

CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY

Minutes of Meeting
December 15, 2011
The Hartford Club
46 Prospect Street Hartford, Connecticut

Authority Members Present: Michael E. McKeeman, Chairman; Martin Budd; Delores Graham; Steve Kitowicz (for Ben Barnes); and Sarah Sanders (for Denise Nappier)

Authority Staff and Advisors Present: Judith B. Greiman, Executive Director; Samuel E. Rush, Deputy Director; Josh Hurlock, Portfolio and Marketing Assistant; Judith Blank, Day Pitney LLP (General and Bond Counsel); Christine Doyle, PFM (Financial Advisor); Joseph Santoro, Merrill Lynch/Bank of America (Underwriter/Co-Manager); Reed Risteen, Blum Shapiro (Auditor)

Authority Advisory Committee Members Present: Frank R.A. Resnick

Guest/Members of the Public Present: Vince Sampson, President (Education Finance Council)

A quorum being present, the Chairman called the meeting to order at 3:04 p.m. The minutes of the September 27, 2011 Board meeting were approved unanimously.

Mr. Rush reviewed the quarterly marketing data.

Ms. Greiman presented the executive director's report. She reported that the Authority had \$20.5 million (gross) of 2010 loan funds available to lend. Ms. Greiman indicated that Collection Company of America (CCA) had collected approximately \$13.3 million (net) through fiscal month end September 2011 (first placement collection rate of 72.3%; second placement collection rate of 76.9%).

Ms. Greiman reported that agenda item 2E consisted of AMTEC's quarterly 2% Loan Yield calculations. She indicated that the liability amounts continued to be tracked and that further action may be needed in the future to further decrease the 1998AB liability.

Ms. Greiman reported on the following November 15th redemptions: \$1.6 million in 2007A series bonds; \$1.34 million in 2006A series bonds; \$645,000 in 2005A series bonds; and \$990,000 in 2009A series bonds.

Ms. Greiman reviewed the FY2012 budget summary. She indicated that the budget is still in line with projections and that there would be a discussion regarding the administrative fee draw later in the meeting as part of the Bond Committee report.

Ms. Greiman reported that Mr. Hurlock completed his probationary period with CHESLA and has been offered a permanent part-time position with the Authority as Portfolio and Marketing Assistant at 30 hours per week.

Ms. Greiman presented the marketing report. She stated that marketing material had been sent to over 400 high school guidance offices throughout the state. She noted that the information was well received and that requests for additional flyers had been made by schools and a financial planner who works with the guidance counselor association. Ms. Greiman reported that the new website is almost completed and a roll out date will be announced shortly. She indicated that CERC submitted a draft of its marketing recommendations for CHESLA. She noted that she will provide an update once the report is finalized. Ms. Greiman reported that she and the staff participated in CAPFAA's annual winter conference with a CHESLA information booth. She indicated that the conference allowed several layers of financial aid personnel to better understand the loan program.

Ms. Greiman reported that the Bond Committee met earlier in the day to further discuss the opportunity of refunding bonds under the 1990 resolution for potential savings to the trust. She noted a report from the Bond Committee will follow later during the meeting.

Mr. McKeeman presented the Authority's slate for proposed 2012 Advisory Committee members. Mr. Budd made a motion to approve the 2012 Advisory Committee members. Seconded by Ms. Sanders, the motion passed unanimously. (A copy is attached to and becomes a permanent part of these minutes.)

Mr. Rush presented the FY 2012 First Quarter Financial Statements. He noted that Beers Hamerman noted that there are no issues and that it had integrated a few adjustments stemming from the recent audit. Ms. Graham made a motion to accept the FY 2012 First Quarter Financials Statements. Seconded by Mr. Budd, the motion passed unanimously.

Ms. Greiman reviewed the 2011 Annual Report. Mr. Budd made a motion to approve the 2011 Annual Report with noted corrections. Seconded by Mr. Kitowicz, the motion passed unanimously.

Mr. McKeeman presented the Authority's proposed 2012 meeting schedule. Mr. Budd made a motion to approve the 2012 meeting dates with pending updates to follow. Seconded by Ms. Graham, the motion passed unanimously. (A copy of the revised meeting dates is attached to and becomes a permanent part of these minutes.)

Ms. Greiman introduced Education Finance Council President Vincent Sampson. (A copy of Mr. Sampson's presentation is attached to and becomes a permanent part of these minutes.)

