



September 24, 2021

Governor Ned Lamont
State of Connecticut
State Capitol
Hartford, CT 06106

Dear Governor Lamont:

In accordance with the reporting requirements of Connecticut General Statutes §§1-123 and 10a-240 the Connecticut Higher Education Supplemental Loan Authority (CHESLA) is pleased to submit its Annual Report for the Fiscal Year Ending June 30, 2021.

If you have any questions or need further information, please call me at 860-761-8453.

Sincerely,

Jeanette W. Weldon
Executive Director

cc: John C. Geragosian
Clark J. Chapin

**10 Columbus Boulevard, 7th Floor
Hartford, Connecticut 06106
www.chesla.org**



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 End June 30, 2021

Helping Students and Their Families Invest in the Future



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

Message from the Executive Director:

As pandemic challenges persisted into Fiscal Year 2021, CHESLA remained focused on its mission and strategic objectives. For our borrowers still struggling with the impact of the pandemic, we continued to work with our servicer to ensure that those borrowers were provided up to date information on forbearance options and collection policy modifications. We believe that these measures were effective, providing some relief to struggling borrowers.

Despite the ongoing uncertainty created by the pandemic, CHESLA moved forward in some notable ways. We conducted a successful bond sale in the spring, issuing \$17,515,000 of bonds at very favorable yields. This allowed us to again achieve an historically low loan rate for our in-school program of 4.59%. The transaction was also structured to eliminate the previously existing origination fee --- making a CHESLA loan even more attractive for Connecticut students. The CHESLA Scholarship Program successfully completed a new round of scholarship awards. \$543,000 was awarded to 188 deserving students from across the state. We again posted a video tribute to scholarship recipients, but we are very hopeful that we will be able to return to an in-person recognition event in the coming year.

A significant achievement in Fiscal Year 2021 was the passage of Public Act 21-62 which established the Alliance District Teacher Loan Subsidy Program. This law, which began as a CHESLA legislative proposal early in the fiscal year, creates a teacher recruitment incentive by offering an interest rate subsidy on CHESLA loans to teachers who commit to teaching in one of Connecticut's 33 highest need school districts. We were very pleased that Governor Lamont recognized the significance of this bill by signing it at a dedicated bill signing ceremony. CHESLA is working closely with the State Department of Education to implement the program as soon as possible.

CHESLA also identified new strategic initiatives for fiscal year 2022 and beyond under a new 3-year strategic plan. The plan continues to be based on our five Strategic Pillars-- Collaboration; Economic and Workforce Development for the Public Good; Technology; Innovation; and Public Engagement and Accountability – which will guide us into the future as we continue to serve Connecticut students and families.

I want to again recognize the hard work of CHESLA's very dedicated staff, and the support of CHEFA staff, as well as our knowledgeable and experienced Board of Directors. We all worked together to help CHESLA have another successful year.

Jeanette W. Weldon
Executive Director
September, 2021



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.

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 2021

Statutorily Designated:



Shawn T. Wooden
State Treasurer



Melissa McCaw
Secretary
Office of Policy & Management



Mark E. Ojakian
President
Connecticut State Colleges and Universities



Dr. Peter W. Lisi*
Chair of the Board of CHEFA
Chair of the Board of CHESLA



Jeanette W. Weldon*
Executive Director of CHEFA
Executive Director of CHESLA

Appointed Members:



Julie B. Savino
Vice Chair of the Board of CHESLA

Ex Officio Members

Member's Designee

Darrell Hill
Deputy Treasurer

Steven Kitowicz
Principal Budget Specialist

Benjamin Barnes
Chief Financial Officer

Expiration of Term

September 18, 2024

Statutory Qualifications

Experience in Higher Education
Financial Aid Field



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) Rich Bishop (retired Financial Aid Director)
Low DeLuca (Student Financial Literacy, Southern CT)

CHESLA Staff Members



Jeanette W. Weldon
Executive Director

Email address: jweldon@chesla.org



Joshua Hurlock
Assistant Director

Email address: jhurlock@chesla.org



Shannon Reynolds
Portfolio Assistant

Email address: sreynolds@chesla.org



Natalia Rozio
Portfolio Administrative Assistant

Email address: 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, 2021, 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 486,500 dollars in Need-Based Scholarships in FY 2021, impacting 172 students. An additional \$543,000 was awarded, with those awards disbursing in FY 2022. 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 \$18.1 million for students and families in FY 2021.

Refi CT



Refi CT, CHESLA's student loan refinancing product has approximately \$7.3 million in loans outstanding as of June 30, 2021.

CT Dollars & Sense



CHESLA staff continues to expand their financial literacy resources by implementing custom coursework via iGrad on our CT Dollars and Sense platform.

Conference



CHESLA presented during the Annual CAPFAA Conference in December on a panel discussing private student loans and refinancing.

CHESLA Outreach



CHESLA created a Financial Aid Basics presentation aimed for high school juniors and seniors. Due to the pandemic, CHESLA continued its outreach virtually. 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 18 editions as of June 30, 2021. There are currently over 1,500 subscribers to *CHESLA Insight*.



FY 2021 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

- CHESLA's Assistant Director served in a leadership role with CT Jump\$tart.
- Staff served on multiple CT Association of Professional Financial Aid Administrators (CAPFAA) committees.
- CHESLA successfully achieved two major legislative initiatives: Establishing the Alliance District Teacher Loan Subsidy Program to strengthen teacher recruitment to high need school districts; and broadening the definition of education assistance to include grants, loans and any other form of financial assistance.
- Expanded role for CHESLA with regard to financing certificate programs, as proposed by Governor's office during legislative session

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

- 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
- CHESLA's Executive Director serves on subcommittees to Governor's Workforce Council
- Legislation passed to add state's Chief Workforce Officer to the CHESLA board

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.

- 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.
- Ongoing marketing efforts for Employer Student Loan Repayment Program

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, 2021



Bond Issuances

The Authority priced \$17,515,000 in 2021 B Revenue Bonds on May 25, 2021. The transaction closed on June 23, 2021. The bonds were sold through a negotiated underwriting with Bank of America served as the senior managing underwriter.

First Southwest, a division of Hilltop Securities, served as the Authority's financial advisor and Pullman & Comley, LLC served as bond counsel.

As of June 30, 2021, the Authority had issued Revenue Bonds and Revenue Refunding Bonds in the aggregate original principal amount of \$689,485,000. The principal amounts of the Authority's outstanding bonds total \$166,740,000, 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	\$0
2010 Series A	\$45,000,000	\$0
2012 Series A	\$13,085,000	\$0
2013 Series A	\$25,000,000	\$8,840,000
2014 Series A	\$23,000,000	\$11,600,000
2015 Series A	\$21,465,000	\$5,515,000
2016 Series A	\$15,000,000	\$10,735,000
2017 Series A	\$27,880,000	\$18,090,000
2017 Series B	\$9,155,000	\$5,505,000

2017 Series C	\$11,300,000	\$9,850,000
2018 Series A	\$10,000,000	\$8,860,000
2019 Series A- Refi taxable	\$5,000,000	\$5,000,000
2019 Series B	\$25,550,000	\$22,550,000
2020 Series B	\$19,000,000	\$19,000,000
2020 Series C	\$7,955,000	\$6,940,000
2020 Series D	\$16,740,000	\$16,740,000
2021 Series B	\$17,515,000	\$17,515,000
Total	\$689,485,000	\$166,740,000

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.

Future Strategic Initiatives

Consistent with the 2022-2024 Strategic Plan, CHESLA is pursuing the following initiatives:

- Assess feasibility of using loan discounts to encourage financial literacy;
- Determine approach and undertake CHESLA workforce impact study;
- Work to finance post-secondary education in targeted careers; and
- Broaden awareness of the CT Dollars and Sense financial literacy portal.

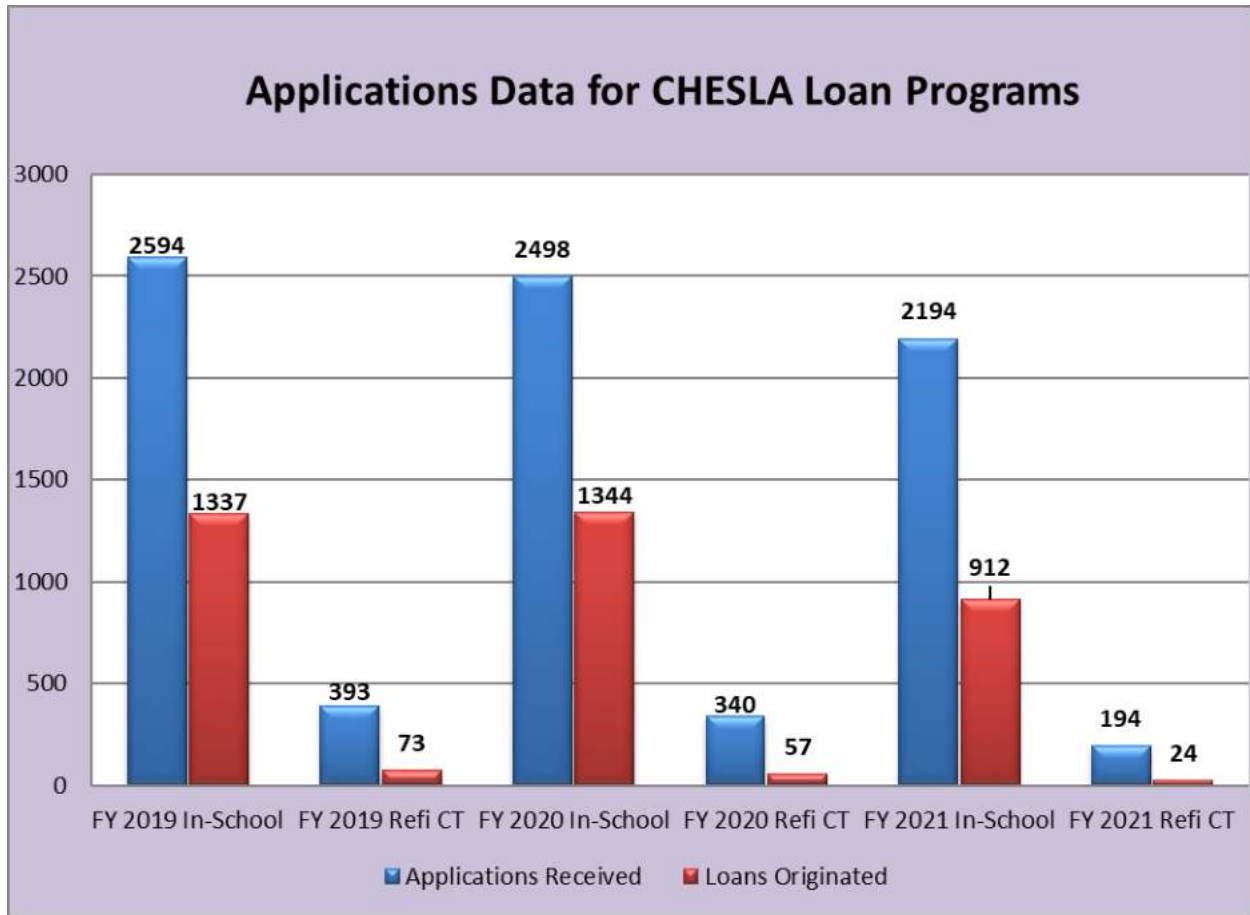
All activities in Fiscal Year 2022 are expected to be consistent with the Fiscal Year 2022 operating budget, included as Exhibit E.

