

CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY
Minutes of CHESLA Board Meeting
June 13, 2023

The State of Connecticut Higher Education Supplemental Loan Authority held a meeting via videoconference on Tuesday, June 13, 2023.¹

The remote meeting was called to order at 11:32 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
Michael Izadi (*Designee for Connecticut OPM Secretary Jeff Beckham*)
Kerry A. Kelley (*Designee for CT State Colleges and Universities President Terrence Cheng*)
Julie B. Savino, Vice Chair
Jeanette W. Weldon (*Executive Director CHEFA and CHESLA*)

ABSENT: Andrew Foster

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: Sandra Dawson, Member, Pullman & Comley
Justin Draeger, President & CEO, NASFAA (National Association of Student Financial Aid Administrators)
Joseph Santoro, Director-Education Finance Team Leader, Bank of America, N.A.
Tim Webb, Vice President, Hilltop Securities

¹ All attendees participated in the meeting via conference telephone that permitted all parties to hear each other.

APPROVAL OF MINUTES

Mr. Lisi requested a motion to approve the meeting minutes of the April 4, 2023 Special Board of Directors meeting. Mr. Budd moved to approve the minutes and Ms. Savino seconded the motion.

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

AYES

Peter W. Lisi
 Laura Baker
 Bettina Bronisz
 Martin L. Budd
 Julie B. Savino
 Jeanette W. Weldon

NAYS

None

ABSTENTIONS

Michael Izadi²
 Kerry A. Kelley

BOARD EDUCATION: JUSTIN DRAEGER, PRESIDENT & CEO OF THE NATIONAL ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS (NASFAA)

Mr. Hurlock introduced Mr. Justin Draeger, President & CEO of the National Association of Student Financial Aid Administrators (NASFAA). Mr. Draeger gave a presentation on NASFAA’s Federal Update: Inside the Beltway, which included an overview on the following topics:

- Return to Repayment
- Student Loan Forgiveness
- Operation Fresh Start
- FAFSA Simplification Act

The floor was opened to questions, and a brief discussion ensued regarding financial aid administrators, the operations of the revised FAFSA form, and federal student loan forgiveness.

Mr. Hurlock and Board members thanked Mr. Draeger for this informative presentation. Mr. Draeger left the videoconference meeting at 11:55 a.m.

Mr. Lisi thanked Mr. Hurlock for coordinating this opportunity and presentation.

SALES REPORT FOR 2023 SERIES BOND TRANSACTION

Mr. Tim Webb of Hilltop Securities provided a Post Sale Transaction Overview on the 2023 Series B - AMT bond transaction that were priced on April 26, 2023.

Mr. Webb reported that the Series B – AMT bond transaction was structured for approximately \$23 million. Mr. Webb then presented further details on the following:

- Inducement resolution and bond structuring,
- Market conditions;
- Order flow and pricing summary with maturities,
- Competitive analysis of bond yields and pricing.

Ms. Weldon thanked Hilltop Securities (Mr. Tim Webb), Bank of America (Mr. Joseph Santoro), Pullman & Comley (Ms. Sandra Dawson), and Mr. Hurlock for their hard work in the challenging market conditions with this transaction.

² Mr. Izadi abstained from voting as he did not attend the CHESLA Special Board of Directors meeting held on April 4, 2023.

Mr. Joseph Santoro of Bank of America thanked CHESLA for the opportunity to work on this transaction.

SCHOLARSHIP MEMO & APPROVAL

Ms. Torres-Rivera presented an executive summary for the CHESLA Undergraduate Degree Scholarship Program. Ms. Torres-Rivera stated that at the January 26, 2023 Board of Directors meeting, the CHESLA Board approved an allocation of \$465,000 in scholarships for students pursuing an undergraduate degree. As of June 2, 2023, the CHESLA Scholarship Account had approximately \$31,000 in unused proceeds from schools and earned interest from prior years. Ms. Torres-Rivera stated that management is seeking Board approval to award 168 scholarships totaling \$486,000.

Ms. Torres-Rivera reported that there were 207 qualified applicants to the 2023-2024 CHESLA Undergraduate Scholarship Program. Applications were open March 1st through May 1st via the CHESLA website. Application availability was also announced to high school counselors, financial aid officers, the State Department of Education, and all CHESLA social media outlets. Ms. Torres-Rivera stated that the scholarship committee comprised of Ms. Weldon, Mr. Hurlock, Ms. Reynolds, and herself to review the qualified applications, and 168 scholarships will be awarded from these applications. Eligibility requirements and award amounts remained the same from the previous year. Mr. Hurlock noted the change to the Expected Family Contribution (EFC) of 7,000 instead of 6,000 from the prior year. The program utilizes the Pell Grant eligible EFC and rounds up. Awarded recipients will be notified in June 2023 and scholarship disbursements are scheduled for September 2023.

Ms. Torres-Rivera presented the data analysis from the scholarship program applications including the breakdown of race, gender, age group, grade classification, institution attending, hometown, and attendance status.

