CHESLA

CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY

MyCHESLA Student Loan™

Competitive Student Loan Financing

RefiCT™ Student Loan Refinancing
Customized to Meet Your Goals

Competitive Student Loan Refinancing

CTDOLLARSANDSENSE.COM
CT DOLLARS & SENSE™
Financial Literacy Portal

Financial Literacy

Need-Based Scholarships

Annual Report
Fiscal Year Ended June 30, 2018

Helping Students and Their Families Invest in the Future

10 Columbus Boulevard, 7th Floor, Hartford, Connecticut 06106

Telephone: (860) 520-4001 Web: www.chesla.org

CHESLA
CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY
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:

Fiscal Year 2018 was an exciting one for CHESLA. Both of our loan products experienced growth, an indication that we were able to help more students and graduates achieve their goals. We were also able to maintain a 4.95% fixed rate on our student loan product, offering Connecticut students and families one of the most competitive fixed rates available. We are very proud of our ability to maintain this low loan rate over the past three years and look forward to continuing the rate into FY 2019.

Another significant achievement for CHESLA was the development of a new 3 year strategic plan that enhanced CHESLA's relationship with its parent entity, the Connecticut Health and Educational Facilities Authority (CHEFA). The planning approach was unique in that it engaged CHEFA and CHESLA staff in a joint brainstorming session to generate ideas; and it brought the CHEFA and CHESLA boards together for the first time to discuss challenges and identify new opportunities. The goal was to create a single strategic plan to foster synergy between the two organizations. There is overlap in the missions of CHEFA and CHESLA with regard to higher education. Through enhanced collaboration and communication between the two organizations, common goals were identified that can be pursued for greater impact on the state.

The planning process resulted in five Strategic Pillars for CHEFA and CHESLA :

- Collaboration;
- Economic and Workforce Development for the Public Good;
- Technology;
- Innovation; and
- Public Engagement and Accountability.

These Pillars will be the foundation of our efforts for the next 3 years and will support CHESLA's initiatives to strengthen, expand, and broaden our programs in Fiscal Year 2019 and beyond.

Jeanette W. Weldon
Executive Director
September, 2018

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 2018

Statutorily Designated:	Ex Officio Members	Member’s Designee
	The Honorable Denise L. Nappier State Treasurer	Sheree Mailhot Debt Management Specialist
	Benjamin Barnes Secretary Office of Policy & Management	Steven Kitowicz Principal Budget Specialist
	Mark E. Ojakian President Connecticut State Colleges and Universities	Erika H. Steiner Chief Financial Officer
	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:	Expiration of Term	Statutory Qualifications
 Julie B. Savino Vice Chair of the Board of CHESLA	July 1, 2018**	Experience in Higher Education Financial Aid Field

July 1, 2023

Experience in State and Municipal Finance

Martin L. Budd, Esq.

Paul H. Mounds, Jr.

February 21, 2024

Experience in Higher Education

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.
**Ms. Savino has been reappointed to another 6 year term ending September 18, 2024.

Advisory Committee Members

Matthew Rosen of Naugatuck

CHESLA Staff Members

Jeanette W. Weldon
Executive Director

Email address: jweldon@chesla.org

Samuel E. Rush*
Deputy Director

Joshua Hurlock
Assistant Director

Email address: jhurlock@chesla.org

Natalia Rozio
Administrative Intern

Email address: nrozio@chesla.org

*Mr. Rush retired from CHESLA as of August 21, 2018.

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, 2018, CHESLA had three employees: a Deputy Director (1 African-American Male), an Assistant Director (1 Caucasian Male), and an Administrative Intern (1 Caucasian Female). Jeanette Weldon, CHESLA's Executive Director and a CHEFA employee, is an African-American Female.

Activities, News and Events

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

CTDollarsandSense.com

CHESLA funded almost $2 million dollars in Need-Based Scholarships in FY 2018. The Authority is committed to investing in Connecticut students pursuing higher education.

Investment in Connecticut's Students

Refi CT, CHESLA's student loan refinancing product experienced continued growth in FY 2018 with approximately $5.7 million in loans outstanding at June 30.

Refi CT

Refi CT™
Student Loan Refinancing
Customized to Meet Your Goals

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 7 editions as of June 30, 2018. There are currently almost 800 subscribers to *CHESLA Insight*.

CHESLA Insight


CHESLA
CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY

CHESLA INSIGHT
Fiscal Year 2018 – April, 2018
E-News Periodical 7

NACAC Hartford College Fair
On March 28th and 29th, CHESLA's Assistant Director (Josh Hurlock) and Administrative Intern (Natalia Rozio) participated in the NACAC Hartford College Fair at the Connecticut Convention Center. CHESLA had a great time talking with students, parents, and guidance counselors about the MyCHESLA Student Loan and CT Dollars & Sense.

Southern Connecticut College Fair
Josh Hurlock was on the ice at the Webster Bank Arena for the 2018 Southern Connecticut College Fair! The event was held the evening of April 4th.

The Fox 61 Student News program engaged thousands of students and their participating middle and high schools throughout the state. Students produced their own news stories which culminated in an awards show on May 23rd at Goodwin College.

CHESLA's Executive Director (Jeanette Weldon) presented the CHESLA/CHET Higher Education Scholarship to the winners in the higher education category at the 2018 Fox 61 Student News Awards Ceremony.

Fox 61 Student News Sponsorship

CHESLA participated in the first annual CAPFAA Golf Classic on October 11th. CHESLA sent a golf foursome and was the pie sponsor for the event. The CAPFAA Golf Classic raised more than $12,000 to be put toward college scholarships!

CAPFAA Golf Classic college scholarships

FY 2018 Strategic Initiative Highlights

Core Goal 1 – Superior Client Service

- CHESLA's in-school loan program remained an attractive financing option for borrowers, with a low fixed interest rate of 4.95%
- CHESLA continued its participation and attendance at annual college fairs held by NACAC and the town of Enfield. For the first time ever, CHESLA attended the Southern Connecticut College Fair to connect with Fairfield and New Haven county families. Information about CHESLA's in-school loan program was disseminated at each event.

Core Goal 2 – Programs and Services that Meet the Demands of a Changing Market

- With Board approval, staff developed disaster forbearance and hardship forbearance for those borrowers who utilize the in-school loan program.
- Staff continued efforts to grow the Refi CT program, resulting in $2.9 million of refinance loans originated in FY 2018
- Increased awareness of the financial literacy portal CT Dollars & Sense to better serve CT students and their families through participation in the Fox Student News program
- For the 2017-2018 Academic Year, distributed $1,992,900 in CHESLA Need-Based Scholarships to 33 schools, impacting 1,143 students.
- Continued to publish CHESLA's e-newsletter, **CHESLA Insight**

Core Goal 3 – Partner in Public Policy

- Executive Director met with members of Congressional delegation and highlighted importance of tax-exempt financing for CHESLA and met with state legislators to keep them informed on CHESLA activities
- CHESLA's Assistant Director serves in leadership roles with the CT Association of Professional Financial Aid Administrators (CAPFAA) and CT Jump$tart
- CHESLA's Administrative Intern completed a successful year

Core Goal 4 – Sustainable Organization

- Coordinated with the Education Finance Council (EFC), the trade association for state related student lenders, to protect the tax-exemption for Qualified Student Loan Bonds, used to fund CHESLA's student loan program

Core Goal 5 – Ethical Culture

- Clean independent audit for Fiscal Year Ended June 30, 2018
- Clean state audit for Fiscal Years 2016 and 2017

Bond Issuance

The Authority priced $37,035,000 in Revenue and Revenue Refunding Bonds on May 4, 2017. Series A of the transaction closed on May 16, 2017 for $27,880,000. Series B of the transaction closed on August 17, 2017 for $9,155,000. The 2017 Series A and B Bonds were sold through a negotiated underwriting with RBC Capital Markets as the senior managing underwriter and Roosevelt & Cross Incorporated as the co-manager.

The Authority priced $11,300,000 in Revenue Bonds on December 14, 2017. 2017 Series C closed on December 21, 2017. The 2017 Series C Bonds were sold through a negotiated underwriting with Bank of America Merrill Lynch as the senior managing underwriter and Roosevelt & Cross Incorporated as the co-manager.

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

As of June 30, 2018, the Authority had issued Revenue Bonds and Revenue Refunding Bonds in the aggregate original principal amount of $587,725,000. The principal amounts of the Authority's outstanding bonds as of June 30, 2018 total $147,810,000, as shown below:

Bond Series*	Principal Issued*	Principal Outstanding*
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	$11,740,000
2010 Series A	$45,000,000	$25,790,000
2012 Series A	$13,085,000	$0
2013 Series A	$25,000,000	$16,805,000
2014 Series A	$23,000,000	$19,230,000
2015 Series A	$21,465,000	$12,810,000
2016 Series A	$15,000,000	$14,600,000

2017 Series A	$27,880,000	$26,380,000
2017 Series B	$9,155,000	$9,155,000
2017 Series C	$11,300,000	$11,300,000
Total	**$587,725,000**	**$147,810,000**

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.

BUSINESS

Projected Activities and Payments in Excess of $5,000 Bond Issuance

Projected Activities

The Authority will focus on implementation of its new 3 year Strategic Plan for FY 2019-2021, included as Exhibit E. All activities are expected to be consistent with the Fiscal Year 2019 operating budget, included as Exhibit F.

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

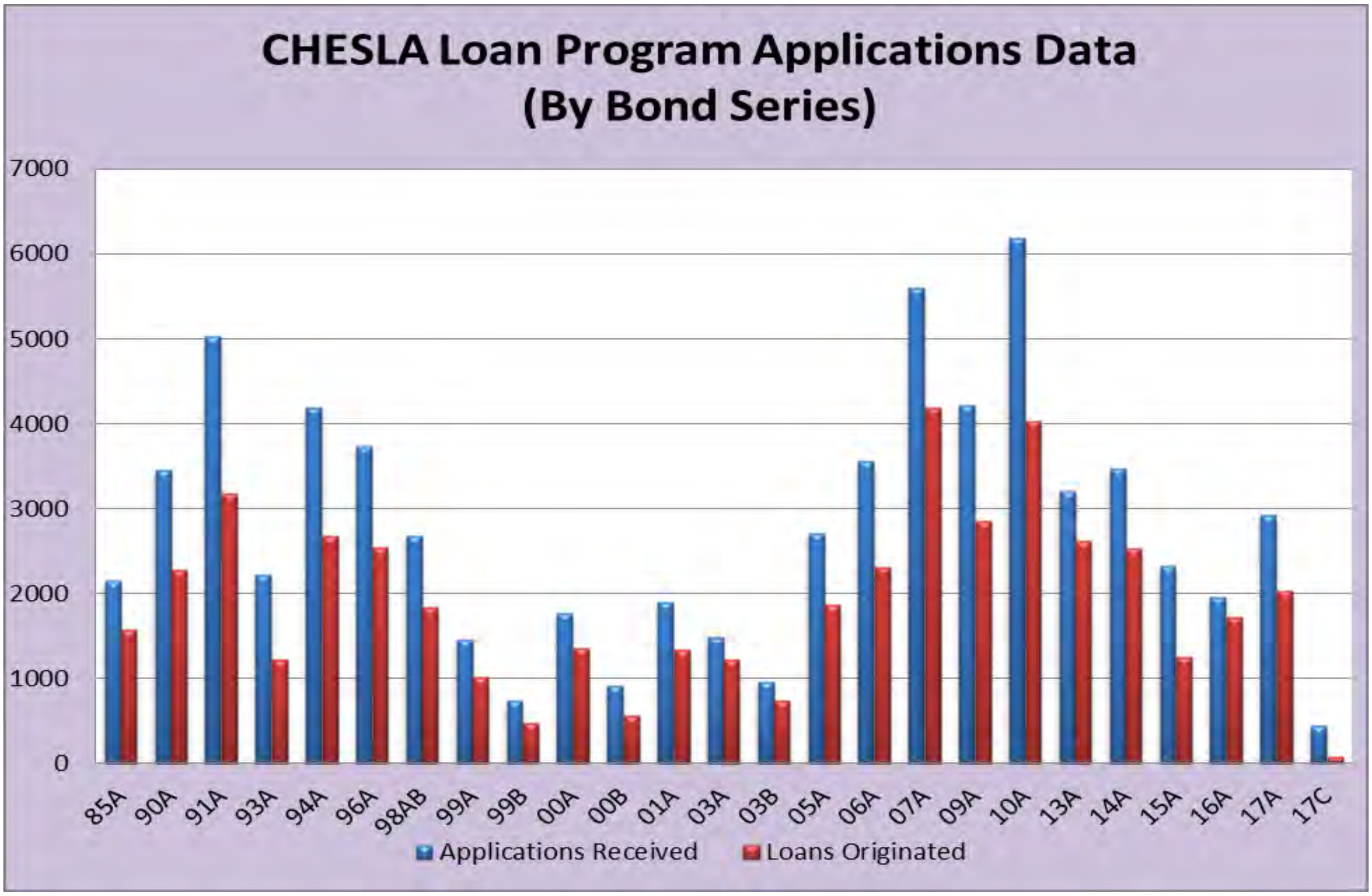
Services and Account Disbursements in Excess of $5,000
Fiscal Year End June 30, 2018

Paid from CHESLA Operating Budget

Bank of America
Connecticut Health and Education Facilities Authority (CHEFA)
Cohn Reznick LLP
Connecticut Public Broadcasting, Inc.
Education Finance Council, Inc. (EFC)
Hartford Courant Media Group
Principal Group
Willis of Connecticut, LLC
WTIC-TV
WTNH
WVIT-TV

