

MEETING SUMMARY

STUDENT ASSISTANCE FOUNDATION OF MONTANA (SAF) BOARD OF DIRECTORS MEETING March 10, 2008

The Board of Directors of the Student Assistance Foundation of Montana (SAF) convened via conference call at 3:00 p.m.

CALL TO ORDER: The meeting was called to order at 3:00 p.m. by Chair Jim Bell.

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

Officers Present:

Jim Stipcich, President
Craig Roloff, Treasurer

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
Kelly Chapman, Executive Vice President Foundation Activities
Lowell Wollitz, Executive Vice President of Borrower Services
Sharon Eslick, Administrative Affairs Manager (Recorder)
Suzan Scott, State Budget Director's Office

IN MEMORY OF NORMA JOHNSON – Chair Bell asked for a moment of silence for the recent passing of Royal Johnson's wife, Norma.

BOARD VACANCIES

Jim Bell congratulated Kim Cunningham and Ernest Bergsagel. They have both been reappointed to the Board for an additional 3-year term.

COMMITTEE REPORTS

- a. Audit Committee – No report from the committee.
- b. Programs Committee – Kelly Chapman reported that the committee will be meeting on March 19th. An update will be available following that meeting.
- c. Executive Committee - No report from this committee.

STRATEGIC ISSUES

- a. General Industry Condition – Jim Stipcich is currently attending the EFC Conference and visiting with his peers about overall student loan industry. In general, market conditions continue to be extremely difficult. MHESAC began encountering failed auctions in early February. About \$1 billion of MHESAC's auction bonds have failed to date. Auctions are scheduled for tomorrow that will make that amount greater than \$1 billion. That will complete the first cycle. Sallie Mae and NelNet have recently completed financings, however, the cost of those deals are significantly more than deals in the recent past. There is concern around the industry about the access of funds for students during the next academic year. MHESAC has a financing in place to cover AY 08-09.
- b. Discussion of Impact on SAF – The Senior Management staff has been working on addressing the issues facing both organizations. SAF has revised its budget to address the decrease in volume. A longer term concern is if MHESAC needs to do additional expenditure reduction, it will translate to fewer dollars for SAF programs. This will require SAF to determine long term effects on program expenditures. Some of SAF's partners are not doing loans at all and some are experiencing major staff reductions. PHEAA has indicated they are on hold in their loan business but will continue to support their servicing clients.
- c. Discussion of SAF Loan Servicing Business Development Efforts – With the hit to the student loan industry comes some opportunity to increase our servicing business. Some entities are looking to have others do their servicing and this might provide an opportunity for SAF to increase their servicing volume. SAF will continue to evaluate the opportunities as they come along to determine if the addition of that servicing volume will be beneficial to SAF.

SAF may need to look at creating a for-profit subsidiary in order to obtain some of this increased servicing volume. Jim indicated he may have something within the next 3-4 weeks for the board to consider. The purpose of the for-profit subsidiary would only be for servicing.

- d. Status of Land - Ed Jasmin inquired about the status of the land and whether there was any further interest from Blue Cross/Blue Shield. Jim Stipcich indicated that he has had no further discussions with BCBS about sale of the land. Since we essentially have two assets (land and plans), we will need to determine how to turn the assets into something productive.

BOARD DISCUSSIONS

- a. Questions on Final Revised FY 08 Budget – At the last meeting, the Board approved the revised FY 08 budget that reduced revenue as well as operating and program expenditures. At the end of January, SAF is at 53% of revised budget 58% of the way through the year.

The Board briefly discussed servicing opportunities and the impact to the budget.

- b. Discussion of Revised Bylaws Concept – Jim Bell discussed what he has gathered with regard to the concept to revise the SAF bylaws. A draft document has been prepared and is nearly ready to be sent to the Board. This document outlines the process for how board members are appointed to the SAF Board. Members are either appointed by MHESAC Chair or by the Board of Regents

Chair. A nominating committee would be appointed and would become a standing committee of the Board. This committee would be proactive in obtaining a slate of officers as well as new board members. There has also been discussion about the appointment of the student regent on this board and the possibility of replacing this position with another student if the Student Regent does not wish to serve on this Board. The concept includes that no automatic appointments are made.

Action: After discussion, it was agreed that Jim Bell would have the draft bylaws revisions sent to the SAF Board members.

- c. Discussion of Revised FY 08 Incentive Gain Sharing Components – Jim Bell asked the Board to discuss thoughts about the need to change the gain sharing programs in light of the budget and volume projection revisions

The Board members expressed concern about how to adjust the gain sharing plan if they don't have any idea what targets are realistic.

Motion: Member Bergsagel moved and Member Jasmin seconded to direct the Executive Committee to investigate changes in the incentive program and make recommendations to the full Board at their next face to face meeting. Motion carried.

- d. Regent's Work Group on Student Loans – The Regents took action on the report. They adopted the concepts that were included in the recommendations with some caveats. Concerns were expressed by both the SAF and MHESAC Board Chairs.

INFORMATION SHARING ON MHESAC ACTIVITIES

- a. Refinancing – MHESAC is looking at the potential of refinancing their auction bonds into another financing structure.
- b. Fred Flanders has been reappointed to the MHESAC Board for an additional 3-year term.

ITEMS FROM BOARD MEMBERS - None

SCHEDULE NEXT BOARD MEETING

- a. April 2008 SAF Board Meeting – The Board agreed to look at April 9 as a potential date.
- b. June 20, 2008 SAF Board Meeting - The Board agreed to June 20th for the SAF Annual Meeting.

ADJOURNMENT

Being no further business, Member Bergsagel moved the meeting be adjourned at 4:28 p.m.