

# Connecticut Higher Education Supplemental Loan Authority (CHESLA)

## 2006 Annual Report



**Representative Ernest Hewett and Mitchell College Students**

Connecticut Family Education Loan Program  
**CT FELP**

[www.chesla.org](http://www.chesla.org)

**“Celebrating Twenty-Four Years of Helping Students and their Families  
Finance a College Education”**



Connecticut Higher Education Supplemental Loan Authority

CHESLA

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# Providing Access for Students

CHESLA (the “Authority”) 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.

## Authority Members

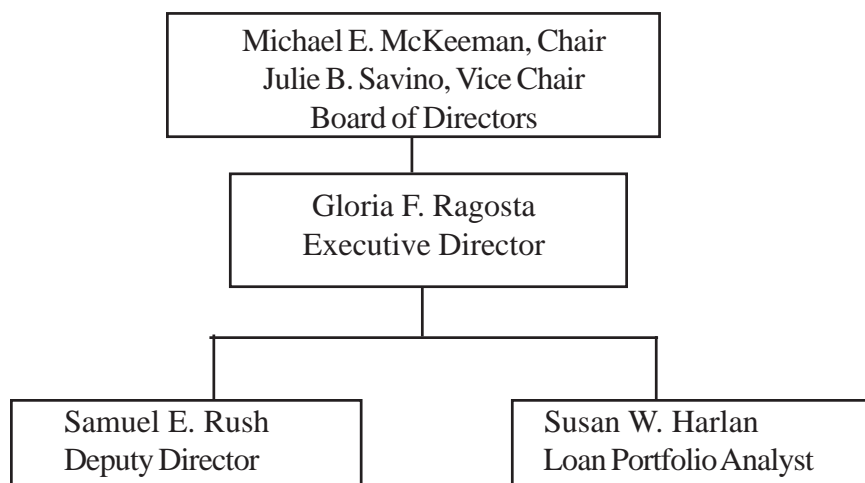
The State Treasurer Denise Nappier, Secretary of the Office of Policy and Management (OPM) Robert L. Genuario and Commissioner of Higher Education Valerie Lewis serve as ex-officio members of the Authority. The remaining five members are appointed by the Governor based on their qualifications in the area of higher education and/or public finance, as specified in Section 4 of the Act.

During the year ended June 30, 2006, the following individuals served as Authority members:

<u>Name</u>	<u>Expiration of Term</u>	<u>Statutory Qualifications</u>
William J. Pizzuto	2012	Employee of constituent unit of state higher education system
Julie B. Savino	2011	Experience in higher education loan finance
Kathleen Woods	2011	Experience in higher education loan finance
Delores P. Graham	2009	Retired employee/trustee of institution for higher education
Michael E. McKeeman	2008	Experience in state and municipal finance

# CHESLA Chair and Staff

On March 16, 1999, Governor John G. Rowland nominated Mr. Michael McKeeman for appointment as Chairman of the Authority. This appointment was confirmed by the General Assembly during its 1999 Regular Session and Mr. McKeeman was reappointed during the 2004 Regular Session.



## Authority Activities

Between July 1, 2005 and June 30, 2006, the Authority held four regular meetings and one special meeting.

At its meeting on September 20, 2005:

- The Authority approved a motion authorizing the issuance of an RFP for a Financial Advisor and for an Underwriter.
- Ms. Savino was re-appointed as Vice Chair of the Authority.
- A motion to authorize the issuance of an RFP for Arbitrage Rebate/Loan Yield Calculations was approved.
- The Board agreed to schedule a special meeting on Sept. 28th to approve the annual audit.
- The Authority approved its 2005 Annual Report.
- The Authority adopted a Sarbanes-Oxley policy pertaining to CHESLA.
- The Executive Director was designated as CHESLA's liaison to the State Ethics Commission.
- The Authority approved revisions to the CHESLA Vacation Policy.
- The Authority approved the selection of Williams Audit Services to perform a program review audit of Firstmark Services.

At its special meeting on September 28, 2005:

- The Authority approved its 2005 Annual Audit.

