

CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY

Minutes of Authority Annual Board Meeting

September 17, 2015

The State of Connecticut Higher Education Supplemental Loan Authority met at 11:30 a.m. on Thursday, September 17, 2015.

The meeting was called to order at 11:32 a.m. by Ms. Barbara Rubin, Chair of the CHESLA Board of Directors. Those present and absent were as follows:

Present: Barbara Rubin, Chair
Steven Kitowicz (*Rep. for Secretary Benjamin B. Barnes*)
Dr. Peter W. Lisi
Sarah K. Sanders (*Rep. for Honorable Denise L. Nappier*)
Julie B. Savino, Vice-Chair
Jeanette Weldon

Absent: Martin L. Budd
Paul Mutone
Erika Steiner (*Rep. for Board of Regents for Higher Education*)

Also Present: Paula L. Herman, General Counsel, CHEFA
Joshua Hurlock, Portfolio and Marketing Associate
Carlee Levin, Sr. Accountant, CHEFA/CHESLA
JoAnne N. Mackewicz, Controller, CHEFA
Debra M. Pinney, Manager of Administrative Services, CHEFA
Samuel Rush, Deputy Director¹

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

Guests: Randy Behm, Partner, Education Solutions Partners LLC
 Judith Blank, Esq., Day Pitney
 David Borus, CHESLA Advisory Committee
 Darlene Dimitrijevs, Principal, Education Solutions Partners LLC
 Matthew Rosen, CHESLA Advisory Committee²
 Joseph A. Santoro, Co-Managing Underwriter, Bank of America
 Merrill Lynch³
 William Veronda, Director, Bank of American Merrill Lynch⁴
 Jeffrey Wagner, Managing Director, RBC Capital Markets⁵
 Tim Webb, Vice President, FirstSouthwest Company, LLC⁶
 Gary Wolf, RBC Capital Markets⁷

MINUTES

Ms. Rubin requested a motion to approve the minutes of the June 9, 2015 Board of Directors meeting. Ms. Savino moved to approve the minutes and Mr. Kitowicz seconded the motion.

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

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
Steven Kitowicz Sarah Sanders Julie Savino	None	Dr. Peter Lisi ⁸ Barbara Rubin ⁹

ELECTION OF VICE-CHAIR

Ms. Rubin moved to re-elect Ms. Julie Savino as Vice-Chair of the CHESLA Board of Directors. Mr. Kitowicz seconded her motion.

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

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
Steven Kitowicz Dr. Peter Lisi Barbara Rubin Sarah Sanders Julie Savino	None	None

² Mr. Rosen participated in the meeting via conference telephone that permitted all parties to hear each other.
³ Mr. Santoro participated in the meeting via conference telephone that permitted all parties to hear each other.
⁴ Mr. Veronda participated in the meeting via conference telephone that permitted all parties to hear each other.
⁵ Mr. Wagner participated in the meeting via conference telephone that permitted all parties to hear each other.
⁶ Mr. Webb participated in the meeting via conference telephone that permitted all parties to hear each other.
⁷ Mr. Wolf participated in the meeting via conference telephone that permitted all parties to hear each other.
⁸ Dr. Lisi abstained from voting as he was not present at the June 9, 2015 Board Meeting.
⁹ Ms. Rubin abstained from voting as she was not present at the June 9, 2015 Board Meeting.

POST SALES REPORT – 2015 Series A Bonds

Mr. Webb provided a post sales report on the 2015 Series A. Bonds.

DRAFT FY 2015 CHEFA AUDITED FINANCIAL STATEMENTS

Ms. Weldon reported on the draft FY 2015 CHEFA audited financial statements which were presented to the CHEFA Board of Directors on September 16. She indicated that the Board tabled acceptance of the report pending a potential meeting with representatives from Crowe Horwath.

A discussion ensued.

Ms. Levin reported on CHESLA's Management Discussion and Analysis (MD&A) on the audited financial statements for the FY ending June 30, 2015.

OVERVIEW OF CHESLA SCHOLARSHIP PROGRAM

Mr. Hurlock reported Financial Assistance Agreements have been executed and the first disbursements have been made to twelve schools totaling \$487,250. Five additional schools have submitted their Financial Assistance Agreements and disbursements are pending CHESLA's receipt of the roster of proposed recipients to verify that they have not defaulted on any CHESLA loans.

CHESLA stipulated in the agreement that awards must be additive and could not replace other scholarship funds. Mr. Hurlock stated that Yale University responded that they could not accept the money because they have already filled the need for their students. A discussion ensued.

