

UTAH HIGHER EDUCATION ASSISTANCE AUTHORITY  
BOARD OF DIRECTORS MEETING  
MINUTES

Board of Regents Building, The Gateway  
60 South 400 West  
Salt Lake City, UT 84101-1248

August 28, 2014

**Members Present**

Ms. Lisa-Michele Church  
Mr. Arnie Combe  
Mr. David Feitz  
Mr. Fred Hunsaker  
Mr. Marlin Jensen  
Dr. Stephen Nadauld  
Mr. Mark Stoddard, Chair

Mr. Troy Runnells  
Mr. David Schwanke  
Mr. Travis Soto  
Mr. Dallin Hunter  
Ms. Lynne Ward  
Mr. Randy Willardsen  
Ms. Audry Wood

**Staff Present**

Mr. Ben Aguayo  
Ms. Christina Burns  
Mr. Ronell Crossley  
Mr. Scott Dansie  
Mr. Richard Davis  
Mr. Charles Downer  
Mr. Alex Janak  
Mr. Bob McRae  
Mr. Paul Packard  
Ms. Ashley Reyes  
Mr. Steve Rogers

**Others Present**

Ms. Kathy Edgett  
Vanguard Mutual Funds  
Mr. Bruce Miller  
TrueNorth Wealth  
Mr. Kevin Olsen  
Assistant Attorney General  
Mr. Spencer Pratt  
Legislative Fiscal Analyst  
Mr. Dan Reyes  
Vanguard Mutual Funds  
Mr. Marty Watkins  
TrueNorth Wealth

Chair Stoddard called the meeting to order at 10:05 a.m. and declared the presence of a quorum. Mr. Alter, Commissioner Buhler, Mr. Marquardt, Mr. Simmons, and Dr. Tarbox were excused.

It was moved by Mr. Hunsaker and seconded by Dr. Nadauld to convene in closed session for the purpose of discussing fiduciary or commercial information as authorized in Utah Code Section 52-4-205. The motion carried unanimously.

It was moved by Mr. Hunsaker and seconded by Mr. Combe to reconvene the UHEAA Board in open session. The motion carried unanimously.

The first agenda item discussed was UHEAA Board Report I-A, Minutes of the June 5, 2014 Meeting.

It was moved by Dr. Nadauld and seconded by Mr. Hunsaker to approve the minutes of the June 5, 2014, Board of Directors Meeting. The motion carried unanimously.

The next agenda item discussed was UHEAA Board Report I-B, Investment Reports. Mr. Schwanke summarized investment activity for the months of April 2014 to June 2014.

It was moved by Dr. Nadauld and seconded by Mr. Hunsaker to approve the Investment Reports. The motion carried unanimously.

The next agenda item discussed was UHEAA Board Report I-C, Report of the Audit Committee. Mr. Hunsaker reported on two audits conducted by Ernst and Young related to CornerStone information technology and loan servicing operations controls. He noted there were three immaterial findings, which have since been resolved. He remarked UHEAA received an audit closure letter with no findings from the Department of Education for an audit on UHEAA loan servicing operations. Mr. Hunsaker reported on a revised internal audit plan and four recently conducted internal audits: variable interest rate verification for CornerStone and the commercial portfolio, a lender review of the operations and administration of UHEAA's Loan Purchase Program, and UESP user acceptance testing. He indicated updates on information security and business continuity provided assurance that emergency business plans are in place and information is being kept as secure as possible.

It was moved by Mr. Hunsaker and seconded by Ms. Church to accept the Report of the Audit Committee. The motion carried unanimously.

The next agenda item discussed was UHEAA Board Report I-D, Proposed Fiscal Year 2015 Meeting Schedule. Mr. Feitz presented proposed meeting dates of February 19, 2015 and June 11, 2015 through June 2015, the end of the current fiscal year. He indicated the meeting schedule will move from a calendar year to a fiscal year basis to better align with the Board of Regents' schedule and that proposed meeting dates for the UHEAA Board would be presented for fiscal year 2016 after the Board of Regents sets its schedule.

It was moved by Mr. Combe and seconded by Mr. Jensen to approve the Fiscal Year 2015 Meeting Schedule. The motion carried unanimously.

The next agenda item discussed was UHEAA Board Report I-E, Annual Open Meeting Law Training. Mr. Olsen outlined amendments to the Open and Public Meetings Act passed by the legislature in 2014, including a requirement to provide copies of electronic information presented at an open meeting and the addition of procurement issues to the list of authorized reasons for closing a meeting. Mr. Olsen explained the purpose of the act and indicated all meetings of the UHEAA Board of Directors are to be open unless closed as permitted by the law. He summarized enforcement provisions for the law and recording requirements for closed session.

The next agenda item discussed was UESP Board Report II-A, UESP Executive Director's Report. Ms. Ward requested a motion to approve the UESP Investment Reports for the UESP Administrative and Endowment Funds for June 30, 2014, as presented in the closed session.

It was moved by Mr. Jensen and seconded by Mr. Combe to approve the June 30, 2014 UESP Investment Reports. The motion carried unanimously.

Ms. Ward introduced two new UESP staff members: Travis Soto, Senior Director of Finance, Operations, and IT, previously with Merrick Bank, and Audry Wood, Administrative Manager, previously with UPEA.

The next agenda item discussed was UESP Board Report II-B, UESP Informational Report. Ms. Ward reviewed the FDIC-insured account interest rate comparison under Tab II-B-1. She noted the FDIC-insured accounts are now with Sallie Mae Bank and U.S. Bank, and pay a higher blended rate than was previously paid by Zions Bank.