BUSINESS**Payments in Excess of \$5,000****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, 2021****Paid from CHESLA Operating Budget**

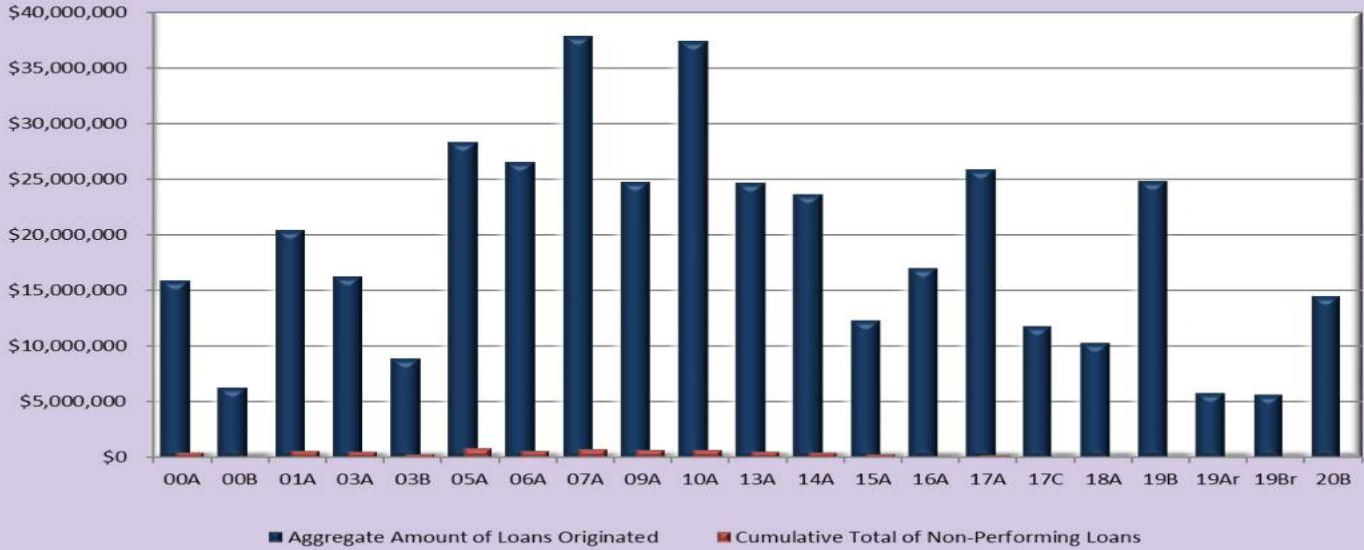
Bank of America
Connecticut Health and Education Facilities Authority (CHEFA)
Education Finance Council, Inc. (EFC)
iHeart Media
RMI Associates, LLC
USI Insurance Services
WFSB-TV
WTIC-TV
WWIT-TV

Paid from CHESLA Bond Resolution Revenue Accounts

AMTEC
Ballard Spahr
Campus Door
Collection Company of America (CCA)
Day Pitney LLP
DocuSign
Fitch Ratings
Hilltop Securities
Moody's Investors Services Inc.
University Accounting Service (UAS)
U.S. Bank (Trustee Fees)



**CHESLA Loan Program Origination Amount 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 (\$24,777,350), 20B (\$14,463,829), 19A-refi (\$5,798,501), & 19B-refi (\$5,664,984).

Total cumulative amount of loans originated: \$542,057,266 (\$530,593,780 In-School & \$11,463,486 Refi)

Cumulative Total of Non-Performing Loans – 85A (\$433,731), 90A (\$495,866), 91A (\$826,749), 93A (\$239,768), 94A (\$510,313), 96A (\$569,038), 98AB (\$458,433), 99A (\$358,694), 99B (\$257,607), 00A (\$438,108), 00B (\$138,314), 01A (\$580,107), 03A (\$495,960), 03B (\$294,772), 05A (\$826,537), 06A (\$618,235), 07A (\$746,489), 09A (\$664,812), 10A (\$674,945), 13A (\$514,914), 14A (\$430,146), 15A (\$271,629), 16A (\$196,279), 17A (\$270,162), 17C (\$48,995), 18A (\$43,248), 19B (\$20,000), 20B (\$0), 19A-refi (\$101,479), & 19B-refi (\$16,520).

Total non-performing loans: \$11,541,852 (\$11,423,852 In-School & \$118,000 Refi)

Total Net Non-Performing Default Rate – 85A (4.75%), 90A (2.92%), 91A (3.52%), 93A (2.54%), 94A (2.16%), 96A (2.37%), 98AB (2.29%), 99A (2.92%), 99B (5.57%), 00A (2.76%), 00B (2.23%), 01A (2.84%), 03A (3.06%), 03B (3.34%), 05A (2.92%), 06A (2.33%), 07A (1.97%), 09A (2.69%), 10A (1.81%), 13A (2.09%), 14A (1.82%), 15A (2.21%), 16A (1.15%), 17A (1.05%), 17C (0.42%), 18A (0.42%), 19B (0.08%), 19A-refi (2.04%), & 19B-refi (0.29%). **Total net non-performing default rate: 2.13% (2.15% In-School & 1.03% 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 05/28/21
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	2020 Series B– 07/17/20 to Present

- 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 2021 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, 2021

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

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**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*

63-64

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, 2021, 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, 2021, 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 20, 2021, 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 20, 2021



**Management's Discussion and Analysis
For the Year Ended June 30, 2021
(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, 2021. 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 to fund student loans for post-secondary 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 non-profit 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") to provide 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 \$39) increased \$797 for the fiscal year resulting from operating income of \$3,848 net of nonoperating expenses (including grants and childcare expenses) of \$3,079 offset by investment income of \$28.



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- CHESLA's net position decreased by \$840 for the fiscal year resulting from operating revenues of \$8,763 net of operating expenses of \$9,672, offset by investment income of \$69.
- CSLF's net position increased \$1,126 for the fiscal year, resulting from operating income of \$1,623 and nonoperating expenses of \$500 in contributions to CHESLA, offset by investment income of \$3.
- During fiscal year 2021, CHEFA disbursed three revolving loans totaling \$150. Principal repayment and interest on the loans are received quarterly. Loan receivable (net allowance for loan loss) for the fiscal year is \$100.
- CHESLA's loan activity during the fiscal year was the issuance of new loans, net of returns, totaling \$18,499 for both the in-school loan and Refi CT programs. Payments received totaled \$25,958, net of adjustments for both programs.
- CSLF received loan payments of \$23,394 during the fiscal year.
- CHESLA issued debt of \$34,255 to be used for in-school loans and refinancing of prior bonds.
- CSLF's bonds payable decreased by \$22,000 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, 2021. 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 31%. CHEFA's net position invested in capital assets was 2%. The remaining portion of net position (67%) is unrestricted.

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

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

	CHEFA	
	2021	2020
Current assets	\$ 306,509	\$ 313,707
Capital assets (net)	277	245
Other noncurrent assets	6,693	6,689
Total assets	313,479	320,641
Assets held on behalf of the State of CT	2,161	2,163
Other liabilities	296,955	304,937
Total liabilities	299,116	307,100
Unearned revenue	25	-
Net investment in capital assets	277	245
Restricted	4,388	4,448
Unrestricted	9,673	8,848
Total net position	\$ 14,338	\$ 13,541

At June 30, 2021, CCDC maintained \$283 in current liabilities (Due to CHEFA) and an unrestricted net position of (\$283), included above.



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Statement of Changes in Net Position. The purpose of the statement of changes in net position is presenting information on how the net position changed during the most recent fiscal year. For the fiscal year, CHEFA's net position increased \$797 (a gain of \$836 for CHEFA offset by a \$39 loss for CCDC).

A statement of changes in net position follows:

Statement of Changes in Net Position (in thousands)

	CHEFA	
	2021	2020
Operating revenues:		
Administrative fees	\$ 7,388	\$ 5,605
Supporting services fees	148	146
Bond issuance fees	90	65
Interest income on loans receivable	2	-
Total operating revenues	7,628	5,816
Operating expenses:		
Salaries and related expenses	2,977	3,018
General and administrative	548	535
Contracted services	255	322
Total operating expenses	3,780	3,875
Operating income	3,848	1,941
Nonoperating income (expenses):		
Investment income	28	195
Grants and childcare subsidy expense	(3,079)	(3,058)
Total nonoperating expenses	(3,051)	(2,863)
Change in net position	797	(922)
Net position, July 1, 2020	13,541	14,463
Net position, June 30, 2021	\$ 14,338	\$ 13,541



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At June 30, 2021, CCDC expenses included above total \$39 in contracted services, for a total change in unrestricted net position of (\$39).

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 issued on a tax-exempt basis. Commencing July 1, 2021, the administrative fee for taxable bonds issued will be 3 basis points (.0003).

Revenues totaled \$7,628 for fiscal year 2021. Administrative fees are the largest revenue source and represent 97% of total revenues. Supporting services fees for support provided to CHESLA and CSLF totaled \$148, representing 2% of revenues for the year. The balance includes application fees for the conduit debt issued and interest income on loans receivable at 1%.

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

- Administrative fees totaled \$7,388 for fiscal year 2021. During fiscal year 2020, CHEFA waived 25% of annual Administrative fees and deferred another 25% of the fees to September 2020 in response to the COVID-19 pandemic. The change in Administrative fees for fiscal year 2021 is a result of the end of the COVID-19 initiative and the change in the par value of loans outstanding at June 30, 2021. Administrative fees totaled \$5,605 for the fiscal year ended June 30, 2020 and \$7,488 for the fiscal year ended June 30, 2019. 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, 2021 was \$8,303,029 compared to \$8,136,047 at June 30, 2020 and \$8,408,386 at June 30, 2019.

During the year, CHEFA issued new conduit debt totaling \$743,006 in par value of which 47% was the refinancing of pre-existing debt.

- Nonoperating investment income decreased by \$167 to \$28 from \$195 recognized in fiscal year 2020. This is a result of changes in cash flow due to pandemic initiatives and continued interest rate decreases during the fiscal year.



Expenses

Expenses totaled \$3,780 for the fiscal year. Of the expenses, 79% or \$2,977 was for salaries and related expenses. General and administrative expenses amounted to \$548, or 14%, while contracted services amounted to \$255 or 7%.

Significant changes from the prior year are as follows:

- Salaries and related expenses decreased by \$41 from fiscal year 2020 to \$2,977 in fiscal year 2021.
- General and administrative expenses increased by \$13 from fiscal year 2020 to \$548 in fiscal year 2021.
- Contracted services decreased by \$67 from fiscal year 2020 to \$255 in fiscal year 2021.

Capital Assets

At June 30, 2021, CHEFA's capital assets amounted to \$277, net of depreciation. This includes leasehold improvements, furniture and fixtures, and computer and office equipment. Capital assets increased by \$32 due to capital asset additions of \$103, offset by depreciation of \$71. Capital asset purchases during the year included network, website and system implementations.

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.

Connecticut Higher Education Supplemental Loan Authority (CHESLA)

Financial Analysis

For CHESLA, assets exceeded liabilities at June 30, 2021. 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 82%. CHESLA's net position invested in capital assets was less than 0.01%. The remaining portion of net position (18%) is unrestricted.



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

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

	CHESLA	
	2021	2020
Current and other assets	\$ 210,149	\$ 228,131
Capital assets, net	3	3
Total assets	210,152	228,134
Long-term liabilities outstanding	175,447	193,048
Other liabilities	1,158	1,240
Total liabilities	176,605	194,288
Deferred inflows of resources	1,048	507
Net investment in capital assets	3	3
Restricted	26,574	26,553
Unrestricted	5,922	6,783
Total net position	\$ 32,499	\$ 33,339

CHESLA's unrestricted net position consists of board designated assets and assets in the refinance and the scholarship programs. In fiscal year 2021, CHESLA funded new loans, net of returns, of \$17,236 of in-school loans and \$1,263 in Refi CT loans, compared to \$23,350 and \$2,256 respectively, in fiscal year 2020. This resulted in a decrease of 26.3% for in-school and a decrease of 44% for Refi CT over fiscal year 2020.

Statement of Changes in Net Position. The purpose of the statement of changes in net position is presenting information on how the net position changed during the most recent fiscal year. For the fiscal year, CHESLA's net position decreased \$840.



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A statement of changes in net position follows:

Statement of Changes in Net Position (in thousands)

	CHESLA	
	2021	2020
Operating revenues:		
Interest income on loans receivable	\$ 7,755	\$ 7,192
Administrative fees	516	710
Contributions from CSLF	490	1,500
Other revenues	2	-
Total operating revenues	8,763	9,402
Operating expenses:		
Interest expense	6,230	6,359
Salaries and related expenses	298	258
General and administrative	562	523
Refinance program	-	35
Scholarships	490	1,500
Loan service fees	735	1,029
Contracted services	47	75
Bond issuance costs	656	429
Provision for loan losses	654	598
Total operating expenses	9,672	10,806
Operating income (loss)	(909)	(1,404)
Nonoperating income:		
Investment income	69	1,855
Change in net position	(840)	451
Net position, July 1, 2020	33,339	32,888
Net position, June 30, 2021	\$ 32,499	\$ 33,339



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The decrease in net position for fiscal year 2021 reflects an increase in bond issuance costs and provision for loan losses, as well as a significant decrease in investment income.

