

Connecticut Higher Education Supplemental Loan Authority

2004 Annual Report



Connecticut Family Education Loan Program
CT FELP

www.chesla.org

**“Celebrating Twenty-Two Years of Helping Students and their Families
Finance a College Education”**



Connecticut Higher Education Supplemental Loan Authority

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Providing Access for Students

CHESLA (the “Authority”) was established by Public Act No. 82-313, codified as Chapter 187b of the General Statutes of the State of Connecticut, Sections 10a-221 through 10a-246, inclusive, as amended (the “Act”). The purpose of the Act is “to provide a measure of financial assistance to students in or from the state, their parents and others responsible for the cost of their education and an alternative method to enable Connecticut institutions for higher education to assist qualified students to attend such institutions.” The Authority is submitting this annual report in accordance with Sections 1-123 and 10a-240 of the Connecticut General Statutes.

Authority Members

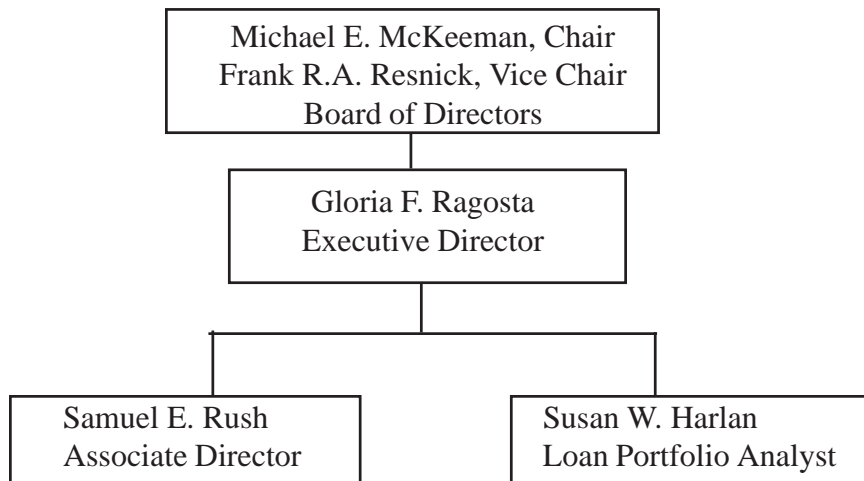
The State Treasurer Denise Nappier, Secretary of the Office of Policy and Management (OPM) Marc S. Ryan and Commissioner of Higher Education Valerie Lewis serve as ex-officio members of the Authority. The remaining five members are appointed by the Governor based on their qualifications in the area of higher education and/or public finance, as specified in Section 4 of the Act.

During the year ended June 30, 2004, the following individuals served as Authority members:

<u>Name</u>	<u>Expiration of Term</u>	<u>Statutory Qualifications</u>
William J. Pizzuto	2006	Employee of constituent unit of state higher education system
Julie B. Savino	2005	Experience in higher education loan finance
Frank R.A. Resnick	2005	Employee of constituent unit of state higher education system
Winifred E. Coleman	2004	Employee of an independent institution of higher education
Michael E. McKeeman	2008	Experience in state and municipal finance

CHESLA Chair and Staff

On March 16, 1999, Governor John G. Rowland nominated Mr. Michael McKeeman for appointment as Chairman of the Authority. This appointment was confirmed by the General Assembly during its 1999 Regular Session and Mr. McKeeman was reappointed during the 2004 Regular Session.



Authority Activities

- Between July 1, 2003 and June 30, 2004, the Authority held four regular meetings.
- At its meeting on September 9, 2003:
 - The Authority approved a resolution ratifying all actions undertaken by the Bond Committee and the Executive Director with respect to the 2003 Bond deal.
 - The Authority approved a motion re-electing Mr. Resnick to serve as Vice Chairman of the Authority.
 - The Authority approved a resolution to appoint a Servicer Selection Committee.

