



**BOARD OF DIRECTORS
Meeting Minutes
March 31, 2017**

Board Members: Chris Hensley, Tammy Bramley, Laurie Hempen, Adam Voigts, Dan Clute, Lorraine Groves, Rob Denson, Miles Lackey and Marcia Rogers.

Corporate Staff: Steve McCullough, Tammy Botos, Ron Foresman, Mary Kay DeBolt, Cindy Bartz, Greg Nichols and Megan Garrett.

Guests: John Hintze, Corporate Council from Ahlers Law Firm, and Kay Beyerink, Aspire Resources Inc. Board of Directors. Sheryl Bailey and Mark LeMay, Financial Advisor from Springsted Inc., attended via telephone.

The Iowa Student Loan Liquidity Corporation (Iowa Student Loan) Board of Directors met in the corporate board room on March 31, 2017. Chris Hensley called the meeting to order at 1:18 pm and then called for a motion to approve the agenda.

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

Ms. Hensley called for approval of the January 19, 2017 meeting minutes.

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

Ms. Hensley called for ratification of Finance Committee actions of February 2, 2017.

BE IT RESOLVED that the Board of Directors of Iowa Student Loan Liquidity Corporation hereby authorizes the CEO and Executive Vice President to enter into a term note not to exceed \$40 million to finance Skills Fund loans with Umpqua Bank substantially under the terms provided in the term sheet received from Umpqua Bank and to take such requisite actions and sign appropriate documents, following proper review by bond counsel and Springsted Inc.

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

PRESIDENT'S REPORT

Steve McCullough reviewed a report by the Bipartisan Policy Center regarding federal student loan programs and their current state. He stated this is the first report that has gone into great deal explaining that part of what has happened with student debt increasing so dramatically is the

result of the federal policy itself. One of the reasons highlighted for the increase in debt, in general, is a lack of aligned incentives. The report points out that because of inaccurate accounting methods; all risk is not taken into account, particularly interest rate risk. It also points out that by introducing the income dependent repayment options for borrowers under the effort to ease repayment burdens, they also created a disincentive to limit borrowing. Mr. McCullough is asking board members to review the report and note that it is very similar to some of the things staff and board members have been saying for a number of years.

Delinquency Report

Mary Kay DeBolt reported on delinquencies as of January 2017. The FFEL Program portfolio was at 6.70%, compared to 7.49% at this time last year. The Private Loan portfolio delinquency was 3.46%, compared to 3.21% at this time last year. Ms. DeBolt also reported that the Link Capital and RESET portfolios remain at 0% delinquency, and Skills Fund delinquency was reported at 2.04%.

Financial Report

Ron Foresman provided this report in Ms. Lacey's absence. Consolidated total assets for year-to-date have increased to \$1.7 billion. This is slightly lower due to accruals during the year, for example bond debt interest that is paid monthly and semi-annually. Revenues are lower compared to budget due to the on-boarded volume that is not currently meeting expectations. Net operating income is below budget approximately \$4 million, due to a drop in the interest income from the portfolio. Mr. Foresman reviewed other items not anticipated in the budget and expected improvements.

COMMUNITY RELATIONS COMMITTEE

The Committee reviewed programs the Corporation supports through annual allocation for "community reinvestments" in the Iowa Student Loan budget. Committee members received written reports on all the community reinvestment programs. Highlights included the senior scholarship program for financially literate high school seniors, our leadership in programming for the Des Moines Dreamers at Findlay Elementary school, improvements and updates to our tools, such as the Student Loan Game Plan, and the upcoming Iowa Student Loan scholarship winners at the UI REACH program. The Committee received a report from Rob Miller, the Executive Director of the Iowa College Access Network, our largest community reinvestment. Greg Nichols reported on recommendations for improvements and expansions of community reinvestment initiatives for Fiscal Year 2018.

Ms. Hensley called for a motion to approve the following resolutions devoted to community reinvestment programs, noting that Rob Miller with ICAN is doing an outstanding job:

BE IT RESOLVED that the Board of Directors of Iowa Student Loan Liquidity Corporation hereby authorizes reallocation as necessary of up to the full \$100,000 budgeted as "community reinvestment contingency" in the FY2017 community reinvestment budget to the Iowa College Access Network (ICAN), with the understanding that the board will be informed of the actual reallocation amount and the further understanding that ICAN will retain and carry forward for use in FY2018 any unexpended funds from this allocation.

Dan Clute moved to approve, and Tammy Bramley provided the second. The resolution passed with a unanimous vote.

BE IT FURTHER RESOLVED that the Board of Directors of Iowa Student Loan Liquidity Corporation hereby authorizes staff and the Finance Committee to include in the proposed FY2018 Iowa Student Loan operating budget \$1.25 million for community reinvestments, inclusive of subtotals by category, but not inclusive of any ICAN carryover of FY2017 funds, as presented to the Community Relations Committee on March 31, 2017.

