UNOFFICIAL MINUTES

MINUTES
RHODE ISLAND HIGHER EDUCATION ASSISTANCE AUTHORITY
BOARD OF DIRECTORS' MEETING
NOVEMBER 9, 2004

The 251st meeting of the Rhode Island Higher Education Assistance Authority was held on Tuesday, November 9, 2004 in the McKenna Conference Room of the Authority, 560 Jefferson Boulevard, Warwick, Rhode Island. The meeting was called to order at 9:05 a.m.

The following members were in attendance:
Dr. Robert J. McKenna, Chairman
Ms. Miriam Curtis Coleman
Ms. Laura DiSano
Ms. Kerrie Bennett, Designee of General Treasurer Paul J. Tavares
Mr. William B. Hall
Mr. John Howell
Mr. Solomon A. Solomon
Senator William A. Walaska

Members Absent:
Dr. William Croasdale, Treasurer
Dr. Anthony J. Santoro, Vice Chair
Representative Steven M. Costantino

Also Attending:
Mr. William H. Hurry, Jr., Executive Director, RIHEAA
Ms. Gail Mance-Rios, Deputy Director, RIHEAA
Mr. Marc Lacroix, Chief Financial Officer, RIHEAA
Attorney Joseph Palumbo, RIHEAA Legal Counsel
Ms. Nancy Ann Dooley
Ms. Mary Ann Welch
Mr. Michael Joyce
Mr. Steven Mollica
Mrs. Sue Zubee
Mr. Noel Simpson, RISLA

1) Approval of Minutes of the October 19, 2004 Board Meeting:

On motion duly made by Mr. Solomon and seconded by Mr. Howell, it was

VOTED: That the minutes of the October 19, 2004 Board of Directors Meeting be accepted/approved and placed on file.

Voting in favor: Chairman McKenna, Ms. Coleman, Ms. DiSano, Ms. Bennett, Mr. Hall, Mr. Howell, Mr. Solomon and Senator Walaska.
Voting against: none.

2) Chairman's Report:

a. Chairman McKenna mentioned that he attended a meeting this past weekend of the New England Board of Higher Education (NEBHE) in Vermont. The main topic of the meeting was to receive the report of the nominating committee for the replacement of the President, Mr. Robert Weygand. The Chairman and Mr. Hurry served on the search committee. The NEBHE Board voted unanimously to elect Mr. Evan Dobelle as President for a five-year term. Mr. Hurry participated in the meeting via telephone.

b. The Chairman reported that the proposal to cut an additional $900,000 from the state assessments to support NEBHE was defeated.

3) Executive Director's Report:

Mr. Hurry noted that the General Treasurer has appointed Ms. Kerrie Bennett as his official designee for this meeting.

a. It was reported that Dr. Anthony Santoro has been in the hospital for two weeks and is now recovering. His recovery period however, will be lengthy. A get-well card has been sent to him on behalf of the Board of Directors, and when he returns home a remembrance will be sent to him.

b. Included in the meeting materials is a reprint of an editorial, which summarizes where student aid and affordability issues are at this time and the dynamics that are involved.

c. There is also an article in the materials regarding consolidation loans. While it has been reported previously that the volume on consolidation loans has decreased in the current year, the article states that only one-third of recent four-year college graduates have done consolidations. This suggests that there is a lot more potential volume than what was originally thought.

d. In the latest publication of “Highlights” from the Office of Higher Education, there are references to an “on the road” program which involves visiting various groups and schools providing information to students regarding financial aid and college preparation. The Authority and the Office of Higher Education (OHE) are engaged in a partnership in this effort. The publication is included in the meeting materials.

e. RIHEAA has been involved in conversations with staff from the OHE and a staff person from the Governor’s office to develop some possible programmatic initiatives regarding the issues of college preparation, access and affordability/financial aid and to determine what their potential costs might be. These ideas would then be provided to the Governor’s staff for possible student financial aid initiatives which, hopefully the Governor might include in his budget message for FY 2006.

Mr. Hurry noted that at the next meeting he would share with the Board the product, “The White Paper”, resulting from these conversations.

