

CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY

Minutes of Authority Board Meeting
March 19, 2015

The State of Connecticut Higher Education Supplemental Loan Authority met at 11:30 a.m. on Thursday, March 19, 2015.

The meeting was called to order at 11:33 a.m. by Ms. Barbara Rubin, Chair of the Board of Directors of the Authority. Those present and absent were as follows:

Present: Barbara Rubin, Chair
Jeffrey A. Asher
Martin L. Budd¹
Steven Kitowicz (*Rep. for Secretary Benjamin B. Barnes*)
Dr. Peter W. Lisi
Paul Mutone
Sarah K. Sanders (*Rep. for Honorable Denise L. Nappier*)

Absent: Julie B. Savino, Vice-Chair
Erika Steiner (*Rep. for Board of Regents for Higher Education*)

Also Present: Jeanette Weldon, Executive Director
Paula L. Herman, General Counsel, CHEFA
Joshua Hurlock, Portfolio and Marketing Associate
Carlee Levin, Sr. Accountant, CHEFA/CHESLA
JoAnne N. Mackewicz, Controller, CHEFA
Cynthia D. Peoples, Assistant Director, CHEFA
Debra M. Pinney, Manager of Administrative Services, CHEFA
Norberto Ramirez, CIAF, CHEFA
Samuel E. Rush, Deputy Director

¹ Mr. Budd attended the meeting via telephone and all parties could hear each other.

Guests: Randy Behm, Partner Education Solution Partners LLC
Judith Blank, Esq., Day Pitney
Darlene Dimitrijevs, Partner, Education Solution Partners LLC
Patricia McGowan, Partner, CohnReznick²
William W. Veronda, Director, Bank of America Merrill Lynch
Tim Webb, Vice President, FirstSouthwest Company, LLC

MINUTES

Ms. Rubin requested a motion for approval of the minutes of the November 18, 2014 Board of Directors meeting. Mr. Budd moved for approval of the minutes and Dr. Lisi seconded his motion.

Upon roll call, the “Ayes,” “Nays” and “Abstentions” were as follows:

AYES

Barbara Rubin
Jeffrey Asher
Martin Budd
Steven Kitowicz
Dr. Peter Lisi
Sarah Sanders

NAYS

None

ABSTENTIONS

Paul Mutone³

LEGISLATIVE UPDATE

Ms. Weldon reported that there are three bills that have been proposed to the Legislature concerning CHESLA. Governor’s Bill 950 provides CHESLA the ability to issue bonds to be used to refinance student loans and also gives CHESLA the ability to issue taxable bonds. The bill also creates a scholarship program and modifies the composition of the CHESLA Board, so the members of higher education sector on the Board do not have to also serve on the CHEFA Board. Ms. Weldon testified in support of this bill. An alternative bill, House Bill 6907, has also been proposed, and would impose a loan rate cap. Ms. Weldon testified against this bill. Ms. Weldon stated that as of this board meeting, House Bill 6907 had not moved forward. Another bill that has been proposed, House Bill 6915, would establish a student loan bill of rights, create an Ombudsman’s office in the Department of Banking, and require licensing of student loan servicers. Ms. Weldon testified in support of this bill.

PROPOSED NEW PROGRAMS

Ms. Weldon provided a high level summary of the proposed programs. The first proposal is for a \$2 million equity contribution to come from the CSLF trust to be transferred to CHESLA. The equity contribution would allow CHESLA to lower the loan rate, not only for a downsized 2015 issue, but also on the remaining proceeds of the 2014 bond issue. A discussion ensued. Ms.

² Ms. McGowan joined the meeting at 12:30 p.m.

³ Mr. Mutone abstained from voting because he did not attend the Board Meeting in November.

Weldon indicated that CHESLA would make an announcement in the June timeframe on this program. Ms. Rubin recommended that a press release be issued if the Board plans to move forward with this program. Further discussion ensued.

Mr. Budd moved to approve this program, contingent upon the approval of the CSLF Board to transfer the \$2 million to CHESLA and Mr. Mutone seconded the motion.

Upon roll call, the “Ayes,” “Nays” and “Abstentions” were as follows:

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
Barbara Rubin Jeffrey Asher Martin Budd Steven Kitowicz Dr. Peter Lisi Paul Mutone Sarah Sanders	None	None

Ms. Weldon stated that the next program proposed was a refinancing program, which is a \$5 million Pilot Program using a transfer of dollars from the CSLF trust to offer loans to refinance existing student loans. This program will be implemented once CHESLA obtains legal authority to refinance loans.

