AGENDA ITEM 2.

MINUTES OF THE JUNE 22, 2007 MEETING

MINUTES OF A MEETING
OF THE
ILLINOIS STUDENT ASSISTANCE COMMISSION

June 22, 2007

Robert Morris College
Chicago, Illinois

COMMISSIONERS PRESENT:	Donald J. McNeil, Chair Warren Daniels, Jr. Ashley Dearborn Dr. Mary Ann Louderback David Vaught
COMMISSIONERS ABSENT:	Sharon Alpi Dr. Lynda Andre Hugh Van Voorst
PRESENT BY INVITATION:	Elmer Washington, Designated Liaison, IBHE
STAFF PRESENT:	Andrew Davis, Executive Director Tom Breyer, Senior Policy Advisor Steve Di Benedetto, IDAPP Randy Erford, *College Illinois!* Wendy Funk, IDAPP Katharine Gricevich, Special Assistant Sue Kleemann, RPPA Kim Barker Lee, General Counsel Shoba Nandhan, Comptroller Sam Nelson, Public Service John Sinsheimer, CFO/Managing Director, Financial Products and Services Nancy Stephens, *College Illinois!* Joanne Tolbert, HRD Claude Walker, State Relations Debora Calcara, Commission Secretary
PUBLIC ATTENDANCE:	Pete Aiello, University of Illinois at Chicago Fred Ash, JPMorgan Chase Deb Brody, Robert Morris College Meegan Bassett, Women Employed Jodi Cohen, Chicago Tribune Kevin Conlon, Conlon Public Strategies, LLC Kristin Creel Charles Curry, Piedmont Investment Advisors Paul Frank, FIICU Edgar Hakl, FinanSure Student Loans

Patrick James, School of the Art Institute of Chicago
Bryan Johanson, C.S. McKee Investment Managers
Pat Krolak, Marquette Associates
Steve Meador
Lynn Murphy, IBHE
Gene Natali, C.S. McKee Investment Managers
Dave Newbart, Sun Times
Mary Pugh, Pugh Capital
David Siegel, Noverus Partners
Yvette Shields, Bond Buyer
Ingrid Stafford, Northwestern University & *College Illinois!* Investment Advisory Panel Member
Joseph Starshak, Starshak, Welnhofer & Company
Leigh Taylor, Robert Morris College
Tracy Thomas, LaSalle Bank
Dave Tretter, FIICU
Michael Viollt, Robert Morris College
Larry White, Chapman and Cutler

Item 1. Announcements

Opening the meeting, Chairman McNeil introduced Mr. Michael Viollt, President of Robert Morris College. Addressing the Commission, Mr. Viollt noted the role of Robert Morris College as a national leader in educating first generation college students and its success in the rate of degree completion among institutions serving underserved communities. He highlighted the importance of the Monetary Award Program (MAP) grant administered by the Commission in helping to achieve this success, and reflected on the importance that a MAP grant had played in his own life, as the youngest of eight children in his family and the first who was able to attend college. He then asked several current students from Robert Morris College to share their personal stories and the importance of the MAP grant in helping them to achieve their goals.

Current Robert Morris College students Michelle Jenkins, Ricardo Medina, Fernando Gomez, Alex Villasenor, Ashley Kitchens, Jaime Lozada and William Alvarez each addressed the Commission. Each one presented brief remarks about their background, their current programs of study and their future plans. The students all expressed their thanks for receiving the MAP grant and told how it was helping them to achieve their individual dreams, and how by relieving their financial pressures, was allowing them to focus on their studies rather than worrying about taking on extra debt and/or extra jobs to pay their bills.

Chairman McNeil and all members of the Commission applauded the students and thanked them for sharing their experiences.

Chairman McNeil asked that a roll call be taken, which established that a quorum was present. He then announced that the next meeting of the Commission will be held on July 20, 2007 at Kankakee Community College.

