



# CHESLA™

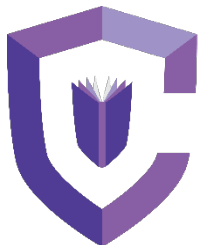
Connecticut Higher Education  
Supplemental Loan Authority



**CHESLA**  
Scholarship  
Program™



**CT Dollars  
& Sense™**  
Financial Literacy



**MyCHESLA**  
Student Loan™



**Refi CT™**  
Student Loan  
Refinancing

## Annual Report Fiscal Year Ended June 30, 2020

**Helping Students and Their Families Invest in the Future**

10 Columbus Boulevard, 7<sup>th</sup> Floor, Hartford, Connecticut 06106

Telephone: (860) 520-4001 Web: [www.chesla.org](http://www.chesla.org)

# CHESLA™

10 Columbus Boulevard, 7<sup>th</sup> Floor, Hartford, Connecticut 06106  
(860) 520-4001 Outside CT • (800) 252-3357 in CT • FAX (860) 520-4004  
Web: [www.chesla.org](http://www.chesla.org)

---

## Message from the Executive Director:

With a global pandemic and severe economic distress, fiscal year 2020 has been a challenge for the country and the world. CHESLA sought to respond as effectively as possible. We began remote operations on March 16 and continue to work remotely, working with our service providers to streamline and further enhance digital capabilities. Our primary concern, however, has been the impact of these crises on our borrowers. For our in-school borrowers, we implemented a national Natural Disaster Forbearance option, with a notice sent to every borrower informing them of the availability of up to 6 months of forbearance. We simplified the process so that the first 3 months of forbearance could be requested through a simple phone call to the loan servicer. We worked closely with our servicer to ensure their knowledge and understanding of this forbearance process. To augment this relief, we also placed a moratorium on collection efforts and suspended intercept of state tax refunds of defaulted borrowers. We believe that these measures were effective and provided some relief to struggling borrowers.

Despite the pandemic, CHESLA was still able to move forward in a number of areas. The financial markets were severely disrupted for an extended period in the spring. As conditions improved, we worked closely with our financial advisor and investment banker to structure a new bond offering and bring it to market at an appropriate time. Obtaining this additional funding was critical to meeting expected ongoing loan demand, despite enrollment uncertainty at many higher education institutions. Even with unpredictable market conditions, the transaction was very successful and resulted in an historically low loan rate of 4.85% for our in-school loan product.

During fiscal year 2020, CHESLA began collaborating with our Rhode Island counterpart, RISLA, on the development of an employer student loan repayment program. This program will offer employers and employees system supports and resources to implement an employer student loan repayment program. We believe that this program can help Connecticut employers recruit and retain valuable staff. It will also allow employers to take advantage of the tax credit established under P.A. 19-86, which as of January 1, 2022 creates a tax credit for employers who pay down CHESLA refinance loans on behalf of employees. Full implementation of the employer repayment program is expected to occur in fiscal year 2021.

The CHESLA Scholarship Program successfully completed a new round of scholarship awards. \$484,500 was awarded to 166 very deserving students. In lieu of a live recognition event, we posted a video tribute on our website. We also continued our high school outreach activities by providing the Department of Education with a webinar on financial aid to be distributed to high schools throughout the state.

None of these achievements could have occurred without the hard work of CHESLA's very dedicated staff, and the support of our knowledgeable and experienced Board of Directors.

As we move through fiscal year 2021 under continuing crisis conditions, we will look to our five Strategic Pillars (collaboration; economic and workforce development for the public good; technology; innovation; and public engagement and accountability) as the basis for our efforts to make change and have impact for Connecticut residents.

Jeanette W. Weldon  
Executive Director  
September, 2020



# Overview and Governance

CHESLA was established by Public Act No. 82-313, codified as Chapter 187B of the General Statutes of the State of Connecticut, Sections 10a-221 through 10a-246, inclusive, as amended (the "Act"). The purpose of the Act is "to provide a measure of financial assistance to students in or from the state, their parents and others responsible for the cost of their education and an alternative method to enable Connecticut institutions for higher education to assist qualified students to attend such institutions." The Authority is submitting this Annual Report in accordance with Sections 1-123 and 10a-240 of the Connecticut General Statutes. CHESLA became statutorily consolidated with the Connecticut Health and Educational Facilities Authority (CHEFA) on July 1, 2012. Additional information about CHEFA may be found in its Annual Report available at [www.chefa.com](http://www.chefa.com).

## CHESLA's Mission, Vision and Values Statement

**Mission:** Expand higher educational opportunities and enhance the State's economic development through higher education by providing cost-effective education financing programs and information resources to Connecticut students, alumni and their families.

**Vision:** Serve as Connecticut's leading resource for students as they plan for their college education, not only by providing financing, but by providing information and tools for students to make informed decisions; enhance the competitiveness of Connecticut institutions of higher education by providing grants and additional financing options; encourage interest in higher education to help the State meet its workforce needs; and enhance economic development through innovative higher education programs.

**Values:**

**Excellent Service**

Timely, responsive and effective service to the public and to our clients, both external and internal

**Respect**

Recognition through our attitudes and actions of the value of diversity and the worth and dignity of all, including the public, our clients and one another

**Can-Do Attitude**

A creative, leading-edge, open-minded approach to meeting the needs of the public and of our clients in a constantly changing environment

**Transparency**

Openness and accountability with respect to all aspects of the Authority and its operations

**Professionalism**

A commitment to teamwork, to expertise and to personal behavior that projects a positive image of the Authority







**Integrity**

Maintenance of an internal culture that reinforces the message that personal integrity and ethical behavior are valued and rewarded by the Authority



# Board Members

## CHESLA's Board Members FY 2020

<u>Statutorily Designated:</u>	<u>Ex Officio Members</u>	<u>Member's Designee</u>
	<p>Shawn T. Wooden State Treasurer</p>	<p>Darrell Hill Deputy Treasurer</p>
	<p>Melissa McCaw Secretary Office of Policy &amp; Management</p>	<p>Steven Kitowicz Principal Budget Specialist</p>
	<p>Mark E. Ojakian President Connecticut State Colleges and Universities</p>	<p>Benjamin Barnes Chief Financial Officer</p>
	<p>Dr. Peter W. Lisi* Chair of the Board of CHEFA Chair of the Board of CHESLA</p>	
	<p>Jeanette W. Weldon* Executive Director of CHEFA Executive Director of CHESLA</p>	
<u>Appointed Members:</u>	<u>Expiration of Term</u>	<u>Statutory Qualifications</u>
	<p>September 18, 2024</p>	<p>Experience in Higher Education Financial Aid Field</p>
<p>Julie B. Savino Vice Chair of the Board of CHESLA</p>		



Martin L. Budd, Esq.

July 1, 2023

Experience in State and Municipal Finance



Andrew Foster

February 21, 2024

Experience in Higher Education and Financial Aid

There is currently one vacancy on the CHESLA Board. This vacancy will be filled by a CHEFA appointment, as specified in the enabling legislation.

\*Dr. Lisi and Ms. Weldon have terms coterminous with their service as Chair of the CHEFA Board and Executive Director of CHEFA, respectively.

**Advisory Committee Members**

Matthew Rosen (Counselor, Naugatuck High School)      Dave Welsh (retired Financial Aid Director)  
Lew DeLuca (Student Financial Literacy, Southern CT)

**CHESLA Staff Members**



Jeanette W. Weldon  
Executive Director

Email address: [jweldon@chesla.org](mailto:jweldon@chesla.org)



Joshua Hurlock  
Assistant Director

Email address: [jhurlock@chesla.org](mailto:jhurlock@chesla.org)



Shannon Reynolds  
Portfolio Assistant

Email address: [sreynolds@chesla.org](mailto:sreynolds@chesla.org)



Natalia Rozio  
Portfolio Administrative Assistant

Email address: [nrozio@chesla.org](mailto:nrozio@chesla.org)



# Affirmative Action Policy

The Authority recognizes the need for an affirmative action policy, the purpose of which is to provide equal employment opportunity. Affirmative action is a positive action to overcome the present effects of past practices, policies or other barriers to equal employment opportunity and to achieve the full and fair participation of any protected group found to be underutilized in the work force or affected by policies and practices having an adverse effect. Equal employment opportunity is the employment of individuals without consideration of race, color, religious creed, marital or partnership status, sex, sexual orientation, gender identity or expression, transgender status, national origin, ancestry, pregnancy, workplace hazards to reproductive systems, age, present or past history of mental, intellectual, learning, or physical disability, genetic information, veteran's status, prior conviction of a crime, or any other reason prohibited by any applicable law or regulation, unless there is a bona fide occupational qualification excluding persons in one of the above protected groups or the provisions of C.G.S. § 46a-80(b) apply. The Authority shall endeavor to hire and promote members of protected groups found to be underutilized in the work force or affected by policies and practices having an adverse effect. The Executive Director shall be responsible for the implementation of the Authority's affirmative action policy.

## **NONDISCRIMINATION AND EQUAL OPPORTUNITY**

The Authority is an Equal Opportunity Employer and it is the Authority's policy not to tolerate discrimination or sexual harassment in any form. The Authority does not discriminate against any person in regard to race, color, religious creed, marital or partnership status, sex, sexual orientation, gender identity or expression, transgender status, national origin, ancestry, pregnancy, workplace hazards to reproductive systems, age, present or past history of mental, intellectual, learning, or physical disability, genetic information, veteran's status, prior conviction of a crime, or any other reason prohibited by any applicable law or regulation, unless there is a bona fide occupational qualification excluding persons in one of the above protected groups or the provisions of C.G.S. § 46a-80(b) apply. Further, it bases its employment decisions, including recruiting, hiring, training and promoting, on this nondiscriminatory principle.

If at any time an employee feels that she or he has been discriminated against or that the above guidelines have been in any way violated, the employee should immediately inform any Officer of the Authority. Any employee found to have engaged in discriminatory conduct in violation of the above may be subject to disciplinary action up to and including dismissal. The ultimate responsibility for the implementation of this policy rests with the Executive Director.

In addition to the above, the Authority will not tolerate disparaging comments about any of the above classes of individuals even if the person to whom the comments are made is not a member of such a class. Any Authority employee found to have made such comments or to have exhibited discriminatory behavior based on any of these or any other classifications may be subject to disciplinary measures up to and including dismissal.



As of June 30, 2020, CHESLA had three employees: An Assistant Director (1 White Male), a Portfolio Assistant (1 African-American Female), and a Portfolio Administrative Assistant (1 White Female). Jeanette Weldon, CHESLA's Executive Director and a CHEFA employee, is an African-American Female.



# Activities, News, and Events

## CT Dollars & Sense



Through its financial literacy web portal, CT Dollars & Sense, CHESLA provides a comprehensive resource for students and families who are planning for college.

## CHESLA Scholarship



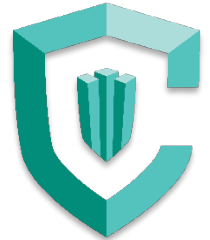
CHESLA disbursed \$1.5 million dollars in Need-Based Scholarships in FY 2020, impacting 782 students. An additional \$484,500 was awarded, with those awards disbursing in FY 2021. The Authority is committed to investing in Connecticut residents pursuing higher education within the state.

## MyCHESLA Student Loan



CHESLA provides low fixed rate loans to eligible CT residents attending an accredited non-profit institution in the United States or out-of-state residents attending an accredited non-profit institution in CT. CHESLA disbursed \$24.4 million for students and families in FY 2020.

## Refi CT



*Refi CT*, CHESLA's student loan refinancing product has approximately \$8.6 million in loans outstanding as of June 30, 2020.

## Money Conference for Women



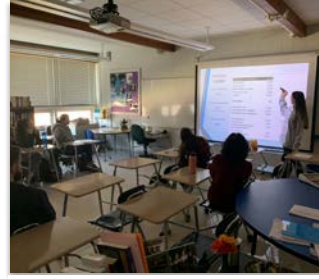
CHESLA staff continue to expand their financial literacy knowledge by participating in events like the Money Conference for Women. This event included several workshops and networking opportunities.

## College Fairs



CHESLA staff attended college fairs around the state, including Bridgeport, New Britain, Plainville, Hartford, Windsor and Enfield. Students and their families were provided with information about CT Dollars & Sense, CHESLA scholarship, CHESLA in-school loan program, and the Refi CT Program.

## CHESLA Outreach



CHESLA created a Financial Aid Basics presentation aimed for high school juniors and seniors. The first school to participate was Litchfield High School. CHESLA presented to all senior English classes. The presentation highlights information about the FAFSA, Financial Aid Award Letter, comparing colleges financially, understanding how interest works, and more.

## CHESLA Insight



*CHESLA Insight* is CHESLA's e-newsletter. It provides information on CHESLA products and activities to financial aid officers, high school guidance counselors and others interested in CHESLA. The e-newsletter has published 15 editions as of June 30, 2020. There are currently over 1,350 subscribers to *CHESLA Insight*.



# FY 2020 Strategic Plan Highlights

## Pillar 1 – Collaboration

Work externally and internally with others to identify opportunities and resolve challenges in optimal ways that allow us to share and build on each other's expertise



- PA 19-86 creates tax credit for employers who pay down CHESLA refinance loans on behalf of its employees
- CHESLA's Assistant Director served in leadership roles with the CT Association of Professional Financial Aid Administrators (CAPFAA) and CT Jump\$tart.
- CHESLA's Portfolio Assistant and Portfolio Administrative Assistant served on multiple CAPFAA committees.

## Pillar 2 – Economic and Workforce Development for the Public Good

Enhance the State's economy and develop and broaden its workforce through nonprofit infrastructure financing and through programs to finance post-secondary education



- PA 19-86 will appeal to employers and attract employees
- Partnered with our Rhode Island counterpart, RISLA, to offer an employer repayment program for CT companies.
- For the second consecutive year, CHESLA received scholarship applications directly from students which resulted in \$484,500 in awards to 166 scholarship recipients to be disbursed in FY 2021.
- CHESLA scholarship included targeted awards for healthcare and manufacturing certificates

## Pillar 3 – Technology

Use technology as a tool to create operating efficiencies, inform and educate the public about CHEFA/CHESLA initiatives, and enhance customer service.



- Conversion to new originator and servicer for CHESLA's in-school program to enhance customer service and provide technological adaptability moving forward
- Conversion to an online application for the scholarship program helped to streamline the process
- Google Analytics of CHESLA.org and CT Dollars and Sense highlighted increased traffic to both sites

#### Pillar 4 – Innovation

Work creatively to move toward our Vision, inspiring development of new ideas, approaches, products, and services that will impact the citizens of Connecticut



- Creation of a high school outreach program featuring a Financial Aid Basics presentation to help students and families navigate the paying for college process.
- Proposed “Work Here” loan bill to create a CHESLA product that incorporates workforce development incentives.

#### Pillar 5 – Public Engagement and Accountability

Reach out to all CHEFA and CHESLA constituencies to build awareness, understanding, and confidence in the capability and integrity of our organizations so that we are better positioned to sustainably achieve our Mission



- Clean independent audit for Fiscal Year Ended June 30, 2020
- CHESLA’s Portfolio Administrative Assistant moved from a part-time position to a full-time position.



# Bond Issuances

The Authority priced \$19,000,000 in 2020 B Revenue Bonds on June 3, 2020. The transaction closed on June 11, 2020. The transaction also included \$7,955,000 in 2020 C Revenue Refunding Bonds to refund the 2009 A Series. The bonds were sold through a negotiated underwriting with Bank of America served as the senior managing underwriter. 2020 Series D was a forward delivery to close in August 2020 to refund the 2010 A Series bonds.

First Southwest, a division of Hilltop Securities, served as the Authority's financial advisor and Day Pitney LLP served as bond counsel.

As of June 30, 2020, the Authority had issued Revenue Bonds and Revenue Refunding Bonds in the aggregate original principal amount of \$655,230,000. The principal amounts of the Authority's outstanding bonds as of June 30, 2020 total \$186,345,000, as shown below:

<u>Bond Series*</u>	<u>Principal Issued*</u>	<u>Principal Outstanding*</u>
1983 Series	\$15,500,000	\$0
1985 Series	\$15,500,000	\$0
1990 Series A	\$18,000,000	\$0
1990 Series B	\$420,000	\$0
1991 Series A	\$25,000,000	\$0
1991 Series B	\$445,000	\$0
1992 Series A	\$6,600,000	\$0
1993 Series A	\$10,000,000	\$0
1994 Series A	\$25,000,000	\$0
1996 Series A	\$25,000,000	\$0
1998 Series A	\$15,000,000	\$0
1998 Series B	\$3,560,000	\$0
1999 Series A	\$12,500,000	\$0
1999 Series B	\$4,390,000	\$0
2000 Series A	\$16,410,000	\$0
2000 Series B	\$5,975,000	\$0
2001 Series A	\$25,000,000	\$0
2003 Series A	\$18,000,000	\$0
2003 Series B	\$12,915,000	\$0
2005 Series A	\$31,455,000	\$0
2005 Series B	\$5,900,000	\$0
2006 Series A	\$33,270,000	\$0
2007 Series A	\$41,000,000	\$0
2009 Series A	\$30,000,000	\$8,690,000
2010 Series A	\$45,000,000	\$19,910,000
2012 Series A	\$13,085,000	\$0
2013 Series A	\$25,000,000	\$12,350,000
2014 Series A	\$23,000,000	\$15,500,000
2015 Series A	\$21,465,000	\$8,170,000
2016 Series A	\$15,000,000	\$13,085,000
2017 Series A	\$27,880,000	\$23,640,000

2017 Series B	\$9,155,000	\$6,755,000
2017 Series C	\$11,300,000	\$10,920,000
2018 Series A	\$10,000,000	\$9,820,000
2019 Series A- Refi taxable	\$5,000,000	\$5,000,000
2019 Series B	\$25,550,000	\$25,550,000
2020 Series B	\$19,000,000	\$19,000,000
2020 Series C	\$7,955,000	\$7,955,000
<b>Total</b>	<b>\$655,230,000</b>	<b>\$186,345,000</b>

The State's contingent liability, in connection with the outstanding bonds, is the Special Capital Reserve Fund requirement for such Bonds, as defined in Connecticut General Statutes Section 10a-232. CHESLA has never drawn on the Special Capital Reserve Fund since the inception of the program.

# Projected Activities and Payments in Excess of \$5,000

## Projected Activities

- Implement Employer Student Loan Repayment Program
- Further enhance CHESLA website
- Work towards assessing CHESLA's economic impact
- Continue outreach activities

All activities are expected to be consistent with the Fiscal Year 2021 operating budget, included as Exhibit E.

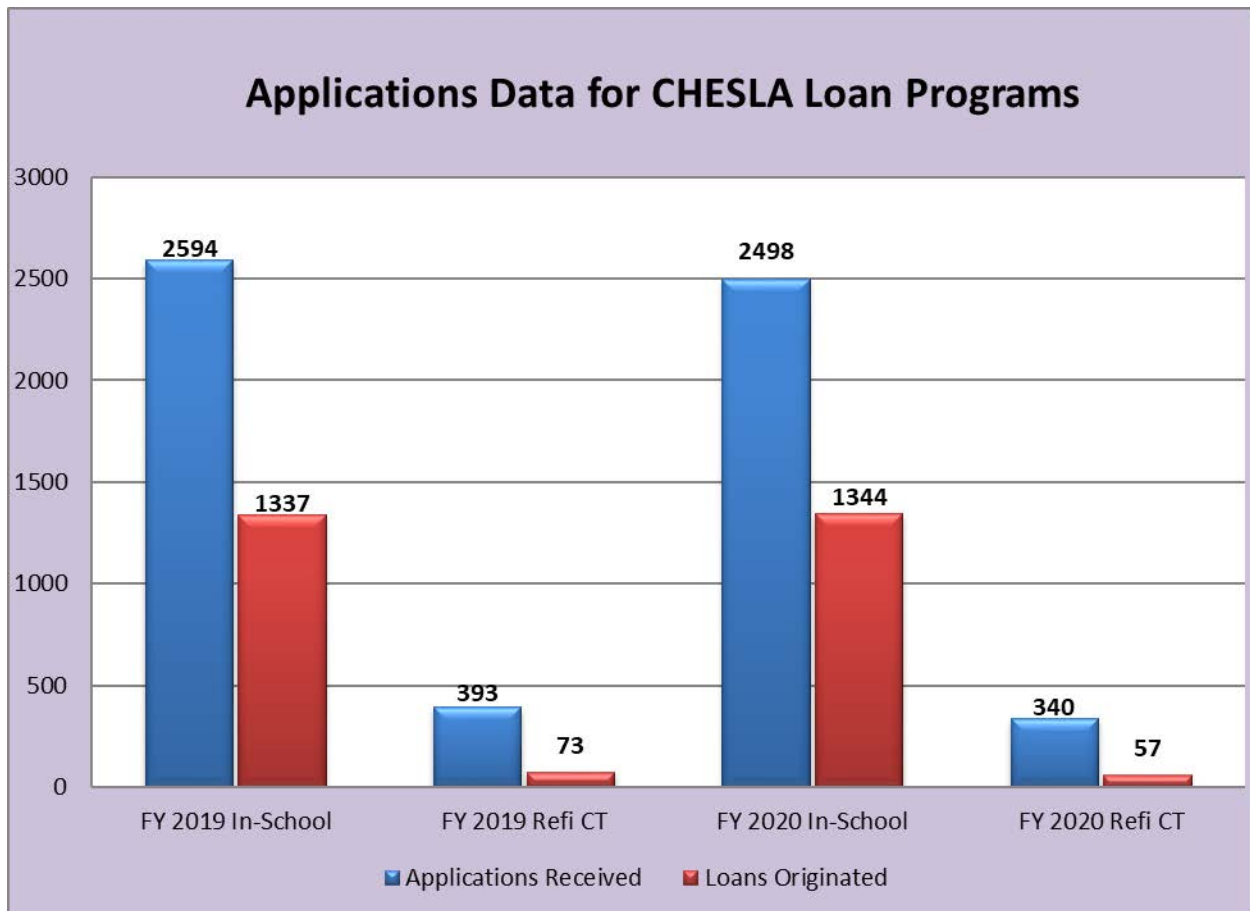
## Payments in Excess of \$5,000 (excluding scholarship funding and education loans):

Services and Account Disbursements in Excess of \$5,000 Fiscal Year End June 30, 2020
<b>Paid from CHESLA Operating Budget</b>
Bank of America Comcast Spotlight Connecticut Health and Education Facilities Authority (CHEFA) Connecticut Public Broadcasting, Inc. Education Finance Council, Inc. (EFC) Foundant Technologies Ink & Pixel Willis of Connecticut, LLC WCCT-TV WTIC-TV WVIT-TV
<b>Paid from CHESLA 1990 Bond Resolution Revenue Accounts</b>
Ballard Spahr Collection Company of America (CCA) Firstmark Services Hilltop Securities Moody's Investors Services Inc. University Accounting Service (UAS) U.S. Bank (Trustee Fees)

**Paid from CHESLA 2019 Bond Resolution Revenue Accounts**

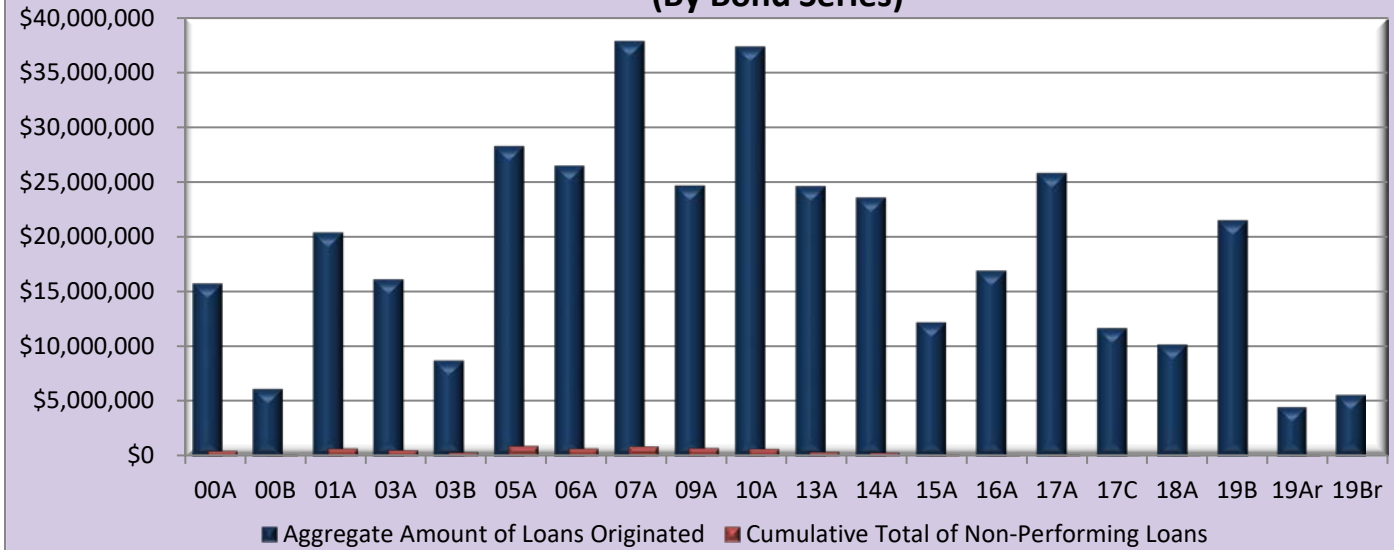
Campus Door  
 Day Pitney  
 DocuSign  
 Firstmark Services  
 Hilltop Securities  
 Moody's Investor Services Inc.  
 University Accounting Service (UAS)  
 U.S. Bank (Trustee Fees)

**Loan Volume and Funding**





### Originations and Non-Performing Loan Data (By Bond Series)



**Net Aggregate Amount of Loans Originated** – 85A (\$9,138,627), 90A (\$16,978,127), 91A (\$23,509,883), 93A (\$9,457,002), 94A (\$23,601,441), 96A (\$24,002,867), 98AB (\$19,989,330), 99A (\$12,283,780), 99B (\$4,628,969), 00A (\$15,853,387), 00B (\$6,200,067), 01A (\$20,433,303), 03A (\$16,212,316), 03B (\$8,813,427), 05A (\$28,321,052), 06A (\$26,527,184), 07A (\$37,871,341), 09A (\$24,703,581), 10A (\$37,389,234), 13A (\$24,650,944), 14A (\$23,615,107), 15A (\$12,300,387), 16A (\$17,000,777), 17A (\$25,840,004), 17C (\$11,760,855), 18A (\$10,269,610), 19B (\$21,556,572), 19A-refi (\$4,535,608), & 19B-refi (\$5,664,984).

