

# CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY

## Minutes of Authority Board Meeting

March 7, 2017

The State of Connecticut Higher Education Supplemental Loan Authority met at 11:30 a.m. on Tuesday, March 7, 2017.

The meeting was called to order at 11:45 a.m. by Dr. Peter Lisi, Chair, of the CHESLA Board of Directors. Those present and absent were as follows:

Present: Martin L. Budd<sup>1</sup>  
Steven Kitowicz (*Rep for Honorable Benjamin Barnes, OPM Secretary*)  
Dr. Peter W. Lisi, Chair  
Sarah K. Sanders (*Rep. for Honorable Denise L. Nappier, State Treasurer*)  
Julie B. Savino, Vice Chair  
Erika Steiner<sup>2</sup> (*Rep. for Honorable Mark Ojakian, President, Connecticut State Colleges & Universities*)  
Jeanette Weldon

Also Present: Denise Aguilera, General Counsel, CHEFA  
Joshua Hurlock, Assistant Director, CHESLA  
Carlee Levin, Sr. Accountant, CHEFA/CHESLA  
JoAnne Mackewicz, Controller, CHEFA  
Cynthia Peoples, Managing Director, CHEFA  
Debra M. Pinney, Manager of Administrative Services, CHEFA  
Samuel E. Rush, Deputy Director, CHESLA

Guests: Randy Behm, Principal, Education Solution Partners, LLC  
Judith Blank, Esq., Day Pitney LLP<sup>3</sup>  
Darlene Dimitrijevs, Principal, Education Solution Partners, LLC  
Todd Forgione, Director, RBC Capital Markets<sup>4</sup>  
Michael Jones, Analyst, Merrill Lynch, Pierce, Fenner & Smith, Inc., Bank of America, N.A.  
Namita Shah, Esq., Day Pitney LLP  
Jeffrey Wagner, Managing Director, RBC Capital Markets  
Thomas H. Webb, Vice President, Hilltop Securities  
Gary Wolf, RBC Capital Markets<sup>5</sup>

### **MINUTES**

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

<sup>2</sup> Ms. Steiner participated in the meeting via conference telephone that permitted all parties to hear each other.

<sup>3</sup> Ms. Blank participated in the meeting via conference telephone that permitted all parties to hear each other.

<sup>4</sup> Mr. Forgione participated in the meeting via conference telephone that permitted all parties to hear each other.

<sup>5</sup> Mr. Wolf participated in the meeting via conference telephone that permitted all parties to hear each other.

Mr. Budd stated that in the Board meeting minutes for November 15, 2016, it's indicated that he recommended that a disclosure be added to the Refi CT Program to make clear that Refi CT loans are not forgiven on death of the borrower. He asked if that disclosure had been added, and indicated that he also requested a similar disclosure regarding borrower permanent and total disability. Mr. Hurlock pointed out that the Refi CT Operational Guidelines provide the Authority's Executive Director with the ability to forgive a loan at her discretion. Mr. Budd asked that appropriate disclosures be made to borrowers.

Dr. Lisi requested a motion to approve the minutes of the November 15, 2016 Board of Directors meeting.

Mr. Budd moved to approve the minutes with an amendment to reference the above described disclosures regarding death and total permanent disability for the Refi Ct program. Mr. Kitowicz seconded the motion.

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

<b><u>AYES</u></b>	<b><u>NAYS</u></b>	<b><u>ABSTENTIONS</u></b>
Dr. Peter Lisi Martin Budd Steven Kitowicz Sarah Sanders Julie Savino Jeanette Weldon	None	Erika Steiner <sup>6</sup>

Mr. Budd stated that his wife is now a member of the Connecticut State Colleges and Universities (CSCU) Board of Regents; therefore, he will have to recuse himself from discussions or decisions pertaining to the CSCU.

### **REPORT OF THE VENDOR CONSULTANT COMMITTEE**

Ms. Sanders stated that the Consultant Vendor Committee met to review staff recommendations from responses submitted to the four Requests for Proposals for vendor services. The committee adopted the recommendations and four resolutions to:

- Appoint AMTEC as the Arbitrage Rebate vendor for the Authority for three years;
- Appoint Day Pitney LLP as Bond Counsel to the Authority for three years;
- Appoint EOS Collection Services as the Default Loan Collection Agency for a period of three years; and
- Appoint Firstmark as the Loan Originator and Servicer for a period of two years with the option to extend an additional year based on the Executive Director's determination.

Ms. Sanders stated that the resolutions included the authority to negotiate fees with the preferred vendors. Ms. Sanders stated that all of the staff recommendations were supported by the Committee.

