



# CONNECTICUT STUDENT LOAN FOUNDATION

## MINUTES OF THE BOARD OF DIRECTORS

**June 25, 2020**

**A meeting of the Connecticut Student Loan Foundation's Board of Directors was held on Thursday, June 25, 2020 at 12:00 p.m., virtually via video conference.**

**Members Present:**

Peter Lisi, Chair of the Board  
Julie Savino, Vice-Chair of the Board  
Steven Kitowicz (designee of the Secretary of the Office of Policy and Management)  
Martin L. Budd  
Andrew Foster

**Members Absent:**

Benjamin Barnes (designee of the President of Connecticut State Colleges and Universities)  
Darrell V. Hill (designee for Connecticut State Treasurer)

**Other Attendees:**

Jeanette Weldon, Executive Director, CHEFA/CHESLA  
Denise Aguilera, General Counsel, CHEFA  
Kevin Barry, Accountant, CHEFA  
Debra Galli, Manager, Administrative Services, CHEFA  
Joshua Hurlock, Assistant Director, CHESLA  
Carlee Levin, Senior Accountant, CHEFA  
JoAnne Mackewicz, Controller, CHEFA  
Cynthia Peoples, Managing Director, CHEFA  
Shannon Reynolds, Portfolio Assistant, CHESLA  
Natalia Rozio, Student Intern, CHESLA  
Kara Stuart, Administrative Services Assistant, CHEFA  
Thomas H. Webb, Vice President, Hilltop Securities  
Jeff Wagner, Managing Director, RBC Capital Markets  
Judith Blank, Esq., Day Pitney LLC  
Joseph Santoro, Director-Education Finance Team Leader, BofA Securities, Inc.  
Mark LaPrade, Principal, BerryDunn  
Robert Smalley, Senior Manager, BerryDunn  
Katy Balukas, Manager, BerryDunn  
Paul Dockry, General Manager, Launch Servicing, LLC  
Andrea Lenox, Structured Finance Director, Goal Structured Solutions, Inc.  
Jacob Lin, Senior Financial Reporting Manager, Goal Structured Solutions, Inc.  
Robert Johnson, Accounting Analyst, Goal Structured Solutions, Inc.

**I. Call to Order**

Mr. Lisi called the meeting to order at 1:21 p.m.

**II. Approval of Minutes:**

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 minutes of the March 3, 2020 meeting.

The motion was passed unanimously.

**III. Executive Director's Report**

Ms. Weldon noted that there no items to currently address, other than the private loan servicing transfer, which will be covered in agenda item #8.

**IV. 2020-21 Fiscal Year Budget**

Mr. Lin noted that the method to preparing this year's budget follows the same as prior years, which simply carries forward recent trends calculated using actuals from previous three to nine-month periods. Included in the budget is a \$500,000 CHESLA contribution, the same as the current year.

The proposed budget provides for continued pay down of the education loan portfolio. During the 2020-2021 fiscal year it is projected that \$23.5 million of loan principal will pay down, compared to \$27.4 million in the current year's forecast. The proposed budget provides for the continued redemption of the outstanding bonds. During the 2020-2021 fiscal year it is projected that \$24.6 million of bonds will be redeemed, compared to \$29.1 million in the current year's forecast. Mr. Lin also noted that the parity and cash ratios are projected to increase just as they have increased in the current fiscal year.

The proposed budget calls for \$6.87 million of income, down from the prior twelve months by approximately \$1.5 million. Operating expenses are projected at \$7.7 million; a decline of \$1.2 million from the prior twelve months. The net change in position is budgeted at \$1.4 million before extraordinary items. The budgeted extraordinary items are the CHESLA Scholarships at an expense of \$500,000. This results in budgeted net income of about \$914K. Mr. Lin noted that both revenue and expense items are based on interest income and expense respectively, which both rely on projected bond balances and interest rates. Mr. Lin pointed out that the projections made were relatively conservative, given that rates have declined significantly since March 2020, and if they remain at those levels during fiscal year 2020-21, there will likely be expense savings than what the proposed budget outlines.

The Board decided to hear the Loan Loss Analysis presentation before voting on the proposed budget.

**V. Loan Loss Analysis**

Ms. Lenox reviewed the Loan Loss Reserve Analysis that was conducted in May 2020. The methodology for loan loss was unchanged from prior years, however Ms. Lenox noted that the forecast uses the loan status of both deferments and forbearances through April month end, so that it could fully capture the impact of COVID-19 on principal and interest cash flows. This is also the reasoning for higher projected default rates in the coming fiscal year.

Ms. Lenox indicated that the Federal loan default rate remained stable at about 5% throughout most of Fiscal Year 2019-20. The combined total of deferments and forbearances decreased from 15.6% to about 12% at the end of March 2020 due to more borrowers entering repayment. However, in April 2020, deferments and forbearances almost doubled to 22.4% since borrowers have utilized emergency forbearances as a result of COVID-19. Ms. Lenox noted that the Federal loan default rate is expected to increase to approximately 6.75% by Q4 2020, once borrowers have exhausted the natural disaster forbearance. Using this information as well as the assumption that the default rate will eventually revert to the normal 4-5% level, the Federal loan loss reserve shortfall is calculated at \$102,000.

