

Approved – September 22, 2010
New York State Higher Education Services Corporation
Board of Trustees Meeting
Minutes
April 28, 2010
11:00a.m.

The meeting was called to order by Chairperson Eileen Bagnoli at 11:04 a.m. The following members of the Board were in attendance: Ms. Angela Van Dekker, Assistant Vice President of Student Financial Services of Fordham University; Mr. Charles DeLaney, Director, New York Institute of Photography and the Sheffield School; Mr. Stanley Hansen, designee of Dr. David Steiner, Commissioner of the New York State Education Department; Mr. Thomas J. Murphy, Principal of Trailhead Advisors; Dr. Robert Ptachik, designee of Dr. Matthew Goldstein, Chancellor of the City University of New York (CUNY); Mr. John Curtice, designee of Dr. Nancy Zimpher, Chancellor of the State University of New York (SUNY); Mr. Philip Williams, President of the Utica School of Commerce; Mr. Cory Provost, Chairperson of the University Student Senate of the City University of New York (CUNY); and, Ms. Eileen Bagnoli, Executive Vice-President & COO of Pioneer Savings Bank.

Present for the Agency were: Ms. Elsa Magee, Acting President & Executive Vice-President; Ms. Cheryl Fisher; Mr. Charles Treadwell; Ms. Kathy Crowder; Mr. Victor Stucchi; Mr. John Austin; Mr. Matthew Downey; Mr. George Kazanjian; Mr. Keith Feltman; Mr. Thomas Brennan; Ms. Corinne Biviano; Ms. Christine Konsistorum; Ms. Aleah Wendell; Mr. Aaron Pisacane; Mr. Frank Ballmann; and Ms. Patrizia Hogan.

Present for the Leadership Council: Mr. Curt Gaume, Director of Financial Aid at Canisius College and President of the New York State Financial Aid Administrators Administration (NYSFAAA).

Also in attendance: Mr. Louis Christie; Mr. Donald Traver; Mr. Bernie Maskell Ms. Pat Spath; Ms. Tina Brooker; Mr. Brendan Kennedy from KPMG; and, former board member Ms. Haleigh Tunis.

Acknowledgments of New and Departing Board Members

Chairwoman Bagnoli introduced and welcomed new board member Cory Provost, Chairperson of the University of Student Senate of the City University of New York (CUNY). She also welcomed Haleigh Tunis, who just ended her term with the board.

Approval of September 23, 2009 Minutes

Chairwoman Bagnoli asked for a motion adopting the draft minutes from the September 23, 2009 Board Meeting. Ms. Van Dekker moved to adopt the minutes and Mr. Murphy seconded the motion. The motion passed unanimously and the minutes were adopted without change.

HESC Executive Staff Acknowledgments

Chairwoman Bagnoli introduced and welcomed Christine Konsistorum, Director, Internal Audit; Aaron Pisacane, Chief Credit Officer, New York Higher Education Loan Program (NYHELPS); Frank Ballmann, Director, Federal Relations; and in their new roles, Matthew Downey, Senior Vice-President of Corporate Finance and Chief Financial Officer; and, Charles Treadwell, Executive Director, NYHELPS.

Chairperson's Report

Chairwoman Bagnoli reported that the Health Care and Education Reconciliation Act of 2010 was signed into law on March 30, 2010. She further reported that the legislation had significant benefits to college students; however, in abolishing the Federal Family Education Loan Program (FFELP), the legislation has a significant impact on the ongoing activities that are performed by guaranty agencies such as HESC.

Chairwoman Bagnoli informed the board that they would be hearing about the future role of HESC from Acting President, Elsa Magee. She further announced that Aaron Pisacane would address the board about the launch and the upcoming plans of NYHELPS. Additionally, Chairwoman Bagnoli announced that John Austin, Senior Vice-President of Customer Relations would be giving an update on the Student Financial Aid Awareness Month (SFAAM).

Audit Committee Report

Mr. Murphy, Chairman of the Audit Committee, presented the Audit Committee Report. Mr. Murphy reported that the committee had received very good news in regards to external audits from the United States Department of Education (DOE). He further reported that the committee had received a letter dated April 16, 2010 in relation to the Ollie Green discussions and settlement, an industry-wide matter involving other guaranty agencies. He informed the board that the letter stated that DOE would not be pursuing two of the three findings. The one outstanding finding relates to pre-paid expenses and Mr. Murphy advised that HESC had a strong case in prevailing on this matter.