Ms. Graham presented the Personnel Committee report. She reported that the committee reviewed and recommends adoption of CHESLA's Personnel Manual developed by Ms. Greiman. Ms. Graham made a motion to adopt and approve CHESLA's Personnel Manual with noted corrections. Seconded by Mr. Budd, the motion passed unanimously

Mr. McKeeman presented the Management Planning Committee report. He reported that the committee met with CHEFA to explore due diligence activity between the two agencies. Mr. McKeeman indicated that the committee will meet again to discuss its strategic options and then convene a special meeting of the full Board for further action.

Mr. McKeeman presented the Bond Committee report. He reported that the committee met during the morning with the Authority's underwriter and financial advisor to get an overview of finances and operations. Mr. McKeeman stated that the committee recommends refunding portions of the 1990 resolution bond pool with no less than 3% savings to the trust. He noted that the deal will require more than the \$150,000 contribution from CHESLA that had been previously authorized. Mr. Kitowicz made a motion authorizing a contribution of no more than \$175,000 from the Authority towards the 1990 resolution trust refinance deal. Seconded by Mr. Budd, the motion passed unanimously.

Mr. McKeeman reported that CHESLA's 1998 and 2000 series GIC provider, Societe Générale, had been downgraded by Moody's Investor Services and that the Authority would seek to have the investments collateralized by Societe Générale. Ms. Greiman stated that additional information will be shared with the Board as required once Societe Générale responds to the Authority's request.

Public Participation

No public participation.

The meeting adjourned at 4.58 p.m.



Connecticut Higher Education Supplemental Loan Authority
Proposed Advisory Committee Members - 2012

The membership of the Advisory Committee includes representatives from specific groups and agencies, as follows:

Financial Aid Community

- **One from a public four-year institution** – Richard Savage, Retired Director of Financial Aid, Eastern

High School Guidance Counselor Community

- **One from a public institution** – Arthur Shahverdian, former Counselor and former Manager, Early Awareness CSLF
- **One from an independent institution** – Kristin White, Westover School

Higher Education Finance Field

- **One from a public institution** –
- **One from an independent institution** –
- **Student Loan Finance Provider/Service** –
- **Higher Education Finance** - Frank R.A. Resnick, CFO Mandell Greater Hartford Jewish Community Center
- **Student Loan Finance Provider/Service** – Joe Popevis, Manager, Firstmark Services

Department of Higher Education

- **One representative** –

CHESLA Alumni members

- **One representative** –
- **One representative** -

Connecticut Higher Education Supplemental Loan Authority

Approved Meeting Dates for 2012
(REVISED)

Approved Meeting Dates for 2012

Tuesday, Mar. 13, 2012 - 9:00 a.m. to 11:00 a.m.
Board of Directors Meeting
Location – TBD

Tuesday, Jun. 5, 2012 - 9:00 a.m. to 11:00 a.m.
Board of Directors Meeting
Location - TBD

Tuesday, Oct. 2, 2012 - 9:00 a.m. to 11:00 a.m.
Board of Directors Meeting
Location - TBD

Tuesday, Dec. 18, 2012 - 9:00 p.m. to 11:00 a.m.
Board of Directors Meeting
Location - TBD

CHESLA Presentation

December 15, 2011

Key Washington DC Topics

- **Supercommittee Fail and the Aftermath**
 - Appropriations process: Changes to Pell
- **Recent Department of Education Activities**
 - FFELP “special consolidation initiative”
 - NFP servicing
- **Dodd-Frank and Supplemental Loans**
 - Risk Retention
 - Municipal Advisors
 - Rule G17
 - Volker rule
- **Tax Issues**
 - AMT
 - Treatment of tax exempt bonds
- **Future Public Private Loan Programs**
 - Three factors that may improve the climate for a new public-private loan program:
 - Rising cost of college is putting pressure on federal loan program because it is meeting less of the need
 - A rise interest rates could jeopardize government “savings” while government borrowing will increase to meet demand
 - Congress increasingly wary of government intervention
- **Other Key Issues Affecting Student Loan Providers**
 - H.R. 3035 -“autodialer” legislation
 - Data Security Act
 - Elementary and Secondary Education Act reauthorization

Student Loans are integral to degree attainment

- Focusing on all parts of degree attainment
 - What to attain?
 - Where to attain it?
 - How to attain?
 - Working with stakeholders for each area
 - IHEP (College completion)
 - NAICU
 - ICI/Business Roundtable
-

