



**BOARD OF DIRECTORS
Meeting Minutes
January 19, 2017**

Board Members: Chris Hensley, Laurie Hempen, Adam Voigts, Dan Clute, Scott Schneidermann, Lorraine Groves, Rob Denson, Miles Lackey, Jim Schipper and Marcia Rogers.

Corporate Staff: Steve McCullough, Erin Lacey, Tammy Botos, Joe Bird, Ron Foresman, Mary Kay DeBolt, Cindy Bartz and Greg Nichols.

Guests: John Hintze, Corporate Council from Ahlers Law Firm, and Sheryl Bailey, Financial Advisor from Springsted Inc.

The Iowa Student Loan Liquidity Corporation (Iowa Student Loan) Board of Directors met in the corporate board room on January 19, 2017. Chris Hensley called the meeting to order at 2:47 pm and then called for a motion to approve the agenda.

Rob Denson moved to approve the agenda. Lorraine Groves provided the second, and the agenda was approved with a unanimous vote.

Ms. Hensley called for approval of the November 15, 2016, December 9, 2016 and December 19, 2016 meeting minutes.

Rob Denson moved to approve the minutes. Dan Clute provided the second, and the minutes were approved with a unanimous vote.

Ms. Hensley called for ratification of Finance Committee actions of January 13, 2017.

BE IT RESOLVED that the Board of Directors of Iowa Student Loan Liquidity Corporation hereby approves the replacement of HVAC units in the Ashford buildings, with Baker Group as the winning bidder and an overall cost of \$1.45 million.

Scott Schneidermann moved to ratify. Dan Clute provided the second, and the motion passed with a unanimous vote.

BE IT RESOLVED that the Board of Directors of Iowa Student Loan Liquidity Corporation hereby approves an increase in the Link Capital working capital line of credit by \$675,000, conditioned on a) the appointment of a sub-committee of the Board Finance Committee, consisting of at least two board members, who will work with staff to monitor Link Capital's progress; and b) a report by the sub-committee back to the Board in May of 2017.

Scott Schneidermann moved to ratify. Adam Voigts provided the second, and the motion passed with a unanimous vote.

PRESIDENT'S REPORT

Steve McCullough reviewed loan programs it offers and how the Corporation conducts business as a nonprofit, student loan provider. Recently, the Education Finance Council published standards for how its members should do business. These standards were developed with input from members of Congress with an interest in consumer protection and from the CFPB. Iowa Student Loan benchmarked its activities compared to these newly published standards. Mr. McCullough was very proud to announce the results, as verified by EFC's president, that Iowa Student Loan is a leader among all of its peers in following the published best practices.

Delinquency Report

Mary Kay DeBolt reported on delinquencies as of December 2016. The FFEL Program portfolio was at 7.12%, compared to 7.65% at this time last year. The Private Loan portfolio delinquency was 3.66%, compared to 3.52% at this time last year. Ms. DeBolt also reported that the Link Capital and RESET portfolios were at 0% delinquency. Skills Fund delinquency was reported at 4.77%. The FFEL Program default rates were reported at 0.53%, which Ms. DeBolt reported was lower than previous quarters.

Financial Report

Erin Lacey reviewed finances from the end of November 2016. Total assets are \$1.8 billion with an asset-to-liability ratio of 143%. Revenues are below budget, due to smaller loan portfolio than anticipated during budget preparation. Debt service expenses are below budget, mostly due to timing of the 2016A bond transaction. General and administrative expense is slightly above budget, due to timing differences compared to budget. There was a one-time expense of slightly over 2M for cost of issuance, related to new debt. These expenses are contributing to the net loss through November of \$1.5 million.

COMMUNITY RELATIONS COMMITTEE

Chris Hensley provided the Community Relations Committee report, noting that the Committee and staff met at the offices of LS2 in downtown Des Moines on Wednesday, January 18th. Discussion involved federal policy issues and federal relations efforts led by Greg Nichols and the Corporation's federal consultant, John Cacciatore. Items included in that conversation were 1) an overview of the anticipated short-term federal activities; 2) approval, subject to board ratification, of the 2017 Iowa Student Loan federal policy priorities; 3) consensus approval authorizing staff and consultant seeking Iowa co-sponsors of the Corporation's top 2017 federal priority, "stop taxing death and disability" act; and 4) review of current discussions on possible future changes in federal student loan programs.

