

## **MINUTES OF THE BOARD OF DIRECTORS**

**November 15, 2022**

**A meeting of the Connecticut Student Loan Foundation's Board of Directors was held on Tuesday, November 15, 2022 at 12:30 p.m., virtually via video conference. \***

### **Members Present:**

Dr. Peter Lisi, Chair of the Board  
Martin L. Budd  
Andrew Foster  
Michael Izadi (designee of the Connecticut OPM Acting Secretary)  
Darrell V. Hill (designee for Connecticut State Treasurer)  
Kerry A. Kelley (designee of the President of Connecticut State Colleges and Universities)  
Jeanette Weldon, Executive Director, CHEFA/CHESLA

### **Members Absent:**

Julie Savino, Vice-Chair of the Board  
Kelli-Marie Vallieres

### **Other Attendees:**

Denise Aguilera, General Counsel, CHEFA  
Kevin Barry, Accountant, CHEFA  
Dan Giungi, Government Relations and Communications Specialist, CHEFA  
Rebecca Hrdlicka, Administrative Services Assistant, CHEFA  
Joshua Hurlock, Assistant Director, CHESLA  
Carlee Levin, Senior Accountant, CHEFA  
JoAnne Mackewicz, Controller, CHEFA  
Cynthia Peoples-H., Managing Director, Operations & Finance, CHEFA  
Shannon Reynolds, Portfolio Assistant, CHESLA  
Kara Stuart, Manager of Administrative Services, CHEFA  
Yesenia Torres-Rivera, Program Coordinator, CHESLA  
Rachel Intfen, Director, Financial Reporting, Goal Structured Solutions, LLC  
Robert Johnson, Accounting Analyst II, Goal Structured Solutions, LLC  
Andrea Lenox, Vice President, Structured Finance, Goal Structured Solutions, LLC  
Justin Schwartz, Senior Accounting Analyst II, Goal Structured Solutions, LLC  
Tim Webb, Vice President, Hilltop Securities N.A

\* All attendees 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 1:05 p.m.

**II. Approval of Minutes:**

Mr. Lisi moved to approve the minutes of the September 22, 2022 meeting, which was seconded by Mr. Hill. The motion passed unanimously, with Mr. Foster and Ms. Kelley abstaining as they were not present for the September meeting.

Mr. Budd asked for an update on the impact of the student loan forgiveness executive order on the CSLF portfolio. Ms. Weldon noted that FFELP loans, which make up the entirety of CSLF federal loans, still do not qualify for this forgiveness program. Mr. Webb also reminded the board of the cash flow analysis performed ahead of the last meeting that concluded the long-run impact would be “relatively negligible”. CSLF will continue to monitor the situation, especially given the ongoing legal action against the program.

**III. Executive Directors Report**

Ms. Weldon noted that ethics training for the CSLF board members was provided during the CHESLA board meeting, which contains the same membership.

Ms. Weldon provided an update on the request for proposal (RFP) process for a new loan servicer. Since the last meeting, EdFinancial, who has serviced CSLF’s FFELP loan portfolio for over 10 years, notified CSLF that they would be terminating FFELP loan servicing in June 2023. EdFinancial indicated that due to the relatively little proportion of FFELP loans they serviced, it was no longer cost-effective for them to continue doing so.

An RFP was issued on November 8, with proposals due by December 9. A special CSLF board meeting has been scheduled for December 19, so that management can present their recommendation. Ms. Weldon emphasized that this timeline puts CSLF well ahead of the June 2023 deadline of finding a new servicer.

Mr. Budd asked for clarification on Goal Solutions’ role in the RFP creation. He noted that they have their own subsidiary servicer (Launch Servicing, LLC.) who theoretically could bid for the contract, which potentially creates the appearance of a conflict of interest. However, Ms. Lenox pointed out that Launch only services private loans, and as such, there was no possibility of them submitting a response to the RFP.

**IV. Executive Session**

Mr. Budd moved to go into Executive Session to discuss the Attorney-Client Privileged Communication of the EdFinancial Notice. Mr. Foster seconded the motion. The motion passed unanimously.

At 1:16 p.m., all Board members, Ms. Aguilera, Ms. Mackewicz, and Ms. Peoples left the videoconference meeting to attend the Executive Session via a separate videoconference room.

All Board members, Ms. Aguilera, Ms. Mackewicz, and Ms. Peoples returned to the videoconference at 1:21 p.m. It was stated that no votes were taken during Executive Session.

