

# Connecticut Higher Education Supplemental Loan Authority (CHESLA)

## 2007 Annual Report



President Walter Harrison, University of Hartford and the  
University High School of Science and Engineering Students  
with Governor M. Jodi Rell and Lt. Governor Michael Fedele

## Connecticut Family Education Loan Program **CT FELP**

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

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



Connecticut Higher Education Supplemental Loan Authority

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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

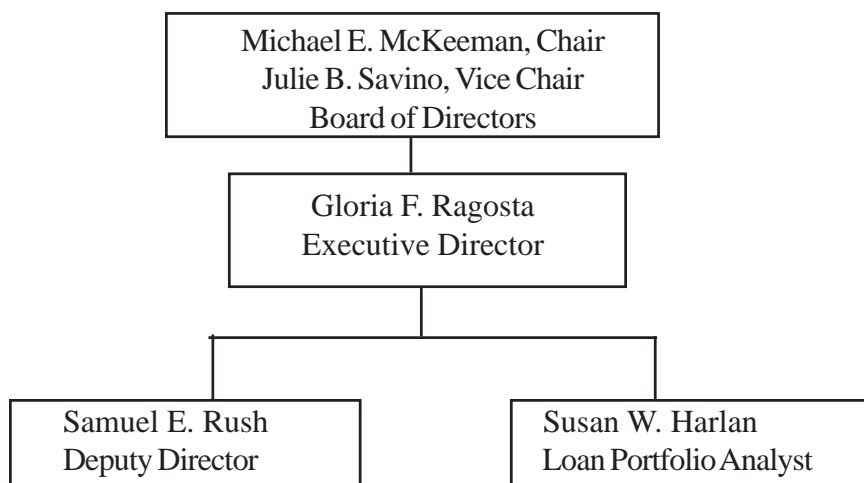
The State Treasurer Denise Nappier, Secretary of the Office of Policy and Management (OPM) Robert L. Genuario and Commissioner of Higher Education Valerie Lewis serve as ex-officio members of the Authority. The remaining five members are appointed by the Governor based on their qualifications in the 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, 2006 and June 30, 2007, the Authority held four regular meetings and one special meeting.

At its meeting on September 26, 2006:

- The Authority approved a motion authorizing revisions to the CHESLA GEAR UP Guidelines to allow CHESLA to issue one check to the Dept. of Higher Education to fund the four students receiving the award.
- Ms. Savino was re-appointed as Vice Chair of the Authority.
- A copy of the 2005 draft state audit was given to the Board. There were no recommendations and there was a notation that the Authority had addressed prior audit recommendations by instituting policy changes.
- The Board approved a motion to approve the following student eligibility language for the CT FELP loans: “Student must be enrolled in a degree-granting or certificate program on at least a half-time or full-time basis.”
- The Authority approved its 2006 Annual Report.
- The Authority held an audit committee meeting in compliance with the CHESLA Sarbanes-Oxley policy regarding audit practices.
- The Authority approved a resolution ratifying the actions taken by the Bond Committee and Executive Director with respect to the 2006 bond deal.

September 26, 2006 (continued)

- The Authority approved revisions to the CT FELP on-line application process with programming charges not to exceed \$9,500.
- The Authority approved the FY 2006 CHESLA Financial Statements and Management and Discussion Analysis subject to discussed changes to be confirmed by Chair McKeeman.

At its special meeting on November 2, 2006:

- The Authority held a working meeting with Firstmark Services to improve the CT FELP loan process.

