

FINAL

Approved: January 27, 2022

CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY  
Minutes of Special CHESLA Board Meeting  
November 10, 2021

The State of Connecticut Higher Education Supplemental Loan Authority held a special telephonic meeting at 11:30 a.m. on Wednesday, November 10, 2021.<sup>1</sup>

The special meeting was called to order at 11:30 a.m. by Mr. Peter Lisi, Chair, of the CHESLA Board of Directors. Those present and absent were as follows:

Present: Peter W. Lisi, Chair  
Laura Baker, (*Designee for Chief Workforce Officer Kelli-Marie Vallieres*)  
Benjamin B. Barnes (*Designee for CT State Colleges and Universities President*)  
Jeffrey R. Beckham (*Designee for Connecticut OPM Secretary*)  
Martin L. Budd  
Andrew A. Foster  
Darrell V. Hill, (*Designee for Connecticut State Treasurer Shawn T. Wooden*)<sup>2</sup>  
Julie B. Savino, Vice Chair  
Jeanette W. Weldon (*Executive Director CHEFA and CHESLA*)

Also Present: Denise Aguilera, General Counsel, CHEFA  
Jessica Bishop, Administrative Services Assistant, CHEFA  
Daniel Giungi, Communication and Legislative Affairs Specialist, CHEFA  
Josh Hurlock, Assistant Director, CHESLA  
Carlee Levin, Sr. Accountant, CHEFA  
Cynthia D. Peoples-H., Managing Director, Operations & Finance, CHEFA  
Shannon Reynolds, Portfolio Assistant, CHESLA  
Kara Stuart, Manager, Administrative Services, CHEFA  
Yesenia Torres-Rivera, Program Coordinator, CHESLA

Guests: Judith Blank, Esq., Pullman & Comley LLC  
Sandra Dawson, Member, Pullman & Comley LLC  
Brian Kares, Vice President, RBC Capital Markets  
Wilson Luna, retired Dean of Students, Gateway Community College, Member of CHESLA Advisory Committee<sup>3</sup>  
Nancy Nicolescu, Director of Education & Communications, Office of State Ethics  
Rakchhya Poudel, Analyst, RBC Capital Markets  
Joseph Santoro, Director-Education Finance Team Leader, BofA Securities, Inc.  
Jeff Wagner, Managing Director, RBC Capital Markets  
Thomas H. Webb, Director, Hilltop Securities N. A  
Gary Wolf, Director, RBC Capital Markets

### APPROVAL OF MINUTES

Mr. Lisi requested a motion to approve the meeting minutes of the September 20, 2021 Board of Directors annual meeting. Mr. Budd moved to approve the minutes and Ms. Savino seconded the motion.

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<sup>1</sup> All attendees participated in the meeting via conference telephone that permitted all parties to hear each other

<sup>2</sup> Mr. Hill joined the teleconference meeting at 11:37 a.m.

<sup>3</sup> Mr. Luna joined the teleconference meeting at 11:36 a.m.

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Upon a voice vote, the “Ayes,” “Nays” and “Abstentions” were as follows:

<b><u>AYES</u></b>	<b><u>NAYS</u></b>	<b><u>ABSTENTIONS</u></b>
Peter W. Lisi	None	None
Laura Baker		
Benjamin B. Barnes		
Jeffrey R. Beckham		
Martin L. Budd		
Andrew A. Foster		
Darrell V. Hill		
Julie B. Savino		
Jeanette W. Weldon		

## **BONDS 101**

### **Tim Webb, Hilltop Securities**

Ms. Weldon introduced Mr. Tim Webb, Director at Hilltop Securities N.A.

Mr. Webb provided a detailed presentation on the following topics:

- What is a Municipal Bond?
- Bond Proceeds Utilization
- Types of Municipal Debt
- Tax-Exempt Student Loan Bonds
- Method of Sale: Competitive Sale, Negotiated Sale, Private Placement
- Financing Team: Issuer, Financial Advisor, Bond Counsel, Trustee, Underwriter(s)
- Financial and Structural Considerations
- Cash Flow Assumptions and Cash Flow Reports

The floor was opened to questions and a discussion ensued.

