

**Approved – April 27, 2011**  
**New York State Higher Education Services Corporation**  
**Board of Trustees Meeting**  
**Minutes**  
**September 22, 2010**  
**11:00a.m.**

The meeting was called to order by Mr. Philip Williams, Chairman of the Nominating Committee, at 11:01 a.m. The following members of the Board were in attendance: Ms. Angela Van Dekker, Associate Vice President of Student Financial Services at Fordham University; Mr. Charles DeLaney, Director, New York Institute of Photography and the Sheffield School; Mr. Joseph Frey, designee of Dr. David Steiner, Commissioner of the New York State Education Department (SED); Mr. Thomas J. Murphy, Principal of Trailhead Advisors; Ms. Patricia Thompson, designee of Dr. Nancy Zimpher, Chancellor of the State University of New York (SUNY); Mr. Philip Williams, President of the Utica School of Commerce; Ms. Julie Gondar, President, State University of New York (SUNY) Student Assembly; and, Ms. Eileen Bagnoli, President and Chief Executive Officer of Pioneer Savings Bank.

Present for the Agency were: Ms. Elsa Magee, Acting President & Executive Vice-President; Ms. Cheryl Fisher; Mr. George Kazanjian; Ms. Christine Konsistorum; Mr. Aaron Pisacane; Mr. Frank Ballmann; Mr. Keith Feltman; Ms. Aleah Wendell; 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); Ms. Kerrie Cooper, President of the State University of New York Financial Aid Professionals (SUNYFAP).

Also in attendance: Ms. Sarah Madsen; Mr. Dan Hunter; Mr. James Christensen; Mr. Bernie Maskell; Mr. Louis Christie; Ms. Pat Spath; Ms. Tina Brooker; Mr. Charles Treadwell; Mr. Victor Stucchi; Mr. John Austin; Mr. Matthew Downey; Mr. Thomas Brennan; Ms. Corinne Biviano; Ms. Maryann Kresge; Ms. Lisa Simpson; Mr. Brian Matthews; and Mr. James Hanley.

### **Nominating Committee Report**

Mr. Williams, Chairman of the Nominating Committee, called the meeting to order. Mr. Williams congratulated Chairwoman Bagnoli on her promotion to President and Chief Executive Officer of Pioneer Savings Bank. Mr. Williams also welcomed new Board member Ms. Julie Gondar, President of SUNY Student Assembly.

Mr. Williams reported that the Nominating Committee had nominated the following officers to the Board: Ms. Bagnoli, as Chairwoman; Ms. Van Dekker, as Vice Chair and Ms. Fisher, as Secretary. There being no other nominees, the proposed slate of officers was unanimously elected by a voice vote. Mr. Williams further reported that he would continue to serve on the Audit Committee, along with Ms. Bagnoli and Mr. Murphy, who will continue to Chair the Audit Committee.

### **Welcome to New Board Member and Designee**

Chairwoman Bagnoli introduced and welcomed new Board member Ms. Julie Gondar. She also welcomed Ms. Patricia Thompson, the new Assistant Vice Chancellor for Financial Aid Services at SUNY and designee of SUNY Chancellor Dr. Nancy Zimpher.

### **Approval of April 28, 2010 Minutes**

Chairwoman Bagnoli asked for a motion adopting the draft minutes from the April 28, 2010 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.

### **Chairperson's Report**

Chairwoman Bagnoli was pleased to report that HESC received a second College Access Challenge Grant (CACG) for 2010-11 from the United States Department of Education (DOE), totaling \$7.6 million. She further reported that the \$7.6 million award will allow HESC to build on the successes of its previous CACG award and continue to serve at-risk and underserved New York State students by helping them to prepare for and graduate from college.

Chairwoman Bagnoli reported that the Board will hear about the status of other agency activities during the course of the meeting. She then asked Mr. Murphy to present the Audit Committee Report.

### **Audit Committee Report**

Mr. Murphy, Chairman of the Audit Committee, presented the Audit Committee Report. Mr. Murphy reported that the Committee had met and discussed a number of issues. He reported that the Board would be receiving a presentation from Ms. Christine Konsistorum, Director of HESC's Audit Division, which will include various efforts that have been initiated by HESC's executive and senior staff.

Mr. Murphy reported that the Audit Committee met with auditors from KPMG, HESC's independent auditor, who expect to finalize HESC's financial statements for the prior fiscal year within the next three (3) months.

Mr. Murphy reported that the Ollie Green finding regarding prepaid expenses, as reported at the last Board meeting, is now closed pursuant to a letter received from DOE on June 24, 2010, which found that the pre-paid expenses were in the best interest of the U.S. government.

