

CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY

Minutes of Authority Annual Board Meeting

September 19, 2019

The State of Connecticut Higher Education Supplemental Loan Authority met at 11:30 a.m. on Thursday, September 19, 2019.

The meeting was called to order at 11:30 a.m. by Julie B. Savino, Vice Chair.

Those present and absent were as follows:

Present: Julie B. Savino
Benjamin Barnes (*Designee for CT State Colleges and Universities President*)¹
Martin L. Budd
Andrew A. Foster
Steven Kitowicz (*Designee for Connecticut OPM Secretary*)
Sheree Mailhot (*Designee for Connecticut State Treasurer*)
Jeanette Weldon, Executive Director

Absent: Peter W. Lisi

Also Present: Denise Aguilera, General Counsel, CHEFA
Kevin Barry, Accountant, CHEFA
Debrah Galli, Manager of Administrative Services, CHEFA
Joshua Hurlock, Assistant Director, CHESLA
Carlee Levin, Sr. Accountant, CHEFA/CHESLA
JoAnne Mackewicz, Controller, CHEFA
Mabel Thompson, Administrative Assistant, CHEFA
Shannon Reynolds, Portfolio Assistant, CHESLA
Natalie Rozio, Portfolio Administrative Assistant, CHESLA
Cynthia Peoples, Managing Director, CHEFA

Guests: Judith Blank, Esq., Day Pitney LLP
Joseph Santoro, Director, Merrill Lynch, Pierce, Fenner & Smith, Inc.,
Bank of America,
Thomas H. Webb, Vice President, Hilltop Securities N.A.²
David Welsh, CHESLA Advisory Committee
Kimberly Nardone, Partner, CohnReznick LLP
Kristen Brown, Senior Manager, CohnReznick LLP

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

² Tim Webb participated in the meeting via conference telephone that permitted all parties to hear each other.

FINAL

MINUTES

Ms. Savino requested a motion to approve the amended June 20, 2019 Special Board of Directors minutes. Mr. Budd moved to accept the minutes as presented and Mr. Kitowicz seconded the motion.

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

AYES

Benjamin Barnes
Martin L. Budd
Steven Kitowicz
Sheree Mailhot
Jeanette Weldon

NAYS

NONE

ABSTENTIONS

Julie B. Savino
Andrew A. Foster

ELECTION OF VICE CHAIR

Ms. Savino requested a motion for the election of Vice Chair. Ms. Weldon stated that Mr. Lisi’s plan was to nominate Julie Savino to continue as Vice Chair. Mr. Budd moved to nominate Julie Savino as Vice Chair and Mr. Kitowicz seconded the motion.

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

AYES

Benjamin Barnes
Martin L. Budd
Steven Kitowicz
Sheree Mailhot
Jeanette Weldon

NAYS

NONE

ABSTENTIONS

Julie B. Savino

OVERVIEW OF DRAFT AUDITED FINANCIAL STATEMENTS FOR FY 2019

Ms. Carlee Levin reported on the following exhibits: Statement of Revenues, Expenses and Changes in Fund Net Position, Combined Schedule of Net Position and Combined Schedule of Revenues, Expenses and Changes in Net Position.

Mr. Martin Budd asked about the bond issues from 2019 and how the numbers can be explained.

Mr. Hurlock referred to page 24 of the Board package for the explanation to Mr. Budd’s question.

FINAL

Ms. Kristen Brown, Senior Manager, and Ms. Kimberly Nardone, Partner of CohnReznick presented a brief summary of the various reports issued, including required communications and future considerations in the FY 2019 Draft Audited Financial Statements. Ms. Nardone stated that the audit has a clean or unmodified opinion regarding the financial statements and added that in the report the auditors also referred to Generally Accepted Government Auditing Standards pertaining to controls and financial reporting. It was noted that the audited statements are CHEFA's but include CHESLA and CSLF as component units.

Mr. Budd asked about NEXIA as the name appears on the Audit handout. Ms. Nardone explained that NEXIA is an International organization of similar sized firms around the world that CohnResnick belongs to.