Chairman McNeil acknowledged that this was the final meeting for Ashley Dearborn as Student Commissioner. He thanked her for her contribution to the Commission and for her valuable advice and counsel during her tenure. At this point, the Chairman read the following resolution into the record, and presented Ms. Dearborn with a plaque honoring her service:

> **WHEREAS** Ms. Ashley J. Dearborn was appointed Student Commissioner for the Illinois Student Assistance Commission by Governor Rod R. Blagojevich as of October 2005, serving through June 2007; and
>
> **WHEREAS** Ms. Dearborn faithfully honored her commitment to the Commission while attending Wilbur Wright College, one of the City Colleges of Chicago, where she is studying political science and vocal performance; and
>
> **WHEREAS** Ms. Dearborn also contributed her time and talents to serving not only student government on a wide range of campus issues, but also to community affairs issues of significance, including housing, immigration, youth issues and citizen participation in government; and
>
> **WHEREAS** Ms. Dearborn consistently and strongly advocated for student aid programs, especially need-based aid, on behalf of the diverse population of Illinois students, and did so with great dedication, passion and enthusiasm; therefore

BE IT RESOLVED that the Commission members and staff recognize and honor Ms. Ashley J. Dearborn for her service to the families and students of Illinois through her commitment to the Illinois Student Assistance Commission.

The resolution was adopted unanimously, and Ms. Dearborn stated that it has been an honor and privilege to serve on the Commission and advocate for the students of Illinois.

Item 2. Minutes of the March 30, 2007 Meeting

Dr. Louderback **MOVED THAT** the minutes of the March 30, 2007 meeting be approved as submitted. Mr. Daniels seconded the motion, which was approved unanimously.

Item 3. Executive Director's Report

Opening his remarks, Mr. Davis commended to the Commissioners the written legislative report contained in the Agenda Book, and added that while the state legislature has not yet adopted a budget at this time, at least there were no major cuts contained in the budget proposals currently being considered. On the Federal side, however, he noted that major changes are being considered to the budget reconciliation bills that could have a $20 billion impact on higher education. While these bills do include a very much needed increase to the Pell Grant program, unfortunately, the money will come from cuts to lenders and guarantors such as ISAC. He and staff have recently met with legislators in Washington to make a case for the not-for-profit lenders within the FFELP community. He emphasized that agencies such as ISAC are very different from the for-profit lenders in that a not-for-profit lender is mission based rather than a shareholder return based lender and the changes being recommended could have a serious negative impact on the students of Illinois.

Mr. Davis then recognized Ms. Wendy Funk, IDAPP's Director of Financial Management and Control, who will be leaving ISAC shortly, congratulated her on her new position with the City of Chicago, and thanked her for her 15 years of valuable service to the agency.

Continuing, Mr. Davis noted that the new Capstone Loan Program, which was first introduced at the March Commission meeting, is moving forward and the pilot program is expected to go live on July1. The program will be one of the primary topics featured in a new round of school visits around the State as part of a new listening tour beginning in July under the leadership of the Chairman.

Mr. Davis stated that he received numerous e-mail messages from students as a result of a newspaper article in which he mentioned the possibility of forgiveness of student loan debt as a result of bankruptcy in cases where there is no likelihood of ever collecting on a defaulted student loan. In many cases, the debt is keeping the borrower from using a degree which they have earned. He asked whether the Commission is interested in having staff continue to explore, develop, and bring back to them at a later date, proposed changes in our policies regarding bankruptcies that may provide some relief necessary for borrowers to get back on the path to becoming tax-paying citizens.

In response to a question from Mr. Vaught, Ms. Lee explained the current treatment of borrowers in bankruptcy court and the agency's role in those proceedings. A lengthy discussion ensued among the Commissioners regarding an approach similar to Chapter 13, in which a plan is worked out based on an evaluation of the borrower's capability of repaying relative to a reasonable budget.

Mr. Daniels and Dr. Louderback both expressed an interest in hearing further details about such a proposal, but both also expressed caution that in attempting to arrive at a more humane approach to treating such cases that the agency not compromise its obligation or its ability to successfully collect debts

owed to the program. Dr. Louderback asked that detailed information be brought back to the Commission for its review prior to being released to the public. Mr. Davis stated that serious discussion and research would be done by staff, and that specific suggestions will be brought back to the Commission.

