Education Finance Council
Nonprofits Empowering Student Success

July 28, 2026

Lisa R. Parker, CPA, CGMA
Senior Project Manager & GASAC Coordinator
Governmental Accounting Standards Board (GASB)
lrparker@gasb.org

Dear Ms. Parker,

On behalf of the Education Finance Council (EFC) and our member organizations, which includes state-based and nonprofit student loan providers, I am writing to share concerns regarding the application of GASB Statement No. 103, *Financial Reporting Model Improvements*, particularly as it affects governmental and nonprofit entities whose principal ongoing operations involve student lending.

EFC is the national trade association representing nonprofit and state-based higher education finance organizations. EFC members increase postsecondary education access, success, and affordability by providing a wide range of free resources and services, including college planning, financial literacy, FAFSA support, scholarships and grant programs, and low-cost, consumer friendly education loans. EFC members are driven by a public purpose mission to support students as they seek to grow their skills and improve their lives.

We appreciate the comprehensive nature of Statement 103 and the related June 2025 Implementation Guide (2025-1). As governmental entities, our members rely heavily on the clarity and transparency that GASB standards provide. Statement 103 appropriately permits revenues and expenses to be classified as operating when they constitute a proprietary fund's principal activities. This supports classifying interest revenue from student loans, a core operational activity, as operating revenue.

However, we have identified challenges in applying the related Q&A in Implementation Guide 2025-1, which states that interest expense associated with debt used to fund loan programs must *always* be classified as non-operating, even when that borrowing directly supports ongoing lending operations. This creates a notable distinction: interest revenue central to the program is operating, but the related interest expense is non-operating.

Collectively, our member entities acknowledge that this particular Q&A, along with the related passage in the Basis for Conclusions, was not widely identified or commented upon during the public exposure or comment period. Its implications became more apparent only as entities began deeper implementation planning. We share this not as criticism, but to provide context that the distinction created by this Q&A has surfaced a reporting challenge that was not originally anticipated by preparers. For entities whose mission includes student lending, this leads to an overstated operating income measure and reduces comparability among similar organizations. While we fully understand GASB's intent to maintain consistent classification of financing activities, the current guidance may unintentionally obscure the economic reality of lending programs administered by nonprofits and government entities.

EFC respectfully requests clarification on the Board's intent regarding this difference in classification, particularly given the allowance within Statement 103 for certain financing-related items to be considered operating when they relate directly to principal ongoing operations. We also ask whether GASB is considering further refinement or expanded commentary in future guidance to help preparers implement Statement 103 in a way that faithfully represents the substance of their activities.

Additionally, we would appreciate insight into whether other stakeholders have expressed similar concerns and whether the Board anticipates updating the Implementation Guide to address this distinction more directly for entities engaged in student lending.

Thank you for your continued leadership in advancing governmental financial reporting. EFC and our member organizations would welcome the opportunity to discuss this matter further or provide additional information that may assist the Board's ongoing evaluation.

Sincerely,

Gail daMota
President
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