At its meeting on December 12, 2006:

- The Authority held its annual meeting with its Advisory Committee.
- The Authority approved a motion to appoint the 2007 Advisory Committee members.
- The Authority approved its meeting dates for 2007.
- The Authority approved a motion authorizing a contribution of \$500 to both the Greater Hartford YMCA and the Connecticut Old State House in memory of former Board member and Chair Morrison Beach.
- The Authority approved a motion authorizing the Authority to purchase a ticket for the Executive Director to represent CHESLA at the Governor's Inaugural Ball.
- The Authority approved a motion to have CHESLA be a silver sponsor for CCIC's 75th Anniversary dinner and for the purchase of a new CHESLA banner for the event.
- The Authority reviewed the FY 2006 first quarter financial statements.
- The Authority honored Ms. Boone and Mr. Budd for their many years of service to the Authority.
- The Authority approved a motion authorizing the implementation of the option for dual loan disbursements and approving the costs of programming estimated to be \$7,500.

At its meeting on March 27, 2007

- The Authority approved a Resolution Concerning the 2007 Bond Committee.
- The Authority approved a motion to contribute \$500 from the Early Awareness budget line item to the Richard Savage Scholarship Fund at ECSU in honor of his service to CHESLA.
- The Authority approved the FY 2007 Second Quarter Financial Statements.

At its meeting on June 19, 2007

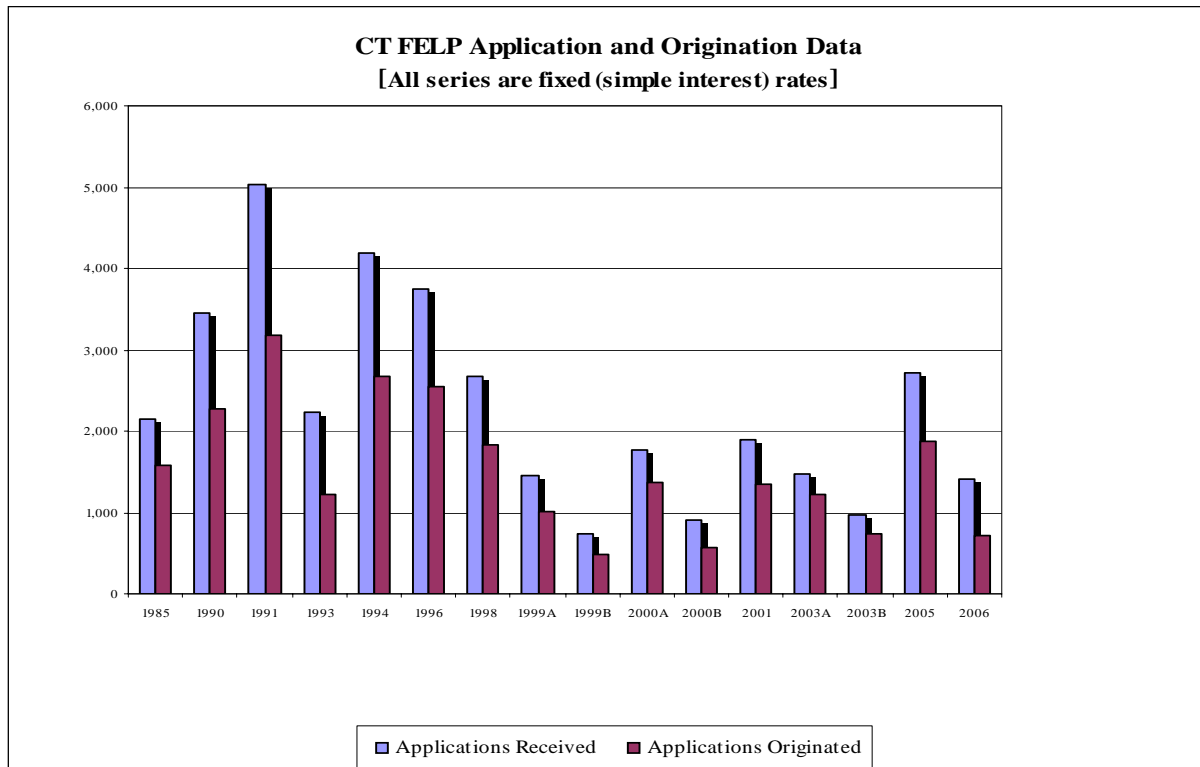
- The Authority approved the CHESLA Budget and Plan of Operations for FY 2008.
- The Authority approved a CHESLA Policy Regarding Lender Issues.
- The Authority approved a motion to authorize the payment of \$2,000 to Firstmark for its 2006 SAS-70 report to be paid from the Authority's Bond Revenue accounts.
- The Authority approved its FY 2007 Third Quarter Financial Statements.