Ms. Lenox noted that the private loan portfolio was not noticeably affected by COVID-19 since forbearances have remained mostly constant at around 3% as of April 2020. Based on similar methodology to last year's analysis, a historical delinquent loan recovery rate of 24.1% and a cumulative default rate of 4.2%, net of recoveries for current loans in repayment, results in a private loan loss excess of \$24,000.

Ms. Lenox ended with the net result of the Federal and private loan loss reserve estimations is an increase in the total required reserve amount of \$75,000.

Mr. Budd made the following motion, which was seconded by Mr. Foster:

The Board of the Connecticut Student Loan Foundation, after reviewing the performance of its Federal and Private loan portfolios, believes it is prudent to provide for future losses on such loans and authorizes that the Federal Loan Loss Reserve shall be increased by \$103,000 and the Private Loan Loss Reserve shall be decreased by \$24,000.

The motion was passed unanimously.

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

The Board of Directors of the Connecticut Student Loan Foundation approves the 2020-2021 Budget as presented.

The motion was passed unanimously.

**VI. Financial Report**

**A. March 31, 2020**

Mr. Barry reviewed the financial status of CSLF as of March 31, 2020. He 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.

**B. Bond Redemption Report**

Ms. Lenox reviewed the bond activity for the quarter ended March 31, 2020 and indicated that \$2.0 million in 2006 A-1 bonds and \$4.25 million 2006 A-2 bonds were redeemed. Total for the quarter equaled \$6.2 million, compared to \$9.35 million last quarter. Excluding funds reserved for CHESLA scholarship fund, this quarter's activity aligns with the agreed upon strategy to utilize excess cash to repay the bonds, alternating payments between the senior 2006 A-1 and senior 2006 A-2 tranches.

Ms. Lenox noted that the Weighted Average Coupon (WAC) had a slight decrease from 6.38% to 6.36%, noting that we continue to see only slight changes in the WAC as approximately 90% of the portfolio is comprised of fixed rate federal loans. The Weighted Average Remaining Maturity (WARM) of the portfolio also increased slightly from 154 to 156. Consolidation loans, which have longer maturities, represent 64% of the portfolio, a slight increase from prior quarter.

Ms. Lenox also pointed out that while there was an increase in forbearances from 7.16% to 7.63% during the quarter, in April 2020 there was a larger spike in to 17.74% forbearances as well as a decrease in delinquencies due to COVID-19. Ms. Lenox clarified that since the Bond Redemption Report only covers the quarter ending in March 2020, the information from April was necessary to discuss as COVID-19 continues to disrupt existing trends.

**VII. BerryDunn Audit Update**

Ms. Balukas summarized the audit letter provided to the Board, expressing the audit committee's recommendation to establish additional procedures to evaluate SOC reports on an on-going basis and review vendor contracts to verify compliance with terms.

**VIII. Servicing of Private Loans**

Ms. Weldon noted that EdFinancial, which currently services all the CSLF loan portfolios, has requested to move the relatively smaller private loan portfolio to another servicer due to future cost increases. Ms. Weldon indicated that CSLF has been preparing to move the private loans to Launch, a Goal Solutions subsidiary.

Mr. Dockry introduced himself, his background, and the history of Launch. Mr. Dockry also presented to the board a brief overview of Launch's services, pointing out that Launch was recently rated by Fitch and is in the process of receiving one from S&P.

Mr. Budd asked about the potential conflict of interest due to Launch being a subsidiary of Goal Solutions. Ms. Weldon stated that CSLF will audit Launch annually in a similar manner to which Goal audits EdFinancial, most likely involving BerryDunn who currently handles internal audits for

CHEFA. Mr. Dockry additionally noted Launch's existing internal technical and corporate strategies to prevent issues of this sort.

Mr. Budd moved the following motion, which was seconded by Ms. Savino.

WHEREAS, the Connecticut Student Loan Foundation (the "Foundation") desires to appoint Launch Servicing, LLC ("Launch"), a Delaware limited liability company, as loan servicer ("Servicer") for its portfolio of private student loan, originated under the Foundation's First Rate Solutions Private Loan Program (the "Loans"), subject to the provisions of the resolution.

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF THE DIRECTORS OF THE CONNECTICUT STUDENT LOAN FOUNDATION AS FOLLOWS:

1. That the Foundation hereby authorizes the Executive Director to appoint Launch Servicing, LLC, as Servicer for the Loans, subject to (a) the issuance of "Rating Affirmation[s]" as defined in, and required under, the Connecticut Student Loan Foundation Indenture of Trust dated October 1, 2004, as supplemented and amended, and (b) the successful negotiation and execution of a Servicing and Custody Agreement between the Foundation and Launch containing such terms and conditions as the Executive Director deems appropriate.

2. The Executive Director may terminate the Servicing Agreement between Edfinancial Services, LLC and the Foundation, with an effective date of August 24, 2010, on such terms, and on such date, as determined by the Executive Director in the event Launch is appointed as Servicer in accordance with paragraph 1 above.

The motion was passed unanimously.

**IX. Adjournment**

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

The motion passed unanimously, and the meeting was adjourned at 2:35 p.m.

Respectfully Submitted by:

\_\_\_\_\_  
Jeanette Weldon, Executive Director