Mr. Davis shared with the Commission several letters of thanks and appreciation from grateful students who had received scholarship assistance through the agency. He then announced that *College Illinois!* had recently reached the $1 billion mark in assets, in this year that also marks the tenth anniversary of the program. Mr. Vaught suggested that while *College Illinois!* was being discussed, it might be a good time to also discuss the results of the *College Illinois!* marketing report, which had been distributed to the Commissioners. He stated that even though the program hit the $1 billion dollar mark in assets, he was quite concerned about the drop to 4,114 new contracts during the recent enrollment period, and asked what follow-up was going to be done. Mr. Davis acknowledged his shared concern over the long-term trend of declining contract sales. He then updated the Commission on the status of the RFP that had been issued for the *College Illinois!* marketing agent, and indicated that prior to any further action on this procurement, he would be bringing in an outside consultant to review the communications activities of the agency as a whole. While the investment returns have been solid and the incoming cash flows have been steady, Mr. Davis said, he agreed with Mr. Vaught that the downward trend in contract sales is a cause for concern.

Mr. Vaught voiced his further concern about both the apparent lack of advertising being done in southern Illinois and the perceived lack of precision in defining the target audience for our marketing and communication activities, and reiterated his desire for further review by the Commission.

Chairman McNeil indicated that in conversations they have had, Mr. Davis has also expressed to him his concerns regarding the program's performance in terms of new contract sales. The Chairman said these concerns illustrated why a new marketing approach was necessary. He also expressed his desire to be able to bring to the Commission a marketing report that was not only accurate and complete, but also one that would be able to report more satisfactory results. With regard to the RFP that was issued, Mr. McNeil said that we will not retain a marketing agent until we are convinced we have identified a firm that can do an effective job. He expressed agreement with Mr. Vaught's concern about the past and the report.

In response to questions from Dr. Louderback, Mr. Davis clarified his plans to have an outside expert review the entire agency's communication activities, and also indicated that some of the challenges facing *College Illinois!* were brought on by growing pains due to its significant growth over a short period of time with a relatively small staff.

Mr. Daniels stated that in looking at the program, he would like to compare *College Illinois!* with other states' 529 programs to see if there is a trend nationally in the declining sales. Mr. Davis agreed, noting that he is not so much concerned about the past as he is ambitious about where to take the program in the future, and that yesterday's solutions may not be adequate to take us where he would like to be in the future. Mr. Vaught concluded that while he is not satisfied with the current advertising of the program, and there are deficiencies that should be addressed, he does believe that staff has accomplished a great deal and has done an excellent job in most respects. Mr. Davis agreed to report back to the Commission on the progress being made to address these concerns, and thanked Mr. Vaught for his comments.

Chairman McNeil expressed his approval of the idea of taking a comprehensive look at the agency's communications, because of the large variety of programs, products and services that the agency offered to assist students and their families.

In response to questions and comments from Ms. Dearborn, Mr. Davis agreed that in order to get to where he wanted *College Illinois!* to be in the future, it would be necessary to look beyond both traditional communications and traditional audiences, and to use new media to reach new audiences.

In order to continue on the subject of the *College Illinois!* program, Chairman McNeil suggested it would be appropriate to take agenda items out of the order presented in the Agenda Book and to continue with related topics, beginning with Item 9, the *College Illinois!* budget request.

Item 9. *College Illinois!* 529 Fixed Rate Tuition Plan Fiscal Year 2008 Budget Request

Opening the agenda item, Mr. Erford observed that while *College Illinois!* had reached the $1 billion milestone in assets, it was also important to note that over the next year the program will be paying out over $60 million in benefits to program participants. He further noted that within this budget request, total administrative costs for the program remain at less than one percent of program assets. Also, he observed that as the program is approaching its 10-year anniversary, it has more than 57,400 contracts purchased and roughly 5,700 students have already received benefits at over 500 colleges and universities throughout the country. *College Illinois!*, he stated, is delivering on its promises.

Continuing, Mr. Erford noted that included in the budget request is the plan for the hiring of a couple of new staff members, including a full-time, in-house investment officer for the program, which he and Mr. Davis had agreed was appropriate given the size of the portfolio. He also pointed out that while the budget request presented already contemplated a significant increase in marketing expenditures, should any alterations be required as a result of the comprehensive review of agency communications, such changes would be brought back to the Commission for its review and approval.