**V. Financial Report**

**A. September 30, 2022**

Mr. Barry explained that operating revenue for the quarter was \$1.5 million, up from \$1.2 million in this period last year, consisting primarily of student loan interest income. Operating expenses were \$1.2 million for the quarter, also up year over year, from \$700,000 in 2021. 68% of expenses were derived from interest on outstanding bonds.

Total trust assets declined from \$139 million last year to \$116 million, as student loans continue to pay down. Trust liabilities also declined from \$116 million to \$93 million due to bond paydowns. Net position decreased to \$22.4 million from \$24.0 million year over year.

**B. Bond Redemption Activity**

Mr. Schwartz reviewed the bond activity for the quarter ended June 30, 2022. Total redemptions for the quarter equaled \$9.15 million, compared to \$4.35 million last quarter. This consisted of \$3.7 million for the 2006 A-1 tranche and \$5.45 million for the 2006 A-2 tranche. The outstanding bond balance at the end of the quarter stood at approximately \$93 million, representing a 9% decline. Mr. Schwartz also noted that because of the 28-day redemption cycle, this quarter experienced an additional redemption day, which explains why the amounts are higher overall.

The Weighted Average Coupon (WAC) increased from 6.43% to 6.62% and the Weighted Average Remaining Maturity (WARM) of the portfolio increased from 186 months to 190 months. Forbearance rates in the FFELPP portfolio went down from 10.93% to 6.39%, while no private loans were in forbearance as of 9/30.

Mr. Budd asked for the reasoning behind the varying redemption between the tranches. Mr. Webb clarified that CSLF paying down its two senior tranches, alternating between the two, before it begins to pay the remaining subordinate tranche.

**VI. Servicer Review**

Mr. Schwartz introduced the annual servicer review. During October 2022, GS2 performed the Annual Servicer Review of EdFinancial for the period September 1, 2021 through August 31, 2022. The review was completed remotely, which was consistent with those in the past.

The first noted exception involved Nelnet, a subservicer of EdFinancial, which notified CSLF of a vulnerability in their system that was discovered in July 2022. In their investigation conducted thereafter, they concluded that borrower information was exposed between June 2022 through July 22, 2022. All borrowers were notified in August 2022. As of September 15, 2022, the total impact is still under review by Nelnet and its third-party consultants.

As for the second exception, Mr. Schwartz explained that EdFinancial failed to meet its contractual servicing standards during the review period. Written correspondence response rates exceeded standards in July and August 2022. Deferment and forbearance form processing time also exceeding during those same months. The call answer rate was mildly over the standard in December 2021 and January 2022, in addition to a larger increase in August 2022 to 1563 seconds. In response, EdFinancial attributed the deficiencies to staffing changes, especially in December and January, in which they reevaluated representatives who handled calls from FFELP borrowers. Also, in August, EdFinancial stated that call volume increased dramatically following the student

loan forgiveness announcement from President Biden. EdFinancial also cited the influx of loans returning to repayment status after deferments putting further strain on their customer service team.

GS2 also conducted a separate review of Launch, the private loan servicer for CSLF, from September 1, 2021 through August 31, 2022. Mr. Schwartz re-emphasized that because Launch is a subsidiary of GS2, a potential conflict of interest exists in their performance of this review. However, both GS2 and CSLF concluded that the risk was mitigated by the relative immateriality of the private loans in the overall portfolio.

Similar to EdFinancial, Launch experienced difficulties meeting its contractual servicing standards during this period. In particular, the call answer rates and call abandonment rates were not met in most months, while the other metrics were consistently achieved. Launch pointed to substantial growth in their serviced loans, as well as higher COVID-related absences and slower onboarding than initial expectations. Launch further explained that they have adjusted their staffing issues so that these metrics will be met going forward.

**VII. 2023 Meeting Schedule**

The 2023 Board Meeting schedule was presented to the board.

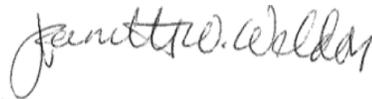
Mr. Budd moved to approve the motion and Mr. Lisi seconded. The motion passed unanimously.

**VIII. Adjournment**

Mr. Foster made a motion, which was seconded by Mr. Hill, to adjourn the meeting.

The motion passed unanimously, and the meeting was adjourned at 1:34 p.m.

Respectfully Submitted by:



Jeanette Weldon, Executive Director