Mr. Lisi thanked Mr. Webb for his time and informative presentation.

## **ETHICS TRAINING**

Ms. Nicolescu, Director of Education and Communications at the Office of State Ethics provided ethics training, in accordance with the requirements of the Authority’s Ethics Statement and Policies. The floor was opened to questions and a brief discussion ensued. Ms. Nicolescu encouraged the Board members to contact the Office of State Ethics if they had any additional questions.

Mr. Lisi thanked Ms. Nicolescu for her time. Ms. Nicolescu left the teleconference meeting at 12:23 p.m.

## **PROPOSED COMMITTEE APPOINTMENTS**

Mr. Lisi moved to approve the appointment of CHESLA Board Chair, the Secretary of OPM, Julie B. Savino, Martin L. Budd, and Andrew A. Foster to the Audit Finance and HR Committee and secondly to appoint the CHESLA Board Chair, the State’s Chief Workforce Officer, the State Treasurer, and the President of the Connecticut State Colleges and Universities to the Consultant/Vendor Committee, with the State Treasurer or his designee to serve as Chair of the Committee. Ms. Savino seconded the motion.

Upon a voice vote, the “Ayes,” “Nays” and “Abstentions” were as follows:

<b><u>AYES</u></b>	<b><u>NAYS</u></b>	<b><u>ABSTENTIONS</u></b>
Peter W. Lisi	None	None
Laura Baker		
Benjamin B. Barnes		
Jeffrey R. Beckham		
Martin L. Budd		
Andrew A. Foster		
Darrell V. Hill		
Julie B. Savino		
Jeanette W. Weldon		

### **REVIEW OF DRAFT INVESTMENT POLICY**

Ms. Weldon stated that a draft investment policy was included with the CHESLA Board package, patterned after a policy that has been in existence at CHEFA and referred to CHEFA and its subsidiaries. The concept is that CHESLA and CSLF should have their own separate investment policies. The policy provides for review every two years after its adoption, and would go through the Audit-Finance/Human Resource Committee for a bi-annual review. The policy relates to all funds including bond funds and general funds, and safety and liquidity are the key objectives with yields being secondary to those. Ms. Weldon reported that the policy has been reviewed by Hilltop Securities, N.A. as Financial Advisor and Pullman & Comley LLC as Bond Counsel. Ms. Weldon reported that the general fund permissible investments are noted as well as appendices which show bond fund bond indenture requirements and statutory requirements. A ‘current holdings’ spreadsheet will be included as part of the quarterly financial report.

Ms. Weldon presented a report of investments as of September 30, 2021. Ms. Weldon reported that CHESLA is primarily invested in STIF, which is a permitted investment for both general dollars and bond indenture dollars, and that CHESLA is in compliance with the investment policy. Ms. Weldon reported that the CHET line item for about \$2,500 under General Account Investments represents decades old prize money which may eventually be moved to the State as unclaimed property. Ms. Weldon reported that regarding the 1990 resolution, the Special Capital Reserve Fund holds some GIC investments that are also permitted under the Bond Indenture. Ms. Weldon stated that the GIC’s need to be in one of the two highest rating categories, which they are, and staff has been informed by FSA Capital that they are transferring those GIC’s to Mass Mutual, which still maintains the rating in the two highest rating categories. Ms. Weldon stated that management is comfortable with their compliance with the policy and STIF, which is rated AAA and is a requirement of the policy.

Mr. Budd moved to approve the Investment Policy and Mr. Foster seconded the motion.

Mr. Budd requested that Ms. Weldon provide the Audit-Finance Committee with the document referenced during the presentation which shows the investments held and information to show how they comply with the investment policy.