Supplemental Loan Public Policy

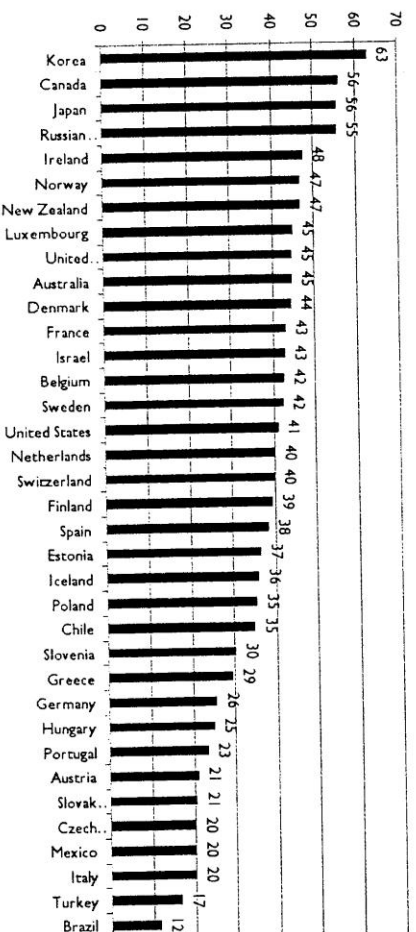
Drivers – Supply side

- Dodd Frank Implementation
 - SEC's changing role as muni regulator
 - Could lead to greater disclosure; opportunity for industry to take the lead
 - How will issuers price in compliance? Does it matter?
 - Credit risk retention; other rulemakings
 - Additional risk isn't the issue, additional cost is
- Consumer Financial Protection Bureau
 - Triple Threat for student lenders:
 - Office of Nonbank Supervision
 - Research, Markets and Regulation
 - Office of Student
 - CFPB tools: Analysis, Supervision and Enforcement
- Tax Reform
 - AMT tax holiday; infrastructure bank as vehicle could present challenges
 - What to do about tax exempt bonds?

Supplemental Loan Public Policy Drivers – Demand side; degree attainment

Percentage of Adults Age 25-34 with Postsecondary Education

(Associate Degree or Higher in U.S. per 2009 Current Population Survey, U.S. Census Bureau)



OECD Education at a Glance 2011
Table A1.3a Population with tertiary education (2009)

Supplemental Loan Public Policy

Drivers – Demand side; state cuts

- In FY 2012, at least 28 states have cut or proposed to cut higher education funding.
 - Some of the most cuts for FY 2012 include:
 - AZ: 20 percent cut for 4-years, 50 percent cut for 2-years
 - PA: Proposed 50 percent cut final 20 percent cut
 - The effect has been that states with the largest funding cuts have increased their tuition the most
-

Supplemental Loan Public Policy

Drivers – Demand side; tuition increases

- Public, 4-year tuition over the last 3 years has increased significantly
 - GA: 25 percent, FL: 22 percent, CA: 28 percent, AZ: 31 percent, HI: 22 percent, WA: 22 percent
- This year, 4-year institutions are poised for further increases:
 - WA: between 11 and 20 percent
 - FL: 15 percent
 - PA: 35 percent
 - AZ: between 16 and 20 percent
 - NV: 13 percent

2012 Advocacy Priorities and Goals for State Agencies and Nonprofits

- Top priorities
 - Maintain the categories: Direct Loan Servicing, Supplemental Loans, College Completion and Future Public-Private Loan Programs
 - Maintaining portfolios and “health” of EFC members is an overriding priority
- Program Review and Enforcement Issues
 - Negotiated Rulemaking
 - Preparation for DL servicing review
 - CFBP supervision and enforcement
 - SEC municipal enforcement
- Maintain flexibility to address emerging challenges
 - Student loan bankruptcy
 - Changes to the treatment of tax exempt bonds

Policymaker Outreach – our sweet spot

- Goal: comprehensive coverage

Congress

Senate HELP Committee

House Education and Workforce Committee

Speaker of the House

Assistant Democratic Leader

Senate Budget Committee

House Budget Committee

House Financial Services Committee

House Ways and Means Committee

Senate Finance Committee

House Judiciary Committee

House Small Business Committee

Senate Small Business Committee

House Energy and Commerce Committee

Administration

Securities and Exchange Commission (Office of Municipal Securities; Division of Corporate Finance)

Consumer Financial Protection Bureau (Office of Students; Division of Research, Markets and

Regulations; Office of Nonbank Supervision)

Department of Education (FSA, OPE)

Internal Revenue Service

Office of Management and Budget

Treasury Department

Connecticut delegation's potential impact on student loan policy

- Senate
 - Sen. Blumenthal: HELP Committee; Judiciary
- House
 - Rep. Larson: Ways & Means; Democratic Caucus Chair
 - Rep. Delauro: Appropriations (Labor-HHS-ED ranking member)
 - Rep. Himes: Financial Services (Capital Markets)
 - Rep. Murphy: Oversight & Government Reform