Ms. Ward highlighted an article published by Kiplinger, "The Best 529 College-Savings Plans," under Tab II-B-3, which recognized UESP in two of five categories. Ms. Ward indicated UESP was the first among direct-sold 529 plans to offer customized static and age-based options for account owners. Ms. Ward reviewed the Investment Option Performance as of June 30, 2014, under Tab II-B-7. She noted the July 2014, Newsletter under Tab II-B-8, and highlighted the front-page article about UESP's 250,000<sup>th</sup> account opened by a Utah granddad.

The next agenda item discussed was UHEAA Board Report III-A, UHEAA Executive Director's Report. Mr. Feitz introduced Benjamin Aguayo, UHEAA's new Director of Business Development and Marketing, who comes to UHEAA with over 18 years of experience and will work to reposition and grow UHEAA's RepayCentsibly default prevention program and build UHEAA's forthcoming supplemental loan program.

Mr. Feitz remarked UHEAA achieved top Federal servicing performance metrics for the four quarters leading up to the U.S. Department of Education's (ED's) allocation announcement in August 2014. He reported UHEAA's score of 29 earned a first-place ranking tied with Missouri (MOHELA). He indicated UHEAA's performance score is more than double some of the lower performing agencies. He noted this strong performance was achieved despite a challenging portfolio and UHEAA has met or exceeded all ED requirements. He indicated UHEAA received its best ever federal personnel survey score in June 2014. He highlighted UHEAA's improvement in other metric categories over the past year, including a reduction in borrowers more than 90 days delinquent of 49% and an increased resolution of borrowers more than 180 days delinquent of 470%.

Mr. Feitz reported UHEAA received an email from ED indicating UHEAA has been selected as an ongoing servicer. He noted management is working to determine how ED's draft proposed allocation formula will affect UHEAA to provide feedback to ED, and more details will be reported to the Board at a later date. Responding to questions from the Board about final allocation amounts, Mr. Feitz indicated allocations will be based on the formula and total available accounts is expected to fall between 3 and 4 million. Responding to questions from Dr. Nadauld regarding the current portfolio size and UHEAA's breakeven point, Mr. Feitz confirmed UHEAA has approximately 88,000 federal servicing accounts and will need at least 400,000 to 500,000 accounts to break even, with 1 million or more accounts as the goal. Mr. Feitz noted ED has proposed new servicing fees, which could mean a potential fee increase for UHEAA and decrease the number of accounts needed to break even.

Responding to questions from the Board about potential allocation amounts and timing, Mr. Feitz indicated allocations will be loaded monthly from the Common Origination and Disbursement (COD) system based on an annual allocation amount. Responding to a question from Ms. Church about participating NFPs, Mr. Feitz indicated it appears all NFPs will continue to participate.

Mr. Nadauld remarked it is a great accomplishment to achieve the highest metrics and UHEAA has done everything it can to bolster its position. He indicated UHEAA management should be commended for this achievement. He wondered whether UHEAA's strong performance would overcome the potential politics of ED's allocation methodology.

Mr. Feitz noted UHEAA is shielded from knowing the details of ED's allocation process and the potential for allocations to be politicized still exists. He indicated management is focused on the things it can control. He reiterated UHEAA's strong performance should be rewarded with more volume. Chair Stoddard thanked UHEAA staff for their efforts.

Mr. Feitz announced UHEAA has completed favorable permanent financing with a remarkably low interest rate for a \$277 million bond financing completed on July 31, 2014. He noted the strong investor demand for the bonds and indicated the transaction was oversubscribed by 1.6 times. He reiterated the advantages of the Wyoming portfolio to the Board. He remarked this financing completes a total bond restructure for UHEAA since the financial market collapse in 2008-09. He noted the bond restructuring has increased UHEAA's net position by \$75.7 million. Responding to a question from Mr. Hunsaker about the basis for UHEAA's AAA credit rating, Mr. Feitz indicated UHEAA's AAA rating is attained through a combination of the moral obligation of the state, the cash flow of the transaction, and UHEAA's own balance sheet, assets, and financial strength.

Mr. Feitz noted UHEAA has a supplemental loan program under development for high-cost, high-demand programs. He remarked UHEAA has partnered with CampusDoor to provide origination and disclosure services. He indicated next steps are program development and an implementation plan for the Board to review later this year.

Mr. Feitz highlighted UHEAA Grants, which contribute to UHEAA's public service, not-for-profit mission by helping needy students pay for college using UHEAA revenues. He shared a video featuring a recent grant recipient.

The next agenda item discussed was UHEAA Board Report III-B, Veterans Tuition Gap Program. Mr. Feitz indicated UHEAA administers several need-based financial aid programs. He introduced the new Veterans Tuition Gap Program and reviewed eligibility requirements. He indicated all institutions offering baccalaureate degrees in Utah are able to participate. He noted the program will receive \$125,000 per year in ongoing funding and \$75,000 in one-time funds this year. He remarked all funds have been disbursed to schools and Weber State University and the University of Utah received approximately two-thirds of the funding.

The next agenda item discussed was UHEAA Board Report III-C, UHEAA Community Outreach Update. Mr. Davis indicated the Outreach team has been gearing up for the upcoming season of paying for college and FAFSA completion events. He noted UHEAA's goal is to improve Utah's current last place ranking for FAFSA completion in the nation through individual FAFSA completion events and a train-the-trainer focus for counselors. He pointed to the recent edition of the Paying for College booklet distributed to the Board.

Chair Stoddard adjourned the meeting at 12:18 p.m.

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Executive Director, UHEAA

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Date