



CONNECTICUT STUDENT LOAN FOUNDATION

MINUTES OF THE BOARD OF DIRECTORS

November 6, 2018

A meeting of the Connecticut Student Loan Foundation's Board of Directors was held on Wednesday, November 6, 2018 at 12:00 p.m., at the Office of the Connecticut Health and Educational Facilities Authority, 10 Columbus Boulevard, Hartford, Connecticut 06106.

Members Present:

Peter Lisi, Chair of the Board
Julie Savino, Vice-Chair of the Board
Sheree Mailhot (designee of the Honorable Denise Nappier) *
Jeanette Weldon, Executive Director
Andrew Foster
Steven Kitowicz (designee of the Honorable Benjamin Barnes)

Members Absent:

Paul H. Mounds Jr.
Erika Steiner (designee of the Honorable Mark Ojakian)
Martin L. Budd

Other Attendees:

Lisa Cohen, Vice President, Goal Structured Solutions, Inc. *
Ian Meade, Senior Financial Reporting Manager, Goal Structured Solutions, Inc. *
Tim Webb, Vice President, Hilltop Securities *
Denise Aguilera, General Counsel, CHEFA
JoAnne Mackewicz, Controller, CHEFA
Joshua Hurlock, Assistant Director, CHESLA
Shannon Reynolds, Portfolio Assistant, CHESLA
Natalia Rozio, Student Intern, CHESLA
Carlee Levin, Senior Accountant, CHEFA
Debra M. Pinney, Manager of Administrative Services, CHEFA

* Participated in the meeting via conference telephone that permitted all parties to hear each other

I. **Call to Order**

Mr. Lisi called the meeting to order at 1:37 p.m.

II. **Approval of Minutes:**

A motion was made by Ms. Savino and seconded by Mr. Kitowicz that the Board of Directors of the Connecticut Student Loan Foundation approve the minutes of the September 20, 2018 meeting.

The motion was passed unanimously.

III. **2019 Meeting Schedule**

A motion was made by Mr. Kitowicz and seconded by Ms. Savino that the Board of Directors of the Connecticut Student Loan Foundation approve the 2019 Meeting Schedule, with the meeting dates modified to conform to the meeting dates of the Connecticut Higher Education Supplemental Loan Authority (CHESLA)..

IV. **Executive Director's Report**

Ms. Weldon noted that CSLF Board members received their annual ethics training during the CHESLA board meeting which occurred prior to the CSLF meeting..

V. **Financial Report – September 2018**

Ms. Mackewicz reviewed the financial status of CSLF as of September 30, 2018. She presented the Net Change in Position and Balance Sheet on a consolidated basis, a comparison of the Funds Management ratios to the policy guidelines, the Balance Sheet by fund and information on the current bonds outstanding.

Ms. Mackewicz indicated the Net Change in Position for CSLF was a positive \$609,000 for the three-month period noting that this was only \$2,000 less than budget. The Net Change in Position after transfers was a negative \$1.4 million and \$2.0 million less than budget due to the CHESLA initiatives (\$2.0 million) which were budgeted and approved during the June 2018 board meeting. Agency Cash and Equivalents are \$124,000 as compared to \$624,000 during September 30, 2017. This reflects the transfer of \$790,000 to CHESLA to provide funds for student loans, pending their Bond Issuance, which occurred on September 17, 2018.

On the Balance Sheet, she indicated the trust cash was \$1.30 million in excess of the budget which also included \$1.21 million transfer to CHESLA for student loans. Loan principal and interest receivable was a combined \$2.0 million over budget compared to \$2.3 million during the previous quarter.

Ms. Mackewicz noted that the Trust Parity Ratio as of September 30, 2018 stood at 111.70% and the Senior Parity Ratio was 140.12%. Assets within the Trust exceed the Funds Management Policy by \$15.10 million.

Ms. Cohen reviewed the bond activity for the quarter ended September 30, 2018, and indicated that \$5.25 million of subordinate bonds from the 2004B tranche had been redeemed. Ms. Cohen noted that the strategy remains to utilize excess cash to prepay the bonds. During the quarter, there were two releases to CHESLA. The first distribution occurred on 07/10/2018 for \$2.00 million that was reserved during the prior fiscal year for the CHESLA Scholarship Fund. The next

distributions totaled 2.00 million to fund student loans and comprised \$1.20 million released from restricted cash and \$0.80 million released from the operating account.

Ms. Cohen noted that the Weighted Average Coupon (WAC) increased from 6.11% to 6.24%; this is caused by increasing interest rates on the variable loans. Ms. Cohen stated that the Federal loan variable interest rates reset on an annual basis effective July 1, 2018. The variable rate Stafford and Plus loans also increased on July 1, 2018. Stafford loan rates increased from 4.45% to 5.05% and PLUS loans increased from 7.00% to 7.60%. The percentage of fixed rate loans remaining in the portfolio decreased from approximately 87% to 84%. The Weighted Average Remaining Maturity (WARM) of the portfolio also increased slightly from 141.25 to 141.95, noting that Consolidation loans, which have longer maturities, continue to represent 63% of the portfolio.

VI. Servicer Review

Mr. Meade presented the findings from the annual EdFinancial Servicing Review. During September 2018, GS2 performed the Annual Servicer Review of EdFinancial for the period of September 1, 2017 through August 31, 2018. This year's review was completed remotely and not at EdFinancial's office which was done historically.

Mr. Meade noted that the review was conducted with the same methodologies as prior years and there were no significant changes in EdFinancial's business or operations over the past year. GS2 performed testing on certain types of loans which included uninsured accounts, cure accounts, rejected claims, and any private loans with graduation dates beyond 2019; GS2 also reviewed various EdFinancial documents and financials.

Mr. Meade stated that the overall review was positive; however, there were some exceptions noted, with the biggest exception relating to Servicing Standards and how those results are interpreted. GS2 noted that as in prior years, the monthly standards on EdFinancial's monthly scorecard do not agree to the CSLF contractual standards. Mr. Meade noted that EdFinancial either met or exceeded EdFinancial internal standards; however, EdFinancial did not meet the CSLF contractual standards most of the time. Mr. Meade noted that EdFinancial's monthly scorecard incorporates all the portfolios serviced by EdFinancial and the same scorecard is sent out to all clients; therefore, the scorecard is not specific to CSLF's portfolio. EdFinancial also stated that the internal standards exceed the requirements of the DOE; however, GS2 had not confirmed at the time of the board meeting. Members present at the board meeting discussed the potential ramifications of EdFinancial not meeting the contractual standards. It was noted that the federal guarantee was not being jeopardized by failure to meet the contract standards, so there was limited risk to CSLF. Management will review the contract and follow up with EdFinancial as appropriate.

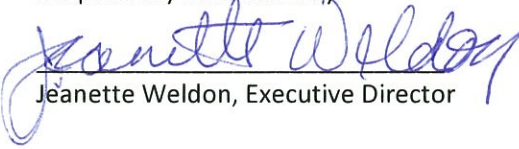
Mr. Meade noted that excluding the Servicing Standards, all other testing was satisfactory and for any exceptions that were noted, GS2 was provided an explanation and support and did not note any significant issues.

VII. **Adjournment**

Mr. Kitowicz made a motion, which was seconded by Ms. Mailhot, to adjourn the meeting.

The motion passed unanimously and the meeting was adjourned at 2:01 p.m.

Respectfully Submitted by:


Jeanette Weldon, Executive Director