**Total cumulative amount of loans originated: \$523,109,766 (\$512,909,174 In-School & \$10,200,592 Refi)**

**Cumulative Total of Non-Performing Loans** – 85A (\$433,731), 90A (\$495,866), 91A (\$826,749), 93A (\$239,768), 94A (\$510,313), 96A (\$579,009), 98AB (\$459,723), 99A (\$352,849), 99B (\$260,957), 00A (\$426,998), 00B (\$138,314), 01A (\$588,490), 03A (\$481,972), 03B (\$294,176), 05A (\$794,878), 06A (\$585,039), 07A (\$756,354), 09A (\$620,319), 10A (\$566,244), 13A (\$342,275), 14A (\$275,489), 15A (\$119,004), 16A (\$61,934), 17A (\$141,214), 17C (\$19,116), 18A (\$33,954), 19B (\$0), 19A-refi (\$101,479), & 19B-refi (\$0).

**Total non-performing loans: \$10,506,214 (\$10,404,735 In-School & \$101,479 Refi)**

**Total Net Non-Performing Default Rate** – 85A (4.75%), 90A (2.92%), 91A (3.52%), 93A (2.54%), 94A (2.16), 96A (2.41%), 98AB (2.30%), 99A (2.87%), 99B (5.64%), 00A (2.69%), 00B (2.23%), 01A (2.88%), 03A (2.97%), 03B (3.34%), 05A (2.81%), 06A (2.21)%, 07A (2.00%), 09A (2.51%), 10A (1.51%), 13A (1.39%), 14A (1.17%), 15A (0.97%), 16A (0.36%), 17A (0.55%), 17C (0.16%), 18A (0.33%), 19B (0.00%), 19A-refi (2.24%), & 19B-refi (0.00%). **Total net non-performing default rate: 2.01% (2.03% In-School & 0.99% Refi)**

Activity information was compiled from loans originated as follows:	
1985 Series A – 10/01/85 to 10/30/88	2009 Series A – 09/04/09 to 05/24/13 includes recycling
1990 Series A – 08/22/90 to 09/06/91	2010 Series A – 05/06/11 to 07/19/13 includes recycling
1991 Series A – 09/12/91 to 08/05/93	2013 Series A – 05/10/13 to 01/31/15
1993 Series A – 08/12/93 to 08/20/94	2013 Series B – 10/01/14 to 04/30/15
1994 Series A – 08/26/94 to 09/20/96	2014 Series A – 07/01/14 to 06/30/15
1996 Series A – 10/05/96 to 09/05/98	2015 Series A – 09/11/15 to 05/12/17
1998 Series A & B – 09/11/98 to 06/30/99	2016 Series A – 08/05/16 to 03/16/18
1999 Series A & B Bonds – 10/27/99 to 11/24/00	2017 Series A – 07/07/17 to 05/24/19
2000 Series A & B – 12/15/00 to 05/01/02	2017 Series C – 03/16/18 to 06/28/19
2001 Series A – 05/01/02 to 08/31/05 includes recycling	2018 Series A – 09/21/18 to 05/15/20
2003 Series A & B – 07/23/03 to 07/13/05	2019 Series B – 07/05/19 to Present
2005 Series A & B – 07/13/05 to 11/14/06	2019 Series A Refi – 07/03/19 to Present
2006 Series A – 09/20/06 to 07/14/08 includes recycling	2019 Series B Refi equity – 08/12/16 to 05/10/19
2007 Series A – 09/05/07 to 03/26/10 includes recycling	

- A table showing in-school student loan disbursements by Bond Series, from proceeds of the 1985 through 2018 Series A bond sales is attached as Exhibit B to this Annual Report.
- A copy of the Loan Program Manuals are attached as Exhibit D to this Annual Report.



## **Exhibit A – Audited Financials**

The Authority's FY 2020 audited financial statements are formatted on a component unit basis and reflect the operations of CHEFA, CHESLA, and CSLF.

**Connecticut Health and Educational  
Facilities Authority  
(A Component Unit of the State of Connecticut)**

**Financial Statements  
(With Supplementary Information)  
and Independent Auditor's Reports**

**June 30, 2020**

---

**Connecticut Health and Educational Facilities Authority  
(A Component Unit of the State of Connecticut)**

Table of Contents

		<u>Page</u>
	<u>Financial Section</u>	
	Independent Auditor's Report	1-3
	Management's Discussion and Analysis	4-17
<u>Exhibits</u>	Basic Financial Statements	
A	Statement of Net Position	18-19
B	Statement of Revenues, Expenses and Changes in Fund Net Position	20
C	Statement of Cash Flows	21-22
D	Notes to Financial Statements	23-54
<u>Schedules</u>	Supplemental Schedules	
1	Combining Schedule of Net Position - Connecticut Health and Educational Facilities Authority	55
2	Combining Schedule of Revenues, Expenses and Changes in Net Position - Connecticut Health and Educational Facilities Authority	56
3	Combining Schedule of Net Position - Connecticut Higher Education Supplemental Loan Authority	57
4	Combining Schedule of Revenues, Expenses and Changes in Net Position - Connecticut Higher Education Supplemental Loan Authority	58
5	Combining Schedule of Net Position - Connecticut Student Loan Foundation	59
6	Combining Schedule of Revenues, Expenses and Changes in Net Position - Connecticut Student Loan Foundation	60

**Connecticut Health and Educational Facilities Authority  
(A Component Unit of the State of Connecticut)**

Compliance

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

61-62

---

## **Financial Section**

---

## Independent Auditor's Report

To the Board of Directors  
Connecticut Health and Educational Facilities Authority

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component units of the Connecticut Health and Educational Facilities Authority as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Connecticut Health and Educational Facilities Authority's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component units of the Connecticut Health and Educational Facilities Authority as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 to 17 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Connecticut Health and Educational Facilities Authority's basic financial statements. The supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2020, on our consideration of the Connecticut Health and Educational Facilities Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Connecticut Health and Educational Facilities Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Connecticut Health and Educational Facilities Authority's internal control over financial reporting and compliance.

*CohnReznick LLP*

Hartford, Connecticut  
September 24, 2020



**Management's Discussion and Analysis  
For the Year Ended June 30, 2020  
(In Thousands)**

As management of Connecticut Health and Educational Facilities Authority ("CHEFA"), we offer readers of CHEFA's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2020. This Management's Discussion and Analysis presents a separate discussion for the primary government (CHEFA), which includes the blended component unit CHEFA Community Development Corporation ("CCDC"), and each of the discretely presented component units: Connecticut Higher Education Supplemental Loan Authority ("CHESLA") and Connecticut Student Loan Foundation ("CSLF"), each addressing the operations of the individual entity.

CHEFA is a conduit issuer of tax-exempt bonds issued on behalf of non-profit healthcare institutions, higher education institutions and independent schools, childcare facilities, long-term care facilities, cultural institutions and various other qualified non-profit institutions pursuant to Connecticut General Statutes Chapter 187, Sections 10a-176 through 10a-198. These tax-exempt bonds are financial obligations of the underlying obligor on whose behalf CHEFA issues the bonds. The issuance of tax-exempt bonds can provide funds for construction and renovation projects, the refinancing of eligible existing debt, funding of Debt Service Reserve Funds (if applicable), and funding of issuance costs.

CHESLA, a subsidiary of CHEFA, issues tax-exempt bonds in order to fund student loans for the higher education of students in or from the State of Connecticut. CHESLA's bonds are repaid from student loan repayments and are further supported by a Special Capital Reserve Fund, the replenishment of which is deemed appropriated by the State of Connecticut.

CSLF is a Connecticut State-chartered non-profit corporation established pursuant to State of Connecticut General Statutes Chapter 187a and governed by Title IV, Part B of the Higher Education Act of 1965, as amended, for the purpose of improving educational opportunity. Generally, CSLF is empowered to achieve this purpose by originating and acquiring student loans and providing appropriate services incident to the administration of programs which are established to improve educational opportunities. CSLF no longer originates or acquires student loans or serves as administrator of the federal guarantee.

CCDC, a subsidiary of CHEFA, was created in February 2019 to operate as a Certified Community Development Entity ("CDE") within the meaning of Section 45D of the Internal Revenue Code of 1986, as amended (the "Code") and provides financial assistance by serving and/or providing investment capital to institutions for higher education, healthcare institutions, nursing homes, and qualified nonprofit organizations, as defined in C.G.S. § 10a-178 (e), (g), (h), and (n), ("Institutions") in low-income communities located in the State of Connecticut. CCDC's primary activity will be the distribution of awarded tax credits in accordance with the Federal Government's New Markets Tax Credit Program.

**Financial Highlights**

- CHEFA's net position (which recognizes the CCDC loss of \$137) decreased \$922 for the fiscal year resulting from operating income of \$1,941 net of nonoperating expenses (including grants and childcare expenses) of \$3,058 offset by investment income of \$195.



# CHEFA

Connecticut Health & Educational  
Facilities Authority

- CHESLA's net position increased by \$451 for the fiscal year resulting from operating income of \$9,402 net of operating expenses of \$10,806, offset by investment income of \$1,855.
- CSLF's net position increased \$1,321 for the fiscal year, resulting from operating income of \$1,732 and nonoperating expenses of \$500 in contributions to CHESLA, offset by investment income of \$89.
- CHESLA's loan activity during the fiscal year was the issuance of new loans, net of returns, totaling \$23,350 from the in-school loan program and \$2,256 from the Refi CT program. Payments received of \$22,105, net of adjustments, include \$19,643 from the in-school loans and the remainder from the Refi CT loans.
- CSLF received loan payments of \$30,368 during the fiscal year.
- CHESLA issued debt of \$26,955 to be used for in-school loans and refinancing of prior bonds.
- CSLF's bonds payable decreased by \$27,800 from voluntary redemptions made during the year.

## **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to CHEFA's basic financial statements. CHEFA's basic financial statements comprise two components: 1) financial statements, and 2) notes to the financial statements. Separate financial statements are presented for CHEFA (primary government), which includes CCDC, and the two discretely presented component units CHESLA and CSLF.

**Financial statements.** The financial statements are designed to provide readers with a broad overview of CHEFA's finances, in a manner similar to a private-sector business. CHEFA's operations are reported as business-type activities.

The *statement of net position* presents information on all CHEFA's assets, liabilities, and deferred inflows of resources with the difference between these accounts reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of CHEFA is improving or deteriorating.

The *statement of revenues, expenses and changes in fund net position* presents information showing how CHEFA's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected loans and earned but unused vacation leave).

The *statement of cash flows* presents the cash flow by each type of activity.

The financial statements can be found in Exhibits A, B and C.

**Notes to financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements. The notes to financial statements can be found in Exhibit D.



**Connecticut Health and Educational Facilities Authority (CHEFA) (including CCDC)**

**Financial Analysis**

Assets exceeded liabilities at June 30, 2020. Net position may serve over time as a useful indicator of financial position. The restricted portion of net position for CHEFA at fiscal year-end was 33%. CHEFA's net position invested in capital assets was 2%. The remaining portion of net position (65%) is unrestricted.

A summary of the statement of net position is as follows:

**Summary Statement of Net Position  
(in thousands)**

	<b>CHEFA</b>	
	<b>2020</b>	<b>2019</b>
Current and other assets	\$ 320,396	\$ 226,948
Capital assets (net)	<u>245</u>	<u>223</u>
<b>Total assets</b>	<u>320,641</u>	<u>227,171</u>
Assets held on behalf of the State of CT	2,163	2,165
Other liabilities	<u>304,937</u>	<u>210,543</u>
<b>Total liabilities</b>	<u>307,100</u>	<u>212,708</u>
Net investment in capital assets	245	223
Restricted	4,448	4,448
Unrestricted	<u>8,848</u>	<u>9,792</u>
<b>Total net position</b>	<u>\$ 13,541</u>	<u>\$ 14,463</u>

At June 30, 2020 – CCDC maintained \$244 in current liabilities (Due to CHEFA) and an unrestricted net position of (\$244), included above.

**Statement of Changes in Net Position.** The statement of changes in net position's purpose is presenting information on how the net position changed during the most recent fiscal year. For the fiscal year, CHEFA's net position decreased \$922 (a loss of \$785 for CHEFA and a \$137 loss for CCDC).



A statement of changes in net position follows:

**Statement of Changes in Net Position  
(in thousands)**

	CHEFA	
	2020	2019
Operating revenues:		
Administrative fees	\$ 5,605	\$ 7,488
Supporting services fees	146	282
Bond issuance fees	65	45
Other revenues	-	3
Total operating revenues	<u>5,816</u>	<u>7,818</u>
Operating expenses:		
Salaries and related expenses	3,018	2,943
General and administrative	535	611
Contracted services	<u>322</u>	<u>267</u>
Total operating expenses	<u>3,875</u>	<u>3,821</u>
Operating income	<u>1,941</u>	<u>3,997</u>
Nonoperating income (expenses):		
Investment income	195	330
Payment to State	-	(900)
Grants and childcare subsidy expense	<u>(3,058)</u>	<u>(2,957)</u>
Total nonoperating expenses	<u>(2,863)</u>	<u>(3,527)</u>
Change in net position	(922)	470
Net position, July 1, 2019	<u>14,463</u>	<u>13,993</u>
Net position, June 30, 2020	<u>\$ 13,541</u>	<u>\$ 14,463</u>

At June 30, 2020, CCDC expenses included above totaled \$2 in general and administrative and \$135 in contracted services, for a total change in unrestricted net position of (\$137).



## **Revenues**

CHEFA is a conduit issuer of tax-exempt bonds issued on behalf of non-profit healthcare institutions, higher education institutions and independent schools, childcare facilities, long-term care facilities, cultural institutions and various other qualified non-profit institutions. CHEFA charges the borrower for administration and application fees.

The fee charged is a Board approved administrative fee of 9 basis points (.0009) annually on the outstanding balance of bonds.

Revenues totaled \$5,816 for fiscal year 2020. Administrative fees are the largest revenue source and represent 96% of total revenues. Supporting services fees for support services provided to CHESLA, CSLF and CCDC totaled \$146, representing 3% of revenues for the year. The balance includes application fees for the conduit debt issued and other revenues at 1%.

Significant changes from the prior year for revenues are as follows:

- In response to the COVID-19 pandemic, the Authority board approved a waiver of 25% of the annual Administrative fees due by June 30, 2020, and; a deferral of another 25% of the fees to September 2020 . As a result, and due to the change in the par value of loans outstanding at June 30, 2020 compared to June 30, 2019, Administrative fees decreased to \$5,605. Fees are calculated on the total par amount outstanding in any given year.

The balance of the par value of debt outstanding at June 30, 2020 was \$8,136,047 as compared to \$8,408,386 at June 30, 2019.

During the year, CHEFA had 19 issues of new conduit debt totaling \$1,069,517 in par value, of which 62% was the refinancing of pre-existing debt.

- Nonoperating investment income decreased by \$135 to \$195 from \$330 recognized in fiscal year 2019. This is a result of interest rate decreases as compared to the prior year.
- Supporting services fees decreased to \$146 from the 2019 level of \$282. This is due to a change in the method of billing through the integration of cost center tracking with payroll processing during fiscal year 2020.

## **Expenses**

Expenses totaled \$3,875 for the fiscal year. Of the expenses, 78% or \$3,018 was for salaries and related expenses. General and administrative expenses amounted to \$535, or 14%, while contracted services amounted to \$322 or 8%.

Significant changes from the prior year are as follows:

- Salaries and related expenses increased by \$75 from fiscal year 2019 to \$3,018 in fiscal year 2020.
- Contracted services increased by \$55 from fiscal year 2019 to \$322 in fiscal year 2020.
- Grants and childcare subsidy expense increased from fiscal year 2019 by \$101.





### **Capital Assets**

At June 30, 2020, CHEFA's capital assets amounted to \$245, net of depreciation. This includes leasehold improvements, furniture and fixtures, and computer and office equipment. Capital assets increased by \$22 due to capital asset additions of \$86, offset by depreciation of \$64. Capital asset purchases during the year were related primarily to the ongoing implementation of an accounting system.

Additional information on capital assets can be found in Exhibit D (II) C.

### **Economic Factors**

The significant factors impacting CHEFA include the interest rate environment and potential tax reform as both may impact borrower issuance and/or refinancing options.

In May 2020, the CHEFA Board of Directors approved three initiatives to provide financial assistance to CHEFA clients during the COVID-19 pandemic crisis to include the following:

1. Creating a revolving loan fund for working capital financing,
2. In June 2020, the Board approved the grant recipients for the \$3 million fiscal year 2021 grant program. This program was restructured to provide relief specifically related to the pandemic available for distribution in three tranches, as funds become available,
3. Restructuring the fiscal year 2021 grant programs to provide relief specifically related to the pandemic available for distribution in three tranches as funds become available, and
4. To provide a level of cash-flow relief:
  - a. three months of administrative fees due by June 30, 2020 were waived (effectively reducing fiscal year 2020 administrative fee revenues), and;
  - b. deferring the billing of three months of administrative fees due by June 30, 2020 to the first quarter of fiscal year 2021.

### **Connecticut Higher Education Supplemental Loan Authority (CHESLA)**

#### **Financial Analysis**

For CHESLA, assets exceeded liabilities at June 30, 2020. Due to the nature of operations, a significant portion of net position is subject to bond resolution restrictions. The restricted net position for CHESLA at fiscal year-end was 80%. CHESLA's net position invested in capital assets was less than 0.01%. The remaining portion of net position (20%) is unrestricted.





A summary of the statement of net position is as follows:

**Summary Statement of Net Position  
(in thousands)**

	CHESLA	
	2020	2019
Current and other assets	\$ 228,131	\$ 212,005
Capital assets, net	3	3
<b>Total assets</b>	<b>228,134</b>	<b>212,008</b>
Long-term liabilities outstanding	193,048	176,543
Other liabilities	1,240	1,070
<b>Total liabilities</b>	<b>194,288</b>	<b>177,613</b>
Deferred inflows of resources	507	1,507
Net invested in capital assets	3	3
Restricted	26,553	26,471
Unrestricted	6,783	6,414
<b>Total net position</b>	<b>\$ 33,339</b>	<b>\$ 32,888</b>

CHESLA's unrestricted net position consists of board designated assets and assets in the refinance and the scholarship programs. In fiscal year 2020, CHESLA funded new loans, net of returns, of \$23,350 of in-school loans and \$2,256 in Refi CT loans, compared to \$24,441 and \$3,323 respectively, in fiscal year 2019. This resulted in a decrease of 5% for in-school and a decrease of 32% for Refi CT over fiscal year 2019.

**Statement of Changes in Net Position.** The statement of changes in net position's purpose is presenting information on how the net position changed during the most recent fiscal year. For the fiscal year, CHESLA's net position increased \$451.



A statement of changes in net position follows:

**Statement of Changes in Net Position  
(in thousands)**

	CHESLA	
	2020	2019
Operating revenues:		
Interest income on loans receivable	\$ 7,192	\$ 7,433
Administrative fees	710	738
Contributions from CSLF	1,500	4,000
Total operating revenues	9,402	12,171
Operating expenses:		
Interest expense	6,359	5,898
Salaries and related expenses	258	184
General and administrative	523	631
Refinance program	35	53
Scholarships	1,500	2,000
Loan service fees	1,029	565
Contracted services	75	51
Bond issuance costs	429	825
Provision for loan losses	598	660
Total operating expenses	10,806	10,867
Operating income	(1,404)	1,304
Nonoperating income:		
Investment income	1,855	1,926
Increase in net position	451	3,230
Net position, July 1, 2019	32,888	29,658
Net position, June 30, 2020	\$ 33,339	\$ 32,888

The increase in net position for fiscal year 2020 reflects a revenue reduction in the contributions from CSLF offset by an increase in investment income, while also maintaining operating expenses consistent with fiscal year 2019.



## **Revenues**

CHESLA provides financial assistance in the form of education loans to students in or from the State of Connecticut. Refi CT is available to Connecticut residents or to non-residents who are refinancing a CHESLA loan. CHESLA is authorized to issue tax-exempt bonds, the proceeds of which are used to fund education loans to students meeting certain eligibility requirements or refinance existing debt. The repayments of such loans service the debt on CHESLA bonds. Revenues include administrative fees, origination fees and the interest charged on the loans.

Significant changes from the prior year for revenues are as follows:

- Administrative fees decreased by \$28 to \$710 during the year 2020 compared to \$738 in fiscal year 2019. This is due to the decrease in the funding of new in-school loans, resulting in a decrease in fees received.
- Contributions from CSLF totaled \$1,500 in fiscal year 2020 and \$4,000 in fiscal year 2019. Transfers approved by the CSLF Board are recorded as deferred inflows of resources with revenues being recognized when funds are disbursed in subsequent fiscal year(s):
  - The Scholarship Fund disbursed approximately \$1,500 in fiscal year 2020 and \$500 will be disbursed in fiscal year 2021.
- Nonoperating investment income decreased by \$71 in fiscal year 2020, primarily due to the market value of the Treasury notes held in the Special Capital Reserve Fund (“SCRF”) investment accounts of the 2009A and 2010A Bond issues in addition to a decrease in interest rates.

## **Expenses**

Expenses totaled \$10,806 for the fiscal year. The largest expense representing 59% or \$6,359 of total expenses was for interest payments on debt. This is an increase of 5% from 54% in fiscal year 2019. Scholarship expenses amounted to \$1,500 or 14%. General and administrative expenses amounted to \$523 or 5%. Bond issue costs totaled \$429 or 4%, loan servicing fees totaled \$1,029 or 10% and provision for loan losses totaled \$598 or 6% of the total expenses.

Significant changes from the prior year are as follows:

- Interest expense increased by \$461 as compared to fiscal year 2019 resulting from the change in the principal balance of outstanding debt net of the issuance of new bonds.
- Salaries and related expenses increased by \$74.
- General and administrative expenses decreased by \$108 primarily due to a decrease in marketing costs and other expenses.
- The refinance program expenses decreased by \$18. The program was originally funded during fiscal year 2016 by a contribution from CSLF (\$6,000). \$500 of the program funding was designated for start-up and marketing costs. Funds were spent in fiscal years 2016 to 2019. During fiscal year 2020 the final amount of \$35 was disbursed.



- Bond issuance decreased by \$396. Three bond issues closed in fiscal year 2020 and 2019.
- Provision for loan losses decreased by \$62.

**Capital assets**

At June 30, 2020, CHESLA’s capital assets remained level at \$3.

**Long-term debt**

Long-term debt for CHESLA is as follows:

<b>Bonds Payable (in thousands)</b>	<b>CHESLA</b>	
	<b>2020</b>	<b>2019</b>
Revenue bonds	\$ 186,345	\$ 171,570
Premiums/discounts	6,703	4,973
<b>Total long-term liabilities</b>	<b>\$ 193,048</b>	<b>\$ 176,543</b>

CHESLA’s increase in the principal revenue bonds outstanding is a result of new issuances totaling \$26,955 and redemptions of \$12,180.

CHESLA maintains an “A” rating from Fitch Ratings and an A1 rating from Moody’s Investors Service for its state supported revenue bonds.

Additional information on long-term debt can be found in Exhibit D (II) D.

**Economic Factors**

The economic conditions and unemployment rates affect CHESLA as they may impact the ability of individuals to repay their loans and the rate of loan origination.

CHESLA’s in-school loan program offers a Natural Disaster Forbearance which was utilized by some borrowers in connection with the COVID-19 pandemic. In addition, in March 2020 CHESLA suspended the referral of borrowers to collections and instructed its collection company to suspend affirmative collection efforts until September 30, 2020. CHESLA will reevaluate the feasibility of extending any deferral of collection efforts beyond the September 30 date.



**Connecticut Student Loan Foundation (CSLF)**

**Financial Analysis**

CSLF's assets exceeded liabilities at June 30, 2020. Due to the nature of CSLF's operations, a portion of net position is subject to bond resolution restrictions. At fiscal year-end, the restricted net position was 17% or \$4,024. The remaining portion of net position is unrestricted and represents 83% of the total net position. The increase was due primarily to loan interest revenue net of the \$500 contributed to CHESLA for the scholarship program authorized by the Board.

A summary of the statement of net position is as follows:

	<b>CSLF</b>	
	<b>2020</b>	<b>2019</b>
Current and other assets	\$ 167,604	\$ 193,792
Total assets	<u>167,604</u>	<u>193,792</u>
Long-term liabilities outstanding	143,571	171,302
Other liabilities	<u>956</u>	<u>734</u>
Total liabilities	<u>144,527</u>	<u>172,036</u>
Restricted	4,024	4,759
Unrestricted	<u>19,053</u>	<u>16,997</u>
Total net position	<u><u>\$ 23,077</u></u>	<u><u>\$ 21,756</u></u>

**Statement of Changes in Net Position.** The statement of changes in net position's purpose is presenting information on how the net position changed during the most recent fiscal year. For the fiscal year, CSLF's net position increased by \$1,321.

A statement of changes in net position follows:



# CHEFA

Connecticut Health & Educational  
Facilities Authority

## Statement of Changes in Net Position

(in thousands)

	CSLF	
	2020	2019
Operating revenues:		
Interest income on loans receivable	\$ 8,022	\$ 10,403
Not-for-profit servicing income	53	210
Total operating revenues	8,075	10,613
Operating expenses:		
Interest expense	4,125	6,580
General and administrative	168	247
Loan service fees	649	772
Consolidation rebate fees	1,129	1,281
Contracted services	193	222
Provision for loan losses	79	394
Total operating expenses	6,343	9,496
Operating income	1,732	1,117
Nonoperating income (expenses):		
Investment income	89	149
Contribution revenue/expense	(500)	(3,500)
Total nonoperating expenses	(411)	(3,351)
Increase (decrease) in net position	1,321	(2,234)
Net position, July 1, 2019	21,756	23,990
Net position, June 30, 2020	\$ 23,077	\$ 21,756

### Revenues

CSLF is not issuing new loans. It is administering its existing loan portfolio which consists primarily of federally guaranteed loans. Its purpose was to improve educational opportunity by originating and acquiring student loans and providing related services. CSLF also participated in the not-for-profit servicer program which terminated September 30, 2019.

Interest income represents the largest operating revenue component. CSLF earns interest income, interest subsidies and special allowance on student loans. Interest income for fiscal year 2020 totaled \$8,022 (99.0%) compared to \$10,403 for fiscal year ended June 30, 2019. These revenue sources are variable in nature and are a direct function of market conditions. Interest



rates for student borrowers in the CSLF portfolio have been fixed. The net interest to loan holders remains variable and, therefore, subject to market conditions. Lender yields are limited and vary as Congress and market conditions dictate. Loan interest revenue, on loans originated before April 1, 2006, calculated to be in excess of congressionally established levels (excess yield) is paid to the U.S. Department of Education. During the fiscal year 2020, CSLF paid \$2,142 to the US Department of Education compared to \$1,695 paid during fiscal year 2019.

