

CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY

Minutes of Meeting
September 25, 2007

Adanti Student Center, Alumni Room 312
Southern Connecticut State University – New Haven, Connecticut

Authority Members Present: Michael E. McKeeman, Chair; Julie Savino, Vice Chair; Sarah Sanders (via conference call - for Denise Nappier); Delores Graham; Valerie Lewis, Kathleen Woods

Authority Staff and Advisors Present: Gloria F. Ragosta, Executive Director; Samuel E. Rush, Deputy Director; Susan Harlan, Loan Portfolio Analyst; Judith Blank, Day Pitney (General and Bond Counsel); Elizabeth Hammer, U.S. Bank (via conference call - Trustee); Julianne Gillespie, Rocco Guerrera and Patrick Reynolds, Simione, Macca & Larrow (Auditor); Anthony Santore, Beers, Hamerman & Company (Accountant), Christine Doyle, PFM (via conference call -Financial Advisor)

Authority Advisory Committee Members Present: James Blake; Martin Budd; Frank R.A. Resnick; Arthur Shahverdian

A quorum being present, the Chairman called the meeting to order at 10:00 a.m. The minutes of the June 19 and July 25, 2007 meetings were approved unanimously.

Ms. Ragosta presented the Executive Director's report. She reported that the Authority had loaned out the remaining 2006 loan funds (except the pending second disbursements) and that the 2007 loan fund has \$36.8 million (gross) available to lend. Ms. Ragosta noted that Collection Company of America (CCA) had collected approximately \$12.4 million through June 2007 (first placement collection rate increased by 0.2% to 73.03%; second placement collection rate increased by 0.5% to 68.9%). Mr. Rush reviewed the quarterly marketing data.

Ms. Ragosta reported that CHESLA and CCA met with the Department of Administration Services (DAS) regarding the interception of Connecticut state tax refunds due to defaulted CT FELP borrowers. She indicated that the process would begin immediately and that CCA would provide data tapes for DAS and the Department of Revenue Service to match CT FELP debtors and CT tax refunds.

Ms. Ragosta reported that the Federal cohort default rate was down this year to 4.6%. She noted that CHESLA's 2.64% net default rate for June was below the federal rate.

Ms. Ragosta reported that legislation would be necessary to raise CHESLA's SCRF bond volume cap from its current \$170 million level. She indicated that the 2007 bond deal has the Authority close to the \$170 million level and that she recommended that the Authority explore its options with OPM and the Treasurer's office.

Ms. Ragosta asked the Board to determine whether the Authority should request a Private Activity Bond allocation from OPM for 2008. The Board agreed that Ms. Ragosta should request a \$30 million allocation for CHESLA from the 2008 Private Activity Bond fund.

Ms. Ragosta indicated that the loan yield calculation results were included in the Board packet. She noted that the 1996 Series A (\$922,159 liability); 1998 Series A&B (\$383,628 liability); and 2005 Series A&B (\$125,677 liability) calculations were above the 2% loan yield. She reported that CHESLA was informed that the IRS will no longer permit blended rate loan yield calculations and that it is soliciting comments from the tax-exempt bond community.

Ms. Ragosta reported that the year-to-date budget summary was included in the Board packet. She indicated that the first quarter of administrative fees were recently received and that the budget was in line with projections.

Ms. Ragosta reported that a copy of the State Audit report was included in the Board package and that there were two minor recommendations: one concerning a new consulting agreement affidavit; and the other to provide more detailed written procedures to Firstmark Services. Ms. Ragosta indicated that the staff has already implemented action to address both items and she noted that the audit report mentioned that the Authority had addressed previous audit recommendations with policy changes.

Ms. Ragosta reported on Connecticut's Student Lending Code of Conduct. She indicated that the code was negotiated between CCIC and the Attorney General's office. Ms. Ragosta noted that the statutory reference in 2.A-3 of the code exempts CHESLA and CSLF from the prohibition of having student aid officers on their Boards and Advisory Committee. She indicated that financial aid personnel serving on the CHESLA Board and Advisory Committee couldn't accept more than \$50 per year in meals and beverages. Ms. Ragosta reported that the primary focus of the NASFAA conference was lender issues and code of conduct.

Ms. Ragosta reported that CHESLA had been assigned four GEAR-UP students through the Department of Higher Education to receive the "Morrison Beach Scholarship." She indicated that one student attends UConn, one Southern Connecticut State University and two are attending the University of New Haven. Ms. Ragosta noted that each student would receive \$2,500 per year for four years if they maintain satisfactory progress and remain enrolled in school.

Ms. Ragosta provided an update on the status of CT FELP listings on in-state preferred lender lists. She indicated that CT FELP was recently listed on the web sites of Fairfield University and Gateway Community College. Ms. Ragosta reported that CHESLA submitted a proposal to the University of Connecticut's RFP for alternative student loans and that the response is under review.

Mr. McKeeman thanked Ms. Savino for her service as Vice Chair. Ms. Lewis made a motion to re-appoint Ms. Savino to serve as Vice Chair of the Authority. Seconded by Ms. Woods, the motion passed unanimously.

Ms. Ragosta announced that Commissioner Lewis would retire from the Department of Higher Education in February 2008. The Board congratulated the Commissioner on her retirement and thanked her for her work with the Authority.

Mr. McKeeman thanked the Board members and the staff of Simone, Macca & Larrow and Mr. Santore for their participation in the Audit Committee meeting. Ms. Gillespie indicated that minor changes would be made to the audit. Mr. McKeeman complimented CHESLA and the auditors on the Management Discussion and Analysis section of the audit. Ms. Graham made a motion to approve the FY 2007 CHESLA Financial Statements and Management Discussion Analysis. Seconded by Ms. Woods, the motion passed unanimously.

Ms. Ragosta reviewed the 2007 Annual Report. Ms. Woods made a motion to approve the Annual Report. Seconded by Ms. Graham, the motion passed unanimously.

Mr. McKeeman thanked the members of the Bond Committee, advisors, and staff for their work on the 2007 bond deal. He introduced a resolution to ratify the actions taken by the Bond Committee and the executive director with respect to the 2007 bond deal. Ms. Graham made a motion to approve the resolution. Seconded by Ms. Woods, the motion passed unanimously.

Ms. Ragosta reviewed CHESLA's revised Affirmative Action policy. She noted that the revision had to be adopted by the Board in order to comply with a new Connecticut law. Ms. Woods made a motion to adopt the revised Affirmative Action policy. Seconded by Ms. Graham, the motion passed unanimously.

New Business

Ms. Ragosta reported that Firstmark provided CHESLA with an estimated cost for setting up the 2007 loan fund and reporting requirements under "special project fee" based on the servicing contract. She indicated that the cost was \$7,500 and that Board approval was required. Ms. Woods made a motion authorizing \$7,500 in payment from the 2007 revenue account to Firstmark Services for programming costs related to the 2007 loan fund. Seconded by Ms. Graham, the motion passed unanimously.

Ms. Ragosta reported that Goldman Sachs has invited CHESLA to its office in New York for an off-site strategy session for the next bond deal including a meeting with the rating agencies and tour of its trading floor. She indicated that the visit would require a full day and that she would send the Board the scheduled date and agenda. Mr. McKeeman noted that the meeting with Goldman Sachs would be beneficial to the Authority and indicated that an additional strategy session would be held at a future meeting to concentrate on issues facing CHESLA in the future.

The meeting adjourned at 11:16 a.m.