

CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY

Minutes of Meeting
September 21, 2010
Connecticut Department of Higher Education
61 Woodland Street
Hartford, Connecticut
1st Floor Conference Room

Authority Members Present: Michael E. McKeeman, Chair; Julie Savino, Vice Chair; Michael Meotti; Delores Graham; John Mengacci (for Brenda Sisco); William Pizzuto; Sarah Sanders (for Denise Nappier); 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 (Trustee – via conference call); Rocco Guerrera, Simione Macca & Larow (Auditor); Christine Doyle, PFM (Financial Advisor); Jeffrey Wagner, RBC Capital Markets (Lead Managing Underwriter – via conference call); Joseph Santoro, Bank of America/Merrill Lynch (Co-Managing Underwriter)

Authority Advisory Committee Members Present: Martin L. Budd, Esq. and Frank R.A. Resnick

Others Present: Scott Ciecko (Designee for Michael Meotti)

A quorum being present, the Chairman called the meeting to order at 10:05 a.m. The minutes of the June 15, 2010 meeting were approved unanimously with corrections.

Ms. Ragosta presented the Executive Director's report. She reported that the Authority had \$10.8 million (gross) available to lend and \$9.4 million in the pipeline (includes approx. \$4 million in incomplete applications).

Ms. Ragosta noted that Collection Company of America (CCA) had collected approximately \$15.4 million through June 2010 (first placement collection rate increased by 0.5% to 73.2%; second placement collection rate increased by 3.4% to 76.5%). Commissioner Meotti asked how loan write-offs were calculated. Ms. Ragosta reviewed the process CHESLA used to determine write-offs. Mr. Rush reviewed the quarterly marketing data.

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Ms. Ragosta reported that the annual arbitrage rebate and loan yield calculations were included in the meeting packet. She indicated that legal counsel concluded that the 1996 loan yield might be blended with the 2006 loan yield since the 2006 bonds refunded the 1996 bonds. Ms. Ragosta noted that the AMTEC blended yield calculation reduced the 1996 liability from \$1.3 million to \$578,898.80, therefore eliminating the need to forgive principal at this time on the 1996 loans. Ms. Ragosta indicated that the 1998 loans had a principal balance of \$2,942,305 (liability was \$485,537) and the 2007 loans had a principal balance of \$34,076,986 (liability was \$213,778). She noted that no action was needed at this point on these two portfolios and that there were no liabilities for the 1999, 2000, 2001, 2003, 2005 and 2009 loans.

Ms. Ragosta indicated that the year-to-date budget summary was included in the Board packet. She reported that the budget was in line with projections.

Ms. Ragosta reported that as of June 2010 CHESLA's net loan default rate was 2.37%, down from 2.39% the prior year. She noted that the 2008 Federal default rate was 7.0% up from 6.7% in 2007.

Ms. Ragosta indicated that she had not yet received the Department of Higher Education's report seeking funds for the "Morrison Beach Scholarship" for GEAR UP students. She indicated that she would provide an update during the next Board meeting in December.

Ms. Ragosta reported that the Bond Committee was still working on the 2010 bond deal and that the cash flows projections had been submitted to the rating agencies. She anticipated that the deal would close around the second week in October.

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

Mr. Mengacci reported that the Audit Selection Committee had met with the staff of Simione, Macca & Larwo. He indicated that the audit was clean with no issues and that the Committee recommended Board approval of the audit. Mr. McKeeman complimented the CHESLA staff and the auditors on the Management Discussion and Analysis section of the audit. Ms. Ragosta thanked Ms. Gillespie and Mr. Guerrera for their six years of service. She noted that a request for auditor would be required since the current auditors served for the maximum statutory limit. Mr. Mengacci made a motion to approve the FY 2010 CHESLA Financial Statements and Management Discussion Analysis. Seconded by Dr. Pizzuto, the motion passed unanimously.

Ms. Ragosta reviewed the 2010 Annual Report. Ms. Graham made a motion to approve the Annual Report. Seconded by Dr. Pizzuto, the motion passed unanimously.

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Mr. McKeeman introduced a resolution authorizing the 2010 Audit Selection Committee to issue a Request for Proposal (RFP) for audit services. The committee membership included: Mr. Mengacci (chair); Mr. Pizzuto, Ms. Woods and Ms. Savino. Ms. Graham made a motion to approve the resolution authorizing the 2010 Audit Selection Committee to issue an RFP for audit service. Seconded by Ms. Savino, the motion passed unanimously.

There was a discussion concerning the Management Planning Committee's findings and recommendations. Chair McKeeman and Mr. Mengacci thanked Ms. Sanders and the committee for producing a document that outlined the pros and cons of the options presented to the Board. There was a question concerning whether there were any changes in the ethics laws regarding CHESLA contracting with a third party. Following Board discussion, Mr. McKeeman indicated that he and Mr. Mengacci would contact the Office of State Ethics for an informal conversation regarding the Authority retaining the services of its Executive Director through CCIC.

Public Participation

No public participation.

The meeting adjourned at 11:43 a.m.