The balance of CSLF revenues is the not-for-profit service fee of \$53 or 0.7% of revenues.

Significant changes from the prior year for revenues are as follows:

- Interest income on loans receivable is the largest component of operating revenues totaling \$8,022, a decrease of \$2,381 from the prior year amount of \$10,403 as a result of decreasing loan balances outstanding.
- Not-for-profit servicing income totaled \$53 for the fiscal year ended 2020, a decrease of \$157 as compared to fiscal year 2019.

### **Expenses**

Expenses totaled \$6,343 for the fiscal year. The largest of which was interest expense on the Auction Rate Certificates (“ARCs”) issued to raise money to make or acquire student loans. The interest rate on the ARCs is variable and auctioned every twenty-eight days. Due to the continued failure of the auctions, all investors are being paid at Treasury-Bill plus 1.20%, the maximum rate defined in the Indenture based upon the current ratings of the bonds. Interest expense totaled \$4,125 or 65%. Consolidation rebate fees paid to the U.S. Department of Education totaled \$1,129 or 18% of total expenses and loan servicing fees totaled \$649 or 10% of total expenses.

Significant changes from the prior year are as follows:

- Bond interest expense decreased in 2020 by \$2,455. The decrease is due to the decreasing interest rates and the variable rate nature of the bonds during the fiscal year.
- Loan servicing fees decreased by \$123 reflecting the decrease in the number of loans serviced, due to loan repayments.
- Consolidation rebate fees decreased by \$152 reflecting the decrease in the principal balance of federal consolidation loans outstanding as the portfolio matures.
- Performance of the Federal loans in the portfolio of the Connecticut Student Loan Foundation stabilized in 2019 after some deterioration in 2018. However, in April 2020, there was a sharp increase in forbearance levels due to COVID-19. This increase was accompanied by a corresponding drop in delinquency rates. Incorporating the changes in performance into projections of future losses results in a shortfall in the federal loan loss reserve of \$103. The performance of the Private Student loan portfolio was in line with prior expectations and revised projections results in a decrease of the private loan loss reserve of \$24. In June 2020, the board approved the adjusted reserve levels. The net expense of \$79, in addition to recoveries and chargeoffs, resulted in a decrease in allowance levels for the Federal and Private loans of \$56 and \$5 for the fiscal year 2020.



- Nonoperating expense of \$500, represents the Board authorized contribution to CHESLA of \$500 for the scholarship program for fiscal year 2020.

**Debt Administration**

**Long-term debt**

Long-term debt for CSLF is as follows:

<b>Bonds Payable (in thousands)</b>	<b>CSLF</b>	
	<b>2020</b>	<b>2019</b>
Revenue bonds	\$ 143,825	\$ 171,625
Premiums/discounts	(254)	(323)
<b>Total long-term liabilities</b>	<b>\$ 143,571</b>	<b>\$ 171,302</b>

CSLF’s decrease in long-term debt was due to the redemption of \$27,800 of bonds during the fiscal year.

CSLF maintains a AAA (senior debt) and AA+ (subordinate debt) rating from Standard & Poor’s. CSLF maintains a AAA (senior debt) and AA (subordinate debt) rating from Fitch Ratings.

Additional information on long-term debt can be found in Exhibit D (II) D.

**Economic Factors**

General economic conditions have a smaller impact on CSLF. Due to the guarantee by the U.S. Department of Education (generally at 98% of principal and interest), CSLF does not experience significant loan losses in an economic downturn. Loan defaults and the resulting claim payments will accelerate repayment of the loan portfolio. In addition, interest rate risk is minimized as both the loan portfolio and the outstanding bonds have variable interest rates tied to market rates.

**Requests for Information**

This financial report is designed to familiarize our stakeholders and customers with CHEFA’s finances and to demonstrate CHEFA’s fiscal accountability for its operations. Questions concerning this report, or request for additional financial information, should be directed to Connecticut Health and Educational Facilities Authority at 10 Columbus Boulevard, Hartford, Connecticut 06106-1978.



---

## **Basic Financial Statements**

---

**Connecticut Health and Educational Facilities Authority**  
**(A Component Unit of the State of Connecticut)**

**Statement of Net Position**  
**June 30, 2020**  
**(In Thousands)**

<u>Assets</u>	<u>Primary Government</u>	<u>Component Units</u>		<u>Total</u>
	<u>CHEFA</u>	<u>CHESLA</u>	<u>CSLF</u>	
Current assets				
Unrestricted assets				
Cash	\$ 304	\$ 18	\$ 687	\$ 1,009
Investments	6,874	6,671	-	13,545
Receivables				
Accounts (net of allowance for uncollectibles of \$190)	1,744	-	-	1,744
Current portion of loans receivable	-	42	-	42
Interest receivable on investments	-	2	-	2
Loan interest receivable	-	2	-	2
Related parties	69	-	-	69
Prepaid expenses and other assets	108	26	2	136
Total unrestricted assets	<u>9,099</u>	<u>6,761</u>	<u>689</u>	<u>16,549</u>
Restricted assets				
Cash	-	8,777	-	8,777
Investments				
Institutions	304,608	-	-	304,608
Bond indenture trusts	-	49,795	6,474	56,269
Current portion of loans receivable	-	21,789	7,945	29,734
Interest receivable on investments	-	85	-	85
Loan interest receivable	-	461	6,493	6,954
Total restricted assets	<u>304,608</u>	<u>80,907</u>	<u>20,912</u>	<u>406,427</u>
Total current assets	<u>313,707</u>	<u>87,668</u>	<u>21,601</u>	<u>422,976</u>
Noncurrent assets				
Unrestricted assets				
Capital assets (net of accumulated depreciation)	245	3	-	248
Loans receivable (net of allowance for uncollectibles)	-	611	-	611
Restricted assets				
Investments	6,689	26,111	-	32,800
Loans receivable (net of allowance for uncollectibles)	-	113,741	146,003	259,744
Total noncurrent assets	<u>6,934</u>	<u>140,466</u>	<u>146,003</u>	<u>293,403</u>
Total assets	<u>\$ 320,641</u>	<u>\$ 228,134</u>	<u>\$ 167,604</u>	<u>\$ 716,379</u>

**Connecticut Health and Educational Facilities Authority**  
**(A Component Unit of the State of Connecticut)**

**Statement of Net Position**  
**June 30, 2020**  
**(In Thousands)**

	<u>Primary Government</u>	<u>Component Units</u>		<u>Total</u>
	<u>CHEFA</u>	<u>CHESLA</u>	<u>CSLF</u>	
<u>Liabilities</u>				
Current liabilities				
Accounts payable	\$ 35	\$ 324	\$ 63	\$ 422
Accrued expenses	294	17	65	376
Amounts held for institutions	304,608	-	-	304,608
Accrued interest payable	-	899	-	899
U.S. Department of Education payable	-	-	666	666
Trust Estate payable	-	-	162	162
Current portion of bonds payable	-	14,105	-	14,105
Total current liabilities	<u>304,937</u>	<u>15,345</u>	<u>956</u>	<u>321,238</u>
Noncurrent liabilities				
Bonds payable and related liabilities, net of current portion	-	178,943	143,571	322,514
Amount held for the State of Connecticut	2,163	-	-	2,163
Total noncurrent liabilities	<u>2,163</u>	<u>178,943</u>	<u>143,571</u>	<u>324,677</u>
Total liabilities	<u>307,100</u>	<u>194,288</u>	<u>144,527</u>	<u>645,915</u>
<u>Deferred Inflows of Resources</u>				
Unearned revenue	-	507	-	507
<u>Net Position</u>				
Net investment in capital assets	245	3	-	248
Restricted				
Child care facilities loan program	4,320	-	-	4,320
Student loan guarantee program	128	-	-	128
Bond funds	-	26,553	-	26,553
Trust Estate	-	-	4,024	4,024
Total restricted	<u>4,448</u>	<u>26,553</u>	<u>4,024</u>	<u>35,025</u>
Unrestricted	8,848	6,783	19,053	34,684
Total net position	<u>13,541</u>	<u>33,339</u>	<u>23,077</u>	<u>69,957</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 320,641</u>	<u>\$ 228,134</u>	<u>\$ 167,604</u>	<u>\$ 716,379</u>

See Notes to Financial Statements.

**Connecticut Health and Educational Facilities Authority**  
**(A Component Unit of the State of Connecticut)**

**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**For the Year Ended June 30, 2020**  
**(In Thousands)**

	Primary Government	Component Units		Total
	CHEFA	CHESLA	CSLF	
Operating revenues				
Interest income on loans receivable	\$ -	\$ 7,192	\$ 8,022	\$ 15,214
Administrative fees	5,605	710	-	6,315
Supporting services fees	146	-	-	146
Contributions from CSLF (scholarships and Refi Program)	-	1,500	-	1,500
Bond issuance fees	65	-	-	65
Not-for-profit servicing income	-	-	53	53
Total operating revenues	<u>5,816</u>	<u>9,402</u>	<u>8,075</u>	<u>23,293</u>
Operating expenses				
Interest expense	-	6,359	4,125	10,484
Salaries and related expenses	3,018	258	-	3,276
General and administrative	535	523	168	1,226
Refinance program	-	35	-	35
Scholarships	-	1,500	-	1,500
Loan service fees	-	1,029	649	1,678
Consolidation rebate fees	-	-	1,129	1,129
Contracted services	322	75	193	590
Bond issuance costs	-	429	-	429
Provision for loan losses	-	598	79	677
Total operating expenses	<u>3,875</u>	<u>10,806</u>	<u>6,343</u>	<u>21,024</u>
Operating income (loss)	<u>1,941</u>	<u>(1,404)</u>	<u>1,732</u>	<u>2,269</u>
Nonoperating income (expenses)				
Investment income	195	1,855	89	2,139
Grants and child care subsidy expense	(3,058)	-	-	(3,058)
Contributions to CHESLA	-	-	(500)	(500)
Total nonoperating income (expenses)	<u>(2,863)</u>	<u>1,855</u>	<u>(411)</u>	<u>(1,419)</u>
Change in net position	(922)	451	1,321	850
Net position, July 1, 2019	<u>14,463</u>	<u>32,888</u>	<u>21,756</u>	<u>69,107</u>
Net position, June 30, 2020	<u>\$ 13,541</u>	<u>\$ 33,339</u>	<u>\$ 23,077</u>	<u>\$ 69,957</u>

See Notes to Financial Statements.

**Connecticut Health and Educational Facilities Authority**  
**(A Component Unit of the State of Connecticut)**

**Statement of Cash Flows**  
**For the Year Ended June 30, 2020**  
**(In Thousands)**

	Primary Government	Component Units	
	CHEFA	CHESLA	CSLF
Cash flows from operating activities			
Cash received from loan payments	\$ -	\$ 22,105	\$ 30,368
Interest received on loans	-	7,244	5,691
Fees received on loans	-	-	156
Contributions received from CSLF	-	500	-
Cash received for administrative fees	4,218	-	-
Cash received for recovery of loans	-	63	-
Cash received for general administrative fees	133	-	-
Cash received for not-for-profit servicing	-	-	53
Cash received for bond issuance fees	65	-	-
Cash payments for employee wages and benefits	(3,004)	(254)	-
Cash payments for interest on bonds	-	(6,727)	(4,056)
Cash payments for excess interest	-	-	(1,369)
Cash payments for loans issued	-	(25,606)	-
Cash payments for loans repurchased	-	-	(421)
Cash payments for loan servicing fees	-	(1,029)	(649)
Cash payments for consolidation fees	-	-	(1,112)
Cash payments for contracted services	(322)	(491)	(193)
Cash payments for refinance program	-	(35)	-
Cash payments for other operating expenses	(483)	(402)	(129)
Cash payments for scholarships	-	(1,500)	-
Net cash provided by (used in) operating activities	607	(6,132)	28,339
Cash flows from noncapital financing activities			
Proceeds from bond sales	1,076,338	26,955	-
Proceeds from bond premiums	154,707	2,129	-
Proceeds from institutions	1,379	-	-
Payments to institutions	(150,264)	-	-
Proceeds from investment income for amounts held for others	3,493	-	-
Releases from amounts held for institutions	(991,194)	-	-
Cash paid to grantees and child care subsidy	(3,152)	-	-
Payments of bond principal	-	(12,180)	(27,800)
Contributions to CHESLA	-	-	(500)
Net cash provided by (used in) noncapital financing activities	91,307	16,904	(28,300)

**Connecticut Health and Educational Facilities Authority**  
**(A Component Unit of the State of Connecticut)**

**Statement of Cash Flows**  
**For the Year Ended June 30, 2020**  
**(In Thousands)**

	Primary Government	Component Units	
	CHEFA	CHESLA	CSLF
Cash flows from capital and related financing activities			
Purchase of capital assets	\$ (86)	\$ -	\$ -
Cash flows from investing activities			
Proceeds from sale of investments	260,716	69,178	39,218
Purchase of investments	(354,804)	(73,557)	(39,063)
Investment income	195	1,988	89
Net cash provided by (used in) investing activities	(93,893)	(2,391)	244
Net increase (decrease) in cash	(2,065)	8,381	283
Cash (including restricted cash), July 1, 2019	2,369	414	404
Cash (including restricted cash), June 30, 2020	\$ 304	\$ 8,795	\$ 687
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities			
Operating income (loss)	\$ 1,941	\$ (1,404)	\$ 1,732
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation expense	64	-	-
Bond discount/premium amortization	-	(399)	69
Provision for loan losses	104	163	79
Issuance of loans receivable used to pay origination fees	-	(74)	-
Interest on loans paid through loan advances	-	-	(2,830)
Loan advances to capitalize interest to loans	-	-	2,830
(Increase) decrease in:			
Accounts receivable	(1,491)	-	17
Accounts receivable - related party	(13)	-	-
Prepaid expenses and other assets	(25)	(1)	(1)
Loans receivable	-	(3,639)	27,117
Loan interest receivable	-	52	(896)
Increase (decrease) in:			
Accounts payable	2	135	41
Accrued expenses	25	4	(1)
Accrued interest payable	-	31	-
U.S. Department of Education payable	-	-	356
Trust Estate payable	-	-	(174)
Unearned revenue	-	(1,000)	-
Net adjustments to operating income (loss)	(1,334)	(4,728)	26,607
Net cash provided by (used in) operating activities	\$ 607	\$ (6,132)	\$ 28,339

See Notes to Financial Statements.

**Connecticut Health and Educational Facilities Authority  
(A Component Unit of the State of Connecticut)**

**Notes to Financial Statements  
June 30, 2020  
(In Thousands)**

**History and organization**

The Connecticut Health and Educational Facilities Authority ("CHEFA" or the "Authority") - CHEFA is a quasi-public agency and component unit of the State of Connecticut (the "State"). CHEFA was established pursuant to Chapter 187 of the General Statutes of Connecticut, Revision of 1958, as amended by Public Acts 93-102, 93-262 and 97-259 (the "Act"). CHEFA is constituted as a public instrumentality and political subdivision of the State whose board of directors is appointed by the Governor of the State of Connecticut. The purpose of CHEFA, as stated in the Act, is to assist certain health care institutions, institutions of higher education and qualified not-for-profit institutions in the financing and refinancing of projects to be undertaken in relation to the programs for these institutions. Debt issued by CHEFA is payable from the revenues of the institutions and is not an obligation of CHEFA or the State of Connecticut. Neither the State nor CHEFA is obligated for such debt except for loans or bonds issued under the Child Care Facilities Loan Program, as discussed in Note II.F, and the Special Capital Reserve Fund Program. Under the Special Capital Reserve Fund Program, the State is obligated for replenishment of debt service reserve funds. The financial statements include Connecticut Higher Education Supplemental Loan Authority ("CHESLA") and Connecticut Student Loan Foundation ("CSLF") as component units.

**Reporting entity**

CHESLA is a quasi-public agency established in 1982 pursuant to Section 4 of the Connecticut Higher Education Supplemental Loan Authority Act, Public Act 82-313 of the Connecticut General Assembly. CHESLA was established to assist students, their parents and institutions of higher education in financing the cost of higher education through its bond funds. CHESLA maintains separate financial statement accounts for its agency operating fund, bond funds, and other programs. The 1990 Bond Fund is governed by the 1990 Revenue Bond Resolution, as amended, supplemented and restated, pursuant to which bonds were issued prior to 2003 and after 2007. The 2019 Bond Fund is governed by the 2019 Revenue Bond Resolution, as amended, supplemented and restated, pursuant to which bonds were issued during 2019 and 2020.

Public Act 12-149 statutorily consolidated CHESLA with CHEFA by making CHESLA a subsidiary of CHEFA. As a subsidiary of CHEFA, CHESLA retains its legal identity as a separate quasi-public authority, continues to be subject to suit and liability solely from its own assets, revenues and resources, and has no recourse to the general funds, revenues, resources or other assets of CHEFA or the State. Separate financial statements are not prepared for CHESLA.

Public Act No. 14-217 statutorily consolidated CSLF with CHEFA by making CSLF a subsidiary of CHEFA. As a subsidiary of CHEFA, CSLF retains its legal identity as a separate quasi-public authority, continues to be subject to suit and liability solely from its own assets, revenues and resources, and has no recourse to the general funds, revenues, resources or other assets of CHEFA or the State. Separate financial statements are not prepared for CSLF.

CSLF was originally established as a Connecticut State chartered nonprofit 501(c)3 corporation established pursuant to State of Connecticut Statute Chapter 187a and governed by Title IV, Part B of the Higher Education Act of 1965, as amended, for the purpose of improving educational opportunity. CSLF no longer originates or acquires student loans but continues to provide appropriate services incident to the administration of programs, which are established to improve educational opportunities.

**Connecticut Health and Educational Facilities Authority**  
**(A Component Unit of the State of Connecticut)**

**Notes to Financial Statements**  
**June 30, 2020**  
**(In Thousands)**

**Reporting entity**

In February 2019, CHEFA created a new subsidiary, the CHEFA Community Development Corporation ("CCDC"). As a subsidiary of CHEFA, CCDC retains its legal identity as a non-profit 501(c)3 entity as defined by the Internal Revenue Service and is subject to suit and liability solely from its own assets, revenues and resources, and has no recourse to the general funds, revenues, resources or other assets of CHEFA or the State. CCDC was established to offer financing programs utilizing available federal tax credits to fund projects for non-profit organizations serving low-income Connecticut Communities. Separate financial statements are not prepared for CCDC.

**I. Summary of significant accounting policies**

**A. Financial statements**

The financial statements (i.e., the statement of net position and the statement of revenues, expenses and changes in fund net position) report information on all of the Authority's activities. The Authority relies to a significant extent on fees and charges for support.

As required by accounting principles generally accepted in the United States of America ("GAAP"), the financial statements of the reporting entity, CHEFA, include those of CHEFA (the primary government) and its component units (CHESLA and CSLF). In accordance with GAAP, the financial statements of the component units have been included in the financial reporting entity through a discrete presentation.

Discretely Presented Component Units - CHESLA and CSLF meet the criteria for discrete presentation and are presented separately from CHEFA in separate columns within these financial statements to clearly distinguish their balances and transactions from the primary government, CHEFA. CHEFA and its component units, CHESLA and CSLF, are referred to together as the "Authority" throughout these financial statements when a common disclosure applies.

The financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

In accordance with GAAP, transactions between a primary government and discretely presented component units are not eliminated from the financial statements. The fees charged by CHEFA to CHESLA and CSLF for administrative support and transfers of funds between entities are recorded in the same manner as unrelated entity transactions. Interfund activity between the funds reported in the supplemental schedules has been eliminated.



**Connecticut Health and Educational Facilities Authority  
(A Component Unit of the State of Connecticut)**

**Notes to Financial Statements  
June 30, 2020  
(In Thousands)**

**I. Summary of significant accounting policies**

**B. Measurement focus, basis of accounting and financial statement presentation**

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority are charges to customers for administrative fees and interest on loan repayments. Operating expenses for the Authority include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Administrative fees

CHEFA is self-supporting and charges an administrative fee to institutions with outstanding bond issues to cover its operating expenses. All issues are charged an annual fee of nine basis points, billed semi-annually, in arrears, on the outstanding par amount of the bonds.

Loan reserve fee revenue

CHESLA charges 3% reserve fee on loans governed by the 1990 and 2019 Revenue Bond Resolutions. This fee is recognized as an origination fee to the loans and is included in administrative fees on loans receivable on the statement of revenues, expenses and changes in fund net position.

Interest income on loans

For CHESLA and CSLF, interest income on loans is recognized based on the rates applied to principal amounts outstanding. For CHESLA, the accrual of interest income is generally discontinued when a loan is classified as nonperforming. Loans are currently considered nonperforming by management when the borrower has not made payments for the most recent 120 days. For CSLF, the accrual of interest income generally is discontinued when a claim is paid on a Federal Family Education Loan Program loan, or for alternative loans, when a loan is delinquent for 120 days.

**Connecticut Health and Educational Facilities Authority  
(A Component Unit of the State of Connecticut)**

**Notes to Financial Statements  
June 30, 2020  
(In Thousands)**

**I. Summary of significant accounting policies**  
**B. Measurement focus, basis of accounting and financial statement presentation**

Nonoperating activity

Activities not related to CHEFA's primary purpose are considered nonoperating. Nonoperating activities consist primarily of income on investments and expenses related to CHEFA's grant program. All of CHESLA's revenues and expenses are considered operating, except for income on investments. CSLF's nonoperating activities consist of income on investments and expenses related to contributions to CHESLA as authorized by the Board of Directors.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

**C. Assets, liabilities, deferred inflows of resources and net position**

**1. Deposits and investments**

Deposits - The Authority's cash and cash equivalents consist of cash on hand, demand deposits, money market accounts and short-term investments with original maturities of three months or less from the date of acquisition.

Investments - The eligible investments are governed by each entity's enabling legislation (Connecticut Statutes) as follows:

CHEFA

State of Connecticut Statutes allows CHEFA to invest any funds not needed for immediate use or disbursement, including reserve funds, in obligations issued or guaranteed by the United States of America or the State of Connecticut, including the State's Short-Term or Long-Term Investment Fund, and in other securities or obligations which are legal investments for banks in this state, or in investment agreements with financial institutions whose short-term obligations are rated within the top two rating categories of any nationally recognized rating service or of any rating service recognized by the Banking Commissioner, or investment agreements fully secured by obligations of, or guaranteed by, the United States or agencies or instrumentalities of the United States or in securities or obligations which are legal investments for savings banks in this state, subject to repurchase agreements in the manner in which such agreements are negotiated in sales of securities in the market place, provided that the Authority shall not enter into any such agreement with any securities dealer or bank acting as a securities dealer unless such dealer or bank is included in the list of primary dealers, effective at the time of such agreement, as prepared by the Federal Reserve Bank of New York, provided the investment of escrowed proceeds of refunding bonds shall be governed by section 10a-192, and further provided nothing in this subsection shall limit the investment of reserve funds of the Authority, or of any moneys held in trust or otherwise for the payment of bonds or notes of the Authority, pursuant to section 10a-190a.

**Connecticut Health and Educational Facilities Authority  
(A Component Unit of the State of Connecticut)**

**Notes to Financial Statements  
June 30, 2020  
(In Thousands)**

**I. Summary of significant accounting policies**  
**C. Assets, liabilities, deferred inflows of resources and net position**

CHESLA

CHESLA may invest any funds in (1) direct obligations of the United States or the State of Connecticut, (2) obligations as to which the timely payment of principal and interest is fully guaranteed by the United States or the State of Connecticut, and Connecticut's Short-Term Investment Fund, (3) obligations of the United States Export-Import Bank, Farmers Home Administration, Federal Financing Bank, Federal Housing Administration, General Services Administration, United States Maritime Administration, United States Department of Housing and Urban Development, Farm Credit System, Resolution Funding Corporation, federal intermediate credit banks, federal banks for cooperatives, federal land bank, federal home loan banks, Federal National Mortgage Association, Government National Mortgage Association and the Student Loan Marketing Association, (4) certificates of deposit or time deposits constituting direct obligations of any bank in the State, provided that investments may be made only in those certificates of deposit or time deposits in banks which are insured by the Federal Deposit Insurance Corporation ("FCID") if then in existence, (5) withdrawable capital accounts or deposits of federal chartered savings and loan associations which are insured by the Federal Savings and Loan Insurance Corporation, (6) other obligations which are legal investments for savings banks in the State, (7) investment agreements with financial institutions whose long-term obligations are rated within the top two rating categories of any nationally recognized rating service or of any rating service recognized by the Banking Commissioner or whose short-term obligations are rated within the top two rating categories of any nationally recognized rating service or of any rating service recognized by the Banking Commissioner, or investment agreements fully secured by obligations of, or guaranteed by, the United States or agencies or instrumentalities of the United States, and (8) securities or obligations which are legal investments for savings banks in Connecticut, subject to repurchase agreements in the manner in which such agreements are negotiated in sales of securities in the market place, provided CHESLA shall not enter into any such agreement with any securities dealer or bank acting as a securities dealer unless such dealer or bank is included in the list of primary dealers, as prepared by the Federal Reserve Bank of New York, effective at the time of the agreement. Any such securities may be purchased at the offering or market price thereof at the time of such purchase. All such securities so purchased shall mature or be redeemable on a date or dates prior to the time when, in the judgment of CHESLA, the funds so invested will be required for expenditure. The express judgment of CHESLA as to the time when any funds shall be required for expenditure or be redeemable is final and conclusive.

**Connecticut Health and Educational Facilities Authority**  
**(A Component Unit of the State of Connecticut)**

**Notes to Financial Statements**  
**June 30, 2020**  
**(In Thousands)**

**I. Summary of significant accounting policies**  
**C. Assets, liabilities, deferred inflows of resources and net position**

CSLF

The State of Connecticut Statutes allows CSLF to invest all moneys received by or on behalf of the entity or by or on behalf of a subsidiary created pursuant to subdivision (5) of section 10a-204, as applicable, pursuant to or subject to the pledge of any resolution or trust agreement authorized by this section, whether as proceeds from the sale of bonds or as revenues, shall be deemed to be trust funds to be held and applied solely as provided in such resolution or trust agreement. Subject to the provisions of any resolution authorizing the issuance of bonds, notes or other obligations, any such moneys may be invested in the Connecticut Short-Term Investment Fund and in such other investments and investment agreements as may be approved by resolution of the issuer. In connection with, or incidental to, the issuance or carrying of bonds, notes or other obligations, or acquisition or carrying of any investment or program of investment, the entity or any subsidiary created pursuant to subdivision (5) of section 10a-204 may enter into any contract with any financial institution having a rating of at least "A" or into any contract secured by security so rated, which the issuer determines to be necessary or appropriate to place the obligation or investment of the issuer, as represented by the bonds, notes or other obligations, investment or program of investment and the contract or contracts, in whole or in part, on the interest rate cash flow or other basis desired by the issuer.