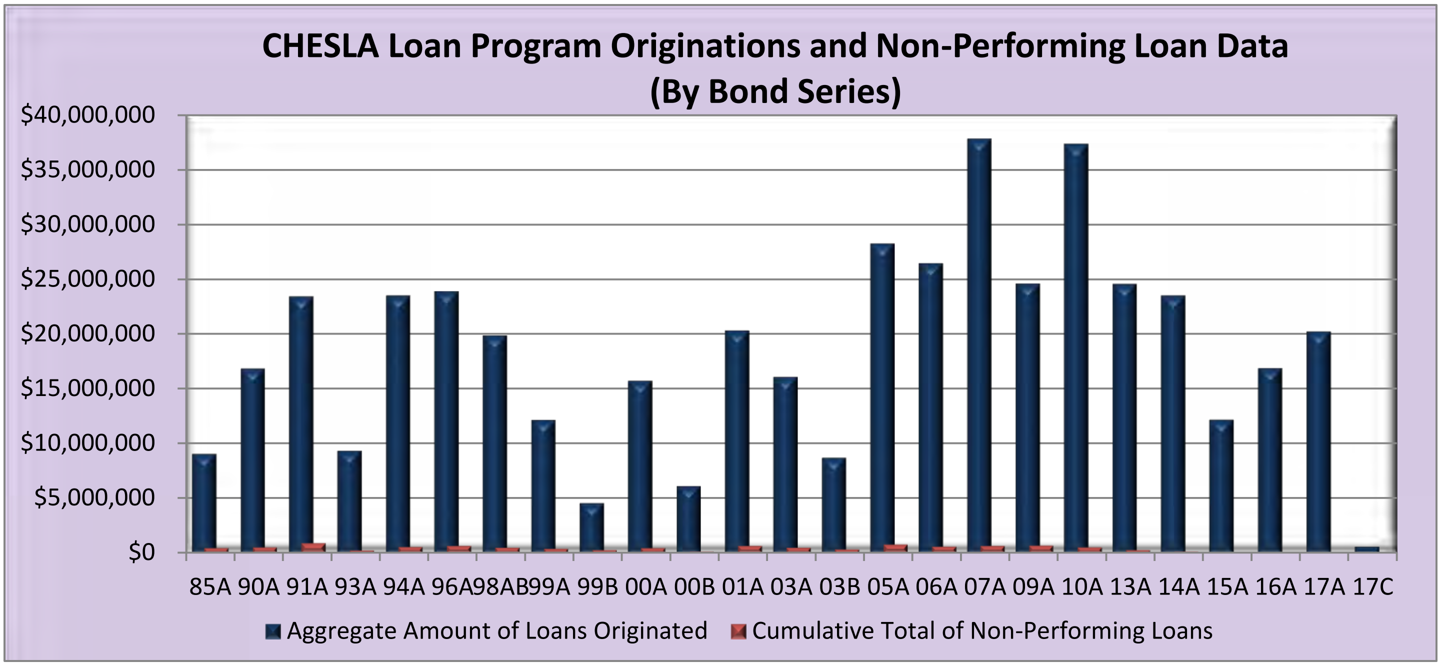
Paid from CHESLA 1990 Bond Resolution Revenue Accounts

AMTEC
CampusDoor Holdings, Inc.
Collection Company of America (CCA)
Day Pitney, LLP
Firstmark Services
First Southwest Company/Hilltop Securities
Fitch Ratings
McGlinchey Stafford
Moody's Investor Services
Shipman & Goodwin
University Accounting Service (UAS)
U.S. Bank (Trustee Fees)



Applications Received by Bond Series – 85A (2,150), 90A (3,462), 91A (5,022), 93A (2,226), 94A (4,193), 96A (3,737), 98AB (2,681), 99A (1,460), 99B (739), 00A (1,771),00B (915), 01A (1,900), 03A (1,484) 03B (964) 05A (2,710) 06A (3,552) 07A (5,607), 09A (4,223), 10A (6,188), 13A (3,207), 14A (3,468), 15A (2,318), 16A (1,959), 17A (2,930), and 17C (439)

Net Applications Approved and Funded by Bond Series – 85A (1,575), 90A (2,275), 91A (3,181), 93A (1,215), 94A (2,676), 96A (2,542), 98AB (1,840), 99A (1,014), 99B (475), 00A (1,360), 00B (564), 01A (1,341), 03A (1,225), 03B (743), 05A (1,866), 06A (2,308), 07A (4,188), 09A (2,848), 10A (4,029), 13A (2,613), 14A (2,535), 15A (1,255), 16A (1,729), 17A (2,035), and 17C (76)



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 ($20,326,807), and 17C ($606,784). **Total cumulative amount of loans originated: $464,415,723**

Cumulative Total of Non-Performing Loans – 85A ($433,731), 90A ($495,866), 91A ($826,749), 93A ($239,768), 94A ($513,623), 96A ($596,042), 98AB ($467,488), 99A ($364,892), 99B ($260,252), 00A ($438,089) 00B ($137,054), 01A ($606,427), 03A ($462,430), 03B ($305,212), 05A ($723,248), 06A ($540,145), 07A ($599,629), 09A ($649,164), 10A ($478,741), 13A ($267,856), 14A ($142,342), 15A ($50,761), 16A ($39,377), 17A ($0), and 17C ($0). **Total non-performing loans $9,638,884**

Total Net Non-Performing Default Rate – 85A (4.75%), 90A (2.92%), 91A (3.52%), 93A (2.54%), 94A (2.18%), 96A (2.48%), 98AB (2.34%), 99A (2.97%), 99B (5.62%), 00A (2.76%), 00B (2.21%), 01A (2.97%), 03A (2.85%), 03B (3.46%), 05A (2.55%), 06A (2.04)%, 07A (1.58%), 09A (2.63%), 10A (1.28%), 13A (1.09%), 14A (0.60%), 15A (0.41%), 16A (0.23%), 17A (0.00%), 17C (0.00%).
Total net non-performing default rate: 2.08%

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

- A table showing loan disbursements by Bond Series, from proceeds of the 1985 through 2017 Series C bond sales is attached as Exhibit B to this Annual Report.
- A copy of the Loan Program Manual is attached as Exhibit D to this Annual Report.

CHESLA

CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY

Exhibit A – Audited Financials

The Authority's FY 2018 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, 2018

COHNREZNICK
ACCOUNTING • TAX • ADVISORY

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

Table of Contents

Financial Section

<u>Independent Auditor's Report</u>

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, 2018, 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, 2018, 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 16 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 26, 2018, 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 26, 2018

Management's Discussion and Analysis
For the Year Ended June 30, 2018
(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, 2018. This Management's Discussion and Analysis presents separate discussion for the primary government (CHEFA) and each of the component units: Connecticut Higher Education Supplemental Loan Authority ("CHESLA") and Connecticut Student Loan Foundation ("CSLF"), each addressing the operations of the individual entity.

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

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

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

Financial Highlights

- CHEFA's net position increased $885 for the fiscal year as a result of operating income of $4,472 net of nonoperating expenses including grants and child care expenses of $2,879 and the required payment to the state of $900, offset by investment income of $192.
- CHESLA's net position increased by $2,155 for the fiscal year. The increase was due primarily to contributions from CSLF for the scholarship program and the refinance product (Refi CT) program and an increase in investment income.
- CSLF's net position decreased by $1,823 for the fiscal year, due primarily to the $4,000 contribution made to CHESLA for its scholarship program ($2,000) and the Refi CT program ($2,000).
- CHESLA's loan activity during the fiscal year was the issuance of new loans, net of returns, totaling $21,597 from the In-School loan program and $2,877 from the Refi CT program. Payments received of $19,990, net of adjustments, include $19,634 from the In-School loans and the remainder from the Refi CT loans.
- CSLF received loan payments of $38,106 during the fiscal year.
- CHESLA issued debt of $20,455 for new loans and $9,155 of the proceeds were used to defease the 2007A bonds.
- CSLF's bonds payable decreased by $32,450 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) and the two 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 of 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 on 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)

Financial Analysis

Assets exceeded liabilities at June 30, 2018. 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 32.0%. CHEFA's net position invested in capital assets was 0.8%. The remaining portion of net position is unrestricted and is 67.2%.

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

Summary Statement of Net Position
(in thousands)

	CHEFA	
	2018	**2017**
Current and other assets	$ 244,119	$ 232,380
Capital assets (net)	106	81
Total assets	244,225	232,461
Assets held on behalf of the State of CT	2,170	2,176
Other liabilities	228,062	217,177
Total liabilities	230,232	219,353
Net investment in capital assets	106	81
Restricted	4,487	4,563
Unrestricted	9,400	8,464
Total net position	$ 13,993	$ 13,108

Statement of Changes in Net Position. The statement of changes in net position's purpose is presenting information on how the net position changed during the most recent fiscal year. For the fiscal year, CHEFA's net position increased $885.

A statement of changes in net position follows:

Statement of Changes in Net Position
(in thousands)

	CHEFA	
	2018	**2017**
Operating revenues:		
Administrative fees	$ 7,463	$ 7,458
General and administrative fees	282	234
Bond issuance fees	59	60
Other revenues	153	41
Total operating revenues	7,957	7,793
Operating expenses:		
Salaries and related expenses	2,807	2,777
General and administrative	545	545
Contracted services	133	129
Total operating expenses	3,485	3,451
Operating income	4,472	4,342
Nonoperating income (expenses):		
Investment income	192	84
Payment to State	(900)	(4,375)
Grants and childcare subsidy expense	(2,879)	(1,226)
Total nonoperating expenses	(3,587)	(5,517)
Increase (decrease) in net position	885	(1,175)
Net position, July 1, 2017	13,108	14,283
Net position, June 30, 2018	$ 13,993	$ 13,108

Revenues

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

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

Revenues totaled $7,957 for fiscal year 2018. Administrative fees are the largest revenue source and represent 93.8% of total revenues. General and administrative service fees for support services provided to CHESLA and CSLF totaled $282, representing 3.5% of revenues for the year. The balance comprises application fees for the conduit debt issued and other revenues at 2.7%.

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

- Administrative fees increased by $5 to $7,463 during the year. The increase is due to the change in the par value of loans outstanding at June 30, 2018 compared to June 30, 2017. 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, 2018 was $8,349,699 as compared to $8,219,002 at June 30, 2017.

  During the year, CHEFA had 18 issues of new conduit debt totaling $947,103 in par value, of which 50.9% was the refinancing of pre-existing debt.

- Nonoperating investment income increased by $108 to $192 from the $84 recognized in fiscal year 2017. This is a result of interest rate increases as compared to the prior year.

Expenses

Expenses totaled $3,485 for the fiscal year. Of the expenses, 80.6% or $2,807 was for salaries and related expenses. General and administrative expenses amounted to $545, or 15.6%, while contracted services amounted to $133 or 3.8%.

Significant changes from the prior year are as follows:

- Salaries and related expenses increased by $30 from fiscal year 2017 to $2,807.
- Contracted services increased by $4 from fiscal year 2017 to $133.
- Grant and childcare subsidy expense increased from fiscal year 2017 by $1,653. The increase was a result of an increase in grants with $788 awarded in 2017 and released in 2018, as well as the decrease in the loan amounts outstanding ($38).

Capital Assets

At June 30, 2018, CHEFA's capital assets amounted to $106, net of depreciation. This includes leasehold improvements, furniture and fixtures, and computer and office equipment. Capital assets increased by $25 due to capital asset additions of $67, offset by depreciation of $42. Capital asset purchases during the year included $67 for office equipment.

Additional information on the 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.

Connecticut Higher Education Supplemental Loan Authority (CHESLA)

Financial Analysis

For CHESLA, assets exceeded liabilities at June 30, 2018. 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 60.99%. CHESLA's net position invested in capital assets was 0.01%. The remaining portion of net position (39.0%) is unrestricted.

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

Summary Statement of Net Position
(in thousands)

	CHESLA	
	2018	**2017**
Current and other assets	$ 182,470	$ 191,085
Capital assets, net	3	-
Total assets	182,473	191,085
Long-term liabilities outstanding	151,965	160,702
Other liabilities	843	880
Total liabilities	152,808	161,582
Deferred inflows of resources	7	2,000
Net invested in capital assets	3	-
Restricted	18,087	19,076
Unrestricted	11,568	8,427
Total net position	$ 29,658	$ 27,503

CHESLA's unrestricted net assets consist primarily of board designated assets for the refinance and the scholarship programs. In fiscal year 2018, CHESLA funded $22,616 of In-School loans and $2,898 in loans through its refinance program, Refi CT, compared to $21,957 and $2,851, respectively, in fiscal year 2017; increases of 3% for In-School and 1.6% for Refi CT over fiscal year 2017.

Statement of Changes in Net Position. The statement of changes in net position's purpose is presenting information on how the net position changed during the most recent fiscal year. For the fiscal year, CHESLA's net position increased $2,155.

A statement of changes in net position follows:

Statement of Changes in Net Position
(in thousands)

	CHESLA	
	2018	**2017**
Operating revenues:		
Interest income on loans receivable	$ 7,333	$ 7,433
Administrative fees	669	655
Contribution from CSLF	3,993	1,889
Other revenues	32	-
Total operating revenues	12,027	9,977
Operating expenses:		
Interest expense	5,994	5,743
Salaries and related expenses	137	217
General and administrative	565	541
Refinance pilot program	40	201
Scholarships	1,993	1,887
Loan service fees	598	574
Contracted services	39	37
Bond issuance costs	709	555
Provision for loan losses	581	73
Total operating expenses	10,656	9,828
Total operating income (loss)	1,371	149
Nonoperating income (expenses):		
Investment income	784	283
Increase (decrease) in net position	2,155	432
Net position, July 1, 2017	27,503	27,071
Net position, June 30, 2018	$ 29,658	$ 27,503

Net position increased by $2,155 for the fiscal year 2018. The increase reflects primarily the funds received from CSLF for the scholarship program and Refi CT and an increase in investment income.