Referring to Mr. Daniels' request to compare *College Illinois!* with other states' 529 programs, Mr. Erford stated that he would be happy to do so, and reminded the Commissioners that although each state operates under the same federal 529 authorization, Illinois has its own state statute to adhere to, as well as its own tuition and fee levels and other unique environmental considerations. In particular, he noted, Illinois has seen a 50 percent increase in tuition and fees over the last five years, one of the highest rates nationwide, and as a result, we are now having to sell a product that is considerably more expensive. He also reminded the Commission that a 529 prepaid tuition program covers the full tuition and fees at the time the student enrolls in school, unlike competing 529 savings plans that do not provide the same level of certainty in terms of what benefit is being purchased.

Referring to the decline in the sale of new contracts for this past enrollment period, Mr. Erford noted that this statistic does not take into consideration the number of upgrades to existing contracts, which amounted to about $13 million in additional revenue this past enrollment period, which brings the total number of new semesters purchased much closer to the target than the number of new contracts sold might indicate. In fact, based on conversations with both Mr. Davis and the program's actuary, there has been some thought of developing more meaningful measures of program volume.

Mr. Erford stated that he understands the concerns of the Commission with regard to the declining sales and he also shares those concerns, but also believes there are many positive things currently being done in the program. He is proud of the program and the staff dedicated to the success of the program. He indicated that it is his hope to also hire an additional staff person to assist with marketing and outreach efforts.

Dr. Louderback stated that from her perspective the addition of an upgrade to an existing contract should be considered as a new one if you look in terms of the number of semesters sold versus the

number of contracts sold. Mr. Davis agreed that upgrades are good, but that it was critical for the program to continue to add new contract sales.

In response to additional questions from Dr. Louderback, Mr. Erford further explained our marketing efforts in downstate Illinois, and explained that we do indeed have data regarding our activities in southern Illinois and apologized for not having included it all. Having said that, he went on, there were different strategies needed downstate, for reasons such as the difference in population density and the ways in which various media markets straddled state lines.

Chairman McNeil followed up with questions regarding both payroll deduction and legislative efforts to provide tax benefits for matching employees' contributions to 529 plans. Mr. Erford noted that payroll deduction programs in other states had generally proven to be costly, but as an alternative, most purchasers were equally comfortable with Automated Clearing House (ACH) payments. He also provided a brief status update on efforts that he, Mr. Davis and Mr. Vaught had made on behalf of Senate Bill 519, to provide incentives to employers to encourage them to match employee contributions to 529 plans. The bill, he noted, had easily passed the Senate but had been held up in the House.

Mr. Vaught **MOVED THAT** the Commission approve the FY2008 *College Illinois!* administrative budget as set forth in Table I on page 9-7 of the Agenda Book. Ms. Dearborn seconded the motion, which was approved unanimously.

Item 10. *College Illinois!* 529 Fixed Rate Tuition Plan Investment Policy

Mr. Erford introduced this item, indicating that he was pleased to be able to submit for the Commission's consideration revisions to the *College Illinois!* investment policy in response to issues raised by the Commission at its meeting this past January. Specifically, amendments were being proposed to the policy that increased the portfolio's overall equity allocation from 65 percent to 70 percent and, beginning in Fiscal Year 2008, added new asset classes of Real Estate, Senior Secured Bank Loans and Private Equity. In addition, at the Commission's request, new language was added that established a specific process for selecting emerging, minority-owned and women-owned investment management firms. The proposed asset allocation recommendations, he noted, have been reviewed and endorsed by the members of the program's Investment Advisory Panel. Mr. Erford then introduced Pat Krolak from Marquette Associates, the program's investment consultant, and Ingrid Stafford, a member of the Investment Advisory Panel.

Mr. Krolak noted that in addition to the changes referenced by Mr. Erford, there was also an amendment proposed that adopted as a policy objective of the Commission the increased utilization of minority-owned broker/dealers in the execution of trades by the program's investment managers.

Mr. Daniels commended staff and Marquette Associates for the work they did in the recent process of selecting core fixed income managers. Given a mandate by the Commission to increase the participation of emerging firms, he felt that the selection team had identified an excellent group of firms, although he did express disappointment that none of the firms were Chicago- or Illinois-based, and encouraged staff and advisors to keep this in mind. Mr. Daniels concluded by noting that he would abstain from voting on items 10 and 11. The Chairman clarified that Mr. Daniels would be voting "present" due to the potential for a conflict of interest.