Mr. Murphy also reported that the NCO Financial Services (NCO) settlement was issued to the United States Department of Justice (DOJ). He reminded the board that this

issue involved employees of NCO who engaged in fraudulent activities and that, as part of the settlement, HESC would disgorge the commissions on the fraudulent loans in the amount of \$451,000. Further, the press release from DOJ would state that there was no wrongdoing on the part of NCO or HESC.

Mr. Murphy reported that KPMG would be auditing the IT Department. He further reported that the New York State Banking Department (Banking Department) had given HESC a satisfactory rating regarding the annual report although there were concerns of timeliness of audits and the timely response to audit reports.

Mr. Murphy introduced Christine Konsistorum, Director, Internal Audit. He further stated that Ms. Konsistorum is a licensed Certified Public Account who has worked for several financial institutions.

Mr. Murphy concluded the Audit Committee Report by informing the board that KPMG's new engagement partner is Anthony Frank. He further reported that Brendan Kennedy, Senior Project Manager Engagement Partner from KPMG, would be giving the KPMG Report as Mr. Frank was unable to attend the Board of Trustees meeting.

KPMG Report

Mr. Kennedy reported that KPMG met with the Audit Committee to present KPMG's audit plan. He further reported that there were discussions about the planned audit approach and the timing of the audit report. Mr. Kennedy also reported that IT professionals were already in the field and expected to conclude their audit by the end of June. He reported that KPMG would present the results to the Audit Committee in September.

President's Report

Acting President Magee reported that President Obama has signed into law the Health Care and Education Reconciliation Act of 2010 which included many of the Student Aid and Financial Responsibility Act (SAFRA) provisions. The Act provides many student benefits ranging from increased Pell grant awards to loan repayment caps; however, the Act also confirms that guaranty agencies like HESC will need to be funded and structured differently in order to continue providing student borrower services in New York.

Acting President Magee reported that she and Frank Ballmann met with DOE's Deputy Chief Operating Officer for federal student aid to actively seek contracting opportunities with DOE. She further reported that they were joined by key higher education staff from the Governor's Albany and Washington D.C. offices, who also arranged for separate meetings with members of the congressional delegation. She further reported that HESC management is actively working to submit a proposal to DOE to provide services under the Federal Direct Loan Program (FDLP).

Acting President Magee reported to the board that New York is in the midst of the 2010-2011 State budget negotiations. She further reported that the executive budget proposes a number of changes to the Tuition Assistance Program (TAP); however, she reported that the Senate and Assembly budget resolutions proposed restorations of the seventy-five (75) dollar TAP reduction and the changes in academic eligibility requirements. In addition, she reported that the Senate and Assembly accepted the Governor's pension and default parity changes but differed on other proposals. Finally, she reported that the both the Senate and Assembly proposed eliminating funding for

NYHELPS and the Assembly also proposed a merger of HESC into the New York State Education Department (SED).

Federal Student Loan Update

Mr. Ballmann, Director of Federal Relations, reported on key features of the Act recently signed into law by President Obama. He reported that there would be eighty-seven (87) billion dollars of savings related to higher education of which two and one half (2 ½) billion dollars were going to community colleges. He further reported that effective July 1, 2010, the Family Educational Loan Program (FFELP) will be abolished for new loans. He also reported that Pell grant funding will be increased by thirty-six (36) billion dollars for the next ten (10) years. He further reported that the maximum award will increase to five thousand five hundred and fifty (5,550) dollars. Mr. Ballmann reported that the Act extends funding for College Access Challenge Grants (CACG). He reported that any new loans made after July 1, 2010 will be under the direct loan program and that existing loans in FFELP will not be generally affected.

Mr. Ballmann reported that the Act calls for DOE to contract with non-profit servicers to serve the direct loans in their state. He also reported that there are features in the Act that are related to income-based repayment. Mr. Ballmann reported that effective July 2014 new loans will be eligible for loan forgiveness after ten (10) years. He further reported that CACG funding increased from sixty-six (66) million dollars per year to one hundred and fifty (150) million dollars per year for the next five (5) years.

Mr. Ballmann reported that the Act provides Historically Black Colleges and Universities Undergraduate Programs (HBCUs) and Minority Servicing Institutions (MSIs) mandatory funding of two point fifty five million (2.55) billion dollars through

2019. He also reported that the Act provides funding for community college and career training grants in the sum of five hundred (500) million dollars a year for the next 4 years.

In concluding, Mr. Ballmann reported that HESC had a twenty-two (22) billion dollar ongoing FFELP portfolio.

NYHELPS Update

Chairwoman Bagnoli asked Mr. Aaron Pisacane, Chief Credit Officer, to give an update on NYHELPS. Mr. Pisacane introduced the NYHELPS executive management team.