Revenues

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

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

- Administrative fees increased by $14 to $669 during the year.
- Contributions from CSLF totaled $4,000:
  - The Scholarship Fund received $2,000 as compared to $1,889 in fiscal year 2017. The current year contributions were authorized by the Board in FY 2017 and $1,993 was disbursed throughout FY 2018. The remaining monies of $7 are recorded as a deferred inflow, to be disbursed in FY 2019.
  - Refi CT received $2,000 which was authorized by the Board in FY 2018.
- Nonoperating investment income increased by $501 primarily due to the increase in market value in fiscal year 2018 of the Treasury notes held in the Special Capital Reserve Fund ("SCRF") investment accounts of the 2009A and 2010A Bond issues in addition to an increase in interest rates.

Expenses

Expenses totaled $10,656 for the fiscal year. The largest expense, 56.3% or $5,994 was for interest payments on debt. This represents a decrease from the 58.4% in fiscal year 2017. Scholarship expenses amounted to $1,993 or 18.7%. General and administrative expenses amounted to $565, or 5.3%. Bond issue costs totaled $709, or 6.7%, loan servicing fees totaled $598 or 5.6% and provision for loan losses totaled $581 or 5.5% of the total expenses.

Significant changes from the prior year are as follows:

- Interest expense increased by $251 as compared to fiscal year 2017 due to an increase in the principal balance of outstanding debt, the issuance of new bonds and the early redemption of bonds throughout the fiscal year totaling $16,620.
- Salaries and related expenses decreased by $80, due to a long-term absence of an employee.
- General and administrative expenses increased by $24 primarily due to an increase in marketing and other expenses.
- The refinance program expenses decreased by $161. The program was funded during the FY 2016 by a contribution from CSLF ($6,000). $500 of the program funding was designated for the start-up and marketing costs for the program. $171 was spent in FY 2016, $201 in FY 2017, $40 in the current year with the remainder for this program to be spent on marketing in future years.
- Bond issuance and insurance cost increased by $154. Two bond issues were issued this fiscal year as compared to one in FY 2017.
- Provision for loan losses increased by $508 reflecting an increase of $203 in the loan loss reserve for the refinance program due to additional loans distributed in the second year of the program. The remainder of the increase resulted from the increase in the student loan portfolio.

Capital assets

At June 30, 2018, CHESLA's capital assets amounted to $3. Capital assets increased by $3, reflecting the purchase of the CHESLA.com domain name.

Long-term debt

Long-term debt for CHESLA is as follows:

Bonds Payable
(in thousands)

	CHESLA	
	2018	**2017**
Revenue Bonds	$ 147,810	$ 157,465
Premiums/Discounts	4,155	3,237
Total Long-term liabilities	$ 151,965	$ 160,702

CHESLA's decrease in the principal revenue bonds outstanding is a result of new issuances totaling $20,455, net of the refunding of the 2007A bonds of $13,490, and early redemptions of $16,620.

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

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

Economic Factors

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

Connecticut Student Loan Foundation (CSLF)

Financial Analysis

For CSLF assets exceeded liabilities at June 30, 2018. Due to the nature of CSLF operations, a portion of net position is subject to bond resolution restrictions. The restricted net position for CSLF at fiscal year-end was $4,693 and is 19.6%. The remaining portion of net position is unrestricted and represents 80.4% of the total net position. The decrease was due primarily to loan interest revenue net of $4,000 contributed to CHESLA for the scholarship and refinance programs authorized by the Board.

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

Summary Statement of Net Position
(in thousands)

	CSLF	
	2018	**2017**
Current and other assets	$ 226,083	$ 258,719
Total assets	226,083	258,719
Long-term liabilities outstanding	199,181	231,508
Other liabilities	2,912	1,398
Total liabilities	202,093	232,906
Restricted	4,693	6,381
Unrestricted	19,297	19,432
Total net position	$ 23,990	$ 25,813

Statement of Changes in Net Position. The statement of changes in net position's purpose is presenting information on how the net position changed during the most recent fiscal year. For the fiscal year, CSLF's net position decreased by $1,823.

A statement of changes in net position follows:

Statement of Changes in Net Position
(in thousands)

	CSLF	
	2018	**2017**
Operating revenues:		
Interest income on loans receivable	$ 10,475	$ 10,224
Not-for-profit servicing income	207	188
Total operating revenues	10,682	10,412
Operating expenses:		
Interest expense	5,626	4,493
General and administrative	262	258
Loan service fees	875	1,003
Consolidation rebate fees	1,430	1,604
Contracted services	409	503
Total operating expenses	8,602	7,861
Operating income	2,080	2,551
Nonoperating income (expenses):		
Investment income	97	37
Contribution revenue/expense	(4,000)	(2,000)
Total nonoperating income (expenses)	(3,903)	(1,963)
Increase (decrease) in net position	(1,823)	588
Net position, July 1, 2017	25,813	25,225
Net position, June 30, 2018	$ 23,990	$ 25,813

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 participates in the not-for-profit servicer program.

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 2018 totaled $10,475 (98.1%) compared to $10,224 for fiscal year ended June 30, 2017. 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 though 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 calculated to be in excess of congressionally established levels (excess yield) is paid to the U.S. Department of Education. During the fiscal year ended June 30, 2018, CSLF paid $4,529 to the US Department of Education relating to excess yield compared to $5,381 paid during fiscal year 2017.

The balance of CSLF revenues is the not-for-profit service fee of $207 and 1.9% of revenues.

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

- Interest income on loans receivable is the largest component of operating revenues. Interest income totaled $10,475, an increase of $251 from the prior year amount of $10,224 as a result of rising rates.
    - To a lesser extent the increase is due to the variable rate loans being based on the Prime Rate which increased from 4.25% to 4.5% during the fiscal year.
    - The primary cause for the increase is due to Special Allowance Program (SAP) subsidies received and the decrease in excess interest paid to the Department of Education on the federal student loans (FFEL) accounts. The trust earns interest at the greater of the borrower's rate or the special allowance rate on FFEL student loan receivables. The trust pays when the borrower's rate exceeds the SAP rate on loans disbursed on or after April 1, 2006. The special allowance rate is based on the average of the 3-month commercial paper (CP) rates in effect each quarter. The 3-month average CP rate increased from 1.09% as of June 30, 2017 to 2.21% as of June 30, 2018, resulting in a 241% increase in SAP income and a 67% decrease in excess interest expense during fiscal year ending June 30, 2018.

- Not-for-profit servicing income totaled $207 for the fiscal year ended 2018, an increase of $19 as compared to fiscal year 2017. The increase is due to the change in the number of loans serviced in the program.

Expenses

Expenses totaled $8,602 for the fiscal year. The largest expense was for 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 $5,626 or 65.4%. Consolidation rebate fees paid to the U.S. Department of Education totaled $1,430 or 16.6% of total expenses and loan servicing fees totaled $875 or 10.2% of total expenses.

Significant changes from the prior year are as follows:

- Bond interest expense increased in 2018 by $1,133. The increase is due to the rising interest rates and the variable rate nature of the bonds during the fiscal year.
- Loan servicing fees decreased by $128 reflecting the decrease in the number of loans serviced due to loan repayments.
- Consolidation rebate fees decreased by $174 reflecting the decrease in the principal balance of federal consolidation loans outstanding as the portfolio matures.
- CSLF has not disbursed new student loans since February 2010. As a result, with the maturing loan portfolio, the delinquency and loss rates have declined. However, in order to maintain a conservative level of provision, in June 2018 the Board approved a modest increase to the reserves, $58 and $28, to the Federal and Private portfolios, respectively. These increases will take effect during FY 2019.
- Nonoperating expense increased by $1,940, relating to the Board authorized contribution to CHESLA of $2,000 for the refinance program. The Board also authorized a $2,000 contribution to CHESLA for the scholarship program.

Debt Administration

Long-term debt

Long-term debt for CSLF is as follows:

Bonds Payable
(in thousands)

	CSLF	
	2018	**2017**
Revenue Bonds	$ 199,600	$ 232,050
Premiums/Discounts	(419)	(542)
Total Long-term liabilities	$ 199,181	$ 231,508

CSLF's decrease in long-term debt was due to the redemption of $32,450 of bonds during the fiscal year.

CSLF maintains an AAA (senior debt) and AA+ (subordinate debt) rating from Standard & Poor's. CSLF maintains an 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

Exhibit A

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

Statement of Net Position
June 30, 2018
(In Thousands)

	Primary Government	Component Units		
	CHEFA	CHESLA	CSLF	Total
Assets				
Current assets				
Unrestricted assets				
Cash	$ 1,182	$ 330	$ 891	$ 2,403
Investments	6,981	6,588	-	13,569
Receivables				
Accounts (net of allowance for uncollectibles of $86)	346	-	17	363
Loans receivable	-	449	-	449
Interest receivable on investments	-	4	-	4
Loan interest receivable	-	15	-	15
Related parties	50	-	-	50
Prepaid expenses and other assets	125	18	1	144
Total unrestricted assets	8,684	7,404	909	16,997
Restricted assets				
Investments				
Institutions	227,870	-	-	227,870
Bond indenture trusts	-	29,309	9,385	38,694
Other	900	603	-	1,503
Accounts receivable	-	-	13	13
Loans receivable	-	20,365	13,319	33,684
Interest receivable on investments	-	135	-	135
Loan interest receivable	-	457	4,303	4,760
Total restricted assets	228,770	50,869	27,020	306,659
Total current assets	237,454	58,273	27,929	323,656
Noncurrent assets				
Unrestricted assets				
Capital assets (net of accumulated depreciation)	106	3	-	109
Loans receivable (net of allowance for uncollectibles)	-	4,209	-	4,209
Restricted assets				
Investments	6,665	19,809	-	26,474
Loans receivable (net of allowance for uncollectibles)	-	100,179	198,154	298,333
Total noncurrent assets	6,771	124,200	198,154	329,125
Total assets	$ 244,225	$ 182,473	$ 226,083	$ 652,781

Exhibit A

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

Statement of Net Position
June 30, 2018
(In Thousands)

	Primary Government	Component Units		
	CHEFA	CHESLA	CSLF	Total
Liabilities				
Current liabilities				
Accounts payable	$ 34	$ 68	$ 31	$ 133
Accrued expenses	158	7	2,115	2,280
Amounts held for institutions	227,870	-	-	227,870
Accrued interest payable	-	768	-	768
U.S. Department of Education payable	-	-	437	437
Trust Estate payable	-	-	329	329
Current portion of bonds payable	-	10,155	-	10,155
Total current liabilities	228,062	10,998	2,912	241,972
Noncurrent liabilities				
Bonds payable and related liabilities, net of current portion	-	141,810	199,181	340,991
Amount held for the State of Connecticut	2,170	-	-	2,170
Total noncurrent liabilities	2,170	141,810	199,181	343,161
Total liabilities	230,232	152,808	202,093	585,133
Deferred Inflows of Resources				
Unearned revenue	-	7	-	7
Net Position				
Net investment in capital assets	106	3	-	109
Restricted	4,487	18,087	4,693	27,267
Unrestricted	9,400	11,568	19,297	40,265
Total net position	13,993	29,658	23,990	67,641
Total liabilities, deferred inflows of resources and net position	$ 244,225	$ 182,473	$ 226,083	$ 652,781

See Notes to Financial Statements.

Exhibit B

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, 2018
(In Thousands)

	Primary Government	Component Units		
	CHEFA	CHESLA	CSLF	Total
Operating revenues				
Interest income on loans receivable	$ -	$ 7,333	$ 10,475	$ 17,808
Administrative fees	7,463	669	-	8,132
Supporting services fees	282	-	-	282
Contribution from CSLF (scholarships and Refi Program)	-	3,993	-	3,993
Bond issuance fees	59	-	-	59
Not-for-profit servicing income	-	-	207	207
Other revenues	153	32	-	185
Total operating revenues	7,957	12,027	10,682	30,666
Operating expenses				
Interest expense	-	5,994	5,626	11,620
Salaries and related expenses	2,807	137	-	2,944
General and administrative	545	565	262	1,372
Refinance program	-	40	-	40
Scholarships	-	1,993	-	1,993
Loan service fees	-	598	875	1,473
Consolidation rebate fees	-	-	1,430	1,430
Contracted services	133	39	409	581
Bond issuance costs	-	709	-	709
Provision for loan losses	-	581	-	581
Total operating expenses	3,485	10,656	8,602	22,743
Operating income	4,472	1,371	2,080	7,923
Nonoperating income (expenses)				
Investment income	192	784	97	1,073
Payment to State (legislative mandate)	(900)	-	-	(900)
Grants and child care subsidy expense	(2,879)	-	-	(2,879)
Contribution to CHESLA	-	-	(4,000)	(4,000)
Total nonoperating income (expenses)	(3,587)	784	(3,903)	(6,706)
Change in net position	885	2,155	(1,823)	1,217
Net position, July 1, 2017	13,108	27,503	25,813	66,424
Net position, June 30, 2018	$ 13,993	$ 29,658	$ 23,990	$ 67,641

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, 2018
(In Thousands)