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<sup>6</sup> Ms. Steiner abstained from voting as she did not attend the CHESLA Board Meeting in November, 2016.

Ms. Sanders moved to approve staff's recommendations and four resolutions for vendor services and Mr. Budd seconded the motion.

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

<b><u>AYES</u></b>	<b><u>NAYS</u></b>	<b><u>ABSTENTIONS</u></b>
Martin Budd Steven Kitowicz Dr. Peter Lisi Julie Savino Sarah Sanders Erika Steiner Jeanette Weldon	None	None

### **2017 FINANCING OVERVIEW AND RESOLUTION**

Ms. Weldon stated that Mr. Webb, the Authority's financial advisor, would provide an overview of the financing of CHESLA's 2017 Series A and B bonds.

Mr. Webb reported that he met with staff and the Executive Director to discuss the amount of funds that would be necessary to meet the lending requirements for the 2017/2018 year. Based on the last few years of volume, the Authority is looking to generate approximately \$23 million of loanable proceeds for the in-school loan program.

Mr. Webb stated that in addition to the new money issue of approximately \$23 million, a refunding of bonds in the 2003 Trust was considered. The 2003 Trust has two series of bonds outstanding, the 2006 Series A and the 2007 Series A. The 2006 bonds are currently callable. The 2007 bonds are not callable until November 15, 2017.

Mr. Webb explained that qualified student loan bonds are private activity bonds and they cannot be advance refunded. They can only be refunded up to 90 days prior to the call date. An opportunity was considered for the Authority to refund the 2006 and 2007 bond series approximately at the same time to reduce costs associated with issuance and to eliminate the 2003 Trust, which will reduce the administrative burden on the staff. The Authority is considering issuing two series of bonds. One would be the 2017 A's which would consist of a refunding component of the 2006 bonds plus the new money. The second series, the 2017 series B, would refund the 2007 bonds and would be delivered on a forward basis. Pricing of the bonds could be done on the same day that the 2017 Series A bonds are priced. They would not be delivered until 90 days prior to the actual call date, (i.e., delivery on August 15, 2017).

Mr. Webb stated that the 2003 Trust has a lot of equity and if the Authority were to refund all bonds outstanding under the 2003 Trust, the Trust could be closed and the equity could be withdrawn and be used as an equity contribution into the remaining trust and/or be distributed into the operating account.

The loans associated with the 2003 Trust would be moved into the 1990 trust. The 100 basis point administrative fee would continue for the 2006 loans and the fee on the 2007 loans would move from 60 to 100 basis points.

A discussion ensued.

Mr. Webb stated that regarding the refunding, current market conditions will change but there are some savings associated with doing the refunding. The refunding is to eliminate MBIA and release the equity that has been built up into the 2003 Trust. The question that might be asked is what does the forward cost. Investors are reserving those funds until the delivery and they are charging the Authority a fee for that forward. The cost is estimated at 6 to 8 basis points per month or approximately 18 to 24 basis points of additional yield the Authority would have to pay for doing that forward.

Mr. Budd requested that Ms. Weldon inform the Board of all decisions made concerning this transaction. Mr. Webb added that included in the Board materials is a memorandum drafted by Mr. Wagner from RBC that covers the forward concept and also discusses some of the economic and programmatic advantages to doing the refunding in a forward delivery for the 2017B refunding bonds.

A discussion ensued on the loan rate.

Ms. Sanders left the meeting at 12:16 p.m.

Ms. Savino recommended that the approval of the bond transaction be done closer to the pricing.

Ms. Weldon stated that a special Board meeting would be scheduled some time in early April.

## **EXECUTIVE DIRECTOR'S REPORT**

### **Connecticut Dollars & Sense Financial Literacy Portal**

Ms. Weldon stated that the portal was launched on February 16, 2017 with a press conference. Mr. Hurlock provided a summary of recent marketing efforts and a demonstration of the portal. The Board thanked Mr. Hurlock for all his efforts on the portal and Dr. Lisi indicated that he would be interested on the statistics on the portal's usage. Mr. Hurlock indicated he will keep the Board updated when he receives that information from Maier Advertising.

### **Other Updates**

Ms. Weldon reported that the audit of FY 2014/15 was completed for CHESLA and FY 2015 for the Connecticut Student Loan Foundation, with no findings.

Representative Lessor has a placeholder on a proposed bill related to the student loan bill of rights. Ms. Weldon will be meeting with him this week regarding the proposed bill. There are other proposed bills that may or may not impact CHESLA and she will keep the Board informed of further developments.

Ms. Weldon reminded the Board that Statements of Financial Interest are due by May 1, 2017.