Revenues

CHESLA provides financial assistance in the form of education loans and scholarships 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:

- Interest income on loans receivable increased by \$563 to \$7,755 from \$7,192 in the prior year.
- Origination fees, reported as administrative fees, decreased by \$194 to \$516 during the year 2021 compared to \$710 in fiscal year 2020. 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 \$500 in fiscal year 2021 and \$1,500 in fiscal year 2020. 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 \$490 in fiscal year 2021.
- Nonoperating investment income decreased by \$1,786 in fiscal year 2021, primarily due to the market value of the Treasury notes held in the Special Capital Reserve Fund ("SCRF") investment accounts of the 2020C and 2020D Bond issues in addition to a decrease in interest rates.

Expenses

Expenses totaled \$9,672 for the fiscal year. The largest expense representing 64% or \$6,230 of total expenses was for interest payments on debt. This is an increase of 5% from 59% in fiscal year 2020. Loan servicing fees totaled \$735 or 8%. Bond issuance costs totaled \$656 or 7%. Provision for loan losses totaled \$654 or 7% and general and administrative expenses amounted to \$562 or 6% of the total expenses.

Significant changes from the prior year are as follows:

- Interest expense decreased by \$129 as compared to fiscal year 2020 resulting from the change in the principal balance of outstanding debt net of the issuance of new bonds.
- Salaries and related expenses increased by \$40.
- General and administrative expenses increased by \$39 primarily due to an increase in marketing costs and other expenses.



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- Bond issuance costs increased by \$227. Two bond series closed in fiscal year 2021. The 2020 Series D which closed August 18, 2020 was a refunding issue of \$16,740. The 2021 Series B closed June 23, 2021 was a new money issue for \$17,515.
- Provision for loan losses increased by \$56 resulting from a decrease in loan loss recovery, net of expense, of \$309 and an increase in student write offs, net of recoveries, of \$365.

Capital assets

At June 30, 2021, CHESLA’s capital assets remained level at \$3.

Long-term debt

Long-term debt for CHESLA is as follows:

Bonds Payable (in thousands)	CHESLA	
	2021	2020
Revenue bonds	\$ 166,740	\$ 186,345
Premiums/discounts	8,707	6,703
Total long-term liabilities	\$ 175,447	\$ 193,048

CHESLA’s increase in the principal revenue bonds outstanding is a result of new issuances totaling \$34,255, redemptions of \$27,760 and refundings of \$26,100.

CHESLA maintains an “AA-” rating from Fitch Ratings and an Aa3 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.



Connecticut Student Loan Foundation (CSLF)

Financial Analysis

CSLF's assets exceeded liabilities at June 30, 2021. 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 14% or \$3,418. The remaining portion of net position is unrestricted and represents 86% of the total net position.

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

	CSLF	
	2021	2020
Current and other assets	\$ 146,982	\$ 167,604
Total assets	146,982	167,604
Long-term liabilities outstanding	121,624	143,571
Other liabilities	1,155	956
Total liabilities	122,779	144,527
Restricted	3,418	4,024
Unrestricted	20,785	19,053
Total net position	<u>\$ 24,203</u>	<u>\$ 23,077</u>

Statement of Changes in Net Position. The purpose of the statement of changes in net position 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 \$1,126.

A statement of changes in net position follows:



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Statement of Changes in Net Position (in thousands)

	CSLF	
	2021	2020
Operating revenues:		
Interest income on loans receivable	\$ 5,052	\$ 8,022
Other revenues	97	53
Total operating revenues	5,149	8,075
Operating expenses:		
Interest expense	1,756	4,125
General and administrative	130	168
Loan service fees	448	649
Consolidation rebate fees	990	1,129
Contracted services	202	193
Provision for loan losses	-	79
Total operating expenses	3,526	6,343
Operating income	1,623	1,732
Nonoperating income (expenses):		
Investment income	3	89
Contribution expense	(500)	(500)
Total nonoperating expenses	(497)	(411)
Change in net position	1,126	1,321
Net position, July 1, 2020	23,077	21,756
Net position, June 30, 2021	\$ 24,203	\$ 23,077

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.



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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 2021 totaled \$5,052 (98%) compared to \$8,022 for fiscal year ended June 30, 2020. 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 2021, CSLF paid \$2,894 to the US Department of Education compared to \$2,142 paid during fiscal year 2020.

Significant change from the prior year for revenues is as follows:

- Interest income on loans receivable is the largest component of operating revenues totaling \$5,052, a decrease of \$2,970 from the prior year amount of \$8,022 as a result of decreasing loan balances outstanding.

Expenses

Expenses totaled \$3,526 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 \$1,756 or 50% of total expenses. Consolidation rebate fees paid to the U.S. Department of Education totaled \$990 or 28% of total expenses and loan servicing fees totaled \$448 or 13% of total expenses.

Significant changes from the prior year are as follows:

- Bond interest expense decreased in 2021 by \$2,369. 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 \$201 reflecting the decrease in the number of loans serviced, due to loan repayments.
- Consolidation rebate fees decreased by \$139 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 the latter half of 2020 following a sharp increase in forbearance levels in Q2 2020. The increase in forbearance levels was accompanied by a corresponding drop in delinquency rates. Borrowers are typically granted forbearance for periods of 3-6 months, with the potential to renew if necessary. The utilization of forbearance and lower delinquency rates continues to have a positive impact on loss rates in the near term but will likely result in elevated losses once these borrowers exhaust their natural disaster forbearance and migrate into repayment. Incorporating the changes in performance into projections of future losses results in a shortfall in the federal loan loss



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reserve of \$28. The revised projections of the private student loan portfolio results in a decrease (release) of the private loan loss reserve of \$115.

- Nonoperating expense of \$500, represents the Board authorized contribution to CHESLA of \$500 for the scholarship program for fiscal year 2021.

Debt Administration

Long-term debt

Long-term debt for CSLF is as follows:

Bonds Payable (in thousands)	CSLF	
	2021	2020
Revenue bonds	\$ 121,825	\$ 143,825
Premiums/discounts	(201)	(254)
Total long-term liabilities	\$ 121,624	\$ 143,571

CSLF's decrease in long-term debt was due to the redemption of \$22,000 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, 2021
(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	\$ 416	\$ 55	\$ 816	\$ 1,287
Investments	8,586	6,946	-	15,532
Receivables				
Accounts (net of allowance for uncollectibles of \$168)	752	-	-	752
Current portion of loans receivable	49	74	-	123
Loan interest receivable	-	3	-	3
Related parties	17	-	-	17
Prepaid expenses and other assets	137	34	4	175
Total unrestricted assets	<u>9,957</u>	<u>7,112</u>	<u>820</u>	<u>17,889</u>
Restricted assets				
Cash	435	26	-	461
Investments				
Institutions	296,117	-	-	296,117
Bond indenture trusts	-	47,053	5,386	52,439
Current portion of loans receivable	-	26,091	6,247	32,338
Interest receivable on investments	-	68	-	68
Loan interest receivable	-	792	7,077	7,869
Total restricted assets	<u>296,552</u>	<u>74,030</u>	<u>18,710</u>	<u>389,292</u>
Total current assets	<u>306,509</u>	<u>81,142</u>	<u>19,530</u>	<u>407,181</u>
Noncurrent assets				
Unrestricted assets				
Capital assets (net of accumulated depreciation)	277	3	-	280
Loans receivable (net of allowance for uncollectibles)	51	405	-	456
Restricted assets				
Investments	6,642	27,677	-	34,319
Loans receivable (net of allowance for uncollectibles)	-	100,925	127,452	228,377
Total noncurrent assets	<u>6,970</u>	<u>129,010</u>	<u>127,452</u>	<u>263,432</u>
Total assets	<u>\$ 313,479</u>	<u>\$ 210,152</u>	<u>\$ 146,982</u>	<u>\$ 670,613</u>

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

Statement of Net Position
June 30, 2021
(In Thousands)

	Primary Government	Component Units		Total
	CHEFA	CHESLA	CSLF	
<u>Liabilities</u>				
Current liabilities				
Accounts payable	\$ 13	\$ 45	\$ 8	\$ 66
Accrued expenses	411	308	115	834
Amounts held for institutions	296,531	-	-	296,531
Accrued interest payable	-	805	-	805
U.S. Department of Education payable	-	-	831	831
Trust Estate payable	-	-	201	201
Current portion of bonds payable	-	14,040	-	14,040
Total current liabilities	296,955	15,198	1,155	313,308
Noncurrent liabilities				
Bonds payable and related liabilities, net of current portion	-	161,407	121,624	283,031
Amount held for the State of Connecticut	2,161	-	-	2,161
Total noncurrent liabilities	2,161	161,407	121,624	285,192
Total liabilities	299,116	176,605	122,779	598,500
<u>Deferred Inflows of Resources</u>				
Unearned revenue	25	518	-	543
Deferred charge on refunding	-	530	-	530
Total deferred inflows of resources	25	1,048	-	1,073
<u>Net Position</u>				
Net investment in capital assets	277	3	-	280
Restricted				
Child care facilities loan program	4,320	-	-	4,320
Student loan guarantee program	68	-	-	68
Bond funds	-	26,574	-	26,574
Trust Estate	-	-	3,418	3,418
Total restricted	4,388	26,574	3,418	34,380
Unrestricted	9,673	5,922	20,785	36,380
Total net position	14,338	32,499	24,203	71,040
Total liabilities, deferred inflows of resources and net position	\$ 313,479	\$ 210,152	\$ 146,982	\$ 670,613

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, 2021
(In Thousands)

	Primary Government	Component Units		Total
	CHEFA	CHESLA	CSLF	
Operating revenues				
Interest income on loans receivable	\$ 2	\$ 7,755	\$ 5,052	\$ 12,809
Administrative fees	7,388	516	-	7,904
Supporting services fees	148	-	-	148
Contributions from CSLF (scholarships and Refi Program)	-	490	-	490
Bond issuance fees	90	-	-	90
Other revenues	-	2	97	99
Total operating revenues	<u>7,628</u>	<u>8,763</u>	<u>5,149</u>	<u>21,540</u>
Operating expenses				
Interest expense	-	6,230	1,756	7,986
Salaries and related expenses	2,977	298	-	3,275
General and administrative	548	562	130	1,240
Scholarships	-	490	-	490
Loan service fees	-	735	448	1,183
Consolidation rebate fees	-	-	990	990
Contracted services	255	47	202	504
Bond issuance costs	-	656	-	656
Provision for loan losses	-	654	-	654
Total operating expenses	<u>3,780</u>	<u>9,672</u>	<u>3,526</u>	<u>16,978</u>
Operating income (loss)	<u>3,848</u>	<u>(909)</u>	<u>1,623</u>	<u>4,562</u>
Nonoperating income (expenses)				
Investment income	28	69	3	100
Grants and child care subsidy expense	(3,079)	-	-	(3,079)
Contributions to CHESLA	-	-	(500)	(500)
Total nonoperating income (expenses)	<u>(3,051)</u>	<u>69</u>	<u>(497)</u>	<u>(3,479)</u>
Change in net position	797	(840)	1,126	1,083
Net position, July 1, 2020	<u>13,541</u>	<u>33,339</u>	<u>23,077</u>	<u>69,957</u>
Net position, June 30, 2021	<u>\$ 14,338</u>	<u>\$ 32,499</u>	<u>\$ 24,203</u>	<u>\$ 71,040</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, 2021
(In Thousands)

	Primary Government	Component Units	
	CHEFA	CHESLA	CSLF
Cash flows from operating activities			
Cash received from loan payments	\$ -	\$ 25,958	\$ 23,394
Interest received on loans	-	7,423	4,684
Contributions received from CSLF	-	500	-
Cash received for administrative fees	8,305	2	-
Cash received for recovery of loans	-	92	-
Cash received for general administrative fees	200	-	-
Cash received for bond issuance fees	90	-	-
Cash payments for employee wages and benefits	(3,117)	(292)	-
Cash payments for interest on bonds	-	(7,748)	(1,756)
Cash payments for excess interest	-	-	(2,894)
Cash payments for loans issued	-	(18,499)	-
Cash payments for loans repurchased	-	-	(210)
Cash payments for loan servicing fees	-	(735)	(448)
Cash payments for consolidation fees	-	-	(990)
Cash payments for contracted services	(255)	(322)	(202)
Cash payments for refinance program	-	-	-
Cash payments for other operating expenses	(236)	(415)	(40)
Cash payments for scholarships	-	(490)	-
Net cash provided by (used in) operating activities	4,987	5,474	21,538
Cash flows from noncapital financing activities			
Proceeds from bond sales	740,919	34,255	-
Proceeds from bond premiums	46,104	3,428	-
Proceeds from institutions	1,523	-	-
Payments to institutions	(59,823)	-	-
Proceeds from investment income for amounts held for others	401	-	-
Releases from amounts held for institutions	(737,201)	-	-
Cash paid to grantees and child care subsidy	(3,114)	-	-
Payments of bond principal	-	(53,860)	(22,000)
Contributions to CHESLA	-	-	(500)
Net cash provided by (used in) noncapital financing activities	(11,191)	(16,177)	(22,500)