At its meeting on December 13, 2005:

- The Authority held its annual meeting with its Advisory Committee.
- The Authority approved a motion to appoint the 2006 Advisory Committee members.
- The Authority approved its meeting dates for 2006.
- The Authority approved a resolution recommending the appointment of American Municipal Tax-Exempt Compliance Corp. (AMTEC) as the firms to provide CHESLA's arbitrage rebate and loan yield calculations for a period of not more than three years.
- The Authority approved a resolution ratifying the Collection Company Selection Committee's recommendation to reappoint the Collection Company of America to serve as the Authority's collection agency for a period of three years.
- The Authority approved the establishment of an Audit Committee to undertake the duties prescribed in the CHESLA Sarbanes-Oxley policy regarding audit practices.
- The Authority reviewed the FY 2005 first quarter financial statements.
- The Authority approved the establishment of an Affirmative Action Policy Committee to revise the CHESLA policy.
- The Authority approved the CHESLA Compensation and Benefits Practices and a revised draft of the CHESLA Vacation Policy.
- The Authority approved the appointment of Public Financial Management (PFM) to serve as Financial Advisor to the Authority for a period not to exceed three years.
- The Authority approved a resolution recommending the promotion of Samuel E. Rush to the position of Deputy Director with an increase in annual salary effective Jan. 1, 2006.

At its meeting on March 21, 2006

- The Authority approved a Resolution Concerning the 2006 Bond Committee.
- The Authority approved a new Affirmative Action Policy Statement.
- The Authority approved a Resolution appointing Goldman Sachs as CHESLA's Underwriter for a two year term with a one year renewal option.

At its meeting on June 20, 2006

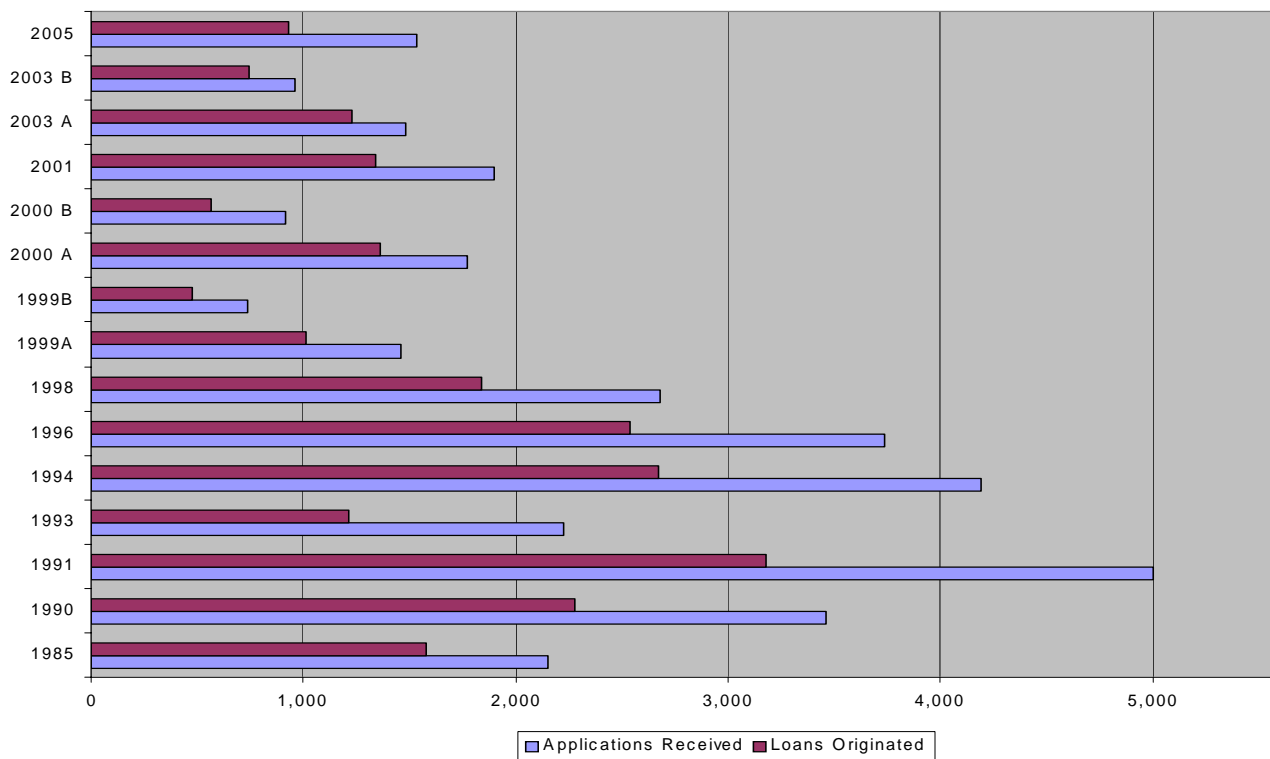
- The Authority approved a Resolution reappointing Beers, Hamerman as CHESLA's accountant.
- The Authority approved utilizing ELM Resources through Firstmark Services for CT FELP loans to institutions who request ELM.
- The Authority approved the participation of members in charity events within the student aid community the proceeds of which go to scholarships.
- The Authority approved a resolution to allocate the 2006 Bond Issue Cost of Issuance from the operating reserves.
- The Authority approved its Budget and Plan of Operations for FY 2007 including staff compensation.

