

CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY

Minutes of Meeting

December 18, 2007

Meeting Room C – Harry Gray Conference Center  
University of Hartford – West Hartford, Connecticut

Authority Members Present:

Michael E. McKeeman, Chairman; Julie Savino, Vice Chairman; Sarah Sanders (for Denise Nappier); Delores Graham; Valerie Lewis; John Mengacci (for Robert L. Genuario); and Kathleen Woods

Authority Staff and Advisors Present:

Gloria F. Ragosta, Executive Director; Samuel E. Rush, Deputy Director; Susan Harlan, Loan Portfolio Analyst; Judith Blank and Edmund See, Day Pitney LLP (General and Bond Counsel); Julie Gillespie, Simione, Macca & Larrow (Auditor); Christine Doyle, PFM (Financial Advisor); Elizabeth Hammer, U.S. Bank (via conference call - Trustee); Arun Padmanabhan, Firstmark Services (via conference call – Loan Servicer)

Authority Advisory Committee Members Present:

Martin Budd; Mark French; Frank R.A. Resnick; Richard Savage; Arthur Shahverdian

A quorum being present, the Chairman called the meeting to order at 10:32 a.m. The minutes of the September 25, 2007 Audit Review and Board meetings and November 9, 2007 Special Board meeting were unanimously approved.

Ms. Ragosta reported that James Blake has resigned from the Advisory Committee. She indicated that as CFO of Southern CT State University he oversaw its Financial Aid office. She stated that under Connecticut's Financial Aid Code of Conduct his involvement on the committee was prohibited.

Ms. Ragosta presented the executive director's report. She indicated that the Authority had \$4.8 million (gross) being held for second disbursements under the 2006 Series A Loan Fund and \$34.6 million (gross) available to lend from the 2007 Series A Loan Fund. Ms. Ragosta reported that Collection Company of America (CCA) had collected approximately \$12.9 million through September 2007 (first placement collection rate increased by 1.5% to 74.50%, second placement collection rate increased by .37% to 69.27%). Mr. Rush reviewed the quarterly marketing data.

Ms. Ragosta reported that CHESLA and Day Pitney have been working to retrieve defaulted borrower files from CT Attorney Patrick Kennedy due to non-performance issues. Ms. Ragosta and Ms. Blank explained why Day Pitney had drafted a negotiated settlement to pay Attorney Kennedy \$6,500, from the bond revenue funds, for the return of the files and his departure from representing CHESLA in court proceedings involving the accounts.

Ms. Graham made a motion authorizing the payment of \$6,500 from the bond revenue funds to Attorney Patrick Kennedy, in part to a negotiated settlement, for the return of defaulted borrower files and his removal from court proceedings involving the accounts. Seconded by Ms. Woods, the motion passed unanimously.

Ms. Ragosta reported that the State legislation was passed last session allowing the Authority to attach the State income tax refunds of defaulted CT FELP borrowers. She indicated that the Department of Administrative Services and Department of Revenue Services have signed a Memorandum of Understanding with CHESLA for the tax intercepts. Ms. Ragosta stated that CCA would run data tapes for the State agencies to match with the tax returns and to credit the accounts once CHESLA receives the proceeds.

Ms. Ragosta reported that the Authority had redeemed \$5,165,000 in Bonds on November 15<sup>th</sup> that consisted of: \$670,000 for 1998A; \$1,000,000 for 2000A; \$1,195,000 for 2001A; \$1,000,000 for 2003A; \$1,000,000 for 2005A and \$300,000 for 2006A.

Ms. Ragosta reported that she has requested \$30 million from the FY 2008 Private Activity Bond allocations. She indicated there is approximately \$82 million available in the Private Activity Bond contingency allocation to fund CHESLA's request. Ms. Ragosta stated that she spoke with Steve Kitowicz at OPM regarding CHESLA's SCRF volume cap and the need to raise the cap from the current \$170 million to \$300 million. She noted that Mr. Kitowicz agreed and indicated the cap increase could be part of the OPM bond bill for 2008, making it unnecessary for CHESLA to submit its own legislation.

