

MINUTES
RHODE ISLAND HIGHER EDUCATION ASSISTANCE AUTHORITY
BOARD OF DIRECTORS' MEETING
FEBRUARY 16, 2007

The 273rd meeting of the Rhode Island Higher Education Assistance Authority was held on Friday, February 16, 2007 in the McKenna Conference Room of the Authority, 560 Jefferson Boulevard, Warwick, Rhode Island. Chairman McKenna called the meeting to order at 9:05 a.m.

The following members were in attendance:

Dr. Robert J. McKenna, Chairman
Dr. Anthony J. Santoro, Vice-Chair
Dr. William Croasdale, Treasurer
Mr. John Howell, Secretary
Mr. William B. Hall
The Honorable Frank T. Caprio, General Treasurer

Members Absent:

Ms. Miriam Curtis Coleman
Ms. Patricia A. Doyle
Mr. Solomon A. Solomon

Also Attending:

Mr. William H. Hurry, Jr., Executive Director, RIHEAA
Ms. Gail Mance-Rios, Deputy Director, RIHEAA
Mr. Marc Lacroix, Chief Financial Officer, RIHEAA
Mr. Joseph Palumbo, Esq., Legal Counsel, RIHEAA
Ms. Nancy Ann Dooley
Ms. Mary Ann Welch
Mr. Michael Joyce
Ms. Marisol Garcia
Mr. Charles Miller
Mr. Greg Silva
Ms. Victoria LaForce
Ms. Elizabeth Strout, Office of the General Treasurer
Mr. Xay Khamsyvoravong, Office of the General Treasurer
Ms. Meredith Holderbaum, Senate Fiscal Office
Mr. Charles P. Kelley, Executive Director, NESLA
Mr. David Souto, NESLA
Mr. Noel Simpson, Executive Director, RISLA

2) Chairman's Report: Chairman McKenna reported that he received a communication from Speaker Murphy informing him that, due to the Separation of Powers amendment, there needs to be a proper liaison relationship in order that the General Assembly is kept informed as to the activities of the various boards and commissions. Therefore, the Speaker will appoint a person who will attend all the Board Meetings and report back to the House legal counsel. Chairman McKenna stated that an agenda must be presented to the designated appointee in advance of the meetings. The person assigned is Paula Dominguez.

The Chairman also noted that he received from the Governor a copy of the budget proposal for RIHEAA for FY 2008. This new communication changes his originally proposed appropriation of \$25 million to approximately \$20 million.

3) Executive Directors Report: Mr. Hurry informed the Board of the death of Jen Bramley's mother last Saturday and distributed copies of the arrangements.

He noted that Ms. Victoria LaForce is filling in at this meeting for Ms. Sue Zube, who is out due to surgery. Appreciation was extended to Ms. LaForce.

Mr. Hurry also mentioned that next Friday is Chairman McKenna's 76th birthday. Birthday wishes were extended.

The New England Board of Higher Education (NEBHE) will hold its annual meeting and awards banquet on March 9 at 6:00 pm at the Fairmont Copely Plaza in Boston.

a. Mr. Hurry reported that he and staff met with Paula Dominguez here at the Authority for an orientation. It was a good meeting.

Mr. Hurry noted that in the Governor's budget address, reference was made to possible furlough days for state employees, and potentially lay-offs. The Authority has not had any further directives in this regard.

On the Federal Level, the feud between Direct Loans and FELP continues. These will prove to be difficult times for RIHEAA. It is a precarious time for the loan side of the operation, and RIHEAA needs to be sure that our congressional delegation is aware of our mission and the potentially negative impacts of proposals being floated.

Mr. Hurry distributed materials for review regarding the role of guarantors.

b. Regarding the status of the XAP/Bridges agreement, Mr. Hurry reported that he has signed the contract documents following the Board's authorization.

Ms. Mance-Rios reported that a conference call between XAP/Bridges and RIHEAA took place yesterday. It is expected that we will receive a project form the first week of March. The target date for the soft launch, which will consist of some of the Bridges products, should be available some time this spring/summer.

Mr. Palumbo noted that in bringing the contractual relationships together, a lot of thanks should be given to Mr. Hurry and in particular Gail Mance-Rios and Charlie Miller who provided invaluable input.

c. With respect to the Cooperative Agreement between NELNET and RIHEAA, Mr. Hurry reported that copies of the latest version of the agreement are included in the Board materials. Mr. Palumbo explained that the last issue that was agreed to was that this agreement would be for a five year term renewable at the option of RIHEAA thereafter for as long as the master agreement between NELNET and the Rhode Island Student Loan Authority remains in effect.

9.a. Action Item

On motion duly made by Dr. Santoro and seconded by Chairman McKenna, it was

VOTED: To authorize the Executive Director to execute this agreement on behalf of the Rhode Island Higher Education Assistance Authority.

Voting in favor: Chairman McKenna, Dr. Santoro, Dr. Croasdale, General Treasurer Caprio, Mr. Hall and Mr. Howell. Voting against: none.

d. Marketing and PR Committee:

With respect to the RFP for lobbyist services, Ms. Garcia reported that the RFP was issued and the deadline was February 12. Five responses were received. Interviews with three of the respondents will be scheduled for next week. The interviewers will consist of the members of the

marketing committee with the exception of Ms. Doyle, who has recused herself due to potential conflict of interests.

The Family Fun Week sponsored by the 5&10 grant program will be held next week.

In addition to NEBHE's Excellence Awards Ceremony, there will be a press conference on March 5 at the State House acknowledging one of the award recipients, Ms. Paula Nirschel, for the Roger Williams University "Initiative to Educate Afghan Women".