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

Statement of Cash Flows
For the Year Ended June 30, 2021
(In Thousands)

	Primary Government	Component Units	
	CHEFA	CHESLA	CSLF
Cash flows from capital and related financing activities			
Purchase of capital assets	\$ (103)	\$ -	\$ -
Cash flows from investing activities			
Proceeds from sale of investments	253,369	77,632	32,840
Purchase of investments	(246,543)	(75,731)	(31,752)
Investment income	28	88	3
Net cash provided by (used in) investing activities	6,854	1,989	1,091
Net increase (decrease) in cash	547	(8,714)	129
Cash (including restricted cash), July 1, 2020	304	8,795	687
Cash (including restricted cash), June 30, 2021	<u>\$ 851</u>	<u>\$ 81</u>	<u>\$ 816</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities			
Operating income (loss)	<u>\$ 3,848</u>	<u>\$ (909)</u>	<u>\$ 1,623</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation expense	71	-	-
Bond discount/premium amortization	-	(1,424)	-
Provision for loan losses	-	330	-
Interest on loans paid through loan advances	-	-	(2,882)
Loan advances to capitalize interest to loans	-	-	2,882
(Increase) decrease in:			
Accounts receivable	917	-	-
Accounts receivable - related party	52	-	-
Prepaid expenses and other assets	(29)	(8)	(2)
Loans receivable	-	7,870	20,302
Loan interest receivable	-	(332)	(584)
Increase (decrease) in:			
Accounts payable	(22)	(279)	(55)
Accrued expenses	150	(221)	50
Accrued interest payable	-	(94)	-
U.S. Department of Education payable	-	-	165
Trust Estate payable	-	-	39
Unearned revenue	-	541	-
Net adjustments to operating income (loss)	<u>1,139</u>	<u>6,383</u>	<u>19,915</u>
Net cash provided by (used in) operating activities	<u>\$ 4,987</u>	<u>\$ 5,474</u>	<u>\$ 21,538</u>

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, 2021
(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, 2020 and 2021.

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 non-profit 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, 2021
(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, the statement of revenues, expenses and changes in fund net position, and statement of cash flows) 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, 2021
(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. Beginning on July 1, 2021, the administrative fee on taxable transactions changed to 3 basis points.

Loan reserve fee revenue

CHESLA charged a 3% reserve fee on loans governed by the 1990 and 2019 Revenue Bond Resolutions for applications submitted on June 23, 2021 or before. This fee was recognized as an origination fee to the loans and was included in administrative fees on loans receivable on the statement of revenues, expenses and changes in fund net position. Applications submitted on or after June 24, 2021 are not charged an origination fee.

Interest income on loans

For CHEFA, 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.

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.

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

Notes to Financial Statements
June 30, 2021
(In Thousands)

I. Summary of significant accounting policies

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, 2021
(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 ("FDIC") 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, 2021
(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
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Notes to Financial Statements
June 30, 2021
(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, 2021
(In Thousands)

I. Summary of significant accounting policies

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

The restricted cash, classified as current, and 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.

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, 2020 and 2021 series bonds were issued.

Connecticut Health and Educational Facilities Authority
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Notes to Financial Statements
June 30, 2021
(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, 2021, 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
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Notes to Financial Statements
June 30, 2021
(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 acquisition 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
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Notes to Financial Statements
June 30, 2021
(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.

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.

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

**Notes to Financial Statements
June 30, 2021
(In Thousands)**

I. Summary of significant accounting policies

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

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 deferred inflows of resources related to unearned amounts received for the scholarship program that occurs in the subsequent fiscal year and deferred charges on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunding or refunded debt.

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.

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, 2021
(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, 2021, \$571 of CHEFA's bank balance of \$821 (including certificates of deposit and money market accounts classified as investments) was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 489
Uninsured and collateral held by the pledging bank's trust department, not in CHEFA's name	<u>82</u>
Total amount subject to custodial credit risk	<u>\$ 571</u>

CHESLA

As of June 30, 2021, \$0 of CHESLA's bank balance of \$84 (including certificates of deposit and money market accounts classified as investments) was exposed to custodial credit risk as follows:

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

CSLF

As of June 30, 2021, \$566 of CSLF's bank balance of \$816 (including certificates of deposit and money market accounts classified as investments) was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 484
Uninsured and collateral held by the pledging bank's trust department, not in CSLF's name	<u>82</u>
Total amount subject to custodial credit risk	<u>\$ 566</u>

Connecticut Health and Educational Facilities Authority
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Notes to Financial Statements
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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	\$ 296,474	\$ 296,474	\$ -	\$ -	\$ -
Money Market Funds	1,151	1,151	-	-	-
Pooled Fixed Income	10,380	10,380	-	-	-
Corporate Bonds	2,943	1,156	1,787	-	-
Repurchase Agreement	397	397	-	-	-
Total	\$ 311,345	\$ 309,558	\$ 1,787	\$ -	\$ -

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	9	9	-	-	-
Pooled Fixed Income	71,159	71,159	-	-	-
U.S. Government Securities	6,799	-	-	6,799	-
Guaranteed Investment Contracts	3,707	-	3,707	-	-
Total	\$ 81,676	\$ 71,168	\$ 3,707	\$ 6,799	\$ 2

Connecticut Health and Educational Facilities Authority
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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	\$ 4,467	\$ 4,467
Pooled Fixed Income	919	919
Total	\$ 5,386	\$ 5,386

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	\$ 296,474	\$ 296,474	\$ -	\$ -
Money Market Mutual Funds	1,151	1,151	-	-
Corporate Bonds	2,943	2,943	-	-
Repurchase Agreement	397	397	-	-
Total investments by fair value level	300,965	\$ 300,965	\$ -	\$ -

Other Investments

Pooled Fixed Income	10,380
Total Investments	\$ 311,345

Connecticut Health and Educational Facilities Authority
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II. Detailed notes

A. Cash and investments

CHESLA

<u>Investments by fair value level</u>	<u>Amount</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Bond Mutual Funds	\$ 2	\$ 2	\$ -	\$ -
U.S. Government Securities	6,799	-	6,799	-
Total investments by fair value level	6,801	<u>\$ 2</u>	<u>\$ 6,799</u>	<u>\$ -</u>

Other Investments

Money Market (bank)	9
Guaranteed Investment Contracts	3,707
Pooled Fixed Income	<u>71,159</u>
Total other investments	<u>74,875</u>
Total Investments	<u>\$ 81,676</u>

<u>Investments by fair value level</u>	<u>Amount</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Government Agency Mutual Funds	\$ 4,467	<u>\$ 4,467</u>	<u>\$ -</u>	<u>\$ -</u>

Other Investments

Pooled Fixed Income	<u>919</u>
Total Investments	<u>\$ 5,386</u>

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
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Notes to Financial Statements
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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
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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	\$ 10,380	\$ -	\$ 296,474	\$ 1,151
A	-	1,411	-	-
BBB	-	1,532	-	-
Total	<u>\$ 10,380</u>	<u>\$ 2,943</u>	<u>\$ 296,474</u>	<u>\$ 1,151</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	U.S. Government Securities
AAA	<u>\$ 71,159</u>	<u>\$ 3,707</u>	<u>\$ 2</u>	<u>\$ 6,799</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>\$ 919</u>	<u>\$ 4,467</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
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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	\$ 2,943	\$ 500	\$ 2,443

CHESLA

	<u>Total</u>	<u>Less Insured Amounts</u>	<u>Amount Subject To Custodial Credit Risk</u>
U.S. Government Securities	\$ 6,799	\$ 500	\$ 6,299

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
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Notes to Financial Statements
June 30, 2021
(In Thousands)

II. Detailed notes
B. Receivables

Receivables as of June 30, 2021 for the Authority's financial statements by type are as follows:

CHEFA makes loans to clients who meet certain criteria for purposes of providing financial assistance for working capital expenses or any other purpose as may be approved from time to time under the CHEFA Revolving Loan Fund Program. During fiscal year 2021, clients applied to receive financing between \$5 and \$100 at 1.5% interest rate. Beginning July 21, 2021, clients can apply for financing between \$5 and \$75 for up to 36 months at a 0% interest rate. There are no underwriting criteria for these loans. Loans are approved on a rolling first come-first serve basis. Loans receivable as of June 30, 2021 are as follows:

Current portion	\$ 49
Long-term portion	73
Less allowance	(22)
Net long-term portion	51
Total net receivables	\$ 100

Future maturities on loans issued under the CHEFA Revolving Loan Fund Program are summarized as follows:

June 30, 2022	\$ 49
2023	50
2024	14
2025	9
Total	\$ 122

Connecticut Health and Educational Facilities Authority
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Notes to Financial Statements
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II. Detailed notes
B. Receivables

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, 2021 are as follows:

	Active Loans	Loans in Collection	Total
Current portion	\$ 26,165	\$ -	\$ 26,165
Long-term portion	102,612	2,118	104,730
Less allowance	(2,890)	(510)	(3,400)
Net long-term portion	99,722	1,608	101,330
Total net receivables	\$ 125,887	\$ 1,608	\$ 127,495

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% - 5.99%.

During the fiscal year, CHESLA wrote off loans receivable of \$868, which had previously been provided for through the allowance for loan losses.

During the fiscal year, CHESLA recovered \$94 in loans receivable and other credits that were written off in previous years.

Connecticut Health and Educational Facilities Authority
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Notes to Financial Statements
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(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	\$ 6,055	\$ 192	\$ 6,247
Long-term portion	126,175	2,051	128,226
Less allowance	<u>(558)</u>	<u>(216)</u>	<u>(774)</u>
Net long-term portion	<u>125,617</u>	<u>1,835</u>	<u>127,452</u>
Total net receivables	<u>\$ 131,672</u>	<u>\$ 2,027</u>	<u>\$ 133,699</u>

During the fiscal year, CSLF wrote off federal loans receivable of \$92 (CSLF risk share only), and \$75 of private loans, which is net of \$48 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 2.43% 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
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Notes to Financial Statements
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II. Detailed notes
B. Receivables

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

June 30, 2022	\$	6,247
2023		6,647
2024		7,074
2025		7,528
2026		8,011
2027-2031		48,307
2032-2036		45,776
2037		4,883
		<hr/>
Total	\$	<u>134,473</u>

C. Capital assets

CHEFA capital asset activity for the year ended June 30, 2021 was as follows:

	Balance July, 1 2020	Increases	Decreases	Balance June 30, 2021
Capital assets being depreciated:				
Leasehold improvements	\$ 157	\$ -	\$ -	\$ 157
Computer equipment	343	46	-	389
Furniture and fixtures	256	-	-	256
Office equipment	617	57	-	674
	<hr/>			
Total capital assets being depreciated	1,373	103	-	1,476
	<hr/>			
Less accumulated depreciation for:				
Leasehold improvements	157	-	-	157
Computer equipment	265	9	-	274
Furniture and fixtures	250	2	-	252
Office equipment	456	60	-	516
	<hr/>			
Total accumulated depreciation	1,128	71	-	1,199
	<hr/>			
Total capital assets being depreciated, net	\$ 245	\$ 32	\$ -	\$ 277
	<hr/>			

Connecticut Health and Educational Facilities Authority
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Notes to Financial Statements
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II. Detailed notes

C. Capital assets

CHESLA capital asset activity for the year ended June 30, 2021 was as follows:

<u>CHESLA</u>	<u>Balance</u> <u>July, 1 2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2021</u>
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, 2021:

CHEFA

<u>Description</u>	<u>Balance</u> <u>July 1, 2020</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2021</u>	<u>Current</u> <u>Portion</u>
Other liability					
Amount held for the State of Connecticut	\$ 2,163	\$ 2	\$ 4	\$ 2,161	\$ -

