

**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 27, 2015

Members Present

Mr. Edward Alter
Commissioner David Buhler
Ms. Lisa-Michele Church
Mr. David Feitz
Mr. Fred Hunsaker
Mr. Marlin Jensen
Mr. Robert Marquardt
Dr. Steve Nadauld
Mr. Mark Stoddard, Chair
Dr. Norm Tarbox

Mr. Landon Pope
Ms. Ashley Reyes
Mr. Steve Rogers
Mr. Troy Runnells
Mr. Todd Schneider
Mr. David Schwanke
Mr. Travis Soto
Ms. Lynne Ward
Ms. Audry Wood

Staff Present

Mr. John Andrus
Ms. Brenda Cox
Mr. Ronell Crossley
Mr. Scott Dansie
Mr. Richard Davis
Mr. Dallin Hunter
Mr. Alex Janak
Mr. Bob McRae
Mr. Paul Packard
Ms. Jessica Payne

Others Present

Mr. Stew Duffield
Vanguard Mutual Funds
Ms. Lucy Momjian
Vanguard Mutual Funds
Mr. Kevin Olsen
Assistant Attorney General
Mr. Spencer Pratt
Legislative Fiscal Analyst
Mr. Dan Reyes
Vanguard Mutual Funds

Chair Stoddard called the meeting to order at 10:08 a.m. and declared the presence of a quorum. Mr. Combe, Dr. Stauffer, and Ms. Valdez were excused.

Chair Stoddard expressed appreciation to Harris Simmons for his service on the Board.

Chair Stoddard acknowledged the appointment of new Board member, Joyce Valdez.

It was moved by Mr. Hunsaker and seconded by Mr. Alter 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. Alter 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 24, 2015 Meeting.

It was moved by Mr. Marquardt and seconded by Mr. Hunsaker to approve the minutes of the June 24, 2015, 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 May 2015 and June 2015.

It was moved by Mr. Marquardt and seconded by Ms. Church 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.

Dr. Tarbox provided an overview of the Audit Committee agenda and the audit reports which were reviewed by the Audit Committee.

It was moved by Mr. Alter and seconded by Mr. Marquardt to approve the Report of the Audit Committee. The motion carried unanimously.

The next agenda item discussed was UHEAA Board Report I-D, Annual Open Meeting Law Training. Mr. Olsen noted the Utah State Legislature requires annual training on the Open and Public Meetings Act. He indicated amendments made to the law in the last legislative session did not affect the Board. He remarked as a public body, the Board is subject to the statute and summarized its key provisions.

The next agenda item discussed was UHEAA Board Report II-A, UHEAA Executive Director's Report. Mr. Feitz outlined UHEAA's four strategic business priorities: newly acquired portfolios, the federal servicing contract, new supplemental loan program, and business development opportunities.

Mr. Feitz recalled UHEAA's February 2014 purchase of the Wyoming student loan portfolio, which has been converted to UHEAA's servicing system and is performing well. He noted the improvement in portfolio delinquency and indicated UHEAA has reduced delinquency in the Wyoming portfolio so that it now approximates the low delinquency of UHEAA's legacy portfolio. He reviewed UHEAA's purchase of the \$1.6 billion Bank of America portfolio in February 2015 using a temporary warehouse facility which will be retired and replaced with permanent financing over the next year, although volatility in the financial markets may alter the projected schedule. He indicated the first of those permanent financings occurred in June 2015, with strong investor demand and the best available ratings for student loans from Fitch and Standard & Poor's.

Mr. Feitz noted UHEAA anticipates finishing the conversion of the Bank of America portfolio from Xerox Education Services to its in-house servicing operation in the first quarter of 2016. He indicated UHEAA has reconfigured office space and created 74 new work stations in preparation. He remarked the conversion will more than double UHEAA's legacy portfolio borrower base and add 45-50 new positions. He summarized UHEAA's overall portfolio, comparing its legacy portfolio to the CornerStone federal contract portfolio.

Responding to questions from the Board about the viability of CornerStone after the purchase of the Bank of America portfolio, Mr. Feitz indicated that although the portfolio acquisition provides staying power on the legacy side, the federal contract portfolio still needs to grow to a minimum of 400,000 to 500,000 accounts to break even. Ms. Church commended UHEAA for its efficiency in the addition of staff while more than doubling its legacy portfolio.

Mr. Feitz announced CornerStone will receive an estimated 101,000 new accounts in the 2015-2016 academic year, which will more than double its current federal contract volume. He recommended UHEAA continue with the federal contract through 2016. He remarked the allocations were performance-based. He noted exiting the federal contract would be viewed unfavorably by the financial markets, which consider the federal contract as an endorsement of UHEAA's servicing capabilities. He noted the estimated value of the federal contract on the remaining \$1.2 billion to retire from the temporary warehouse facility far outweighs the projected incremental cost to stay in the federal contract over the next year. Mr. Feitz indicated similar allocations in future years are projected to achieve a \$500,000 positive contribution operating income by 2018. Mr. Hunsaker remarked the new 101,000 allocation is a positive sign for the future as it was based on performance. Responding to a question from Dr. Tarbox about anticipated allocations under the Obama administration, Mr. Feitz confirmed with another year of allocations, UHEAA expects to surpass 300,000 accounts.

