



# CONNECTICUT STUDENT LOAN FOUNDATION

## MINUTES OF THE BOARD OF DIRECTORS

**June 9, 2015**

**A meeting of the Connecticut Student Loan Foundation's Board of Directors was held on Tuesday, June 9, 2015 at 12:30 p.m., at the office of the Connecticut Health and Educational Facilities Authority, 10 Columbus Boulevard, Hartford, Connecticut 06106.**

### **Members Present:**

Sarah Sanders (designee of the Honorable Denise Nappier), Vice Chair of the Board  
Jeffrey Asher  
Martin Budd  
Steven Kitowicz (designee of the Honorable Benjamin Barnes)  
Julie Savino

### **Members Absent:**

Barbara Rubin, Chair of the Board  
Dr. Peter Lisi  
Paul Mutone  
Erika Steiner (designee of Dr. Gregory Gray)

### **Other Attendees:**

Jeanette Weldon, Executive Director  
Paula Herman, General Counsel, CHEFA  
Darlene Dimitrijevs, Principal, Education Solution Partners, LLC  
Randy Behm, Principal, Education Solution Partners, LLC  
Joshua Hurlock, Portfolio and Marketing Associate, CHESLA  
Norberto Ramirez, Compliance Internal Auditor, CHEFA  
JoAnne Mackewicz, Controller, CHEFA  
Judith Blank, Esquire, Day Pitney, LLP  
Vignesh Kumar, Intern Student, Treasurer's Office

#### **I. Call to Order:**

Ms. Sanders called the meeting to order at 12:49 p.m.

#### **II. Approval of March 19, 2015 Minutes:**

Mr. Behm distributed minutes that had been revised from the version sent to the board members earlier. The revision added a footnote concerning those individuals who participated via telephone.

A motion was made by Mr. Kitowicz and seconded by Mr. Asher that the Board of Directors of the Connecticut Student Loan Foundation approves the minutes of the March 19, 2015 meeting as presented.

The motion passed unanimously.

### **III. Executive Director's Report**

Ms. Weldon informed the Board that the transfer of \$2 million from CSLF to the Connecticut Higher Education Supplemental Loan Authority (CHESLA), which was authorized at the previous meeting as an equity contribution to the CHESLA Trust, was made on May 22<sup>nd</sup>.

### **IV. Financial Report**

Ms. Dimitrijevs provided financial reports for the six months ended March 31, 2015. She presented the Balance Sheet by fund, the Balance Sheet on a consolidated basis, the Net Change in Position, a comparison of the Funds Management ratios to the policy guidelines and information on the current bonds outstanding.

On the Balance Sheet she indicated the Loans Receivable stood at \$343.2 million as of March 31, 2015 which was \$57 million below prior year, but \$3.5 million over budget. Bonds Payable were \$324.1 million compared to \$383.65 million the prior year and a budget of \$318.4 million. She also noted that the remaining amount in the Other Restricted Fund, which represented the unused portion of the funds received under the ECMC agreement prior to its expiration, had been used as part of the equity transfer to the CHESLA Trust. As a result, the Other Restricted Fund will be closed and not reported going forward.

Ms. Dimitrijevs indicated that the Net Change in Position for CSLF was a positive \$1.0 million for the period before extraordinary items. After extraordinary items, the Net Change in Position was a negative \$0.3 million which included \$0.75 million as the accrual for the final payment under the ECMC contract and the \$2.0 million expense of the contribution to the CHESLA Trust. For the six months CSLF was \$1.6 million under budget in Net Change in Position after the Extraordinary Item, as the contribution to the CHESLA Trust had not been in the budget approved at the beginning of the fiscal year.

Ms. Dimitrijevs noted that the trust parity ratio as of March 31, 2015 stood at 110.25% versus a planned level of 109.65%. After the contribution to the CHESLA Trust, the parity level still remained over 109%. As of March 31, 2015, assets within the Trust exceed the Funds Management Policy by \$20.1 million. Of this amount \$13.1 million is in cash or cash equivalents with the remainder primarily made up of the loan balances exceeding that of the bonds outstanding.