# Administrative Activities

The Act requires the Authority to appoint an Advisory Committee of up to 15 persons to meet with members of the Authority at least once a year. During the year ended June 30, 2006, the following individuals served as members of the Advisory Committee: James Blake, Edwin Below, Virginia Gorman, Joseph Martinkovic, Kristin White, Julie Weber, Richard Savage, Marylou Shand, John Siegrist, Joe Popevis, Dominic Yoia, and David Welsh. The Advisory Committee met with the Authority on December 14, 2004 as required by the Act. The Authority retained the firm of Simone Macca & Larrow to be its independent auditor for the Fiscal Year Ended June 30, 2006. (The audit is attached as Exhibit A.)

## Financial Assistance Activities

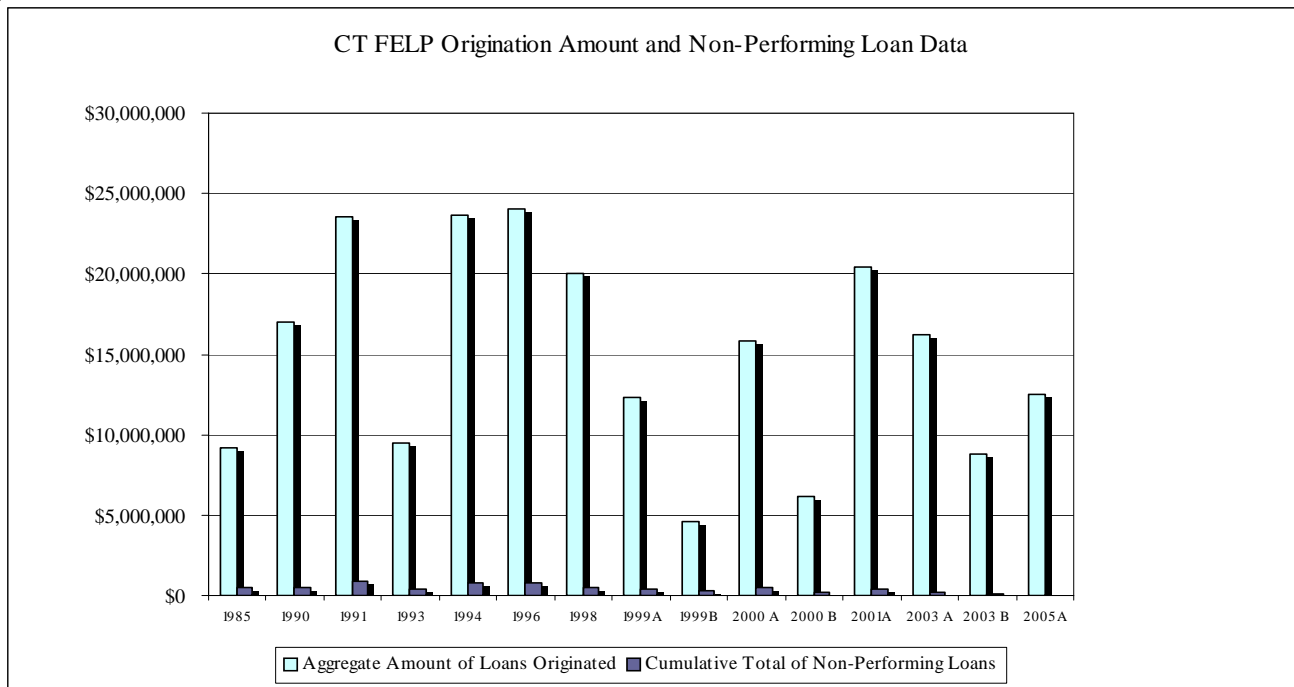
Funding for the CT Family Education Loan Program (CT FELP)