# 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, 2007, the following individuals served as members of the Advisory Committee: James Blake, Edwin Below, Catherine Boone, Martin L. Budd, Joseph Martinkovic, Frank R.A. Resnick, Kristin White, Diane Frey, Richard Savage, Suzanne Schilling, Joe Popevis, Dominic Yoia, and David Welsh. The Advisory Committee met with the Authority on December 12, 2006 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, 2007. (The audit is attached as Exhibit A.)

## Financial Assistance Activities

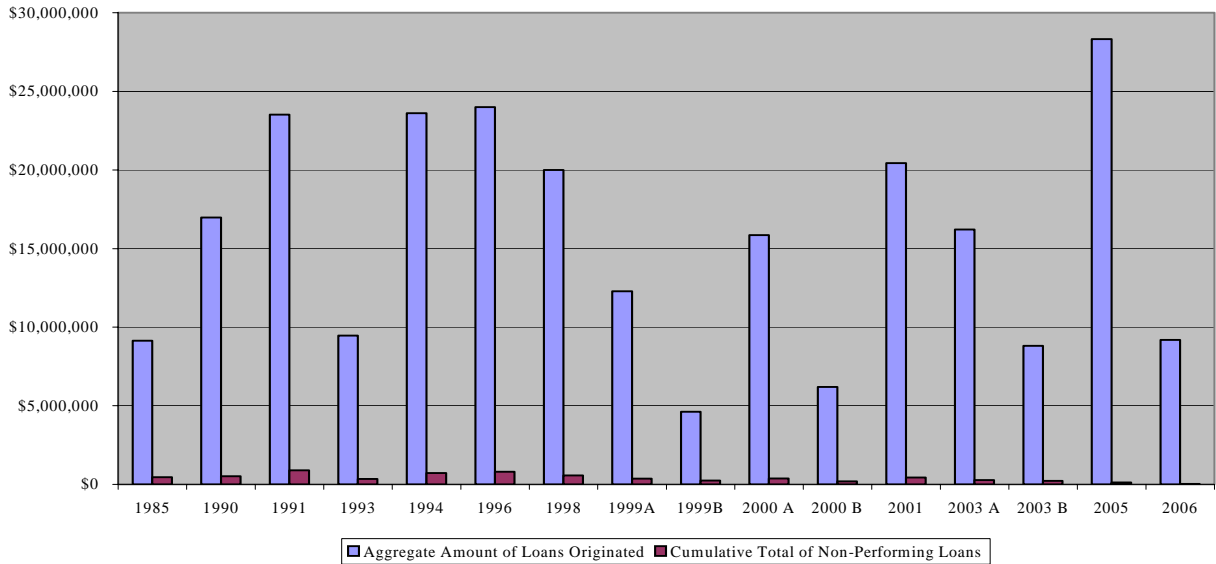
Funding for the CT Family Education Loan Program (CT FELP)



**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) 2003B (964) 2005 (2,710) and 2006 (1,409).

**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) and 2006 (706).

**CT FELP Origination Amount and Non-Performing Loans**



**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) 2005 (\$28,321,052) and 2006 (\$9,187,735).

**Cummulative Total of Non-Performing Loans** - 1985 (\$448,862), 1990 (\$517,077), 1991 (\$887,893), 1993 (\$355,049), 1994 (\$721,424), 1996 (\$803,878), 1998 (\$576,289), 1999A (\$360,726), 1999B (\$234,804), 2000A (\$383,171) 2000B (\$192,989), 2001A (\$440,427), 2003A(\$264,959), 2003B (\$219,464), 2005 (\$120,396) and 2006 (\$28,028). Total non-performing loans \$6,555,438.