Marcia Rogers moved to approve, and Miles Lackey provided the second. The resolution passed with a unanimous vote.

BE IT RESOLVED that the Board of Directors of Iowa Student Loan Liquidity Corporation hereby authorizes the following program policy recommendations relating to community reinvestments to be effective July 1, 2017:

- Extend the current Save Now, Save Later: College Savings Plan Parent Giveaway, Iowa Financial Know-How Challenge: Senior Scholarship, and College Funding Forecaster Giveaway programs to continue through June 30, 2018;
- Pursue further updates, enhancement, and promotions for our suite of responsible borrowing tools, including but not limited to Student Loan Game Plan, ROCI Reality Check, College Funding Forecaster, the Graduate Degree Investment Gauge, and customized versions of our various financial literacy tools for specific underserved audiences to the suite of responsible borrowing tools in FY2018. Additionally, the board approves of creation of an updated parent borrower tool to utilize in concert with the College Family Loan program and the Save Now, Save Later contest.
- Continuing efforts to provide modest support for key external efforts consistent with our mission, such as the Des Moines Dreamers, Bridges to Success, ISU 4U Promise, UI REACH, the Kirkwood Community College Focused Skill Training (FST) Program, and others in FY2018.
- Extend the sunset date on the Iowa Student Loan Armed Forces interest reduction program by two years to June 30, 2019.
- Continue to enhance efforts utilizing social media, improved website capability, video production and other means to educate the public and serve our customers information needs in the most effective methods possible.

Lorraine Groves moved to approve, and Miles Lackey provided the second. The resolution passed with a unanimous vote.

The Committee received a verbal update on state issues. The Corporation supports legislation to remove the tax on student loan forgiveness benefits for borrowers who die

or become totally and permanently disabled, which was approved by a Senate subcommittee and is pending for action in the Senate Ways and Means Committee. Today's meeting concluded with a federal issues update and presentation of revised and updated federal priorities. This will represent the key issues Iowa Student Loan will provide information about to federal officials in the coming months.

BE IT RESOLVED that the Board of Directors of Iowa Student Loan Liquidity Corporation hereby adopts the Federal Policy Priorities as outlined in the document presented to the Board by the Community Relations Committee at the March 31, 2017 board meeting.

Dan Clute moved to approve, and Rob Denson provided the second. The resolution passed with a unanimous vote.

FINANCE COMMITTEE

Dan Clute reviewed the details of a confidential bid to purchase a seasoned FFELP portfolio, submitted by staff subject to board approval and the ability of Iowa Student Loan to obtain financing. The Committee also reviewed a memorandum from RBC Capital, Iowa Student Loan's bond underwriters, about the prospect of obtaining such financing. Dan Clute called for a motion to approve the following:

BE IT RESOLVED that the Board of Directors of Iowa Student Loan Liquidity Corporation hereby approves the bid recently submitted for a FFELP portfolio (approximately \$300 million in size), and upon its acceptance by the seller, directs staff to structure a financing to clear the financing contingency of the bid, for subsequent approval by the Board.

Adam Voigts moved to approve, and Tammy Bramley provided the second. The resolution passed with a unanimous vote.

Steve McCullough and Board Link Capital Task Force member Tammy Bramley gave an update on the progress of Link Capital. The Committee was pleased to see the growth in Link's loan volume. The Committee also concurred with the suggestion that the Task Force also monitor the progress of Skills Fund.

AUDIT COMMITTEE


Adam Voigts reported that Ron Foresman reviewed the report from the Security Assessment performed by Integrity, including the testing period November 16, 2016 through December 09, 2016. No significant issues were discovered, and Integrity indicated it was clear that Iowa Student Loan continues to maintain a strong information security program. The Committee reviewed staff's plan to implement suggestions from Integrity and was satisfied with those plans.

Ron Foresman also reviewed the service organization control (SOC) audit performed in accordance with *Statement on Standards for Attestation Engagements No. 16* (SSAE 16), and to fulfil expanded client needs the Corporation has recently completed a SOC2 audit performed by

KMPG, LLP (Des Moines office) and covered the period November 1, 2015 through October 31, 2016. Mr. Voigts reported that the Committee was satisfied with the results of this engagement.

Steve McCullough made a report to the Committee on the research performed with the help of board members Scott Schneidermann and Jim Schipper, as well as outside legal counsel, on the proposed new Fin Tech bank charter that could be offered by the U.S. Office of the Comptroller of the Currency (OCC). This group has determined that it is premature to draw any conclusions about the applicability of this proposed charter to organizations like Iowa Student Loan, until the proposal is finalized and charters have been issued.

Chris Hensley adjourned the meeting at 1:50 pm.



Mary Kay DeBolt, Corporate Secretary