	Primary Government	Component Units	
	CHEFA	**CHESLA**	**CSLF**
Cash flows from operating activities			
Cash received from loan payments	$ -	$ 19,990	$ 38,106
Interest received on loans	-	7,277	7,643
Fees received on loans	-	-	196
Contributions received from CSLF	-	2,000	-
Cash received for administrative fees	7,204	32	-
Cash received for loan recoveries	-	-	-
Cash received for recovery of loans	-	167	-
Cash received for general administrative fees	282	-	-
Cash received for not-for-profit servicing	-	-	207
Cash received for other revenues	153	-	-
Cash received for bond issuance fees	59	-	-
Cash payments for employee wages and benefits	(2,795)	(140)	-
Cash payments for interest on bonds	-	(6,156)	(5,503)
Cash payments for excess interest	-	-	(2,833)
Cash payments for loans issued	-	(24,474)	-
Cash payments for loans repurchased	-	-	(800)
Cash payments for loan servicing fees	-	(598)	(875)
Cash payments for consolidation fees	-	-	(1,430)
Cash payments for contracted services	(133)	(715)	(409)
Cash payments for refinance program	-	(40)	-
Cash payments for other operating expenses	(582)	(546)	1,771
Cash payments for scholarships	-	(1,993)	-
Net cash provided by (used in) operating activities	4,188	(5,196)	36,073
Cash flows from noncapital financing activities			
Proceeds from bond sales	953,817	20,455	-
Proceeds from bond premiums	116,327	1,041	-
Proceeds from institutions	632	-	-
Proceeds from investment income for amounts held for others	3,281	-	-
Releases from amounts held for institutions	(1,063,185)	-	-
Cash paid to State (legislative mandate)	(900)	-	-
Cash paid to grantees and child care subsidy	(2,885)	-	-
Payments of bond principal	-	(16,620)	(32,450)
Payment to refunded bond escrow agent	-	(13,490)	-
Contributions to CHESLA	-	-	(4,000)
Net cash provided by (used in) noncapital financing activities	7,087	(8,614)	(36,450)

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

Statement of Cash Flows
For the Year Ended June 30, 2018
(In Thousands)

	Primary Government	Component Units	
	CHEFA	CHESLA	CSLF
Cash flows from capital and related financing activities			
Purchase of capital assets	$ (67)	$ (3)	$ -
Cash flows from investing activities			
Proceeds from sale of investments	578,263	75,389	573
Purchase of investments	(589,248)	(63,387)	-
Investment income	192	779	97
Net cash provided by (used in) investing activities	(10,793)	12,781	670
Net increase (decrease) in cash	415	(1,032)	293
Cash (including restricted cash), July 1, 2017	767	1,362	598
Cash (including restricted cash), June 30, 2018	$ 1,182	$ 330	$ 891
Reconciliation of operating income to net cash provided by (used in) operating activities			
Operating income	$ 4,472	$ 1,371	$ 2,080
Adjustments to reconcile operating income to net cash provided by (used in) operating activities			
Depreciation expense	42	-	-
Bond discount/premium amortization	-	(123)	123
Provision for loan losses	-	748	-
Issuance of loans receivable used to pay origination fees	-	(669)	-
Interest on loans paid through loan advances	-	-	(4,776)
Loan advances to capitalize interest to loans	-	-	4,776
(Increase) decrease in:			
Accounts receivable	(259)	-	(14)
Accounts receivable - related party	(19)	-	-
Prepaid expenses and other assets	(61)	54	-
Loans receivable	-	(4,490)	32,544
Loan interest receivable	-	(56)	(174)
Increase (decrease) in:			
Accounts payable	17	4	(16)
Accrued expenses	(4)	(3)	2,049
Accrued interest payable	-	(39)	-
U.S. Department of Education payable	-	-	(564)
Trust Estate payable	-	-	45
Unearned revenue	-	(1,993)	-
Net adjustments to operating income	(284)	(6,567)	33,993
Net cash provided by (used in) operating activities	$ 4,188	$ (5,196)	$ 36,073

See Notes to Financial Statements.

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 fund, and other programs. The 1990 Bond Fund is governed by the 1990 Revenue Bond Resolution, as amended, supplemented and restated, pursuant to which all outstanding bonds were issued prior to 2003 and after 2007. The 2003 Bond Fund was redeemed in September 2017.

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 of Connecticut.

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 of Connecticut.

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

Notes to Financial Statements
June 30, 2018
(In Thousands)

Reporting entity
CSLF was originally established as a Connecticut State chartered nonprofit 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.

CSLF has entered into an agreement to participate in the not-for-profit servicer program established under the Health Care and Education Reconciliation Act of 2010 ("HCERA"), Public Law 111-152.

I. Summary of significant accounting policies

A. Financial statements

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

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

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

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

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

I. Summary of significant accounting policies

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

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

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

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

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

I. Summary of significant accounting policies

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

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

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

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

1. Deposits and investments

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

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

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

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

Notes to Financial Statements
June 30, 2018
(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 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.

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.

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.

I. Summary of significant accounting policies

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

The restricted investments classified as noncurrent include funds held by CHEFA as a result of its partnership with the State of Connecticut Department of Education ("SDE"), 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 Department of Social Services ("DSS") is responsible for paying a portion of the debt service on the Child Care Facilities Program Series F and G 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 and 2017 Series C bonds.

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, 2018, 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.

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 fund financial statements. Capital assets are defined by the Authority as assets with an initial, individual cost of more than $2,500 for all assets. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

I. Summary of significant accounting policies

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

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.

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

Assets	Years
Leasehold improvements	5 years
Computer equipment	3-5 years
Furniture and fixtures	10 years
Office equipment	3-6 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 SDE related to the childcare program pursuant to Public Act 97-259.

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

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

Connecticut Health and Educational Facilities Authority
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Notes to Financial Statements
June 30, 2018
(In Thousands)

I. Summary of significant accounting policies

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

9. Long-term obligations

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

10. Deferred inflows of resources

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

11. Net position flow assumption

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

Connecticut Health and Educational Facilities Authority
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Notes to Financial Statements
June 30, 2018
(In Thousands)

I. Summary of significant accounting policies

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

12. Fund equity and net position

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

Net Investment in Capital Assets

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

Restricted Net Position

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

Unrestricted Net Position

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

13. Use of estimates

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

14. Comparative data/reclassifications

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

Connecticut Health and Educational Facilities Authority
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Notes to Financial Statements
June 30, 2018
(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, 2018, $998 of CHEFA's bank balance of $1,248 (including certificates of deposit and money market accounts classified as investments) was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	$ 873
Uninsured and collateral held by the pledging bank's trust department, not in CHEFA's name	125
Total amount subject to custodial credit risk	$ 998

CHESLA

As of June 30, 2018, $101 of CHESLA's bank balance of $508 (including certificates of deposit and money market accounts classified as investments) was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	$ 66
Uninsured and collateral held by the pledging bank's trust department, not in CHESLA's name	35
Total amount subject to custodial credit risk	$ 101

CSLF

As of June 30, 2018, $720 of CSLF's bank balance of $970 (including certificates of deposit and money market accounts classified as investments) was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	$ 623
Uninsured and collateral held by the pledging bank's trust department, not in CSLF's name	97
Total amount subject to custodial credit risk	$ 720

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

Notes to Financial Statements
June 30, 2018
(In Thousands)

II. Detailed notes

A. Cash and investments

Financial instruments that potentially subject the Authority to significant concentrations of credit risk consist primarily of cash. From time-to-time, the Authority's cash account balances exceed the Federal Deposit Insurance Corporation 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	$ 230,787	$ 230,787	$ -	$ -	$ -
Short-Term U.S. Government Securities	2,796	2,796	-	-	-
Pooled Fixed Income	8,733	8,733	-	-	-
Municipal Bonds	100	100	-	-	-
Total	$ 242,416	$ 242,416	$ -	$ -	$ -

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:					
Money Market	$ 611	$ 611	$ -	$ -	$ -
Bond	2	-	-	-	2
Bank Money Market Funds	172	172	-	-	-
Pooled Fixed Income	44,373	44,373	-	-	-
U.S. Government Securities	6,579	-	-	6,579	-
Guaranteed Investment Contracts	4,572	600	2,765	1,207	-
Total	$ 56,309	$ 45,756	$ 2,765	$ 7,786	$ 2

Connecticut Health and Educational Facilities Authority
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Notes to Financial Statements
June 30, 2018
(In Thousands)

II. Detailed notes

A. Cash and investments

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

Type of Investment	Fair Value	Less Than 1
Mutual Funds:		
Government Agency Funds	$ 7,879	$ 7,879
Pooled Fixed Income	1,506	1,506
	$ 9,385	$ 9,385

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	$ 230,787	$ 230,787	$ -	$ -
Short-Term U.S. Government Securities	2,796	2,796	-	-
Municipal Bonds	100	-	100	-
Total investments by fair value level	233,683	$ 233,583	$ 100	$ -
Other Investments				
Pooled Fixed Income	8,733			
Total Investments	$ 242,416			

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

Notes to Financial Statements
June 30, 2018
(In Thousands)

II. Detailed notes

A. Cash and investments

CHESLA

Investments by fair value level	Amount	Level 1	Level 2	Level 3
Money Market Mutual Funds	$ 611	$ 611	$ -	$ -
Bond Mutual Funds	2	2	-	-
U.S. Government Securities	6,579	-	6,579	-
Total investments by fair value level	7,192	$ 613	$ 6,579	$ -
Other Investments				
Money Market (bank)	172			
Guaranteed Investment Contracts	4,572			
Pooled Fixed Income	44,373			
Total other investments	49,117			
Total Investments	$ 56,309			

CSLF

Investments by fair value level	Amount	Level 1	Level 2	Level 3
Government Agency Mutual Funds	$ 7,879	$ 7,879	$ -	$ -
Other Investments				
Pooled Fixed Income	1,506			
Total Investments	$ 9,385			

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 and municipal bonds: quoted prices for identical securities in markets that are not active

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 Federal Deposit Insurance Corporation (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 by the Audit-Finance Committee or Board of Directors, 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 Federal Deposit Insurance Corporation (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	Municipal Bonds	Government Agency Mutual Funds
AAA	$ 8,733	$ 100	$ 230,787

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	Money Market Mutual Funds
AAA	$ 44,373	$ 4,572	$ 2	$ 611

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	$ 1,506	$ 7,879

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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Notes to Financial Statements
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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

	Total	Less Insured Amounts	Amount Subject To Custodial Credit Risk
Short Term U.S. Government Securities	$ 2,796	$ 900	$ 1,896
Municipal Bonds	100	100	-
Total	$ 2,896	$ 1,000	$ 1,896

CHESLA

	Total	Less Insured Amounts	Amount Subject To Custodial Credit Risk
U.S. Government Securities	$ 6,579	$ 500	$ 6,079

CSLF

	Total	Less Insured Amounts	Amount Subject To Custodial Credit Risk
Short-Term 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 mutual bond 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, 2018
(In Thousands)

II. Detailed notes

B. Receivable

Receivables as of June 30, 2018 for the Authority's financial statements by type are as follows:

CHESLA makes loans to students from the proceeds of bonds issued by CHESLA. CHESLA also refinances CHESLA and other lenders' student loans. Loans receivable as of June 30, 2018 are as follows:

	Active Loans	Loans in Collection	Total
Current portion	$ 20,814	$ -	$ 20,814
Long-term portion	105,276	2,067	107,343
Less Allowance	(2,491)	(464)	(2,955)
Net Long-term portion	102,785	1,603	104,388
Total Net Receivables	$ 123,599	$ 1,603	$ 125,202

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 4.95% to 6.99%.

Refinance Connecticut Program ("Refi") 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 Issac Corporation ("FICO") score. The interest rate on new loans ranges from 4.75% - 6.8%.

During the fiscal year, CHESLA wrote off loans receivable of $466, which had previously been provided for through the allowance for loan losses.

During the fiscal year, CHESLA recovered $167 in loans receivable and other credits that were written off in previous years.

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

	FFELP	**Alternative**	**Total**
Current portion	$ 13,015	$ 304	$ 13,319
Long-term portion	194,484	4,455	198,939
Less Allowance	(405)	(380)	(785)
Net Long-term portion	194,079	4,075	198,154
Total Net Receivables	$ 207,094	$ 4,379	$ 211,473

Connecticut Health and Educational Facilities Authority
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Notes to Financial Statements
June 30, 2018
(In Thousands)

II. Detailed notes

B. Receivables

During the fiscal year, CSLF wrote off federal loans receivable of $164 (CSLF risk share only), and $38 of private loans, which is net of $110 in recoveries, which had previously been provided for through the allowance for loan losses.

