

CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY

Minutes of Authority Board Meeting
March 25, 2014

The State of Connecticut Higher Education Supplemental Loan Authority met at 11:30 a.m. on Tuesday, March 25, 2014.

The meeting was called to order at 11:42 a.m. by Barbara Rubin, Chair of the Board of Directors of the Authority. Those present and absent were as follows:

Present: Barbara Rubin, Chair
Jeffrey A. Asher
Martin L. Budd
Steven Kitowicz (*Rep. for Secretary Benjamin B. Barnes*)
Dr. Peter W. Lisi
Paul Mutone
Sarah K. Sanders (*Rep. for Honorable Denise L. Nappier*)
Julie B. Savino, Vice-Chair

Absent: Erika Steiner (*Rep. for Board of Regents for Higher Education*)

Also Present: Jeanette Weldon, Executive Director
Paula L. Herman, General Counsel, CHEFA
Joshua Hurlock, Portfolio and Marketing Associate
Carlee Levin, Accountant, CHEFA
JoAnne N. Mackewicz, Controller, CHEFA
Debra M. Pinney, Manager of Administrative Services, CHEFA
Samuel E. Rush, Deputy Director

Guests:

Judith Blank, Esq., Day Pitney
Elizabeth Hammer, Vice President, U. S. Bank
Joseph Santoro, Director, Bank of America Merrill Lynch
Jeffrey Wagner, RBC Capital Markets¹
Gary Wolf, RBC Capital Markets²
Tim Webb, Vice President, FirstSouthwest

MINUTES

Ms. Rubin requested a motion for approval of the minutes of the November 19, 2013 Board of Directors meeting. Mr. Mutone moved for approval of the minutes, which was seconded by Ms. Savino.

Upon roll call, the “Ayes,” “Nays” and “Abstentions” were as follows:

AYES

Jeffrey Asher
Martin Budd
Steven Kitowicz
Paul Mutone
Barbara Rubin
Sarah Sanders
Julie Savino

NAYS

None

ABSTENTIONS

Dr. Peter Lisi

CONSULTANT VENDOR COMMITTEE REPORT

Ms. Sanders provided a report on the Consultant Vendor Committee Meeting held prior to the Board Meeting. The Committee interviewed two firms for selection of bond counsel services, Day Pitney LLP and Hawkins Delafield and Wood LLP. In addition, the Committee considered responses submitted for the following Requests For Proposals (RFP’s): Defaulted Loan Collection Services and Arbitrage Rebate, Loan Yield and Universal Cap Analysis Services. Based on the bond counsel interviews and on Staff recommendations with respect to the other RFP’s, the Committee recommended the following firms to provide services for CHESLA for a period not to exceed three years:

Amtec	Arbitrage Rebate, Loan Yield and Universal Cap Analysis Services
Day Pitney LLP	Bond Counsel Services
EOS-Collection Services of America	Defaulted Loan Collection Services

¹ Mr. Wagner attended the meeting via telephone.

² Mr. Wolf attended the meeting via telephone.

Ms. Rubin introduced Resolution #2014-01, to appoint Amtec for the Arbitrage Rebate, Loan Yield and Universal Cap Analysis Services for a period not to exceed three years authorizing, which resolution was included in the materials distributed to the Board. Ms. Savino moved for adoption of Resolution #2014-01, which was seconded by Ms. Sanders.

Upon roll call, the “Ayes,” “Nays” and “Abstentions” were as follows:

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
Martin Budd Steven Kitowicz Dr. Peter Lisi Paul Mutone Barbara Rubin Sarah Sanders Julie Savino	None	Jeffrey Asher

Ms. Rubin introduced Resolution #2014-02, to appoint Day Pitney LLP as Bond Counsel for a period not to exceed three years authorizing, which resolution was included in the materials distributed to the Board. Ms. Savino moved for adoption of Resolution which was seconded by Mr. Mutone.