Investment policies

CHEFA's investment policy provides that the investment portfolio for its unrestricted investments be designed with the objective of regularly exceeding the average return of 90-day U.S. Treasury Bills. The investment policy as it relates to restricted investments provides that all restricted accounts be invested in strict accordance with the bond issue trust indentures and with applicable Connecticut State law. Whenever possible, restricted investments are to be held to maturity and invested in an appropriate manner so as to ensure the availability for specified payment dates, planned construction draws and other intended purposes as set forth in the relevant trust indentures and agreements, and to ensure a rate of return at least equal to the restricted bond yield for long-term funds, all with minimal risk to capital.

CHESLA and CSLF's specific investment policy complies with the underlying bond resolution requirements. In addition, to minimize interest rate risk, the structuring of the investment portfolios is done so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell investments on the open market prior to maturity. Operating funds are primarily invested in shorter-term securities, money market mutual funds or similar investment pools.

**Connecticut Health and Educational Facilities Authority**  
**(A Component Unit of the State of Connecticut)**

**Notes to Financial Statements**  
**June 30, 2020**  
**(In Thousands)**

**I. Summary of significant accounting policies**

**C. Assets, liabilities, deferred inflows of resources and net position**

Concentrations of credit risk

CHEFA, for unrestricted investments, places limits on the amount of investment in any one issuer. No issuer other than the United States Treasury or the Connecticut Short-Term Investment Fund shall constitute greater than 15% of unrestricted investments, except for qualified money market or bond funds, none of which shall constitute greater than 50% of unrestricted investments.

CHESLA and CSLF do not have a formalized investment policy that restricts investment in any one issuer that is in excess of 5% of total investments. The deposit and investment policies comply with the underlying bond resolution requirements as previously described.

Investment income is recorded in the fund in which it was earned.

Method used to value investments

Investments for the Authority are reported at fair value. Connecticut Short-Term Investment Fund is an investment pool managed by the State of Connecticut Office of the State Treasurer. Investments must be made in instruments authorized by Connecticut General Statutes 3-27a - 3-27c. Investment guidelines are adopted by the State Treasurer. The fair value of the position in the pool is the same as the value of the pool shares.

The Authority presents all investments at fair value, except for non-participating investment contracts, which are recorded at cost.

**2. Fees and loan receivables**

All receivables are shown net of an allowance for uncollectibles. The allowance is based upon a review of the outstanding receivables and past collection history.

**3. Restricted assets**

Restricted assets are maintained under trust agreements in separate sub-funds for each debt issue in accordance with the requirements of the underlying bond issue documents.

CHEFA's restricted assets include assets held in construction and project funds for which CHEFA has fiduciary responsibility. Construction and project funds reflect the receipt of bond proceeds, costs of issuance and disbursement of monies for the payment of construction or renovation projects and equipment for the institutions.

The interest earned on restricted assets held for institutions is not reflected in the statement of revenues, expenses and changes in fund net position, as such income accrues to the benefit of the institutions.

**Connecticut Health and Educational Facilities Authority  
(A Component Unit of the State of Connecticut)**

**Notes to Financial Statements  
June 30, 2020  
(In Thousands)**

**I. Summary of significant accounting policies**

**C. Assets, liabilities, deferred inflows of resources and net position**

The restricted investments classified as noncurrent include funds held by CHEFA as a result of its partnership with the State of Connecticut Office of Early Childhood ("OEC"), the Office of the State Treasurer, and banking institutions to provide childcare providers with access to financing under the following loan programs: the Tax-Exempt Pooled Bond Issue Program, the Guaranteed Loan Fund Program and the Small Revolving Direct Loan Program.

The State of Connecticut is responsible for paying the debt service on the Child Care Facilities Program bonds and all of the debt service on the State Supported Child Care Revenue Bonds, subject to available appropriations and pursuant to a Memorandum of Understanding.

Guaranteed Loan Fund Program - The purpose of the Guaranteed Loan Fund Program is to guarantee loans for the expansion or development of childcare and child development centers in the State. CHEFA is responsible for guaranteeing 20% to 50% of each loan outstanding.

The DSS contributions to the Guaranteed Loan Fund Program and the Small Revolving Direct Loan Program, net of payouts and accrued expense, along with the amount of CHEFA's support to the Guaranteed Loan Fund Program, are recorded within restricted investments.

Pursuant to Public Act 09-110, which established the Connecticut Credit Union Student Loan Program, CHEFA was required to fund a first loss loan guarantee of 20% on the outstanding balance on each loan.

In June 2020, the Board approved the grant recipients for the \$3 million fiscal year 2021 grant program. As financial assistance agreements are signed by the grant recipients, the \$3 million will become an accrued liability for CHEFA.

CHESLA's restricted assets include assets held by the individual bond funds as governed by the bond resolutions as previously described. Under the provisions of the bond resolutions, certain assets are restricted for the repayment of bond principal and interest and for the issuance of student loans. In accordance with the bond resolutions, each bond issue has separate accounts which include individual funds as defined by each bond resolution, including but not limited to combinations of some of the following: the Loan Fund, Revenue Fund, Debt Service Fund and Special Capital Reserve Fund.

The 1990 Bond Fund is governed by the 1990 Revenue Bond Resolution pursuant to which all outstanding bonds were issued prior to the 2003 Series A and B bonds as well as the 2009, 2010, 2013, 2014, 2015, 2016, 2017 Series A bonds, 2017 Series B bonds, 2017 Series C bonds and 2018 bonds. The 2019 Bond Fund is governed by the 2019 Revenue Bond Resolution pursuant to which the 2019 series and 2020 series bonds were issued.

**Connecticut Health and Educational Facilities Authority  
(A Component Unit of the State of Connecticut)**

**Notes to Financial Statements  
June 30, 2020  
(In Thousands)**

**I. Summary of significant accounting policies**  
**C. Assets, liabilities, deferred inflows of resources and net position**

CHESLA's restricted investments classified as current include the fund investments held by CHESLA pursuant to the bond resolutions in the individual Loan Fund, Revenue Fund and Debt Service Funds.

CHESLA's restricted investments classified as noncurrent include funds held by CHESLA pursuant to the bond resolutions in individual Special Capital Reserve Funds.

Deficiencies, if any, in the Debt Service Fund balances within the CHESLA Bond Funds will be funded from the amount on deposit in the applicable Special Capital Reserve Fund. Both the Debt Service Fund and the Special Capital Reserve Fund are components of restricted investments. In accordance with Public Act 82-313, the State must deposit with the trustee monies necessary to restore the Special Capital Reserve Fund requirement. As of June 30, 2020, the State has not made nor was it required to make any such deposit.

CHESLA's interest on loans receivable is accrued and credited to operations based upon the principal amount outstanding. Loans are placed on nonaccrual status when management believes principal or interest on such loans may not be collected in the normal course of business. The allowance for loan losses has been provided through charges against operations based on management's evaluation of the loan portfolio and maintained at a level believed adequate to absorb potential losses in the loan portfolio. Loans are typically written off against the allowance for loan losses (net of loan recoveries) in the period in which the loans become nonperforming and no payments have been made for 12 consecutive months. However, a loan may be written off at any time management believes the repayment of such loan is doubtful. Collections of loans previously written off are pursued until management believes that further recoveries are doubtful.

CSLF's restricted assets include the Trust Estate net position, as follows:

Trust Estate - Includes assets and liabilities associated with the bond offerings as detailed in the Bond Indenture:

- Trust cash and investment accounts - The indenture created special trust accounts to be held by the Trustee to be used for recordkeeping and reporting purposes as defined by the indenture.
- The bonds included in the Trust Estate are special and limited obligations of CSLF, secured by and payable from the Trust Estate held under the indenture, without recourse to any other assets of CSLF. The bonds are secured by eligible student loans as identified in the indenture.

**Connecticut Health and Educational Facilities Authority**  
**(A Component Unit of the State of Connecticut)**

**Notes to Financial Statements**  
**June 30, 2020**  
**(In Thousands)**

**I. Summary of significant accounting policies**

**C. Assets, liabilities, deferred inflows of resources and net position**

- Release of amounts from the Trust Estate - The indenture provides that CSLF may withdraw amounts from the Trust Estate under certain limited circumstances as defined in the indenture.
- Redemption and acceleration provisions - The indenture sets forth provisions for the redemption and acceleration of the bonds prior to maturity under certain circumstances.

Loans and loan interest receivable: The allowance for Federal Education Loan Program loan losses has been provided through charges against operations based on management's evaluation of the loan portfolio. Loans are typically written off against the allowance for loan losses (net of loan recoveries) at the point in which the guarantee has been paid and CSLF has a risk sharing component or it is determined that all recovery options have been exhausted and the loans have lost their federal guarantee and are no longer eligible for reinstatement. Federal guarantees are reinstated if the lender or servicer successfully performs certain federally prescribed "cure" procedures. In general, the lender has three years from the initial claim rejection date or the latest timely filing date if a claim has not been filed to cure a loan.

For alternative loans, periodic monitoring of loan performance has been established to ensure the adequacy of the reserve allowance. Loans are typically written off against the allowance for loan losses (net of recoveries) at 150 days delinquent.

***Nonperforming loans***

CHESLA currently defines nonperforming loans as defaulted loans in collections, whereby no payment has been made for 120 days, but have not been written off.

**4. Capital assets**

Capital assets, which include property, plant and equipment, are reported in the financial statements. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$2,500 (not in thousands) for all assets. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.



**Connecticut Health and Educational Facilities Authority  
(A Component Unit of the State of Connecticut)**

**Notes to Financial Statements  
June 30, 2020  
(In Thousands)**

**I. Summary of significant accounting policies**

**C. Assets, liabilities, deferred inflows of resources and net position**

Property, plant and equipment of the Authority are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Leasehold improvements	5 years
Computer equipment	3-5 years
Furniture and fixtures	10 years
Office equipment	3-6 years
Domain name	15 years

**5. Amounts held for institutions**

Amounts held for institutions represent amounts payable to institutions, bondholders and others from CHEFA's restricted assets.

**6. Amounts held on behalf of the State of Connecticut**

Amounts held on behalf of the State of Connecticut represent funds transferred to CHEFA under its agency relationship with OEC related to the childcare program pursuant to Public Act 97-259.

**7. Arbitrage rebate and excess loan yield liability**

Under the Internal Revenue Code of 1986 (the "Code"), CHESLA is required to rebate to the federal government certain excess earnings on investments from funds obtained with its tax-exempt bonds, as defined by the Code, or reduce its excess loan yield on student loans financed with tax-exempt bonds.

**8. Compensated absences**

Employees of the Authority earn sick leave, which can accumulate, and vacation leave based on the provisions of personnel policies. Vacation leave vests with the employee and is payable upon termination of employment.

**Connecticut Health and Educational Facilities Authority  
(A Component Unit of the State of Connecticut)**

**Notes to Financial Statements  
June 30, 2020  
(In Thousands)**

**I. Summary of significant accounting policies**

**C. Assets, liabilities, deferred inflows of resources and net position**

**9. Long-term obligations**

In the financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenses.

**10. Deferred inflows of resources**

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority reports a deferred inflow of resources related to unearned amounts received for the scholarship program that occurs in the subsequent fiscal year.

**11. Net position flow assumption**

Sometimes the Authority will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

**Connecticut Health and Educational Facilities Authority  
(A Component Unit of the State of Connecticut)**

**Notes to Financial Statements  
June 30, 2020  
(In Thousands)**

**I. Summary of significant accounting policies**

**C. Assets, liabilities, deferred inflows of resources and net position**

**12. Fund equity and net position**

In the fund financial statements, net position is classified into the following categories:

Net Investment in Capital Assets

This category presents the net position that reflect capital assets net of only the debt applicable to the acquisition or construction of these assets. Debt issued for non-capital purposes is excluded.

Restricted Net Position

This category presents the net position restricted by external parties (creditors, grantors, contributors or laws and regulations).

Unrestricted Net Position

This category presents the net position of the Authority, which is not restricted.

**13. Use of estimates**

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities including disclosures of contingent assets and liabilities and reported revenues and expenses during the fiscal year. Accordingly, actual results could differ from those estimates.

**Connecticut Health and Educational Facilities Authority**  
**(A Component Unit of the State of Connecticut)**

**Notes to Financial Statements**  
**June 30, 2020**  
**(In Thousands)**

**II. Detailed notes**

**A. Cash and investments**

Deposits - Custodial Credit Risk - Custodial credit risk is risk that, in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk.

CHEFA

As of June 30, 2020, \$110 of CHEFA's bank balance of \$360 (including certificates of deposit and money market accounts classified as investments) was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 74
Uninsured and collateral held by the pledging bank's trust department, not in CHEFA's name	<u>36</u>
Total amount subject to custodial credit risk	<u><u>\$ 110</u></u>

CHESLA

As of June 30, 2020, \$8,510 of CHESLA's bank balance of \$8,795 (including certificates of deposit and money market accounts classified as investments) was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 7,634
Uninsured and collateral held by the pledging bank's trust department, not in CHESLA's name	<u>876</u>
Total amount subject to custodial credit risk	<u><u>\$ 8,510</u></u>

CSLF

As of June 30, 2020, \$437 of CSLF's bank balance of \$687 (including certificates of deposit and money market accounts classified as investments) was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 369
Uninsured and collateral held by the pledging bank's trust department, not in CSLF's name	<u>68</u>
Total amount subject to custodial credit risk	<u><u>\$ 437</u></u>

**Connecticut Health and Educational Facilities Authority**  
**(A Component Unit of the State of Connecticut)**

**Notes to Financial Statements**  
**June 30, 2020**  
**(In Thousands)**

**II. Detailed notes**

**A. Cash and investments**

Financial instruments that potentially subject the Authority to significant concentrations of credit risk consist primarily of cash. From time-to-time, the Authority's cash account balances exceed the FDIC limit. The Authority reduces its credit risk by maintaining its cash deposits with major financial institutions and monitoring their credit ratings.

CHEFA's investments (including restricted investments) consisted of the following types and maturities. Specific identification was used to determine the maturities.

Type of Investment	Fair Value	Investment Maturities (In Years)			
		Less Than 1	1-5 Years	5-10 Years	Over 10
Mutual Funds:					
Government Agency Funds	\$ 282,192	\$ 282,192	\$ -	\$ -	\$ -
Money Market Funds	4,306	4,306	-	-	-
Pooled Fixed Income	9,556	9,556	-	-	-
Corporate Bonds	8,351	8,351	-	-	-
Repurchase agreement	13,766	13,766	-	-	-
<b>Total</b>	<b>\$ 318,171</b>	<b>\$ 318,171</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

CHESLA's investments (including restricted investments) consisted of the following types and maturities. Specific identification was used to determine the maturities.

Type of Investment	Fair Value	Investment Maturities (In Years)			
		Less Than 1	1-5 Years	5-10 Years	Over 10
Mutual Funds:					
Bond	\$ 2	\$ -	\$ -	\$ -	\$ 2
Bank Money Market Funds	128	128	-	-	-
Pooled Fixed Income	71,161	71,161	-	-	-
U.S. Government Securities	7,315	-	-	7,315	-
Guaranteed Investment Contracts	3,971	264	3,707	-	-
<b>Total</b>	<b>\$ 82,577</b>	<b>\$ 71,553</b>	<b>\$ 3,707</b>	<b>\$ 7,315</b>	<b>\$ 2</b>

**Connecticut Health and Educational Facilities Authority**  
**(A Component Unit of the State of Connecticut)**

**Notes to Financial Statements**  
**June 30, 2020**  
**(In Thousands)**

**II. Detailed notes**

**A. Cash and investments**

CSLF's investments (including restricted investments) consisted of the following types and maturities. Specific identification was used to determine the maturities.

Type of Investment	Fair Value	Less Than 1
Mutual Funds:		
Government Agency Funds	\$ 5,380	\$ 5,380
Pooled Fixed Income	1,094	1,094
	<u>\$ 6,474</u>	<u>\$ 6,474</u>

Fair value of investments

The Authority measures and records its investments using fair value measurement guidelines established by GAAP. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted market prices; and
- Level 3: Unobservable inputs.

CHEFA had the following recurring fair value measurements:

Investments by fair value level	Amount	Level 1	Level 2	Level 3
Government Agency Mutual Funds	\$ 282,192	\$ 282,192	\$ -	\$ -
Money Market Mutual Funds	4,306	4,306	-	-
Corporate Bonds	8,351	8,351	-	-
Repurchase agreement	<u>13,766</u>	<u>13,766</u>	-	-
Total investments by fair value level	308,615	<u>\$ 308,615</u>	<u>\$ -</u>	<u>\$ -</u>

Other Investments

Pooled Fixed Income	<u>9,556</u>
Total Investments	<u>\$ 318,171</u>

**Connecticut Health and Educational Facilities Authority**  
**(A Component Unit of the State of Connecticut)**

**Notes to Financial Statements**  
**June 30, 2020**  
**(In Thousands)**

**II. Detailed notes**  
**A. Cash and investments**

**CHESLA**

Investments by fair value level	Amount	Level 1	Level 2	Level 3
Bond Mutual Funds	\$ 2	\$ 2	\$ -	\$ -
U.S. Government Securities	7,315	-	7,315	-
Total investments by fair value level	7,317	\$ 2	\$ 7,315	\$ -

**Other Investments**

Money Market (bank)	128
Guaranteed Investment Contracts	3,971
Pooled Fixed Income	71,161
Total other investments	75,260
Total Investments	\$ 82,577

Investments by fair value level	Amount	Level 1	Level 2	Level 3
Government Agency Mutual Funds	\$ 5,380	\$ 5,380	\$ -	\$ -

**Other Investments**

Pooled Fixed Income	1,094
Total Investments	\$ 6,474

Securities classified in Level 1 are valued using prices quoted in active markets for those securities. Securities classified in Level 2 are valued using the following approaches:

- U.S. government securities: quoted prices for identical securities in markets that are not active

**Connecticut Health and Educational Facilities Authority**  
**(A Component Unit of the State of Connecticut)**

**Notes to Financial Statements**  
**June 30, 2020**  
**(In Thousands)**

**II. Detailed notes**

**A. Cash and investments**

Interest rate risk

To minimize interest rate risk, CHEFA, CHESLA and CSLF's policy requires the structuring of the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. Operating funds should primarily be invested in shorter-term securities, money market mutual funds or similar investment pools.

Credit risk

CHEFA has an investment policy that would further limit its investment choices beyond those limited by Connecticut State Statutes for both unrestricted and restricted investments. Investments that may be purchased with the written approval of an officer, provided the instrument has a maturity date of 365 days or less from the date of purchase, are as follows: obligations issued or guaranteed by the U.S. Government, including the FDIC; qualified money market funds or institutional money market funds investing in short-term securities as permitted by enabling legislation; the Connecticut Short-Term Investment Fund provided it maintains a "AAA" rating by Standard and Poor's; and qualified repurchase agreements secured by obligations issued or guaranteed by the U.S. Government. With approval of an Authorized Officer, the following unrestricted investments are also permissible: any otherwise permitted investment with a maturity greater than 365 days from purchase; obligations issued or guaranteed by the State of Connecticut, including the State's medium-term or long-term investment fund; other debt obligations which are statutorily permissible; and qualified guaranteed investment contracts complying with Connecticut General State Statutes 10a-180(s), Authority guidelines and applicable trust indentures.

CHESLA and CSLF follow Section 10a-238 of the Connecticut General Statutes for its investment policy, which allows investments as follows: obligations issued or guaranteed by the U.S. Government or the State of Connecticut; obligations which are legal investments for savings banks in the State of Connecticut including deposits which are insured by the FDIC; deposits with federal chartered savings and loan association which are insured by the Federal Savings and Loan Insurance Corporation; investment agreements with financial institutions whose long-term obligations are rated within the top two rating categories of any nationally recognized rating service or of any rating service recognized by the Banking Commissioner or whose short-term obligations are rated within the top two rating categories of any nationally recognized rating service or of any rating service recognized by the Banking Commissioner; investment agreements fully secured by obligations of, or guaranteed by, the United States or agencies or instrumentalities of the United States; and securities or obligations which are legal investments for savings banks in Connecticut, subject to repurchase agreements in the manner in which such agreements are negotiated in sales of securities in the market place, provided the Authority shall not enter into any such agreement with any securities dealer or bank acting as a securities dealer unless such dealer or bank is included in the list of primary dealers, as prepared by the Federal Reserve Bank of New York, effective at the time of the agreement.



**Connecticut Health and Educational Facilities Authority  
(A Component Unit of the State of Connecticut)**

**Notes to Financial Statements  
June 30, 2020  
(In Thousands)**

**II. Detailed notes**

**A. Cash and investments**

CHEFA's investments subject to credit risk had average ratings by Standard & Poor's as follows:

Average Rating	Pooled Fixed Income	Corporate Bonds	Government Agency Mutual Funds	Money Market Mutual Funds
AAA	\$ 9,556	\$ -	\$ 282,192	\$ 4,306
A	-	1,006	-	-
BBB	-	7,345	-	-
Total	<u>\$ 9,556</u>	<u>\$ 8,351</u>	<u>\$ 282,192</u>	<u>\$ 4,306</u>

CHESLA's investments subject to credit risk had average ratings by Standard & Poor's as follows:

Average Rating	Pooled Fixed Income	Guaranteed Investment Contracts	Bond Mutual Funds
AAA	<u>\$ 71,161</u>	<u>\$ 3,971</u>	<u>\$ 2</u>

CSLF's investments subject to credit risk had average ratings by Standard & Poor's as follows:

Average Rating	Pooled Fixed Income	Government Agency Mutual Funds
AAA	<u>\$ 1,094</u>	<u>\$ 5,380</u>

Custodial credit risk - custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

Certain investments are covered by the Securities Investor Protection Corporation ("SIPC") up to \$500,000, including \$250,000 of cash from sale or for purchase of investments, but not cash held solely for the purpose of earning interest. SIPC protects securities such as notes, stocks, bonds, debentures, certificates of deposit and money funds.

**Connecticut Health and Educational Facilities Authority  
(A Component Unit of the State of Connecticut)**

**Notes to Financial Statements  
June 30, 2020  
(In Thousands)**

**II. Detailed notes**

**A. Cash and investments**

The following investments are held by the counterparty's trust department or agent but not in the entity's name and, therefore, are subject to custodial credit risk as follows:

CHEFA

	<u>Total</u>	<u>Less Insured Amounts</u>	<u>Amount Subject To Custodial Credit Risk</u>
Corporate Bonds	\$ 8,351	\$ 500	\$ 7,851

CHESLA

	<u>Total</u>	<u>Less Insured Amounts</u>	<u>Amount Subject To Custodial Credit Risk</u>
U.S. Government Securities	\$ 7,315	\$ 500	\$ 6,815

CSLF

	<u>Total</u>	<u>Less Insured Amounts</u>	<u>Amount Subject To Custodial Credit Risk</u>
U.S. Government Agency Securities	\$ -	\$ -	\$ -

Concentrations of credit risk - For unrestricted investments, CHEFA places limits on the amount of investment in any one issuer. No issuer other than the United States Treasury or the Connecticut Short-Term Investment Fund shall constitute greater than 15% of unrestricted investments, except for qualified money market or bond mutual funds, none of which shall constitute greater than 50% of unrestricted investments. CHEFA places no limit on the amount of investment in any one issuer for restricted investments.

**Connecticut Health and Educational Facilities Authority**  
**(A Component Unit of the State of Connecticut)**

**Notes to Financial Statements**  
**June 30, 2020**  
**(In Thousands)**

**II. Detailed notes**  
**B. Receivables**

Receivables as of June 30, 2020 for the Authority's financial statements by type are as follows:

CHESLA makes loans to students from the proceeds of bonds issued by CHESLA. CHESLA also refinances CHESLA and other lenders' student loans. Loans receivable as of June 30, 2020 are as follows:

	Active Loans	Loans in Collection	Total
Current portion	\$ 21,831	\$ -	\$ 21,831
Long-term portion	115,611	2,261	117,872
Less allowance	(3,054)	(466)	(3,520)
Net long-term portion	112,557	1,795	114,352
Total net receivables	\$ 134,388	\$ 1,795	\$ 136,183

Student loans are repaid by borrowers on a monthly basis on a 0- to 140-month repayment term after the in-school and 6-month grace period ends. The interest rate on these loans ranges from approximately 4.85% to 6.99%.

Refi CT, CHESLA's loan refinance product, loans are repaid by borrowers on a monthly basis for a term of 5, 10 or 15 years. The interest rate on these loans ranges from approximately 4.5% to 7.0% depending on the term of the loan and the Fair Isaac Corporation ("FICO") score. A .25% rate reduction is applied for those who enroll in auto-payment. The interest rate on new loans ranges from 4.75% - 6.9%.

During the fiscal year, CHESLA wrote off loans receivable of \$544, which had previously been provided for through the allowance for loan losses.

During the fiscal year, CHESLA recovered \$63 in loans receivable and other credits that were written off in previous years.

**Connecticut Health and Educational Facilities Authority**  
**(A Component Unit of the State of Connecticut)**

**Notes to Financial Statements**  
**June 30, 2020**  
**(In Thousands)**

**II. Detailed notes**  
**B. Receivables**

CSLF, up until 2010, made or acquired loans to students from the proceeds of bond issues.

	<u>FFELP</u>	<u>Alternative</u>	<u>Total</u>
Current portion	\$ 7,704	\$ 241	\$ 7,945
Long-term portion	144,230	2,774	147,004
Less allowance	<u>(642)</u>	<u>(359)</u>	<u>(1,001)</u>
Net long-term portion	<u>143,588</u>	<u>2,415</u>	<u>146,003</u>
Total net receivables	<u>\$ 151,292</u>	<u>\$ 2,656</u>	<u>\$ 153,948</u>

During the fiscal year, CSLF wrote off federal loans receivable of \$159 (CSLF risk share only), and \$37 of private loans, which is net of \$55 in recoveries, which had previously been provided for through the allowance for loan losses.

Federal Family Education Loan Program ("FFELP") loans are student loans insured by the U.S. Department of Education. FFELP loans are repaid by borrowers on a monthly basis for a term of up to 30 years. The interest rate on these loans varies and ranges from approximately 2.875% to 12%.

