

# CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY

## Minutes of Authority Board Meeting

January 26, 2016

The State of Connecticut Higher Education Supplemental Loan Authority met at 11:30 a.m. on Tuesday, January 26, 2016.

The meeting was called to order at 11:34 a.m. by Ms. Barbara Rubin, Chair of the CHESLA Board of Directors. Those present and absent were as follows:

Present: Barbara Rubin, Chair<sup>1</sup>  
Martin L. Budd<sup>2</sup>  
Dr. Peter W. Lisi<sup>3</sup>  
Paul Mutone<sup>4</sup>  
Sarah K. Sanders (*Rep. for Honorable Denise L. Nappier*)  
Julie B. Savino, Vice-Chair  
Erika Steiner (*Rep. of President, Board of Regents for Higher Education*)  
Jeanette Weldon

Absent: Steven Kitowicz

Also Present: Paula L. Herman, General Counsel, CHEFA  
Joshua Hurlock, Portfolio and Marketing Associate, CHESLA  
Carlee Levin, Sr. Accountant, CHEFA/CHESLA  
JoAnne N. Mackewicz, Controller, CHEFA  
Cynthia Peoples, Managing Director, CHEFA  
Debra M. Pinney, Manager of Administrative Services, CHEFA

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

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

<sup>3</sup> Dr. Lisi joined the meeting at 11:35 a.m.

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

Guests: Randy Behm, Partner, Education Solution Partners, LLC  
Judith Blank, Esq., Day Pitney LLP  
Darlene Dimitrijevs, Principal, Education Solution Partners, LLC  
Joseph A. Santoro, Director, Education Finance,  
Merrill Lynch, Pierce, Fenner & Smith Inc., Bank of America, N.A.  
Tim Webb, Vice President, FirstSouthwest Company, LLC<sup>5</sup>

## **MINUTES**

Ms. Rubin requested a motion to approve the minutes of the November 17, 2015 Board of Directors meeting. Mr. Budd moved to approve the minutes and Ms. Sanders seconded the motion.

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

### **AYES**

Barbara Rubin  
Martin Budd  
Dr. Peter Lisi  
Erika Steiner  
Sarah Sanders  
Julie Savino  
Jeanette Weldon

### **NAYS**

None

### **ABSTENTIONS**

Paul Mutone

## **CHESLA LOAN REFINANCE PROGRAM MANUAL**

Ms. Dimitrijevs reported that the CHESLA refinance loan program will be available to borrowers seeking to refinance their post-secondary education loans. Borrowers must be in repayment and be Connecticut residents or have a balance outstanding on an existing CHESLA loan. After explaining the product concept, Ms. Dimitrijevs reviewed the loan details and provided an overview of the program.

Mr. Budd inquired about the proposed maximum loan limit of \$150,000, stating that he believed the limit was too high and suggested lowering it to \$100,000. A discussion ensued. The Board concluded that the maximum loan limit should be lowered to \$100,000 for this pilot program.

A discussion ensued concerning FICO scores. Mr. Behm further explained the use of the FICO scores.

At this time, the program manual was reviewed page by page. Mr. Budd raised a question as to what is the minimum payment that may be made. Ms. Dimitrijevs stated that the minimum payment cannot be less than \$50.00. Mr. Budd inquired as to whether staff will provide the Board with more of the program details concerning FICO scores and interest rates. Ms. Weldon

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

stated that staff will provide the Board with the FICO bands and the proposed pricing and ask for Board approval on those items.

Dr. Lisi asked if the minimum payment of \$50 is for any sized loan. Ms. Dimitrijevs will amend the program manual to reflect that the minimum amount applies to small loans that would otherwise have a smaller than \$50 payment. A discussion ensued.

Ms. Rubin pointed out that she is concerned that the originator will be making decisions on departures from the standard debt-to-income ratio. She recommended that the Authority have the right to approve anything beyond the required parameters. Mr. Behm agreed and stated that he believed that the originator would not want to be making those decisions and that the program manual will be modified as recommended.

Ms. Rubin requested a motion to approve the CHESLA Loan Refinance Program manual as proposed to be modified. Mr. Budd moved to approve the CHESLA Loan Refinance Program Manual, modified as discussed, and 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>
Barbara Rubin Martin Budd Dr. Peter Lisi Paul Mutone Erika Steiner Sarah Sanders Julie Savino Jeanette Weldon	None	None

### **REFINANCE PROGRAM PRELIMINARY CASH FLOW OVERVIEW**

Mr. Webb provided an overview of the refinance loan program preliminary cash flow analysis. The cash flows do not contemplate any cost of funds, assuming that CHESLA will receive \$5 million from the Connecticut Student Loan Foundation as a funding source for this pilot program. Mr. Webb reviewed the FICO credit tiers and the loan rates by credit tier in the cash flow model.

Mr. Mutone asked a question about the FICO ranges used in the model. A discussion ensued.

Ms. Sanders inquired if the Authority should consider having rates tied to a market rate so that it can move with the market’s interest rates. Mr. Webb stated that the goal is to ultimately be able to fund these loans through the issuance of tax-exempt debt through CHESLA, backed by the SCRF. Just as the Authority currently does with regard to CHESLA’s offerings on an annual basis, the interest rates on the refinance loans would in part reflect the interest rate that it is able to achieve on the issuance of the related tax-exempt bonds.

Mr. Mutone left the meeting at 12:10 p.m.

Mr. Webb emphasized that the cash flows provided in the Board meeting materials are preliminary and there are a number of assumptions included. Further discussion ensued.

### **REQUEST FOR PROPOSAL – CHESLA REFINANCE LOAN PROGRAM MARKETING**

Mr. Behm provided an overview of the Request for Proposal (RFP) for marketing services. The RFP was issued on December 7, 2015 and there were follow up questions made by January 14, 2016 and responses to those questions provided on January 18th. At least nine different entities received the draft program manual and related materials. One firm, Maier Advertising submitted a response. The Authority also received an email, while not a formal response, from Adams & Knight that included a pricing sheet for various components of the RFP. Mr. Behm provided a summary of Maier’s response to the RFP and provided a comparison of production costs and fees with the Adams & Knight pricing sheet. He stated that references have not been contacted yet.

A discussion ensued. Mr. Behm recommended that the Executive Director be authorized to conduct interviews and, at her discretion, negotiate an agreement with either Maier or Adams & Knight.

Mr. Budd moved to approve Mr. Behm’s recommendations to conduct interviews and negotiate an agreement with Maier or Adams & Knight, providing that Adams & Knight submit the required undertakings and documentation as requested in the RFP, and Dr. Lisi 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>
Barbara Rubin Martin Budd Dr. Peter Lisi Erika Steiner Sarah Sanders Julie Savino Jeanette Weldon	None	None

### **EXECUTIVE DIRECTOR’S REPORT**

Ms. Weldon reported that weekly phone conferences are being held to develop the mechanics of the refinancing program. Staff is developing all the specifics with the originator and the loan servicer, and is working through all the operational criteria to be used in the pilot program.

Mr. Hurlock provided an update on CHESLA’s marketing initiatives, loan disbursements and loan originations.

**ADJOURNMENT**

There being no further business, at 12:49 p.m. Mr. Budd moved to adjourn the meeting and Dr. Lisi seconded the motion.

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

**AYES**

**NAYS**

**ABSTENTIONS**

Barbara Rubin  
Martin Budd  
Dr. Peter Lisi  
Erika Steiner  
Sarah Sanders  
Julie Savino  
Jeanette Weldon

None

None

Respectfully submitted,

Jeanette W. Weldon  
Executive Director