Upon roll call, the “Ayes,” “Nays” and “Abstentions” were as follows:

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
Jeffrey Asher Steven Kitowicz Dr. Peter Lisi Paul Mutone Barbara Rubin Sarah Sanders Julie Savino	None	Martin Budd

Ms. Rubin introduced Resolution #2014-03, to appoint EOS-Collection Services of America for Defaulted Loan Collection Services for a period not to exceed three years authorizing, which resolution was included in the materials distributed to the Board. Dr. Lisi moved for adoption of Resolution #2014-03, which was seconded by Mr. Mutone.

Upon roll call, the “Ayes,” “Nays” and “Abstentions” were as follows:

AYES

Jeffrey Asher
Martin Budd
Steven Kitowicz
Dr. Peter Lisi
Paul Mutone
Barbara Rubin
Sarah Sanders
Julie Savino

NAYS

None

ABSTENTIONS

None

QUARTERLY FINANCIAL REPORT

Ms. Levin provided the report on the quarterly financial statements for the quarter ending December 31, 2013. Revenues were over expenses by approximately \$103,000 (approximately \$90,000 after amortization of bond insurance premiums). Revenues for this period were \$9,373 over budget and expenses were \$17,776 under budget primarily due to the business insurance premiums coming in under budget and the timing of the marketing expenditures versus the budget.

Mr. Budd asked several questions pertaining to the fund investments line item on the Bond Fund Consolidation Statement of Net Position worksheet. He requested that Ms. Levin provide more detail on the fund investments at future meetings. Ms. Levin concurred.

Mr. Budd asked why there are large negative balances in the unrestricted net position line item on the worksheet. Ms. Weldon stated that this is consistent with the Auditors' treatment in the audited financial statements and is consistent with how it has previously been reflected.

Ms. Levin reported on the Bond Fund Consolidated Statements of Revenues, Expenses and Change in Net Position. Total net position decreased by approximately \$528,000, the 1990 Resolution had a decrease of approximately \$485,000 and the 2003 Resolution had a decrease of approximately \$43,000.

PROPOSED ADVISORY COMMITTEE APPOINTMENTS

Mr. Rush stated that at the last board meeting, the Board approved reconvening of the Advisory Committee in FY 2014. Mr. Rush recommended the appointment of three individuals to serve on the Committee for the remainder of 2014:

David Borus, retiring in June 2014 from Vassar College

Matthew Rosen, Naugatuck High School

Susan Harlan, retiree from CHESLA

Mr. Rush added that CHESLA is seeking to fill two additional positions on this Committee.

A discussion ensued on the Student Lending Code of Conduct for colleges and universities. Ms. Rubin inquired about the feasibility of making changes to the Code of Conduct to allow appointments to be made at the university financial aid level to the Advisory Committee. Further discussion ensued.

Ms. Rubin requested a motion to appoint Mr. Borus, Mr. Rosen and Ms. Harlan to the Advisory Committee for the remainder of 2014. Mr. Budd moved to appoint the three individuals, which was seconded by Mr. Mutone.

Upon roll call, the “Ayes,” “Nays” and “Abstentions” were as follows:

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
Jeffrey Asher Martin Budd Steven Kitowicz Dr. Peter Lisi Paul Mutone Barbara Rubin Sarah Sanders Julie Savino	None	None

PROGRAM MANUAL AMENDMENT

Ms. Weldon stated that in connection with the 2014 bonds, Staff would like to offer a co-borrower release feature. That feature would be structured so that the borrower would have to be in repayment status and be timely with repayments for five consecutive years. Ms. Weldon stated that if the co-borrower or borrower requested that the co-borrower be released, then the borrower would have to be able to meet all of the underwriting criteria on the loan in order for the co-borrower be eligible for release.