Alternative loans are student loans that are not insured by the U.S. Department of Education. Alternative loans are repaid monthly over a period of years ranging from 10 to 30 years. For loan applications received prior to April 1, 2008, the interest rate is variable, calculated to equal prime plus 2% with a 10% cap. Borrowers were charged a fixed non-refundable origination fee of \$150 and a 2% reserve fee. For loan applications received on or after April 1, 2008, the interest rate and reserve fee varied depending on the borrower's credit score. Interest rates range between prime and prime plus 4% with no cap and the reserve fee ranged from 2% to 6%. Interest rates on all Alternative loans are reset quarterly and origination fees, where applicable, were withheld from loan proceeds.

Student loans are classified as being "In-school" status during the period from the date the loan is made until a student graduates or leaves school. Loans are classified as being "In-grace" status from the time the student leaves school until repayment begins six months later. Subsequent to this period, student loans are classified as being in "repayment" status. "Deferral" and "forbearance" status are periods during the life of the loan where repayment is suspended for authorized purposes.

**Connecticut Health and Educational Facilities Authority**  
**(A Component Unit of the State of Connecticut)**

**Notes to Financial Statements**  
**June 30, 2020**  
**(In Thousands)**

**II. Detailed notes**  
**B. Receivables**

CSLF Loan portfolio assets' scheduled maturities are summarized as follows:

June 30, 2021	\$	7,945
2022		8,466
2023		9,022
2024		9,613
2025		10,244
2026-2030		62,237
2031-2035		47,422
		<hr/>
Total	\$	<u>154,949</u>

**C. Capital assets**

CHEFA capital asset activity for the year ended June 30, 2020 was as follows:

	<b>Balance</b>				<b>Balance</b>
	<b>July, 1 2019</b>	<b>Increases</b>	<b>Decreases</b>		<b>June 30, 2020</b>
Capital assets being depreciated:					
Leasehold improvements	\$ 157	\$ -	\$ -		\$ 157
Computer equipment	261	82	-		343
Furniture and fixtures	256	-	-		256
Office equipment	613	4	-		617
					<hr/>
Total capital assets being depreciated	1,287	86	-		1,373
Less accumulated depreciation for:					
Leasehold improvements	157	-	-		157
Computer equipment	257	8	-		265
Furniture and fixtures	248	2	-		250
Office equipment	402	54	-		456
					<hr/>
Total accumulated depreciation	1,064	64	-		1,128
					<hr/>
Total capital assets being depreciated, net	\$ 223	\$ 22	\$ -		<u>\$ 245</u>

**Connecticut Health and Educational Facilities Authority**  
**(A Component Unit of the State of Connecticut)**

**Notes to Financial Statements**  
**June 30, 2020**  
**(In Thousands)**

**II. Detailed notes**  
**C. Capital assets**

CHESLA capital asset activity for the year ended June 30, 2020 was as follows:

<b>CHESLA</b>	<b>Balance July, 1 2019</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2020</b>
Capital asset being depreciated:				
Domain name	\$ 3	\$ -	\$ -	\$ 3
Less accumulated depreciation for:				
Domain name	\$ -	\$ -	\$ -	\$ -
Total capital asset being depreciated, net	<u>\$ 3</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3</u>

**D. Changes in long-term obligations**

**1. Summary of changes**

The following is a summary of changes in long-term obligations for the year ended June 30, 2020:

CHEFA

<u>Description</u>	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2020</u>	<u>Current Portion</u>
Other liability					
Amount held for the State of Connecticut	\$ 2,165	\$ 33	\$ 35	\$ 2,163	\$ -

**Connecticut Health and Educational Facilities Authority**  
**(A Component Unit of the State of Connecticut)**

**Notes to Financial Statements**  
**June 30, 2020**  
**(In Thousands)**

**II. Detailed notes**  
**D. Changes in long-term obligations**

CHESLA

Description	Original Amount	Date of Issue	Final Date of Maturity	Interest Rate	Balance 7/1/2019	Additions	Deductions	Balance 6/30/2020	Current Portion
Bond 2009 A	\$ 30,000	8/6/2009	11/15/2027	1.9 - 5.05%	\$ 9,685	\$ -	\$ 995	\$ 8,690	\$ 1,050
Bond 2010 A	45,000	10/19/2010	11/15/2035	2.0 - 5.25%	22,335	-	2,425	19,910	2,500
Bond 2013 A	25,000	4/2/2013	11/15/2029	2.0 - 4.0%	14,150	-	1,800	12,350	1,260
Bond 2014 A	23,000	6/18/2014	11/15/2030	3.0 - 5.0%	17,000	-	1,500	15,500	1,500
Bond 2015 A	21,465	7/2/2015	11/15/2031	1.65 - 4.375%	10,070	-	1,900	8,170	1,900
Bond 2016 A	15,000	6/30/2016	11/15/2033	3.0 - 5.0%	13,885	-	800	13,085	900
Bond 2017 A	27,880	5/16/2017	11/15/2033	3.25 - 5.0%	24,640	-	1,000	23,640	1,850
Bond 2017 B	9,155	8/17/2017	11/15/2025	4.0 - 5.0%	7,955	-	1,200	6,755	1,250
Bond 2017 C	11,300	12/21/2017	11/15/2034	3.5 - 5.0%	11,300	-	380	10,920	520
Bond 2018	10,000	9/17/2018	11/15/2034	3.5 - 5.0%	10,000	-	180	9,820	360
Bond 2019 A	5,000	5/22/2019	11/15/2035	3.95%	5,000	-	-	5,000	-
Bond 2019 B	25,550	5/22/2019	11/15/2035	3.25 - 5.0%	25,550	-	-	25,550	-
Bond 2020 B	19,000	6/11/2020	11/15/2036	3.25 - 5.0%	-	19,000	-	19,000	-
Bond 2020 C	7,955	6/11/2020	11/15/2027	5.00%	-	7,955	-	7,955	1,015
Total CHESLA					171,570	26,955	12,180	186,345	14,105
Premiums					4,994	2,129	401	6,722	
Discounts					(21)	-	(2)	(19)	-
Total Bonds and related liabilities					\$ 176,543	\$ 29,084	\$ 12,579	\$ 193,048	\$ 14,105

CSLF

Description	Original Amount	Date of Issue	Date of Final Maturity	Variable Interest Rate	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020	Current Portion
Bond 06 A-1	80,000	7/27/2006	6/1/2046	1.072 - 3.253%	\$ 72,925	\$ -	\$ 15,550	\$ 57,375	\$ -
Bond 06 A-2	100,000	12/14/2006	6/1/2046	1.031 - 3.255%	78,725	-	12,250	66,475	-
Bond 06 B	20,000	7/27/2006	6/1/2046	0.274 - 3.548%	19,975	-	-	19,975	-
Total Bonds					171,625	-	27,800	143,825	-
Discounts					(323)	-	(68)	(254)	-
Total bonds and related amounts					\$ 171,302	\$ -	\$ 27,732	\$ 143,571	\$ -

**Connecticut Health and Educational Facilities Authority  
(A Component Unit of the State of Connecticut)**

**Notes to Financial Statements  
June 30, 2020  
(In Thousands)**

**II. Detailed notes**

**D. Changes in long-term obligations**

The annual requirements to amortize bonds payable at June 30, 2020, are as follows:

CHESLA

<u>Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 14,105	\$ 7,307
2022	15,505	6,763
2023	16,695	6,047
2024	17,260	5,260
2025	15,105	4,507
2026-2030	63,440	13,741
2031-2035	38,495	4,032
2036-2037	5,740	149
Total	<u>\$ 186,345</u>	<u>\$ 47,806</u>

The 1990 Resolution bonds are secured by all revenues, education loans, proceeds of the bonds and amounts deposited in the funds and accounts other than the rebate fund. The 2019 Resolution bonds are secured by all revenues, loans, proceeds of the bonds and amounts deposited in the funds and accounts other than the rebate fund and the purchase fund, and any and all other property.

CHESLA's debt is secured by a State of Connecticut supported Special Capital Reserve Fund ("SCRF").



**Connecticut Health and Educational Facilities Authority**  
**(A Component Unit of the State of Connecticut)**

**Notes to Financial Statements**  
**June 30, 2020**  
**(In Thousands)**

**II. Detailed notes**

**D. Changes in long-term obligations**

CSLF

The approximate future annual principal and interest payments are due as follows:

<u>Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ -	\$ 3,604
2022	-	3,604
2023	-	3,604
2024	-	3,604
2025	-	3,604
2026-2030	-	18,022
2031-2035	-	18,022
2036-2040	-	18,022
2041-2045	-	18,022
2046	<u>143,825</u>	<u>10,813</u>
	<u>\$ 143,825</u>	<u>\$ 100,923</u>

The interest rate payable to the bondholders for these issues are variable auction rate certificates ("ARCs"), which generally have interest rate reset periods of 28 days. The interest rates associated with the various bond issues at the last reset period prior to the June 30, 2020 year-end ranged from 0.274% to 3.548%.

The maximum rate on the ARCs is defined in each bond prospectus and is based on one of the following:

- The average of the 91-day United States Treasury Bill rate plus 1.2% or 1.5% or the LIBOR rate plus 1.5% depending on the bond's rating. It may not exceed 17.0%. The capital markets for student loans have experienced a significant disruption resulting in decreased marketability of student loans and related ARCs. The bonds are not callable if the auction period expires, as the bonds revert back to the existing bondholders prior to the auction.

Approximate future interest payments were estimated based on an average of the interest rates applicable during the most recent fiscal year.

The bonds are secured by proceeds of the bonds and amounts deposited in the funds and accounts other than the rebate fund, all loans and institution loans, all guarantee or insurance payments with respect to the loans, all other revenues, all rights under swap agreements and any assets or revenues as may be assigned and pledged by a supplemental indenture.

**Connecticut Health and Educational Facilities Authority  
(A Component Unit of the State of Connecticut)**

**Notes to Financial Statements  
June 30, 2020  
(In Thousands)**

**II. Detailed notes**

**D. Changes in long-term obligations**

All outstanding notes contain an event of default that changes the timing of repayment of outstanding amounts to become immediately due if CSLF is unable to make payment.

**2. Conduit debt**

As of June 30, 2020, CHEFA had total outstanding principal balances of special obligation bonds of \$8,136,047. The bonds are issued on behalf of institutions to finance the construction of various health and educational facilities. These bonds are conduit debt obligations of CHEFA and do not constitute obligations of CHEFA and, therefore, not reported within the statement of net position. The significant loan programs that comprise the total outstanding bonds are as follows:

Bonds Outstanding by Sector

Childcare	\$ 45,955
Connecticut State University System – Special Capital Reserve Fund	332,170
Higher Education	4,368,283
Hospitals	2,282,021
Social and other	80,914
Independent Schools	688,871
Senior Living	<u>337,833</u>
Total	<u>\$ 8,136,047</u>

Under terms of the agreement between the Authority and its borrowers, any costs associated with litigation related to bond issuance are the obligations of the borrowers. CHEFA is indemnified under the terms of the bond agreements.

CHEFA had a total of \$8,519 of principal balances outstanding in relation to the EZ Loan program. The loans are issued on behalf of not for profits to finance equipment. These loans are conduit debt obligations of CHEFA and do not constitute obligations of CHEFA and, therefore, are not reported within the statement of net position.

Loans Outstanding by Sector

Higher Education	\$ 3,485
Hospitals	3,798
Social and other	<u>1,236</u>
Total	<u>\$ 8,519</u>

**3. Authorized/unissued debt**

At June 30, 2020, there was \$18,000 authorized unissued debt for CHESLA.

**Connecticut Health and Educational Facilities Authority**  
**(A Component Unit of the State of Connecticut)**

**Notes to Financial Statements**  
**June 30, 2020**  
**(In Thousands)**

**II. Detailed notes****D. Changes in long-term obligations****4. Advanced refunding**

In June 2020, CHESLA issued \$7,955 of 2020 Series C revenue bonds with an interest rate of 5%. These bonds were issued to defease bonds issued in August 2009. The balance of the bonds to be defeased was \$8,690 at June 30, 2020. There is \$8,758 reported as restricted cash in the statement of net position to refund the August 2009 bonds in fiscal year 2020. The refunding of these bonds occurred in July 2020 and resulted in an economic gain of \$804. The combined cost savings resulting from the issuance of the Series C and Series D bonds will be \$2,106.

**5. Subsequent events**

On August 18, 2020 CHESLA issued \$16,740 of 2020 Series D revenue bonds with an interest rate of 3% to 5%. The bond will mature in 2035. This bond will be used to refund the 2010 Series A bond issued in October 2010. The economic gain will be \$1,010.

**E. Restricted net position**

The amount of restricted net position, which was restricted by enabling legislation, totaled \$4,448 for CHEFA.

**F. Net position classification**

A summary of the components of net position is as follows:

	<u>CHEFA</u>	<u>CHESLA</u>	<u>CSLF</u>
Net investment in capital assets	\$ 245	\$ 3	\$ -
Restricted:			
Child care facilities loan program	4,320	-	-
Student loan guarantee program	128	-	-
Bond funds	-	26,553	-
Trust Estate	-	-	4,024
Total restricted	<u>4,448</u>	<u>26,553</u>	<u>4,024</u>
Unrestricted	<u>8,848</u>	<u>6,783</u>	<u>19,053</u>
Total net position	<u>\$ 13,541</u>	<u>\$ 33,339</u>	<u>\$ 23,077</u>

**Child Care Facilities Loan Program** - CHEFA's net position is restricted to be used for loan guarantees under this program, if borrowers default on their loans. As of June 30, 2020, outstanding loan balances totaled \$4,281.

CHEFA is under no obligation to provide additional funds for loan guarantees.

**Connecticut Health and Educational Facilities Authority**  
**(A Component Unit of the State of Connecticut)**

**Notes to Financial Statements**  
**June 30, 2020**  
**(In Thousands)**

**II. Detailed notes**

**F. Net position classification**

**Student Loan Programs** - Pursuant to Public Act 09-110, which established the Connecticut Credit Union Student Loan Program, CHEFA was required to fund a first loss loan guarantee of 20% on the outstanding balance on each loan. The current amount of the guarantee is \$128.

**Trust Estate** - For CSLF, the Bond Indenture requires that CSLF maintain a parity of 102.5% (Trust Estate asset to Trust Estate liability ratio), which represents its restricted net position. If parity exceeds 102.5%, CSLF is able, but not required, to transfer funds above the parity ratio to operations. At June 30, 2020, the ratio was 115.28%. During the year ended June 30, 2020, the Board authorized a transfer of \$500 to CHESLA for the scholarship program. At June 30, 2020, the Board has not authorized any additional funds to be transferred to operations; however, the amount available to transfer is \$16,323.

Both CHEFA and CHESLA Board of Director's have designated internal amounts for operations and the remainder for programs that are part of each entity's mission and purpose, as well as for contingencies.

**G. Condensed component unit information**

Condensed component unit information for CCDC, the Authority's blended component unit, for the year ended June 30, 2020, is as follows:

Condensed Statement of Net Position

Liability	
Accounts payable	<u>\$ 244</u>
Net position	<u>\$ (244)</u>

Condensed Statement of Revenues, Expenses, and Changes in Net Position

Operating expenses	<u>\$ 137</u>
Change in net position	(137)
Net position, July 1, 2019	<u>(107)</u>
Net position, July 1, 2020	<u>\$ (244)</u>

**Connecticut Health and Educational Facilities Authority**  
**(A Component Unit of the State of Connecticut)**

**Notes to Financial Statements**  
**June 30, 2020**  
**(In Thousands)**

**III. Other information**

**A. Risk management**

The Authority is exposed to various risks of loss including torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; natural disaster; and officer and director liability. The Authority generally obtains commercial insurance for these risks. The Authority has not had any claims against their commercial insurance in any of the past three years. There were no significant reductions in insurance coverage from coverage in the prior year.

In early 2020, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. As a result, events have occurred including mandates from federal, state and local authorities leading to an overall decline in economic activity. In May 2020, CHEFA voluntarily deferred billings for \$1,855 in fees earned during the fiscal year to the following fiscal year. In addition, CHEFA voluntarily waived fees totaling \$1,844. Additionally, CHESLA suspended the referral of borrowers to collections and has instructed its collection company to suspend affirmative collection efforts until September 30, 2020. The private loans held by CHESLA and federal and private loans held by CSLF are not eligible for deferral by the Coronavirus Aid, Relief, and Economic Security (CARES) Act, however, participants can request deferral or forbearance in accordance with the loan policies. The Authority is not able to reliably estimate the length or severity of this outbreak. The extent to which COVID-19 impacts CHESLA and CSLF will depend on the rate with which their borrowers avail themselves of current relief programs as well as future developments, which are uncertain and cannot be predicted with confidence. The Authority is not able to reliably estimate the length or severity of this outbreak. If the length of the outbreak and related effects on the Authority's operations continues for an extended period of time, there could be additional loss of revenue and other material adverse effects to the Authority's financial position, results of operations, and cash flows.

**B. Related party transactions**

During the fiscal year, CHEFA charged CHESLA an annual fee of \$126 for providing management, accounting, legal and other services, sharing of rental space, and office equipment. CHEFA charged CSLF an annual fee of \$20 for providing management, accounting, legal and other services. In addition, CHESLA and CSLF reimbursed CHEFA directly for specific general and administrative expenses incurred. The amount due from CHESLA and CSLF at year-end was \$57 and \$13, respectively. The \$500 contribution for the scholarship program was not spent and is recorded as a deferred inflow.

**C. Operating leases**

CHEFA leases office space and other office equipment for use in operations. Lease expense was \$247. As of June 30, 2020, minimum future rental commitments of the leases are as follows:

2021	261
2022	267
2023	272
2024	137

**Connecticut Health and Educational Facilities Authority  
(A Component Unit of the State of Connecticut)**

**Notes to Financial Statements  
June 30, 2020  
(In Thousands)**

**III. Other information**  
**D. Pension plan**

The Authority administers a single employer defined contribution plan, which covers certain employees of the Authority. The Board of Director's approved and adopted this plan on January 1, 1971, and they have the authority to make any subsequent amendments.

CHEFA maintains a defined contribution money purchase plan, the State of Connecticut Health & Educational Facilities Authority Money Purchase Pension Plan (the "Plan"), covering all employees with three months of continuous service and 1,000 anticipated hours of service annually. The Plan is administered by CHEFA and can be amended by designated authorized officers. CHEFA and CHESLA contribute annually to the Plan an amount equal to 10% of each qualified employee's annual salary. Forfeitures may be used to pay plan expenses. Any forfeitures left after paying plan expenses are used to offset future contributions. For the year ended June 30, 2020, there were no forfeitures and retirement plan expense was \$237.

There were 21 employees covered under the Plan. All employees can participate in the Plan after three months of service. A participant's employer contribution account fully vests after four years of service. At age 65, participants are entitled to begin receiving benefits based upon the option selected.

CHEFA also maintains a deferred compensation plan, which was established in 1991 in accordance with the Internal Revenue Code Section 457 and is available to CHEFA employees. Employees are permitted to defer a portion of their salaries, subject to certain limitations. CHEFA and CHESLA match up to \$1.50 of employee contributions. For the year ended June 30, 2020, there were no forfeitures and the plan expense was \$26.

---

## **Supplemental Schedules**

---

**Connecticut Health and Educational Facilities Authority**  
**(A Component Unit of the State of Connecticut)**

**Combining Schedule of Net Position - Connecticut Health and Educational Facilities Authority**  
**June 30, 2020**  
**(In Thousands)**

	<u>CHEFA</u>	<u>CCDC</u>	<u>Eliminations</u>	<u>Total</u>
<u>Assets</u>				
Current assets				
Unrestricted assets				
Cash	\$ 304	\$ -	\$ -	\$ 304
Investments	6,874	-	-	6,874
Receivables				
Accounts (net of allowance for uncollectibles of \$190)	1,744	-	-	1,744
Related parties	313	-	(244)	69
Prepaid expenses and other assets	108	-	-	108
Total unrestricted assets	<u>9,343</u>	<u>-</u>	<u>(244)</u>	<u>9,099</u>
Restricted assets				
Investments				
Institutions	304,608	-	-	304,608
Total current assets	<u>313,951</u>	<u>-</u>	<u>(244)</u>	<u>313,707</u>
Noncurrent assets				
Unrestricted assets				
Capital assets (net of accumulated depreciation)	245	-	-	245
Restricted assets				
Investments	6,689	-	-	6,689
Total noncurrent assets	<u>6,934</u>	<u>-</u>	<u>-</u>	<u>6,934</u>
Total assets	<u>\$ 320,885</u>	<u>\$ -</u>	<u>\$ (244)</u>	<u>\$ 320,641</u>
<u>Liabilities</u>				
Current liabilities				
Accounts payable	\$ 35	\$ 244	\$ (244)	\$ 35
Accrued expenses	294	-	-	294
Amounts held for institutions	304,608	-	-	304,608
Total current liabilities	<u>304,937</u>	<u>244</u>	<u>(244)</u>	<u>304,937</u>
Noncurrent liabilities				
Amount held for the State of Connecticut	2,163	-	-	2,163
Total liabilities	<u>307,100</u>	<u>244</u>	<u>(244)</u>	<u>307,100</u>
<u>Net Position</u>				
Net investment in capital assets				
Restricted	4,448	-	-	4,448
Unrestricted	9,092	(244)	-	8,848
Total net position	<u>13,785</u>	<u>(244)</u>	<u>-</u>	<u>13,541</u>
Total liabilities and net position	<u>\$ 320,885</u>	<u>\$ -</u>	<u>\$ (244)</u>	<u>\$ 320,641</u>



**Connecticut Health and Educational Facilities Authority**  
**(A Component Unit of the State of Connecticut)**

**Combining Schedule of Revenues, Expenses and Changes in Net Position - Connecticut**  
**Health and Educational Facilities Authority**  
**For the Year Ended June 30, 2020**  
**(In Thousands)**

	<u>CHEFA</u>	<u>CCDC</u>	<u>Eliminations</u>	<u>Total</u>
Operating revenues				
Administrative fees	\$ 5,605	\$ -	\$ -	\$ 5,605
Supporting services fees	192	-	(46)	146
Bond issuance fees	65	-	-	65
	<u>5,862</u>	<u>-</u>	<u>(46)</u>	<u>5,816</u>
Total operating revenues				
Operating expenses				
Salaries and related expenses	3,018	-	-	3,018
General and administrative	533	2	-	535
Contracted services	233	135	(46)	322
	<u>3,784</u>	<u>137</u>	<u>(46)</u>	<u>3,875</u>
Total operating expenses				
Operating income (loss)	<u>2,078</u>	<u>(137)</u>	<u>-</u>	<u>1,941</u>
Nonoperating income (expenses)				
Investment income	195	-	-	195
Grants and child care subsidy expense	(3,058)	-	-	(3,058)
	<u>(2,863)</u>	<u>-</u>	<u>-</u>	<u>(2,863)</u>
Total nonoperating expenses				
Change in net position	(785)	(137)	-	(922)
Net position, July 1, 2019	<u>14,570</u>	<u>(107)</u>	<u>-</u>	<u>14,463</u>
Net position, June 30, 2020	<u>\$ 13,785</u>	<u>\$ (244)</u>	<u>\$ -</u>	<u>\$ 13,541</u>

**Connecticut Health and Educational Facilities Authority**  
**(A Component Unit of the State of Connecticut)**

**Combining Schedule of Net Position - Connecticut Higher Education Supplemental Loan Authority**  
**June 30, 2020**  
**(In Thousands)**

	Agency operating fund	Other program funds	Bond funds		Total CHESLA
			1990 resolution	2019 resolution	
<u>Assets</u>					
Current assets					
Unrestricted assets					
Cash	\$ 18	\$ -	\$ -	\$ -	\$ 18
Investments	3,856	2,802	13	-	6,671
Current portion of loans receivable	-	42	-	-	42
Interest receivable on investments	-	2	-	-	2
Loan interest receivable	-	2	-	-	2
Prepaid expenses and other assets	26	-	-	-	26
Total unrestricted assets	3,900	2,848	13	-	6,761
Restricted assets					
Cash	-	-	8,777	-	8,777
Investments	-	-	24,255	25,540	49,795
Bond indenture trusts	-	-	17,659	4,130	21,789
Current portion of loans receivable	-	-	82	3	85
Interest receivable on investments	-	-	361	100	461
Loan interest receivable	-	-	-	-	-
Total restricted assets	-	-	51,134	29,773	80,907
Total current assets	3,900	2,848	51,147	29,773	87,668
Noncurrent assets					
Unrestricted assets					
Capital assets	3	-	-	-	3
Loans receivable, net of current portion and allowance	-	611	-	-	611
Restricted assets					
Investments	-	-	21,261	4,850	26,111
Loans receivable, net of current portion and allowance	-	-	90,326	23,415	113,741
Total noncurrent assets	3	611	111,587	28,265	140,466
Total assets	\$ 3,903	\$ 3,459	\$ 162,734	\$ 58,038	\$ 228,134
<u>Liabilities</u>					
Current liabilities					
Accounts payable	\$ 52	\$ -	\$ 123	\$ 149	\$ 324
Accrued expenses	17	-	-	-	17
Accrued interest payable	-	-	706	193	899
Current portion of bonds payable	-	-	13,090	1,015	14,105
Total current liabilities	69	-	13,919	1,357	15,345
Noncurrent liabilities					
Bonds payable, net of current portion	-	-	128,306	50,637	178,943
Total liabilities	69	-	142,225	51,994	194,288
<u>Deferred Inflows of Resources</u>					
Unearned revenue	-	507	-	-	507
<u>Net Position</u>					
Net investment in capital assets	3	-	-	-	3
Restricted	-	-	20,509	6,044	26,553
Unrestricted	3,831	2,952	-	-	6,783
Total net position	3,834	2,952	20,509	6,044	33,339
Total liabilities, deferred inflows of resources and net position	\$ 3,903	\$ 3,459	\$ 162,734	\$ 58,038	\$ 228,134

**Connecticut Health and Educational Facilities Authority  
(A Component Unit of the State of Connecticut)**

**Combining Schedule of Revenues, Expenses and Changes in Net Position - Connecticut  
Higher Education Supplemental Loan Authority  
For the Year Ended June 30, 2020  
(In Thousands)**

