

The 225th meeting of the Rhode Island Student Loan Authority was held on Tuesday, November 22, 2004 in the 2nd floor Conference Room, 560 Jefferson Boulevard, Warwick Rhode Island. The Honorable Robert J. McKenna called the meeting to order at 8:15 A.M.

The following Board members were in attendance:

Hon. Robert J. McKenna
Dr. William Croasdale
Mr. John Howell
Sen. William A. Walaska

Members absent:

Dr. Anthony Santoro
Ms. Christine Jenkins

Others in attendance:

Mr. Noel Simpson, Executive Director, RISLA
Mr. Kevan McAleer, CFO, RISLA
Mr. David Souto, RISLA
Mr. David DeBlois, RISLA
Mr. Joseph R. Palumbo, Jr., General Counsel
Ms. Jennifer Dutch, RISLA
Ms. Gail Mance-Rios, RIHEAA

Executive Director's Report

Mr. Simpson discussed the Senator Reed financial aid workshops that are currently going on.

Mr. Simpson discussed the meetings he had with staff representatives of Senators Reed and Chafee and Representatives Langevin and Kennedy on financial aid and other college issues. Mr. Simpson indicated that there is a possibility of RISLA expanding its SAT course from 3 to 6 schools.

Mr. Simpson spoke about issuing new RFP's for bond counsel, underwriting and trustee. Mr. Simpson indicated that there is a \$100 million bond cap and that the deadline is Friday, November 26, 2004. Mr. Simpson also indicated that there will be a need for new bond financing in late 1st quarter of 2005 or thereafter.

Mr. Simpson noted that as of January 1, the Authority will be losing two Board members as a result of the passage of the separation of powers amendment to the Constitution. Mr. Simpson indicated his desire to have legislative advisory committee.

Mr. Howell asked about the advisory committee, particularly about its size, duties, etc. Mr. Simpson said it would be an opportunity to have a continuing dialogue with the Assembly about what the Authority does.

Sen. Walaska indicated that the legislature is looking at various ideas concerning legislative oversight.

Mr. Howell asked how the RFP's are being advertised.

Mr. Simpson explained that the Authority has sent out proposals to various firms nationwide and the FRP's have been posted on the state purchasing website. Mr. Simpson indicated that the bid period ends December 14, 2004. He indicated that the Authority will have a staff analysis as well as having the audit committee, to be formed, review the proposals.

Dr. McKenna suggested that because of Mr. Howell's media knowledge he would be a excellent candidate for the audit committee along with the Chairman and Dr. Croasdale.

Mr. Simpson indicated that the last item in his report, which is included in the Board packet, is the publication of the Nelnet financial report as of September 30, 2004. Mr. Simpson indicated that these announcements will be made quarterly by Nelnet and Mr. Simpson indicated that he did not observe any issues with regard to same.

Mr. McAleer reviewed the financial report. Mr. McAleer indicated that the Authority submitted its financials to the State and the State made some recommendations, specifically related to the Nelnet transaction. Mr. McAleer indicated that the originally drafted financials recorded the transaction in one section and the State recommended that the transaction be broken out into three (3) separate pieces: operating rights, loan portfolio, and statement of net assets. The State also suggested that the Authority amortize the revenue to be paid for the license of origination rights over 3 years. Mr. McAleer indicated that the changes affect the presentation only and are not substantive in nature.

Mr. McAleer also reviewed with the Board the summary of revenue and expenses for the previous quarter.

Mr. Howell asked why the College Planning Center is running under budget. Mr. McAleer explained that this is due primarily to timing of certain expenditures.

Mr. Simpson indicated that the College Planning Center will be busy in January and February because that is the time when parents begin looking into their options for sending their children to college and how they will finance same. Mr. Simpson stated that the major problem is that parents don't know how to fill out the forms properly and that we should increase advertising expense. Mr. Simpson indicated he should have a formal recommendation at the next board meeting on the subject of increasing that expense.

Dr. Croasdale asked if the Authority could put something on the internet with information on how to properly fill out documents.