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

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

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

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

June 30, 2019	$	13,319
2020		14,158
2021		15,050
2022		15,998
2023		17,007
2024-2028		92,761
2029-2032		43,965
Total	$	212,258

Connecticut Health and Educational Facilities Authority
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Notes to Financial Statements
June 30, 2018
(In Thousands)

II. Detailed notes
C. Capital assets

CHEFA capital asset activity for the year ended June 30, 2018 was as follows:

	Balance July, 1 2017	Increases	Decreases	Balance June 30, 2018
Capital assets being depreciated:				
Leasehold improvements	$ 157	$ -	$ -	$ 157
Computer equipment	255	-	-	255
Furniture and fixtures	256	-	-	256
Office equipment	381	67	-	448
Total capital assets being depreciated	1,049	67	-	1,116
Less accumulated depreciation for:				
Leasehold improvements	150	5	-	155
Computer equipment	246	6	-	252
Furniture and fixtures	242	4	-	246
Office equipment	330	27	-	357
Total accumulated depreciation	968	42	-	1,010
Total capital assets being depreciated, net	$ 81	$ 25	$ -	$ 106

CHESLA capital asset activity for the year ended June 30, 2018 was as follows:

CHESLA	Balance July, 1 2017	Increases	Decreases	Balance June 30, 2018
Capital assets being depreciated:				
Computer equipment	$ -	$ 3	$ -	$ 3
Less accumulated depreciation for:				
Computer equipment	$ -	$ -	$ -	$ -
Total capital assets being depreciated, net	$ -	$ 3	$ -	$ 3

Connecticut Health and Educational Facilities Authority
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Notes to Financial Statements
June 30, 2018
(In Thousands)

II. Detailed notes
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, 2018:

CHEFA

Description	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018	Current Portion
Other liability					
Amount held for the State of Connecticut	$ 2,176	$ -	$ 6	$ 2,170	$ -

CHESLA

Description	Original Amount	Date of Issue	Date of Final Maturity	Interest Rate	Balance July 1, 2017	Additions	Deductions	Amount Refunded	Balance June 30, 2018	Current Portion
Bond 2007 A	$41,000	8/23/2007	11/15/2024	4.125 - 4.875%	$ 13,490	$ -	$ -	$ 13,490	$ -	$ -
Bond 2009 A	30,000	8/6/2009	11/15/2027	1.9 - 5.05%	13,885	-	2,145	-	11,740	1,100
Bond 2010 A	45,000	10/19/2010	11/15/2035	2.0 - 5.25%	29,270	-	3,480	-	25,790	2,350
Bond 2012 A	13,085	3/28/2012	11/15/2021	0.4 - 3.125%	1,190	-	1,190	-	-	-
Bond 2013 A	25,000	4/2/2013	11/15/2029	2.0 - 4.0%	19,560	-	2,755	-	16,805	1,420
Bond 2014 A	23,000	6/18/2014	11/15/2030	3.0 - 5.0%	21,120	-	1,890	-	19,230	1,000
Bond 2015 A	21,465	7/2/2015	11/15/2031	1.65 - 4.375%	16,070	-	3,260	-	12,810	1,685
Bond 2016 A	15,000	6/30/2016	11/15/2033	3.0 - 5.0%	15,000	-	400	-	14,600	600
Bond 2017 A	27,880	5/16/2017	11/15/2033	3.25 - 5.0%	27,880	-	1,500	-	26,380	800
Bond 2017 B	9,155	8/17/2017	11/15/2025	4.0 - 5.0%	-	9,155	-	-	9,155	1,200
Bond 2017 C	11,300	12/21/2017	11/15/2034	3.5 - 5.0%	-	11,300	-	-	11,300	-
Total CHESLA					157,465	20,455	16,620	13,490	147,810	10,155
Premiums					3,436	1,041	299	-	4,178	-
Discounts					(200)	-	(177)	-	(23)	-
Total Bonds and related liabilities					$ 160,701	$ 21,496	$ 16,742	$ 13,490	$ 151,965	$ 10,155

Connecticut Health and Educational Facilities Authority
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Notes to Financial Statements
June 30, 2018
(In Thousands)

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

CSLF

Description	Original Amount	Date of Issue	Date of Final Maturity	Variable Interest Rate	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018	Current Portion
Bond 04 A-3	$ 75,000	10/15/2004	6/1/2034	1.012 - 3.004%	$ 23,825	$ -	$ 23,825	$ -	$ -
Bond 06 A-1	80,000	7/27/2006	6/1/2046	1.022 - 3.435%	72,925	-	-	72,925	-
Bond 06 A-2	100,000	12/14/2006	6/1/2046	1.022 - 3.443%	81,475	-	-	81,475	-
Bond 04 B	62,900	10/15/2004	6/1/2034	1.583 - 3.547%	33,850	-	8,625	25,225	-
Bond 06 B	20,000	7/27/2006	6/1/2046	1.711 - 3.564%	19,975	-	-	19,975	-
Total Bonds					232,050	-	32,450	199,600	-
Discounts					(542)	-	(123)	(419)	-
Total bonds and related amounts					$ 231,508	$ -	$ 32,327	$ 199,181	$ -

The annual requirements to amortize bonds payable at June 30, 2018, are as follows:

CHESLA

Fiscal Year Ended	Principal	Interest
2019	$ 10,155	$ 3,006
2020	12,005	5,632
2021	12,980	5,192
2022	13,500	4,649
2023	13,625	4,094
2024-2028	53,490	12,240
2029-2033	27,590	3,672
2034-2036	4,465	246
Total	$ 147,810	$ 38,731

(In Thousands)

II. Detailed notes

D. Changes in long-term obligations

CSLF

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

Fiscal Year Ended	Principal	Interest
2019	$ -	$ 5,362
2020	-	5,362
2021	-	5,362
2022	-	5,362
2023	-	5,362
2024-2028	-	26,808
2029-2033	-	26,808
2034-2038	25,225	24,117
2039-2043	-	23,513
2044-2046	174,375	13,716
Total	$ 199,600	$ 141,772

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, 2018 year-end ranged from 2.476% to 3.564%.

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

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

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

Connecticut Health and Educational Facilities Authority
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June 30, 2018
(In Thousands)

II. Detailed notes

D. Changes in long-term obligations

2. Conduit debt

As of June 30, 2018, CHEFA had total outstanding principal balances of special obligation bonds of $8,349,699. 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	
Assisted Living Facilities and Continuing Care Retirement Community	$ 191,358
Childcare	53,765
Connecticut State University System – Special Capital Reserve Fund	318,690
Higher Education	4,484,406
Hospitals	2,530,442
Social and other	59,549
Independent Schools	626,499
Nursing Homes	84,990
Total	$ 8,349,699

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.

3. Current year advance refunding

In August 2017, CHESLA issued $9,155 of revenue bonds with an interest rate of 4.0% to 5.0%. A portion of these bonds were issued to defease bonds issued in August 2007. The refunding resulted in an economic gain of $475 with an overall cost increase in total debt service payments of $610.

4. Authorized/unissued debt

At June 30, 2018, there was no authorized unissued debt for CHESLA.

5. Subsequent event

In September 2018, CHESLA issued $10,000 of revenue bonds, 2018 Series A bonds, with an interest rate of 3.5% to 5.0%. These bonds will be used to originate education loans under the student loan program, fund certain accounts, including a special capital reserve fund, and pay a portion of the costs of issuing the 2018 Series A bonds.

Connecticut Health and Educational Facilities Authority
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Notes to Financial Statements
June 30, 2018
(In Thousands)

II. Detailed notes

E. Restricted net position

The amount of restricted net position, which was restricted by enabling legislation, totaled $1,067 for CHEFA.

F. Net position classification

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

	CHEFA	CHESLA	CSLF
Invested in capital assets	$ 106	$ 3	$ -
Restricted:			
Child care facilities loan program	4,320	-	-
Student loan guarantee program	167	-	-
Bond funds	-	18,087	-
Trust Estate	-	-	4,693
Total restricted	4,487	18,087	4,693
Unrestricted	9,400	11,568	19,297
Total net position	$ 13,993	$ 29,658	$ 23,990

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, 2018, outstanding loan balances totaled $5,623.

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

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 $167.

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, 2018, the ratio was 111.66%. At June 30, 2018, the Board has not authorized any funds to be transferred to operations; however, the amount available to transfer is $15,500.

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

(In Thousands)

III. Other information

A. Risk management

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

B. Related party transactions

During the fiscal year, CHEFA charged CHESLA an annual fee of $206 for providing management, accounting, legal and other services, sharing of rental space, and office equipment. CHEFA charged CSLF an annual fee of $76 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 $21 and $30, respectively. CSLF contributed $2,000 to CHESLA for the refinance program and $2,000 to the scholarship program. Of the $2,000 contributed for the scholarship program, $7 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 $233. As of June 30, 2018, minimum future rental commitments of the leases are as follows:

2019	$	249,690
2020		255,300
2021		260,910
2022		266,520
2023		272,136
2024		137,472

D. Pension plan

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

CHEFA maintains a defined contribution money purchase plan (the "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 the trustees of the Plan. CHEFA and CHESLA contribute annually to the Plan an amount equal to 10% of each qualified employee's annual salary. For the year ended June 30, 2018, there were no forfeitures and retirement plan expense was $218.

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.

III. Other information

D. Pension plan

CHEFA also maintains a deferred compensation plan, which was established in 1991 in accordance with the Internal Revenue Code Section 457 and is available to CHEFA employees. Employees are permitted to defer a portion of their salaries, subject to certain limitations. CHEFA and CHESLA match up to $1,500 of employee contributions. For the year ended June 30, 2018, there were no forfeitures and the plan expense was $27.

Supplemental Schedules

Connecticut Health and Educational Facilities Authority
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Combining Schedule of Net Position - Connecticut Higher Education Supplemental Loan Authority
June 30, 2018
(In Thousands)

	Agency operating fund	Other program funds	Bond Fund	Total CHESLA
Assets				
Current assets				
Unrestricted assets				
Cash	$ 123	$ 207	$ -	$ 330
Investments	4,180	2,393	15	6,588
Current portion of loans receivable	-	449	-	449
Interest receivable on investments	-	4	-	4
Loan interest receivable	-	15	-	15
Prepaid expenses and other assets	18	-	-	18
Total unrestricted assets	4,321	3,068	15	7,404
Restricted assets				
Investments				
Bond indenture trusts	-	-	29,309	29,309
Other	-	-	603	603
Current portion of loans receivable	-	-	20,365	20,365
Interest receivable on investments	-	-	135	135
Loan interest receivable	-	-	457	457
Total restricted assets	-	-	50,869	50,869
Total current assets	4,321	3,068	50,884	58,273
Noncurrent assets				
Unrestricted assets				
Capital assets	3	-	-	3
Loans receivable, net of current portion and allowance	-	4,209	-	4,209
Restricted assets				
Investments	-	-	19,809	19,809
Loans receivable, net of current portion and allowance	-	-	100,179	100,179
Total noncurrent assets	3	4,209	119,988	124,200
Total assets	$ 4,324	$ 7,277	$ 170,872	$ 182,473
Liabilities				
Current liabilities				
Accounts payable	$ 10	$ 6	$ 52	$ 68
Accrued expenses	7	-	-	7
Accrued interest payable	-	-	768	768
Current portion of bonds payable	-	-	10,155	10,155
Total current liabilities	17	6	10,975	10,998
Noncurrent liabilities				
Bonds payable, net of current portion	-	-	141,810	141,810
Total liabilities	17	6	152,785	152,808
Deferred Inflows of Resources				
Unearned revenue	-	7	-	7
Net Position				
Net investment in capital assets	3	-	-	3
Restricted	-	-	18,087	18,087
Unrestricted	4,304	7,264	-	11,568
Total net position	4,307	7,264	18,087	29,658
Total liabilities, deferred inflows of resources and net position	$ 4,324	$ 7,277	$ 170,872	$ 182,473

Schedule 2

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, 2018
(In Thousands)

	Agency operating fund	Other program funds	Bond funds 1990 resolution	Bond funds 2003 resolution	Eliminations	Total CHESLA
Operating revenues						
Interest income on loans receivable	$ -	$ 212	$ 7,121	$ -	$ -	$ 7,333
Administrative fees	927	-	669	-	(927)	669
Contributions from CSLF	-	3,993	-	-	-	3,993
Other revenue	-	-	32	-	-	32
Total operating revenues	927	4,205	7,822	-	(927)	12,027
Operating expenses						
Interest expense	-	-	5,994	-	-	5,994
Salaries and related expenses	137	-	-	-	-	137
General and administrative	339	31	1,122	-	(927)	565
Refinance program	40	-	-	-	-	40
Scholarships	-	1,993	-	-	-	1,993
Loan service fees	-	68	530	-	-	598
Contracted services	39	-	-	-	-	39
Bond issuance and insurance costs	33	-	676	-	-	709
Provision for loan losses (net of recoveries)	-	290	291	-	-	581
Total operating expenses	588	2,382	8,613	-	(927)	10,656
Operating income (loss)	339	1,823	(791)	-	-	1,371
Nonoperating income (expenses)						
Investment income	52	40	692	-	-	784
Change in net position	391	1,863	(99)	-	-	2,155
Transfers	890	-	8,001	(8,891)	-	-
Net position, July 1, 2017	3,026	5,401	10,185	8,891	-	27,503
Net position, June 30, 2018	$ 4,307	$ 7,264	$ 18,087	$ -	$ -	$ 29,658

Schedule 3

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, 2018
(In Thousands)

	Trust Estate	Operating	Eliminations	Total
Assets				
Current assets				
Unrestricted assets				
Cash	$ -	$ 891	$ -	$ 891
Receivables (net of allowance for uncollectibles)	-	17	-	17
Prepaid expenses and other assets	-	1	-	1
Total unrestricted assets	-	909	-	909
Restricted assets				
Investments				
Bond indenture trusts	9,385	-	-	9,385
Accounts receivable	13	-	-	13
Loans receivable	13,319	-	-	13,319
Loan interest receivable	4,303	-	-	4,303
Total restricted assets	27,020	-	-	27,020
Total current assets	27,020	909	-	27,929
Noncurrent assets				
Restricted assets				
Loans receivable (net of allowance for uncollectibles)	198,154	-	-	198,154
Total assets	$ 225,174	$ 909	$ -	$ 226,083
Liabilities				
Current liabilities				
Accounts payable	$ -	$ 31	$ -	$ 31
Accrued expenses	2,000	115	-	2,115
U.S. Department of Education payable	437	-	-	437
Trust Estate payable	329	-	-	329
Total current liabilities	2,766	146	-	2,912
Noncurrent liabilities				
Bonds payable and related liabilities	199,181	-	-	199,181
Total liabilities	201,947	146	-	202,093
Net Position				
Restricted	4,693	-	-	4,693
Unrestricted	18,534	763	-	19,297
Total net position	23,227	763	-	23,990
Total liabilities and net position	$ 225,174	$ 909	$ -	$ 226,083

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, 2018
(In Thousands)