Mr. Hurry stated that the conversations have been very productive, and he sought the permission of the Board to invite the Commissioner of Higher Education to the next Board meeting to discuss his priorities and OHE’s agenda..

f. Mr. Hurry endorsed the Chairman’s comments regarding the appointment of the new President of NEBHE.

g. Regarding the Federal Asset Resolution, Mr. Hurry reported that the formal process has begun. The Authority has been asked to provide some additional information about the building. It is expected that within the next two weeks federal representatives will be on-site to begin the process of another appraisal of the building.

h. Mr. Hurry stated that RIHEAA and three other guarantee agencies in New England are reviewing proposals for a web-based early awareness, college planning, career preparation, and high school electronic transcript system for their respective states (Maine, Vermont, and New Hampshire). Massachusetts and Connecticut have such sites, and NEBHE is looking at implementing a compatible regional site/portal.

4.a) It is noted that Dr. Croasdale, reported on the Board Audit Committee meeting via telephone at 9:30 a.m.

He reported that the Committee met and reviewed the RIHEST audit. The Committee recommends that the Board approve the audit.

9.a) Action Item:

On motion duly made by Mr. Hall and seconded by Ms. Bennett, it was

VOTED: To accept the recommendation of the Audit Committee and to approve the FY 2004 RIHEST Audit.

Mr. Hall noted that it is a clean audit.

With regard to the legal footnote Mr. Hurry stated that while it related to the technicalities of the market timing issue, the impact on participants in CollegeBoundfund was minimal.

Mr. Palumbo stated that the financial statements reflect a representation by Alliance Capital that, in their view, it would not impact adversely on their ability to carry out their responsibilities under their contract with RIHEAA and the SIC.

Voting in favor: Chairman McKenna, Ms. Coleman, Ms. DiSano, Ms. Bennett, Mr. Hall, Mr. Howell, Mr. Solomon and Senator Walaska.
Voting against: none.

4.a.1) Mr. Lacroix distributed the draft copy of the RIHEST SAS61 Letter and reported that there are no significant comments. He explained that this is a communication from the audit firm to the Board, and no

action is needed. Final copies of the RIHEST audit and the SAS61 letter will be distributed at the next meeting.

Final copies of the RIHEAA audit, single audit and business advisory letter that were approved at the previous meeting were distributed.

Mr. Lacroix mentioned that with regard to the RIHEST audit and the legal footnote, Alliance hired a consultant whose task is to determine how the $250 million will be distributed to which mutual funds and, in turn, to the investors in those funds. The extent to which the CollegeBoundfund participants will be affected is expected to be negligible.

4.b.1) Mr. Lacroix reviewed the first quarter budget versus actual reports for the Scholarship and Grant Program and the College Savings Program that are included in the Board materials. The student financial assistance sections reflect the entire year amount of the budget. The personnel, purchased services, and operating sections are 25% of the budgeted amount.

4.b.2) Regarding the budget versus actual report for the Loan Division for the first quarter, Mr. Lacroix noted that it reflects the revised budget request as opposed to the enacted budget. It is expected that the revised request for the Loan Division will be approved. It is not general revenue funded, so there is less opportunity that the request for significant increases in the revised request will be denied.

Mr. Lacroix mentioned that at the last meeting there was discussion regarding the federal student loan reserve fund and that he would provide an analysis of the status of the federal fund as of September 30. He reported that information is still forthcoming from the US Dept. of Education in order to finalize statements.

Senator Walaska asked about RIHEAA’s use of collection agencies.

Mr. Lacroix explained that the lenders make the loans, and RIHEAA guarantees the loans. When a default takes place, RIHEAA pays the lender the principal and unpaid accrued interest on the loan. The U.S. Dept. of Education then repays RIHEAA a percentage of that amount, and RIHEAA

begins collection activities on behalf of the D.E.. The accounts are worked in-house but staff is unable to work the entire volume. RIHEAA has entered into an agreement with Sallie Mae whereby Sallie Mae manages the outsourced collection activity on defaulted loans which RIHEAA staff cannot adequately pursue. Sallie Mae uses three different collection agencies to work these accounts, and all of the agencies had direct relationships with RIHEAA prior to the Sallie Mae default portfolio management agreement.

5) Investment Committee Report:

Included in the materials is the Schedule of Cash and Investments at September 30, 2004. Mr. Lacroix mentioned that the interest rates on the money market accounts have begun to slowly increase.

6) Scholarship and Grant Update:

Ms. Welch stated that there has not been a lot of movement since the last meeting. There are $17.4 million out in state grants to 15,501 students, and the average award is $1,128. The Community College of RI and Rhode Island College have yet to finish processing their fall semester awards. Once this is completed we will be able to determine how much money is left, if any, to be reawarded for the spring semester.

