



CONNECTICUT STUDENT LOAN FOUNDATION

MINUTES OF THE BOARD OF DIRECTORS

June 21, 2016

A meeting of the Connecticut Student Loan Foundation's Board of Directors was held on Tuesday, June 21, 2016 at 12:00 p.m., at the office of the Connecticut Health and Educational Facilities Authority, 10 Columbus Boulevard, Hartford, Connecticut 06106.

Members Present:

Barbara Rubin, Chair of the Board
Sarah Sanders (designee of the Honorable Denise Nappier), Vice Chair of the Board
Steven Kitowicz (designee of the Honorable Benjamin Barnes)
Dr. Peter Lisi
Julie Savino
Jeanette Weldon, Executive Director

Members Absent:

Martin Budd
Paul Mutone
Erika Steiner (designee of the President of Board of Regents for Higher Education)

Other Attendees:

Paula Herman, General Counsel, CHEFA
Darlene Dimitrijevs, Principal, Education Solution Partners, LLC
Randy Behm, Principal, Education Solution Partners, LLC
Samuel Rush, Deputy Director, CHESLA
Joshua Hurlock, Portfolio and Marketing Associate, CHESLA
JoAnne Mackewicz, Controller, CHEFA
Carlee Levin, Sr. Accountant, CHEFA
Tim Webb, Vice President, Hilltop Securities (via telephone*)
Judith Blank, Esquire, Day Pitney, LLP

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

I. Call to Order:

Ms. Rubin called the meeting to order at 1:31 p.m.

II. Approval of the March 22, 2016 Minutes:

A motion was made by Dr. Lisi and seconded by Mr. Kitowicz that the Board of Directors of the Connecticut Student Loan Foundation approves the minutes of the March 22, 2016 meeting.

The motion was passed unanimously, with abstentions by Ms. Rubin and Ms. Sanders who were absent from the March 22, 2016 meeting.

III. Executive Director's Report

Ms. Weldon announced that Paula Herman, general counsel of CHEFA, who also represents CSLF, will be retiring at the end of June. In addition, this will be the last meeting for two CSLF Board members – Barbara Rubin and Paul Mutone.

IV. Financial Report – March 31, 2016

Ms. Dimitrijevs reviewed the financial status of CSLF as of March 31, 2016. She presented the Net Change in Position, the 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. Dimitrijevs indicated that the Net Change in Position (before Extraordinary Items) for CSLF was a positive \$2.2 million for the nine month period. This was \$276,152 over budget. She then discussed the three extraordinary items authorized by the CSLF Board, totaling \$10.0 million, which were expensed during the fiscal year.

She noted that the Trust Parity Ratio as of March 31, 2016 stood at 111.47%% and the Senior Parity Ratio was 153.56%. After the extraordinary items are paid, the total parity would be 107.65%, still above the level required by the Funds Management Policy (104.00%) or the Indenture (102.50%). As of March 31, 2016, assets within the Trust exceed the Funds Management Policy by \$21.1 million. Ms. Dimitrijevs reviewed the bond activity for the quarter ended March 31, 2016 and indicated that \$8.0 million of bonds had been redeemed in the quarter.

V. Loan Loss Reserve Analysis

Mr. Behm reviewed the Loan Loss Reserve Analysis that was conducted as of May 31, 2016. The analysis assumed that all delinquent accounts (federal and private) would eventually default for non-payment. It further 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.

Mr. Behm noted that the repayment delinquency rates for Federal Loans (11.41%) and Private Loans (1.91%) were at their all-time low. For Federal loans the projected net losses over the remaining life of the portfolio are \$768,214, approximately \$183,000 above the current federal loan loss allowance. For Private Loans the projected future net losses are \$388,000, approximately \$106,000 less than the current private loan loss allowance.

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

WHEREAS, the Board of the Connecticut Student Loan Foundation has reviewed the performance of its Federal and Alternative loan portfolios and believes it is prudent to provide for future losses on such loans;

NOW THEREFORE, BE IT:

RESOLVED, that the Federal Loan Loss Reserve shall be increased by \$100,000.

The motion was passed unanimously.

VI. 2016-17 Fiscal Year Budget

Mr. Behm reviewed the proposed budget for the 2016-17 fiscal year. He indicated that the budget was created assuming status quo for the general operations of CSLF, while including the funding for the CHESLA Scholarships at \$2.0 million.

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 2016-17 fiscal year it is projected that \$40.9 million of loan principal will pay down. Mr. Behm also noted that the proposed budget provides for the continued redemption of the outstanding bonds. During the 2016-17 fiscal year it is projected that \$44.5 million of bonds will be redeemed while funding the CHESLA scholarship. Essentially, in the proposed budget, cash received from the pay down of the loan portfolio is used to redeem bonds, while the net earnings (\$2.2 million) is used to fund the CHESLA Scholarship.

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 \$9.2 million of income, down from the prior 12 months by \$1.5 million. Operating expenses are projected at \$7.0 million; a decline of \$0.9 million from the prior 12 months. The net change in position is budgeted at \$2.2 million before extraordinary items. The only budgeted extraordinary item is the CHESLA Scholarship at an expense of \$2.0 million. This results in budgeted net income of \$250,649.

Mr. Kitowicz made the following motion, which was seconded by Dr. Lisi:

The Board of Directors of the Connecticut Student Loan Foundation approves the 2016-17 Budget as presented.

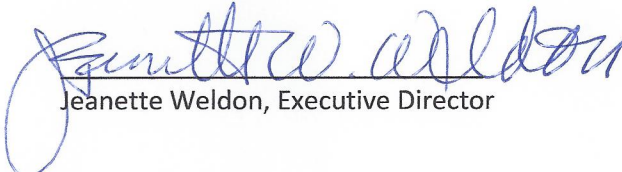
The motion passed unanimously.

VII. Adjournment

Ms. Savino made a motion, which was seconded by Ms. Sanders, to adjourn the meeting.

The motion passed unanimously and the meeting was adjourned at 2:16 p.m.

Respectfully Submitted by:


Jeanette Weldon, Executive Director