Ms. Torres-Rivera noted that the application for healthcare and manufacturing certificate program will be available on July 1, 2023. Ms. Torres-Rivera also noted that at the January 26, 2023 Board of Directors meeting, the Board approved an allocation of \$35,000 for this certificate program. The awards will be \$1,250 per student, and funds are available on a first-come, first-serve basis.

Mr. Budd inquired about the allocations for the scholarship and certificate programs, and a brief discussion ensued.

Mr. Lisi requested a motion to approve the 168 scholarships totaling \$486,000 for the CHESLA Undergraduate Scholarship Program. Mr. Budd moved for approval and Ms. Baker seconded the motion.

Mr. Hurlock thanked Ms. Torres-Rivera for her hard work with the Scholarship Program.

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 M. Baker		
Bettina Bronisz		
Martin Budd		
Michael Izadi		
Kerry A. Kelley		
Julie B. Savino		

Jeanette W. Weldon

REFI PROGRAM MANUAL AMENDMENT (Resolution #2023-04)

Ms. Aguilera presented proposed amendments to the Refi CT program manual regarding interest that accrues during a hardship or military forbearance. Ms. Aguilera reported that currently interest accruing during a hardship or military forbearance is capitalized (i.e., added to the principal balance of the loan) at the end of the forbearance period. Capitalizing interest results in charging interest on interest, which ultimately results in an additional financial charge for a borrower who has had to take a forbearance for either hardship or military service. Ms. Aguilera stated that the proposal is to amortize accrued interest over the remaining months of the repayment period rather than capitalizing the interest. Staff is thus seeking approval of the amendments presented to the Refi CT program manual.

Mr. Lisi requested a motion to approve the Refi CT program manual amendments (Resolution #2023-04). Mr. Budd moved for approval, and Ms. Baker 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 M. Baker		
Bettina Bronisz		
Martin Budd		
Michael Izadi		
Kerry A. Kelley		
Julie B. Savino		
Jeanette W. Weldon		

INDUCEMENT RESOLUTION (Resolution #2023-05)

Ms. Aguilera presented the inducement resolution relating to the \$3 million CSLF contribution to CHESLA for loan origination. The resolution would provide CHESLA the ability to reimburse itself with future bond proceeds for up to \$3 million that it uses to originate student loans under the CHESLA Loan and Refi CT Loan Programs. A brief discussion ensued.

Mr. Lisi requested a motion to approve the inducement resolution (Resolution #2023-05). Mr. Budd moved for approval, and Ms. Savino 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 M. Baker		
Bettina Bronisz		
Martin Budd		
Michael Izadi		
Kerry A. Kelley		
Julie B. Savino		
Jeanette W. Weldon		

QUARTERLY FINANCIAL REPORT, 03/31/2022

Ms. Levin commented on an error on the balance sheet regarding the Board Designated Investment Account. Ms. Levin reported that this account is listed as below \$1 million at the end of March; however, the Trustee has corrected the transfer error in April.

Mr. Budd inquired about the investment accounts, and a brief discussion ensued. Mr. Budd requested that a plan for use of unrestricted balance sheet funds be presented at the September Board meeting, which Ms. Weldon confirmed.

Ms. Levin reported on the quarterly financials for the nine months ending March 31, 2023. Ms. Levin reported that revenues over expenses before non-operating income and expenses were \$339,602 and after non-operating income and expenses were \$394,584. Total year to date operating revenues were over budget by \$18,305 and total year to date operating expenses were under budget by \$41,214.

Mr. Budd inquired about the total non-current assets for the 2019 resolution, which Ms. Levin confirmed are disbursed loans to be paid back in the future (i.e., non-current).

Ms. Levin then provided an overview on the bond funds, other funds (i.e., Scholarship Fund, Non-Bond Refi program, In-School Non-Trust, and Alliance District Teacher Loan Subsidy [ADTLS] program), and student write-offs.

Mr. Budd inquired about the unrestricted funds for the Refi CT program, which Ms. Levin reported consists of the revenue fund, current portion of refinance loan receivables, and interest receivables on loan receivables.

Mr. Budd inquired about the refinance CT revenue fund for the ADTLS program, which Ms. Levin reported is the revenue received from the program and that the loan funds are a separate line item. Ms. Levin confirmed that the loan funds for the ADTLS program were received from the State. Mr. Hurlock also confirmed that approximately \$500,000 of the \$6 million have been disbursed for the ADTLS program and that marketing efforts will continue to highlight the available funds.

EXECUTIVE DIRECTOR'S REPORT**Authority Updates**

Ms. Weldon reported on the loan yield liability regarding the Series 2013A bonds. According to the analysis from BLX Group, Ms. Weldon reported that no payment is owed to the IRS due to the principal loan forgiveness executed to offset the loan yield liability. Mr. Hurlock also reported that CHESLA forgave \$200,000 in principal for the 2013A series in February 2023 and an additional \$90,000 in April 2023.