Ms. Stafford, Associate Vice President of Financial Operations and Treasurer at Northwestern University introduced herself, and offered an endorsement of the proposed changes to the *College Illinois!* investment policy on behalf of the program's Investment Advisory Panel. Ms. Stafford explained that these recommendations were the result of an ongoing evaluation process, and the panel was

comfortable that an analysis performed by Marquette showed that the modest adjustments to the asset allocation were consistent with the panel's goal of pursuing changes that could allow the program to achieve higher returns while at the same time reducing risk.

Mr. Vaught noted the use of the word "modest" in describing the adjustments and asked if the allocation to international markets was too modest relative to typical exposure in the financial markets.

Mr. Krolak explained that the specific allocation to the International Equity class had been doubled from five percent to ten percent, and that while some large public pension funds had higher allocations, he was not aware of any prepaid tuition programs with higher allocations to this class. He also explained that there were other ways in which to achieve additional international exposure, and that the program also added international exposure through domestic companies which derive considerable revenues from abroad. It is also possible that the program may increase its international exposure through investment in the new asset classes, real estate and private equity.

Mr. Vaught thanked Mr. Krolak for the further explanation, and proceeded to ask whether the large-cap core, value and growth equity managers were precluded from buying large-cap world market leaders, such as Toyota or Nokia. Mr. Krolak explained that the managers were allowed to purchase stock in those companies as long as they were traded on U.S. exchanges, so again the program's holdings were more global than they might at first appear.

Dr. Louderback **MOVED THAT** the Commission approve the following resolution:

> "**BE IT RESOLVED** that the Commission adopts the Statement of Investment Policy for *College Illinois!* as currently revised and that the Commission directs all investment decisions for the program be consistent with the provisions set forth in the policy."

Mr. Vaught seconded the motion, which was approved 4-0, with Mr. Daniels voting present.

Item 11. *College Illinois!* 529 Fixed Rate Tuition Plan Investment Manager Selection

Mr. Erford began this item by noting that 33 managers had responded to the Request for Proposals for Core Fixed Income Fund Manager. The evaluation committee, with the help of Marquette Associates, selected seven firms from this group to be invited in for oral interviews. Since the group had a mandate to examine both emerging and non-emerging firms, three emerging firms were invited to present, and four non-emerging firms. Following the presentations, the committee evaluated and scored each firm, ultimately selecting two emerging managers and one non-emerging firm to recommend for consideration by the Commission. Mr. Erford then introduced representatives from each of the recommended firms: Bryan Johanson from C.S. McKee Investment Managers, Mary Pugh from Pugh Capital, and Charles Curry from Piedmont Investment Advisors.

Dr. Louderback questioned if any of the firms were from Illinois, and Mr. Erford replied in the negative. Dr. Louderback indicated that she, like Mr. Daniels earlier in the meeting, was concerned about all of our contracts going out-of-state.

Mr. Davis indicated that he shared the concerns of Mr. Daniels and Dr. Louderback and in fact, he and Mr. Daniels had met with Mr. Krolak the previous week to discuss procedural changes that might be in order to help identify and retain qualified Illinois investment managers. Mr. Daniels reiterated that while the review process had been thorough and comprehensive and had identified three outstanding firms, he felt that there were numerous highly qualified firms in Illinois and that we needed to do a better job of reaching out to them.

Dr. Louderback said she did not doubt that the recommended firms were highly qualified, but that she was still very uncomfortable that not one of them was from Illinois.

Chairman McNeil observed that the decision on these three recommended firms was constrained by the available pool of bidders, and suggested that in order to be able to select the desired firms, it was important that the initial communications and solicitations to bid reach the intended target audience of qualified Illinois firms. He reiterated the opinion of Mr. Daniels that the three recommended firms were highly qualified and the best firms that could be selected from the available pool. He also expressed a firm commitment at both the staff level and the Commission level to address these concerns in the future.

Mr. Krolak noted that it was important to view this in the context of the program as a whole, and while this search had not resulted in the selection of any Illinois firms, overall the percentage of assets managed by Illinois firms had risen from 13 percent to 23 percent over the last four years.