Mr. Murphy informed the Board that there have been several recent reports issued by regulatory agencies. The New York State Banking Department (Banking Department) raised concerns that while the financial and audit activities of the Corporation are satisfactory; there was not always full compliance in all areas. Mr. Murphy further reported that members of the Audit Division were aggressively seeking to achieve full compliance in all activities in relation to audit and standards. He also advised that the Inspector General issued a report regarding several employees and the Audit Committee was satisfied that these appeared to be isolated incidents.

Mr. Murphy asked Ms. Konsistorum to begin her presentation.

#### **Audit Division Presentation**

Ms. Konsistorum, Director of HESC's Audit Division, informed the Board of Audit Division gaps and initiatives as well as Agency gaps and initiatives. Within the Audit Division, she advised that that the Banking Department identified the following weaknesses: the untimely review of audit work; the untimely response by management; and the lack of a risk universe. She reported that there is no longer a work paper backlog

and that the Audit Division has been working intensively with management to ensure that responses to Audit findings are implemented on a timely basis.

Ms. Konsistorum further reported that the Audit Division underwent a quality assessment review as part of the New York State Internal Control Task Force Cooperative Peer Review Process, which measures conformity to the Institute of Internal Auditors' (IIA) Standards for Professional Practice of Internal Auditing. She reported that the Corporation is partially compliant, except in the areas of risk assessment and audit planning. Ms. Konsistorum reported that to address these gaps, policies and procedures will be updated by December 31, 2010 to be in line with IIA professional practice standards. She further reported that the agency is seeking to acquire Teammate, a software system that automates the risk assessment process, work papers, and report management, by June 30, 2011.

Turning to Agency gaps, Ms. Konsistorum reported that New York State agencies are required to comply with the New York State Internal Control Act (NYSICA) and that, as of March 31, 2010, HESC partially complies with this Act. In addition, HESC's Corporate Governance Unit is currently unstaffed, which may result in partial compliance for March 31, 2011 if not addressed. She advised that staffing is being pursued, a comprehensive review and update of HESC policies and procedures will be completed by December 31, 2010, and the Agency will undergo an Enterprise Risk Management Initiative (a top down approach to identify overall risk to the organization) to be completed by December 31, 2011.

In concluding, Ms. Konsistorum reported that these initiatives will result in a well-defined and well-monitored internal control system.

## **President's Report**

Acting President Magee reported to the Board that major activities have been undertaken at HESC over the last six (6) months. Ms. Magee reported that many of these activities were finalized or brought to closure by the end of August 2010 and include: HESC retirements; CACG awards which totaled \$7.6 million grant dollars to New York State; and the Inspector General Report containing allegations of misconduct on the part of several HESC employees.

Ms. Magee reported that the late enactment of the New York State Budget (Budget) impacted the timely administration of New York State student financial aid for 2010-11. Ms. Magee thanked the staff in HESC's Grants and Scholarships Unit and Information Technology Division for their hard work in completing system updates in connection with the budget changes; and, informing students, financial aid officers, and financial aid administrators of the 2010-11 awards.

Ms. Magee reported that throughout August, HESC worked with Mr. Frey and his staff at SED on the implementation of new standards of academic progress for the 2010-11 academic year.

Ms. Magee concluded her report by stating that the mass media campaign for the New York Higher Education Loan Program (NYHELPS) was completed on August 31, 2010.

## **Grants and Scholarships Update**

Mr. George Kazanjian, Senior Attorney, reported that HESC has been working to implement the enacted 2010-11 Budget. Mr. Kazanjian reported that the Budget provides for a number of changes which will be in effect for this year. Those changes include: a

\$75 reduction in all annual TAP awards; the elimination of TAP awards for graduate students for 2010-11; a reduction in the maximum TAP award for certain student pursuing a two-year degree; a reduction in the maximum TAP award (from \$5,000 to \$4,000) for independent students with a spouse and no other dependents having an income of less than \$40,000; a change in the definition of income for TAP to clarify the inclusion of public and private pensions; and “default parity” whereby a student who is in default on a student loan made under any statutory New York State or federal education loan program shall be ineligible to receive any New York State award or loan until the student cures the default status.

