

MINUTES
RHODE ISLAND HIGHER EDUCATION ASSISTANCE AUTHORITY
BOARD OF DIRECTORS' MEETING
JUNE 6, 2008

The 283rd meeting of the Rhode Island Higher Education Assistance Authority was held on Friday, June 6, 2008 in the McKenna Conference Room of the Authority, 560 Jefferson Boulevard, Warwick, RI. Chairman McKenna called the meeting to order at 9:03 a.m.

Board Members in Attendance:

Dr. Robert J. McKenna, Chairman
Dr. Anthony J. Santoro, Vice Chairman
Dr. William Croasdale, Treasurer
Mr. John Howell, Secretary
Mr. J. Michael Costello
The Honorable Frank T. Caprio, General Treasurer
Dr. Brenda Dann-Messier
Mr. Solomon A. Solomon

Board Members Absent:

Ms. Patricia Doyle

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, Legal Counsel
Mr. Michael Joyce
Ms. Mary Ann Welch
Ms. Marisol Garcia
Mr. Greg Silva
Ms. Kathy Sisson
Ms. Christina Faulkner
Ms. Sue Zube
Mr. James D'Ambra, Representative Senate Fiscal Office
Mr. Daniel Calhoun, Office of the General Treasurer
Mr. Xay Khamsyvoravong, Office of the General
Treasurer
Ms. Janine Kwoh, Office of the General Treasurer
Mr. Noel Simpson, RISLA

1) Minutes were not available.

2) Chairman's Report: The Chairman noted that the state is in a situation of economic crisis. We were cut half a million dollars in the current fiscal year, and there apparently is great concern in the General Assembly. We are trying everything to restore the cut which the Governor has proposed and to avoid any further cuts.

On the National level the Chairman reported that the Pell Grants were increased this year by \$325 billion. He reported that he met with Senator Jack Reed, and he is working hard to increase this for the coming year.

3) Executive Director's Report:

a. As a follow up to the budget issues, Mr. Hurry reported that he met with the National Council of Higher Education Loan Programs (NCHELP). At the federal level, there is some thought that the Higher Education Act might get pushed through. There is no absolute assurance. The Higher Education Committee still has issues with the Higher Education Act as proposed.

As to the student loan industry, to ensure the availability of student loans, Mr. Hurry noted that we have worked with the U.S. Secretary of Education to ensure that there would be a lender of last resort program in place. The department initially insured that these would be FFELP loans from beginning to end. Despite that, there will be a program in place, but there is a growing sense that the loans will be initiated as FFELP loans, but probably quickly after origination will become property of the federal government. This would have significant implications on both lenders, servicers and guarantors.

Mr. Hurry noted, with respect to the state budget, the Authority has had no hearings. Our lobbyist is working diligently. The issue with regard to the 2008 budget in which we have a projected over expenditure in the supplement to the state grant line in our other funds budget is the direct result of the mid-year reduction and awards coming in heavier than anticipated. The House Finance Committee did not raise the appropriated limit for other funds. This leaves the Authority in a situation where it will end the year above the authorized level on the other funds budget portion of our overall budget.

Mr. Hurry asked the Board to entertain a resolution authorizing the Executive Director, after consultation with the chief financial officer and the finance committee to take whatever actions he believes we need to take vis a vis the 08 budget situation once the results of the 09 budget proposal are known.

With respect to the 09 budget, the cut which the Governor proposed is manageable; however, if the cut is more substantial, it will pose a different problem. While above the cap, the other funds are funds that are coming from Collegeboundfund revenues, not general revenues. It has no impact on the state's budget deficit.

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

VOTED: To authorize the Executive Director, after consultation with the chief financial officer and the finance committee to take action with respect to the 2008 budget situation once the results of the 2009 budget are out.

Voting in favor: Chairman McKenna, Dr. Santoro, Dr. Croasdale, Dr. Dann-Messier, General Treasurer Caprio, Mr. Costello, Mr. Howell and Mr. Solomon. Voting against: none.

b. With respect to the Guarantor Servicing Agreement, Mr. Hurry noted that at the last meeting the Board authorized us to negotiate with SallieMae. An RFP was put out and there were two comprehensive bidders. Based on the analysis of the situation it was felt that SallieMae was more able to cover the services that are needed. Formal negotiations have begun. A summary is included in the Board materials. Considerable progress has been made, and Mr. Hurry reported that he and Mr. Palumbo are now prepared to seek approval to finalize the contract.

