

MEETING SUMMARY

STUDENT ASSISTANCE FOUNDATION OF MONTANA (SAF) BOARD OF DIRECTORS MEETING January 23, 2008

The Board of Directors of the Student Assistance Foundation of Montana (SAF) convened via conference call at 10:00 a.m.

CALL TO ORDER: The meeting was called to order at 10:00 a.m. by Chair Jim Bell.

ROLL CALL: Upon roll call, Members Jim Bell, Kim Cunningham, Lynn Hamilton, Ed Jasmin, Royal Johnson, Ernest Bergsagel, and Russ Ritter and Ex Officio Member Sheila Stearns were present. Kerra Melvin joined the meeting at 10:55 a.m. Member Lila Taylor was absent.

Officers Present:

Jim Stipcich, President
Mick Robinson, Vice President
Mick Hanson, Secretary

Others Present:

Jolene Selby, Executive Vice President, Chief Financial Officer
Don Oliver, Executive Vice President of Sales and Marketing
Dennis Doherty, Executive Vice President of Human Resources
Scott Todorovich, Executive Vice President/Chief Information Officer
Simon Poole, Executive Vice President/Chief Operating Officer
Sharon Eslick, Administrative Affairs Manager (Recorder)
Suzan Scott, State Budget Office

FILLING BOARD MEMBER TERM EXPIRATIONS

Jim Bell briefly highlighted the document outlining the process for filling board positions. It was recommended a change to the bylaws be made to formalize the process going forward.

Motion: Member Jasmin moved and Member Ritter seconded to bring a bylaw change back to the next regular board meeting to codify the changes as outlined. Motion carried,

Action: The Board authorized Jim Bell to form an ad hoc committee to deal with immediate vacancies. The Committee is as follows: Royal Johnson (Chair), Russ Ritter, and Lila Taylor.

COMMITTEE REPORTS

- a. **Audit Committee** – Audit Committee Chair Kim Cunningham will send a packet of information to the Audit Committee for review.
- b. **Programs Committee** – Kelly Chapman provided an update on the committee activity. The committee has decided to work on structure issues related to the endowment.

- **Upcoming Golf Tournament** – Planning for the 2008 Golf event is underway.

Motion: Member Jasmin moved and Member Cunningham seconded to approve moving forward with planning for the 2008 Golf Scramble scheduled for August 14 and 15. Motion carried.

- **RFP for Financial Management of Endowment Fund** – An RFP for financial services was sent. Those responding indicated that the amount to be managed is a very small amount. The fees for management are very high. It will take awhile to build the fund up to the level were hiring an outside firm to manage the fund is economical. Kelly Chapman is looking at legal requirements. The Committee will meet next week.

- c. **Executive Committee** - The Committee has not met since the last Board meeting.

STRATEGIC ISSUES

- a. **General Industry Condition** – Jim Stipcich provided a written overview of the condition of the student loan industry and briefly touched on how this is affecting both SAF and MHESAC. The financial markets and the student loan markets are in a time of great uncertainty. MHESAC was able to complete a financing in December 2007 that will provide dollars for students in AY 08-09.

MHESAC has seen high rates on their auction bonds recently. Jim noted that the financing that was completed in December did not contain auction bonds but was rather a Variable Rate Demand Obligation (VRDO). MHESAC is considering refinancing the auction bond financings into a different financing structure. Liquidity is becoming scarce which will make refinancing the auction bond financings more difficult to accomplish.

Of particular interest today is that AMBAC was downgraded by Fitch rating agency from AAA status. They remain on negative watch with both Fitch and Moody's.

- b. **Regents Work Group on Student Loan Issues** – The work group has had two formal meetings. The group asked the OCHE staff to put together some recommendations with pros and cons of each and this is currently in process. Jim expects this recommendation will be delivered to the task force soon. A meeting of the work group is being scheduled for early February.
- c. **Discussion of National Loan Activity Post October 1, 2007** – We have done some clean up and some trickle volume but we are not taking any active national loan applications at this time.
- d. **Discussion of SAF Loan Servicing Business Development Efforts** – Some of our servicing partners are not making loans at all which has impact to our volume. Staff is exploring loan servicing opportunities that have become available due to the changes in the markets. As these opportunities get fleshed the details will be brought to the Board.

- e. Sleeping Giant Land Inquiry – We have had two conversations with an entity about future plans with the land. They are working through some political issues as well. The discussions have covered the whole range of possibilities

BOARD ACTION ITEMS

- a. Revised FY 08 SAF Volume Projections and Revised FY 08 SAF Budget

Motion: Member Jasmin moved and Member Cunningham seconded to approve the revised SAF FY 08 budget as presented.

