



The 243<sup>rd</sup> meeting of the Rhode Island Student Loan Authority was held on Friday, April 20, 2007 in the 2<sup>nd</sup> floor Conference Room, 560 Jefferson Boulevard, Warwick Rhode Island. Dr. Anthony Santoro called the meeting to order at 10:50 A.M.

The following Board members were in attendance:

Dr. Anthony Santoro  
Mr. John Howell  
Hon. Frank Caprio, General Treasurer  
Ms. Patti Doyle  
Dr. Robert J. McKenna

Others in attendance:

Mr. Noel Simpson, Executive Director, RISLA  
Ms. Jennifer Dutch, RISLA  
Mr. Charles P. Kelley, Executive Director, NESLA  
Mr. David Souto, NESLA  
Mr. David DeBlois, NESLA  
Mr. Gregory Silva, RIHEAA  
Ms. Meredith Holderbaum, Legislative Fiscal Analyst, Senate Fiscal Office  
Xay Khamyvoravong, Deputy Chief of Staff, Office of General Treasurer

Upon a motion by Ms. Doyle and seconded by Mr. Howell it was unanimously

**VOTED:** To approve the minutes of the February 16, 2007 Board meeting.

### **Chairman's Report**

Dr. Santoro discussed a complaint he received from a disgruntled borrower.

Mr. Simpson noted that this issue had been resolved.

Dr. Santoro turned the discussion over to Mr. Howell to update the Board on the progress of the Arbitrage Rebate Subcommittee.

Mr. Howell stated that the committee has had two meetings. Mr. Howell indicated that the committee has reached out to the Economic Development Corporation

to look at future workforce needs for the State and the impact of providing loans with more incentives, such as the nurses and teachers rewards programs.

Mr. Simpson indicated that the use of arbitrage is generally restricted to loan forgiveness programs.

On behalf of Dr. Croasdale, Dr. Santoro provided an update on the progress of the College Planning Center Subcommittee. Dr. Santoro indicated that there is a need to expand the center to create access for all Rhode Islanders.

Dr. Santoro raised the issue of New York Attorney General Mario Cuomo's investigation into the relationships between schools and lenders. Dr. Santoro indicated that he is not aware of any impropriety on the part of RISLA in its dealings with schools. Dr. Santoro indicated that he will be meeting with Nelnet officials in May regarding this issue.

Dr. Santoro indicated his desire that RISLA develop a code of conduct.

### **Executive Director's Report**

Mr. Simpson indicated that neither RISLA nor NESLA have heard from any investigators regarding this issue.

Mr. Simpson noted that one lender, Student Loan Express, has engaged in the practice of paying financial aid advisors at several colleges throughout the country. Mr. Simpson noted that certain financial aid officers received cash payments and stock options at an attractive price and have profited from the sale of the stock. Mr. Simpson noted that Student Loan Express was on the preferred lender list at these colleges. Mr. Simpson noted that there have not been any criminal indictments to date but several officials have been suspended pending further investigation.

Mr. Simpson noted that there was an article in the New York Times regarding Nelnet's call centers. Mr. Simpson indicated that Nelnet had contracts with several schools throughout the country to operate call centers. Mr. Simpson indicated that when people called into the call centers they thought they were talking to the school's financial aid officers but were actually speaking to Nelnet employees. Mr. Simpson noted that Nelnet has not engaged in a settlement with Attorney General Cuomo.

Mr. Kelley indicated that he spoke with Nelnet to inquire about the status of the investigation. Mr. Kelley indicated that Nelnet did not know when it would be settling. Mr. Kelley noted that Nelnet does not do much business in New York.

Mr. Kelley noted that this controversy is likely to adversely impact RISLA and the student loan community. Mr. Kelley indicated that there may be some schools who will opt for direct lending as a result.

Mr. Simpson indicated that an item on the student loan code of conduct developed by Mr. Cuomo requires that any lender appearing on a school's preferred lender list must disclose whether the student's federal loan is going to be sold to another lender at some juncture. Mr. Simpson discussed this in terms of its agreement with Nelnet regarding RISLA's obligation to sell its the Stafford loans to Nelnet. Mr. Simpson indicated that RISLA, NESLA, and Nelnet are in compliance with the federal requirements regarding disclosure at the time of a sale of a student loan. Mr. Simpson noted that all schools in the State are aware of this process.

Mr. Simpson noted that RISLA has made no attempt to unduly influence students, parents, financial aid offices or schools. Mr. Simpson agreed with Mr. Kelley's assessment in terms of the impact of this controversy on the student loan community.

Mr. Simpson noted that Senator Kennedy has a plan to increase more need based money into programs, such as Pell Grant funding. Mr. Simpson noted that if this happens then there will be a decrease in the federal subsidy that FFELP lenders receive.

Mr. Simpson noted that Senator Kennedy is also proposing an auction proposal on PLUS loans.

Dr. Santoro asked Mr. Kelley what Nelnet plans to do?

Mr. Kelley indicated that he has no way of predicting what Nelnet is going to do.

Dr. Santoro asked if RISLA should speak with Attorney General Lynch.

Mr. Caprio suggested having a plan before meeting with Attorney General Lynch.

Mr. Caprio stated he doesn't know what is being done in the Attorney General's office and believes he will have a role with national attorney general's association.

Ms. Doyle mentioned that Attorney General Lynch would probably appreciate RISLA reaching out to him for informational purposes on this issue.

Dr. Santoro indicated that the only issues that RISLA may face are the hiring of part time financial aid counselors to work at the College Planning Center and the relationship between RISLA and Nelnet/NESLA.

Dr. Santoro addressed the needs of the College Planning Center and expects to have a report from Dr. Croasdale within the next week.

Mr. DeBlois expressed his concerns about the need of the College Planning Center to have the expertise from college financial aid officers.

Upon a motion by Mr. Caprio and seconded by Ms. Doyle it was unanimously

**VOTED:** To adjourn.

Dr. Santoro adjourned the meeting at 11:45 A.M.

Adjournment was at 11:45 A.M.

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Mr. John Howell  
Secretary