10.b) On motion duly made by General Treasurer Caprio and seconded by Mr. Howell, it was

VOTED: To Authorize Mr. Hurry along with Mr. Palumbo, legal counsel, to finalize the contract with SallieMae as soon as final review is completed.

Voting in favor: Chairman McKenna, Dr. Santoro, Dr. Croasdale, Dr. Dann-Messier, General Treasurer Caprio,

Mr. Costello, Mr. Howell and Mr. Solomon. Voting against: none.

c. As an update to legislative relations, Ms. Garcia asked that, if time permits, each Board member contact their Senator and/or Representative asking for their support in protecting the program.

d. Mr. Hurry noted that Dr. Croasdale's term on the Board will expire on July 1, 2008. There has been conversation with the appointments office, but a formal letter requesting his reappointment, previously authorized will be sent in due course.

e. As Chairman of the nominating sub-committee, Dr. Croasdale reported that two NEBHE appointments, Mr. Robert Weygand and Mr. William Hurry, expired on May 31, 2008. He recommended reappointment of both for another term.

10.a) On motion duly made by Mr. Solomon and seconded by Dr. Dann-Messier, it was

VOTED: To reappoint Mr. Robert Weygand and Mr. William Hurry, Jr. to the NEBHE Board for a three-year term through May 31, 2010.

Voting in favor: Chairman McKenna, Dr. Santoro, Dr. Croasdale, Dr. Dann-Messier, General Treasurer Caprio, Mr. Costello, Mr. Howell and Mr. Solomon. Voting against: none.

Mr. Hurry noted that we received a letter from a student, a recipient of an Academic Promise Scholarship. A copy is included in the materials.

4.a) Financial Reports: Mr. Lacroix reported that the Budget vs. Actual report for the Scholarship and Grant Program and the College Savings Program is for nine months ended March 31, 2008.

There are issues with expenditures in the Grant Program. The general revenue appropriation has been exhausted. All Federal funds allocated to us have been spent. Personnel and Operating, the actual expenditures and the budgeted expenditures are close.

In the College Savings Program the actual expended amount as of March 31st to supplement the state grant program was

\$5.25 million against the budgeted amount that was enacted at \$4.8 million. The true expenditures in that category to date are \$5.65 million.

In addition to the \$750,000 cut in general revenue, with the additional demand on grant awards, rather than needing an additional \$750,000 to cover the general revenue cut, we would need a total of \$5.5 million.

Ms. Welch reported that all states have been contacted by the Federal Government regarding LEAP/SLEAP program federal funds and that there may be some funds left over from states not using their funds. All states can apply, and we have applied immediately for any amount available. We have not heard back from them yet.

Mr. Lacroix stated that, if we are able to receive some of these funds, that would reduce the excess expenditures required from the tuition savings program.

Regarding Budget vs. Actual Report for the Loan Division, the net income for nine months is higher than anticipated. The majority of this is due to the result of the first quarter which was before the federal changes took effect on October 1. The reductions in the account maintenance fees paid and the reduction in collection retention went into effect October 1. The operating results will be closely monitored.

Mr. Hurry noted that one significant piece in the operational changes inherent in the new Sallie Mae agreement is that the Authority is going to get out of the in-house collections business. In-house collections will be outsourced, and internal resources will be redirected into enhanced default aversion activities.

5) Regarding investments, Dr. Croasdale noted that the report which is included in the materials is very straight forward, and there has been no change.

6) Grant/Scholarship Programs Update:

a. State Grant Program Activity: Ms. Welch reviewed the expenditures for 07-08. Expenditures are 8.5% over expended with award offers being \$15.7 million. After this report was completed awards that were never verified by schools were cancelled out. After that cancellation, awards are down to \$15.3 million; this is not reflected in

the report. Considering the year-end award cancellations, we are about 6% over expended rather than 8.5%.

For the new year there is \$17.3 million offered in awards, which is 24% over the total funding. Awards have gone out to 15,984 students with the average being \$1,084. This is on track for this year at this time.

b. Academic Promise Scholarship Program Activity:
Ms. Welch reported that the program is on track.