Connecticut Health and Educational Facilities Authority
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Notes to Financial Statements
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II. Detailed notes
D. Changes in long-term obligations

CHESLA

Description	Original Amount	Date of Issue	Final Date of Maturity	Interest Rate	Balance 7/1/2020	Additions	Deductions	Amount Refunded	Balance 6/30/2021	Current Portion
Bond 2009 A	\$ 30,000	8/6/2009	11/15/2027	1.9 - 5.05%	\$ 8,690	\$ -	\$ -	\$ 8,690	\$ -	\$ -
Bond 2010 A	45,000	10/19/2010	11/15/2035	2.0 - 5.25%	19,910	-	2,500	17,410	-	-
Bond 2013 A	25,000	4/2/2013	11/15/2029	2.0 - 4.0%	12,350	-	3,510	-	8,840	1,060
Bond 2014 A	23,000	6/18/2014	11/15/2030	3.0 - 5.0%	15,500	-	3,900	-	11,600	1,500
Bond 2015 A	21,465	7/2/2015	11/15/2031	1.65 - 4.375%	8,170	-	2,655	-	5,515	1,900
Bond 2016 A	15,000	6/30/2016	11/15/2033	3.0 - 5.0%	13,085	-	2,350	-	10,735	1,020
Bond 2017 A	27,880	5/16/2017	11/15/2033	3.25 - 5.0%	23,640	-	5,550	-	18,090	2,100
Bond 2017 B	9,155	8/17/2017	11/15/2025	4.0- 5.0%	6,755	-	1,250	-	5,505	1,200
Bond 2017 C	11,300	12/21/2017	11/15/2034	3.5 - 5.0%	10,920	-	1,070	-	9,850	620
Bond 2018	10,000	9/17/2018	11/15/2034	3.5 - 5.0%	9,820	-	960	-	8,860	500
Bond 2019 A	5,000	5/22/2019	11/15/2035	3.95%	5,000	-	-	-	5,000	415
Bond 2019 B	25,550	5/22/2019	11/15/2035	3.25 - 5.0%	25,550	-	3,000	-	22,550	325
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	5.0%	7,955	-	1,015	-	6,940	1,025
Bond 2020 D	16,740	8/18/2020	11/15/2035	3.0 - 5.0%	-	16,740	-	-	16,740	2,375
Bond 2021 B	17,515	6/23/2021	11/15/2037	2.25 - 5.0%	-	17,515	-	-	17,515	-
Total CHESLA					186,345	34,255	27,760	26,100	166,740	14,040
Premiums					6,722	3,428	1,426	-	8,724	-
Discounts					(19)	-	(2)	-	(17)	-
Total Bonds and related liabilities					\$ 193,048	\$ 37,683	\$ 29,184	\$ 26,100	\$ 175,447	\$ 14,040

CSLF

Description	Original Amount	Date of Issue	Date of Final Maturity	Variable Interest Rate	Balance July 1, 2020	Additions	Deductions	Balance June 30, 2021	Current Portion
Bond 06 A-1	\$ 80,000	7/27/2006	6/1/2046	0.066 - 1.633%	\$ 57,375	\$ -	\$ 10,200	\$ 47,175	\$ -
Bond 06 A-2	100,000	12/14/2006	6/1/2046	0.066 - 1.645%	66,475	-	11,800	54,675	-
Bond 06 B	20,000	7/27/2006	6/1/2046	0.010 - 1.655%	19,975	-	-	19,975	-
Total Bonds					143,825	-	22,000	121,825	-
Discounts					(254)	-	(54)	(201)	-
Total bonds and related amounts					\$ 143,571	\$ -	\$ 21,946	\$ 121,624	\$ -

Connecticut Health and Educational Facilities Authority
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(In Thousands)

II. Detailed notes

D. Changes in long-term obligations

The annual requirements to amortize bonds payable at June 30, 2021, are as follows:

CHESLA

<u>Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 14,040	\$ 6,478
2023	15,210	5,882
2024	16,215	5,148
2025	14,360	4,430
2026	14,515	3,756
2027-2031	55,370	11,197
2032-2036	34,210	2,811
2037-2038	2,820	52
Total	<u>\$ 166,740</u>	<u>\$ 39,754</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
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(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>
2022	\$ -	\$ 1,641
2023	-	1,641
2024	-	1,641
2025	-	1,641
2026	-	1,641
2027-2031	-	8,205
2032-2036	-	8,205
2037-2041	-	8,205
2042-2046	121,825	8,205
	<u>\$ 121,825</u>	<u>\$ 41,025</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, 2021 year-end ranged from 0.010% to 1.655%.

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 continue to experience 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, 2021
(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, 2021, CHEFA had total outstanding principal balances of special obligation bonds of \$8,303,029. 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	\$ 40,824
Connecticut State University System – Special Capital Reserve Fund	319,810
Higher Education	4,422,087
Hospitals	2,153,157
Social and other	225,275
Independent Schools	737,219
Senior Living	<u>404,657</u>
 Total	 <u>\$ 8,303,029</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 \$15,751 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	\$ 2,225
Hospitals	12,695
Social and other	<u>831</u>
 Total	 <u>\$ 15,751</u>

3. Authorized/unissued debt

At June 30, 2021, there was no 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, 2021
(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. The refunding of these bonds occurred in July 2020 and resulted in an economic gain of \$804.

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 was used to refund the 2010 Series A bond issued in October 2010. The economic gain was \$1,010. The combined cost savings resulting from the issuance of the Series C and Series D bonds was \$2,106.

E. Restricted net position

The amount of restricted net position, which was restricted by enabling legislation, totaled \$4,388 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	\$ 277	\$ 3	\$ -
Restricted:			
Child care facilities loan program	4,320	-	-
Student loan guarantee program	68	-	-
Bond funds	-	26,574	-
Trust Estate	-	-	3,418
Total restricted	<u>4,388</u>	<u>26,574</u>	<u>3,418</u>
Unrestricted	<u>9,673</u>	<u>5,922</u>	<u>20,785</u>
Total net position	<u>\$ 14,338</u>	<u>\$ 32,499</u>	<u>\$ 24,203</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, 2021, outstanding loan balances totaled \$3,718.

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, 2021
(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 \$68.

Bond Funds - For CHESLA, the restricted net position includes amounts governed by the bond resolutions. Under the provisions of the resolutions, earnings from the bond programs are restricted for the repayment of bond principal and interest and for the issuance of student loans.

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, 2021, the ratio was 118.85%. During the year ended June 30, 2021, the Board authorized a transfer of \$500 to CHESLA for the scholarship program. At June 30, 2021, the Board has not authorized any additional funds to be transferred to operations; however, the amount available to transfer is \$18,245.

Both CHEFA and CHESLA Board of Directors 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, 2021, is as follows:

Condensed Statement of Net Position

Liability	
Accounts payable	<u>\$ 283</u>
Net position	<u>\$ (283)</u>

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

Operating expenses	<u>\$ 39</u>
Change in net position	(39)
Net position, July 1, 2020	<u>(244)</u>
Net position, June 30, 2021	<u>\$ (283)</u>

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

Notes to Financial Statements
June 30, 2021
(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 its 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. The extent to which COVID-19 impacts CHESLA and CSLF depends on the rate with which their borrowers avail themselves of relief programs as well as future developments, which 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 continue 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 \$132 for providing management, accounting, legal and other services, sharing of rental space, and office equipment. CHEFA charged CSLF an annual fee of \$16 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 \$9 and \$8, respectively. The \$500 contribution for the scholarship program from CSLF to CHESLA 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 \$264. As of June 30, 2021, minimum future rental commitments of the leases are as follows:

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, 2021
(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 Directors 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, 2021, there were no forfeitures and retirement plan expense was \$239.

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 and CHESLA 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, 2021, the plan expense was \$31.

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, 2021
(In Thousands)

	<u>CHEFA</u>	<u>CCDC</u>	<u>Eliminations</u>	<u>Total</u>
<u>Assets</u>				
Current assets				
Unrestricted assets				
Cash	\$ 416	\$ -	\$ -	\$ 416
Investments	8,586	-	-	8,586
Receivables				
Accounts (net of allowance for uncollectibles of \$168)	752	-	-	752
Related parties	300	-	(283)	17
Current portion of loans receivable	49	-	-	49
Prepaid expenses and other assets	137	-	-	137
	<u>10,240</u>	<u>-</u>	<u>(283)</u>	<u>9,957</u>
Total unrestricted assets				
Restricted assets				
Cash	435	-	-	435
Investments				
Institutions	296,117	-	-	296,117
	<u>306,792</u>	<u>-</u>	<u>(283)</u>	<u>306,509</u>
Total current assets				
Noncurrent assets				
Unrestricted assets				
Capital assets (net of accumulated depreciation)	277	-	-	277
Loans receivable, net of current portion and allowance	51	-	-	51
Restricted assets				
Investments	6,642	-	-	6,642
	<u>6,970</u>	<u>-</u>	<u>-</u>	<u>6,970</u>
Total noncurrent assets				
Total assets	<u>\$ 313,762</u>	<u>\$ -</u>	<u>\$ (283)</u>	<u>\$ 313,479</u>
<u>Liabilities</u>				
Current liabilities				
Accounts payable	\$ 13	\$ 283	\$ (283)	\$ 13
Accrued expenses	411	-	-	411
Amounts held for institutions	296,531	-	-	296,531
	296,955	283	(283)	296,955
Total current liabilities				
Noncurrent liabilities				
Amount held for the State of Connecticut	2,161	-	-	2,161
Total liabilities	<u>299,116</u>	<u>283</u>	<u>(283)</u>	<u>299,116</u>
<u>Deferred Inflows of Resources</u>				
Unearned revenue	25	-	-	25
<u>Net Position</u>				
Net investment in capital assets	277	-	-	277
Restricted	4,388	-	-	4,388
Unrestricted	9,956	(283)	-	9,673
	<u>14,621</u>	<u>(283)</u>	<u>-</u>	<u>14,338</u>
Total net position				
Total liabilities, deferred inflows of resources and net position	<u>\$ 313,762</u>	<u>\$ -</u>	<u>\$ (283)</u>	<u>\$ 313,479</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, 2021
(In Thousands)

	<u>CHEFA</u>	<u>CCDC</u>	<u>Eliminations</u>	<u>Total</u>
Operating revenues				
Administrative fees	\$ 7,388	\$ -	\$ -	\$ 7,388
Supporting services fees	187	-	(39)	148
Bond issuance fees	90	-	-	90
Interest income on loans receivable	2	-	-	2
	<u>7,667</u>	<u>-</u>	<u>(39)</u>	<u>7,628</u>
Total operating revenues				
Operating expenses				
Salaries and related expenses	2,977	-	-	2,977
General and administrative	548	-	-	548
Contracted services	255	39	(39)	255
	<u>3,780</u>	<u>39</u>	<u>(39)</u>	<u>3,780</u>
Total operating expenses				
Operating income (loss)	<u>3,887</u>	<u>(39)</u>	<u>-</u>	<u>3,848</u>
Nonoperating income (expenses)				
Investment income	28	-	-	28
Grants and child care subsidy expense	(3,079)	-	-	(3,079)
	<u>(3,051)</u>	<u>-</u>	<u>-</u>	<u>(3,051)</u>
Total nonoperating expenses				
Change in net position	836	(39)	-	797
Net position, July 1, 2020	<u>13,785</u>	<u>(244)</u>	<u>-</u>	<u>13,541</u>
Net position, June 30, 2021	<u>\$ 14,621</u>	<u>\$ (283)</u>	<u>\$ -</u>	<u>\$ 14,338</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, 2021
(In Thousands)