Ms. Ragosta reported that she had met with the heads of the other Quasi-state agencies to discuss a strategy for the quasi's to educate legislators and policy makers on who we are and what we do. She indicated that the group would meet on a regular basis during the legislative session to keep each other informed about issues affecting quasi's and also to develop lobbying strategies to address such bills. Ms. Ragosta noted that the group may also develop a town-by-town inventory of what we all do for each legislative district and that CHESLA would report the number and dollar amount of loans to students from each town.

Ms. Ragosta indicated that the year-to-date budget was included in the meeting packet. She indicated that the budget was in line with projections. Ms. Ragosta noted that the IRS refunded CHESLA the \$6,000 submitted for a private letter ruling for a blended yield to address the 2% yield issue. She stated that the 2% yield working group had met and is waiting for the federal regulations to be finalized in January before reconvening to decide how best to proceed with CHESLA yield issue.

Ms. Ragosta reported that CHESLA participated in three financial aid fairs with school representatives and guidance counselors to promote the CT FELP program. She indicated that she had also met with a representative from Trinity College regarding its alternative loan list and CT FELP. Ms. Ragosta stated that she and Mr. Rush met with Connecticut College about the program as well. She noted that she is still waiting to hear from UConn regarding the RFP CHESLA submitted for its preferred lenders list and that Mitchell College has asked for CHESLA's brochures in hopes of using the program more.

Ms. Ragosta stated that she would submit two responses to Requests for Information concerning Student Loan Services for Connecticut College and the University of New Haven for their preferred alternative loan lists.

Ms. Ragosta reported that the November 9<sup>th</sup> Special Board meeting in New York with Goldman Sachs was very successful. She thanked Mr. Kim and his staff for organizing and hosting the meeting. Ms. Ragosta indicated that Mr. Kim was able to get both Moody's and Fitch to meet with the CHESLA Board for an hour each, and noted that it was very valuable for CHESLA to educate the rating agencies on who the Authority is and what CT FELP does for students and their families. Ms. Ragosta noted that the meeting with the rating agencies determined that lending to proprietary schools would effect the bond rate, and in turn, the loan rate to students. Ms. Ragosta stated that Ms. Doyle has offered to conduct a second session on the alternative loan landscape and to further educate the CHESLA Board on "swaps". She indicated that a portion of the March meeting agenda would be scheduled for these issues and to begin work on the Strategic Plan for the Future of CHESLA.

Ms. Ragosta reported that due to the new Connecticut Financial Aid Code of Conduct additional disclosure updates to the website, promissory note and disclosure documents are needed. She indicated that Firstmark has estimated programming costs of \$4,250 to update the documents. Ms. Lewis made a motion to authorize payment up to \$4,250 for Firstmark Services to update documents disclosing Connecticut's Financial Aid Code of Conduct. Seconded by Ms. Woods, the motion passed unanimously.

Ms. Ragosta reported that she received a letter from the State Auditor that the 2006 CHESLA state audit would begin on December 13<sup>th</sup>.

Mr. McKeeman presented the Authority's proposed Advisory Committee for 2008. Ms. Woods made a motion to approve the 2008 Advisory Committee members. Seconded by Ms. Graham, the motion passed unanimously.

Mr. McKeeman presented the Authority's proposed meeting dates for 2008. Ms. Woods made a motion to approve the 2008 Authority meeting dates. Seconded by Ms. Graham, the motion passed unanimously.

Mr. McKeeman presented a resolution for the approval of a Collection Company Selection Committee and RFP for Collections. Ms. Sanders made a motion to authorize the issuance of an RFP for Collection Company and to appoint Mr. Mengacci (chair), Ms. Graham, Ms. Woods, and Dr. Pizzuto as members of the Collection Company Selection Committee. Seconded by Ms. Woods, the motion passed unanimously.

#### Public Participation/New Business

Mr. McKeeman read a resolution honoring Commissioner Lewis for her years of service to the Authority.

The meeting adjourned at 11:35 a.m.