Chairman McNeil **MOVED THAT** the Commission adopt the following resolution:

> "**BE IT RESOLVED** that the Commission authorizes the Executive Director to negotiate and enter into contractual agreements for the *College Illinois!* Prepaid Tuition Program with Piedmont Investment Advisors, Pugh Capital Management and C.S. McKee Investment Managers to serve as investment managers for the core fixed income portfolio."

The motion was seconded by Ms. Dearborn, and passed 2-0, with Commissioners Louderback, Daniels and Vaught voting present.

Having completed the items dealing with *College Illinois!*, the Commission returned to the regular order of agenda items.

Item 4. FY 2008 Internal Audit Charter and Plan

Mr. Sinsheimer began this item by noting that Commissioners had received a copy of the Internal Audit Charter and the Audit Plan for FY2008 that have already been reviewed and approved by the Executive Director. The plan, he explained, had been developed through an interview and survey process involving ISAC senior management staff, who identified risk areas within ISAC, resulting in an audit plan based on that risk assessment. He further noted that the agency was in the final stages of hiring an internal auditor, who should be on board in the next month or so.

Chairman McNeil asked how the outside consulting firm of Crowe Chizek fit into the auditing scheme. Mr. Sinsheimer explained that Crowe Chizek has actually been performing internal audit functions in the absence of a full-time staff member devoted to this. Once a full-time internal auditor has been hired and has had sufficient time to get up to speed, the consulting relationship will be terminated.

Dr. Louderback **MOVED THAT** the Commission approve the following resolution:

> "**BE IT RESOLVED** that the Commission approves the Internal Audit Charter and Plan for the FY2008 audit cycle."

The motion was seconded by Mr. Daniels and passed unanimously.

Item 5. Recapitalization of ISAC/Loan Sales

Chairman McNeil noted that this was an information item.

Mr. Sinsheimer explained that as ISAC looks to focus its mission on "making college affordable for Illinois students," it is also sharpening its focus on its capital structure. The agency currently operates under three trust indentures containing 13 series of bonds as well as five different series of variable rate notes, each of which has different covenants and reporting requirements. As we look to the future, one of the things we need to do, he said, is simplify our capital structure. Concurrently, he added, we are looking to reduce our loan portfolio in order to focus it more on Illinois. Therefore, the agency is looking to undertake a multi-step restructuring of our debt.

The first step, Mr. Sinsheimer explained, is the sale of $1.3 billion in loans, predominately loans to students or schools outside of Illinois. The open bid process will begin shortly, with an expected closing date of July 31. The next step, he continued, will be to refinance, on a short-term basis, approximately $400 million of FFELP loans, by extending the existing credit facility with Bank of America and JPMorgan Chase. This is consistent with our overall approach of containing costs by using as many existing facilities as possible rather than incur the significant costs of issuing new debt. Third, he added, will be the refinancing of Illinois nexus alternative loans, through a new credit facility for which a Request for Proposals (RFP) was recently issued. This facility will be for 18 months and will house up to $450 million of alternative loans currently held in a variety of different financings.

With these three sources of funds, Mr. Sinsheimer explained, the agency will be repaying and retiring two trust indentures and all of the outstanding variable rate notes. The total amount of debt to be retired, he noted, will be in excess of $2 billion.

Chairman McNeil asked if there was any concern that the loss of the revenue stream from the loans would negatively impact the agency's ongoing operations. Mr. Sinsheimer replied that the loans being sold are not currently producing much income. In response to an inquiry from Dr. Louderback, he noted that projections indicate that we will continue to have a positive income stream going forward because of the significant reduction in debt.

Dr. Louderback followed up with a question regarding the use of the proceeds from the loan sale. Mr. Sinsheimer explained that the first $27 million of net proceeds were obligated under the State's Fiscal Year 2007 budget to be used in support of the MAP program, and that the balance would be available for legislative and/or Commission use. The Chairman indicated that funds would come to the agency, but the General Assembly had the authority to direct that those funds be used for certain purposes, as they have in the Fiscal Year 2007 budget. In response to a further question, the Chairman noted that both House and Senate budget bills still called for funding for MAP Plus in Fiscal Year 2008, but that nothing was final yet.