Regarding the Academic Promise Program, there has not been much activity since the last meeting. There are 336 students with Academic Promise Awards for an amount of $817,319. The program is progressing well.

Mr. Hurry noted that there may be a possibility of expanding this program in conjunction with the Office of Higher Education.

Ms. Welch reported that the Guidance Counselor Seminar will be held on November 16. Regarding the Joint Admissions Agreement, there will be a representative from Rhode Island College to explain this agreement to the counselors. The President of RIASFAA will give an update on financial aid on a broader scale.

Ms. Welch will be giving a presentation, along with the Office of Higher Education (OHE), today at one of the high schools with respect to the partnership with OHE.

The updated financial aid handbooks have been completed and will be distributed soon to all Rhode Island high schools.

Mr. Hurry noted that at the federal level there are serious problems in terms of the state allocation formulae for the Title IV Programs. Proposed changes could reduce markedly Rhode Island's share of appropriated federal funds.

7) Loan Division Update:

Ms. Dooley reported that consolidation loans are decreasing.

School visits are ongoing.

The ERC training session for the schools will be held next Thursday.

8) CollegeBound*fund* Update:

Mr. Joyce noted that as of October 29, 2004 total accounts are over 439,000 and 12,745 of those are Rhode Island resident accounts. Total asset value is just over $4.9 billion. Ms. Bennett noted that the asset value did reach $5 billion. The Rhode Island assets are over $114 million. In terms of marketing, CollegeBound*fund* presentations at the Roger Williams Park Zoo were a success. Photos are posted on the website.

Ms. Bennett noted that at those events staff signed up 750 new leads. Ms. Bramley of Vision Strategies was complimented for her role in making successful this and many other CollegeBound*fund* events throughout the year.

Mr. Howell asked how the Rhode Island program compares to the Virginia program.

Mr. Hurry stated that Rhode Island is second largest in the nation, while the Virginia Plan is the largest in terms of assets under management. Ms. Bennett mentioned that she would research this, and obtain additional information on the specific differences between the two plans.

Mr. Hurry mentioned that a copy of an email from the College Savings Foundation is included in the meeting materials for review. The most significant point is that a

member of congress has asked the regulators to consider the possibility of taking the states out of these programs. This would have a significant negative affect on Rhode Island. Mr. Hurry asked the Board members to use their influence on our congressional delegation to insure that they understand that we are in favor of full disclosure and that CollegeBound*fund* returns significant financial benefit to needy Rhode Island students. Ms. Bennett noted that the College Savings Plan Network has put forth a standardized disclosure for states to follow.

9.b) Action Item: Election for Secretary of the Board

Action was deferred to the next meeting.

10) Communications: Mr. Hurry noted that at the last meeting he indicated to the Board of Directors that RIHEAA had been asked by the executive director of Jump Start Rhode Island to become a partner with them. There are no financial obligations, however, there is potential common interest in terms of facilitating and encouraging young people to save for education. It was decided at that meeting that a vote was not needed at that time. There appears to be no reasons not to partner with Jump Start. Mr. Hurry stated that if the Board is comfortable, he would welcome a motion to go ahead on this partnership.

Ms. Bennett stated that the Treasurer's Office endorses this.

On motion duly made by Mr. Howell and seconded by Mr. Solomon, it was

VOTED: To authorize RIHEAA to partner with Jump Start Rhode Island.

Voting in favor: Chairman McKenna, Ms. Coleman, Ms. DiSano, Ms. Bennett, Mr. Hall, Mr. Howell, Mr. Solomon and Senator Walaska.
Voting against: none.

11) The next meeting is scheduled for December 14, 2004 at 9:00 a.m. if necessary.

It was agreed to schedule the 2005 meetings for the second Tuesday of every month at 9:00 a.m.

There was no need for an Executive Session.

In the event that there is no December meeting Chairman McKenna wished all a Merry Christmas and a Happy New Year.

There being no further business to come before the Board it was agreed to adjourn the meeting.

On motion duly made by Mr. Solomon and seconded by Mr. Hall, it was

VOTED: To adjourn the meeting.

Voting in favor: Chairman McKenna, Ms. Coleman, Ms. DiSano, Ms. Bennett, Mr. Hall, Mr. Howell, Mr. Solomon and Senator Walaska.
Voting against: none.

The meeting adjourned at 10:30 a.m.

_____

Mr. William H. Hurry, Jr.
Executive Director