	Trust Estate	Operating	Eliminations	Total
Operating revenues				
Interest income on loans receivable	$ 10,475	$ -	$ -	$ 10,475
Not-for-profit servicing income	-	207	-	207
Administration fee	-	568	(568)	-
Total operating revenues	10,475	775	(568)	10,682
Operating expenses				
Interest expense	5,626	-	-	5,626
General and administrative	147	115	-	262
Loan service fees	875	-	-	875
Administration fee	568	-	(568)	-
Consolidation rebate fees	1,430	-	-	1,430
Contracted services	10	399	-	409
Total operating expenses	8,656	514	(568)	8,602
Operating income	1,819	261	-	2,080
Nonoperating income (expenses)				
Investment income	97	-	-	97
Contribution to CHESLA	(4,000)	-	-	(4,000)
Total nonoperating expenses	(3,903)	-	-	(3,903)
Change in net position	(2,084)	261	-	(1,823)
Net position, July 1, 2017	25,311	502	-	25,813
Net position, June 30, 2018	$ 23,227	$ 763	$ -	$ 23,990

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*

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 as of and for the year ended June 30, 2018, 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 26, 2018.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 Connecticut Health and Educational Facilities Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Governmental 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 26, 2018

CohnReznick

Accounting • Tax • Advisory

CHESLA

CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY

Exhibit B – In-School Loans Disbursed by Bond Series

CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY - HISTORICAL LENDING (06/2018)

Institution	[1990 Resolution] Pre-2003 Series AB Number of Loans Disb.	[1990 Resolution] Pre-2003 Series AB Amount of Loans Disb.	[2003 Resolution] 2003 Series A/B Number of 4.99% Loans Disb.	[2003 Resolution] 2003 Series A/B Amount of 4.99% Loans Disb.	[2003 Resolution] 2005 Series A Number of 5.50% Loans Disb.	[2003 Resolution] 2005 Series A Amount of 5.50% Loans Disb.	[2003 Resolution] 2006 Series A Number of 6.15% Loans Disb.	[2003 Resolution] 2006 Series A Amount of 6.15% Loans Disb.	[2003 Resolution] 2007 Series A Number of 6.99% Loans Disb.	[2003 Resolution] 2007 Series A Amount of 6.99% Loans Disb.	[1990 Resolution] 2009 Series A Number of 6.80% Loans Disb.	[1990 Resolution] 2009 Series A Amount of 6.80% Loans Disb.	[1990 Resolution] 2010 Series A Number of 5.95% Loans Disb.	[1990 Resolution] 2010 Series A Amount of 5.95% 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	1,889	$16,221,204	2,353	$22,158,824
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	959	$8,482,377	1,676	$15,230,410
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	2,848	$24,703,581	4,029	$37,389,234

Institution	[1990 Resolution] 2013 Series A/B Number of 5.99% Loans Disb.	[1990 Resolution] 2013 Series A/B Amount of 5.99% Loans Disb.	[1990 Resolution] 2014 Series A/B Number of 6.75% Loans Disb.	[1990 Resolution] 2014 Series A/B Amount of 6.75% Loans Disb.	[1990 Resolution] 2015 Series A Number of 4.95% Loans Disb.	[1990 Resolution] 2015 Series A Amount of 4.95% Loans Disb.	[1990 Resolution] 2016 Series A & Equity Number of 4.95% Loans Disb.	[1990 Resolution] 2016 Series A & Equity Amount of 4.95% Loans Disb.	[1990 Resolution] 2017 Series A Number of 4.95% Loans Disb.	[1990 Resolution] 2017 Series A Amount of 4.95% Loans Disb.	[1990 Resolution] 2017 Series C Number of 4.95% Loans Disb.	[1990 Resolution] 2017 Series C Amount of 4.95% Loans Disb.	Total Number Of Students	Total Distribution to Students
Total Disbursed to Students-Attending Connecticut Institutions	1,484	$14,072,610	1,372	$12,391,720	745	$7,157,324	893	$8,143,558	1,123	$10,680,791	43	$314,982	33,210	324,602,773
10.98% Loans													1,575	9,138,627
Total Disbursed to CT Students- Attending Out-of-State Institutions	1,126	$10,378,566	1,172	$11,613,082	514	$5,290,560	844	$9,227,530	925	$9,900,539	47	$311,202	13,104	131,655,982
Grand Total	2,610	$24,451,176	2,544	$24,004,802	1,259	$12,447,884	1,737	$17,371,088	2,048	$20,581,330	90	$626,184	47,889	$465,397,382

Historical Lending for CT Schools (06/2018)

School	Total Disbursed	Number of Students
Sacred Heart University	$61,042,369	5,297
Quinnipiac University	$48,982,857	4,344
Yale University	$47,438,976	3,800
University of Hartford	$43,825,490	4,372
University of Connecticut	$27,969,217	4,079
Fairfield University	$25,581,495	2,287
University of New Haven	$11,850,262	1,323
Wesleyan University	$9,127,622	792
Eastern Connecticut State University	$7,078,204	1,303
Central Connecticut State University	$6,818,246	1,207
University of Saint Joseph CT	$6,198,294	818
Southern Connecticut State University	$4,204,044	774
Connecticut College	$4,029,892	369
Trinity College	$3,643,808	347
Wilcox College of Nursing	$2,653,678	153
Albertus Magnus College	$2,549,950	351
Western Connecticut State University	$2,226,085	389
Northwestern CT Community College	$2,120,120	170
University of Bridgeport	$1,957,036	272
Mitchell College	$1,485,705	167
Graduate Institute	$1,232,297	133
Teikyo Post University	$574,787	88
Lyme Academy of Fine Arts	$363,046	55
Saint Vincent's College	$296,277	43
CT Alternate Route to Cert.	$256,212	66
Three Rivers Community College	$201,086	28
Tunxis Community College	$144,637	32
Rensselaer at Hartford	$141,086	20
Goodwin College	$140,343	26
Manchester Community College	$79,751	21
Charter Oak State College	$70,115	15
Hartford Seminary	$59,000	7
Asnuntuck Community College	$54,531	9
Capital Community College	$53,044	8
Naugatuck Valley Community College	$48,100	17
Middlesex Community College	$38,250	11
Norwalk Community College	$23,500	4
Housatonic Community College	$22,234	6
Gateway Community College	$18,725	5
Quinnebaug Valley Community College	$2,403	2
	$324,602,773	**33,210**

CHESLA

CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY

Exhibit C – CHESLA Need-Based Scholarship Disbursements to Schools

2017-2018

Institution	Classification	Funds Disbursed	Students Impacted
University of Connecticut	State Institution	$95,000	64
Central CT State Univ.	State Institution	$95,000	32
Southern CT State Univ.	State Institution	$95,000	32
Quinnipiac University	Private Institution	$95,000	32
University of New Haven	Private Institution	$95,000	36
Sacred Heart University	Private Institution	$95,000	55
University of Hartford	Private Institution	$95,000	48
Eastern CT State Univ.	State Institution	$95,000	42
Western CT State Univ.	State Institution	$95,000	63
Fairfield University	Private Institution	$95,000	34
University of Bridgeport	Private Institution	$75,000	27
Wesleyan University	Private Institution	$75,000	25
Trinity College	Private Institution	$67,900	25
Naugatuck Valley Community College	Community College	$75,000	54
Manchester Community College	Community College	$75,000	28
Gateway Community College	Community College	$75,000	50
Connecticut College	Private Institution	$75,000	30
Norwalk Community College	Community College	$50,000	32
Housatonic Community College	Community College	$50,000	45
Three Rivers Community College	Community College	$50,000	34
Tunxis Community College	Community College	$50,000	74
Middlesex Community College	Community College	$50,000	71
University of Saint Joseph CT	Private Institution	$25,000	13
Mitchell College	Private Institution	$25,000	10
Asnuntuck Community College	Community College	$25,000	15
Capital Community College	Community College	$25,000	23
Albertus Magnus College	Private Institution	$25,000	9
Goodwin College	Private Institution	$25,000	24
Quinebaug Valley Community College	Community College	$25,000	9
Northwestern CT Community College	Community College	$25,000	46
Charter Oak State College	State Institution	$25,000	32
Lyme Academy College of Fine Arts	Private Institution	$25,000	10
St. Vincent's College	Private Institution	$25,000	19
		$1,992,900	**1,143**

CHESLA

CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY

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*

* * * * * * * * * *

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

TABLE OF CONTENTS

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.

"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 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 Borrower or Co-Borrower borrow proceeds over the life of the Program for any one Eligible Student 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 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.

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 be currently in default on any Stafford Loan, Parent Loan for Undergraduate Students (PLUS), Perkins Loan, formerly known as National Direct Student Loan (NDSL), Supplemental Loan for Students (SLS), or any other education loan, or owe refunds on a Pell Grant or Supplemental Education Opportunities Grant (SEOG).

   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, unpaid prior educational loan default or other negative public record items in the past six (6) years.

      (vi) That there is no record of a bankruptcy in the past seven (7) years.

   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 the Deputy Director, or either of them, 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.

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.

CONNECTICUT HIGHER EDUCATION

SUPPLEMENTAL LOAN AUTHORITY

CHESLA Refi CT

LOAN PROGRAM MANUAL

ADOPTED MAY 16, 2016

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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 Statues 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.

“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.

“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 $100,000. 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.

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 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 be currently in default on any Stafford Loan, Parent Loan for Undergraduate Students (PLUS), Perkins Loan, Supplemental Loan for Students (SLS), or any other education loan.
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 greater than $500 outstanding exist in the past twelve (12) months
   iii. That there is no record of a bankruptcy, foreclosure, repossession, open judgment or suit, or other 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 the Deputy Director, or either of them, are authorized to approve the making of such Loan, subject to the limitations set forth in any resolution of the Authority.

2. Notice of Adverse Determination. If the Originator determines that the Applicant does not meet the Authority's standards or if the Applicant is rejected for any other reason the Originator shall send an adverse action notice as required by law advising the Applicant of the reasons for rejection.

3. Time Period for Approval/Disapproval. The Originator shall approve or deny a Loan upon receipt of a completed Loan Application, and the Originator shall thereafter process all additional loan documentation. The time period within which such actions shall occur shall be as agreed upon by the Authority and the Originator from time to time and will not exceed any time periods required by law.

4. Loan Disbursement Process. For each approved Loan, the Originator shall :
   Deliver to the approved Applicant, a Promissory Note to be signed by the Borrower and any Cosigner. The Applicant may sign the Application/Promissory Note manually and return the application with all supporting loan documents. The Applicant may also choose to e-sign the Application/Promissory Note and provide all supporting loan documents (via fax, regular mail or secure email via the application portal), to the Originator. Applications will be considered complete when the Applicant submits all necessary documents.

i. Upon receipt of an executed Promissory Note, notify the Authority of loan approvals. The Originator shall maintain the Application and the evidence of loan origination including a copy of the Promissory Note for safekeeping.

ii. The Originator will remit the loan payoff amounts on behalf of CHESLA for credit to the Borrower's Eligible Education Debt. The loan servicers of the refinanced Eligible Education Debt will be responsible for processing any overpayments or underpayments according to their operating policies. Any underpayment of the refinanced Eligible Education Debt will result in continued billing by the loan servicer of the refinanced Eligible Education Debt until the loan is paid in full, and the Borrower shall remain liable for all such payments.

iii. The Originator will provide the Servicer will all loan information necessary to service the Loan.

G. LOAN SERVICING AND REPAYMENT

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

1. Monthly Statements. The Servicer will, with respect to Loans, within a period of forty-five (45) days after the disbursement of funds, commence, and continue monthly throughout the Repayment Period, to deliver statements to the Borrower.

2. Processing of Payments Received. The Servicer, on behalf of Authority, will receive payments on the Loans, and will transfer such payments into an account maintained by the Trustee, on such basis as the Servicer and the Authority shall agree. Such payments shall be deemed held in trust for the Authority and the holders of any Bonds. The Authority and the Trustee shall be responsible for negotiating the terms of said account with respect to fees, interest and transfers therefrom. The Servicer shall prepare a report monthly with respect to payments received, identifying (to the extent ascertainable) the Borrower with respect to each payment and shall deliver such report to the Authority.

3. Application of Loan Payments. Payments of Loans will be applied, to the extent sufficient, in the following order of priority: (a) late fees and other charges, (b) interest and (c) principal.

4. Loan Repayment. Level monthly payments of principal and interest shall be due for a period not exceeding one hundred (180) months, or until the loan is paid in full, and, except for the final payment, shall not be less than fifty dollars ($50.00) per month.

5. Prepayments. A loan may be prepaid in full or in part at any time.

6. Credit Bureau Reporting. The Servicer shall notify the major credit bureaus of the making and status of each Borrower's and any Cosigner's obligation to the Authority.

H. LOAN COLLECTION PROCESS

1. Servicing of Delinquent Loans. The Servicer must responsibly service Delinquent Loans so as to enable, to the maximum extent possible, payment in full of such Loans on their respective repayment schedules. For accounts which continue to be delinquent, the Servicer must notify the Borrower and any Cosigner of the delinquency. If any payment is one hundred twenty (120) days delinquent, the Servicer will notify the Authority.

2. Delinquency Requirements. The Servicer will send delinquency notices and make contact with the Borrower and any Cosigner in accordance with the Servicing agreement or such other process agreed to by the Authority from time to time.

3. Defaults. The Authority, upon the 120^{th} 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. 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.