Ms. Weldon stated that the third proposal is to implement as part of the June bond transaction, an increase in the permitted debt to income ratio from 40% to 43%. A discussion ensued. Ms. Sanders suggested that CHESLA may also want to consider a loan loss reserve scenario. Ms. Weldon agreed that CHESLA could explore that option.

Mr. Budd moved to approve the proposal to increase the permitted debt to income ratio from 40% to 43%. Mr. Kitowicz seconded the motion.

Upon roll call, the “Ayes,” “Nays” and “Abstentions” were as follows:

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
Barbara Rubin Jeffrey Asher Martin Budd Steven Kitowicz Dr. Peter Lisi Paul Mutone Sarah Sanders	None	None

Mr. Rush explained that CHESLA met with five financial aid officers in the State of Connecticut. They recommended that if CHESLA were to go forward with a Grant/Scholarship Program that it give each school an amount based on enrollment. Scholarships would be awarded on a need basis to students who are Connecticut. Funds for the program would be given to the schools

who would award the scholarships and administer the program in accordance with CHESLA guidelines.

A discussion ensued. Mr. Budd recommended that the maximum amount of an award be \$5,000 per student. Dr. Lisi suggested reviewing the formula for allocating funds by institution and considering the school's resources as well as the students' need. Further discussion ensued. Ms. Weldon agreed to review and refine the formula.

Ms. Rubin stated that all Board members are in agreement with the Grant/Scholarship Program with a cap of \$5,000 per student and CHESLA staff would review how to allocate this without creating a burden on the institutions receiving the money and work to refine the formula to make it more of a level playing field per institution, since it is a need-based program. Staff will come back to the Board with respect to this proposal.

PRELIMINARY APPROVAL – 2015 Series A Bonds

Ms. Weldon stated that the plan is to have a 2015 bond offering of approximately \$10 million, which would be combined with funds remaining from the 2014 bond issue to fund loans this year. She requested preliminary approval to move forward to start the process with the bond issue and indicated that RBC Capital would be the sole manager. A discussion ensued. Before bonds are sold, Ms. Weldon will come back to the Board for final approval.

Mr. Budd moved to preliminarily approve proceeding with the 2015 bond issuance, and Mr. Mutone seconded the motion.

Upon roll call, the "Ayes," "Nays" and "Abstentions" were as follows:

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
Barbara Rubin Jeffrey Asher Martin Budd Steven Kitowicz Dr. Peter Lisi Paul Mutone Sarah Sanders	None	None

QUARTERLY FINANCIAL REPORT

Ms. Levin reported that for the six months ending December 31 2014, before amortization, revenues were over expenses by \$66,860 and revenues over expenses after amortization was \$55,747. Total revenues were \$4,023 over budget and total expenses were under budget by \$7,924.

Ms. Levin stated that on November 15, there was an annual pay-down of outstanding bonds. For the 1990 resolution, there was a total pay-down of \$5,580,000; of that, \$4,105,000 was the required pay-down for that time period and \$1,475,000 was additional redemptions. For the 2003 resolution, the total pay-down was \$8,300,000 and \$6,660,000 was the required pay-down amount and \$1,640,000 was additional redemptions.

The Total Change in Net Position for this quarter ending December 31, 2014 was an increase of \$590,296. The 1990 resolution portion of that increased \$456,610 and the 2003 resolution increased \$133,685.

EXECUTIVE DIRECTOR'S REPORT

Ms. Weldon asked Mr. Hurlock to provide a marketing update report. Mr. Hurlock reported that CHESLA provided \$200 scholarships to each College Goal Sunday site and CHESLA is also placing an ad in the YWCA "In the Company of Women" Event Book. Mr. Hurlock will be attending the NACAC Hartford College Fair held on March 25 and 26. CHESLA will have a booth and he will be distributing CHESLA information.

Mr. Hurlock provided an overview on the comparisons to the 2014 Series A cash flows and he identified the pending disbursements.

Mr. Rush reported on the continued low net default rate and discussed the loan disbursements and market segment data.

Mr. Asher pointed out that there seems to be some misunderstanding in State government and the Legislature about what CHESLA is and how it does business. He recommended educating legislators in that regard. A discussion ensued. Ms. Rubin also suggested having more press releases on CHESLA and its programs.

ADJOURNMENT

There being no further business, at 12: 46 p.m., Mr. Mutone moved to adjourn the meeting and Dr. Lisi seconded the motion.

Upon roll call, the "Ayes," "Nays" and "Abstentions" were as follows:

AYES

Barbara Rubin
Jeffrey Asher
Martin Budd
Steven Kitowicz
Dr. Peter Lisi
Paul Mutone
Sarah Sanders

NAYS

None

ABSTENTIONS

None

Respectfully submitted,

Jeanette W. Weldon
Executive Director