Dr. Louderback then asked why the request for the medium term financing mentioned by Mr. Sinsheimer had been brought to the Governor's Office of Management and Budget (GOMB) before it had been brought to the Commission. Mr. Sinsheimer explained that the RFP for that financing had been issued subject to the Procurement Code, which required approval from both GOMB and the Department of Central Management Services (CMS). Chairman McNeil reminded the Commissioners that this item was for information, and that action items seeking subsequent approval for action, would be brought to the Commission for approval at the July Commission meeting. For example, approval of the second loan sale will follow the same process as the first sale, that is, explicit approval of the terms and conditions of sale by the Commission.

In response to a question from Mr. Vaught as to whether $450 million would be enough to finance the anticipated growth in alternative loans, Mr. Sinsheimer confirmed that this did cover the projected growth in the portfolio over the next 18 months. The Chairman noted that staff was working on the development of an overall business plan which they hoped to have completed around July 31. Since this date is after the next Commission meeting, Mr. Vaught asked if staff could try to have a rough draft available for Commissioners prior to the July 20 meeting and Mr. Sinsheimer said that while the time line was very tight, every effort would be made to do so.

Item 6. Amendment to Credit Agreement

Mr. Sinsheimer noted that a year ago, the agency entered into a credit agreement with Bank of America and JPMorgan Chase for a $500 million short-term warehouse facility for FFELP loans. As part of the previously-discussed restructuring of the agency's debt, he explained, staff was seeking to extend the facility for six months. Chairman McNeil reminded the Commissioners that the original Credit Agreement had been approved by the Commission at a public meeting. In response to a question from Mr. Vaught, Mr. Sinsheimer confirmed that the interest rate would remain the same under the extension.

Dr. Louderback **MOVED THAT** the Commission adopt the following resolution:

"**BE IT RESOLVED** that the Commissioners of the Illinois Student Assistance Commission hereby ratify and approve the execution and delivery by the Executive Director of a First Amendment to Credit Agreement in the form previously submitted to the Commissioners and certain other documents necessary to consummate the transactions contemplated therein, with such changes as shall be approved by the Executive Director; and

"**BE IT FURTHER RESOLVED** that the Executive Director is authorized to execute and deliver one or more additional extensions of said Credit Agreement for time periods that shall not extend beyond June 21, 2008."

Mr. Vaught seconded the motion, which was unanimously approved.

Item 7. Signature Authority

Ms. Lee introduced this item, explaining that the Commission is being asked to approve a resolution delegating signatory authority to specified individuals to approve certain expenditures and contracts.

In response to a question from Chairman McNeil regarding the current structure of signatory authority, Ms. Lee explained that the ISAC internal rules vest that authority with the Executive Director. The purpose of this item, she continued, was to further refine that delegation of authority, with the authority and notification requirements to vary by the dollar value of the contract. In response to an additional question from the Chairman, Ms. Lee said the proposed policy was somewhat more restrictive than the current policy.

Mr. Daniels **MOVED THAT** the Commission adopt the resolution on page 7 of the Agenda Book, with the amount in the second box being amended to read "$100,000 to $4,999,999."

The motion was seconded by Mr. Vaught, and passed unanimously.

Item 8. IDAPP's Quarterly Investment Report

Mr. Di Benedetto presented this information item, noting that in response to a request at the previous meeting, a column had been added to the table to indicate both the current yield and the average yield over the last twelve months.

Item 12. FY2008 MAP Recompute

Ms. Kleemann introduced this item, reminding the Commissioners that they had previously approved the start-up formula for MAP for the 2007-08 school year. That formula, which was approved in January, contained a 10 percent reduction factor, due to uncertainties with both the likely appropriation levels and also with the expected application volume. While there is still no State budget, she explained, it is becoming more clear that at least level funding can be expected for MAP, and that application volume is relatively level. As a result, she continued, staff was comfortable enough at this point to recommend a recompute formula in which the 10 percent reduction factor is removed. The effect of this, Ms. Kleemann explained, would be to increase the maximum award to the statutory maximum of $4,968.

Chairman McNeil stated that should either of the assumptions mentioned prove wrong, the suspension date might need to be moved earlier. He then asked if there were any members of the public that wished to speak. He first recognized Ms. Meegan Bassett of Women Employed.