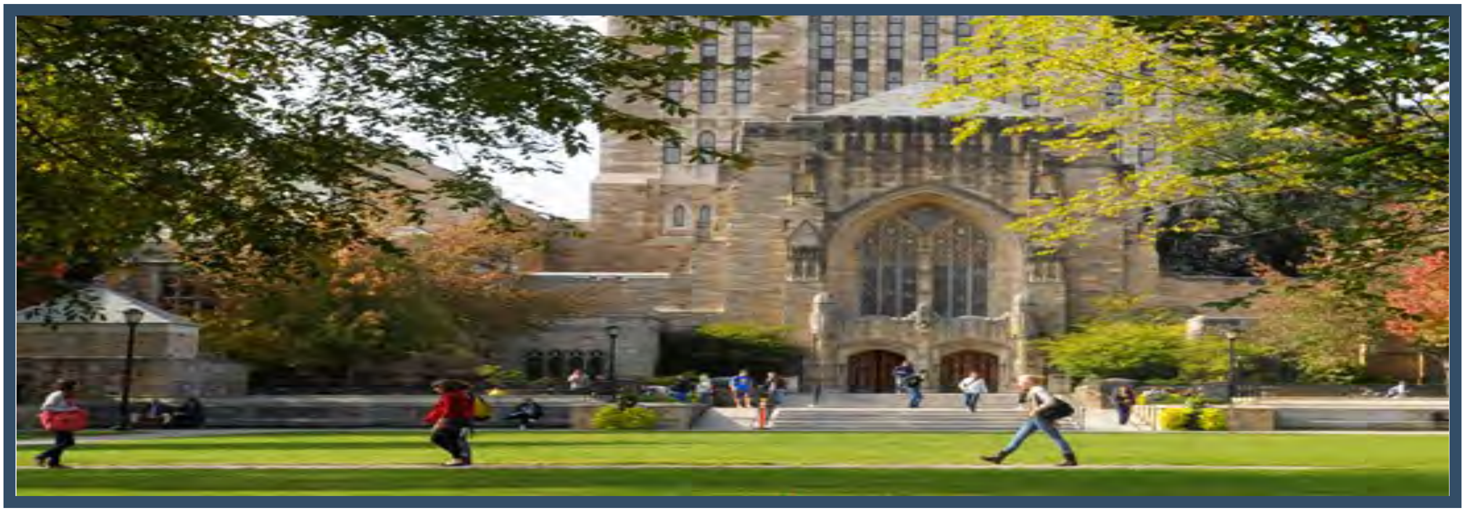
6. Due Diligence. The Servicer will exercise reasonable care and due diligence in the collection of Loans made by the Authority and shall utilize collection practices no less extensive and rigorous than those generally in use by commercial lenders for loans of comparable amounts. The Service shall use such collection practices as set forth in the Servicing Agreement between the Authority and the Servicer from time to time.

CHESLA

CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY

Exhibit E – 2019 – 2021

Strategic Plan



FY 2019 — 2021 Strategic Plan

CHEFA

CHESLA

APPROVED BY THE CHEFA BOARD OF DIRECTORS: April 18, 2018

Table of Contents

Introduction

The Connecticut Health and Educational Facilities Authority (CHEFA) became the parent organization to the Connecticut Higher Education Supplemental Loan Authority (CHESLA) in FY 2012. In the first two cycles of strategic planning after the entities' affiliation, two separate plans were completed, with overlapping strategic goals but separate underlying strategic initiatives. The process and separate evaluations of performance did not promote collaboration or enhance opportunities for synergy between the two organizations. In an effort to achieve those objectives, management suggested that the next cycle of planning be conducted on a combined basis.

Development of the FY 2019-2021 Strategic Plan began with a staff brainstorming session on December 12, 2017. The officers provided an overview of key industry trends and challenges. CHEFA and CHESLA staff were divided into teams and given thought provoking questions to consider and use as a basis for creative thinking. The groups shared their ideas with each other at the end of the day. The staff session was followed about six weeks later by a board strategic planning session. The meeting included the boards of both CHEFA and CHESLA, providing a first-time opportunity for interaction and discussion between the two boards. The boards were divided into two groups (each with representation from each board), with each group given a set of questions derived from those used at the staff brainstorming session. The entire group reconvened near the end of the session to share ideas.

Management used the ideas generated in both the staff and the board sessions to identify general themes which ultimately resulted in five Strategic Pillars, with many of the ideas becoming related initiatives. Continual feedback was sought from staff and board as the ideas were further developed and prioritized. The proposed Strategic Plan that follows is the culmination of this process and builds on the existing Mission, Vision and Values for CHEFA and CHESLA.

<u>Plan Organization</u>

The CHEFA/CHESLA FY 2019 – 2021 Strategic Plan is based on five Strategic Pillars:

Collaboration;
Economic and Workforce Development for the Public Good;
Technology;
Innovation; and
Public Engagement and Accountability.

Each Pillar is built on Objectives that describe the Pillar's purpose. Initiatives associated with each Pillar are listed in priority order, with related activities and indicators of success specified. Management expects to provide regular progress reports to the Boards that will detail the status of efforts to successfully implement the initiatives.

Vision and Mission

CHEFA

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

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

CHESLA

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

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

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

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

OBJECTIVES

- Broaden the understanding and impact of our work throughout the State
- Create synergy between CHEFA and CHESLA in ways that will enhance our products

INITIATIVE 1

Encourage CHEFA client collaboration by pooling entities to access financing

YEAR 1 ACTIVITIES

- **Conduct client survey**
- **Coordinate with financial advisors regarding product development. Seek bank feedback and input**
- **Assess feasibility and update Board**

YEAR 2 ACTIVITIES

- **Review results with clients for further feedback**
- **Finalize product proposal if feasible**
- **Seek Board final approval**
- **Launch**

Indicators of Success

- ***New product established as a result of client feedback***

Pillar I. Collaboration

INITIATIVE 2

Collaborate with the State, other quasi-public agencies, and/or other stakeholders

YEAR 1 , 2, 3 ACTIVITIES

- **Maintain and develop relationships by increasing interaction with entities such as:**
  - ◊ **NACUBO, CHA, CAPFAA, CAIS**
  - ◊ **CT Green Bank, CT Innovations**
  - ◊ **Hartford Foundation for Public Giving**
  - ◊ **Governor's office, State agencies, Legislators**
- **Identify opportunities to work together with above entities on specific projects**

Ongoing projects include:

- **Pay For Success – Community Care Team Project**
- **CHESLA/CHET joint marketing efforts**

Future projects include:

- **Investor Conference with State Treasurer's Office**

Indicators of Success

- ♦ ***Successful completion of Pay For Success feasibility study***
- ♦ ***Increased use of CHESLA products***
- ♦ ***Continuing requests for Authority participation in new initiatives***

Pillar I. Collaboration

INITIATIVE 3

Facilitate cross-marketing of Authority product lines and programs

YEAR 1 , 2, 3 ACTIVITIES

- Improve communication between CHESLA, CHEFA grants and CHEFA transaction management to identify common opportunities
- Develop and distribute marketing materials by business line
- Educate clients with follow up conducted by area with direct responsibility

Indicators of Success

- *New clients for CHEFA/CHESLA product lines that result from cross-marketing*

INITIATIVE 4

Offer educational services that meet CHEFA client and grantee needs and create opportunities for client engagement

YEAR 1 ACTIVITIES

- Incorporate question regarding educational interests into client survey to determine needs

YEAR 1 , 2, 3 ACTIVITIES

- Webinars
- Client Conference
- Sector specific seminars
- One-on-one visits

Indicators of Success

- *Strong client participation in educational offerings*
- *Educated clients with fewer instances of non-compliance*

Pillar II. 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.

OBJECTIVES

- Demonstrate our value to the State through measurable economic impacts
- Increase the pool of in-state qualified applicants for STEM related jobs
- By supporting nonprofits throughout the State, help ensure the availability of needed social 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)

INITIATIVE 1

Expand CHEFA financings to more sectors (e.g., charter schools, the arts, community colleges)

YEAR 1 ACTIVITIES

- **Expand outreach to relevant trade associations**
- **Meet with CSU representatives concerning opportunities for community college financing**
- **Develop improved marketing materials**
- **Relationship building with potential clients, including customized educational programs**

Indicators of Success

- *Transaction executed in a new sector*

Pillar II. Economic and Workforce Development for the Public Good

INITIATIVE 2

Develop targeted student loan and loan refinance products (e.g., STEM loans and targeted grad school loans; Refi CT as a corporate recruiting tool for new companies)

YEAR 1 ACTIVITIES

STEM Loan Product

- Define product
- Meet with relevant parties (e.g., employers, schools, State agencies such as DECD) to gather feedback and further refine the product
- Discuss funding sources with financial advisor
- Update Board and seek feedback

YEAR 2 ACTIVITIES

STEM Loan Product

- Launch if product determined to be feasible

Refi CT

- Conduct outreach activities to educate parties on the product (DECD, CBIA, SHRM, Metro Hartford Alliance, etc.) and discuss its potential as a workforce development tool

YEAR 3 ACTIVITIES

Grad Student Initiatives

- Confer with financial advisor to determine if interest can be capitalized on undergraduate loans while student is in graduate school in order to minimize cash flow burden
- Seek feedback from financial aid offices
- Propose to Board if feasible
- Launch product

Refi CT

- Implement as an employee benefit with selected employers

Indicators of Success

- *Products defined*
- *Products launched, if feasible; sustainable loan volume achieved*

Pillar II. Economic and Workforce Development for the Public Good

INITIATIVE 3

Take a leading role in developing a Pay For Success project that has economic as well as social impact

YEAR 1 ACTIVITIES

- Administrative data analysis with Urban Institute regarding Community Care Teams (CCTs) and reduction of high frequency emergency department use
- Conduct feasibility study using administrative data

YEAR 2 ACTIVITIES

- Review results of feasibility study with Board to determine if CCT Pay for Success pilot program is feasible
- Plan for pilot program implementation if feasible

Indicators of Success

- *Feasibility study completed*
- *Pilot program implementation*

Pillar II. Economic and Workforce Development for the Public Good

INITIATIVE 4

Engage firm to conduct economic impact study of Authority programs

YEAR 2, 3 ACTIVITIES

- **Identify consultant; finalize report and share with various constituencies**

Indicators of Success

- ***Report completed and distributed***

INITIATIVE 5

Seek to expand CHEFA's impact on the not-for-profit sector

YEAR 1, 2, 3 ACTIVITIES

- **Raise awareness of CHEFA grant program through press releases, grant award events, and other outreach**
- **Identify ways to broaden impact of CHEFA grant dollars, with focus on opportunities with community foundations, Connecticut Council of Philanthropy, and workforce investment boards**

Indicators of Success

- ***Increased number of new CHEFA grant applicants***
- ***Increased funding by other organizations for CHEFA identified initiatives***
- ***Successful results achieved by CHEFA grant recipients***

Pillar II. Economic and Workforce Development for the Public Good

INITIATIVE 6

Explore options to offer CHESLA loan forgiveness that mirrors the federal program

YEAR 1 ACTIVITIES

- Legislative outreach to assess State's interest in financially supporting such an effort

YEAR 2 ACTIVITIES

- If there is State interest, work with financial advisor to conduct cash flow modelling and feasibility

YEAR 3 ACTIVITIES

- Launch if feasible

Indicators of Success

- *Program launched and is sustainable*
- *Increased number of students entering workforce in nonprofit public service fields with more manageable levels of student debt*

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.

OBJECTIVES

- Keep our customers informed and engaged
- Be an information resource in our areas of expertise

INITIATIVE 1

Continue to broaden CHESLA's use of technology to facilitate loan applications and enhance awareness of CHESLA programs

YEAR 1 ACTIVITIES

- "Go live" with new Firstmark online application
- Investigate use of aggregate lending platforms (e.g., Lending Tree)

YEAR 2 ACTIVITIES

- Implement use of new aggregate platform if feasible

Indicators of Success

- *Broad use of new Firstmark online application with minimal user complaints*
- *Increasing number of new loans derived from aggregate lending site*

Pillar III. Technology

INITIATIVE 2

Drive more traffic to Authority websites through relevant content, use of social media and search

YEAR 1 ACTIVITIES

- Include website content questions in CHEFA client survey
- Identify needed site updates\Identify ways to enhance use of social media to broaden awareness of CHEFA/

YEAR 2 ACTIVITIES

- Implement steps to keep content relevant and current
- Expand use of social media

Indicators of Success

- *Data analytics—visitors to site, followers, "likes", etc.*

INITIATIVE 3

Enhance and expand existing CHEFA client portal used for annual data submission

YEAR 1 ACTIVITIES

- Explore platform and necessary resources
- Initiate development phase

YEAR 2 ACTIVITIES

- Complete development phase and testing

YEAR 3 ACTIVITIES

- Client roll-out

Indicators of Success

- *Number of users taking advantage of platform and having successful experience*

Pillar 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.