	Agency operating fund	Other program funds	Bond funds		Eliminations	Total CHESLA
			1990 resolution	2019 resolution		
<u>Assets</u>						
Current assets						
Unrestricted assets						
Cash	\$ 55	\$ -	\$ -	\$ -	\$ -	\$ 55
Investments	4,013	2,924	9	-	-	6,946
Due from other funds	-	-	-	1,000	(1,000)	-
Current portion of loans receivable	-	74	-	-	-	74
Loan interest receivable	-	3	-	-	-	3
Prepaid expenses and other assets	34	-	-	-	-	34
Total unrestricted assets	4,102	3,001	9	1,000	(1,000)	7,112
Restricted assets						
Cash	-	-	-	26	-	26
Investments	-	-	-	-	-	-
Bond indenture trusts	-	-	20,659	26,394	-	47,053
Current portion of loans receivable	-	-	16,805	9,286	-	26,091
Interest receivable on investments	-	-	67	1	-	68
Loan interest receivable	-	-	507	285	-	792
Total restricted assets	-	-	38,038	35,992	-	74,030
Total current assets	4,102	3,001	38,047	36,992	(1,000)	81,142
Noncurrent assets						
Unrestricted assets						
Capital assets	3	-	-	-	-	3
Loans receivable, net of current portion and allowance	-	405	-	-	-	405
Restricted assets						
Investments	-	-	21,076	6,601	-	27,677
Loans receivable, net of current portion and allowance	-	-	69,272	31,653	-	100,925
Total noncurrent assets	3	405	90,348	38,254	-	129,010
Total assets	\$ 4,105	\$ 3,406	\$ 128,395	\$ 75,246	\$ (1,000)	\$ 210,152
<u>Liabilities</u>						
Current liabilities						
Accounts payable	\$ 45	\$ -	\$ -	\$ -	\$ -	\$ 45
Due to other funds	1,000	-	-	-	(1,000)	-
Accrued expenses	23	-	29	256	-	308
Accrued interest payable	-	-	554	251	-	805
Current portion of bonds payable	-	-	13,300	740	-	14,040
Total current liabilities	1,068	-	13,883	1,247	(1,000)	15,198
Noncurrent liabilities						
Bonds payable, net of current portion	-	-	93,784	67,623	-	161,407
Total liabilities	1,068	-	107,667	68,870	(1,000)	176,605
<u>Deferred Inflows of Resources</u>						
Unearned revenue	-	518	-	-	-	518
Deferred charge on refunding	-	-	530	-	-	530
Total deferred inflows of resources	-	518	530	-	-	1,048
<u>Net Position</u>						
Net investment in capital assets	3	-	-	-	-	3
Restricted	-	-	20,198	6,376	-	26,574
Unrestricted	3,034	2,888	-	-	-	5,922
Total net position	3,037	2,888	20,198	6,376	-	32,499
Total liabilities, deferred inflows of resources and net position	\$ 4,105	\$ 3,406	\$ 128,395	\$ 75,246	\$ (1,000)	\$ 210,152

**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, 2021
(In Thousands)**

	Agency operating fund	Other program funds	Bond funds		Eliminations	Total CHESLA
			1990 resolution	2019 resolution		
Operating revenues						
Interest income on loans receivable	\$ -	\$ 38	\$ 5,696	\$ 2,021	\$ -	\$ 7,755
Administrative fees	949	-	-	516	(949)	516
Contributions from CSLF	-	490	-	-	-	490
Other revenues	-	-	2	-	-	2
Total operating revenues	949	528	5,698	2,537	(949)	8,763
Operating expenses						
Interest expense	-	-	4,406	1,824	-	6,230
Salaries and related expenses	298	-	-	-	-	298
General and administrative	405	11	781	314	(949)	562
Refinance program	-	-	-	-	-	-
Scholarships	-	490	-	-	-	490
Loan service fees	-	1	439	295	-	735
Contracted services	47	-	-	-	-	47
Bond issuance costs	-	-	241	415	-	656
Provision for loan losses (net of recoveries)	-	93	178	383	-	654
Total operating expenses	750	595	6,045	3,231	(949)	9,672
Operating income (loss)	199	(67)	(347)	(694)	-	(909)
Nonoperating income						
Investment income	4	3	36	26	-	69
Total nonoperating income	4	3	36	26	-	69
Change in net position	203	(64)	(311)	(668)	-	(840)
Transfers	(1,000)	-	-	1,000	-	-
Net position, July 1, 2020	3,834	2,952	20,509	6,044	-	33,339
Net position, June 30, 2021	\$ 3,037	\$ 2,888	\$ 20,198	\$ 6,376	\$ -	\$ 32,499

**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, 2021
(In Thousands)**

	Trust Estate	Operating	Eliminations	Total
<u>Assets</u>				
Current assets				
Unrestricted assets				
Cash	\$ -	\$ 816	\$ -	\$ 816
Prepaid expenses and other assets	-	4	-	4
Total unrestricted assets	<u>-</u>	<u>820</u>	<u>-</u>	<u>820</u>
Restricted assets				
Investments				
Bond indenture trusts	5,386	-	-	5,386
Current portion of loans receivable	6,247	-	-	6,247
Loan interest receivable	7,077	-	-	7,077
Total restricted assets	<u>18,710</u>	<u>-</u>	<u>-</u>	<u>18,710</u>
Total current assets	18,710	820	-	19,530
Noncurrent assets				
Restricted assets				
Loans receivable (net of allowance for uncollectibles)	127,452	-	-	127,452
Total assets	<u>\$ 146,162</u>	<u>\$ 820</u>	<u>\$ -</u>	<u>\$ 146,982</u>
<u>Liabilities</u>				
Current liabilities				
Accounts payable	\$ -	\$ 8	\$ -	\$ 8
Accrued expenses	-	115	-	115
U.S. Department of Education payable	831	-	-	831
Trust Estate payable	201	-	-	201
Total current liabilities	1,032	123	-	1,155
Noncurrent liabilities				
Bonds payable and related liabilities	121,624	-	-	121,624
Total liabilities	<u>122,656</u>	<u>123</u>	<u>-</u>	<u>122,779</u>
<u>Net Position</u>				
Restricted	3,418	-	-	3,418
Unrestricted	20,088	697	-	20,785
Total net position	<u>23,506</u>	<u>697</u>	<u>-</u>	<u>24,203</u>
Total liabilities and net position	<u>\$ 146,162</u>	<u>\$ 820</u>	<u>\$ -</u>	<u>\$ 146,982</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
Student Loan Foundation
For the Year Ended June 30, 2021
(In Thousands)

	Trust Estate	Operating	Eliminations	Total
Operating revenues				
Interest income on loans receivable	\$ 5,052	\$ -	\$ -	\$ 5,052
Administration fee	-	378	(378)	-
Other revenues	97	-	-	97
	<u>5,149</u>	<u>378</u>	<u>(378)</u>	<u>5,149</u>
Total operating revenues				
Operating expenses				
Interest expense	1,756	-	-	1,756
General and administrative	90	40	-	130
Loan service fees	448	-	-	448
Administration fee	378	-	(378)	-
Consolidation rebate fees	990	-	-	990
Contracted services	-	202	-	202
	<u>3,662</u>	<u>242</u>	<u>(378)</u>	<u>3,526</u>
Total operating expenses				
Operating income	<u>1,487</u>	<u>136</u>	<u>-</u>	<u>1,623</u>
Nonoperating income (expenses)				
Investment income	3	-	-	3
Contributions to CHESLA	(500)	-	-	(500)
	<u>(497)</u>	<u>-</u>	<u>-</u>	<u>(497)</u>
Total nonoperating expenses				
Change in net position	990	136	-	1,126
Net position, July 1, 2020	<u>22,516</u>	<u>561</u>	<u>-</u>	<u>23,077</u>
Net position, June 30, 2021	<u>\$ 23,506</u>	<u>\$ 697</u>	<u>\$ -</u>	<u>\$ 24,203</u>

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, 2021, 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 20, 2021.

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") as a basis for determining 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 financial statements. 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 20, 2021



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Exhibit B – In-School Loans Disbursed by Bond Series

CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY - GROSS HISTORICAL LENDING

Institution	Pre-2003 Series AB		2003 Series A/B		2005 Series A		2006 Series A		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.
Total Disbursed to Students-Attending Connecticut Institutions	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
10.98% Loans	1,575	\$9,138,627.00								
Total Disbursed to CT Students- Attending Out-of-State Institutions	3,600	\$36,178,687	410	\$5,502,189	366	\$4,960,399	466	\$5,149,868	999	\$9,430,573
Grand Total	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

Institution	2009 Series A		2010 Series A		2013 Series A/B		2014 Series A/B		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.
Total Disbursed to Students-Attending Connecticut Institutions	1,889	\$16,221,204	2,353	\$22,158,824	1,484	\$14,072,610	1,372	\$12,391,720	745	\$7,157,324
10.98% Loans										
Total Disbursed to CT Students- Attending Out-of-State Institutions	959	\$8,482,377	1,676	\$15,230,410	1,126	\$10,378,566	1,172	\$11,613,082	514	\$5,290,560
Grand Total	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

Institution	2016 Series A & Equity		2017 Series A		2017 Series C		2018 Series A		2019 Series B	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
	of 4.95%	of 4.95%	of 4.95%	of 4.95%	of 4.95%	of 4.95%	of 4.95%	of 4.95%	of 5.15%	of 5.15%
	Loans	Loans	Loans	Loans	Loans	Loans	Loans	Loans	Loans	Loans
	Disb.	Disb.	Disb.	Disb.	Disb.	Disb.	Disb.	Disb.	Disb.	Disb.
Total Disbursed to Students-Attending Connecticut Institutions	893	\$8,143,558	1,396	\$13,609,396	593	\$6,134,451	541	\$4,900,061	1,175	\$11,937,449
10.98% Loans										
Total Disbursed to CT Students- Attending Out-of-State Institutions	844	\$9,227,530	1,139	\$12,450,066	449	\$5,189,676	496	\$5,637,037	1,074	\$13,197,049
Grand Total	1,737	\$17,371,088	2,535	\$26,059,462	1,042	\$11,324,127	1,037	\$10,537,098	2,249	\$25,134,498

CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY - GROSS HISTORICAL LENDING

Institution	2020 Series B	
	Number of 5.15% Loans Disb.	Amount of 5.15% Loans Disb.
Total Disbursed to Students-Attending Connecticut Institutions	671	\$6,711,496
10.98% Loans		
Total Disbursed to CT Students- Attending Out-of-State Institutions	727	\$8,064,723
Grand Total	1,398	\$14,776,219

CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY - GROSS HISTORICAL LENDING

Institution	Total Number Of Students	Total Distribution to Students
Total Disbursed to Students-Attending Connecticut Institutions	36,436	356,899,853
10.98% Loans	1,575	9,138,627
Total Disbursed to CT Students- Attending Out-of-State Institutions	16,017	165,982,792
Grand Total	54,028	\$532,021,272



Exhibit C – CHESLA Need-Based Scholarship Disbursements to Schools

2020-2021

Institution	Classification	Funds Disbursed	Students Impacted
Albertus Magnus College	Private Institution	\$3,000	1
Asnuntuck Community College	Community College		
Capital Community College	Community College	\$6,000	2
Central CT State Univ.	State Institution	\$15,000	5
Charter Oak State College	State Institution		
Connecticut College	Private Institution	\$9,000	3
Eastern CT State Univ.	State Institution	\$24,000	8
Fairfield University	Private Institution	\$15,000	5
Gateway Community College	Community College		
Goodwin University	Private Institution	\$5,750	3
Housatonic Community College	Community College		
Lyme Academy College of Fine Arts	Private Institution		
Manchester Community College	Community College	\$2,750	2
Middlesex Community College	Community College		
Mitchell College	Private Institution	\$3,000	1
Naugatuck Valley Community College	Community College	\$6,750	4
Northwestern CT Community College	Community College		
Norwalk Community College	Community College	\$1,500	1
Quinebaug Valley Community College	Community College		
Quinnipiac University	Private Institution	\$9,000	3
Sacred Heart University	Private Institution	\$91,750	33
Southern CT State Univ.	State Institution	\$33,000	11
St. Vincent's College	Private Institution		
Three Rivers Community College	Community College		
Trinity College	Private Institution		
Tunxis Community College	Community College	\$3,000	1
University of Bridgeport	Private Institution	\$19,500	7
University of Connecticut	State Institution	\$142,500	47
University of Hartford	Private Institution	\$30,000	11
University of New Haven	Private Institution	\$30,000	11
University of Saint Joseph CT	Private Institution	\$24,000	8
Wesleyan University	Private Institution	\$3,000	1
Western CT State Univ.	State Institution	\$12,000	4

\$486,500

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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.