At its meeting on December 2, 2003:

- The Authority approved its Annual Report and Audit for FY 2003.
- The Authority approved a motion to appoint the 2004 Advisory Committee members.
- The Authority approved its meeting dates for 2004.
- The Authority approved a resolution to ratify the Accounting Services Selection Committee's recommendation to appoint the firm of Beers, Hamerman & Co., P.C. to serve as accountant to the Authority for a period of three years.

At its meeting on March 16, 2004:

- The Executive Director reported that the State Bond Commission approved \$11,455,894 million of FY03 Private Activity Bond Contingency Funds to be carried forward for the Authority.
- The Authority received a “clean” three-year audit from the State.
- The Authority reviewed the FY 2004 second quarter financial statements.
- The Authority approved a motion to approve a five-year CCIC/CHESLA Agreement for Services and Sublease.
- The Authority approved revisions to its bylaws.

At its meeting on June 15, 2004:

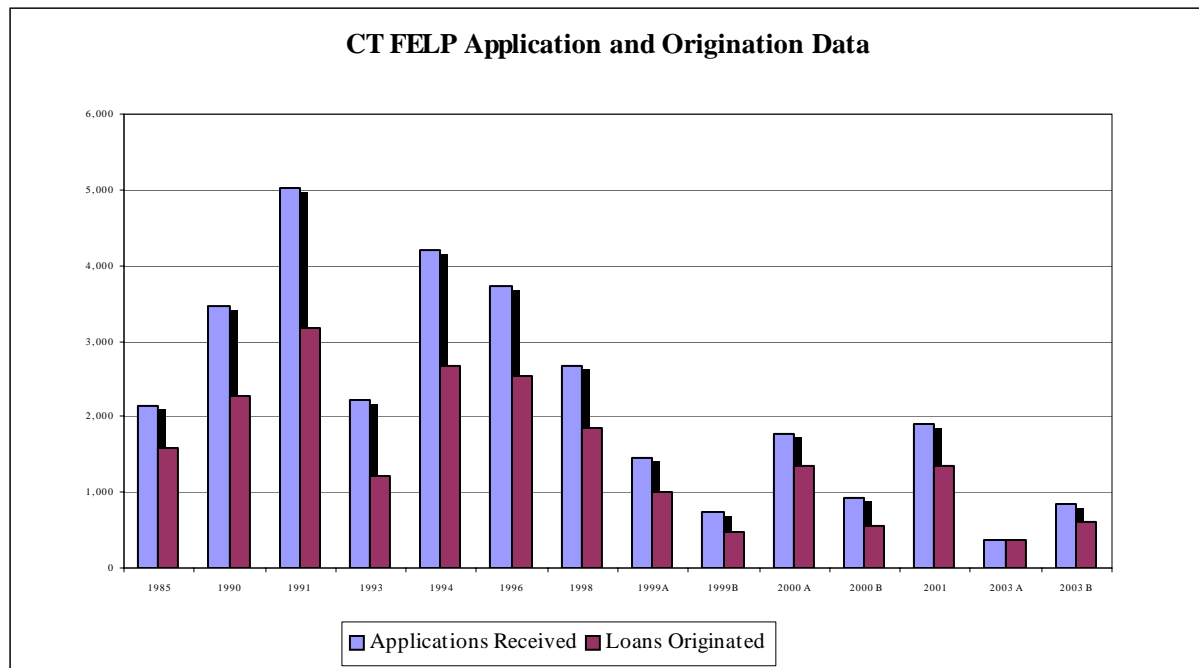
- The Authority reviewed the FY 2004 December and March quarterly financial statements.
- The Authority approved a resolution concerning the 2004 Bond Committee.
- The Authority approved the transfer and conversion of its servicing of CT FELP loans from Connecticut Student Loan Foundation to Firstmark Services.
- The Authority approved the CHESLA Budget and Plan of Operations for FY 2005
- The Authority approved a resolution concerning professional development.
- The Authority approved its accountant’s request concerning inter-fund reports.
- The Authority approved a resolution concerning 2% loan yield.