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

INITIATIVE 1

Pursue legislative changes that will allow us to undertake new activities to serve our clients

YEAR 1 ACTIVITIES

- **Identify desired changes for CHEFA and CHESLA (e.g. cross-border financing for CHEFA)**
- **Propose to Board by November 2018**
- **Seek informal feedback from key legislators**
- **Discuss with aides; submit proposals**

Indicators of Success

- ***Revised legislation in place***

Pillar IV. Innovation

INITIATIVE 2

Enhance CHESLA's brand recognition by making CHESLA scholarship a CHESLA administered program

YEAR 2 ACTIVITIES

- Research the possibility and develop proposal for Board review

YEAR 3 ACTIVITIES

- Launch if feasible

Indicators of Success

- *Program launched*

INITIATIVE 3

Explore the creation of a CHESLA endowment for need-based scholarships

YEAR 1 ACTIVITIES

- Explore options—e.g., CSLF as fundraising arm, working with community foundations, CHESLA golf tournament

YEAR 2 ACTIVITIES

- Identify most promising option and conduct feasibility study

YEAR 3 ACTIVITIES

- Implement if feasible

Indicators of Success

- *Endowment fund established*

Pillar IV. Innovation

INITIATIVE 4

Create a CHEFA enterprise portal that would bring together potential borrowers and potential lenders

YEAR 1 ACTIVITIES

- Client survey to assess need and focus of portal
- Consult with financial advisors
- Coordinate with bankers to refine concept

YEAR 2 ACTIVITIES

- Establish critical data components of platform

YEAR 3 ACTIVITIES

- Develop end user design
- Develop application and testing
- Launch

Indicators of Success

- *Portal implemented. Stakeholders satisfy financing needs more effectively in transparent market space*

Pillar IV. Innovation

INITIATIVE 5

Use sector analyses as a new product (e.g., share with clients, executive summary for media)

YEAR 1 ACTIVITIES

- Develop format suitable for external dissemination
- Develop communication strategy and disseminate

Indicators of Success

- *Positive client feedback on product*

INITIATIVE 6

Explore program for micro-loans; consider creating a revolving loan pool

YEAR 1 ACTIVITIES

- Get feedback from client survey to assess interest
- Identify source of funds
- Research other models
- Assess feasibility and update Board

YEAR 2 ACTIVITIES

- Develop legal framework
- Market product if feasible

YEAR 3 ACTIVITIES

- Launch

Indicators of Success

- *Loan pool created*

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

OBJECTIVES

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

INITIATIVE 1

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

YEAR 1 , 2, 3 ACTIVITIES

- **Continue annual Day of Service**
- **Continue to acknowledge staff who exemplify organizational values**
- **Engage in team-building activities**
- **Assess staff satisfaction**

Indicators of Success

- ***High level of staff engagement and satisfaction***
- ***Audit outcomes indicative of ethical culture***

Pillar V. Public Engagement and Accountability

INITIATIVE 2

Maintain sustainable organization

YEAR 1 , 2, 3 ACTIVITIES

- Maintain updated business continuity plans
- Maintain updated Management succession plans
- Foster professional development and cross-training to ensure continuity of operations
- Maintain proper controls and accountability
- Encourage Board education and development

Indicators of Success

- *Audit outcomes that indicate effectiveness*
- *Continuity and successor plans in place*

INITIATIVE 3

Develop comprehensive communications and marketing strategy for all key stakeholders

YEAR 1 ACTIVITIES

- Engage firm and develop strategy that will apply across all products (this will overlap with efforts on other initiatives)

YEAR 2 ACTIVITIES

- Consider development and distribution of electronic annual reports

Indicators of Success

- *Increased use of CHEFA and CHESLA product offerings*
- *Increased use of CHEFA/CHESLA expertise by legislature and administration*

CHESLA

CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY

Exhibit F – FY 2019 Operating Budget

CHESLA Budget
Budget for the Twelve Months Ending June 30, 2019

	FYE June 30, 2016 Budget	FYE June 30, 2016 Actual	FYE June 30, 2017 Budget	FYE June 30, 2017 Actual	FYE June 30, 2018 Budget	FYE June 30, 2018 Proj Actual *	FYE June 30, 2019 Budget
Revenues							
Admin Fee Income							
In-school product	$ 758,163	$ 758,360	$ 697,840	$ 716,094	$ 892,111	903,597	**$ 910,818**
Refinance product	0	0	19,606	6,029	16,803	23,697	**42,230**
Investment Income	2,800	7,324	8,428	16,359	9,000	45,238	**30,000**
Refinance Pilot Program from CSLF	0	500,000	0	0	0	0	**0**
Misc Income & Recovery	0	0	0	0	0	2,271	**0**
Total Revenues	$ 760,963	$ 1,265,684	$ 725,874	$ 738,482	$ 917,914	$ 974,803	**$ 983,048**
Expenses							
Compensation	$ 159,007	$ 81,513	$ 166,860	$ 166,860	$ 184,673	$ 97,394	**$ 235,604**
Employee Benefits	48,994	36,849	50,445	50,571	53,361	36,798	**73,832**
General and Administrative	92,190	88,574	118,842	108,485	139,921	131,499	**150,805**
Business Education, Board and Reimbursable	11,750	4,558	9,900	2,685	11,900	2,119	**12,450**
Membership Dues	12,500	12,980	12,800	14,289	12,599	12,721	**13,500**
CHEFA Support Services	154,955	154,955	180,557	180,557	206,109	206,109	**209,000**
Outside Services	38,800	37,350	35,150	33,300	35,490	34,110	**44,925**
Total Expenses	$ 518,195	$ 416,779	$ 574,554	$ 556,746	$ 644,054	$ 520,750	**$ 740,116**
Excess Revenue from Operations	$ 242,768	$ 848,905	$ 151,320	$ 181,736	$ 273,860	$ 454,053	**$ 242,932**
Non Operating Expenses							
Bond Issuance Costs & Amortization & Transfer to Trust	29,795	29,795	10,627	19,032	32,635	142,635	**0**
Transfer from Trust	0	0	0	0	0	(1,000,000)	**0**
Refinance Pilot Program Start-up Costs	0	170,625	329,375	201,282	128,093	45,195	**82,902**
Total Excess Revenue	**$ 212,973**	**$ 648,485**	**$ (188,682)**	**$ (38,579)**	**$ 113,133**	**$ 1,266,223**	**$ 160,031**

Benefit % to Compensation	**30.81%**	**45.21%**	**30.23%**	**30.31%**	**28.89%**	**37.78%**	**31.34%**

* Projected Actual is based on Actual Financials as of April, 2018, plus 2 months of projected amounts.

CHESLA Salary & Benefits Expense
Budget for the Twelve Months Ending June 30, 2019

	FYE June 30, 2016 Budget	FYE June 30, 2016 Actual	FYE June 30, 2017 Budget	FYE June 30, 2017 Actual	FYE June 30, 2018 Budget	FYE June 30, 2018 Proj Actual	FYE June 30, 2019 Budget
Staff Compensation	$ 159,007	$ 81,513	$ 166,860	$ 166,860	$ 171,829	$ 97,394	**$ 220,784**
Temporary Salaries (Intern)	0		0	0	12,844	0	**14,820**
Total Compensation	$ 159,007	$ 81,513	$ 166,860	$ 166,860	$ 184,673	$ 97,394	**$ 235,604**
Payroll Taxes	$ 12,258	$ 7,378	$ 12,903	$ 12,909	$ 14,234	$ 8,497	**$ 20,364**
Medical & Life Insurance							
CBIA Medical w/CBIA Life	3,732	3,459	3,658	3,800	4,570	4,467	**8,632**
Deductible Funding HSA (CHEFA)	1,875	1,968	2,063	2,081	2,175	2,100	**6,450**
Less: CBIA Co-insurance	(552)	(511)	(541)	(685)	(956)	(785)	**(1,295)**
Net Medical Insurance	5,055	4,916	5,180	5,196	5,789	5,783	**13,787**
CHEFA Alternative Insurance	2,800	1,050	2,800	2,800	2,800	1,167	**2,800**
Life Insurance	658	217	685	790	731	384	**1,201**
Dental	2,273	2,272	2,335	2,318	2,505	2,182	**2,799**
Less: Dental Co-Insurance	0	0	0	0	0	(2)	**(28)**
Total Medical, Life Insurance & Other	10,786	8,455	11,000	11,104	11,825	9,513	**20,559**
Pension							
Contributions	15,901	7,671	16,436	16,379	17,183	9,592	**22,078**
Administrative Fee	594	594	594	594	594	594	**594**
Total Pension	16,495	8,265	17,030	16,973	17,777	10,186	**22,672**
457 Plan	2,508	1,878	2,508	2,508	2,508	1,920	**4,008**
Vacation	0	5,241	0	512	0	0	**1,000**
Disability Insurance - Long Term	453	207	468	543	506	577	**751**
Disability Insurance - Short Term	679	302	683	792	740	716	**910**
Workers Compensation	815	823	853	750	771	789	**568**
Tuition	5,000	4,300	5,000	4,480	5,000	4,600	**3,000**
Total Employee Benefits	48,994	36,849	50,445	50,571	54,312	36,798	**73,832**
Total Employment	$ 208,001	$ 118,362	$ 217,305	$ 217,431	$ 238,985	$ 134,192	**$ 309,436**

CHESLA Non Salary Expense
Budget for the Twelve Months Ending June 30, 2019

	FYE June 30, 2016 Budget	FYE June 30, 2016 Actual	FYE June 30, 2017 Budget	FYE June 30, 2017 Actual	FYE June 30, 2018 Budget	FYE June 30, 2018 Proj Actual	FYE June 30, 2019 Budget
Lease & Storage							
Lease - Office Space	$ 12,668	$ 12,693	$ 12,972	$ 30,533	$ 19,722	$ 19,049	**$ 20,095**
Lease - Taxes/CAM fees	1,437	903	228	408	408	0	**$ 80**
Offsite Storage & Filesanywhere (electronic storage)	114	100	114	220	135	116	**$ 135**
Total Lease & Storage	14,219	13,696	13,314	31,160	20,265	19,165	**$ 20,310**
Business Insurance							
Office Package	677	531	584	1,041	593	603	**$ 634**
Cyber Policy	5,609	4,973	5,031	8,755	4,855	4,680	**$ 4,241**
Fiduciary & Performance Bond & Terrorism	445	277	284	520	290	264	**$ 277**
Directors and Officers Liability / Public Officials	14,591	14,522	15,119	28,160	15,677	15,443	**$ 16,721**
Total Business Insurance	21,323	20,302	21,018	38,476	21,415	20,990	**$ 21,873**
Office Supplies and Non Capital Equipment							
General Office Expense and Supplies	1,300	798	1,000	1,579	1,000	539	**$ 1,000**
Non-Capital furniture, Equipment & Software Licensing	3,060	2,019	3,000	4,415	3,000	929	**$ 4,000**
Total Office Supplies and Non Capital Equip	4,360	2,817	4,000	5,993	4,000	1,468	**$ 5,000**
Communications: Telephone & Internet							
Phone, Data Svc & Conferencing	2,600	2,935	3,000	5,383	3,000	2,712	**$ 4,000**
Email (Trend Micro Email & Security)	0	0	142	136	86	35	**$ 707**
Website Development & Hosting	500	508	500	2,241	1,500	1,728	**$ 1,500**
Total Communications: Phone & Internet	3,100	3,443	3,642	7,760	4,586	4,475	**$ 6,207**
Postage Expense							
Postage & Courier Expense	3,000	1,814	2,500	3,956	2,500	1,325	**$ 2,000**
Maintenance Contracts	6,288	5,846	7,210	8,039	5,066	4,148	**$ 8,890**
Publications & Resource Materials	300	223	300	243	175	68	**$ 175**
Marketing Costs	37,500	38,601	40,000	40,362	80,000	79,137	**$ 85,000**
Miscellaneous	2,100	1,833	27,000	22,911	2,000	723	**$ 1,350**
Total General and Administrative Expenses	$ 92,190	$ 88,574	$ 118,984	$ 108,485	$ 140,007	$ 131,499	**$ 150,805**
Refinance Pilot Program Start-up Costs	0	170,625	329,375	201,282	128,093	45,195	**$ 82,902**
Bond Insurance Cost - Amortization	29,795	29,795	10,627	19,032	32,635	32,635	**0**
Bond Issuance Costs	0	0		0	0	0	**0**
Total Bond Issuance Cost	$ 29,795	$ 29,795	$ 10,627	$ 19,032	$ 32,635	$ 32,635	**0**

CHESLA Non Salary Expense
Budget for the Twelve Months Ending June 30, 2019

	FYE June 30, 2016 Budget	FYE June 30, 2016 Actual	FYE June 30, 2017 Budget	FYE June 30, 2017 Actual	FYE June 30, 2018 Budget	FYE June 30, 2018 Proj Actual	FYE June 30, 2019 Budget
Depreciation	$ 0	$ -	$ 0	0	$ 0	0	**$ 0**
Employee Reimbursable							
Staff business and travel expenses	500	208	500	37	500	467	**1,000**
Total Employee Reimbursable	500	208	500	37	500	467	**1,000**
Board Expense							
Board lunches & parking	1,000	426	500	348	500	437	**550**
Board education	0	0	0	0	0	0	**0**
Total Board Expense	1,000	426	500	348	500	437	**550**
Conference & Education Expense							
CAPFAA	1,500	1,044	1,400	832	1,400	495	**1,400**
EFC	2,750	895	2,500	0	3,500	0	**3,500**
EASFAA	0	0	0	0	0	620	**1,000**
NASFAA	5,000	1,945	4,500	1,378	5,000	0	**2,000**
Other (Conferences and non tuiton education)	1,000	40	500	90	1,000	100	**3,000**
Total Conference & Education Expense	10,250	3,924	8,900	2,300	10,900	1,215	**10,900**
Total Business Education, Board and Reimbursable	$ 11,750	$ 4,558	$ 9,900	$ 2,685	$ 11,900	$ 2,119	**$ 12,450**
Memberships Dues	$ 12,500	$ 12,980	$ 12,800	$ 14,289	$ 12,599	12,721	**$ 13,500**
CHEFA Support Services	$ 154,955	$ 154,955	$ 180,557	180,557	$ 206,109	206,109	**$ 209,000**

CHESLA Non Salary Expense
Budget for the Twelve Months Ending June 30, 2019

	FYE June 30, 2016 Budget	FYE June 30, 2016 Actual	FYE June 30, 2017 Budget	FYE June 30, 2017 Actual	FYE June 30, 2018 Budget	FYE June 30, 2018 Proj Actual	FYE June 30, 2019 Budget
Accounting Systems							
Enhancements (IT)	1,000	0	500	0	0	0	**0**
Total Accounting and IT Systems	1,000	0	500	0	0	0	**0**
Consultant Others							
Social Media Consultant	0	0	0	0	0	0	**10,000**
Insurance Consultant	6,300	6,300	6,300	6,300	6,300	6,300	**6,300**
Total Consultant Others	6,300	6,300	6,300	6,300	6,300	6,300	**16,300**
Legal	0	0	0	0	0	0	**0**
Independent Auditors	31,500	31,050	28,350	27,000	29,190	27,810	**28,625**
Total Outside Services	$ 38,800	$ 37,350	$ 35,150	$ 33,300	$ 35,490	$ 34,110	**$ 44,925**