Volume has dropped dramatically both in national loan generation and in the loan servicing area. We are still anticipating that the loans being held in MSLF will be per sold to MHESAC in May. Hopefully the markets will have improved to make this timetable work. On the servicing side, the original budget and projections anticipated a \$1.4 billion in growth. New projections now anticipate a growth of \$173 million.

Jolene Selby provided an overview of the revisions to the FY 08 budget. The revised budget that was presented assumes the Foundation/Development budget was left in tact. However, management is recommending a \$550,000 reduction in FY 08 Programs expenditures of which \$300,000 is in the budgeted Access Grants. This reduction would return the FY 08 Access Grants level to FY 07 levels. While SAF can cover the budgeted expenses, the Board may wish to reduce the amount of benefits delivered this year, in order to preserve sustainability in the future. A one page summary of recommended budget reductions to the Foundation Activities area was provided for review by the Board.

Management recommended the adoption of the revised budget and the adoption of the revised FY 08 Program expenditures. After adoption of these two items, SAF's revised budgeted FY 08 net surplus would be \$35,000 from SAF operations and program expenditures prior to MSLF earnings in FY 08 and approximately \$3,000,000 after MSLF is included. While that seems like a lot it is important to remember that this year's MSLF income is one-time income that is not likely to occur again until and if National loan activity resumes.

The Board asked questions about the impact on incentive plans for both the staff and executive management teams given the revised budget and volume targets. The Board agreed to have the Executive Committee meet and plan to have suggested revisions to the Board for their February meeting.

After discussion, Motion carried.

Motion: Member Bergsagel moved and Member Melvin seconded to approve the \$550,000 reduction in Foundation Activities expenditures as presented. Motion carried.

- b. Revised SAF FY 08 OMTI Targets – Simon Poole provided an overview document showing the changes to the OMTI targets based upon the revised volume projections and budget revisions.

Motion: Member Johnson moved and Member Melvin seconded to approve the revised FY 08 OMTI targets as presented. Motion carried.

BOARD MEMBER QUESTIONS ON SAF ACTIVITY REPORTS

- a. Programs Activity – The Board asked about the reduction in the support hours by campus offices. Kelly reported that due to regulation changes, there are tasks that these individuals are no longer able to do.
- b. Student Loan Generation and Servicing Only Business – Don Oliver reported that he is proud that we honored the commitments to our partners. Not all organizations have done that. Because of the reduced loan volume, the emphasis has now been moved to obtaining servicing volume
- c. Management Reports were provided as follows:
 - 1. Financing Statements – No additional discussion.
 - 2. CIS – It was noted that Scott and Simon continue to evaluate a proposed origination system.
 - 3. HR Activities – The Board asked about employee morale. It was noted that employee turnover remains the same as last year.
 - 4. Communications Activity – It was reported that the communications areas is working to maximize their advertising dollars.
 - 5. Operations Division Activities – No additional discussion.
- d. Strategy Reports – The following reports were provided for review:
 - 1. OMTI Scorecard
 - 2. Strategy Checkup

INFORMATION SHARING ON MHESAC ACTIVITIES

- a. 2007 Financing – As stated earlier in the meeting, the 2007 financing was completed in December 2007.
- b. MHESAC Financing – MHESAC has started working on refunding auction bond financings as well as development of a plan for a take out of MSLF loans in the spring.
- c. IRS deemed MHESAC 509(a)(2) – MHESAC received notification from the IRS that their application for 509(a)(2) status was accepted.
- d. MHESAC Revised Loan Volume Projections – MHESAC's revised projections were provided for information.
- e. FYTD 2008 MHESAC OMTI Scorecard – The documents were provided for review and an opportunity for questions was provided.
- f. FYTD 2008 MHESAC Strategy Scorecard - The documents were provided for review and an opportunity for questions was provided.

ITEMS FROM BOARD MEMBERS - NONE

SCHEDULE NEXT BOARD MEETING

- a. February 2008 Joint Strategy Work Session with MHESAC and SAF Board Meeting – The Board agreed to try to schedule a joint session with MHESAC on the afternoon of February 28. The SAF Board would meet on February 29.
- b. April 2008 SAF Board Meeting – It was agreed to circulate potential dates to the Board for consideration.
- c. June 2008 SAF Annual Meeting - The Board agreed to look at June 20, 2008 as the proposed date for the SAF Annual Meeting.

ADJOURNMENT TO EXECUTIVE SESSION

Being no further business, the meeting was adjourned into Executive Session at 12:15 p.m.