

MINUTES OF THE BOARD OF DIRECTORS

March 23, 2023

A meeting of the Connecticut Student Loan Foundation's Board of Directors was held on Thursday, March 23, 2023 at 12:30 p.m., virtually via video conference. *

Members Present:

Dr. Peter Lisi, Chair of the Board
Laura M. Baker (designee of the Connecticut Chief Workforce Officer)
Bettina Bronisz (designee of the Connecticut Treasurer)
Martin L. Budd
Andrew Foster
Michael Izadi (designee of the Connecticut OPM Acting Secretary)
Julie B. Savino, Vice Chair
Jeanette Weldon, Executive Director, CHEFA/CHESLA

Members Absent:

Kerry A. Kelley (designee of the President of Connecticut State Colleges and Universities)

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
Shannon Reynolds, Portfolio Specialist, CHESLA
Kara Stuart, Manager of Administrative Services, CHEFA
Yesenia Torres-Rivera, Program Coordinator, CHESLA
Robert Johnson, Accounting Analyst II, Goal Structured Solutions, LLC
Andrea Lenox, Vice President, Structured Finance, Goal Structured Solutions, LLC
Justin Schwartz, Financial Reporting Manager, 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 12:51 p.m.

II. Approval of Minutes:

Mr. Foster moved to approve the minutes of the December 19, 2022 meeting, which was seconded by Mr. Lisi. The motion passed unanimously, while Ms. Bronisz abstained as she was not present for the December meeting.

III. Executive Directors Report

Ms. Weldon reminded the Board that EdFinancial had issued a notice that they were no longer going to service FFELP loans as of June 30, 2023, so a new servicer would be needed for the CSLF portfolio. An RFP process was held late last year and PHEAA was selected as the new servicer.

Ms. Aguilera noted that the contract negotiations are in their final stages, with PHEAA and CSLF in agreement on all material items. The contract is expected to be executed in the coming weeks and the target conversion date is the end of May. EdFinancial and Goal Solutions will be working together to prepare for and address all necessary issues before the conversion begins.

IV. Financial Report

A. December 31, 2022

Mr. Barry explained that operating revenue for the period was \$3 million, with about 98% of these revenues coming from student loan interest income. This exceeded the \$2 million budgeted amount as well as the \$2.3 million actuals from this period last year. Operating expenses were \$2.7 million for the period, which was above the \$1.5 million from this time last year but under the \$3.0 million budgeted amount. 70% of these expenses derive from interest paid on the outstanding bonds payable. Overall change in net position for the current fiscal year is an increase of about \$300,000, compared to an \$800,000 increase at this point last year.

Total assets declined from \$135 million last year to \$112 million, as student loans continue to pay down. Liabilities also declined from \$110 million to \$89 million due to bond paydowns. Net position at the end of the period is \$23 million down from \$25 million in the prior fiscal year.

B. Bond Redemption Activity

Mr. Schwartz reviewed the bond activity for the quarter ended December 31, 2022. Total redemptions for the quarter equaled \$5.1 million, compared to \$9.15 million last quarter. This consisted of \$3.6 million for the 2006 A-1 tranche and \$1.5 million for the 2006 A-2 tranche. The outstanding bond balance at the end of the quarter stood at approximately \$88 million, representing a 5.5% decline from the prior quarter.

The Weighted Average Coupon (WAC) increased from 6.62% to 6.73% and the Weighted Average Remaining Maturity (WARM) of the portfolio increased from 190 months to 198 months. Forbearance rates in the FFELPP portfolio increased from 6.39% to 15.63%, while no private loans were in forbearance as of 12/31.

V. Contribution to CHESLA's Scholarship Program

Ms. Weldon introduced the resolution for a \$500,000 contribution to be made in June 2023 to the CHESLA administered scholarship program. Ms. Weldon noted that this amount had already been budgeted and that this action formally authorizes the cash release.

Mr. Budd requested a change in the resolution wording to clarify when the release would occur, in which the phrase "by June 1, 2023" would move from line 7 and added after the word "Contribution" in line 6.

Mr. Budd moved to approve the resolution as updated. Ms. Savino seconded, and the motion passed unanimously.

VI. Contribution to CHESLA's Loan Programs

Ms. Weldon introduced the resolution for a contribution from CSLF to CHESLA's loan programs in the amount of up to \$3 million. She referred to Mr. Webb who provided an explanation on the effect of this release on the future cash flows of the trust. Ms. Weldon also noted that this information was summarized in a letter that was provided separately to the Board.

The analysis is based on 12/31 bond and portfolio data and assumes a \$3 million release occurs on 4/1 as well as an annual \$500,000 scholarship contribution. After taking into consideration the various rate indices that could affect either the loan portfolio or bond interest proceeds, Mr. Webb concluded that CSLF should have no issues with liquidity should they release the \$3 million. He also pointed out that the CSLF bonds have a nominal maturity date of June 1, 2046 and while no principal payments are required at this point, CSLF continues to make monthly paydowns and the bonds could pay off as early as 2030. Mr. Webb noted that even with an income-based repayment assumption of 40%, the bonds still paid off around 2039.

Ms. Weldon indicated that language in the resolution was modified after the Board package distribution. The amount coming from the trust increased from \$2.25 million to \$3 million, consistent with Mr. Webb's analysis. Ms. Weldon explained that the additional funds were needed to provide a \$750,000 equity contribution for the upcoming CHESLA bond transaction.

Mr. Budd also requested a language change similar to that of the previous resolution and requested that in paragraphs 1-3 of the resolution the phrase "in support of" be replaced with the term "for".

Mr. Budd moved to approve the resolution as revised, which was seconded by Mr. Foster. The motion passed unanimously.

VII. Adjournment

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

The motion passed unanimously, and the meeting was adjourned at 1:12 p.m.

Respectfully Submitted by:

Jeanette Weldon, Executive Director