Ms. Nardone stated that CHESLA has a very strong balance sheet and position increase of \$3.2 million. The refinance program had significant growth this year. There is an additional \$2 million in funds from CSLF for the refinance program along with \$3.5 million in scholarships. Part of the \$3.5 million from CSLF to CHESLA will be recognized (\$1.5 million) as revenue next year. Mr. Budd asked why CSLF moved the funds for the scholarship, but it was not recognized. Ms. Nardone explained that the funds are listed as Deferred Unearned Revenue on the Balance Sheet and will be recognized in the next fiscal year when the funds are committed to a specific institution or student.

Ms. Brown continued that CSLF has a very strong balance sheet with the entity winding itself down as planned.

FINAL

Ms. Brown stated that in FY 2021, there is a relevant new accounting standard, GASB 87 pertaining to leases and states that leases are no longer an expense but will be capitalized on the balance sheet.

It was agreed that the audited financial statements for the Connecticut Student Loan Foundation should also be reviewed at this time, as the auditors will not be present for the CSLF board meeting. Mr. Kevin Barry reported on the following exhibits for CSLF: Statement of Revenues, Expenses and Changes in Fund Net Position, Combined Schedule of Net Position and Combined Schedule of Revenues, Expenses and Changes in Net Position.

Ms. Brown stated that an Agreed Upon Procedures report was also prepared. She stated that based on their work everything is compliant and there are no issues. A separate audit on the servicer found one issue where proper documentation was not given to the borrower. An action plan was put in place and implemented to resolve the issue.

Ms. Brown also provided a review of IRS Form 990 for CSLF. Mr. Budd would like to have the 990 prior to the Board Meeting in the future. Ms. Weldon stated that staff will focus on getting it to the Board sooner next year.

Ms. Savino thanked Ms. Brown and Ms. Nardone for the thorough presentation and asked the group if there were any questions.

Ms. Kristen Brown, Ms. Kimberly Nadone, Ms. Cynthia Peoples, and Ms. Joanne Mackewicz, exited the room at 12:03 p.m.

In-School Program Manual Updates

FINAL

Mr. Josh Hurlock referred to page 13-14 of the Board Package proposing the following changes to the In-School Program Manual:

- Add the definition of *Cumulative Principal Balance*
- Change the *In-School Aggregate Maximum* to reflect the cumulative amount of a borrower's loans outstanding

Page 15: *Credit History* - these updates will better align the program manual with the credit report knockout codes through Trans Union and will also make the program slightly stricter.

Page 16: *Review of Loans Denied (with Applicant Appeal Denial)* – updates will extend authority to CHESLA Authorized Officers.

Mr. Budd moved to approve Resolution2019-06 to amend the CHESLA Loan Program Manual on page 11 of Board Package. Mr. Kitowicz seconded the motion.

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

AYES

Benjamin Barnes
Martin L. Budd
Andrew A. Foster
Steven Kitowicz
Sheree Mailhot
Julie B. Savino
Jeanette Weldon

NAYS

NONE

ABSTENTIONS

NONE

Refi CT Program Manual Updates

Mr. Hurlock referred to page 19-23 of the Board Package proposing the following changes to the Refi CT Program Manual:

- Add the definition of *Cumulative Principal Balance*³
- Change the program maximum loan amount from \$100,000 to \$125,000

FINAL

- *In-School Aggregate Maximum* to reflect the cumulative principal balance not to exceed \$125,000
- Adding clarification language regarding citizenship when applying for a loan
- Credit History: these updates will better align the program manual with the credit report knockout codes through Trans Union
- *Review of Loans Denied (with Applicant Appeal Denial)* – updates will extend authority to CHESLA Authorized Officers.
- Language surrounding *Borrower Death*

Mr. Budd moved to approve Resolution 2019-07 on page 17 of the Board Package. Mr. Kitowicz seconded the motion.

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

AYES

Benjamin Barnes
Martin L. Budd
Andrew A. Foster
Steven Kitowicz
Sheree Mailhot
Julie B. Savino
Jeanette Weldon

NAYS

NONE

ABSTENTIONS

Ms. Cynthia Peoples, and Ms. Joanne Mackewicz entered the room at 12:18 p.m.

