

MINUTES

RHODE ISLAND HIGHER EDUCATION ASSISTANCE AUTHORITY BOARD OF DIRECTORS' MEETING

February 18, 2011

The 300th meeting of the Rhode Island Higher Education Assistance Authority was held Friday, February 18, 2011, in the McKenna Conference Room, 560 Jefferson Blvd., Warwick, RI. Chairman Santoro called the meeting to order at 10:10 a.m.

Board Members in Attendance:

Dr. Anthony J. Santoro, Chairman

Dr. William Croasdale, Vice Chair/Treasurer

Mr. John Howell, Secretary

Ms. Gina Raimondo General Treasurer

Mr. Solomon A. Solomon

Board Members Absent:

The Honorable Robert J. McKenna

Ms. Patricia Doyle

Also Attending:

Mr. William Hurry, Jr., Executive Director, RIHEAA

Ms. Gail Mance-Rios, Deputy Director, RIHEAA

Mr. Joseph Palumbo, Esq., Legal Counsel

Mr. Marc Lacroix, Chief Financial Officer, RIHEAA

Mr. Peter Kerwin, Chief Program Development, RIHEAA

Mr. Michael Joyce, Director Scholarship & Grants

Ms. Dana Peterson-Fatuda, Assistant Administrative Officer

Ms. Clordine Cox, Loans Manager, RIHEAA

Mr. Charles Miller, Chief Information Officer, RIHEAA

Mr. Gregory Silva, Public Relations Manager, RIHEAA

Mr. Chad Pastorius, RISLA

Ms. Meredith Pickering, Legislative Fiscal Analyst

1. The Minutes of the Board of Directors' meeting held on September 29, 2010 were unanimously approved.

2. Chairman's Report: Dr. Santoro welcomed newly elected General Treasurer Gina Raimondo to the Rhode Island Higher Education Assistance Authority (RIHEAA) Board of Directors.

3. Executive Director's Report – Mr. Hurry also welcomed General Treasurer Gina Raimondo, and stated that he is looking forward to working with her. Treasurer Raimondo thanked everyone and stated that she is delighted to be here. Treasurer Raimondo is in the process of reviewing the Office of the Treasury, including contracts and the Collegeboundfund. Josh Brumberger, General Treasurer's Deputy will work on all issues of financial literacy and the Collegeboundfund. Ms. Raimondo explained that it has been agreed to engage an independent consultant to take a look at the program

and advise us on what we are doing well and what we might do better.

The contract is being reviewed. Dr. Santoro mentioned that a RIHEAA Board member is scheduled to serve on the SIC Board, but due to the residency requirement, he cannot. Treasurer Raimondo will get back to Dr. Santoro with recommendations.

Mr. Hurry stated that the RIHEAA Board has numerous vacancies and he has placed a call to Governor Chafee's Board appointment person (Mr. Hourihan) who will review the request and get back to Mr. Hurry. Mr. Hurry stated that Christine Jenkins has expressed an interest in serving. Mr. Hurry asked the Board to submit to him any recommendations that they may have, he would be happy to send them along to Mr. Hourihan.

Mr. Hurry reported that we are the State's liaison to the New England Board of Higher Education, (NEBHE) and on Friday, March 11th; they are having their Excellence Awards Banquet. Mr. Hurry stated that RIHEAA has a table, and he would like to extend an invitation to the Board. The event will be held at the Marriott, Long Wharf in Boston, MA.

Mr. Hurry explained that Ethics material in the Board packet is a directive given by Governor Chafee. Mr. Hurry asked the Board to review the documentation, and to remember to file a report with the Ethics Commission by March 2010. Also included in the packet is a summary of the Open Meetings law.

Dr. Croasdale asked that Jason Gramitt, Staff Attorney at the Rhode Island Ethics Commission attend one of the board meetings.

Mr. Hurry included President Obama's FY 2012 Budget Proposal in the board meeting material; he explained that the summary has detailed information regarding the Direct and FFELP Loan programs, the Pell Grant and Perkins Loans. Mr. Hurry asked the group to review.

4. Financial Report – Mr. Lacroix reported on the Budget vs. Actual results for six months ended December 31, 2010. He stated that the financial results in the Loan Division continue to be good and are directly related to the revenues from collection activities. The Operating and Purchased Services expenses are in-line with the Agency's revised budget request. The Budget office has not proposed changes to the revised request, and the Governor's recommendation for the FY 2011 supplemental budget will be consistent with the revised request. Mr. Lacroix noted that the student financial assistance amounts in the budget column for the Scholarship & Grant Program and the Tuition Savings Program show the full year budget, but that in the personnel, purchased services and operating categories, the amounts are for six months. Mr. Lacroix reported that the Department of Education's collections statistics show that RIHEAA has ranked first in the country.

Mr. Lacroix explained that RISLA has loans in the federal asset backed conduit, that must be “PUT” to the DE or funded out of the conduit when they become 210 days delinquent. RISLA does not have financing available to take those loans out of the conduit, and currently all such loans in RISLA’s portfolio are being PUT to the department. As a result, RIHEAA does not have the opportunity to perform collection activities on those loans. RIHEAA and RISLA are in the process of implementing a program where RIHEAA will use reserve funds to provide RISLA with the capital to pull loans out of the conduit and provide RIHEAA with the opportunity to perform collection activities on the loans if they subsequently default. RIHEAA will initially incur a loss of 3% of the defaulted loan amount as it will absorb the lender risk share. The return will be realized from the collections process. The Finance Committee has agreed that this initiative is worth trying.