All series are fixed (simple interest) rates

**Applications Received** - 1985 (2,150), 1990 (3,462), 1991(5,022), 1993 (2,226), 1994 (4,193), 1996 (3,737), 1998 (2,681), 1999A (1,460), 1999B (739), 2000A (1,771), 2000B (915), 2001 (1,900), 2003A (1,484) and 2003B (964).

**Loans Originated** - 1985 (1,575), 1990 (2,275), 1991 (3,181), 1993 (1,215), 1994 (2,676), 1996 (2,542), 1998 (1,883), 1999A (1,014), 1999B (475), 2000A (1,360), 2000B (564), 2001 (1,341), 2003A (1,225), 2003B (743), 2005 (932).



**Aggregate Amount of loans Originated** - 1985 (\$9,138,627), 1990 (\$16,978,127), 1991 (\$23,509,883), 1993 (\$9,457,002), 1994 (\$23,601,441), 1996 (\$24,002,867), 1998 (\$19,989,330), 1999A (\$12,283,780), 1999B (\$4,628,969), 2000A (\$15,853,387), 2000B (\$6,200,067), 2001 (\$20,433,303), 2003A (\$16,212,316), 2003B (\$8,813,427) and 2005 A (\$12,547,225).

**Cummulative Total of Non-Performing Loans** - 1985 (\$447,567), 1990 (\$523,385), 1991 (\$900,479), 1993 (\$371,827), 1994 (\$735,491), 1996 (\$777,118), 1998 (\$525,991), 1999A (\$356,199), 1999B (\$266,226), 2000A (\$450,591), 2000B (\$157,303), 2001A (\$394,526), 2003A(\$184,575), 2003B (\$145,236) and 2005A (0). Total non-performing loans \$6,236,514.

**Non-Performing loan Rate** - 1985 (4.90%), 1990 (3.08%), 1991 (3.83%), 1993 (3.93%), 1994 (3.12%), 1996 (3.24%), 1998 (2.63%), 1999A (2.90%), 1999B (5.75%), 2000A (2.84%), 2000B (2.54%), 2001 (1.93%), 2003A (1.14%), 2003B (1.65%) and 2005A(0.0%). Total non-performing loan rate (2.79%)

Financial assistance activity information was compiled from student loans originated during the following periods:

- 1985 Series A Bonds - October 1, 1985 to October 30, 1988;
- 1990 Series A Bonds - August 22, 1990 to September 6, 1991
- 1991 Series A Bonds - September 12, 1991 to August 5, 1993;
- 1993 Series A Bonds - August 12, 1993 to August 20, 1994;
- 1994 Series A Bonds - August 26, 1994 to September 20, 1996;
- 1996 Series A Bonds - October 5, 1996 to September 5, 1998;
- 1998 Series A & B Bonds - September 11, 1998 to June 30, 1999;
- 1999 Series A & B Bonds - October 27, 1999 to November 24, 2000;
- 2000 Series A & B Bonds - December 15, 2000 to May 1, 2002; and
- 2001 Series A Bonds - May 5, 2002 to Aug. 11, 2004 (includes recycling)
- 2003 Series A & B Bonds - July 23, 2003 to August 10, 2005
- 2005 Series A& B Bonds - August 10, 2005 to June 30, 2006

Of the 1,575 students receiving loans disbursed from the proceeds of the 1985 bond sale, 1,499 students attended in-state institutions and received a total of \$8,510,327. Seventy-six students attended out-of-state institutions and received a total of \$628,300. A table showing the total number and amounts of loans disbursed from proceeds of the 1990 through 2001 bond sales is attached as Exhibit B.

A copy of the 2006 CT FELP Program Manual is attached as Exhibit C.

## Bond Issuance

The Authority plans to refund 1996 Series A bonds and issue new bonds in August 2006. The 2006 Bonds will be sold through a negotiated underwriting with Goldman Sachs as the underwriter and PFM as the Authority's financial advisor.

