

AGENDA ITEM 8.

ISSUANCE OF TAXABLE STUDENT LOAN REVENUE BONDS, SERIES 2008

Submitted for: Action

Summary: The Commissioners have been briefed on the fact that the financial markets continue to experience significant stress. Financing structures and sources of funds previously utilized by the Illinois Student Assistance Commission (ISAC) to finance its student loan portfolio are simply no longer available to it or any other student lender. In fact, this financial markets crisis has led a number of ISAC's peer state agencies to shut down all lending operations.

Faced with this rapidly changing and challenging market, ISAC's management team has sought financing from (1) alternative sources of funds not previously utilized by student loan lenders and (2) utilization of the U.S. Department of Education Master Loan Participation and Master Loan Sale Programs. The latter was approved by the Commission at its August 6, 2008 meeting.

In early August, ISAC management approached the Illinois Credit Union League (ICUL) to discuss a possible transaction whereby ICUL's members (Credit Unions) would purchase taxable bonds issued by ISAC to support student lending within the State of Illinois (State). As recently reported, this initial meeting was sparked by an announcement that the North Carolina State Education Assistance Authority had arranged a financing with its local credit unions. Discussions with the ICUL and its member Credit Unions have been positive and productive. Management is very pleased to present for approval a new financing facility to support ISAC FFELP lending during the 2008-2009 academic year. This financing is the first of its type in the nation and the first time Credit Unions in the State have supported ISAC activities in this way. The Illinois Department of Financial and Professional Regulation, the State agency that regulates the Credit Unions, expressed its concurrence with the structure of the transaction.

Due to statutory and regulatory limitations on a Credit Union's ability to "lend" money to ISAC, the transaction will be structured as a direct purchase by the Credit Unions of taxable bonds issued by ISAC on substantially the terms set forth in **Schedule I** hereto.

This transaction will provide sufficient funds for ISAC's FFELP loan demand in academic year 2008-2009. It will also introduce the Credit Unions to supporting ISAC's student lending activities in this way and could be the beginning of a new, on-going, source of funding for ISAC.

Chapman and Cutler LLP shall serve as bond counsel to ISAC.

Based on the above, management hereby requests approval of issuance of the Taxable Student Loan Revenue Bonds, Series 2008, on the terms and conditions described above and in the attached Resolution before the Commission.

Action requested:

That the Commission approve the following resolution:

“BE IT RESOLVED that the Illinois Student Assistance Commission adopts the attached RESOLUTION authorizing the issuance of not to exceed \$150,000,000 aggregate principal amount of Taxable Student Loan Revenue Bonds, Series 2008, in one or more series, of the Illinois Student Assistance Commission; authorizing the execution and delivery of an Indenture of Trust and Credit Agreement to secure such Bonds; reauthorizing the execution and delivery of a Master Loan Sale Agreement to further secure the bonds; authorizing the execution and delivery of a Bond Purchase Agreement providing for the sale of such Bonds to the Credit Unions named therein; and authorizing and approving related matters.”