Upon a voice vote, the “Ayes,” “Nays” and “Abstentions” were as follows:

<b><u>AYES</u></b>	<b><u>NAYS</u></b>	<b><u>ABSTENTIONS</u></b>
Peter W. Lisi	None	None
Laura Baker		

Benjamin B. Barnes  
Jeffrey R. Beckham  
Martin L. Budd  
Andrew A. Foster  
Darrell V. Hill  
Julie B. Savino  
Jeanette W. Weldon

### **TEACHER LOAN SUBSIDY UPDATE**

Ms. Weldon reported that at the last legislative session, Public Act 21-62 was passed creating the Alliance Teacher Loan Subsidy Program. Ms. Weldon provided an implementation plan for recruiting teachers, providing for reduced interest rates on CHESLA loans for those who commit to teaching in an Alliance district. Ms. Weldon reported that CHESLA has been working with the State Department of Education (SDE) to put together an implementation plan and provided a detailed timetable with a targeted launch date of mid-March 2022.

Ms. Weldon stated that the critical next step is getting onto the Bond Commission agenda for the next Bond Commission meeting on December 10, 2021. Ms. Weldon stated that while the law creating the Alliance Teacher Loan Subsidy Program was passed, the \$7 million in funding from The State of Connecticut for the Program will need approval from the Bond Commission before it is available.

Ms. Weldon reported that the next step from the Board's perspective is presenting a program manual for approval at the January Board meeting, which will memorialize the parameters covered and will seek approval for a memorandum of understanding between CHESLA and the State Department of Education, which is also a provision of the law.. Ms. Weldon reported that other key activities include:

- Mr. Hurlock will be working closely with CHESLA's originator and loan servicer to identify applicants, track them, and certify that employment requirements are being met annually.
- Joint marketing and outreach with SDE to raise awareness of the program among teacher recruits.
- Target launch in March for that recruiting season.

Ms. Weldon reported that there has been positive feedback from the Talent Officers at the District level, and they are excited to use this program as one of their recruitment tools in the Spring for teachers who would work in the Fall.

Mr. Hurlock reported that the Alliance Teacher Loan Subsidy Program parameters were crafted in coordination with SDE and based on survey results from the teachers. The survey disseminated through the Talent Officers. Mr. Hurlock stated that the target population would be new recruits, existing teachers in Alliance districts, and also teachers that would be transferring in to an Alliance District. Mr. Hurlock covered the following parameters:

- To be eligible a borrower must commit to teaching in an Alliance District school for the life of their loan. Annual certification required. A change in status will result in the rate increasing to the original level . No recouping of any past interest rate subsidies amounts by CHESLA.
- Approximate allocation of the \$7 million in funding will be \$5 million to Refi loan funding and \$2 million to in-school loan rate subsidies.

- The total amount of refi loans per borrower will be capped at \$40,000 in principal.
- The cap on the amount of in-school CHESLA loans that an eligible borrower can commit to this program is \$125,000.
- Loan rate on program refi loans: the loan rate on refi loans will be 3 percentage points less than the rates shown in the pricing matrix. The promissory note will provide for an increase in the rate of 3 percentage points if the borrower fails to continue to meet the criteria of teaching in an Alliance District.
- Loan rate subsidy on in-school loans: a 3 percentage point subsidy will be provided on CHESLA in-school loans which have converted to and remain eligible for this program.

Mr. Hurlock reported that there was some feedback from state legislators concerning teachers who already had student loan debt meeting the underwriting criteria for the refinance program and not being able to receive the benefit of the subsidy while teaching in an Alliance District. Mr. Hurlock stated that because some of the proposed State dollars are being allocated to originate refi loans directly there is flexibility to alter some of the underwriting criteria to ensure more teachers are able to access the refi program and the subsequent subsidy. Mr. Hurlock stated that the proposal for the teacher refi program is:

- To reduce the FICO score from current score of 675 for individual approval or 650 with a co-signer down to FICO score of 580. Based on industry research the “Fair Credit Tier” across the industry starts at 580.
- To increase the maximum DTI from 43% to 50% providing more access to the teachers and as the state legislators have mentioned, these teachers would already have student loan debt and would be refinancing to better their situation, lower their interest rate, and lower their monthly payment. They would then receive the subsidy so relaxing the criteria to benefit more teachers makes sense.
- CHESLA will calculate the DTI during the origination process based on the subsidized interest rate and what that monthly payment would be vs the monthly payment without the subsidy.