A motion was made to cap the commitment of RIHEAA funds to this program at \$6.5 million. (RIHEAA management will provide the Finance Committee and the General Treasurer’s Office with periodic updates of the amount of funds used in the program.) The motion was made by Dr. Croasdale, and seconded by Mr. John Howell.

Voted in favor: General Treasurer Gina Raimondo, Mr. Solomon A. Solomon, Dr. Anthony Santoro, Dr. William Croasdale and Mr. John Howell.

Voted against: None

5. Investment Report – Dr. Croasdale stated that he would like to send out a bid to obtain a better rate for banking services, a higher rate than what Sovereign Bank is offering in their money market account.

6. Grant/Scholarship Update- Mr. Michael Joyce explained that the report included in the board packet is the State of Rhode Island's State Grant that we administer. Last year at this time we were at 1.2% over budget, this year we are 17% over. Mr. Joyce explained that there is no cause for alarm at this time, it was planned. Last year we ended at 12% under, almost at 13% under. With the standard attrition, along with two schools already requesting their spring payments, (CCRI and URI), we may come in at actual projected dollar amount. This will allow us to keep \$900 maximum Grant for two years consistently. The year before, we were at \$1,100 amount. The year before that was \$1400.00 maximum.

Academic Promise Scholarships are running normal, with 100 students. Mr. Joyce explained that the Academic Promise Scholarship is completely funded by revenues of the 529 program. We created it about nine years ago; its eligibility is based on financial need and merit. Need is determined by the Federal Financial Aid application (FAFSA). The merit component is the SAT scores of the senior year of high school. Looking at the financial need first then the SAT's, we make award offers to the 100 top high school graduates

that fall within that category. They get a four year scholarship of \$2,500 per year, and they must maintain a certain GPA to keep the scholarship. Mr. Joyce explained that the Board will set the award amount based on the estimated funds.

Mr. John Howell stated that this is our balancing act; the Budget doesn't get approved by the General Assembly until late June or July.

7. Loan Program Update – Ms. Gail Mance-Rios reported that each year the Federal Government comes out with a draft Default Cohort Rate. Ms. Mance-Rios explained that the Default Cohort Rate is the measurement of how well students are at repaying their loans. This year our draft Default Cohort rate is at 6%, down from last year, which was at 7.51%. Sometime in July the Federal Government will produce the official cohort rate. This year, they will produce a three year cohort rate, opposed to the two year rate. We will see major changes in our schools cohort rate going from the two year period to the three year period. We have been advised that many of the schools have discovered that much of the information is not accurate. The reporting from the Department is not altogether accurate or clean as we hoped it would be. There are a variety of issues, which may delay the process. We will be reaching out to our schools to see if we can provide assistance. The Default rate is likely to go up, once the third year is implemented. Mr. Hurry stated that for the first time this year, this draft Cohort Default Rate is 6.03%, which does not include loans that were PUT to the Department. They haven't worked that out yet,

once they figure those in, it could go back up.

8. CollegeBoundfund Update – Mr. Peter Kerwin stated that the Morningstar review, which was an article in the Providence Journal, is located in the Board packet. Any questions regarding the review should be directed to Mr. Kerwin. Mr. Kerwin stated that the “fall-out” from the article has been minimal to non-existent. In fact the Morningstar report made references that the performance has kept up with the other plans, and our ranking remains the same. Mr. Howell asked if Morningstar will issue a revised report. Mr. Kerwin stated that it is doubtful.

Mr. Kerwin stated that increase marketing for the Collegeboundbaby program is planned in the spring.

9. WaytogoRI.org Update – Ms. Kathy Sisson was not present for the meeting, but Dr. Croasdale reported that he received a grant from the Rhode Island Foundation in the amount of \$60,000 for fifth and sixth grade students in Providence. This grant will assist the faculty with training and tools to facilitate the usage of the WayToGo portal in their classrooms. The College Planning Center along with RISLA will also receive assistance with the high schools.

Mr. Hurry stated that WayToGo is growing rapidly, applications and usage is up. We had several meetings with the Office of Higher

Education and the Department of Elementary and Secondary Education, and with their endorsement, we met with the Department of Administration to add additional staff to this endeavor. Mr. Hurry stated that during the “wind-down” of the Loan Program, he has been looking at the possibility of alternate revenue, and waytogo has proven to be the program that has greatest likelihood of attracting outside funding. We have worked with the Department of Education with the “Race to the Top” program; waytogo has been identified to do various pieces for that program along with the Longitudinal Data Study and the Electronic Transcripts.

Mr. Hurry stated that this is the third year for WaytogoRI.org. Up until this point, the total expenditure for this program has been \$2 million. No reserves have yet been touched.

10. Information Technology – Mr. Charlie Miller reported that the United States Department of Education asked all agencies that were FFELP participants, to become FISMA compliant. The DOE will begin a review of RIHEAA’s policies & procedures to ensure we are supporting FISMA compliance. Mr. Miller stated that we have engaged Akibia to help us develop a response to the DOE. Additionally, we will continue to review our policies and procedures.

Mr. Miller stated that he is upgrading the Scholarship & Grants system. This system supports DCYF, College Crusade and Academic Promise Scholarships as well as the State Scholarship & Grant

program.

Mr. Miller reported that he continues to work with the Rhode Island Department of Education (RIDE), private high schools and colleges to map out the data flow regarding the E-transcripts. The data of the public schools will flow through RIDE to the waytogo portal. Data could provide academic performances for RIDE and assist with the Longitudinal Data Study.

There being no further business to come before the Board of Director's, the meeting adjourned.

Adjournment was at 11:40 a.m.

Mr. John Howell

Secretary