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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 2:16 pm, Apr 05, 2021

CONNECTICUT HIGHER EDUCATION
SUPPLEMENTAL LOAN AUTHORITY

CHESLA Refi CT

LOAN PROGRAM MANUAL

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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 with 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 120th 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 2:18 pm, Apr 05, 2021



Exhibit E – FY 2022 Operating Budget

CHESLA Budget
Budget for the Twelve Months Ending June 30, 2021

	FYE June 30, 2017 Actual	FYE June 30, 2018 Actual	FYE June 30, 2019 Actual	FYE June 30, 2020 Budget	FYE June 30, 2020 Actual	FYE June 30, 2021 Budget	FYE June 30, 2021 Proj Actual *	FYE June 30, 2022 Budget
Revenues								
Admin Fee Income								
In-school product	\$ 716,094	\$ 903,597	\$ 908,971	\$ 932,998	904,266	\$ 893,893	896,630	\$ 890,512
Refinance product	6,029	23,697	39,272	53,402	55,443	60,376	52,508	52,895
Investment Income	16,359	51,749	88,559	50,000	53,942	20,000	3,680	3,000
Misc Income & Recovery	0	5,136	0	0	611	0	84	0
Total Revenues	\$ 738,482	\$ 984,179	\$ 1,036,803	\$ 1,036,400	\$ 1,014,261	\$ 974,269	\$ 952,902	\$ 946,407
Expenses								
Compensation	\$ 166,860	\$ 98,897	\$ 136,341	\$ 190,613	\$ 192,129	\$ 219,018	\$ 217,991	\$ 239,274
Employee Benefits	50,571	37,780	48,149	65,452	65,797	73,738	75,203	77,181
General and Administrative	108,485	128,551	256,031	256,036	224,459	286,064	274,844	307,868
Depreciation/Amortization	0	18	206	206	206	206	206	206
Business Education, Board and Reimbursable	2,685	2,832	7,279	13,150	5,826	13,400	3,205	11,150
Membership Dues	14,289	12,771	13,976	17,100	16,749	17,100	16,809	16,800
CHEFA Support Services	180,557	206,109	201,212	238,355	126,053	137,649	135,369	135,000
Outside Services	33,300	34,110	44,388	84,300	64,542	55,900	35,100	52,900
Total Expenses	\$ 556,746	\$ 521,069	\$ 707,580	\$ 865,212	\$ 695,760	\$ 803,074	\$ 758,726	\$ 840,378
Excess Revenue from Operations	\$ 181,736	\$ 463,110	\$ 329,222	\$ 171,189	\$ 318,502	\$ 171,195	\$ 194,176	\$ 106,029
Non Operating Income								
Transfer from Non-Trust Refi Program to Operating Account	0	0	0	50,000	0	0	0	0
Non Operating Expenses								
Bond Issuance Costs & Amortization & Transfer to Trust	19,032	142,635	0	0	0	0	0	0
Transfer between Operating & Trust	0	(1,000,000)	1,015,657	0	17,461	0	1,000,000	0
Refinance Program Costs Funded at Start-up	201,282	40,183	52,569	35,341	35,341	0	0	0
Total Excess Revenue	\$ (38,579)	\$ 1,280,293	\$ (739,004)	\$ 185,847	\$ 265,699	\$ 171,195	\$ (805,824)	\$ 106,029
Benefit % to Compensation	30.31%	38.20%	35.31%	34.34%	34.25%	33.67%	34.50%	32.26%

* Projected Actual is based on Actual Financials as of April 30, 2021, plus 2 months of projected amounts.

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

	FYE June 30, 2017 Actual	FYE June 30, 2018 Actual	FYE June 30, 2019 Actual	FYE June 30, 2020 Budget	FYE June 30, 2020 Actual	FYE June 30, 2021 Budget	FYE June 30, 2021 Proj Actual	FYE June 30, 2022 Budget
Staff Compensation	\$ 166,860	\$ 98,897	\$ 136,341	\$ 190,613	\$ 192,129	\$ 219,018	\$ 217,991	\$ 239,274
Temporary Salaries (Intern)	0	0	0	0	0	0	0	0
Total Compensation	\$ 166,860	\$ 98,897	\$ 136,341	\$ 190,613	\$ 192,129	\$ 219,018	\$ 217,991	\$ 239,274
Payroll Taxes	\$ 12,909	\$ 9,330	\$ 11,015	\$ 15,675	\$ 15,646	\$ 17,065	\$ 17,276	\$ 18,667
Medical & Life Insurance								
Medical	3,800	4,467	8,059	10,496	10,362	11,889	15,009	15,953
Deductible Funding HSA (CHEFA)	2,081	2,100	5,250	4,350	4,200	5,250	6,300	8,250
Less: Employee Co-insurance	(685)	(785)	(1,220)	(1,564)	(1,550)	(1,783)	(2,859)	(3,368)
Net Medical Insurance	5,196	5,782	12,088	13,282	13,012	15,356	18,450	20,835
CHEFA Alternative Insurance	2,800	1,167	0	2,369	1,938	2,800	2,800	0
Life Insurance	790	384	696	1,037	1,026	1,192	1,153	1,239
Dental	2,318	2,332	1,088	1,105	988	1,223	1,471	3,264
Less: Dental Co-Insurance	0	(3)	(29)	(140)	(63)	(91)	(141)	(294)
Total Medical, Life Insurance & Other	11,104	9,663	13,842	17,653	1,951	20,480	23,733	25,044
Pension								
Contributions	16,379	9,592	11,147	19,391	17,045	21,737	20,521	23,927
Administrative Fee	594	594	528	396	395	395	395	597
Total Pension	16,973	10,186	11,675	19,787	17,440	22,132	20,917	24,524
457 Plan	2,508	1,920	2,596	4,269	4,154	4,500	3,750	4,500
Vacation	512	0	4,821	1,000	4,588	2,000	2,196	2,000
Disability Insurance - Long Term	543	577	498	686	697	865	834	957
Disability Insurance - Short Term	792	716	559	771	760	935	888	1,020
CT PFMLA	0	0	0	0	0	0	0	706
Less: Employee Co-insurance	0	0	0	0	0	0	0	(598)
Total Pension	0	0	0	0	0	0	0	108
Workers Compensation	750	789	842	611	611	761	609	361
Tuition	4,480	4,600	2,300	5,000	5,000	5,000	5,000	0
Total Employee Benefits	50,571	37,780	48,149	65,452	50,847	73,738	75,203	77,181
Total Employment	\$ 217,431	\$ 136,677	\$ 184,489	\$ 256,065	\$ 257,926	\$ 292,756	\$ 293,194	\$ 316,455

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

Exhibit 1

	FYE June 30, 2017 Actual	FYE June 30, 2018 Actual	FYE June 30, 2019 Actual	FYE June 30, 2020 Budget	FYE June 30, 2020 Actual	FYE June 30, 2021 Budget	FYE June 30, 2021 Proj Actual	FYE June 30, 2022 Budget
Lease & Storage								
Lease - Office Space	\$ 30,533	\$ 19,049	\$ 20,013	20,664	\$ 20,461	\$ 21,113	\$ 20,910	\$ 21,562
Lease - Taxes/CAM fees	408	0	1,590	120	0	120	715	\$ 120
Offsite Storage & One Drive	220	116	133	135	272	250	147	\$ 250
Total Lease & Storage	31,160	19,165	21,735	20,919	20,733	21,483	21,772	\$ 21,932
Business Insurance								
Office Package	1,041	603	606	637	627	658	976	\$ 993
Cyber Policy	8,755	4,680	4,095	3,315	3,780	4,862	3,291	\$ 3,887
Fiduciary & Performance Bond & Terrorism	520	264	264	277	265	277	442	\$ 483
Directors and Officers Liability / Public Officials	28,160	15,443	15,649	16,857	17,603	19,611	17,792	\$ 19,000
Total Business Insurance	38,476	20,990	20,614	21,086	22,274	25,408	22,502	\$ 24,363
Office Supplies and Non Capital Equipment								
General Office Expense and Supplies	1,579	590	1,999	2,000	1,160	2,000	83	\$ 1,500
Non-Capital furniture, Equipment & Software Licensing	4,415	929	2,531	8,000	5,455	1,439	607	\$ 9,245
Total Office Supplies and Non Capital Equip	5,993	1,518	4,530	10,000	6,615	3,439	691	\$ 10,745
Communications: Telephone & Internet								
Phone, Data Svc & Conferencing	5,383	2,586	3,327	4,900	1,955	5,141	4,636	\$ 5,455
Email (Trend Micro Email & Security)	136	35	0	707	0	0	0	\$ 56
Website Development & Hosting	2,241	1,728	0	1,500	722	721	663	\$ 1,305
Total Communications: Phone & Internet	7,760	4,349	3,327	7,107	2,677	5,862	5,299	\$ 6,816
Postage Expense								
Postage & Courier Expense	3,956	1,538	1,688	2,000	1,431	2,000	82	\$ 1,000
Maintenance Contracts	9,457	4,616	5,720	15,191	10,669	16,797	12,857	\$ 16,437
Publications & Resource Materials	243	68	68	175	68	175	162	\$ 175
Marketing Costs	40,362	76,060	82,511	178,659	159,038	210,000	210,253	\$ 225,000
Miscellaneous	22,911	247	115,839	900	954	900	1,227	\$ 1,400
Bank Fees & Safe Deposit Box	16	247	317	500	215	500	977	\$ 1,000
Staff Activities	0	0	0	100	0	100	0	\$ 100
Miscellaneous	21,477	0	115,522	300	739	300	250	\$ 300
Total Miscellaneous	21,494	247	115,839	900	954	900	1,227	\$ 1,400
Total General and Administrative Expenses	\$ 108,485	\$ 128,551	\$ 256,031	\$ 256,036	\$ 224,459	\$ 286,064	\$ 274,844	\$ 307,868
* Refinance Program Costs Funded at Start-up (used for Marketing as of 7/1/2017)	201,282	40,183	52,569	35,341	35,341	0	0	0

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

	FYE June 30, 2017 Actual	FYE June 30, 2018 Actual	FYE June 30, 2019 Actual	FYE June 30, 2020 Budget	FYE June 30, 2020 Actual	FYE June 30, 2021 Budget	FYE June 30, 2021 Proj Actual	FYE June 30, 2022 Budget
Depreciation/Amortization	0	18	206	206	206	\$ 206	206	\$ 206
Employee Reimbursable								
Staff business and travel expenses	37	517	380	1,000	447	1,000	0	500
Total Employee Reimbursable	37	517	380	1,000	447	1,000	0	500
Board Expense								
Board lunches & parking	348	377	604	650	683	1,000	0	750
Board education	0	0	0	0	0	0	0	0
Total Board Expense	348	377	604	650	683	1,000	0	750
Conference & Education Expense								
CAPFAA	832	560	1,016	2,000	2,077	2,100	0	2,100
EFC	0	0	3,909	4,500	2,619	4,000	1,880	4,000
EASFAA	0	1,278	1,262	1,000	0	1,300	0	1,300
NASFAA	1,378	0	0	0	0	0	0	0
Other (Conferences and non tuition education)	90	100	108	4,000	0	4,000	1,325	2,500
Total Conference & Education Expense	2,300	1,938	6,295	11,500	4,697	11,400	3,205	9,900
Total Business Education, Board and Reimbursable	\$ 2,685	\$ 2,832	\$ 7,279	\$ 13,150	\$ 5,826	\$ 13,400	\$ 3,205	\$ 11,150
Memberships Dues	\$ 14,289	\$ 14,289	\$ 13,976	\$ 17,100	16,749	\$ 17,100	16,809	\$ 16,800
CHEFA Support Services	180,557	\$ 206,109	\$ 201,212	\$ 238,355	126,053	\$ 137,649	135,369	\$ 135,000

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

	FYE June 30, 2017 Actual	FYE June 30, 2018 Actual	FYE June 30, 2019 Actual	FYE June 30, 2020 Budget	FYE June 30, 2020 Actual	FYE June 30, 2021 Budget	FYE June 30, 2021 Proj Actual	FYE June 30, 2022 Budget
Accounting Systems								
Enhancements (IT)	0	0	0	0	0	0	0	0
Total Accounting and IT Systems	0	0	0	0	0	0	0	0
Consultant Others								
Communications Strategy Consultant and other related expenses	0	0	9,250	50,000	30,242	0	0	0
Insurance Consultant	6,300	6,300	6,300	6,300	6,300	6,300	6,300	6,300
Other Consultants - Economic assessment	0	0	212	0	0	20,000	0	17,000
Total Consultant Others	6,300	6,300	15,762	56,300	36,542	26,300	6,300.00	23,300
Independent Auditors	27,000	27,810	28,625	28,000	28,000	29,600	28,800	29,600
Total Outside Services	\$ 33,300	\$ 34,110	\$ 44,388	\$ 84,300	\$ 64,542	\$ 55,900	\$ 35,100	\$ 52,900



Exhibit F – FY 2022 - 2024 Strategic Plan



CHEFA

Connecticut Health & Educational
Facilities Authority



CHESLA™

Connecticut Higher Education
Supplemental Loan Authority

CHEFA-CHESLA FY 2022-2024 Strategic Plan

APPROVED BY THE CHEFA BOARD OF DIRECTORS
MAY 19, 2021

Background and Introduction

In our strategic planning sessions for the 2019-2021 strategic plan, CHEFA board, management and staff created a unified strategic plan for both CHEFA and CHESLA for the first time. New Vision, Mission, and Values statements were adopted and five Strategic Pillars were identified. Progress on initiatives associated with each pillar has been ongoing, with annual status reports to the board and many notable achievements. We never considered that the final year of the plan period would be disrupted by a once in a generation global pandemic. Despite that monumental challenge, CHEFA board, management, and staff adapted to a new virtual work environment and our strategic efforts continued and thrived.