EXECUTIVE DIRECTOR’S REPORT

Authority Update

Ms. Weldon stated that her updates would be focused mainly on legislative matters. She noted that following some issues at two quasi-public agencies, the Governor’s office, in conjunction with legislative leadership and the Treasurer’s office, would be undertaking a review of all quasias. On August 15, Paul Mounds, Chief Operating Officer for the Governor, called a meeting of all quasi-public agencies. Mr. Mounds acknowledged the important work being done by many quasias.

FINAL

These meetings will go on monthly as the review process gets underway. The next meeting of all quasis with Paul Mounds will be held on Friday, September 20.

Ms. Weldon stated that since August 15, she and David Wasch have met with Senator Len Fasano, leader of the Senate Republican Caucus, House Majority Leader Matt Ritter, and Senator Will Haskell, the co-chair of the Higher Education Committee. In each meeting they emphasized that CHEFA is the oldest quasi-public in the state, being established in 1965, that CHEFA and CHESLA staff are not state employees, are not part of the state's budget, and do not use state benefits.

Prior to the August 15 meeting with Mr. Mounds, Jeanette Weldon, David Wasch, Josh Hurlock, and Betty Weintraub met with Mr. Mounds individually to summarize some of the workforce development initiatives at both CHEFA and CHESLA. Mr. Mounds suggested that the presentation be shared with the DECD Commissioner and new CEO of CERC, Peter Denious. Staff has made the presentation to the DECD Commissioner and is seeking to meet with Peter Denious. A similar presentation is scheduled with The Treasurer's Office in October. There will be more meetings in the future focusing on Workforce Development, CHEFA CDC and New Market Tax Credits.

On October 4, Josh Hurlock and Jeanette Weldon will be meeting with the Human Resources Department at The Hartford to discuss the tax credit for employers that pay down employee CHESLA loans.

PORTFOLIO AND MARKETING UPDATES

Mr. Hurlock provided an update on the following items:

FINAL

- Portfolio Fact Sheet
- CCA Default Collections and CT Income Tax Intercepts
- In-School Loan Program disbursement data
- In-School Loan Program market segment data
- Loan originations comparison to cash flow assumptions
- Refi CT disbursement data
- Refi CT portfolio analysis
- Strategic Plan dashboard with marketing highlights
 - Fox 61 spot
 - WNPR spots
 - Comcast spot targeting Fairfield County
- Campus Door-Firstmark Originator Transition Update

Ms. Savino stated that Sacred Heart has not experienced any problems to date with the origination transition.

Ms. Shannon Reynolds provided an update/comparison on Google Analytics regarding CT Dollars and Sense and CHESLA.org.

Ms. Natalia Rozio provided a presentation on the 2019 Scholarship event that was held at Goodwin College on August 8, 2019.

Ms. Savino asked about the scholarship awards for certificate programs and how CHESLA is working to increase those applications going forward.

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Ms. Weldon acknowledged that CHESLA will take another look at certificate programs and best way to increase those scholarship applications.

Mr. Kitowicz stated that the state is funding some of the programs directly through the Department of Labor.

Mr. David Welsh stated that these programs are not typically eligible for Federal student loans.

ADJOURNMENT

There being no further business, at 12:57 p.m., Ms. Savino asked for a motion to adjourn the meeting. Mr. Budd moved the motion and Mr. Kitowicz seconded the motion.

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

AYES

Benjamin Barnes
Martin L. Budd
Andrew A. Foster
Steven Kitowicz
Sheree Mailhot
Julie B. Savino
Jeanette Weldon

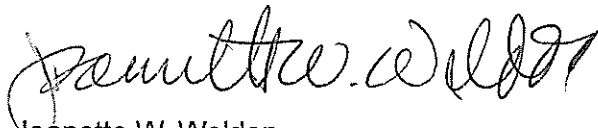
NAYS

NONE

ABSTENTIONS

NONE

Respectfully submitted,



Jeanette W. Weldon
Executive Director