A discussion ensued on whether it should be considered “timely” if not more than once in any 12-month period a payment is received not later than 10 days after the payment due date. There was also discussion of CHESLA’s ability to be charge a fee for processing any requests for release. Mr. Budd recommended amending the third and fourth paragraphs of the resolution to read as follows:

WHEREAS, the Authority proposes to further amend the Program Manual to permit the release of a Co-Borrower, upon request, from responsibility for repayment of a Loan originated with proceeds of the 2014 Series A Bonds and bonds issued thereafter, 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. 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.

NOW, THEREFORE BE IT RESOLVED, that the Authority hereby approves the amendment of the Program Manual to (a) permit the release of a Co-Borrower 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; and (b) permit the Authority to charge a fee for processing any such request for release.

Ms. Rubin introduced Resolution #2014-04, Program Manual Updates as amended in the above paragraphs. Mr. Budd moved for adoption of Resolution #2014-04 and Dr. Lisi seconded the motion.

Upon roll call, the "Ayes," "Nays" and "Abstentions" were as follows:

AYES

Jeffrey Asher
Martin Budd
Steven Kitowicz
Dr. Peter Lisi
Paul Mutone
Barbara Rubin
Sarah Sanders
Julie Savino

NAYS

None

ABSTENTIONS

None

EXECUTIVE DIRECTOR'S REPORT

Ms. Weldon reported that Staff is targeting May 7, 2014 for the pricing date of the upcoming bond transaction and Staff expects to work off the remaining 2013 bond proceeds prior to that date. A discussion ensued.

Ms. Weldon turned the floor over to Joseph Santoro of Bank of America Merrill Lynch and Tim Webb of FirstSouthwest for a general discussion on loan rates and equity contributions.

Ms. Weldon stated that besides the proposed act establishing the CHET Baby Scholarship Program, which would make the Connecticut Student Loan Foundation a CHEFA subsidiary. There is another bill that references CHEFA/CHESLA, House Bill 5241. This bill pertains to a study of a Pay-It-Forward college payment plan. The bill proposes that CHEFA/CHESLA would coordinate a study of feasibility and implications of implementing a plan whereby a student in Connecticut could go to State school tuition free. The student would be required to commit to contributing a certain percentage of his/her income into a fund in order to pay for the education of future students. Ms. Weldon will forward a copy of the proposed bill to the Board of Directors.

Mr. Hurlock provided a marketing status report.

Mr. Rush provided a report on the loan portfolio.

Ms. Weldon provided an update on the D & O insurance premiums. The premium for the D & O insurance for Public Officials is \$13,500 which covers \$5 million in public officials' liability and \$5 million in liability for employment practices. The cybercrime insurance premium is \$6,500 for a \$1 million in liability coverage.

Ms. Weldon stated that with regard to financial aid officers serving on the Board of Directors, Ms. Herman reviewed the Code of Conduct and the CHESLA enabling statute and indicated that there is a carve-out in the Code of Conduct applicable to CHESLA.

Ms. Weldon reported that as a due diligence step, Staff asked FirstSouthwest to review the Authority's 2013 origination assumptions compared to actual. Through January, actual originations were close to projected levels, consistent with what Mr. Hurlock has been reporting. However, February originations fall short. Ms. Weldon stated that Staff will continue to monitor the situation.

Ms. Weldon stated that CHESLA will be issuing a Request for Proposal for Loan Servicer shortly.

Ms. Weldon reminded the Board that the Statements of Financial Interest are due on May 1, 2014.

ADJOURNMENT

There being no further business, at 1:02 p.m., Dr. Lisi moved to adjourn the meeting and Ms. Savino seconded his motion.

Upon roll call, the “Ayes,” “Nays” and “Abstentions” were as follows:

AYES

NAYS

ABSTENTIONS

Barbara Rubin
Jeffrey Asher
Martin Budd
Steven Kitowicz
Dr. Peter Lisi
Paul Mutone
Sarah Sanders
Julie Savino

None

None

Respectfully submitted,

Jeanette W. Weldon
Executive Director