Mr. Hurlock opened the floor to questions and a discussion ensued. Mr. Budd requested that the time schedule and presentation be sent to the Board.

#### **EXECUTIVE SESSION – TRADE SECRETS REGARDING REFI CT PRICING**

Mr. Lisi stated that all CHEFA staff present excluding admin staff, all CHESLA staff, all CHESLA Board members and Mr. Tim Webb are invited to attend the Executive Session.

Mr. Lisi requested a motion to go into Executive Session at 12:52 p.m. to discuss trade secrets regarding Refi CT pricing. Mr. Budd moved to go into Executive Session and Mr. Hill seconded the motion.

Upon a voice vote, the “Ayes,” “Nays” and “Abstentions” were as follows:

<b><u>AYES</u></b>	<b><u>NAYS</u></b>	<b><u>ABSTENTIONS</u></b>
Peter W. Lisi	None	None
Laura Baker		
Benjamin B. Barnes		
Jeffrey R. Beckham		
Martin L. Budd		
Andrew A. Foster		
Darrell V. Hill		

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Julie B. Savino  
Jeanette W. Weldon

At 12:52 p.m. all CHEFA staff present excluding admin staff, all CHESLA staff, all CHESLA Board members and Mr. Tim Webb left the telephonic meeting to attend the Executive Session via a separate telephonic meeting room.

All CHEFA staff present excluding admin staff, all CHESLA staff, all CHESLA Board members and Mr. Tim Webb returned to the telephonic meeting at 1:07 p.m. and the meeting reconvened. Mr. Lisi stated that no votes were taken during Executive Session.

Mr. Budd moved to approve the proposed pricing matrix and Ms. Savino seconded the motion.

Upon a voice vote, the “Ayes,” “Nays” and “Abstentions” were as follows:

**AYES**

Peter W. Lisi  
Laura Baker  
Benjamin B. Barnes  
Jeffrey R. Beckham  
Martin L. Budd  
Andrew A. Foster  
Darrell V. Hill  
Julie B. Savino  
Jeanette W. Weldon

**NAYS**

None

**ABSTENTIONS**

None

**QUARTERLY FINANCIALS ENDING SEPTEMBER 30, 2021**

Ms. Levin reported that for the 3 months ending September 30, 2021, revenues over expenses before non-operating income and expenses were \$2,371 and revenues over expenses after non-operating income and expenses were \$2,898. The total YTD revenues were \$4,545 under budget and total YTD expenses were \$17,733 under budget, and this is primarily due to salaries, employee benefits, and CHEFA support.

Ms. Levin reported that the total change in net position for the 1990 Resolution is a decrease of \$8,851 and the total change in net position for the 2019 Resolution is a decrease of \$247,528. This is due to an increase in loan servicing fees and the allowance for loan loss.

Ms. Levin noted that when student payments are received, the revenue investments are increased, and the student loan receivables are decreased; both of which are balance sheet items and are not currently reflected on the income statement. Ms. Levin reported that for this quarter, the 1990 Resolution received \$5.84 million and the 2019 Resolution received \$1.18 million. Staff is still receiving a high volume of payments which allows CHESLA to redeem additional bonds throughout the fiscal year.

Ms. Levin reported that the total change in net position for the Scholarship Fund was a decrease of \$14,640. The decrease is due to additional scholarship disbursements and using prior year scholarship funds that had been returned from a few schools due to students withdrawing. The total change in net position for the Non-Bond Refi program was an increase of \$9,482.