Administrative Activities

The Act requires the Authority to appoint an Advisory Committee of up to 15 persons to meet with members of the Authority at least once a year. During the year ended June 30, 2004, the following individuals served as members of the Advisory Committee: James Blake, Edwin Below, Virginia Gorman, Joseph Martinkovic, Kristin White, Julie Weber, Richard Savage, Marylou Shand, John Siegrist, Mark Valenti, Dominic Yoia, and David Welsh. The Advisory Committee met with the Authority on December 2, 2003 as required by the Act. The Authority retained the firm of Carlin, Charron & Rosen LLP to be its independent auditor for the Fiscal Year Ended June 30, 2004. (The audit is attached as Exhibit A.)

Financial Assistance Activities

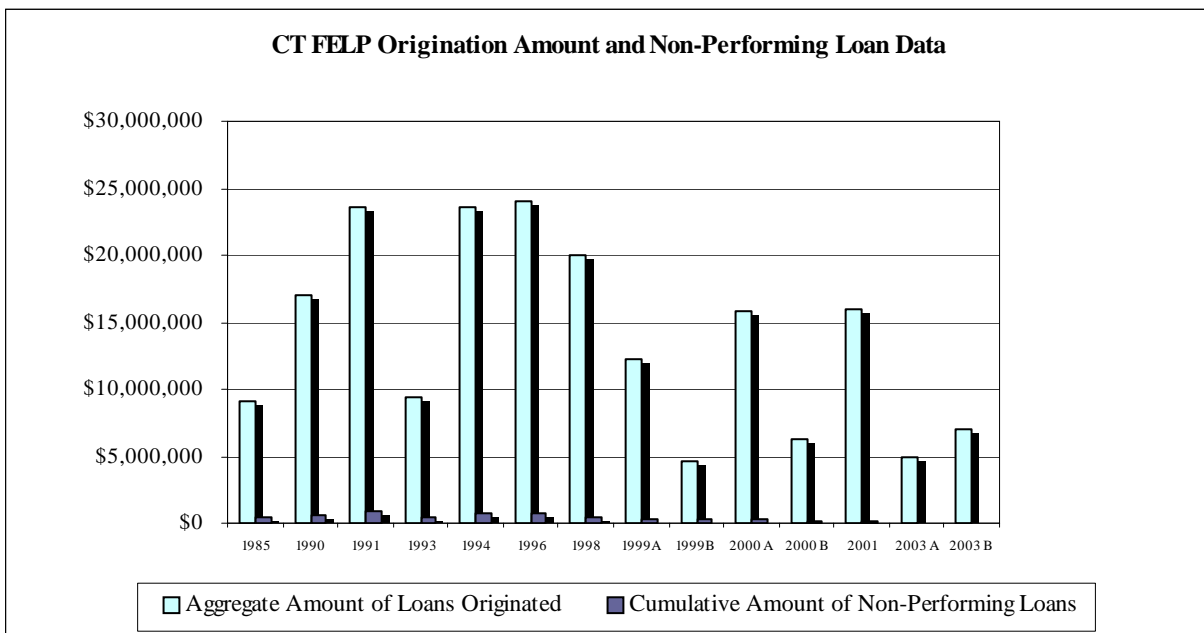
Funding for the CT Family Education Loan Program (CT FELP)



All series are fixed (simple interest) rates

Applications Received - 1985 (2,150), 1990 (3,462), 1991(5,022), 1993 (2,226), 1994 (4,193), 1996 (3,737), 1998 (2,681), 1999A (1,460), 1999B (739), 2000A (1,771), 2000B (915), 2001 (1,900), 2003A (367), and 2003B (838) .