Ms. Weldon stated that the Authority's plan is to continue the scholarship program next year.

PROPOSED LOAN REFINANCE PILOT PROGRAM AND APPOINTMENT OF A PRODUCT DEVELOPMENT CONSULTANT

Ms. Weldon provided an overview of the loan refinance pilot program and indicated that CHESLA received one response to its Request for Proposal for a product development consultant, which was from Education Solutions Partners, LLC (ESP). Ms. Weldon pointed out that ESP had previously provided, without charge, a first draft of the program manual for the loan refinancing program.

Ms. Dimitrijevs presented an outline of the proposed refinancing pilot program. The plan is to develop a refinancing product to refinance student loans for Connecticut residents or borrowers who have CHESLA loans outstanding. A discussion ensued on the potential outcomes of the pilot program and how to proceed with the program moving forward.

Ms. Dimitrijevs discussed the proposed timeline for getting the program ready to launch.

Ms. Weldon stated that the proposed plan for the loan refinance pilot program will be presented to the CHESLA Board of Directors for approval at the January 2016 meeting.

Mr. Behm and Ms. Dimitrijevs left the meeting at this time.

A discussion ensued regarding the appointment of the product development consultant and ESP's response to the RFP.

Ms. Rubin requested a motion to appoint Education Solutions Partners, LLC as the product development consultant. Mr. Kitowicz moved to appoint Education Solutions and Dr. Lisi seconded the motion.

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

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
Steven Kitowicz Dr. Peter Lisi Barbara Rubin Sarah Sanders Julie Savino	None	None

Mr. Behm and Ms. Dimitrijevs rejoined the meeting at this time and were informed of their appointment.

EXECUTIVE DIRECTOR'S REPORT

Ms. Weldon reported that the State Auditors issued a draft audit report for CHESLA for FY 2013, with the final report expected by the end of the month. She indicated that there was a finding concerning the loan origination servicer's report entitled Loan Origination and Loan Servicing System and the Suitability of the Design and Operating Effectiveness of Its Controls (the "SSAE16 Report"). CHESLA receives this report from the audit firm hired by the loan servicer each year. The report is reviewed by CHESLA and a copy of the report is provided to CHEFA's independent auditors and State auditors. In the 2013 SSAE16 Report, the loan servicer's auditors rendered a qualified opinion in connection with a specific information systems related issue, which related to access to items in a test rather than a production environment. In its review of the SSAE16 Report, CHESLA staff did not take note of the qualified opinion. However, Ms. Weldon stated that CHESLA has a series of items that staff routinely reviews, reconciles and monitors in regard to the loan servicer so that there is a comfort level with the accuracy of the loan servicer's records with regard to CHESLA. Nevertheless, Ms. Weldon stated that moving forward, Staff will be sure to examine the loan servicer's audit report more closely.

Ms. Weldon reported that legislation passed concerning CHESLA's ability to refinance student loans. She also reported that CHESLA received good press based on the 4.95% loan rate available following the 2015 financing. Ms. Weldon added that she has met with Representative Matt Lesser and will be meeting with Representative Roberta Willis to provide a progress report on CHESLA activities.

Ms. Weldon indicated that CHESLA, in conjunction with the Treasurer's Office, has formed a Student Aid Financial Literacy Workgroup which will be meeting at CHEFA's office on

September 30, 2015. The goal is to set up a single portal for students and their families to obtain information on CHET, the Governor’s Scholarship Program and CHESLA loans. Representatives in the working group include staff from CHESLA, the Treasurer’s office, the Department of Banking, the Office of Higher Education and the Department of Consumer Protection.

Ms. Weldon stated that CHEFA has engaged a facilitator to assist in an update of the CHEFA Strategic Plan. CHESLA will develop its initiatives after the CHEFA plan is approved in January.

Mr. Hurlock provided an update on CHESLA’s marketing initiatives and inquired if any of the Board members were interested in seeing CHESLA’s television ad that was shown on WTNH’s television station. Mr. Hurlock will send Board members a link to view the ad.

Mr. Hurlock provided a report on the loan originations compared to the 2014 Series A cash flows. A discussion ensued.

ADJOURNMENT

There being no further business, at 12:43 p.m., Ms. Sanders moved to adjourn the meeting and Mr. Kitowicz seconded the motion.

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

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
Steven Kitowicz Dr. Peter Lisi Barbara Rubin Sarah Sanders Julie Savino	None	None

Respectfully submitted,

Jeanette W. Weldon
Executive Director