**REPORT OF THE CONSULTANT/VENDOR COMMITTEE**

Mr. Hill reported that the Consultant/Vendor Committee met earlier today and voted on 3 items. The 3 items included acceptance of staff’s recommendations regarding the appointment of underwriters, financial advisors, and consumer finance counsel for a three year period. Mr. Hill reported that the Consultant/Vendor Committee accepted staff’s recommendations to select the following:

- BofA Securities and RBC Capital Markets as senior underwriters and Blaylock Van, LLC and Rockfleet Financial Services, Inc. as co-managers;
- Hilltop Securities as financial advisor; and
- Ballard Spahr as consumer finance counsel.

Mr. Hill motioned to accept all 3 of staff’s recommendations and Mr. Budd seconded the motion.

Upon a voice vote, the “Ayes,” “Nays” and “Abstentions” were as follows:

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
Peter W. Lisi	None	None
Laura Baker		
Benjamin B. Barnes		
Jeffrey R. Beckham		
Martin L. Budd		
Andrew A. Foster		
Darrell V. Hill		
Julie B. Savino		
Jeanette W. Weldon		

**EXECUTIVE DIRECTOR’S REPORT**

**Authority Updates**

Mr. Giungi reported that there are two items being recommended for inclusion in CHESLA’s Legislative Agenda:

- To allow for CSLF to transfer funds to CHESLA for the purpose of providing financial assistance to qualified students for post-secondary education costs.
- To allow CHESLA to finance other post-secondary education costs so that CHESLA can deploy any dollars received from CSLF for those purposes.

Mr. Budd moved for approval of the two proposals and inquired for clarification on the current restrictions that exist on moving funds between CSLF and CHESLA. Ms. Weldon stated that currently when CSLF transfers funds they can only be used for purposes of assisting with higher education, which is defined by CHESLA as degree granting institutions that are non-profit and accredited. Ms. Weldon stated that the updated legislation would allow for CSLF to release dollars for other post-secondary types of education, which is consistent with the construct of the State’s Workforce development efforts. This would give CHESLA the ability to deploy those dollars for other purposes and any deployment of those dollars would need Board approval before they were used and a program manual would need to be developed for any type of certificate program student financing.

Mr. Foster seconded the motion.

Upon a voice vote, the “Ayes,” “Nays” and “Abstentions” were as follows:

**AYES**

Peter W. Lisi  
Laura Baker  
Benjamin B. Barnes  
Jeffrey R. Beckham  
Martin L. Budd  
Andrew A. Foster  
Darrell V. Hill  
Julie B. Savino  
Jeanette W. Weldon

**NAYS**

None

**ABSTENTIONS**

None

**Update on PA-21-62 Working Group to Study Post-Secondary Education Finance**

Ms. Weldon stated that CHESLA is part of a task force pursuant to PA-21-62, which is a working group created to look at CHESLA's abilities to broaden access to its financing products. Ms. Weldon stated that this is part of the law that advanced the Alliance District Loan Program. Staff is producing a general report that will be released in February.

**Portfolio Update**

Mr. Hurlock stated that the date and term headers on page 46 of the Board Package for Total Gross Originations are incorrect and should be the same as the two prior tables, however, the data shown is correct. Mr. Hurlock reported that CHESLA has historically reflected the 3% origination fee and gross principal originations, but this year with the 2021 B loan proceeds, the origination fee was removed. Mr. Hurlock reported the Total Gross Originations for Q1 FY 2022 as \$6.6 million, which is approximately \$300,000 behind Q1 of FY 2021. Mr. Hurlock reported that if the origination fee had been included for any 2021 B proceeds, the difference would only be \$130,000.