Loans Originated - 1985 (1,575), 1990 (2,275), 1991 (3,181), 1993 (1,215), 1994 (2,676), 1996 (2,542), 1998 (1,883), 1999A (1,014), 1999B (475), 2000A (1,360), 2000B (564), 2001 (1,341), 2003A (362), and 2003B (619).



Aggregate Amount of loans Originated - 1985 (\$9,138,627), 1990 (\$16,978,127), 1991 (\$23,509,883), 1993 (\$9,457,002), 1994 (\$23,601,441), 1996 (\$24,002,867), 1998 (\$19,989,330), 1999A (\$12,283,780), 1999B (\$4,628,969), 2000A (\$15,853,387), 2000B (\$6,200,067), 2001 (\$15,979,425), 2003A (\$4,926,909), 2003B (\$7,061,038).

Cummulative Total of Non-Performing Loans - 1985 (\$482,244), 1990 (\$604,108), 1991 (\$959,959), 1993 (\$393,211), 1994 (\$799,171), 1996 (\$793,189), 1998 (\$502,300), 1999A (\$236,312), 1999B (\$272,607), 2000A (\$242,229) 2000B (\$89,009), 2001 (\$87,068), 2003A & B (0). Total non-performing loans \$5,461,406.

Non-Performing loan Rate - 1985 (5.28%), 1990 (3.56%), 1991 (4.08%), 1993 (4.16%), 1994 (3.39%), 1996 (3.30%), 1998 (2.51%), 1999A (1.92%), 1999B (5.89%), 2000A (1.53%), 2000B (1.44%), and 2001 (.54%). Total non-performing loan rate (2.82%)

Financial assistance activity information was compiled from student loans originated during the following periods:

- 1985 Series A Bonds - October 1, 1985 to October 30, 1988;
- 1990 Series A Bonds - August 22, 1990 to September 6, 1991
- 1991 Series A Bonds - September 12, 1991 to August 5, 1993;
- 1993 Series A Bonds - August 12, 1993 to August 20, 1994;
- 1994 Series A Bonds - August 26, 1994 to September 20, 1996;
- 1996 Series A Bonds - October 5, 1996 to September 5, 1998;
- 1998 Series A & B Bonds - September 11, 1998 to June 30, 1999;
- 1999 Series A & B Bonds - October 27, 1999 to November 24, 2000;
- 2000 Series A & B Bonds - December 15, 2000 to May 1, 2002;
- 2001 Series A Bonds - May 5, 2002 to July 2, 2003; and
- 2003 Series A & B - July 23, 2003 to June 30, 2004

Of the 1,575 students receiving loans disbursed from the proceeds of the 1985 bond sale, 1,499 students attended in-state institutions and received a total of \$8,510,327. Seventy-six students attended out-of-state institutions and received a total of \$628,300. A table showing the total number and amounts of loans disbursed from proceeds of the 1990 through 2001 bond sales is attached as Exhibit B.

A copy of the 2003 CT FELP Program Manual is attached as Exhibit C.

Bond Issuance

The Authority issued \$30.9 million in 2003 Series A and B Bonds and refunded \$6.7 million in 1991 Series A Bonds in a negotiated bid, using RBC Dain Rauscher as its underwriter and Public Financial Management as its financial advisor, in July, 2003.

As of June 30, 2004, the Authority had issued Revenue Bonds and Revenue Refunding Bonds in the aggregate principal amount of \$255.215 million. The principal amounts of the Authority's outstanding bonds totalled \$115.115 million, including:

<u>Principal Issued</u>	<u>Principal Outstanding</u>
1983 Series - \$15,500,000	\$0
1985 Series - \$15,500,000	\$0
1990 Series A - \$18,000,000	\$0
1990 Series B - \$ 420,000	\$0
1991 Series A - \$25,000,000	\$0
1991 Series B - \$ 445,000	\$0
1992 Series A - \$ 6,600,000	\$0
1993 Series A - \$10,000,000	\$2,510,000
1994 Series A - \$25,000,000	\$8,230,000
1996 Series A - \$25,000,000	\$12,035,000
1998 Series A - \$15,000,000	\$7,880,000
1998 Series B - \$ 3,560,000	\$2,935,000
1999 Series A - \$12,500,000	\$ 7,300,000
1999 Series B - \$ 4,390,000	\$ 3,995,000
2000 Series A - \$16,410,000	\$12,095,000
2000 Series B - \$ 5,975,000	\$ 4,645,000
2001 Series A - \$25,000,000	\$22,575,000
2003 Series A - \$18,000,000	\$18,000,000
2003 Series B - \$12,915,000	\$12,915,000
Total \$255,215,000	\$115,115,000

The State's contingent liability, in connection with the 1991, 1993, 1994, 1996, 1998, 1999, 2000 2001 A and 2003 A Bonds, is the Special Capital Reserve Fund requirement for such Bonds, as defined in Connecticut General Statutes Section 10a-232, funded as of June 30, 2004 in the aggregate amount of \$8.5 million.

Projected Activities

The Authority expects to provide assistance in the form of Education Loans from the remaining proceeds of its 2001 Series Bonds (\$3.2 million) and 2003 A&B Series (\$12.7 million) during the Fiscal Year ending June 30, 2005, under the CT FELP Program. The Authority plans to issue bonds during Fiscal Year 2005.

Affirmative Action

The Authority's affirmative action policy statement, as required by Connecticut General Statutes Section 10a-224(h)(2): The Authority is an equal opportunity employer. It is the policy of the Authority to provide equal employment opportunity at all times without regard to race, color, religion, sex, citizenship status, age, national origin, non-job related handicap, veteran status, or any other discrimination prohibited by state or federal law. Notwithstanding the foregoing, it shall be the affirmative action plan of the Authority to take positive action, with conviction and effort, to overcome the present effects of past practices, policies or barriers to equal employment opportunity and to achieve the full and fair participation of women, Blacks, and Hispanics and any other protected group found to be under-utilized in the workforce or affected by policies or practices having an adverse impact. As of June 30, 2004, the Authority had two employees, an Associate Director and a Loan Portfolio Analyst. One employee was an African-American male and one was a Caucasian female.

Community Service Activities



The Authority participated in two early college awareness programs in the State. In addition, CHESLA sponsored four GEAR UP students by awarding them an annual \$2,500 "Morrison Beach Scholarship." The total award for each student equals \$10,000 over four years of college. One student was enrolled in Central Connecticut State University, one in Sacred Heart University, one attended the University of New Haven and one attended the University of Connecticut. Annual scholarship allocations are based on academic performance and continued enrollment.

Payments in Excess of \$5,000

Firms paid in excess of \$5,000 in payments of loans, grants, services (excluding loans for education):

Beers, Hamerman & Co., P.C.	-	Accountant
Carlin, Charron & Rosen LLP	-	Auditor
Collection Company of America	-	Collection Agency
Connecticut Conference of Independent Colleges	-	Personal Services/Shared Office Space
Connecticut Student Loan Foundation	-	Origination/Loan Servicing
Education Finance Council	-	Professional Membership
Fitch	-	Rating Agency
Moody's	-	Rating Agency
Public Financial Management (PFM)	-	Financial Advisor
RBC Dain Rauscher	-	Underwriter
Day, Berry & Howard LLP	-	Legal/Bond Counsel
Howard Lee Schiff P.C.	-	Collection Attorney
Kutak Rock Consultants	-	Loan Yield/Arbitrage Rebate
R.C. Knox & Co., Inc.	-	Insurance Broker/Insurance Fees
Small Business Services	-	Health Insurance
U.S. Bank & Trust Co.	-	Trustee
The Hartford Press, Inc.	-	Printer

Exhibit A

Financials



Exhibit B

Loans Disbursed 1990-2004



Exhibit C

2003 CT FELP Program Manual