He reported that NYHELPS was launched in late December and that it is the only program that offers a fixed interest rate. Mr. Pisacane reported that NYHELPS has a financial literacy component, which borrowers are required to successfully complete. Additionally he reported that students are required to fill out the Free Application for Federal Student Aid (FAFSA) and exhaust all aid before they are approved for NYHELPS.

Mr. Pisacane reported that in January it became apparent that the program needed to build awareness at colleges through their preferred lender lists, to the extent that they had preferred lender lists, or to appear on the third party websites that colleges were using. He reported that some colleges were concerned about having such information on their financial aid web pages and that HESC worked with these colleges to provide a financial aid weblink for New York residents listing free money, federal low-cost money and NYHELPS.

Mr. Pisacane reported that when the program was launched thirty- three (33) colleges participated. He further reported that some State University of New York (SUNY) schools had issues with the one percent fee. Mr. Pisacane reported that the State will pay the fee for 2010-11. As a result, college participation increased to approximately fifty-three (53) schools.

Mr. Pisacane also reported that HESC was working with an outside marketing vendor to develop an upstate and downstate strategy for a media campaign. He reported that the media campaign would focus on informing New York State families about NYHELPS and the fixed interest rate feature. Mr. Pisacane further reported that Mr. Treadwell was working with high schools to create awareness and that it had been well received. He also reported that representatives of HESC attended college fairs and distributed informative flyers.

Mr. Pisacane reported that three changes have been well received by the College Advisory Council and those changes include: increased annual loan limits; adding a second cosigner in connection with the debt-to-income ratio requirement; and, the college one percent fee.

Mr. Pisacane concluded his report by responding to questions from the board.

Customer Service Report

Mr. John Austin, Senior Vice President of Customer Relations, reported on the Student Financial Aid Awareness Month (SFAAM) which ran from January 25, 2010 to February 25, 2010. He reported that organizations such as NYSFAAA, SUNYFAP and independent college financial aid volunteers provide a great deal of assistance on campuses to programs such as College Goal Sunday and SUNY financial aid day. Mr.

Austin stated that HESC, as a state student financial aid agency, has a role in strengthening this effort.

Mr. Austin reported that the strategy this year is to broaden efforts and evaluate the most effective way for HESC to help families. He reported that HESC's Communications division will develop a substantial media and public relations campaign. He also reported that Customer Relations would focus on developing partnerships and organizing direct family contact. Mr. Austin reported that Communications built and launched a website called "Start Here, Get There" which included a calendar of events, helpful tips for students and videos, one of which was created by students from Brooklyn Charter School. He reported that there were over 9,400 visitors to the website.

Mr. Austin also reported that Customer Relations' focus was on assisting FAFSA completion events, community outreach and developing new partnerships with community organizations for the future. The outreach included: informational tables at ten (10) different malls; HESC-staffed hotlines and email boxes for financial aid questions; FAFSA completion for over two hundred (200) students at twenty-four (24) YMCA's; three (3) events at New Vision Charter School; events at three (3) Bryant and Stratton Colleges; and staffing weekly drop in services at Albany Public Library. Mr. Austin also reported that HESC had also begun partnerships with a host of community organizations.

Mr. Austin thanked members of the financial aid community, particularly Curt Gaume, Dan Tramuta and members of NYSFAAA. In addition Mr. Austin thanked Jim Murphy, Alice Murphy, George Lipper and forty seven CUNY financial aid professionals who gave their time to help families.

Motions to Adopt Resolutions

Chairwoman Bagnoli asked the Secretary to the Board, Cheryl Fisher, to address the board. There were four resolutions for the board to consider and a motion to adopt was made by Mr. Hansen seconded by Ms. Van Dekker.

Resolutions of Appreciation

Ms. Cheryl Fisher presented Resolutions of Appreciation to Ms. Haleigh Tunis, Student, Columbia-Greene Community College, Mr. Stephen Archer, Student, Siena College; and Ms. Melody Mercedes, President, SUNY Student Assembly.

Leadership Council

Chairwoman Bagnoli then asked the members of the Leadership Council if they would like to address the board with any comments or questions. Mr. Gaume announced that NYSFAAA stands ready to partner with HESC, particularly in all the outreach programs that are performed to inform as many students in New York State about the opportunities of higher education.

Set date for Fall Board of Trustees Meeting

The Chairwoman announced that the next meeting of the Board of Trustees would be held on September 22, 2010.

Adjournment

Chairwoman Bagnoli then asked for a motion to end the meeting. The motion was made by Mr. Murphy and seconded by Mr. Williams. The meeting was adjourned at 12:32 p.m.