As of June 30, 2006, the Authority had issued Revenue Bonds and Revenue Refunding Bonds in the aggregate principal amount of \$292.570 million. The principal amounts of the Authority's outstanding bonds totalled \$115.815 million, including:

<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	\$ 7,355,000
1998 Series A - \$15,000,000	\$ 3,765,000
1998 Series B - \$ 3,560,000	\$ 2,935,000
1999 Series A - \$12,500,000	\$ 3,850,000
1999 Series B - \$ 4,390,000	\$ 3,995,000
2000 Series A - \$16,410,000	\$ 7,915,000
2000 Series B - \$ 5,975,000	\$ 3,035,000
2001 Series A - \$25,000,000	\$19,740,000
2003 Series A - \$18,000,000	\$16,300,000
2003 Series B - \$12,915,000	\$10,570,000
2005 Series A - \$31,455,000	\$30,455,000
2005 Series B - <u>\$ 5,900,000</u>	<u>\$ 5,900,000</u>
Total \$292,570,000	\$115,815,000

The State's contingent liability, in connection with the 1996, 1998, 1999, 2000, 2001, 2003 and 2005 A Bonds, is the Special Capital Reserve Fund requirement for such Bonds, as defined in Connecticut General Statutes Section 10a-232, funded as of June 30, 2006 in the aggregate amount of \$9.050 million.

## Projected Activities

The Authority provided assistance in the form of Education Loans from the remaining proceeds of its 2005 Series Bonds in the amounts of approximately \$25 million during the remainder of the fiscal year and through September, 2006 under the CT FELP Program. The Authority issued new bonds in August 2006 and has \$25.259 million in loan funds to lend in 2007.



# Affirmative Action

The Authority's affirmative action policy statement, as required by Connecticut General Statutes Section 10a-224(h)(2): The Authority is an equal opportunity employer. It is the policy of CHESLA to provide equal employment opportunity at all times in accordance with State Statutes. Equal employment opportunity is defined as the administration of all personnel policies - employment applications; job qualifications; job specifications; recruitment practices; job structuring; orientation; grievance procedures; evaluation; layoffs and termination - so that there is no discrimination based on race, ethnicity, religion, age, gender, sexual orientation, marital status, national origin, ancestry or disability. Notwithstanding the foregoing, it shall be the policy of CHESLA to take positive action, with conviction and effort, to achieve the full and fair participation of protected class persons.

In addition to its non-discrimination policies and practices, the Connecticut Higher Education Supplemental Loan Authority shall require a statement of non-discrimination from all entities with which it enters into contractual or other business arrangements.

As of June 30, 2006, CHESLA had two employees: an Associate Director (1 African -American male) and a Loan Portfolio Analyst (1 Caucasian female).



## Community Service Activities

The Authority participated in two early college awareness programs in the State. In addition, CHESLA sponsored one GEAR UP student by awarding her an annual \$2,500 "Morrison Beach Scholarship." The total award for the student equals \$10,000 over four years of college. The student is enrolled in the University of Connecticut. Annual scholarship allocations are based on academic performance and continued enrollment (the three previous recipients have graduated).

## Payments in Excess of \$5,000

Firms paid in excess of \$5,000 in payments of loans, grants, services (excluding loans for education):

Beers, Hammerman & Co.	-	Accountant
Collection Company of America	-	Collection Agency
Connecticut Conference of Independent Colleges	-	Personal Services/Shared Office Space
Education Finance Council	-	Professional Membership
Firstmark Services	-	Origination/Loan Servicing (as of Jan. 1/05)
Day, Berry & Howard LLP	-	Legal/Bond Counsel
Howard Lee Schiff P.C.	-	Collection Attorney
Kutak Rock Consultants	-	Loan Yield/Arbitrage Rebate
NCHHELP	-	Professional Membership
R.C. Knox & Co., Inc.	-	Insurance Broker/Insurance Fees
Simione Macca & Larrow	-	Auditor
Small Business Services	-	Health Insurance
The PFM Group	-	Financial Advisor
U.S. Bank National Association	-	Trustee
Vanguard Fiduciary Trust Co.	-	Pension Plan

# Exhibit A

## Financials



# Exhibit B

## Loans Disbursed 1990-2006



# Exhibit C

## 2006 CT FELP Program Manual

