

Brief Summary of Lumina

Compiled and summarized by Phil Martinez.

All quotes and references are from the Lumina Foundations official history, "From the Ground Up" available at: http://www.luminafoundation.org/publications/From_the_Ground_Up.pdf

All underlining in the quoted material is mine, and not in the original document.

USA Group, Inc. was the largest private student loan guarantor in the US, and was the parent company of USA Funds, Inc. (From the Ground Up, p.3)

USA Funds, Inc. remains the largest private student loan guarantor in the US.

"USA Funds[®] is a nonprofit corporation that works to enhance postsecondary education preparedness, access and success by providing and supporting financial and other valued services."

Lumina Fndn. In 2000, USA Group, Inc. sold most of its operating assets (student loan accounts and related services) to Sallie Mae (SLM Inc., originally the Student Loan Marketing Association) for \$770 million, and subsequently converted itself into the Lumina Foundation for Education.

The Price of \$770 million was five times larger than the \$125 to \$150 million price that the USA Group and self-valued their assets. The unexpected size of the sale brought attention from the industry.

"Then came the transaction that would endow the Foundation with \$770 million – a sum that surprised even the most optimistic of SALT (Strategic Alternatives: Legal and Tax - ed.) committee members. ... Even Ed Schmidt, who had contemplated numerous scenarios, expressed surprise at the size of the sale. 'When we first started SALT discussions, our advisors initially suggested the value of our operating assets to be in the range of \$125 to \$150 million,' he noted." ... (From the Ground Up, p.8)

"The mission of the USA Group Foundation (as the corporation was to be known) is to provide special emphasis on the improvement of higher education through the strategic utilization of original and sponsored research, provision of educational grants and sponsorship of selected educational activities." (From the Ground Up, p.7)

The rationale:

"Our concern was that the government might eventually come in and challenge the continuation of our tax-exempt status,' explained Schmidt. To prepare for such an eventuality, the SALT task force studied the company's option's and explored numerous 'what if' scenarios. The result was a strategy to sell its operating assets to another entity and rededicate and redefine its historic focus and mission as an operating foundation. ...

James C. Lintzenich, then USA Group's president and CEO, explained the board's rationale this way: ...USA Group could simply formalize and expand that concept by converting the corporate-giving program to a full-scale private foundation. The latter option was appealing because the mission of promoting and supporting educational access was consistent with the mission of USA Group and its affiliated guarantor company, USA Funds. These companies had a 40-year history of helping students realize their postsecondary education dreams." (From the Ground Up, p.5)

Board of Directors: All of the original members of the Board were either executive officers or Board members of USA Group or Sallie Mae. The current Board of the Lumina Foundation remains heavily dominated by either executive officers or Board members of USA Group or Sallie Mae. (From the Ground Up, p.14 and following)