Mr. Kazanjian informed the Board of the new and increased academic standards for Satisfactory Academic Progress (SAP) for this academic year. Mr. Kazanjian thanked Joe Frey and SED for their work in promulgating emergency regulations to define a program of remedial study for purposes of determining which SAP chart is applicable. He further reported that the New York State scholarship and loan forgiveness programs scheduled to sunset this year include: Regents Health Care Professional Opportunity Program; Regents Professional Opportunity Scholarship Program; Senator Patricia K. McGee Nursing Scholarship Program; Volunteer Recruitment Service Scholarship; and Nursing Faculty Loan Forgiveness Program. In addition, the Regents Physician Loan Forgiveness Program expired last year and was not renewed in this year’s budget. Mr. Kazanjian further reported that without statutory authority, no new awards will be granted and prior recipients will not receive any payments for 2010-11. In concluding, Mr. Kazanjian reported that HESC regulations regarding the application deadline for

New York State financial aid programs is now June 30th, which is consistent with the Free Application for Federal Student Aid (FAFSA) deadline date.

### **Federal Update**

Mr. Frank Ballmann, Director of Federal Relations, reported that after July 1, 2010 all new loans are made through the Federal Direct Loan Program (FDLP). However, HESC still has over a \$20 billion dollar portfolio from the Federal Family Education Loan Program (FFELP).

Mr. Ballmann reported that HESC's proposal was submitted to DOE, with New York State congressional delegation support, and he reviewed the features of the proposal including the fee structure for collections, the services performed, and the disposition of excess collection fees over expenses. He advised the Board of DOE's proposal evaluation process and concluded his presentation with an update on the funding prospects for the federal LEAP grant program for the 2011 federal fiscal year.

### **NYHELPS Marketing Campaign**

Chairwoman Bagnoli welcomed Ms. Sarah Madsen of Reuckert Advertising. Ms. Madsen reported that under the direction of Ms. Kathy Crowder, Senior Vice President of Communications for HESC, a statewide awareness campaign for NYHELPS was developed and implemented between June 2010 and August 2010. The marketing objectives of the campaign were to increase awareness of NYHELPS, increase traffic to [www.HESC.org/nyhelps](http://www.HESC.org/nyhelps), and to increase NYHELPS loan volume. The campaign targeted adults ages 45-54 and college students ages 18-24.

The various media used to carry out the campaign included: NYC and LI Transit; TV - Cable and Broadcast, Upstate and in NYC; Billboards; Mall Advertising; Radio;



Internet Search Advertising (Google); Facebook; ESPN.com; Newspapers (on-line); Yahoo.com; Print Advertising; and Emails to Students. A direct mail campaign is being planned for the future.

### **NYHELPS Update**

Chairwoman Bagnoli asked Mr. Aaron Pisacane, NYHELPS Chief Credit Officer, to give an update on NYHELPS. Mr. Pisacane reported that NYHELPS is providing a much needed low-cost, fixed-rate loan option for hundreds of New York's middle income families who have a remaining funding gap in their college costs after exhausting all free and low-cost Federal, State and, institutional aid.

Mr. Pisacane reported that \$5.7 million in net approved applications were made to New York State resident students and families attending fifty-six (56) of the eighty (80) NYHELPS participating colleges. He reported that growth will follow a similar pattern experienced by other state programs, reflecting traditional consumer new product behavior, as New York State families become more aware of NYHELPS and returning students become repeat borrowers.

Mr. Pisacane concluded his report by offering to answer any questions from the Board.

### **Motions to Adopt Resolutions**

Chairwoman Bagnoli asked the Secretary to the Board, Ms. Cheryl Fisher, to address the Board. Ms. Fisher discussed the amendments to the NYHELPS regulation and a motion to adopt the resolution authorizing HESC to take all necessary steps to achieve promulgation of the amendments was made by Mr. Delaney and seconded by Ms. Gondar. The resolution was unanimously adopted.

### **Resolutions of Appreciation**

Ms. Cheryl Fisher presented Resolutions of Appreciation to Mr. John Curtice, Assistant Vice Chancellor of Student Financial Aid (SUNY) and designee of Chancellor Zimpher; and to Mr. Curt Gaume, Director of Financial Aid at Canisius College and President of the New York State Financial Aid Administrators Administration (NYSFAAA).

### **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 it was pleasure to serve and looked forward to turning over his tenure to Mr. Dan Tramuta, Associate Vice President for Enrollment and Financial Aid Admission at SUNY Fredonia, at the upcoming conference. Mr. Gaume further stated that he looked forward to HESC's participation at the conference. He concluded by stating that his organization has been very proud to work with HESC over the years. Ms. Kerrie Cooper stated that she is very thankful for the extension of the emergency regulations in connection with the changes to the SAP requirements and that she was looking forward to working with Ms. Patricia Thompson.

### **Set date for Spring Board of Trustees Meeting**

The Chairwoman announced that the next meeting of the Board of Trustees will be held on April 27, 2011.

## **Adjournment**

Chairwoman Bagnoli then asked for a motion to end the meeting. The motion was made by Ms. Gondar and seconded by Mr. Williams. The meeting was adjourned at 12:40 p.m.