	Agency operating fund	Other program funds	Bond funds		Eliminations	Total CHESLA
			1990 resolution	2019 resolution		
Operating revenues						
Interest income on loans receivable	\$ -	\$ 45	\$ 6,141	\$ 1,006	\$ -	\$ 7,192
Administrative fees	960	-	74	636	(960)	710
Contributions from CSLF	-	1,500	-	-	-	1,500
<b>Total operating revenues</b>	<b>960</b>	<b>1,545</b>	<b>6,215</b>	<b>1,642</b>	<b>(960)</b>	<b>9,402</b>
Operating expenses						
Interest expense	-	-	5,202	1,157	-	6,359
Salaries and related expenses	258	-	-	-	-	258
General and administrative	363	8	912	200	(960)	523
Refinance program	35	-	-	-	-	35
Scholarships	-	1,500	-	-	-	1,500
Loan service fees	-	1	607	421	-	1,029
Contracted services	75	-	-	-	-	75
Bond issuance costs	-	-	102	327	-	429
Provision for loan losses (net of recoveries)	-	(13)	37	574	-	598
<b>Total operating expenses</b>	<b>731</b>	<b>1,496</b>	<b>6,860</b>	<b>2,679</b>	<b>(960)</b>	<b>10,806</b>
<b>Operating income (loss)</b>	<b>229</b>	<b>49</b>	<b>(645)</b>	<b>(1,037)</b>	<b>-</b>	<b>(1,404)</b>
Nonoperating income						
Investment income	54	45	1,428	328	-	1,855
<b>Total nonoperating income</b>	<b>54</b>	<b>45</b>	<b>1,428</b>	<b>328</b>		<b>1,855</b>
Change in net position	283	94	783	(709)	-	451
Transfers	(17)	9	23	(15)	-	-
Net position, July 1, 2019	3,568	2,849	19,703	6,768	-	32,888
Net position, June 30, 2020	\$ 3,834	\$ 2,952	\$ 20,509	\$ 6,044	\$ -	\$ 33,339

**Connecticut Health and Educational Facilities Authority  
(A Component Unit of the State of Connecticut)**

**Combining Schedule of Net Position - Connecticut Student Loan Foundation  
June 30, 2020  
(In Thousands)**

	Trust Estate	Operating	Eliminations	Total
<u>Assets</u>				
Current assets				
Unrestricted assets				
Cash	\$ -	\$ 687	\$ -	\$ 687
Prepaid expenses and other assets	-	2	-	2
Total unrestricted assets	-	689	-	689
Restricted assets				
Investments				
Bond indenture trusts	6,474	-	-	6,474
Current portion of loans receivable	7,945	-	-	7,945
Loan interest receivable	6,493	-	-	6,493
Total restricted assets	20,912	-	-	20,912
Total current assets	20,912	689	-	21,601
Noncurrent assets				
Restricted assets				
Loans receivable (net of allowance for uncollectibles)	146,003	-	-	146,003
Total assets	\$ 166,915	\$ 689	\$ -	\$ 167,604
<u>Liabilities</u>				
Current liabilities				
Accounts payable	\$ -	\$ 63	\$ -	\$ 63
Accrued expenses	-	65	-	65
U.S. Department of Education payable	666	-	-	666
Trust Estate payable	162	-	-	162
Total current liabilities	828	128	-	956
Noncurrent liabilities				
Bonds payable and related liabilities	143,571	-	-	143,571
Total liabilities	144,399	128	-	144,527
<u>Net Position</u>				
Restricted	4,024	-	-	4,024
Unrestricted	18,492	561	-	19,053
Total net position	22,516	561	-	23,077
Total liabilities and net position	\$ 166,915	\$ 689	\$ -	\$ 167,604

**Connecticut Health and Educational Facilities Authority**  
**(A Component Unit of the State of Connecticut)**

**Combining Schedule of Revenues, Expenses and Changes in Net Position - Connecticut**  
**Student Loan Foundation**  
**For the Year Ended June 30, 2020**  
**(In Thousands)**

	Trust Estate	Operating	Eliminations	Total
Operating revenues				
Interest income on loans receivable	\$ 8,022	\$ -	\$ -	\$ 8,022
Not-for-profit servicing income	-	53	-	53
Administration fee	-	426	(426)	-
<b>Total operating revenues</b>	<b>8,022</b>	<b>479</b>	<b>(426)</b>	<b>8,075</b>
Operating expenses				
Interest expense	4,125	-	-	4,125
General and administrative	109	59	-	168
Loan service fees	649	-	-	649
Administration fee	426	-	(426)	-
Consolidation rebate fees	1,129	-	-	1,129
Contracted services	-	193	-	193
Provision for loan losses	79	-	-	79
<b>Total operating expenses</b>	<b>6,517</b>	<b>252</b>	<b>(426)</b>	<b>6,343</b>
<b>Operating income</b>	<b>1,505</b>	<b>227</b>	<b>-</b>	<b>1,732</b>
Nonoperating income (expenses)				
Investment income	89	-	-	89
Contributions to CHESLA	(500)	-	-	(500)
<b>Total nonoperating expenses</b>	<b>(411)</b>	<b>-</b>	<b>-</b>	<b>(411)</b>
<b>Change in net position</b>	<b>1,094</b>	<b>227</b>	<b>-</b>	<b>1,321</b>
<b>Net position, July 1, 2019</b>	<b>21,422</b>	<b>334</b>	<b>-</b>	<b>21,756</b>
<b>Net position, June 30, 2020</b>	<b>\$ 22,516</b>	<b>\$ 561</b>	<b>\$ -</b>	<b>\$ 23,077</b>

---

## **Compliance**

---

Independent Auditor's Report on Internal Control over Financial  
Reporting and on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in Accordance  
with *Government Auditing Standards*

To the Board of Directors  
Connecticut Health and Educational Facilities Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component units of the Connecticut Health and Educational Facilities Authority ("Authority") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Connecticut Health and Educational Facilities Authority's basic financial statements, and have issued our report thereon dated September 24, 2020.

#### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*CohnReznick LLP*

Hartford, Connecticut  
September 24, 2020





**Independent Member of Nexia International**

**[cohnreznick.com](http://cohnreznick.com)**



## **Exhibit B – In-School Loans Disbursed by Bond Series**

CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY - GROSS HISTORICAL LENDING (06/2020)

Institution	[1990 Resolution] Pre-2003 Series AB		[2003 Resolution] 2003 Series A/B		[2003 Resolution] 2005 Series A		[2003 Resolution] 2006 Series A		[2003 Resolution] 2007 Series A	
	Number of Loans Disb.	Amount of Loans Disb.	Number of 4.99% Loans Disb.	Amount of 4.99% Loans Disb.	Number of 5.50% Loans Disb.	Amount of 5.50% Loans Disb.	Number of 6.15% Loans Disb.	Amount of 6.15% Loans Disb.	Number of 6.99% Loans Disb.	Amount of 6.99% Loans Disb.
<b>Total Disbursed to Students-Attending Connecticut Institutions</b>	15,219	\$140,759,469	1,558	\$19,523,554	1,500	\$23,360,653	1,842	\$21,377,317	3,189	\$28,440,768
<b>10.98% Loans</b>	1,575	\$9,138,627.00								
<b>Total Disbursed to CT Students- Attending Out-of-State Institutions</b>	3,600	\$36,178,687	410	\$5,502,189	366	\$4,960,399	466	\$5,149,868	999	\$9,430,573
<b>Grand Total</b>	20,394	\$186,076,783	1,968	\$25,025,743	1,866	\$28,321,052	2,308	\$26,527,185	4,188	\$37,871,341

CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY - GROSS HISTORICAL LENDING (06/2020)

Institution	[1990 Resolution] 2009 Series A		[1990 Resolution] 2010 Series A		[1990 Resolution] 2013 Series A/B		[1990 Resolution] 2014 Series A/B		[1990 Resolution] 2015 Series A & Equity	
	Number of 6.80% Loans Disb.	Amount of 6.80% Loans Disb.	Number of 5.95% Loans Disb.	Amount of 5.95% Loans Disb.	Number of 5.99% Loans Disb.	Amount of 5.99% Loans Disb.	Number of 6.75% Loans Disb.	Amount of 6.75% Loans Disb.	Number of 4.95% Loans Disb.	Amount of 4.95% Loans Disb.
<b>Total Disbursed to Students-Attending Connecticut Institutions</b>	1,889	\$16,221,204	2,353	\$22,158,824	1,484	\$14,072,610	1,372	\$12,391,720	745	\$7,157,324
<b>10.98% Loans</b>										
<b>Total Disbursed to CT Students- Attending Out-of-State Institutions</b>	959	\$8,482,377	1,676	\$15,230,410	1,126	\$10,378,566	1,172	\$11,613,082	514	\$5,290,560
<b>Grand Total</b>	2,848	\$24,703,581	4,029	\$37,389,234	2,610	\$24,451,176	2,544	\$24,004,802	1,259	\$12,447,884

**CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY - GROSS HISTORICAL LENDING (06/2020)**

Institution	[1990 Resolution] 2016 Series A & Equity		[1990 Resolution] 2017 Series A		[1990 Resolution] 2017 Series C		[1990 Resolution] 2018 Series A		[1990 Resolution] 2019 Series B	
	Number of 4.95% Loans Disb.	Amount of 4.95% Loans Disb.	Number of 4.95% Loans Disb.	Amount of 4.95% Loans Disb.	Number of 4.95% Loans Disb.	Amount of 4.95% Loans Disb.	Number of 4.95% Loans Disb.	Amount of 4.95% Loans Disb.	Number of 5.15% Loans Disb.	Amount of 5.15% Loans Disb.
<b>Total Disbursed to Students-Attending Connecticut Institutions</b>	893	\$8,143,558	1,396	\$13,609,396	593	\$6,134,451	541	\$4,900,061	1,003	\$9,964,425
<b>10.98% Loans</b>										
<b>Total Disbursed to CT Students- Attending Out-of-State Institutions</b>	844	\$9,227,530	1,139	\$12,450,066	449	\$5,189,676	496	\$5,637,037	980	\$11,882,233
<b>Grand Total</b>	1,737	\$17,371,088	2,535	\$26,059,462	1,042	\$11,324,127	1,037	\$10,537,098	1,983	\$21,846,658

Institution	Total Number Of Students	Total Distribution to Students
<b>Total Disbursed to Students-Attending Connecticut Institutions</b>	35,577	348,215,334
<b>10.98% Loans</b>	1,575	9,138,627
<b>Total Disbursed to CT Students- Attending Out-of-State Institutions</b>	15,196	156,603,252
<b>Grand Total</b>	52,348	\$513,957,213



## **Exhibit C – CHESLA Need-Based Scholarship Disbursements to Schools**

**2019-2020**

Institution	Classification	Funds Disbursed	Students Impacted
Sacred Heart University	Private Institution	\$158,000	61
University of Connecticut	State Institution	\$138,500	50
University of New Haven	Private Institution	\$93,500	54
Southern CT State Univ.	State Institution	\$86,000	30
Central CT State Univ.	State Institution	\$74,000	26
Eastern CT State Univ.	State Institution	\$71,000	28
Fairfield University	Private Institution	\$68,000	23
University of Hartford	Private Institution	\$68,000	47
Quinnipiac University	Private Institution	\$65,000	39
Western CT State Univ.	State Institution	\$65,000	29
University of Bridgeport	Private Institution	\$55,500	21
Norwalk Community College	Community College	\$47,500	29
Wesleyan University	Private Institution	\$46,500	16
Naugatuck Valley Community College	Community College	\$40,500	23
Gateway Community College	Community College	\$37,500	26
Manchester Community College	Community College	\$37,500	18
Trinity College	Private Institution	\$37,500	37
Tunxis Community College	Community College	\$35,843	24
University of Saint Joseph CT	Private Institution	\$30,000	10
Goodwin College	Private Institution	\$28,500	18
Connecticut College	Private Institution	\$25,000	13
Housatonic Community College	Community College	\$25,000	26
Three Rivers Community College	Community College	\$25,000	17
Northwestern CT Community College	Community College	\$21,000	16
Albertus Magnus College	Private Institution	\$18,000	7
Mitchell College	Private Institution	\$18,000	11
Asnuntuck Community College	Community College	\$15,000	10
Capital Community College	Community College	\$15,000	18
Charter Oak State College	State Institution	\$15,000	19
Middlesex Community College	Community College	\$15,000	22
Quinebaug Valley Community College	Community College	\$15,000	8
St. Vincent's College	Private Institution	\$9,000	6
		<b>\$1,499,843</b>	<b>782</b>





## **Exhibit D – CHESLA Loan Program and Refi CT Program Manuals**

CONNECTICUT HIGHER EDUCATION

SUPPLEMENTAL LOAN AUTHORITY

CHESLA LOAN PROGRAM

PROGRAM MANUAL

ADOPTED AUGUST 14, 1996,

AMENDED AS OF DECEMBER 10, 1999

AMENDED AS OF OCTOBER 2, 2001

AMENDED AS OF JULY 30, 2008

AMENDED AS OF MAY 8, 2014

AMENDED AS OF MAY 15, 2015

RESTATED AND AMENDED AS OF JANUARY 5, 2018\*

AMENDED AS OF OCTOBER 11, 2018

AMENDED AS OF OCTOBER 31, 2019

AMENDED AS OF APRIL 30, 2020

\* \* \* \* \*

\*Includes amendments authorized on April 26, 2016 to extend the interest only payment period for a maximum of eight (8) years for loans originated with proceeds of the 2016 Series A Bonds and Bonds issued thereafter.

## TABLE OF CONTENTS

	Page
I. GUIDELINES .....	4
A. PURPOSE .....	4
B. DEFINITIONS .....	4
C. OVERVIEW OF FAMILY EDUCATION LOAN PROGRAM .....	8
1. Amount .....	8
2. Frequency of Loans .....	8
3. Interest Rate .....	8
4. Repayment Term and Schedule .....	8
5. Promissory Note .....	9
6. Additional Security .....	9
7. Reserve Fee .....	9
8. Nondiscrimination .....	9
9. Borrowers not to Acquire Bonds .....	9
10. Release of Co-Borrowers .....	9
11. Disclosures .....	9
D. APPLICATION PROCESS .....	9
1. Obtaining the Application .....	9
2. Submitting the Application .....	9
3. School Certification Form and Calculation of Net Cost of Education .....	10
E. LOAN ORIGATION .....	11
1. Application Processing by the Servicer .....	11
2. Debt-to-Income Determination by Servicer .....	11
3. Credit Analysis by the Servicer .....	12
4. Credit History .....	12
F. LOAN APPROVAL/DISAPPROVAL .....	12
1. Limited Review of Applications Which Exceed Debt-to-Income Ratio .....	12
2. Approval of Loans in Lesser Amount .....	13
3. Notice of Adverse Determination .....	13
4. Time Period for Approval/Disapproval .....	13
5. Loan Disbursement Process .....	13
6. Receipt of Check .....	14
G. LOAN SERVICING AND REPAYMENT .....	14
1. Transmittal of Information .....	14
2. Monthly Statements .....	14
3. Processing of Payments Received .....	14
4. Application of Loan Payments .....	15
5. Loan Repayments .....	15
6. Prepayments .....	15
7. Payments in Full .....	15
8. Forbearance .....	15
H. LOAN COLLECTION PROCESS .....	16
1. Servicing of Delinquent Loans .....	16
2. Delinquency Requirements .....	16
3. Default .....	16

4. Death of Borrower or Co-Borrower.....	16
5. Loan Discharge - Borrower Death.....	16
6. Loan Discharge - Borrower Permanent and Total Disability.....	16
7. Bankruptcy.....	16
8. Due Diligence .....	16

## I. GUIDELINES

### A. PURPOSE

The Connecticut Higher Education Supplemental Loan Authority is a public institution founded for the purpose of providing long-term, low interest education loans for Connecticut students attending colleges and universities within the United States of America and its possessions and for out-of-state students attending colleges and universities within Connecticut.

In accordance with the policy and provisions of Chapter 187b of the Connecticut General Statutes, as amended, the CHESLA Loan Program seeks to provide long-term education loans for students to pay the costs of their higher education.

### B. DEFINITIONS

Unless otherwise expressly stated herein or unless the context otherwise requires, the following definitions shall apply with respect to this Program Manual:

“Acts” means the Connecticut Higher Education Supplemental Loan Authority Act, being Chapter 187b of the General Statutes of Connecticut, Sections 10a-221 through 10a-246, inclusive, and Chapter 187 of the General Statutes of Connecticut, Section 10a179a, as heretofore amended and as further amended from time to time.

“Applicant” means any individual who is an Eligible Undergraduate Student, an Eligible Graduate Student, and any parent, legal guardian, or sponsor or an Eligible Undergraduate Student or Eligible Graduate Student attending an Eligible College or University, who completes, signs and submits an Application on behalf of such student with the intention of being accepted as a Borrower or Co-Borrower under the Program.

“Application” means an application for a CHESLA Loan Program Loan submitted to the Authority in the form prescribed by the Authority from time to time, together with such supporting information and documentation as the Authority may reasonably require prior to a final determination with respect thereto.

“Approval Disclosure Statement” means the closed-end disclosure statement provided to the Applicant at the time the Loan is approved as required by the federal Truth-in-Lending Act, or as otherwise required by law.

“Authority” means the Connecticut Higher Education Supplemental Loan Authority, a body politic and corporate of the State of Connecticut, constituting a public instrumentality and subsidiary of the Connecticut Health and Educational Facilities Authority, created by the Acts.

“Bonds” means all bonds issued by the Authority the proceeds of which are used to fund Loans under the Program.

“Borrower” means any approved Applicant who has agreed to repay a Loan and who obtains a Loan in accordance with the terms and conditions of a Promissory Note (See also Co-Borrower).

“Business Day” means any day other than Saturday, Sunday, or a day on which banks located in the city in which the principal office of the Trustee or the Servicer is located are required or authorized to remain closed.

“Capitalized Interest” means accrued and unpaid interest added to the principal balance of a Loan. The sum is thereafter considered the principal, and interest will accrue on the new principal balance.

“Capitalized Interest Loan” means an Education Loan made to an Eligible Graduate Student which provides for the capitalization of interest during the Capitalized Interest Period.

“Capitalized Interest Period” means the period during which interest on a Capitalized Interest Loan is deferred and added to the principal balance of the Capitalized Interest Loan and subject to additional interest, which shall be the period while the Eligible Graduate Student is enrolled in an Eligible College or University and for a six month period after the Eligible Graduate Student is no longer enrolled, which period shall not exceed five (5) years, or such lesser period specified by the Borrower.

“Carry-Over Amount” means, with respect to the proceeds of Bonds of the Authority up to \$500,000 of the proceeds of a Series of Bonds which may be used to make loans bearing such stated rate of interest as the Authority shall determine in accordance with the provisions of the Resolution and any related Tax Compliance Agreement entered into by the Authority in connection with the issuance of such Series of Bonds.

“Co-Applicant” means any Applicant other than the Eligible Student.

“Co-Borrower” means any parent, legal guardian or sponsor of an Eligible Student attending an Eligible College or University who has agreed to repay a Loan and is jointly and severally liable with a Borrower for the repayment of a Loan, in accordance with the terms and conditions of a Promissory Note.

“Cost of Education” means the cost of education for a Loan Year as certified by the financial aid administrator at the Eligible College or University and is to include direct and indirect costs associated with attendance at such Eligible College or University, but shall not exceed the amounts determined by the United States Department of Education to be the cost of education, except as otherwise determined by the Executive Director and the Deputy Director, or either of them.

“Cumulative Principal Balance” means the cumulative outstanding balance of a student Borrower’s Loans.

“Current Year Loan” means a Loan other than a Tuition Prepayment Loan and may include a Loan to cover an Eligible Student’s Cost of Education for the next preceding Loan Year.

“Default” means (1) the failure to make any Loan payment more than one hundred and twenty (120) days after it is due; (2) the breach of any promise contained in the Promissory Note or any agreement between the Authority and a Borrower and/or Co-Borrower, if any; (3) the Borrower or Co-Borrower, if any, becoming insolvent, making an assignment for the benefit of creditors, having a receiver appointed, or having a petition for bankruptcy commenced by or against the Borrower or Co-Borrower; and (4) providing any information or making any representation on the Application or any agreement between the Authority and Borrower and/or Co-Borrower, if any, that is not true.

“Delinquent Loans” means all Loans for which any payment is thirty (30) days or more past due.

“Disaster Forbearance” means Forbearance based upon a Borrower or Co-Borrower residing in a Natural Disaster Zone(s).

“Electronic Fund Transfer” means the electronic method of disbursing proceeds of an Education Loan on behalf of an Eligible Student as set forth in an agreement entered into by the Authority, acting by its duly

authorized officer, the Servicer and the Trustee and an electronic method of receiving payments on Loans utilized by the Servicer.

“Eligible College or University” means any non-profit degree-granting educational institution within the United States of America and its possessions authorized by law to provide a program of education beyond the high school level and (1) described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, or any subsequent corresponding Internal Revenue Code, as from time to time amended, and exempt from Federal income taxation under Section 501(a) of the Internal Revenue Code of 1986, or any subsequent corresponding Internal Revenue Code, as from time to time amended, with respect to a trade or business carried on by such institution which is not an unrelated trade or business, determined by applying Section 513(a) of the Internal Revenue Code of 1986, or any subsequent corresponding Internal Revenue Code, as from time to time amended, to such institution, or a foundation established for its benefit; (2) exempt from taxation under said code as a governmental unit; (3) exempt from taxation under said code pursuant to Section 170(c)(1); and the Connecticut Alternate Route to Certification Program.

“Eligible Graduate Student” means a student who is a resident of Connecticut and who is enrolled in and pursuing an educational program leading to a post-baccalaureate certificate or a masters, doctorate or professional degree at an Eligible College or University on at least a half-time basis as defined by such college or university, who is in good academic standing and is making satisfactory progress, as determined by such college or university. “Eligible Graduate Student” also means a student who is not a resident of Connecticut, but who is enrolled and pursuing such an educational program at an Eligible College or University in Connecticut, on at least a half-time basis as defined by such college, university, or program, who is in good academic standing and is making satisfactory progress, as determined by such college or university.

“Eligible Non-U.S. Citizen” means an individual that would be an eligible noncitizen for purposes of the U.S. Department of Education Direct Loan Program.

“Eligible Student” means an Eligible Graduate Student or an Eligible Undergraduate Student.

“Eligible Undergraduate Student” means a student who is a resident of Connecticut and who is enrolled in and pursuing an educational program leading to a certificate or an associate or baccalaureate degree at an Eligible College or University, or a student enrolled in the Connecticut Alternate Route to Certification Program, on at least a half-time basis as defined by such college, university, or program, who is in good academic standing and is making satisfactory progress, as determined by such college, university, or program. “Eligible Undergraduate Student” also means a student who is not a resident of Connecticut, but who is enrolled and pursuing such an educational program at an Eligible College or University in Connecticut, or a student enrolled in the Connecticut Alternate Route to Certification Program, on at least a half-time basis as defined by such college, university, or program, who is in good academic standing and is making satisfactory progress, as determined by such college, university, or program.

“Final Disclosure Statement” means the closed-end disclosure statement provided to the Borrower and any Co-Borrower before Loan proceeds are disbursed as required by the federal Truth-in-Lending Act, or as otherwise required by law.

“Financial Hardship Forbearance” means Forbearance due to a Borrower’s or Co-Borrower’s financial difficulty.

“Forbearance” means a temporary modification of the monthly Loan payment obligation of a Borrower or Co-Borrower.

“Interest Only Payment Period” means the period during which a Borrower or any Co-Borrower pays interest only on the Loan, which shall be while the Eligible Student is enrolled in an Eligible College or University and for a six month period after the Student is no longer enrolled, but which period shall not exceed five (5) years or, if the Loan was originated with proceeds of the 2016 Series A Bonds and Bonds issued thereafter, eight (8) years.

“Loan” or “Education Loan” means a loan originated by the Authority under the Program and disbursed from the proceeds of the Bonds, including a Capitalized Interest Loan, and any other loan which the Authority determines to originate or administer under the Program.

“Loan Year” means a period of twelve consecutive months, commencing September 1 and ending August 31 each year, in which an Eligible Student is attending an Eligible College or University on at least a half-time basis.

“Major Disaster Declaration” means a declaration, made by the President of the United States, declaring a major natural disaster for a designated area(s) of a state.

“Natural Disaster Zone(s)” means the area(s) of a state, affected by a natural disaster, identified in a Major Disaster Declaration.

“Net Cost of Education” means the Cost of Education as calculated by the College or University, minus any financial assistance including education loans, work study, grants, scholarships, etc. awarded for the period for which the Loan is requested (Social Security and Veterans’ Administration benefits should not be considered financial aid).

“Prepayable Costs” means tuition and fees, and room and board, as detailed in Section D(3)(a)(i) and (ii) hereof.

“Principal and Interest Repayment Period” means the period during which a Borrower or any Co-Borrower repays the Loan in level monthly installments of principal and interest.

“Private Education Self-Certification Form” means the form provided to, and completed by, an Applicant, as required by 15 U.S. Code Sec. 1638 (3)(e)(A). “Program” means the CHESLA Loan Program described herein.

“Promissory Note” means the note signed by a Borrower and any Co-Borrower promising to pay the Authority and evidencing a Loan, in the form prescribed by the Authority from time to time.

“Reserve Fee” means the non-refundable fee, if any, as the Authority shall determine in connection with each Series of Bonds used to finance Education Loans, paid by the Borrower to the Authority out of the proceeds of each such Loan at the time of disbursement thereof.

“Resolution” means any resolution of the Authority, as supplemented and amended, pursuant to which have been issued Bonds to fund the Program.

“Servicer” means the entity with whom the Authority contracts (which may be the Trustee) for the purpose or providing services with respect to the origination, servicing and administration of Education Loans, or any other service offered by the Authority under the Program.

“Trustee” means the trustee under the Resolution.



“Tuition Prepayment Loan” means a Loan made for payment or reimbursement of a payment made pursuant to a Tuition Prepayment Plan.

“Tuition Prepayment Plan” means any plan adopted by an Eligible College or University whereby an Eligible Student’s Prepayable Costs, or any portion thereof, as determined by the Eligible College or University, may be prepaid.

C. OVERVIEW OF CHESLA LOAN PROGRAM

1. Amount.

- (a) Current Year Loan. A Loan may be made in a principal amount of not less than \$2,000 and not more than the Eligible Student’s Net Cost of Education in any one Loan Year. In no Loan Year shall the total of all forms of financial assistance (including Loans under the Program) exceed the Cost of Education.
- (b) Tuition Prepayment Loan. A Loan may be made in a principal amount of not less than \$2,000 and not more than \$125,000 in any one Loan Year, for the purpose of prepaying any one Eligible Student’s Prepayable Costs pursuant to a Tuition Prepayment Plan.
- (c) Maximum Borrowing. In no case may any student Borrower borrow proceeds that would result in the student Borrower’s Loans having a Cumulative Principal Balance in excess of \$125,000.