**Non-Performing loan Rate** - 1985 (4.91%), 1990 (3.05%), 1991 (3.78%), 1993 (3.75%), 1994 (3.06%), 1996 (3.35%), 1998 (2.88%), 1999A (2.94%), 1999B (5.07%), 2000A (2.42%), 2000B (3.11%), 2001 (2.16%), 2003A (1.63%), 2003B (2.49%), 2005A(0.43%) an 2006 (0.31)%. Total non-performing loan rate (2.64%)

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
- 2006 Series A Bonds - August 17, 2006 to June30, 2007

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 2006 bond sales is attached as Exhibit B.

A copy of the 2007 CT FELP Program Manual is attached as Exhibit C.

## Bond Issuance

The Authority refunded 1996 Series A bonds and issue new bonds on August 17, 2006. The 2006 Bonds were sold through a negotiated underwriting with Goldman Sachs as the underwriter and PFM as the Authority's financial advisor.

As of June 30, 2007, the Authority had issued Revenue Bonds and Revenue Refunding Bonds in the aggregate principal amount of \$325.840 million. The principal amounts of the Authority's outstanding bonds totalled \$128.885 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	\$0
1998 Series A - \$15,000,000	\$ 3,695,000
1998 Series B - \$ 3,560,000	\$ 2,110,000
1999 Series A - \$12,500,000	\$ 3,810,000
1999 Series B - \$ 4,390,000	\$ 3,050,000
2000 Series A - \$16,410,000	\$ 6,360,000
2000 Series B - \$ 5,975,000	\$ 2,245,000
2001 Series A - \$25,000,000	\$18,395,000
2003 Series A - \$18,000,000	\$15,750,000
2003 Series B - \$12,915,000	\$ 8,920,000
2005 Series A - \$31,455,000	\$25,380,000
2005 Series B - \$ 5,900,000	\$ 5,900,000
<u>2006 Series A - \$33,270,000</u>	<u>\$33,270,000</u>
Total \$325,840,000	\$128,885,000

The State's contingent liability, in connection with the 1996, 1998, 1999, 2000, 2001, 2003, 2005 A and 2006A 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, 2007 in the aggregate amount of \$7.7 million.

## Projected Activities

The Authority provided assistance in the form of Education Loans from the remaining proceeds of its 2006 Series Bonds in the amounts of approximately \$8.99 million during the remainder of the fiscal year and through August 2007 under the CT FELP Program. The Authority will issue new bonds in August 2007 and it will have \$36,918,588 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, civil union 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, 2007, 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 one early college awareness programs in the State. In addition, CHESLA sponsored four GEAR UP student by awarding annual \$2,500 "Morrison Beach Scholarships." The total award for the students equals \$10,000 over four years of college. The students are enrolled in the University of Connecticut, Southern Connecticut State University, Housatonic Community College and University of New Haven. Annual scholarship allocations are based on academic performance and continued enrollment.

## Payments in Excess of \$5,000

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

Amtec	-	Loan Yield/Arbitrage Rebate
Ballard Spahr	-	Underwriter's Counsel
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
Goldman Sachs	-	Underwriter
Day Pitney LLP	-	Legal/Bond Counsel
Fitch	-	Rating Agency
Howard Lee Schiff P.C.	-	Collection Attorney
Imagemaster	-	Printing Official Statement - Bond deal
Moody's	-	Rating Agency
Kutak Rock	-	Bond Insurer's Counsel
NCHELP	-	Professional Membership
PFM	-	Financial Advisor
R.C. Knox & Co., Inc.	-	Insurance Broker/Insurance Fees
Simione Macca & Larrow	-	Auditor
Small Business Services	-	Health Insurance
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 FERP Program Manual