Mr. Rush provided a report on CHESLA portfolio facts and loan disbursement data.

Mr. Hurlock provided an update on the CHESLA's marketing notes and loan originations.

## **QUARTERLY FINANCIAL REPORT**

Ms. Levin provided a report on the CHESLA financial statements for the six months ending December 31, 2016.

## **CREDIBLE LENDER PARTICIPATION AGREEMENT**

Ms. Weldon provided an overview of a Credible Lender Participation Agreement. Credible is a platform that allows consumers to compare multiple potential loan offers. They have been in existence since 2012 and they have had a lot of growth in the past 18 months. They now receive 300,000 monthly users to their site and \$1 billion plus in monthly loan application volume. CHESLA would like to become a lender that is shown on their platform. The firm also works with other marketing partners to encourage use of their site.

Ms. Weldon proposed that CHESLA enter into an agreement that would make the Authority one of their participating lenders for the RefiCT product only; although, if things goes well, the Authority would have the ability to add in the in-school product at some point in the future. There is no immediate cash flow impact. Credible's fee is 2% of the amount of loans that are actually originated and disbursed, which is a fee discount provided because CHESLA is a member of the Education Finance Council. Ms. Weldon stated that there is also an additional add-on fee. If the Authority were to originate \$20 million annually in loans with them, there is an additional bonus of 5 basis points.

Ms. Weldon explained how the site works. A discussion ensued.

Mr. Budd moved to enter into an agreement with Credible for three years, subject to successful contract negotiations and Ms. Savino seconded his motion.

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

### **AYES**

Martin Budd  
Steven Kitowicz  
Dr. Peter Lisi  
Julie Savino  
Erika Steiner  
Jeanette Weldon

### **NAYS**

None

### **ABSTENTIONS**

None

## **AUTHORIZED OFFICER RESOLUTION**

Ms. Weldon presented the Authorized Officers Resolution which appoints the Executive Director of the Authority, General Counsel of the Connecticut Health and Educational Facilities Authority and the Managing Directors of the Connecticut Health and Educational Facilities Authority and their successors in office, as Authorized Officers of the Authority.

Dr. Lisi introduced Resolution #2017-05, Authorized Officers Resolution and Mr. Budd moved for adoption of Resolution #2017-05. Mr. Kitowicz seconded the motion.

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

<b><u>AYES</u></b>	<b><u>NAYS</u></b>	<b><u>ABSTENTIONS</u></b>
Martin Budd Steven Kitowicz Dr. Peter Lisi Julie Savino Erika Steiner Jeanette Weldon	None	None

### **MEMORANDUM OF AGREEMENT CHEFA/CHESLA**

Ms. Weldon reported that the independent auditors recommended last year that CHEFA/CHESLA enter into a Memorandum of Agreement to document the relationship between CHEFA/CHESLA for services and miscellaneous costs, which was included in the meeting materials. The costs currently total approximately \$180,000 annually.

Dr. Lisi introduced the Memorandum of Agreement with CHEFA/CHESLA and Mr. Budd moved for adoption of the Agreement. Ms. Savino seconded the motion.

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

<b><u>AYES</u></b>	<b><u>NAYS</u></b>	<b><u>ABSTENTIONS</u></b>
Martin Budd Steven Kitowicz Dr. Peter Lisi Julie Savino Erika Steiner Jeanette Weldon	None	None

### **2017-2018 SCHOLARSHIP PROGRAM FUNDING**

Ms. Weldon stated that on the CSLF agenda, there is an item to authorize transfer of \$2 million for the annual CHESLA scholarship program. The concept is that once the transfer is approved by the CSLF Board, the CHESLA Board would need to authorize approval to transfer the \$2 million to the scholarship program.

Dr. Lisi introduced the authorization to transfer \$2 million to the CHESLA scholarship program once the CSLF Board approves the transfer. Mr. Budd moved approval and Ms. Savino seconded the motion.

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

**AYES**

Martin Budd  
Steven Kitowicz  
Dr. Peter Lisi  
Julie Savino  
Erika Steiner  
Jeanette Weldon

**NAYS**

None

**ABSTENTIONS**

None

**ADJOURNMENT**

There being no further business, at 1:14 p.m., Mr. Kitowicz moved to adjourn the meeting and Ms. Savino seconded his motion.

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

**AYES**

Martin Budd  
Steven Kitowicz  
Dr. Peter Lisi  
Julie Savino  
Erika Steiner  
Jeanette Weldon

**NAYS**

None

**ABSTENTIONS**

None

Respectfully submitted,

Jeanette W. Weldon  
Executive Director