

CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY  
Minutes of CHESLA Board Meeting  
March 23, 2023

The State of Connecticut Higher Education Supplemental Loan Authority held a meeting via videoconference on Thursday, March 23, 2023.<sup>1</sup>

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

PRESENT: Peter W. Lisi, Chair  
Laura M. Baker (*Designee for Chief Workforce Officer Kelli-Marie Vallieres*)  
Bettina Bronisz (*Designee for Connecticut State Treasurer Erick Russell*)  
Martin L. Budd  
Andrew Foster  
Michael Izadi (*Designee for Connecticut OPM Secretary Jeff Beckham*)  
Julie B. Savino, Vice Chair  
Jeanette W. Weldon (*Executive Director CHEFA and CHESLA*)

ABSENT: Kerry A. Kelley (*Designee for CT State Colleges and Universities President Terrence Cheng*)

ALSO PRESENT: Denise Aguilera, General Counsel, CHEFA  
Kevin Barry, Accountant, CHEFA  
Dan Giungi, Government Relations and Communications Specialist, CHEFA  
Rebecca Hrdlicka, Administrative Services Assistant, CHEFA  
Josh Hurlock, Assistant Director, CHESLA  
Carlee Levin, Senior Accountant, CHEFA  
JoAnne Mackewicz, Controller, CHEFA  
Shannon Reynolds, Portfolio Specialist, CHESLA  
Kara Stuart, Manager, Administrative Services, CHEFA  
Yesenia Torres-Rivera, Program Coordinator, CHESLA

GUESTS: Tim Webb, Vice President, Hilltop Securities

**APPROVAL OF MINUTES**

Ms. Bronisz requested a change to the minutes under the Scholarship Program Memo & Allocation section. Ms. Bronisz requested to change that “Dunkin’ Donuts Park” be changed to “Dunkin’ Park”. Therefore, the minutes should now read:

“An in-person award event for all recipients was held on August 4, 2022 in the Yard Goats Club at Dunkin’ Park in Hartford. Thea Montañez, Chief Operating Officer of the City of Hartford, was the keynote speaker. The event was well-received.”

Ms. Savino and Ms. Baker joined the videoconference meeting at 11:34 a.m.

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

Mr. Lisi requested a motion to approve the meeting minutes of the January 26, 2023 Board of Directors meeting with the change presented above. Mr. Budd moved to approve the minutes and Mr. Foster 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	Julie B. Savino <sup>2</sup>
Laura Baker		
Bettina Bronisz		
Martin L. Budd		
Andrew Foster		
Jeanette W. Weldon		

**REFINANCE PROGRAM MEMO AND RESOLUTION**

Mr. Hurlock reported on the background and history of Refi CT Loan Program. Mr. Hurlock stated that the program was created in 2016 to provide borrowers with a reasonably priced option for refinancing existing student loan debt, and the program was structured to refinance both federal and private student loans. Mr. Hurlock reported that, to date, borrowers have reduced their loan rates by an average of 2 percentage points.

Mr. Hurlock stated that initial funding originated from a \$5.5 million transfer from the Connecticut Student Loan Foundation (CSLF). Unlike the in-school program, Refi CT uses credit score tiers to set loan interest rates and offers loans with repayment terms of 5, 10, or 15 years. Mr. Hurlock stated that the current offerings within Refi CT have consisted of fixed rates ranging from 3.75% to 4.99%.

Mr. Hurlock reported that, unlike the in-school loan program with tax-exempt financing, the tax treatment of bonds used to fund Refi CT loans is less straightforward. Mr. Hurlock reported that at issue is if the loan being refinanced exceeded the cost of education. Initially, CHESLA was requiring school certification proof from the applicant that the underlying loans did not exceed the cost of education, but this information was not easily obtainable for the applicant via the loan servicer or school and therefore became a significant barrier for refinance volume. Mr. Hurlock stated that the decision was made to remove this school-certification and rely solely on the self-certification from the borrower, which is included in the promissory note.