The FY 2022-2024 CHEFA/CHESLA Strategic Plan builds on the structure created with our last strategic planning cycle. Our process included a staff session featuring a speaker who presented an aspirational model of what CHEFA and CHESLA could achieve. This was followed by a staff brainstorming session using small breakout groups. The CHEFA and CHESLA boards participated in a joint planning session that elicited thoughts on board functioning and board engagement, provided an industry overview and ended with thought provoking breakouts. Our planning process this cycle was completely virtual, but both board and staff were successfully engaged.

For this three-year cycle, we continue to believe that our Vision, Mission, Values and five Strategic Pillars (Collaboration; Economic and Workforce Development for the Public Good; Technology; Innovation; and Public Engagement and Accountability) provide a strong foundation for the work that CHEFA and CHESLA will undertake going forward. We learned over the past three years that many of our initiatives are not siloed by pillar, and a single initiative can relate to multiple pillars. For that reason, our approach for the FY 2022 – 2024 Strategic Plan is to aggregate our initiatives for the plan period, with specific activities identified for each initiative. We believe that this approach will provide for more efficient monitoring by management and result in more streamlined reporting to the board.

The FY 2022-2024 Strategic Plan reflects the ideas, effort and dedication of Staff, Management and the CHEFA and CHESLA Boards. Our results to date and our plans for the future would not be possible without their hard work and dedication.

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Strategic Pillars

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- **Pillar I. Collaboration**
- **Pillar II. Economic and Workforce Development for the Public Good**
- **Pillar III. Technology**
- **Pillar IV. Innovation**

Key Initiatives

13-22

CHEFA Vision & Mission

Vision

Enhance the welfare and prosperity of the citizens of the State of Connecticut by being leaders in public finance

Mission

Provide financial assistance to educational institutions, healthcare providers, childcare providers and other eligible not-for-profit entities, and expand educational opportunities for Connecticut students through CHEFA's subsidiary, the Connecticut Higher Education Supplemental Loan Authority



CHEFA

Connecticut Health & Educational
Facilities Authority

CHESLA Vision & Mission

Vision

Serve as Connecticut's leading resource for students as they plan for their post-secondary education by providing financing, information and tools for students to make informed decisions; enhance the competitiveness of Connecticut educational institutions by providing grants and additional financing options; encourage interest in post-secondary education to help the State meet its workforce needs; and support economic development through innovative post-secondary education programs

Mission

Expand post-secondary educational opportunities and enhance the State's economic and workforce development through post-secondary education by providing cost-effective education financing programs and information resources to Connecticut students, alumni and their families



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, equity and inclusion 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

Strategic Pillars



Pillar I.

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



Pillar II. Economic and Workforce Development for the Public Good

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



Pillar III. Technology

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



Part IV. Innovation

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



Pillar V.

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

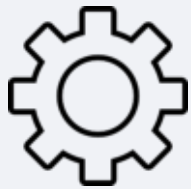


Pillar I. Collaboration

OBJECTIVES

- ❖ *Broaden the understanding and impact of our work throughout the state*
- ❖ *Create synergy between CHEFA and its subsidiaries in ways that will enhance our products*





Pillar II. Economic and Workforce Development for the Public Good

OBJECTIVES

- ❖ *Demonstrate our value to the State through measurable economic impacts*
- ❖ *Increase the pool of in-state qualified applicants for in demand jobs*
- ❖ *By supporting nonprofits throughout the State, help ensure the availability of needed services for CT citizens*
- ❖ *Enhance opportunities for new entrants to the workforce in Connecticut, including supporting non-traditional types of post-secondary education that will help address diverse workforce needs (adult learners, certificate programs, community colleges, and vo-tech programs)*





Pillar III. Technology

OBJECTIVES

- ❖ *Keep our customers informed and engaged; inform and educate the public about the roles of CHEFA and CHESLA*
- ❖ *Improve customer service by streamlining and automating processes*





Pillar IV. Innovation

OBJECTIVES

- ❖ *Be visionary in developing our products and services, focusing not only on what is needed, but on what can be done to make things better/easier/more efficient, now and in the future*
- ❖ *Motivate others to take action through energetic and engaging outreach*





Pillar V. Public Engagement and Accountability

OBJECTIVES

- ❖ *Be well run and respected organizations*
- ❖ *Communicate effectively to increase awareness of what we do*
- ❖ *Increase legislative support for our activities*
- ❖ *Maintain ethical standards*



Initiative #1

Collaborate with the state, other quasi-public agencies, and other stakeholders to develop financing solutions to help address critical state issues

1. Take a leading role in identifying and offering new, innovative or underutilized financial tools to fund project/programs that have economic as well as social impact (NMTC, Health Equity Trust, and Child Care Guaranteed Loan Fund, are current examples but new or different tools may emerge during the FY 2022 – 2024 period)

Indicators of Success:

- a) *At least one such CHEFA/CHEFA CDC new program implemented and operational by end of plan period*
2. Develop targeted student loan, loan refinance, or other education finance products that serve students and help address the state's workforce needs
 - a) Continue to seek passage and implementation of Alliance District Teacher Loan Subsidy Program in conjunction with State Department of Education
 - b) Research certificate program financing options and seek to implement
 - c) Assess feasibility of using loan rate discounts to encourage financial literacy

Indicators of Success:

- a) *Implementation of 2 new programs by end of plan period*

Initiative #1 (continued)

Collaborate with the state, other quasi-public agencies, and other stakeholders to develop financing solutions to help address critical state issues

3. Maintain and develop relationships by increasing interaction with entities such as:

- NACUBO, CHA, CAPFAA, CAIS, EFC
- Alliance for Nonprofits
- Connecticut Council for Philanthropy and its related organizations such as ECFC and Workforce Affinity Group
- Governor's Workforce Council and Office of Workforce Strategy
- Community Foundations/Other philanthropic entities
- Governor's Office, State agencies (for example SDE and DECD), Legislators

Indicators of Success:

a) *Collaborative efforts or programs offered*

Initiative #2

Broaden, assess, and communicate CHEFA's impact on the not-for-profit sector

1. Pursue legislative changes that will allow us to better serve new and existing clients
 - Indicators of Success:*
 - a) *Annual approval by CHEFA/CHECLA boards of legislative agenda including relevant proposals*
 - b) *At least one new proposal/program enacted into law by end of plan period*

2. Conduct structured client and prospect outreach effort to determine client needs and gather feedback and build awareness of CHEFA products, both existing and proposed
 - Indicators of Success:*
 - a) *Annual schedule of client meetings tied to client budget cycles created and implemented*
 - b) *Client survey conducted in year 1 of plan period*
 - c) *Summary of client needs, and feedback completed in year 1 of plan cycle*
 - d) *New program or modifications to existing programs implemented by end of plan cycle*

3. Continue to offer impactful grant programs consistent with strategic priorities to support non-profit entities in CT
 - Indicators of Success:*
 - a) *Favorable results reflected in impact measures*

Initiative #2 (continued)

**Broaden, assess, and
communicate CHEFA's
impact on the not-for-
profit sector**

4. Offer educational programming that meet CHEFA constituent needs and create opportunities for engagement

Indicators of Success:

a) *Webinar series, Non-profit Forum, and client conference conducted on regular basis*

5. Develop and implement comprehensive approach to gathering impact data on CHEFA programs, including bond and loan programs, grant programs, and CHEFA CDC programs, and including enhanced tools for data collection (e.g., client portal)

Indicators of Success:

a) *Information collection tool developed and improved client portal launched by end of plan period*

6. Develop comprehensive communications approach to build awareness of CHEFA services and impact (e.g., newsletter, blog, email alerts, published opinion pieces, social media, news reports, website traffic)

Indicators of Success:

a) *New website launched in year 1 of plan period*

b) *New communication tools launched in years 1 and 2*

Initiative #3

**Broaden, assess, and
communicate CHESLA's
impact on post-secondary
education**

1. Determine approach and undertake CHESLA workforce impact study; publicize study results

Indicators of Success:

- a) *Study launched in year 1 of plan period; results publicized after study completion*

2. Publicize the Alliance District Teacher Loan Rate Subsidy Program, if it becomes law

Indicators of Success:

- a) *Relevant press achieved through coordinated effort with Administration*

3. Work with the Governor's Workforce Council and Office of Workforce Strategy to finance post-secondary education in targeted careers; consider the use of income share agreements or other products where appropriate and work with DOB and DCP to ensure participant protections as needed

Indicators of Success:

- a) *New program implemented by end of plan period*

**Initiative #3
(continued)**

**Broaden, assess, and
communicate CHESLA's
impact on post-secondary
education**

4. Increase awareness of and broaden use of the CT Dollars and Sense financial literacy portal by partnering with youth programs through organizations such as Urban League of Greater Hartford, Hartford YWCA and other organizations

Indicators of Success:

- a) *At least one new partnership in place by end of plan period*

Initiative #4
**Continue to broaden use
of technology to
streamline operations and
create efficiencies**

1. Identify and build on pandemic responses that have future value
 - a) Develop an approach to integrating live and virtual components for staff, board and clients, including hybrid staffing approach
Indicators of Success:
 - a) *Approach identified and implemented in year 1 of plan period*

2. Maximize the use of document sharing technologies to minimize creation of redundant documents and reduce need for creating paper copies

Indicators of Success:
 - a) *Reduce copy paper costs annually*

3. Embrace use of cloud services in hybrid fashion, including for telecom services

Indicators of Success:
 - a) *Phone system upgraded to a cloud platform and integrated for virtual and continuity purposes*

4. Create comprehensive client portal to provide all CHEFA clients with the ability to provide on-line reporting

Indicators of Success:
 - a) *Portal implemented by end of plan period*

Initiative #5

Promote adherence to organizational identity and culture (e.g., organizational values and ethical standards)

1. Promote a culture of DEI internally and throughout our programs (e.g., encourage use of diverse professional service providers, for ourselves and our clients)

Indicators of Success:

- a) *Relevant staff trainings and increased use of diverse service providers by end of plan period*

2. Conduct Annual Day of Service for staff

Indicators of Success:

- a) *Strong staff engagement in service days*

3. Maintain a culture of professionalism and adherence to high ethical standards

Indicators of Success:

4. Provide at least 3 CHEPA board education programs and 2 CHESLA board education programs annually

Indicators of Success:

- a) *Favorable feedback from Board that educational needs are being addressed*

Initiative #6
Maintain sustainable organization

1. Continued focus on Business Continuity Planning, including succession planning for senior management positions

Indicators of Success:

- a) *Implementation of outstanding internal audit business continuity recommendations in year 1 of plan period*
- b) *Annual business continuity testing*
- c) *Approach for succession planning determined during plan period*

2. Be focused on our impact on the environment e.g., reduce use of paper and printing; explore efforts to support environmental priorities of our clients through e.g., Green Bonds

Indicators of Success:

- a) *Annual reduction in paper costs*

3. Explore options for CHEFA and CHESLA to develop sources of capital

- a) CHESLA explores innovative ways to leverage CSLF during plan period
- b) CHEFA explores opportunities to work with CDFIs or other entities during plan period

Indicators of Success:

- a) *At least one additional source of capital identified for CHEFA or CHESLA by end of plan period*