2. Frequency of Loans. There is no limit on the number of separate Loans a Borrower may apply for and accept during a Loan year.

3. Interest Rate. Loans shall bear interest at the rate or rates as the Authority shall determine in connection with each Series of Bonds used to finance Education Loans. Interest due is calculated daily based on the actual number of days, elapsed, or as otherwise determined by the Authority.

4. Repayment Term and Schedule.

(a) For Education Loans other than Capitalized Interest Loans, the initial monthly payment of interest only will be due thirty (30) to sixty (60) days from the date of the disbursement. Interest-only payments shall be paid while the student is enrolled in school and for a six-month period after the student is no longer enrolled, for a maximum period of five (5) years or, for Education Loans, other than Capitalized Interest Loans, originated with proceeds of the 2016 Series A Bonds and Bonds issued thereafter, eight (8) years. Thereafter, level payments of principal and interest on the Loans shall be paid monthly until maturity, which shall be 140 months after the date of the first principal payment. Loans may be prepaid prior to their maturity date.

(b) For Capitalized Interest Loans, interest will accrue and be added to the principal Loan balance annually beginning on a date which is not more than one year following the date of disbursement and continuing annually thereafter during the Capitalized Interest Period and ending on the last day of the Capitalized Interest Period, so that an increased principal Loan balance shall be computed annually upon which interest shall accrue. Level payments of principal and interest shall commence upon the expiration of the

Capitalized Interest Period and shall be paid monthly until maturity, which shall be 140 months after the date of the first principal payment. All Loans must be repaid in full on or prior to their maturity date. Loans may be prepaid prior to their maturity date. .

5. Promissory Note. Each Loan will be evidenced by a Promissory Note executed by the Borrower and any Co-Borrower. A Promissory Note will be sent to the Borrower and any Co-Borrower for execution upon approval of the Application by the Servicer, as authorized by the Authority.
6. Additional Security. In the event the Authority and the Servicer enter into an agreement for the purpose of servicing Loans to which additional security has been pledged, Borrowers and Co-Borrowers may, to the extent permitted thereby and in accordance with the procedures and subject to the limitations set forth therein, deliver such documents as are specified therein for the purpose of securing an Education Loan.
7. Reserve Fee. The non-refundable Reserve Fee will be paid by the Borrower from the proceeds of each Loan at the time of disbursement thereof.
8. Nondiscrimination. The Authority shall not discriminate on the basis of the location within the United States and its possessions of the Eligible College or University or on the basis of the residency of Eligible Students attending Eligible Colleges or Universities located in Connecticut.
9. Borrowers and Co-Borrowers not to Acquire Bonds. Each Borrower and any Co-Borrower, shall agree that neither the Borrower, the Co-Borrower, nor any person who is a “related person” within the meaning of Section 147(a) of the Internal Revenue Code of 1986, as amended, has or will acquire any of the Bonds in an amount related to any Loan received by such Borrower.
10. Release of Co-Borrowers. In connection with Education Loans originated with proceeds of the 2014 Series A Bonds and bonds issued thereafter, upon request, a Co-Borrower may be released from responsibility for repayment of a Loan for which not fewer than 60 consecutive timely payments of principal and interest have been received following the end of the Interest Only Payment Period, and for which the remaining Borrower would satisfy the then current credit criteria for Education Loan eligibility as set forth in Section E. A payment shall be considered timely so long as it is received not later than ten days after the due date therefor and all other payments within the prior twelve-month period have been received on or before the due dates therefor. The Authority may charge a fee for processing any such request for release.
11. Disclosures. The Approval Disclosure Statement and Final Disclosure Statement shall be provided as required by applicable law and as agreed to between the Authority and the Servicer.

#### D. APPLICATION PROCESS

1. Obtaining the Application. The Authority shall make Applications available, on its internet website or in such other manner as the Authority may determine.
2. Submitting the Application. An Applicant seeking a Loan must be a U.S. citizen or an Eligible Non-U.S. Citizen and must submit a completed Application to the address stated

on the Application or in such other manner as the Authority may prescribe. A School Certification Form in the form or medium prescribed by the Authority from time to time must be forwarded to the Eligible College or University's financial aid office. An Application is complete when the Applicant and any Co-Applicant furnish all required documentation and information on the Application, and when a School Certification Form and a Private Education Loan Self-Certification Form has been completed and returned to the Servicer.

3. School Certification Form and Calculation of Net Cost of Education. The financial aid administrator completes the School Certification Form. The School Certification Form includes (a) a representation that the institution in which the Eligible Student is enrolled is an Eligible College or University, (b) a confirmation that the student is enrolled at such institution on at least a half-time basis and is making satisfactory progress, (c) a determination and certification of the expected Cost of Education and the Net Cost of Education and (d) with respect to Capitalized Interest Loans, a determination and certification that the Eligible Student meets the requirements of an Eligible Graduate Student. The following shall be used by each Eligible College or University in estimating the expected Cost of Education:

a. Direct Costs:

(i) Tuition & Fees: The amount paid or expected to be paid directly to the Eligible College or University for such charges for the period covered by the Loan.

(ii) Room & Board: If a student resides at the Eligible College or University, the amount to be paid to the Eligible College or University for such charges for the period covered by the Loan.

(iii) Books & Supplies: An allowance as determined by the Eligible College or University.

b. Indirect Costs:

(i) Room & Board: If a student does not reside at the Eligible College or University, an allowance as determined by the Eligible College or University, for each month of expected attendance during the Loan Year, which shall not exceed the amount of such costs as determined by the United States Department of Education, provided that the Executive Director and the Deputy Director, or either of them, shall be authorized to determine such other amount as they shall deem appropriate.

(ii) Miscellaneous Personal Expenses: An allowance as determined by the Eligible College or University, for each month of expected attendance.

The financial aid office, after completing the School Certification Form, shall return it as the Authority shall direct.

E. LOAN ORIGINATION

1. Application Processing by the Servicer. Upon receipt of a completed Application, including the School Certification Form and Private Education Loan Self-Certification Form, the Servicer shall:
  - a. Check for completeness of the Application, including the School Certification Form and Private Education Loan Self-Certification Form, including all necessary attachments. Applications for Capitalized Interest Loans shall be accepted only upon the Servicer's determination that the Borrower is an Eligible Graduate Student. If an Application is incomplete or otherwise rejected, the Servicer may return the document, or send a form for correction or completion of information contained in the document, to the Applicant or any Co-Applicant, as appropriate, for missing information;
  - b. Verify the Applicant's and any Co-Applicant's income(s);
  - c. Verify the employment status of the Applicant and any Co-Applicant in such manner as the Authority may prescribe;
  - d. Request and review the Credit Report(s) of the Applicant and/or any Co-Applicant and investigate any derogatory information contained therein to the extent deemed necessary;
  - e. Review Form 1040, as agreed by the Authority and the Servicer;
  - f. Review and verify that Applicant and/or any Co-Applicant have acceptable credit history with current and former creditors;
  - g. Review the credit reports according to the following guidelines: judgments, liens, bankruptcies by or against the Applicant or any Co-Applicant, and defaults by the Applicant or any Co-Applicant on installment loans of any type, including other education loans, to the extent deemed necessary in order to make the recommendation required;
  - h. Review to determine that the Applicant, any Co-Applicant, and the Loan, if made, would meet the requirements of the Program; for example, with respect to the amount of the Loan to be made in one Loan Year and the aggregate amount the Borrower and any Co-Borrower may borrow for one Eligible Student over the life of the Program.
  - i. Review to determine that the Applicant and any Co-Applicant, is of a legal age to commit to a contract.
  - j. Review and determine that the Applicant and any Co-Applicant, is a U.S. citizen or Eligible Non-U.S. Citizen.
2. Debt-to-Income Determination by Servicer. The Servicer shall calculate a debt-to-income ratio based on information provided on the Application. For Loans originated prior to June 15, 2015, total monthly debt obligations plus the total monthly housing expense (rent or mortgage payments) may not exceed 40% of the stable gross monthly

income. For Loans originated on and after June 15, 2015, total monthly debt obligations plus the total monthly housing expense (rent or mortgage payments) may not exceed 43% of the stable gross monthly income. For purposes of calculating a debt-to-income ratio of the Applicant or any Co-Applicant for Capitalized Interest Loans, the Servicer shall calculate the Capitalized Interest Loan principal amount as of the end of the Capitalized Interest Period. If debt-to-income ratio is satisfactory, the Servicer will complete the credit analysis. If debt-to-income ratio exceeds the amount permitted in this Section E.2, Servicer will reject Application or follow the procedures under Section F.1. or F.2.

3. Credit Analysis by the Servicer. The Servicer shall perform a credit analysis in keeping with normal industry standards and shall consider such factors as it shall mutually agree upon with the Authority.
4. Credit History. The Servicer shall obtain a written credit report prepared by a commercial credit reporting agency with respect to each Application.
  - a. To be eligible, no Applicant or any Co-Applicant may have any record of an education loan default.
  - b. The Servicer shall review the credit report to determine:
    - (i) That no more than one account is rated sixty (60) or more days delinquent at the time of the credit report.
    - (ii) That no more than two accounts have been sixty (60) or more days delinquent during the preceding two (2) years.
    - (iii) That no account has been delinquent ninety (90) or more days during the preceding two (2) years.
    - (iv) That there is no record of a collection or charged-off account during the preceding two (2) years.
    - (v) That there is no record of a foreclosure, repossession, open judgment or suit, or other negative public record items in the past seven (7) years.
    - (vi) That there is no record of a bankruptcy.

Credit reports that list any of the above conditions may result in a rejection of the Applicant's application.

If any of the above items adversely affect credit-worthiness or differ substantially from the information on the Application, the Servicer may, with the consent of the Authority, consult with the Applicant and any Co-Applicant and obtain written explanations of any problems satisfactory to the Servicer and the Authority before considering the Loan further.

#### F. LOAN APPROVAL/DISAPPROVAL

1. Limited Review of Applications Which Exceed Debt-to-Income Ratio. On a limited basis, the Servicer may review with the Authority Applications which exceed the debt-to-

income ratio or otherwise do not meet the credit criteria, and decide in consultation with the Authority whether such Applications can be shown to support the credit-worthiness of the Applicant and/or any Co-Applicant. However, the principal amount of Loans approved pursuant to this Section may not exceed the maximum amount of such Loans permitted, as determined by the Authority in connection with each Series of Bonds. The Executive Director and CHESLA authorized officers are authorized to approve the making of any such Loan.

2. Approval of Loans in Lesser Amount. If the Servicer determines that the Applicant is eligible for a Loan in an amount less than that applied for, the Servicer shall recommend a lesser Loan amount which would enable the Applicant to qualify.
3. Notice of Adverse Determination. If the Servicer determines that the Applicant's and/or any Co-Applicant's income is insufficient, utilizing the debt-to-income ratio set forth in Section E.2., or if credit history does not meet the Authority's standards, or the Application is rejected for any other reason the Servicer shall send a notice to the Applicant advising the reasons for rejection, to the extent required by law and shall send a notice to any Co-Applicant as required by applicable law.
4. Time Period for Approval/Disapproval. The Servicer shall approve or disapprove a Loan upon receipt of a completed Loan Application, and the Servicer shall thereafter process all additional Loan documentation, the School Certification Form, Private Education Loan Self-Certification Form and Promissory Note. The time period within which such actions shall occur shall be as agreed upon by the Authority and the Servicer. If the Servicer cannot so act within such time frame, it shall give the Authority, the Applicant, and the Eligible College or University written notice that it will not be able to complete the required processing procedures within the said period, in which case it shall complete the requested processing within twenty (20) Business Days of the receipt of a completed Loan Application, and within ten (10) Business Days of receipt of additional Loan documents, School Certification Forms, Private Education Loan Self-Certification Form and Promissory Notes.
5. Loan Disbursement Process. For each approved Loan,
  - (a) The Servicer shall:
    1. Originate and transmit to the approved Applicant a Promissory Note, to be signed by the Borrower and each Co-Borrower, if any, and returned to the Servicer. In addition, if authorized by the Authority, the Servicer may electronically deliver the Promissory Note to the Borrower and each Co-Borrower, if any, in accordance with the Servicing Agreement or such other processes agreed to by the Authority, to be electronically signed by the Borrower and each Co-Borrower, if any, and delivered to the Servicer.
    2. Upon receipt of an executed Note, School Certification Form, and Private Education Loan Self-Certification Form, notify the Authority in report form of Loan approvals and deliver to the Trustee or its agent in such manner as the Authority shall determine the original Note. The Servicer shall keep the Application and shall keep a copy of such Note for safekeeping. The Servicer shall also determine disbursement dates for each approved Loan upon receipt of the executed Note, School Certification Form, and Private Education Loan Self-

Certification Form and shall list such Loan on the disbursement roster, which shall be forwarded to the Authority and the Trustee.

- (b) The Trustee shall, upon receipt of a signed Promissory Note, a disbursement roster from the Servicer, and a signed requisition from the Authority, (a) pay from the Loan Account, via such means as the Servicer shall direct, to the Servicer the amount of the Loan less the applicable Reserve Fee and (b) advise the Authority of the disbursement. The Reserve Fee shall be retained in the Loan Account held by the Trustee.
  - (c) The Servicer shall disburse by check or by Electronic Fund Transfer, to the Institution as specified in the Final Disclosure Statement, the Loan proceeds upon receipt of funds from the Trustee.
  - (d) The Servicer shall notify major credit bureaus of the making and status of each Borrower's and any Co-Borrower's obligation to the Authority.
6. Receipt of Check. If a Loan is disbursed by check, in the case of a Tuition Prepayment Loan, the check must be endorsed by the Eligible College or University. If the Loan is disbursed by Electronic Fund Transfer, the Eligible College or University receiving such disbursement shall execute such documents as the Authority shall require.

G. LOAN SERVICING AND REPAYMENT

Loans will be serviced by the Servicer in accordance with the following:

1. Transmittal of Information. Eligible Colleges and Universities will forward to the Servicer any changes of name, address, telephone number, date of birth, and social security number of Borrower(s) of which they are aware.
2. Monthly Statements. The Servicer will, with respect to Loans other than Capitalized Interest Loans, within a period of sixty (60) days after the disbursement of funds, commence, and continue throughout the Interest Only Payment Period and the Principal and Interest Repayment Period, to provide monthly statements to the Borrower. The Servicer will, with respect to Capitalized Interest Loans, within a period of sixty (60) days after the expiration of the Capitalized Interest Period, commence, and continue throughout the Principal and Interest Repayment Period, to provide monthly statements to the Borrower. All payments must be made by check or money order payable to the order of the Servicer and mailed to the post office box maintained by the Servicer or as otherwise agreed by the Servicer and the Authority.
3. Processing of Payments Received. The Servicer, on behalf of Authority, will maintain a post office box and an account capable of receiving Electronic Fund Transfers, to receive payments on the Loans, and will transfer such payments into an account maintained by the Trustee, on such basis as the Servicer and the Authority shall agree. Such payments shall be deemed held in trust for the Authority and the bondholders. The Authority and the Trustee shall be responsible for negotiating the terms of said account with respect to fees, interest, and transfers therefrom. The Servicer shall prepare a report monthly with respect to payments received, identifying (to the extent ascertainable) the Borrower with respect to each payment and shall deliver such report to the Authority.

4. Application of Loan Payments. Payments of Loans will be applied, to the extent sufficient, in the following order of priority: (a) fees or charges permitted by applicable law (b) interest and (c) principal. In the event that a Borrower or Co-Borrower shall have more than one Loan outstanding, partial payments shall be applied to each such Loan based upon the percentage each such Loan bears to the total Loans of such Borrower or Co-Borrower outstanding, or as otherwise agreed by the Authority and the Servicer.
5. Loan Repayments. For Loans other than Capitalized Interest Loans, interest-only payments will be due commencing no later than sixty (60) days after disbursement of funds and shall continue during the Interest Only Payment Period. Thereafter level monthly payments of principal and interest shall be due for a period of 140 months, or until the Loan is prepaid, if earlier. For Capitalized Interest Loans, level monthly payments of principal and interest shall be due commencing on the expiration of the Capitalized Interest Period and ending after 140 months or until the Loan is prepaid, if earlier.
6. Prepayments. A Loan may be prepaid. If a Borrower or Co-Borrower wishes to prepay a Loan in full, the Borrower or Co-Borrower must contact the Servicer to determine the amount of principal and interest outstanding. If payment of more than one month is made, which payment is less than full payment of the outstanding Loan balance, the additional moneys will be credited first towards interest and second towards principal by the Servicer, or as otherwise prescribed by the Authority.
7. Payments in Full. Based on information received and its records, the Servicer will notify the Authority of payment in full of a Loan before or at maturity. Upon receipt of payment in full of each account, notification will be given to the Authority in writing that payment in full has been received. For purposes of servicing only, an account will be deemed paid in full if its balance is less than \$5.00.
8. Forbearance.
  - (a) Disaster Forbearance. Upon the declaration of a Major Disaster Declaration, the Servicer shall process the request of any Borrower or Co-Borrower, residing in a Natural Disaster Zone, for a Disaster Forbearance, in accordance with the Servicing Agreement or such other manner as prescribed by the Authority.
  - (b) Financial Hardship Forbearance. Servicer shall process the application of any Borrower or Co-Borrower, in such form prescribed by the Authority, together with such supporting information and documentation as the Authority may require, for a Financial Hardship Forbearance, and in accordance with the Servicing Agreement or such other manner as prescribed by the Authority.
  - (c) Interest and Maturity. During the period of any Disaster Forbearance or Financial Hardship Forbearance, any accrued and unpaid interest will be capitalized and added to the principal balance of the Borrower's or Co-Borrower's Loan and such interest will become Capitalized Interest. If Forbearance is granted, the Loan maturity will not extend beyond the maturity date listed on the Final Disclosure Statement. Prior to granting a Forbearance request from any Borrower or Co-Borrower the Servicer shall provide notice to any such individual that the granting of the Forbearance request



will change their monthly Loan payment at the conclusion of the Forbearance period, due to the capitalization of interest and the forbearance of principal payments accrued during the Forbearance period.

- (d) The provisions of Section G.8. may be modified at the discretion of the Executive Director of the Authority.

#### H. LOAN COLLECTION PROCESS

1. Servicing of Delinquent Loans. The Servicer must responsibly service Delinquent Loans so as to enable, to the maximum extent possible, payment in full of such Loans on their respective repayment schedules. For accounts which continue to be delinquent, the Servicer must notify the Borrower and any Co-Borrower of the delinquency. If any payment is one hundred twenty (120) days past due, the Servicer will notify the Authority.
2. Delinquency Requirements. The Servicer will send delinquency notices and make contact with the Borrower and any Co-Borrower in accordance with the Servicing Agreement or such other process agreed to by the Authority.
3. Defaults. Upon Default for failure to make any Loan payment more than one hundred and twenty (120) days after it is due date, the Authority will begin collection proceedings against the Borrower and any Co-Borrower upon receipt of the Note from the Trustee and related documents from the Servicer. For the above referenced Default and upon the occurrence of any other Default, the Authority may accelerate the Loan and any amounts due under the Promissory Note and exercise all rights and remedies available under applicable law.
4. Death of Borrower or Co-Borrower. If, at any time, the Servicer is notified or otherwise becomes aware of the death of a Borrower or Co-Borrower, it shall notify the Authority immediately.
5. Loan Discharge - Borrower Death. Loans shall be discharged due to a Borrower's death in accordance with the Servicing Agreement or such other manner prescribed by the Authority.
6. Loan Discharge - Borrower Permanent and Total Disability. Servicer shall process a Borrower's requests to discharge their Loan, based upon their permanent and total disability, in accordance with the Servicing Agreement or such other manner prescribed by the Authority.
7. Bankruptcy. If a Borrower or Co-Borrower is adjudicated bankrupt and has liability for a Loan discharged, the other obligor(s) remains liable for unpaid principal and interest. The Authority and its counsel shall consult with respect to the filing of a claim in any bankruptcy proceeding of a Borrower or Co-Borrower.
8. Due Diligence. The Servicer and any collection agent engaged by the Authority shall exercise reasonable care and due diligence in the collection of Loans made by the Authority and shall utilize collection practices no less extensive and rigorous than those generally in use by commercial lenders for loans of comparable amounts. The Servicer

shall use such collection practices as are set forth in the Servicing Agreement between the Authority and the Servicer.

**REVIEWED**

*By Josh Hurlock at 8:45 am, Sep 04, 2020*

CONNECTICUT HIGHER EDUCATION  
SUPPLEMENTAL LOAN AUTHORITY

**CHESLA Refi CT**

**LOAN PROGRAM MANUAL**

ADOPTED MAY 16, 2016  
AMENDED OCTOBER 31, 2019  
AMENDED APRIL 30, 2020

# Table of Contents

<b>GUIDELINES</b> .....	<b>4</b>
<b>A. PURPOSE</b> .....	<b>4</b>
<b>B. DEFINITIONS</b> .....	<b>4</b>
<b>C. OVERVIEW OF CHESLA REFINANCE LOAN PROGRAM</b> .....	<b>6</b>
1. Amount .....	6
2. Interest Rate.....	7
3. Other Charges .....	7
4. Repayment Term and Schedule.....	7
5. Promissory Note.....	7
6. Nondiscrimination.....	7
7. Borrowers Not to Acquire Bonds .....	7
<b>D. APPLICATION PROCESS</b> .....	<b>7</b>
1. Obtaining the Application .....	7
2. Submitting the Application .....	7
3. Application Notices .....	7
<b>E. LOAN ORIGATION</b> .....	<b>8</b>
1. Application Processing .....	8
2. Debt-to-Income Determination .....	8
3. Credit Override.....	8
4. Credit Analysis.....	8
5. Credit History .....	8
<b>F. LOAN APPROVAL/DENIAL</b> .....	<b>9</b>
1. Limited Review of Applications Exceeding Debt-to-Income Ratio.....	9
2. Notice of Adverse Determination .....	9
3. Time Period for Approval / Denial .....	9
4. Loan Disbursement Process .....	9
<b>G. LOAN SERVICING AND REPAYMENT</b> .....	<b>10</b>
1. Monthly Statements .....	10
2. Processing of Payments Received.....	10
3. Application of Loan Payments .....	10
4. Loan Repayment .....	10

5. Prepayments ..... 10

6. Credit Bureau Reporting ..... 11

**H. LOAN COLLECTION PROCESS ..... 11**

1. Servicing of Delinquent Loans..... 11

2. Delinquent Requirements ..... 11

3. Defaults ..... 11

4. Death of Borrower or Cosigner ..... 11

5. Bankruptcy ..... 11

6. Due Diligence ..... 11

## **GUIDELINES**

### **A. PURPOSE**

The Connecticut Higher Education Supplemental Loan Authority is a quasi-public agency of the State of Connecticut established for the purpose of providing lower cost financial assistance for Connecticut residents attending colleges and universities within the United States of America and its possessions and for out-of-state students attending colleges and universities within Connecticut.

In accordance with the policy and provisions of Chapter 187b of the Connecticut General Statutes, as amended, the CHESLA Refinance Loan Program seeks to provide long-term financing for Borrowers who are seeking to refinance their Eligible Education Debt. The CHESLA Refinance Loan may also be used by parents.

### **B. DEFINITIONS**

Unless otherwise expressly stated herein or unless the context otherwise requires, the following definitions shall apply with respect to this Manual:

“Act” means the Connecticut Higher Education Supplemental Loan Authority Act, being Chapter 187b of the General Statutes of Connecticut, Sections 10a-221 through 10a-246, inclusive, as heretofore amended and as further amended from time to time.

“Applicant” means any individual who applies for a Program Loan, as a Borrower or a Cosigner, whether or not eligible for such Program Loan.

“Application” means an application for a Program Loan submitted to the Authority in the form prescribed by the Authority from time to time, together with such supporting information and documentation as the Authority may reasonably require prior to a final determination with respect thereto.

“Approval Disclosure Statement” means the closed-end disclosure statement provided to the Applicant at the time the Program Loan is approved as required by the federal Truth-in-Lending Act, or as otherwise required by law.

“Authority” means the Connecticut Higher Education Supplemental Loan Authority, a body politic and corporate of the State of Connecticut, constituting a public instrumentality created by the Act.

“Bonds” means (1) any bonds issued by the Authority the proceeds of which are used to fund Program Loans and (2) any bonds secured by Program Loans.

“Borrower” means an Eligible Borrower who receives a Program Loan.

“Capitalized Interest” means accrued and unpaid interest added to the principal balance of the Loan. The sum is thereafter considered the principal, and interest will accrue on the new principal balance.

“CHESLA Refinance Loan” means a loan made under this program to Borrowers who are seeking to refinance their Eligible Education Debt. The CHESLA Refinance Loan may also be used by parents to refinance Eligible Education Debt.

“Cosigner” means an individual who along with the Borrower is liable for payment of a Program Loan.

“Cumulative Principal Balance” means the cumulative outstanding balance on a Borrower’s Program Loans.

“Defaulted Loans” means all Program Loans for which payment is one hundred and twenty (120) days or more past due.

“Disbursement Date” means the date on which the Program Loan is disbursed on behalf of the Borrower to pay Eligible Education Debt.

“Eligible Borrower” means, subject to eligibility and underwriting criteria: (1) with respect to outstanding CHESLA Loans, a current CHESLA loan borrower and any co-borrower and (2) a student loan beneficiary of Eligible Education Debt who is a Connecticut resident and such student’s parent borrowers.

“Eligible Education Debt” means a loan that is in repayment and (A) may be either (1) a CHESLA loan(s) or (2) a loan(s) made by any other private lender or governmental lender to a student loan beneficiary who is a Connecticut resident, and such student’s parent borrowers, to finance attendance at a Program School and (B) for which there is provided by or on behalf of the Borrower to CHESLA evidence to CHESLA’s satisfaction that at the time of origination the amount of the loan(s) did not exceed the difference between the total cost of attendance and other forms of student assistance for which the student beneficiary was then eligible. [By way of example, the school certification obtained in connection with the origination of CHESLA loans and Parent Loans to Undergraduate Students (PLUS) would satisfy the requirement of (B) above.] For purposes of this definition, “private lender” means a bank, credit union or other commercial lender, and does not mean a natural person. The definition of “Eligible Education Debt” may be limited by the Authority in order to assure or maintain the tax-exempt status of any Bonds.

“Final Disclosure Statement” means the closed-end disclosure statement provided to the Borrower before Loan proceeds are disbursed as required by the federal Truth-in-Lending Act, or as otherwise required by law.