Mr. Hurlock reported that because of the above issue, the industry approach is to issue taxable bonds to fund refinance loans. In 2019, CHESLA issued \$5 million of taxable bonds under the Series A bond issue. Mr. Hurlock stated that originations for the program were slowed due to the higher loan rates required to support more costly taxable debt. Therefore, \$710,000 of remaining bond proceeds were used to redeem some of the outstanding taxable bonds in November 2021. Mr. Hurlock stated that future funding for the program was made available through cash transfers from CSLF, enabling Staff to fund the loans off of the balance sheet.

Mr. Izadi joined the videoconference meeting at 11:37 a.m.

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<sup>2</sup> Ms. Savino abstained from voting as she did not attend the CHESLA Board of Directors meeting held on January 26, 2023.

Mr. Hurlock reported that loan originations for Refi CT slowed further with the start of the pandemic and associated federal loan relief offering no payments and a 0% interest rate. Mr. Hurlock stated that a decision was made by CHESLA in December 2021 to reduce its loan rates on all new Refi CT originations to the current 3.75% to 4.99% fixed rates, across all repayment terms.

Mr. Hurlock reported that the Federal Reserve began rate tightening as the pandemic subsided and inflation spiked last year. CHESLA maintained its loan rates, which Mr. Hurlock stated became significantly below market and resulted in rapid loan volume growth. Mr. Hurlock reported that CHESLA closed Refi CT loan applications on March 7, 2023 due to the limited dollars available to continue to fund loans. Mr. Hurlock stated that applications are expected to re-open in May 2023 once funding is secured for the program.

Ms. Weldon reported on the proposal for future funding of the Refi CT program. Given the current conditions of the interest rate environment, staff is exploring options to create a right-sized program with competitive loan rates, particularly relative to rates of for-profit lenders. Ms. Weldon proposed up to a \$3 million transfer, available from the trust and operating account, from CSLF to fund Refi CT loans. Ms. Weldon stated that after this transfer is utilized staff will explore options for a direct placement financing using those Refi CT loans as collateral. Ms. Weldon stated that a detailed financing plan for a direct placement is yet to be determined, but the proposal gives CHESLA the ability to right-size the program.

Mr. Budd posed multiple questions regarding the status of Refi CT loans. Firstly, Mr. Budd inquired about the default rates of the Refi CT loans. Mr. Hurlock stated that the default rates have been 1.52% historically for all Refi CT loans (i.e., in or out of the trust) through December 2022, 1.8% for loans part of the 2019 resolution, and less than 1% for loans outside of the trust. Secondly, Mr. Budd inquired about any outstanding bonds from the 2019 bond issue, which Mr. Hurlock clarified that the 2019 Series A bonds have \$1.95 million bonds outstanding. Thirdly, Mr. Budd inquired about refinance loan pledges to the trust. Mr. Hurlock stated that \$7 million of Refi CT loans were utilized towards the taxable and tax-exempt portions to the 2019 deal. Therefore, it is collateralized with more than the bonds originated with proceeds.

Mr. Tim Webb, Vice President of Hilltop Securities, commented on the market rates and the potential for any future tax-exempt bond financing for the Refi CT loans. A brief discussion ensued.

Mr. Lisi requested a motion for approval of the Refi CT Loan Program Funding proposal and Loan Rate Strategy (Authorizing Resolution #2023-02). Mr. Budd moved for approval and Mr. Lisi seconded the motion.

Ms. Bronisz inquired about the possibility of repayment of the \$3 million to CSLF. Ms. Weldon stated that by statute, excess funds from CSLF are permitted to be transferred for education finance purposes.

Mr. Foster inquired about how loan rates would be determined. Ms. Weldon and Mr. Webb clarified that loan rates are based on market comparisons rather than an index rate.