Ms. Bassett offered two suggestions for consideration. First, she urged the Commission to exercise caution with regard to the formula, to the extent that funds necessary to support the formula would be required from additional loan sales, in order to preserve flexibility. Second, she asked the Commission to consider a tiered reduction factor, since the elimination of the reduction factor had a relatively smaller impact on lower-income students. The money saved by a tiered reduction factor, she said, could be used to extend processing further into the year.

The Chairman then recognized Mr. Dave Tretter of the Federation of Independent Illinois Colleges and Universities (FIICU), who began by thanking Mr. Davis for his recent visit and remarks at a FIICU meeting in Springfield in May. Before commenting on the formula, he said, he wanted to urge the Commission to ensure that any funds derived from the sale of student loan assets be used only to further support higher education. With regard to the formula, he said, he wished to point out the importance of the maximum award level, and wished to express his support for longer-term action to address the need for this level to be increased.

Mr. Daniels **MOVED THAT** the Commission approve the staff recommendation for the FY2008 MAP recomputed formula, as presented in Table 4 on page 12-4 of the Agenda Book.

The motion was seconded by Mr. Vaught, and passed 3-1, with Dr. Louderback voting present.

Item 13. FY2008 MAP and IIA Application Volume Update and Request for Authority to Suspend

Chairman McNeil introduced this item, indicating that it was the traditional annual request for authority to suspend award announcements for MAP and IIA.

Ms. Kleemann explained that this authorization was necessary in order to keep the agency from overspending its appropriation. This past year, she noted, we were able to make MAP award announcements until August 25 and IIA awards until August 19. Based on changes made to the federal need analysis formula since last year, it would cost the MAP program approximately an additional $5

million to process until the same date. Ms. Kleemann said she expected that with level funding, we would need to suspend award announcements roughly 5 – 10 days earlier this coming year.

Ms. Dearborn expressed her concern that earlier suspension dates had a disproportionately negative impact on non-traditional students, many of whom make attendance decisions later in the year, and many of whom are from lower-income families. She suggested that it might be desirable to earmark some of the proceeds of any loan sales to extend processing for MAP and IIA, rather than to be transferred to General Revenue Funds (GRF).

Ms. Kleemann replied that our spending was subject to appropriations from the State budget, and the funds Ms. Dearborn was referencing were not appropriated for MAP or IIA spending. This was reiterated by Mr. Davis in his subsequent remarks, as he spoke of the need for continuing efforts to seek increased appropriations for MAP, as well as the importance of providing consistency in award levels over time.

In response to a question from Mr. Vaught regarding decreases in the MAP-eligible applications from independent students with dependents, particularly those at community colleges and proprietary schools, Ms. Kleemann explained that applications from such students tend to be particularly sensitive to the business cycle. That is, when the economy is weak, they tend to return to school and application levels rise, and as the economy improves, such students are better able to get a job, and often work instead of going to school, and the number of applications often falls, as we are currently seeing.

Dr. Louderback **MOVED THAT** the Commission authorize staff to suspend FY2008 award announcements for MAP and IIA when it becomes necessary to avoid the risk of overcommitting the appropriations.

The motion was seconded by Mr. Daniels and passed unanimously.

Item 14. Adopted Rules and Amendments

Ms. Peterson noted that not only was this the final agenda item, but this was also the final step in the rules process for this year. Staff was seeking final approval and adoption of the proposed rules and amendments, so that they can be submitted to the Secretary of State for publication, in order to be effective for the upcoming 2007-08 school year. In response to a question from Chairman McNeil, Ms. Peterson confirmed that the rules and amendments as provided to the Commissioners under separate cover contained no substantive changes from those previously presented to the Commission on two separate occasions.

Ms. Dearborn **MOVED THAT** the Commission approve the following resolution:

> "**BE IT RESOLVED** that the Commission approves and adopts the omnibus rules and amendments, as modified during the rulemaking process, so that they can be effective for the 2007-2008 academic year."

Mr. Vaught seconded the motion, which was unanimously approved.

Dr. Louderback **MOVED THAT** the June 22, 2007 meeting of the Commission be adjourned. Mr. Vaught seconded the motion, which was approved unanimously. The meeting adjourned at 11:55 a.m.

Respectfully submitted,

Debora A. Calcara
Secretary to the Commission