Responding to a question from Ms. Church regarding the allocations for other agencies, Mr. Feitz noted allocations to the four TIVAs and the six NFPs have been arbitrarily split so the TIVAs receive 75% of the volume. He indicated staff recently met with Representative Chaffetz' lead education staffer to discuss the issue, and Senators Hatch and Lee have sent a letter to the Secretary of Education for elimination of the split. Mr. Feitz noted UHEAA is also advocating for consolidation loans to be open to all servicers, not just the TIVAs as they currently are, to level the playing field and to allow borrowers to choose their servicer.

Mr. Feitz recalled UHEAA received its renewed three-year Authority to Operate from the U.S. Department of Education (ED) in January 2015 and received a 33% fee increase for in-repayment accounts. He summarized the new volume UHEAA has received since December 2014, totaling 22,400 accounts.

Mr. Feitz noted ED approached UHEAA to acquire another guaranty agency. He indicated staff explored the opportunity, but found it provided limited economic benefit and required an unrealistic conversion schedule given UHEAA's current priorities. He indicated UHEAA's financial management and strength position it for opportunities going forward and highlighted UHEAA's first place Federal Reserve Ratio over the past several years.

Mr. Feitz noted the Loan Guaranty Program (LGP) will follow an orderly business conclusion over time, and will continue to collect on defaulted loans and offer rehabilitation to borrowers in that portfolio. He indicated the LGP Operating Fund will supplement LGP's operating budgets in future years.

Mr. Feitz recalled UHEAA allocated \$100,000 for UHEAA Grants in Fiscal Year 2016. He indicated UHEAA has provided \$11.4 million in UHEAA Grants to 12,550 needy students since 2000. Responding to a question from Mr. Marquardt about the size of the grants, Mr. Feitz noted they can be as much as \$2,000 and are awarded at the financial aid directors' discretion.

The next agenda item discussed was UHEAA Board Report II-B, Complete Student Loans Update. Mr. Feitz announced UHEAA disbursed its first Complete Student Loan to a law enforcement senior at Weber State University August 3, 2015. He noted the program is in a pilot phase and launched June 30, 2015 on time and according to plan. He indicated the program is positioned for growth and expansion. He highlighted Kim Allen, who was hired as the Complete Student Loans Product Manager and comes from Mountain America Credit Union (MACU) with 17 years of experience, including the launch and management of MACUs supplemental loan product which grew to \$50 million with a delinquency rate under 1.7%.

Mr. Feitz remarked Complete Student Loans is a student-friendly program with no origination fee, flexible repayment plans, and deferment for active duty military. He highlighted its low, fixed interest rate of 6.49%, with a 0.50% reduction for automatic payments. He noted UHEAA encourages students to save for college, explore their eligibility for grants and scholarships, consider work-study opportunities, and review federal loans before applying for a Complete Student Loan. Mr. Feitz indicated UHEAA has partnered with CampusDoor for its origination system, which offers an easy-to-complete online application and immediate eligibility response. He indicated all Complete Student Loans will be serviced in-house by a dedicated servicing unit.

Mr. Feitz noted the Complete Student Loans promotional campaign is underway and has received positive feedback from media consultant, Tom Love, of Love Communications. He noted the program will build on UHEAA's strong reputation as a local, not-for-profit source of educational loans.

Responding to questions from Mr. Hunsaker and Chair Stoddard about the funding source for the program and timing for future financing, Mr. Feitz indicated the program will be funded by seed money from UHEAA and financed using tax exempt bonding when the portfolio reaches approximately \$25 million.

The next agenda item discussed was UHEAA Board Report II-C, UHEAA Community Outreach Update. Mr. Davis introduced Steve Rogers, Outreach Manager for UHEAA. He noted UHEAA Outreach workshops were attended by more than 30,000 students, parents, and counselors over the past year. Mr. Rogers pointed to new UHEAA Outreach publications provided to the Board. He indicated UHEAA Outreach has combined its branding efforts with StepUp Utah to capitalize on mutual outreach efforts between UHEAA and the Office of the Commissioner. Mr. Rogers highlighted UHEAA's first ever scholarship boot camp event, which took place at Granger High School and provided 30 students with scholarship training and a writing workshop for scholarship resumes. Mr. Rogers summarized UHEAA's recent social media activity and indicated UHEAA Outreach completed 60 FAFSA completion events between February and April 2015.

The next agenda item discussed was UESP Board Report III-A, UESP Executive Director's Report.

It was moved by Mr. Marquardt and seconded by Mr. Hunsaker to approve the UESP Investment Reports for the UESP Administrative and Endowment Funds for June 30, 2015, as presented in the closed session. The motion carried unanimously.

The next agenda item discussed was UESP Board Report III-B, UESP Informational Report. Ms. Ward reviewed the FDIC-insured account interest rate comparison under Tab III-B-1, and the Outreach Summary for June 1, 2015 through August 10, 2015. She highlighted the updated Account Owner Statements, which have a fresh, new look that is reader-friendly and more informative. Ms. Ward highlighted an article

published by Money, "Never Worry About Money Again," under Tab III-B-3, which mentioned UESP for its "low costs and solid fund choices." Ms. Ward reviewed the Investment Option Performance as of June 30, 2015, under Tab III-B-7, and the July 2015 Newsletter under Tab III-B-7.

Chair Stoddard adjourned the meeting at 12:26 p.m.

Executive Director, UHEAA

Date