1993 and 1992, and the related statements of revenue, expenses and changes in fund balance, and cash flows for the years ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Texas Guaranteed Student Loan Corporation as of September 30, 1993 and 1992, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

COOPERS & LYBRAND
Austin, Texas
January 25, 1994



BALANCE SHEETS

SEPTEMBER 30

Reserve Fund	1993	1992
ASSETS		
Cash & Cash Equivalents	\$ 1,579,713	\$ 22,409,812
Receivables:		
Reinsurance	26,619,703	3,582,028
Administrative Cost Allowance	5,578,210	3,188,180
Guarantee Fees	2,305,226	2,093,666
Accrued Interest & Other	1,553,912	1,296,713
Marketable Securities, Net	37,778,130	16,114,821
Recoverable Non-reinsured Claims	9,371,665	11,892,416
Property, Plant & Equipment, Net	4,103,486	4,268,358
Other Assets	145,089	111,446
Total Assets	\$89,035,134	\$64,957,440
LIABILITIES		
Accounts Payable and Accrued Liabilities	\$ 2,670,377	\$ 3,250,086
Due to Department of Education	9,664,292	8,249,486
Reinsurance Fee Payable	1,395,706	1,593,958
Escrow	33,165	1,244,101
Notes Payable	15,428,065	3,598,208
Allowance for Claims & Other Costs	25,404,153	25,510,000
Federal 422 Advances	6,919,569	6,919,569
Total Liabilities	61,515,327	50,365,408
Fund Balance	27,519,807	14,592,032
Total Liabilities & Fund Balance	\$89,035,134	\$64,957,440

The accompanying notes are an integral part of the financial statements.



STATEMENTS OF REVENUE AND EXPENSES AND CHANGES IN FUND BALANCE

Reserve Fund	YEARS ENDED SEPTEMBER 30	
	1993	1992
REVENUE		
Guarantee Fee Revenue	\$ 14,395,531	\$ 14,181,251
Recovery Revenue	15,385,143	10,771,353
Administrative Cost Allowance	7,724,247	6,969,650
Supplemental Preclaims	3,924,650	3,327,863
Investment Revenue	2,446,461	1,967,675
Other Revenue	1,447,621	3,477,343
Total Revenue	45,323,653	40,695,135
EXPENSES		
Operations	28,775,190	25,768,349
Provision for Loan Defaults	(2,543,400)	5,449,662
Provision for Restructuring Costs	3,000,000	—
Reinsurance Fee	2,026,536	3,484,825
Depreciation	1,137,552	1,093,917
Total Expenses	32,395,878	35,796,753
Excess Revenue	12,927,775	4,898,382
Fund Balance, Beginning	14,592,032	9,693,650
Fund Balance, Ending	\$ 27,519,807	\$ 14,592,032

The accompanying notes are an integral part of the financial statements.



STATEMENTS OF CASH FLOWS

	YEARS ENDED SEPTEMBER 30	
Reserve Fund	1993	1992
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess Revenue	\$12,927,775	\$ 4,898,382
Provision for Restructuring Costs	3,000,000	—
Depreciation	1,137,552	1,093,917
Other	624,884	51,402
	17,690,211	6,043,701
Change in Assets and Liabilities:		
(Increase) Decrease in Receivables	(23,375,713)	10,881,244
(Increase) Decrease in Other Assets	(33,643)	85,256
Increase (Decrease) in Accounts Payable, Accrued Liabilities, & Escrow	(1,790,645)	1,780,349
Increase in Due to Department of Education and Reinsurance Fee Payable	1,216,554	1,395,548
Decrease in Allowance for Claims & Other Costs	(3,105,847)	(8,524,000)
Net Cash Provided by (Used In) Operating Activities	(9,399,083)	11,662,098
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Proceeds from Notes Payable	88,068,065	3,617,520
Principal Payments on Notes Payable	(76,238,208)	364,367
Net Cash Provided by Non-Capital Financing Activities	11,829,857	3,253,153
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from Sale of Assets	2,900	15,897
Purchases of Property, Plant and Equipment	(1,600,464)	(580,154)
Net Cash Used in Capital & Related Financing Activities	(1,597,564)	(564,257)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Marketable Securities	(37,355,307)	(11,000,522)
Proceeds From Sale of Marketable Securities	15,691,998	7,118,056
Net Cash Used in Investing Activities	(21,663,309)	(3,882,466)
Increase (Decrease) in Cash and Cash Equivalents	(20,830,099)	10,468,528
Cash and Cash Equivalents, Beginning	22,409,812	11,941,284
Cash and Cash Equivalents, End	\$ 1,579,713	\$22,409,812

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Interest paid during the year ended September 30, 1993 totaled \$135,000.

The accompanying notes are an integral part of the financial statements.

ACKNOWLEDGEMENTS

We'd like to extend special thanks to the following individuals and institutions for their invaluable contributions to this report. For their assistance in contacting our featured borrowers: Margaret Garza, University of Texas Health Science Center, San Antonio; Laura Myers, DeVry Institute of Technology; Doris Constantine, St. Edward's University. For opening their facilities to us for photographs and interviews: The Rehabilitation Hospital of Austin, Galindo Elementary School, and Bowie High School. And especially to our photo subjects for their participation: Nancy Jackson, Marco Martinez (cover) and Jason Lucio; Roland Cavazos and Cynthia Garcia; Sue George, Marchelee Echard and Jacob Sanchez (pictured), Tracy Walker, Kimberly Casey, and Valerie Moreno; Teresa, Luis and Alex Pesquera; Sanford Hayes; John Coburn, Saturday Johnson and Paul Hernandez.

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Capital Spectrum
The Whitley Company