7) Loan Program Update: The report for the month of April 2008 is included in the Board materials for review. There were no questions.

8) CollegeBoundfund Update: Regarding marketing, Mr. Hurry reported that last year an RFP for the RI marketing program was put out. As a result three vendors were selected to work on this. One piece of the package did not work, therefore, exercising the options, the contract was terminated. We are looking to bring oversight and management of the RI marketing effort in-house and are working on having a person here at the Authority who will work on the coordination of the RI marketing program. He stated that we are in consultation with the Treasurer's office and the budget office regarding bringing that aspect of this in-house.

Mr. Joyce reported that there are 492,000 total accounts at over \$8.2 billion in assets, and of those 20,100 are native Rhode Island accounts with over \$237 million in assets.

Mr. Hurry noted that a CLP, a continuing legal education program, meeting was held last week and was well attended. It was a very good/positive meeting.

The General Treasurer stated that it was a very well attended meeting. The best customers were all the top tax and estate planning attorneys.

9) WaytoGoRI Update: Ms. Sisson reported that the data she will be reviewing only goes to May 1; however, Ms. Mance-Rios and she will be attending training next week and more information will be available in the future.

There have been one million page views. Ms. Sisson has gone out to train 240 guidance counselors at 40 different schools. The feedback has been very positive.

The electronic transcript exchange meeting was held this past week. RIHEAA invited all schools in Rhode Island, public and private, to attend an informational meeting regarding the transcript exchange program. It will be piloted this fall. Fifty-four individuals attended from 22 different school districts. There was also one from the Career Tech. Center, three private schools and one person from the Office of Higher Ed.

Six districts did not attend but RIHEAA did have conversations with them.

There was good feedback.

Ms. Sisson updated the Board on Transitions. This is the new portal that will be integrated. The official launch will be at the end of September 2008.

Ms. Mance-Rios reported that yesterday she was invited to the Rhode Island Association of Admissions Officers' meeting. She spoke to them about some of the tools that are offered on the portal. The meeting was very informal, and there was very positive feedback.

10.c) Action Item:

General Treasurer Caprio reported that included in the Board materials is a copy of a memo from Duffy Sweeney & Scott Law Firm. The Treasurer's Office took the lead and asked the firm to review the plan of distribution by Alliance. As some of the Board members lived through the market timing problems while new Board members may only read about it, when not only Alliance but approximately a half dozen mutual fund firms were the targets of a review by the SEC on whether they were market timing certain trades and benefiting from information that they had. There were settlements by all of the firms, and Alliance offered a fund of \$250 million to their mutual fund holders. CollegeBoundfund will be benefiting from that settlement.

The issue was the proposed settlement and distribution plan that Alliance had submitted for public comment. Because the RIHEAA Board, as the Trustees of the R. I. Higher Education Savings Trust (RIHEST), is the fiduciary for the participants, the General Treasurer thought it would be prudent for his office to conduct a review of the plan and see if any public comment was necessary to the SEC based on what Alliance was proposing.

He noted that there are good points at the conclusion of the memo which goes into detail going forward on how the distribution should take place and how we should structure the process internally and interact with Alliance as far as the level of assistance we are going to be receiving, if any, from Alliance and cost reimbursements, etc. It highlighted many important issues and our legal counsel in conjunction with this memo and the Board and staff can now act in accordance with the recommendations that came out in this report.

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

VOTED: To authorize the General Treasurer to complete this exercise and forward payment to Duffy Sweeney & Scott for their services.

Voting in favor: Chairman McKenna, Dr. Santoro, Dr. Croasdale, Dr. Dann-Messier, General Treasurer Caprio, Mr. Costello, Mr. Howell and Mr. Solomon. Voting against: none.

11) There were no communications.

12) The next meeting is scheduled for June 20, 2008.

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

VOTED: To adjourn the meeting.

Voting in favor: Chairman McKenna, Dr. Santoro, Dr. Croasdale, Mr. Costello, General Treasurer Caprio, Dr. Dann-Messier, Mr. Howell, and Mr. Solomon. Voting against: none.

The meeting adjourned at 10:13 a.m.

Mr. John Howell
Secretary