“Hardship Forbearance” At the sole discretion of the Authority, the borrower may be eligible for Hardship Forbearance. Any such forbearance period duration will be approved by the Authority and administered by the Servicer. In the event the Borrower is not required to make monthly interest payments during this period, any accrued and unpaid interest will be capitalized and added to the principal balance of the Loan and such interest will become Capitalized Interest. If forbearance is granted, the Loan maturity will not extend beyond the maturity date listed on the

Final Disclosure Statement. These provisions may be modified at the discretion of the Executive Director of the Authority.

“Loan” means the loan described in the Final Disclosure Statements accepted by the Borrower, plus (1) interest on the principal amount(s) thereof, (2) interest on any Capitalized Interest, and (3) any other charges and fees that may become due as provided in the Promissory Note.

“Loan Amount Requested” means the dollar amount of the Program Loan requested at the time of the Application necessary to pay the outstanding balance of the Eligible Education Debt being refinanced.

“Loan Program” means the CHESLA Refinance Loan Program described herein.

“Military Forbearance” is available any time a Borrower is called to active military service. The Borrower may request a Military Forbearance and any such forbearance, including any modification of the terms of the Loan, will be made in accordance with Servicemembers Civil Relief Act, if applicable, or as otherwise required by law. In the event the Borrower is not required to make monthly interest payments during this period, any accrued and unpaid interest will be capitalized and added to the principal balance of the loan and such interest will become Capitalized Interest. If a forbearance is granted, the loan maturity will not extend beyond the maturity date listed on the Final Disclosure Statement.

“Minimum Payment” means the higher of 1) the consecutive equal monthly installments of principal and interest, calculated to be the amount necessary to amortize the unpaid principal balance (including any Capitalized Interest) of the loan over the months remaining in the Repayment Period, or 2) \$50.00.

“Originator” means any qualified entity with whom the Authority contracts for the purpose of providing loan origination and disbursement of Program Loans.

“Program Loan” means a CHESLA Refinance Loan.

“Program School” means any non-profit or governmental degree granting educational institution within the United States of America and its possessions.

“Promissory Note” means the note signed by a Borrower and any Cosigner promising to pay the Authority and evidencing a Loan, in the form prescribed by the Authority from time to time.

“Repayment Period” means the period beginning on the Disbursement Date and continuing for the number of months the Borrower selected in the Application process and shown on the Final Disclosure Statement, up to a maximum of one hundred eighty (180) months.

“Servicer” means the entity with whom the Authority contracts for the purpose of providing loan servicing of Program Loans.

## **C. OVERVIEW OF THE CHESLA Refi CT LOAN PROGRAM**



1. Amount. The minimum Program Loan principal amount is \$5,000. The maximum Program Loan principal amount is \$125,000. An Applicant may not apply for a loan in a principal amount that exceeds the sum of the Eligible Education Debt payoff balance(s) and accrued and unpaid interest of the Eligible Education Debt to be refinanced. The payoff balance will be evidenced in accordance with requirements established by the Authority. At no point may any Borrower borrow proceeds that would result in the Borrower's Program Loans having a Cumulative Principal Balance in excess of \$125,000.
2. Interest Rate. Loans shall bear interest at such rate or rates and in such manner as the Authority shall determine from time to time and as disclosed to the Applicant in the Final Disclosure Statement.
3. Other Charges. Loans shall bear late charges or any other fee, at such rate or rates and in such manner as the Authority shall determine from time to time and as disclosed to the Applicant in the Final Disclosure Statement.
4. Repayment Term and Schedule. The initial monthly payment will be due thirty (30) to forty-five (45) days from the Disbursement Date. Consecutive monthly installments of principal and interest, calculated to be the amount necessary to amortize the unpaid principal balance of the Loan over the months remaining in the Repayment Period will be required. However, the monthly payment shall not be less than fifty dollars (\$50). All Loans must be repaid in full on or prior to their maturity date. Loans may be prepaid in full, or in part, with no prepayment penalty.

The Repayment Period will be determined by the Applicant up to a maximum of one hundred eighty (180) months.

5. Promissory Note. Each Loan will be evidenced by a Promissory Note executed by the Borrower and Cosigner (if any). A Promissory Note will be delivered to the Borrower and any Cosigner for execution upon approval of the Application by the Originator as authorized by the Authority.
6. Nondiscrimination. The Authority shall not discriminate on the basis of the location within the United States and its possessions of the Program School or on the basis of the residency of Eligible Borrowers.
7. Borrowers not to Acquire Bonds. Each Borrower shall agree that neither the Borrower, the cosigner, nor any person who is a "related person" within the meaning of Section 147(a) of the Internal Revenue Code of 1986, as amended, has or will acquire any of the Bonds in an amount related to any Loan received by such Borrower.

## **D. APPLICATION PROCESS**

1. Obtaining the Application. The Authority shall make Applications available, on its internet website and in such other manner as the Authority may determine from time to time.
2. Submitting the Application. An Applicant seeking a Loan must be a U.S. citizen or a Permanent Resident and submit a completed Application. An Application is complete when the Applicant furnishes all required documentation and information on the Application.
3. Application Notices. The Borrower will be notified of important facts about how refinancing their student loans may affect their rights as it relates to any federal loans included in their Refinance Application, and as to other matters, as required by law.

**E. LOAN ORIGINATION**

1. Application Processing performed by the Originator. Upon receipt of a completed Application, the Originator shall:
  - a. Check for completeness of the Application, including all necessary attachments. If an Application is incomplete or otherwise rejected, the Originator may return the document or send a form for correction or completion of information contained in the document, to the Applicant or Cosigner, as appropriate, for missing information;
  - b. Verify Applicant income;
  - c. Verify employment status of the Applicant in such manner as the Authority may prescribe from time to time;
  - d. Request and review the credit report of the Applicant and investigate any derogatory information contained therein to the extent deemed necessary;
  - e. Review the credit reports according to the following guidelines: judgments, liens, bankruptcies by or against the Applicant and defaults by the Applicant on installment loans of any type, including other education loans, to the extent deemed necessary in order to make the recommendation required;
  - f. Review to determine that the Applicant and the Program Loan, if made, would meet the requirements of the Program.
  - g. Review to determine that the Applicant is of a legal age to commit to a contract.
  - h. Confirm the Applicant's Eligible Education Debt balances in a manner agreed to by the Authority and the Originator.
2. Debt-to-Income-Determination by Originator.

The Originator shall calculate a debt-to-income ratio based on information provided on the Application. Total monthly debt obligations plus the total monthly housing expense (rent or mortgage payments) may not exceed 43% of the stable gross monthly income. If the debt-to-income ratio is satisfactory, the Originator will complete the credit analysis. If the debt-to-income ratio exceeds the amount permitted in this Section, the Originator will follow the procedures under Section F.1 or F.2.

3. Credit Override. The credit status of a qualified Cosigner may be relied upon to override an Applicant's credit denial in the event the Applicant does not meet the minimum Debt-to-Income Requirement.
4. Credit Analysis. The Originator performs a credit analysis in keeping with normal industry standards and shall consider such factors as it shall mutually agree upon with the Authority from time to time.
5. Credit History. The Originator shall obtain a written credit report prepared by a commercial credit reporting agency with respect to each Application. In addition to the criteria described herein, Applicants must meet minimum FICO scores established by the Authority from time to time.
  - a. To be eligible, no Applicant may have any record of an education loan default.
  - b. The Originator shall review the credit report to determine:
    - i. That no more than one account is rated ninety (90) or more days delinquent in the past twelve (12) months
    - ii. That no collection or charged off accounts exist in the past twelve (12) months
    - iii. That there is no record of a bankruptcy, foreclosure, repossession, wage garnishments, unpaid tax liens, or unpaid judgments or suits, or other unpaid negative public record items in the past five (5) years.

Credit reports that list any of the above conditions may result in a rejection of the Applicant's application.

Errors in the credit report may be corrected upon submission of appropriate documentation by the Applicant.

## **F. LOAN APPROVAL/DENIAL**

1. Limited Review of Applications Exceeding the Debt-to-Income Ratio. On a limited basis, the Originator may submit to the Authority Applications which exceed the debt-to-income ratio or otherwise do not meet the credit criteria, and the Authority, in its sole discretion, may approve the Loan. The Executive Director and CHESLA authorized officers are authorized to approve the making of such Loan, subject to the limitations set forth in any resolution of the Authority.
2. Notice of Adverse Determination. If the Originator determines that the Applicant does not meet the Authority's standards or if the Applicant is rejected for any other reason the Originator shall send an adverse action notice as required by law advising the Applicant of the reasons for rejection.
3. Time Period for Approval/Disapproval. The Originator shall approve or deny a Loan upon receipt of a completed Loan Application, and the Originator shall thereafter process all additional loan documentation. The time period within which such actions

shall occur shall be as agreed upon by the Authority and the Originator from time to time and will not exceed any time periods required by law.

4. Loan Disbursement Process. For each approved Loan, the Originator shall:  
Deliver to the approved Applicant, a Promissory Note to be signed by the Borrower and any Cosigner. The Applicant may sign the Application/Promissory Note manually and return the application with all supporting loan documents. The Applicant may also choose to e-sign the Application/Promissory Note and provide all supporting loan documents (via fax, regular mail or secure email via the application portal), to the Originator. Applications will be considered complete when the Applicant submits all necessary documents.
  - i. Upon receipt of an executed Promissory Note, notify the Authority of loan approvals. The Originator shall maintain the Application and the evidence of loan origination including a copy of the Promissory Note for safekeeping.
  - ii. The Originator will remit the loan payoff amounts on behalf of CHESLA for credit to the Borrower's Eligible Education Debt. The loan servicers of the refinanced Eligible Education Debt will be responsible for processing any overpayments or underpayments according to their operating policies. Any underpayment of the refinanced Eligible Education Debt will result in continued billing by the loan servicer of the refinanced Eligible Education Debt until the loan is paid in full, and the Borrower shall remain liable for all such payments.
  - iii. The Originator will provide the Servicer will all loan information necessary to service the Loan.

## **G. LOAN SERVICING AND REPAYMENT**

Loans will be serviced by the Servicer in accordance with the following:

1. Monthly Statements. The Servicer will, with respect to Loans, within a period of forty-five (45) days after the disbursement of funds, commence, and continue monthly throughout the Repayment Period, to deliver statements to the Borrower.
2. Processing of Payments Received. The Servicer, on behalf of Authority, will receive payments on the Loans, and will transfer such payments into an account maintained by the Trustee, on such basis as the Servicer and the Authority shall agree. Such payments shall be deemed held in trust for the Authority and the holders of any Bonds. The Authority and the Trustee shall be responsible for negotiating the terms of said account with respect to fees, interest and transfers therefrom. The Servicer shall prepare a report monthly with respect to payments received, identifying (to the extent ascertainable) the Borrower with respect to each payment and shall deliver such report to the Authority.

3. Application of Loan Payments. Payments of Loans will be applied, to the extent sufficient, in the following order of priority: (a) late fees and other charges, (b) interest and (c) principal.
4. Loan Repayment. Level monthly payments of principal and interest shall be due for a period not exceeding one hundred (180) months, or until the loan is paid in full, and, except for the final payment, shall not be less than fifty dollars (\$50.00) per month.
5. Prepayments. A loan may be prepaid in full or in part at any time.
6. Credit Bureau Reporting. The Servicer shall notify the major credit bureaus of the making and status of each Borrower's and any Cosigner's obligation to the Authority.

#### **H. LOAN COLLECTION PROCESS**

1. Servicing of Delinquent Loans. The Servicer must responsibly service Delinquent Loans so as to enable, to the maximum extent possible, payment in full of such Loans on their respective repayment schedules. For accounts which continue to be delinquent, the Servicer must notify the Borrower and any Cosigner of the delinquency. If any payment is one hundred twenty (120) days delinquent, the Servicer will notify the Authority.
2. Delinquency Requirements. The Servicer will send delinquency notices and make contact with the Borrower and any Cosigner in accordance with the Servicing agreement or such other process agreed to by the Authority from time to time.
3. Defaults. The Authority, upon the 120<sup>th</sup> day of delinquency, will consider the Loan to be in default. The Authority may then begin collection proceedings against the Borrower and any Cosigner.
4. Death of Borrower or Cosigner. If at any time, the Servicer is notified or otherwise becomes aware of the death of a Borrower or a Cosigner it shall notify the Authority immediately.
5. Loan Discharge - Borrower Death. Loans may be discharged due to a Borrower's death in accordance with the Servicing Agreement or such other manner prescribed by the Authority.
6. Bankruptcy. If a Borrower or a Cosigner is adjudicated bankrupt and has liability for a Loan discharged, the other obligor(s) shall remain liable for unpaid principal and interest. The Authority and its counsel shall consult with respect to the filing of a claim in any bankruptcy proceeding of a Borrower or Cosigner.
7. Due Diligence. The Servicer will exercise reasonable care and due diligence in the collection of Loans made by the Authority and shall utilize collection practices no less extensive and rigorous than those generally in use by commercial lenders for loans of comparable amounts. The Service shall use such collection practices as set

forth in the Servicing Agreement between the Authority and the Servicer from time to time.

**REVIEWED**

*By Josh Hurlock at 8:52 am, Sep 04, 2020*



## **Exhibit E – FY 2021 Operating Budget**

**CHESLA Budget**  
**Budget for the Twelve Months Ending June 30, 2021**  
**Board Approved 6/18/2020**

	FYE June 30, 2018 Budget	FYE June 30, 2018 Actual	FYE June 30, 2019 Budget	FYE June 30, 2019 Actual	FYE June 30, 2020 Budget	FYE June 30, 2020 Actual	FYE June 30, 2021 Budget
<b>Revenues</b>							
Admin Fee Income							
In-school product	\$ 892,111	\$ 903,597	\$ 910,818	\$ 908,971	\$ 932,998	904,266	\$ 893,893
Refinance product	16,803	23,697	42,230	39,272	53,402	55,443	60,376
Investment Income	9,000	51,749	30,000	88,559	50,000	53,942	20,000
Misc Income & Recovery	0	5,136	0	0	0	611	0
<b>Total Revenues</b>	<b>\$ 917,914</b>	<b>\$ 984,179</b>	<b>\$ 983,048</b>	<b>\$ 1,036,803</b>	<b>\$ 1,036,400</b>	<b>\$ 1,014,261</b>	<b>\$ 974,269</b>
<b>Expenses</b>							
Compensation	\$ 184,673	\$ 98,897	\$ 235,604	\$ 136,341	\$ 190,613	\$ 192,129	\$ 219,018
Employee Benefits	53,361	37,780	73,832	48,149	65,452	65,797	73,738
General and Administrative	139,921	128,551	150,805	256,031	256,036	224,459	286,064
Depreciation/Amortization	0	18	0	206	206	206	206
Business Education, Board and Reimbursable	11,900	2,832	12,450	7,279	13,150	5,826	13,400
Membership Dues	12,599	12,771	13,500	13,976	17,100	16,749	17,100
CHEFA Support Services	206,109	206,109	209,000	201,212	238,355	126,053	137,649
Outside Services	35,490	34,110	44,925	44,388	84,300	64,542	55,900
<b>Total Expenses</b>	<b>\$ 644,054</b>	<b>\$ 521,069</b>	<b>\$ 740,116</b>	<b>\$ 707,580</b>	<b>\$ 865,212</b>	<b>\$ 695,760</b>	<b>\$ 803,074</b>
<b>Excess Revenue from Operations</b>	<b>\$ 273,860</b>	<b>\$ 463,110</b>	<b>\$ 242,932</b>	<b>\$ 329,222</b>	<b>\$ 171,189</b>	<b>\$ 318,502</b>	<b>\$ 171,195</b>
<b>Non Operating Income</b>							
Transfer from Non-Trust Refi Program to Operating Account	0	0	0	0	50,000	0	0
<b>Non Operating Expenses</b>							
Bond Issuance Costs & Amortization & Transfer to Trust	32,635	142,635	0	0	0	0	0
Transfer between Operating & Trust	0	(1,000,000)	0	1,015,657	0	17,461	0
Refinance Program Costs Funded at Start-up	128,093	40,183	87,911	52,569	35,341	35,341	0
<b>Total Excess Revenue</b>	<b>\$ 113,133</b>	<b>\$ 1,280,293</b>	<b>\$ 155,022</b>	<b>\$ (739,004)</b>	<b>\$ 185,847</b>	<b>\$ 265,699</b>	<b>\$ 171,195</b>
<b>Benefit % to Compensation</b>	<b>28.89%</b>	<b>38.20%</b>	<b>31.34%</b>	<b>35.31%</b>	<b>34.34%</b>	<b>34.25%</b>	<b>33.67%</b>



**CHESLA Salary & Benefits Expense**  
**Budget for the Twelve Months Ending June 30, 2021**

	FYE June 30, 2018 Budget	FYE June 30, 2018 Actual	FYE June 30, 2019 Budget	FYE June 30, 2019 Actual	FYE June 30, 2020 Budget	FYE June 30, 2020 Actual	FYE June 30, 2021 Budget
<b>Staff Compensation</b>	\$ 171,829	\$ 98,897	\$ 205,964	\$ 136,341	\$ 190,613	\$ 192,129	\$ 219,018
Temporary Salaries (Intern)	12,844	0	0	0	0	0	0
<b>Total Compensation</b>	\$ 184,673	\$ 98,897	\$ 205,964	\$ 136,341	\$ 190,613	\$ 192,129	\$ 219,018
<b>Payroll Taxes</b>	\$ 14,234	\$ 9,330	\$ 20,364	\$ 11,015	\$ 15,675	\$ 15,646	\$ 17,065
<b>Medical &amp; Life Insurance</b>							
CBIA Medical w/CBIA Life	4,570	4,467	8,632	8,059	10,496	10,362	11,889
Deductible Funding HSA (CHEFA)	2,175	2,100	6,450	5,250	4,350	4,200	5,250
Less: CBIA Co-insurance	(956)	(785)	(1,295)	(1,220)	(1,564)	(1,550)	(1,783)
Net Medical Insurance	5,789	5,782	13,787	12,088	13,282	13,012	15,356
CHEFA Alternative Insurance	2,800	1,167	2,800	0	2,369	1,938	2,800
Life Insurance	731	384	1,201	696	1,037	1,026	1,192
Dental	2,505	2,332	2,799	1,088	1,105	988	1,223
Less: Dental Co-Insurance	0	(3)	(28)	(29)	(140)	(63)	(91)
<b>Total Medical, Life Insurance &amp; Other</b>	11,825	9,663	20,559	13,842	17,653	16,900.87	20,480
<b>Pension</b>							
Contributions	17,183	9,592	22,078	11,147	19,391	17,045	21,737
Administrative Fee	594	594	594	528	396	395	395
Total Pension	17,777	10,186	22,672	11,675	19,787	17,440	22,132
<b>457 Plan</b>	2,508	1,920	4,008	2,596	4,269	4,154	4,500
<b>Vacation</b>	0	0	1,000	4,821	1,000	4,588	2,000
<b>Disability Insurance - Long Term</b>	506	577	751	498	686	697	865
<b>Disability Insurance - Short Term</b>	740	716	910	559	771	760	935
<b>Workers Compensation</b>	771	789	568	842	611	611	761
<b>Tuition</b>	5,000	4,600	3,000	2,300	5,000	5,000	5,000
<b>Total Employee Benefits</b>	54,312	37,780	73,832	48,149	65,452	65,797	73,738
<b>Total Employment</b>	\$ 238,985	\$ 136,677	\$ 279,796	\$ 184,489	\$ 256,065	\$ 257,926	\$ 292,756

**CHESLA Non Salary Expense  
Budget for the Twelve Months Ending June 30, 2021**

Exhibit I

	FYE June 30, 2018 Budget	FYE June 30, 2018 Actual	FYE June 30, 2019 Budget	FYE June 30, 2019 Actual	FYE June 30, 2020 Budget	FYE June 30, 2020 Proj Actual	FYE June 30, 2021 Budget
<b>Lease &amp; Storage</b>							
Lease - Office Space	\$ 19,722	\$ 19,049	\$ 20,095	\$ 20,013	20,664	\$ 20,461	\$ 21,113
Lease - Taxes/CAM fees	408	-	80	1,590	120	0	\$ 120
Offsite Storage & Filesanywhere (electronic storage)	135	116	135	133	135	272	\$ 250
<b>Total Lease &amp; Storage</b>	<b>20,265</b>	<b>19,165</b>	<b>20,310</b>	<b>21,735</b>	<b>20,919</b>	<b>20,733</b>	<b>\$ 21,483</b>
<b>Business Insurance</b>							
Office Package	593	603	634	606	637	627	\$ 658
Cyber Policy	4,855	4,680	4,241	4,095	3,315	3,780	\$ 4,862
Fiduciary & Performance Bond & Terrorism	290	264	277	264	277	265	\$ 277
Directors and Officers Liability / Public Officials	15,677	15,443	16,721	15,649	16,857	17,603	\$ 19,611
<b>Total Business Insurance</b>	<b>21,415</b>	<b>20,990</b>	<b>21,873</b>	<b>20,614</b>	<b>21,086</b>	<b>22,274</b>	<b>\$ 25,408</b>
<b>Office Supplies and Non Capital Equipment</b>							
General Office Expense and Supplies	1,000	590	1,000	1,999	2,000	1,159.97	\$ 2,000
Non-Capital furniture, Equipment & Software Licensing	3,000	929	4,000	2,531	8,000	5,455	\$ 1,439
<b>Total Office Supplies and Non Capital Equip</b>	<b>4,000</b>	<b>1,518</b>	<b>5,000</b>	<b>4,530</b>	<b>10,000</b>	<b>6,615</b>	<b>\$ 3,439</b>
<b>Communications: Telephone &amp; Internet</b>							
Phone, Data Svc & Conferencing	3,000	2,586	4,000	3,327	4,900	1,955	\$ 5,141
Email (Trend Micro Email & Security)	86	35	707	0	707	0	0
Website Development & Hosting	1,500	1,728	1,500	0	1,500	722	\$ 721
<b>Total Communications: Phone &amp; Internet</b>	<b>4,586</b>	<b>4,349</b>	<b>6,207</b>	<b>3,327</b>	<b>7,107</b>	<b>2,677</b>	<b>\$ 5,862</b>
<b>Postage Expense</b>							
Postage & Courier Expense	2,500	1,538	2,000	1,688	2,000	1,431	\$ 2,000
<b>Maintenance Contracts</b>	6,516	4,616	9,590	5,720	15,191	10,669	\$ 16,797
<b>Publications &amp; Resource Materials</b>	175	68	175	68	175	68	\$ 175
<b>Marketing Costs</b>	80,000	76,060	85,000	82,511	178,659	159,038	\$ 210,000
<b>Miscellaneous</b>	550	247	650	115,839	900	954	\$ 900
<b>Total General and Administrative Expenses</b>	<b>\$ 140,007</b>	<b>\$ 128,551</b>	<b>\$ 150,805</b>	<b>\$ 256,031</b>	<b>\$ 256,036</b>	<b>\$ 224,459</b>	<b>\$ 286,064</b>
<b>* Refinance Program Costs Funded at Start-up (used for Marketing as of 7/1/2017)</b>	<b>128,093</b>	<b>40,183</b>	<b>87,911</b>	<b>52,569</b>	<b>35,341</b>	<b>35,341</b>	<b>0</b>
<b>Bond Insurance Cost - Amortization</b>	<b>32,635</b>	<b>32,635</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Bond Issuance Costs</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Bond Issuance Cost</b>	<b>\$ 32,635</b>	<b>\$ 32,635</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**CHESLA Non Salary Expense**  
**Budget for the Twelve Months Ending June 30, 2021**

	FYE June 30, 2018 Budget	FYE June 30, 2018 Actual	FYE June 30, 2019 Budget	FYE June 30, 2019 Actual	FYE June 30, 2020 Budget	FYE June 30, 2020 Actual	FYE June 30, 2021 Budget
<b>Depreciation/Amortization</b>	\$ 0	18	0	206	206	206	\$ 206
<b>Employee Reimbursable</b>							
Staff business and travel expenses	500	517	1,000	380	1,000	447	1,000
<b>Total Employee Reimbursable</b>	500	517	1,000	380	1,000	447	1,000
<b>Board Expense</b>							
Board lunches & parking	500	377	550	604	650	683	1,000
Board education	0	0	0	0	0	0	0
<b>Total Board Expense</b>	500	377	550	604	650	683	1,000
<b>Conference &amp; Education Expense</b>							
CAPFAA	1,400	560	1,400	1,016	2,000	2,077	2,100
EFC	3,500	0	3,500	3,909	4,500	2,619	4,000
EASF AA	0	1,278	1,000	1,262	1,000	0	1,300
NASFAA	5,000	0	2,000	0	0	0	0
Other (Conferences and non tuition education)	1,000	100	3,000	108	4,000	0	4,000
<b>Total Conference &amp; Education Expense</b>	10,900	1,938	10,900	6,295	11,500	4,697	11,400
<b>Total Business Education, Board and Reimbursable</b>	\$ 11,900	\$ 2,832	\$ 12,450	\$ 7,279	\$ 13,150	\$ 5,826	\$ 13,400
<b>Memberships Dues</b>	\$ 12,599	\$ 14,289	\$ 13,500	\$ 13,976	\$ 17,100	16,749	\$ 17,100
<b>CHEFA Support Services</b>	\$ 206,109	\$ 206,109	\$ 209,000	\$ 201,212	\$ 238,355	126,053	\$ 137,649

**CHESLA Non Salary Expense  
Budget for the Twelve Months Ending June 30, 2021**

	<b>FYE June 30, 2018 Budget</b>	<b>FYE June 30, 2018 Actual</b>	<b>FYE June 30, 2019 Budget</b>	<b>FYE June 30, 2019 Actual</b>	<b>FYE June 30, 2020 Budget</b>	<b>FYE June 30, 2020 Actual</b>	<b>FYE June 30, 2021 Budget</b>
<b>Accounting Systems</b>							
Enhancements (IT)	0	0	0	0	0	0	<b>0</b>
<b>Total Accounting and IT Systems</b>	0	0	0	0	0	0	<b>0</b>
<b>Consultant Others</b>							
<b>Total Consultant Others</b>	6,300	6,300	16,300	15,762	56,300	36,541.57	<b>26,300</b>
<b>Independent Auditors</b>	29,190	27,810	28,625	28,625	28,000	28,000	<b>29,600</b>
<b>Total Outside Services</b>	\$ 35,490	\$ 34,110	\$ 44,925	\$ 44,388	\$ 84,300	\$ 64,542	<b>\$ 55,900</b>