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

**AYES**

Peter W. Lisi  
Laura Baker

**NAYS**

None

**ABSTENTIONS**

None

Bettina Bronisz  
Martin L. Budd  
Andrew Foster  
Michael Izadi  
Julie Savino  
Jeanette W. Weldon

### **QUARTERLY FINANCIALS 12/31/2022**

Ms. Levin reported on the quarterly financials for the six months ending December 31, 2022. Ms. Levin stated that revenues over expenses before non-operating income and expenses were \$174,679, and the revenues over expenses after non-operating income and expenses were \$194,124. Ms. Levin reported that the total year-to-date revenues were \$237 over budget and the total year-to-date expenses were \$29,600 under budget.

Ms. Levin then provided an overview of the bond funds and other program financials (i.e., Scholarship Fund, Non-Bond Refi Program, and Alliance District Teach Loan Subsidy Program).

### **EXECUTIVE DIRECTOR'S REPORT**

#### **Authority Updates**

Ms. Weldon presented a status report pertaining to the 3-year CHEFA/CHESLA strategic plan. Ms. Weldon highlighted several notable achievements pertaining to collaboration; the broadening, assessment, and communication of impact; technology; and organizational identity, culture, and sustainability. Ms. Weldon acknowledged the hard work of all Staff for moving the strategic initiatives forward. Mr. Budd inquired about the collaboration between CHESLA and the Office of Workforce Strategy to support certificate credentials for specific workforce needs. A discussion ensued.

Ms. Weldon stated that development for the Spring financing is underway, which will be presented for approval in the upcoming special Board meeting on April 4<sup>th</sup> at 2:00 p.m. Mr. Budd inquired about any unused bond funds, which Mr. Hurlock stated that all bonds funds are currently committed. The Spring financing will be approximately \$26 million, which includes the SCRF, inducement resolution, and the expected funding needed for the upcoming year. A brief discussion ensued.

#### **Portfolio Update**

Mr. Hurlock reported that the CHESLA In-School Loan Program has disbursed \$9.6 million through the second quarter of FY 2023, which represents an increase of \$1.8 million compared to FY 2022, through the 2<sup>nd</sup> quarter. Mr. Hurlock then provided the market segment data for loan disbursement and an update on the comparison to cash flow assumptions for the 2022B series, as all 2022 B loan proceeds have been committed.

Mr. Hurlock reported that CHESLA's refinance loan program disbursed approximately \$1.5 million in the second quarter of FY 2023, representing an increase of \$1.4 million compared to FY 2022, through the 2<sup>nd</sup> quarter.

Mr. Hurlock reported on the disbursement data for the Alliance District Teacher Loan Subsidy Program. Mr. Hurlock stated that the originations for this program have been slow, disbursing approximately \$370,000 impacting 18 teachers. Mr. Hurlock reported that teachers are reducing their interest rate by an average of 4.56%, and the weighted average subsidized rate for the

program is 1.46%. The current subsidized rates range from 0.75% to 2.49%, and Mr. Hurlock stated that these rates will remain the same, despite the changing market. This should make the program even more attractive to teachers. Staff is continuing their outreach efforts to build awareness of this program. A discussion ensued.

**Marketing Update**

Ms. Reynolds gave a presentation on CHESLA Marketing and Outreach, which provided a detailed overview on the following topics:

- CT Dollars & Sense Website Overview
- CHESLA Website Overview
- Marketing and Outreach efforts that include:
  - Attending and tabling at the annual CAPFAA conference
  - Hosting a Financial Aid Night at Montville High School
  - Presenting to the Career Beginnings/Hartford Consortium for Higher Education
  - Continuing outreach and promotion through TV, radio, digital, and social media
- Sports Marketing

**Scholarship Update**

Ms. Torres-Rivera reported that the certificate program has been closed for this fiscal year since January 2023 and distributed \$30,000. Ms. Torres-Rivera stated that the next certificate program cycle will open on July 1, 2023.

Ms. Torres-Rivera reported that the undergraduate scholarship program opened March 1, 2023 and has been advertised through social media, emails to Connecticut colleges and universities, and emails to high school guidance counselors. Ms. Torres-Rivera stated that 261 applications are in draft and 32 applications have been submitted, and the submitted applications have been under review for eligibility.