Mr. Hurlock reported that:

- CHESLA is ahead of the cash flow assumptions by \$877,000 for Series 2020 B, through October. All 2020 B money has been committed and staff is waiting on disbursements to go out the door.
- For 2021 B, CHESLA is \$1.7 million behind cash flow assumptions, through October. When the 2021 bond deal was structured, a rebound was expected somewhere halfway between the very low originations from last year and CHESLA's five-year average. The Higher Education industry as a whole has not rebounded nationally. An article from the National Student Clearinghouse indicates that Fall 2021 enrollment numbers show no signs of recovery from last year's declines. Undergraduate enrollment is down 3% from last year. Undergraduate enrollment is now down 6.5% from two years ago. Freshman enrollment is also down by 3% this year.
- The Director of Financial Aid from the CSCU system stated the enrollment is down across the board for community colleges. On the other end, UCONN's enrollment is steady and some private schools are indicating steady enrollment as well. Enrollment is down overall, but the pandemic has not equally affected schools.
- CHESLA is making a marketing push to reach students and families looking for money for the Spring semester.

Mr. Budd inquired about the length of the disbursement period before CHESLA would be required to refund bonds. A brief discussion ensued.



**Marketing Update**

Ms. Reynolds stated that outdoor outreach activities have begun and CHESLA staff has participated in two college fairs so far.

**Scholarship Update**

Ms. Torres-Rivera reported that for the undergraduate scholarship program, the second round of disbursements occurred on September 30<sup>th</sup> totaling \$88,500. So far, 183 students have been awarded a total of \$526,500. Ms. Torres-Rivera stated that there are 3 students who have not yet been awarded. These students decided to defer their scholarship until Spring, but once they are enrolled for the Spring semester, staff can disburse their awarded scholarship in January.

Ms. Torres-Rivera reported that for the certificate scholarship program there has been a great response since the last meeting and 4 disbursements were awarded last month. So far, 6 certificate scholarships have been awarded and there are still about 18 certificate scholarships available. Ms. Torres-Rivera stated that there are 4 applications that have been submitted and are awaiting a letter of recommendation, and 16 applications have been started but not submitted.

Mr. Budd inquired about how much money is left to disburse. Ms. Torres-Rivera stated that there is about \$7,500 left to disburse for the undergraduate scholarship program, with an additional \$6,000 that will not disburse due to students withdrawing from school. For the certificate scholarship program, there is about \$22,500 left to disburse.

**APPROVAL OF 2022 MEETING SCHEDULE**

Mr. Lisi stated that there is a date change for the 2022 Meeting Schedule in which the June 23, 2022 meeting date will be changed to June 28, 2022.

Mr. Lisi requested a motion to approve the 2022 Meeting Schedule with the date change. Mr. Budd moved for approval and Mr. Hill seconded the motion

Upon a voice vote, the “Ayes,” “Nays” and “Abstentions” were as follows:

<u><b>AYES</b></u>	<u><b>NAYS</b></u>	<u><b>ABSTENTIONS</b></u>
Peter W. Lisi	None	None
Laura Baker		
Benjamin B. Barnes		
Jeffrey R. Beckham		
Martin L. Budd		
Andrew A. Foster		
Darrell V. Hill		
Julie B. Savino		
Jeanette W. Weldon		

**ADJOURNMENT**

There being no further business, at 1:38 p.m., Mr. Barnes moved to adjourn the meeting and Mr. Lisi seconded the motion.

Upon a voice vote, the “Ayes,” “Nays” and “Abstentions” were as follows:

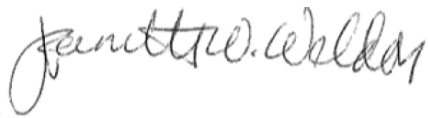
<u><b>AYES</b></u>	<u><b>NAYS</b></u>	<u><b>ABSTENTIONS</b></u>
Peter W. Lisi	None	None

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Jeanette W. Weldon

Respectfully submitted

A handwritten signature in black ink that reads "Jeanette W. Weldon". The signature is written in a cursive style with a large initial "J" and a long, sweeping underline.

Jeanette W. Weldon  
Executive Director