

WARNING-UNAPPROVED MINUTES

These minutes have not been reviewed or accepted by the RISLA Board of Directors. This draft is being supplied in order to be in compliance with the State Open Meetings Law. Board approved minutes will be submitted when available.

The 269th meeting of the Rhode Island Student Loan Authority was held on **Thursday, July 16, 2009** in the 2nd floor Conference Room, 560 Jefferson Boulevard, Warwick, Rhode Island.

Members in attendance:

Dr. Anthony Santoro
Dr. Robert McKenna
Dr. William Croasdale
Mr. John Howell
Mr. Xay Khamsyvovong, designee for General Treasurer Caprio

Members Absent:

Ms. Patti Doyle

Others in attendance:

Mr. Charles Kelley, Executive Director, RISLA
Mr. Noel Simpson, Chief Financial Officer, RISLA
Mr. Kevan McAleer
Ms. Jennifer Dutch
Mr. Chad Pastorius
Ms. Lindie Thibodeau
Mr. Joseph Palumbo, General Counsel, RISLA
Ms. Gail Walker
Mr. Greg Silva
Ms. Diane Carlin
Ms. Kathy Sisson

The meeting was opened by Dr. Santoro at 9:35 AM.

Upon a motion duly made by Dr. Croasdale and seconded by Mr. John Howell, it was unanimously

VOTED: to accept the minutes from the April 30, 2009 and May 28, 2009 Board meetings.

Chairman's Report:

Dr. Santoro stated that there was nothing to report.

Executive Director's Report:

Mr. Kelley indicated that the legislation for income tax offset has not yet been passed in the Senate and once passed it should help RISLA collect on private loan defaults. Mr. Kelley noted that there was a memo in the board packets which was prepared by Lee Donner at First Southwest describing the issues associated with negative SAP

Mr. Kelley congratulated Dr. Croasdale on his reappointment to the Board.

Update: Washington Report:

Mr. Kelley mentioned a bill submitted by Representative George Miller which addresses the higher education issues. Mr. Kelley indicated that as of July 1, 2010 there will no longer be FFELP loans but only direct lending. Dr. Santoro asked if not-for-profits will be able to stay in the federal loan business. Mr. Kelley replied no but there is a possibility to service the direct loans.

Update: College Planning Center

Mr. Kelley stated that there was nothing new to report to the Board but that Ms. Thibodeau was at the meeting to answer any questions. Mr. Kelley did point out one article in the board packet regarding Mr. William Bianchi and Ms. Gail Walker who have prepared presentations on financial literacy.

Update: Financial Markets

Mr. Kelley discussed the most recent bond issue and commended everyone for their hard work...

He also discussed the pilot consolidation program for private loans.

Dr. Santoro asked Mr. Kelley when the next bond issue is scheduled for, to which he responded in March of 2010.

Update: In-house Servicing Proposal

Mr. Kelley stated that RISLA currently has \$20 million in defaulted private loans. Dr. Santoro stated two reasons why RISLA should bring collections in house 1. RISLA employees can do better than third party firms and 2. RISLA has to do better.

Mr. Kelley pointed out that by bringing this service in house RISLA could increase the recovery rates from 10-15% to 30-40%. Mr. Palumbo stated that currently the RISLA staff in the default aversion department are knowledgeable and skillful and have been quite successful in converting defaulted loans into payment plans. He also stated that he doesn't believe the collection agencies are using all available legal collection tools and therefore bringing in a lawyer in-house is likely to be effective through the use of wage garnishments, real estate liens, etc, and should be more cost effective to RISLA. He stated that this person would also have human resource responsibilities as well. Mr. Khamsyvoravong asked if the cost of hiring a lawyer was presented in the budget. Mr. McAleer stated that this position would be filling a vacancy that the board had approved in the previous fiscal year. Mr. Palumbo stated that this position would be salaried and full time. Dr. Santoro asked if RISLA would be reducing the use of the outside collection firms. Mr. Simpson stated that RISLA would continue to retain them in case the in house process doesn't work. Dr. Croasdale raised a concern that RISLA would need a qualified human resource employee. Dr. Santoro assured him that a lawyer could handle that position. Mr. Palumbo stated that the advertisement was for a legal position and that RISLA would readvertise to include the human resource position as well. Mr. Howell asked how much of the defaulted loan volume would be brought in house. Mr. Pastorius replied that about 40% would be brought in house. Mr. Howell asked how many private loan borrowers were classified as defaulted and how RISLA employees are incentivized. Mr. Pastorius stated that approximately 240 private loan borrowers are in default. Mr. McAleer stated that RISLA employees

average about 19% in incentives. Mr. Howell inquired how much the position would pay. Mr. Palumbo stated that senior staff is looking at current market conditions.

Upon a motion duly made by Dr. Croasdale and seconded by Mr. Howell, it was unanimously

VOTED: to hire a lawyer to handle both the in house collections as well as human resources. Dr. Santoro insisted that the position should go to a lawyer who is licensed in Rhode Island and that the Board would leave the salary up to the executive director's discretion.

ACTION ITEM 9: Budget

The action item will be postponed in order for the completion of some changes to be done.

Upon a motion duly made by Dr. McKenna and seconded by Mr. Howell, it was unanimously

VOTED: to adjourn.

Adjournment occurred at 10:23 AM.

John Howell
Secretary