Ms. Dimitrijevs next reviewed the current status of the ratios monitored by the Funds Management Policy. She indicated that all ratios were in compliance with the policy. She then reviewed the Bonds Outstanding by Owner. This document incorporated the redemption that was occurring on June 9<sup>th</sup>.

### **V. 2015-16 Fiscal Year Budget**

Mr. Behm reviewed the proposed budget for the 2015-16 fiscal year. He indicated that the budget was created assuming status quo for the general operations of CSLF, while including the funding for the various initiatives for CHESLA. The CHESLA initiatives included the three projects approved in the March Board



meeting. Subject to formal approval by the CHESLA Board, these projects are forecast to be expensed in June 2015 and carried as a payable to CHESLA until actually paid in future months. The proposed 2015-16 budget assumed the funding of two additional projects for CHESLA, a \$1.0 million equity contribution for the trust and \$5.0 million for another pilot loan program. However, both of these projects are subject to review and approval by the CSLF and CHESLA Boards prior to any liability accrual or payment occurring.

The proposed budget provides for continued pay down of the education loan portfolio, although at a somewhat slower rate. CSLF has experienced fewer claim payments as the portfolio ages. In addition, the 10-year Stafford loan portion of the loan portfolio continues to decline faster than the Consolidation loan portion which have 20-30 year terms. During the 2015-16 fiscal year it is projected that \$51.1 million of loans principal will pay down. Mr. Behm also noted that the proposed budget provides for the continued redemption of the outstanding bonds. During the 2015-16 fiscal year it is projected that \$52.0 million of bonds will be redeemed after funding all of the CHESLA projects.

Mr. Behm indicated that nearly all of the income and expense items declined either due to the reduced loan portfolio or the reduced bonds outstanding. The proposed budget calls for \$10.0 million of income, down from the prior 12 months by \$1.8 million. Operating expenses are projected at \$7.5 million; a decline of \$1.1 million from the prior 12 months. The net change in position is budgeted at \$2.5 million before extraordinary items. The extraordinary items are the two CHESLA projects projected at a total expense of \$6.0 million, which results in a budgeted deficit of \$3.5 million.

Mr. Behm next directed the Board's attention to the Bad Debt Expense item which is budgeted at zero for the 2015-16 fiscal year. He reviewed the Loan Loss Reserve Analysis that was conducted as of May 1, 2015. The analysis assumed that all delinquent accounts (federal and private) would eventually default for non-payment. It also assumed that historical delinquency rates would also apply to loans that were not yet in repayment and that those delinquencies would also default. Finally, historical claims payment rates (federal loans) and recovery rates (private loans) were applied to determine future loan loss needs.

In response to question by Mr. Budd, Mr. Behm indicated that during the 2014-15 fiscal year federal claim payments have exceeded the claims filed due to a delay in the timing of payments from the guarantee agencies combined with the slowdown in defaults. Due to the aging of the portfolio and steady decline in delinquencies, it is anticipated that this phenomenon will continue for the foreseeable future.

For Federal loans the projected net losses over the remaining life of the portfolio are \$957,630, approximately \$122,000 above the current federal loan loss allowance. For Private Loans the projected future net losses are \$536,000, approximately \$78,000 less than the current private loan loss allowance. It was recommend that CSLF continue to monitor the loan losses, but that no action be taken at this time to increase or decrease either of the loan loss allowance amounts.

Mr. Kitowicz made the following motion, which was seconded by Ms. Savino:

The Board of Directors of the Connecticut Student Loan foundation approves the 2015-16 Budget as presented.

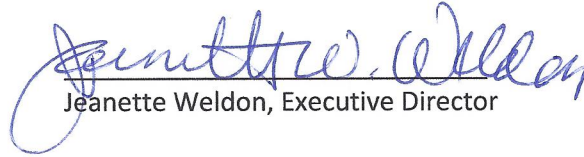
The motion passed unanimously.

**VI. Adjournment**

Mr. Budd made a motion, which was seconded by Mr. Asher to adjourn the meeting.

The motion passed unanimously and the meeting was adjourned at 1:47 p.m.

Respectfully Submitted by:

  
Jeanette Weldon, Executive Director