Ms. Garcia distributed copies of the committee assignments for the RI House of Representatives and the Senate for informational purposes.

e. Regarding the RFP for Guarantor Servicing System, Mr. Hurry reported that the Authority has engaged a consultant to assist in finalizing the RFP, and rank and evaluate the proposals. A letter of intent was sent out to a broad range of potential vendors. An RFP should be finalized and sent out by the end of the month.

In the interest of time, Dr. Croasdale requested that the Board move to action item 9.b. It was agreed.

9.b. Action Item:

Mr. Hurry briefly explained the Default Fee Policy for the new board member, General Treasurer Caprio.

On motion duly made by Dr. Croasdale and seconded by Dr. Santoro, it was

VOTED: That RIHEAA will charge the required 1% Federal Default Fee on all Stafford and PLUS Loans effective July 1, 2007.

This policy reflects a modification of the policy adopted by the Board last year, so as to include PLUS Loans originated by RISLA as well as other lenders. In the current year RIHEAA and RISLA have split the fee, while other lenders have paid 100% of the fee on behalf of borrowers.

The proposed change has been reviewed by the Committee with Mr. Simpson, who has agreed to the change in policy.

Voting in favor: Chairman McKenna, Dr. Santoro, Dr. Croasdale, General Treasurer Caprio, Mr. Hall and Mr. Howell. Voting against: none.

9.c. Action Item:

Regarding the possible approval of 2007/08 State Awarding Formula, Mr. Hurry suggested that the Board not make a decision at this time.

4) Financial Report: Mr. Lacroix reported on the Budget versus Actual Reports for six months ended December 31, 2006. With respect to the Scholarship and Grant Program there was nothing unusual to report. Regarding the College Savings Program, the account for the 2011 cohort for Academic Promise Program has just been set up and within a couple of days the \$1 million will be moved from the Tuition Savings Program revenues into the omnibus account.

There are no unusual items to report in any of the expense categories either in the Tuition Savings Program or the Scholarship and Grant Program.

Budget versus Actual Report in the Loan Division, Mr. Lacroix reminded the Board that the first quarter results were higher than expected, and that is also the case in the six month results. This is due to an overstatement of the revenue from Account Maintenance Fees paid by the U.S. Department of Education based on the outstanding portfolio of loans guaranteed. Due to a change in the most recent HERA, the timing and source of Account Maintenance Fee payments had changed. One payment received was accelerated from the first quarter of the federal fiscal year into the last quarter of the state fiscal year.

b. Federal Student Loan Reserve Fund Update, Mr. Lacroix reviewed the analysis and projection report. He explained that this report reflects the operations of the Federal Student Loan Reserve Fund, five years of actual results through federal fiscal year ended September 30, 2006 with projections for 2007 and 2008. The report demonstrates how, in the absence of guarantee fees, there was significant erosion occurring in the resources of the federal fund. It is expected that the Authority's

ranking/relative position regarding the reserve fund ratios, among the other guarantee agencies, will remain in the upper quartile.

c. In 2006 there is revenue into the Federal fund in the form of the Default Fee which has the effect of stabilizing the fund. The revenue estimates for the default fee are conservative in 2007 and 2008.

5) Investment Report: Dr. Croasdale reported we are staying with U.S. Treasuries. Mr. Lacroix noted that we recently purchased additional Treasuries in both the operating fund and the federal fund.

6) Scholarship and Grant Report:

6.0. Ms. Welch reported that in the current year for the State Grant Program two of the major schools have already requested payment, URI and CCRI. This is a result, in part, of the web-based systems. There are schools still outstanding. These should be coming in shortly.

Expenses for State Grant Program, a decision should be made today whether or not to go out to the waiting list for second semester awards.

6.1. The Academic Promise Scholarship Program is proceeding normally in the current year. There are 418 students receiving those awards for just over \$1 million. The new academic year 2007/2008 FAFSA information/applications have started coming in. RIHEAA has sent out letters requesting additional or missing information. Next week we will begin to request 07/08 budgets from the institutions. The state awarding formula for the 07/08 academic year must be determined.

Regarding the action item 9.c., Mr. Hurry explained that if a recommendation were to be made to the Board at this time, based upon the Governor's proposed funding level, the Authority would ask to keep the awarding formula the same as the 06/07 academic year. However, due to recent conversations a recommendation cannot be made at this time, and the staff will come back with an update for the next meeting.

7) Loan Program Update: Due to timing, Mr. Hurry stated that the report on loan program volumes are included in the Board materials and are relatively self explanatory.

8) CollegeBoundfund Update: Mr. Hurry also noted that the latest weekly report has been distributed, the numbers continue to grow, \$7.8 billion at the national level. As a footnote, the General Treasurer, at his request, has been added to the CollegeBoundfund Marketing Committee and the RIHEAA Marketing Committee.

Mr. Hurry distributed materials regarding the tax parity issue.

Mr. Howell appealed to everyone at the meeting to be a judge on March 11 for the 24th annual event of the Rhode Island Academic Decathlon. Speech and interview judges are needed.

There being no further business to come before the Board, on motion duly made by Dr. Croasdale and seconded by Chairman McKenna, it was

VOTED: To adjourn the meeting.

Voting in favor: Chairman McKenna, Dr. Santoro, Dr. Croasdale, General Treasurer Caprio, Mr. Hall and Mr. Howell. Voting against: none.

The meeting adjourned at 10:35 a.m.

Mr. John Howell
Secretary