Mr. Simpson indicated that there is an existing website, www.fafsa.com, but the charge is \$49.99 for an individual to fill out the "free" FAFSA.

Mr. Simpson spoke about the College Planning Center and indicated it has signed an agreement for another year (through September 2005) in the Warwick Mall. Mr. Simpson indicated that there may be less expensive space for the College Planning Center at 560 Jefferson Boulevard as they are currently paying \$1800/month to rent space at the mall.

David DeBlois entered the Board meeting at 8:45 AM as the conversation about the College Planning Center was going on. Mr. DeBlois said the mall is easy to get to, is recognizable, and generates a lot of walk in traffic.

Mr. Howell asked how the money saved in rent if the College Planning Center is moved to 560 Jefferson Blvd will be turned around, would be used, i.e. more financial aid nights, etc? There was discussion about the location and expanded uses of the College Planning Center.

Mr. Souto reported on Nelnet's activities on behalf of the Authority.

ACTION ITEM – AUDIT COMMITTEE

Mr. Simpson indicated that the trend among agencies like RISLA is to create audit committees to look at financials in further detail and ask questions to the auditors who prepare the statements.

Previous discussion led the group to believe that Mr. Howell should be a member of the committee along with Dr. Croasdale and Dr. McKenna.

Upon a motion by Dr. Croasdale and seconded by Sen. Walaska it was unanimously

VOTED: To appoint Mr. Howell, Dr. Croasdale, and Dr. McKenna to serve as the audit committee.

ACTION ITEM – Continuation of Up Payment of 3% Origination Fee Borrower Benefit Program

Mr. Simpson explained the program, its history, how it works, and, the advantages of continuing this borrower benefit program. Mr. Simpson mentioned that other lenders are also offering this borrower benefit.

Dr. McKenna expressed his desire to continue the benefit.

There was discussion among the Board that the reauthorization bill may waive the fee and not even charge it, which would mean that the Department of Education would give up this revenue and that Representative Kennedy could be helpful in this matter.

Mr. Palumbo spoke briefly about the law on the origination fee process.

Upon a motion by Dr. Croasdale and seconded by Mr. Howell is was unanimously

VOTED: To continue to pay the 3% origination fee for an additional year on nexus Stafford loans.

Mr. DeBlois talked about the College Planning Center. He gave an overview of what's currently going on, including workshops, satellites, financial aid nights, financing options.

Dr. Croasdale asked Mr. DeBlois about SAT's.

Mr. DeBlois explained that he will need an increase in advertising expense, approximately \$25,000 - \$30,000. It would be allocated as follows:

\$15,000 for radio

\$8,000 for online

\$7,000 for printing (newspapers, etc)

Mr. Howell asked if there is a way for Mr. DeBlois to give more information on where graduates go. Mr. Howell indicated that CCRI is currently doing this. It would be great to show the impact on the state, and if Mr. DeBlois could break down by community i.e. loans out of East Providence. This would show the strengths of the CPC and it would be easy to explain in advertisements.

Mr. DeBlois stated that he has no statistical information at the present time but that he could compile information going forward.

Mr. Howell mentioned that the breakout would help during budget.

Mr. Simpson indicated there is a sense of staff to plan expansion of the College Planning Center advertising for January through March. He said it would be presented for a formal vote at the next board meeting.

No Old Business was discussed.

New Business – need to find out when RIHEAA is having their meeting and try to have it the same day.

Upon a motion by Dr. Croasdale and seconded by Senator Walaska it was unanimously

VOTED: To approve minutes from the board meeting held on September 24th.

Sen. Walaska mentioned that he would like to see responses to questions raised at meetings in the minutes.

Dr. McKenna spoke briefly about the agenda for the next meeting, including advertising for College Planning Center, Nelnet, budget, and audit committee.

Upon a motion by Mr. Howell and seconded by Dr. Croasdale is was unanimously

VOTED: To adjourn.

Dr. McKenna adjourned the meeting at 9:20 A.M.

Adjournment was at 9:20 A.M.

Dr. William Croasdale
Secretary/Treasurer