Ms. Hensley called for a motion to approve the following resolutions:

BE IT RESOLVED that the Board of Directors of Iowa Student Loan Liquidity Corporation hereby approve the federal priorities for the year 2017 as presented by staff on January 19, 2017.

Rob Denson moved to approve the resolution. Miles Lackey provided the second, and the motion was approved with a unanimous vote.

and

BE IT RESOLVED that the Board of Directors of Iowa Student Loan Liquidity Corporation hereby authorizes staff to encourage Iowa congressional delegation members to co-sponsor the Stop Taxing Death and Disability Act.

Lorraine Groves moved to approve the resolution. Miles Lackey provided the second, and the motion was approved with a unanimous vote.

Ms. Hensley reported that Committee members and other available board members also participated in conference call meetings with Iowa Congressional delegation staff. There was brief discussion of the recently published 2016 Year in Review report and status reports on our community reinvestment programs. The largest portion of the day was devoted to discussions regarding state policy issues and state relations. Jeff Boeyink, the Corporation's state consultant, provided an overview on these issues and a detailed discussion took place regarding the issue of state taxation of death and disability student loan forgiveness, and by consensus approved an issue summary document on this topic. This is an issue of fairness for borrower families facing dire circumstances, and removing this unfair and "secret" tax, at both the state and federal levels, is the Corporation's top 2017 priority. Iowa Student Loan follows best practice recommendations to give these families, including families of public safety and military personnel, relief from their loan obligations and believes such forgiveness should not be considered taxable income. Finally, Ms. Hensley reported that the Committee joined staff and consultants at the Statehouse for several hours in the afternoon meeting with legislators and updating them on our activities and educating them on the death/disability tax issue. Everyone will continue to work toward favorable resolution on the tax issue in the weeks ahead. Ms. Hensley then called for a motion to approve the final resolution from the Community Relations Committee, as follows:

BE IT RESOLVED that the Board of Directors of Iowa Student Loan Liquidity Corporation hereby approves staff making state legislation for State Taxation of Death/Disability Forgiveness first priority and registering in favor of it. Additionally, the Board authorizes staff to direct state lobbyists to encourage sponsorship for this legislation by members of the Iowa Senate and Iowa House.

Marcia Rogers moved to approve the resolution. Dan Clute provided the second, and the motion was approved with a unanimous vote.

AUDIT COMMITTEE

Adam Voigts provided the Audit Committee report, stating that Ron Foresman, Controller for Iowa Student Loan, provided the Iowa Division of Banking's latest review report as the Superintendent was unable to attend today's meeting. The report had no exceptions. Additional discussion surrounded Iowa Student Loan's reserve levels, relative to state-chartered banks. The

Committee agreed that Iowa Student Loan's reserves should be higher than state-chartered banks, because of its high concentration in student loans. Jen Hempel, Compliance Manger, reviewed the Subcontractor Management Policy developed by staff, stating the next steps in implementing it include specific, written procedures for staff. The Committee concurred with the policy and its implementation plan. Ms. Hempel also reviewed resolutions previously approved by the board concerning Consumer Protection and staff's procedures that implement them. The Committee was satisfied with the scope of these resolutions and staff's implementation of them. Cindy Bartz, Chief Information Officer and Vice-president of Product Management, reviewed the Corporation's Business Continuity Plan, and results of recent testing of readiness to activate. The Committee was satisfied with the plan and the results of the testing. Finally, Ron Foresman reviewed the 2016 SOC I Controls Report with the Committee. After several questions, the Committee was satisfied with the results of this report.

Chris Hensley adjourned the meeting at 3:05 pm.



Mary Kay DeBolt, Corporate Secretary