Mr. Giungi reported that, while CHESLA did not pursue any legislative proposals in the recent legislative session, several proposals impact CHESLA. Mr. Giungi provided a brief overview on the following bills:

- House Bill 5441: strike-all amendment: establishes a student loan subsidy program for police officers in distressed municipalities and expands the language of the CHESLA ADTLS program to include paraprofessionals and counselors in alliance districts (effective January 1, 2024)
- House Bill 6689: establishes a loan subsidy program for mental healthcare professionals, nursing professionals, and EMS personnel (effective July 1, 2023)

- House Bill 5233: proposed for CHESLA to establish an income-driven repayment plan for borrowers who hold CHESLA loans (no action taken by House before adjournment, therefore did not pass)

Mr. Giungi also commented on the funding status for each House bill, as well as the intent of staff to work with legislators to combine the loan subsidy programs regarding police officers in distressed municipalities and healthcare professionals into a single program for administrative and operational purposes.

Mr. Budd inquired about the status of these bills. Mr. Giungi confirmed that House Bill 5441 and House Bill 6689 have passed both the House of Representatives and the Senate, and that these bills are awaiting signature by the Governor.

Mr. Budd inquired about the administrative fees of the ADTLS program given the recent legislation, and a brief discussion ensued.

Mr. Lisi inquired about the sponsorship for House Bill 5233, which Mr. Giungi confirmed was Representative Gary Turco from Newington, Connecticut.

Portfolio Update

Mr. Hurlock reported that the In-School Loan program has disbursed approximately \$19.5 million through the third quarter of FY 2023, which includes \$9.9 million in disbursements in the third quarter of FY 2023. FY 2023 is on pace to disburse about \$20.0 million for the fiscal year. Mr. Hurlock reported that the Refi CT program disbursed \$2.2 million in the third quarter. Year-to-date Refi CT loan volume of \$4.4 million through March 31, 2023, which represents a \$2.5 million, or a 126%, increase from the FY 2022 levels. Mr. Hurlock stated that CHESLA closed refi loan applications in March 2023 due to limited dollars available to disburse. The large loan volume increase was attributable to the below-market Refi CT loan rates ranging from 3.75% to 4.99% fixed. The refinance application reopened on May 16th, with rates closer to the market and ranging from 4.99% to 7.99% fixed. Mr. Hurlock confirmed that applications have been received under these new rates.

Mr. Hurlock reported on the performance metrics of the loan servicers. Mr. Hurlock stated that UAS has not met performance standards over the last 4 months. Mr. Hurlock reported that management is in communication with UAS and that UAS is actively correcting the issue through hiring a new, experienced manager in March; hiring 7 new agents in April; and leveraging the expertise of their parent company, TSI, to hire internally rather than externally. Mr. Hurlock reported that servicing levels are expected to normalize in June, and management is continuing to monitor the situation. Finally, Mr. Hurlock reported that CampusDoor has met performance standards for this quarter.

Mr. Budd inquired about the 2022B comparison to cash flow assumptions, and a brief 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 various college fairs and conferences
- Sponsoring and participating in the Hartford Athletics Annual STEM Education Day
- Continued outreach and promotion of all CHESLA programs through TV, Radio, Digital, and Social Media
- Sports Marketing

Mr. Budd thanked Ms. Reynolds for her hard work in the marketing outreach.

Mr. Budd inquired about the commitment of proceeds for the 2023 Series B bond issue, and a brief discussion ensued.

COMMITTEE REPORTS – AUDIT FINANCE/HUMAN RESOURCE COMMITTEE

Mr. Budd reported that the Audit Finance/Human Resource Committee met earlier today and discussed the FY 2024 operating budget. Mr. Budd commented on the discussion regarding CHESLA website updates, which is budgeted to increase user-friendliness as well as advertise other new programs. Mr. Budd also reported on the compensation increase that was discussed, which was supported by market research presented by Ms. Weldon. The Committee unanimously approved the budget and presented the budget to the Board for adoption.

Mr. Budd moved for approval to accept the recommendation of the Audit Finance/Human Resource Committee and the adoption of the FY 2024 operating budget, and Mr. Lisi 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 M. Baker		
Bettina Bronisz		
Martin Budd		
Michael Izadi		
Kerry A. Kelley		
Julie B. Savino		
Jeanette W. Weldon		

ADJOURNMENT

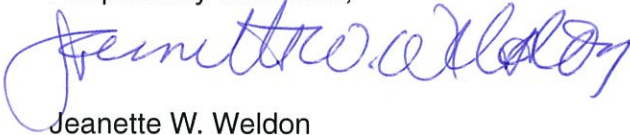
There being no further business, Mr. Lisi requested a motion to adjourn the meeting. Mr. Budd moved to adjourn the meeting and Ms. Savino seconded the motion.

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 M. Baker		
Bettina Bronisz		
Martin Budd		
Michael Izadi		
Kerry A. Kelley		
Julie B. Savino		
Jeanette W. Weldon		

The meeting adjourned at 1:00 p.m.

Respectfully submitted,



Jeanette W. Weldon
Executive Director