**CONSULTANT/VENDOR COMMITTEE REPORT**

Mr. Lisi reported that the Consultant/Vendor Committee met earlier today to review the responses to two different Request for Proposals (RFPs). The first RFP involved the appointment of a firm to serve as bond counsel. Staff recommended Pullman & Comley, LLC to serve as bond counsel based primarily on their experience, track record, and previous counsel to CHESLA. Mr. Lisi reported that the Consultant/Vendor Committee accepted Staff’s recommendation and requested approval by the Board.

Mr. Lisi requested a motion for acceptance of the Consultant/Vendor Committee’s recommendation and approval of Pullman & Comley, LLC to serve as bond counsel. Mr. Budd moved for approval and Ms. Bronisz 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		
Bettina Bronisz		
Martin L. Budd		
Andrew Foster		
Michael Izadi		
Julie Savino		

Jeanette W. Weldon

The second RFP involved the appointment of a firm to serve as loan collection servicer, which Staff recommended Transworld Systems, Inc. (formerly known as CCA) out of the three firms that responded to the RFP. Mr. Lisi reported that the Consultant/Vendor Committee accepted Staff’s recommendation and requested approval by the Board.

Mr. Lisi requested a motion for acceptance of the Consultant/Vendor Committee’s recommendation and approval of Transworld Systems, Inc. as the loan collection servicer. Mr. Budd moved for approval and Ms. Savino 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		
Bettina Bronisz		
Martin L. Budd		
Andrew Foster		
Michael Izadi		
Julie Savino		
Jeanette W. Weldon		

**LEGISLATIVE UPDATE**

Mr. Giungi reported on the four bills that have been introduced in this Legislative Session that seek to mirror CHESLA’s Alliance District Teacher Loan Subsidy Program, and three of the bills have been introduced in the Higher Education Committee. Mr. Giungi stated that Bill 5437 would establish a loan subsidy program for first responders, Bill 5441 would establish a loan subsidy program for “high demand professions” (e.g. healthcare professions), and Senate Bill 8 would establish a loan subsidy program for “high demand professions” that are identified by the Office of Workforce Strategy and in consultation with CHESLA. Mr. Giungi stated that the fourth bill, House Bill 6689, was introduced in the Banking Committee to establish a loan subsidy program for healthcare workers. Mr. Giungi also reported on House Bill 5233 introduced in the Higher Education Committee. Mr. Giungi stated that this bill proposes a requirement for CHESLA to establish an income-driven repayment plan which its borrowers could elect to participate.

Mr. Giungi reported that all of the bills listed above have been voted out of the Committee and are awaiting action in their respective Chambers. Staff is actively engaged with the proponents of the legislation to ensure that, if any of these items pass, they are drafted in a way that comports with CHESLA’s framework and operations. Ms. Weldon stated that all communication with legislators have emphasized the need for State funding for the implementation of these bills.

Mr. Budd inquired about the original sponsorship of these bills, which Mr. Giungi stated that these bills were originally proposed by several legislators.

Mr. Budd noted the administrative burden that would potentially occur if these bills were to pass, which Ms. Weldon confirmed and would need to be factored into the cost of the program.

Ms. Savino inquired about a study regarding the funds or appropriations needed for the programs being legislatively proposed. Mr. Giungi stated that no proponents have presented any study, and Ms. Weldon confirmed that some of the proposals would need to provide additional details for implementation. A brief discussion ensued.

**OTHER BUSINESS**

Ms. Weldon, Ms. Savino, and Mr. Lisi thanked Ms. Judith Blank from Pullman & Comley, LLC for her years of service, support, and dedication to CHESLA as she prepares for retirement.

**ADJOURNMENT**

There being no further business, Mr. Lisi requested a motion to adjourn the meeting. Mr. Foster moved to adjourn the meeting and Mr. Lisi 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		
Bettina Bronisz		
Martin L. Budd		
Andrew Foster		
Michael Izadi		
Julie Savino		
Jeanette W. Weldon		

The meeting adjourned at 12:46 p.m.

Respectfully submitted,



Jeanette W. Weldon  
Executive Director

