

**Tennessee Student Assistance Corporation
Board of Directors Meeting Minutes
September 17, 2009
1:00 p.m. CDT**

The Board of Directors of the Tennessee Student Assistance Corporation met on Thursday, September 17, 2009. The meeting was called to order by Dr. Claude Pressnell at 1:00 p.m.

ROLL CALL

The following board members/alternate representatives were present:

Claude Pressnell	Clay Petrey
Richard Rhoda	Marian Huffman
Jeff Wilson	Fred Johnson
Joslyn Frazee	
Joy Harris, representing David Lillard	
Morgan Branch, representing Commissioner Tim Webb	
Cathy Pierce, representing Commissioner Dave Goetz	
David Gregory, representing Chancellor Charles Manning	
Faye Weaver, representing Comptroller Justin Wilson	
Bonnie Yegidis, representing Jan Simek	

ADOPTION OF AGENDA

Dr. Pressnell called for a motion to approve the agenda as presented. Mr. Clay Petrey made a motion to approve the agenda. Mr. Morgan Branch seconded the motion; the motion was duly adopted.

APPROVAL OF MINUTES FOR THE MARCH 19, 2009 MEETING

Dr. Pressnell called for a motion to approve the minutes of the March 19, 2009 Board Meeting. Dr. Bonnie Yegedis made a motion to approve the minutes. Dr. Fred Johnson seconded the motion; the motion was duly adopted.

CHAIRMAN'S REPORT

(In the absence of Governor Phil Bredesen, Dr. Claude Pressnell served as Chairman for the meeting.) He called on Dr. Rhoda to provide the executive directors report.

EXECUTIVE DIRECTOR'S REPORT

Dr. Rhoda welcomed all and announced the following new members and designees: Joslyn Frazee, a student at Walters State Community College; Jeff Wilson, Executive Director of TISL; Marian Huffman, President of TASSFA; and Joy Harris, designee for Treasurer David Lillard. He then introduced the new members of the TSAC staff: Ann Collet, internal auditor; Jane Pennington, Associate Executive Director of Loans; and Taneka Verture, Compliance.

Dr. Rhoda then discussed the resolution of the TSAC audit issues regarding the Sunset Review process and noted that those issues had been resolved. He noted the successful completion of the sunset process and the approval of a 5-

year continuation. Dr. Rhoda also noted the dual capacities of sixteen TSAC/THEC staff members. Ms. Weaver inquired about the cost allocation plan and stated it was still outstanding. Mr. Jim Vaden stated that item goes back two years ago and that staff had submitted the plan, received the recommendations from the federal government, and steps are in place for the resolution of that item.

TASFEE PRESIDENT'S REPORT

Dr. Pressnell recognized Ms. Marian Huffman. Ms. Huffman began her report by thanking the board and staff for their assistance. She then discussed the negative impact of HR3221 and stated that TASFEE had sent a letter to state the concerns with Congress.

Ms. Huffman briefed the board on the four decentralized training sites as opposed to an annual meeting due to the fiscal condition of the state. She noted that Mr. Jeff Gerkin, the past president of TASFEE, now serves as chair of TASFEE's advisory committee for TSAC.

DECISION ITEMS

Adoption of 2010-11 TSEE Over-commitment Ratio

Dr. Pressnell recognized Mr. Tim Phelps to brief the board on the 2010-11 over-commitment ratio. Mr. Phelps stated that based on the cash flow analysis in the attached document, TSAC staff recommends a 145 percent over-commitment ratio for 2010-11 and noted that this is the same ratio the board adopted for the three previous academic years.

He then noted that for the 2007-08 academic year, 97.7 percent of TSEE funding was disbursed and for the 2008-09 academic year 95.8 percent of funding was paid. He then requested that \$1 million from the Tennessee Student Loan program reserve be used as a funding resource for that year. Mr. Phelps noted that although funding levels have not been determined for the 2010-11 academic year, staff is requesting this action be taken now so that when the awarding process begins in January the over commitment ratio will already be established for available funding, which will ensure there is no delay in making awards to students.

Mr. David Gregory made a motion to approve the over-commitment ratio of 145 percent and the transfer of \$1 million from the reserve to the 2010-11 grant awards. Dr. Rhoda seconded the motion. Discussion was held regarding the unspent funds; Mr. Phelps stated that all unspent funds reverted back into the reserve. After discussion, Dr. Pressnell called for a vote to approve; the motion was duly adopted. Mr. Gregory then made a motion that when the over commitment ratio is recommended for next year, that there be a recommendation of a minimum reserve that TSAC should hold to make the awards. Mr. Jeff Wilson seconded the motion. Discussion was held regarding the status of students who were not funded and it was noted that any funds withdrawn from the reserve to serve those students would have to be replenished. Dr. Pressnell then called for a vote to approve; the motion was duly adopted with Mr. Petrey opposing.

Change to TSAA Awarding Procedures

Mr. Phelps briefly discussed the meeting with the financial aid representatives to allow them to review the changes in the TSAA awarding procedures and noted they were in favor of the recommendations. He then discussed the changes in the procedures; reducing the amount by institution type and prorating amounts for part-time students. He noted that these changes will provide grants to a greater number of financially-needy students.

Mr. Phelps stated that a non-recurring state appropriation of \$3.2 million for 2009-10 will need to be requested and approved again for funding to continue in the 2010-11 academic year. Mr. Gregory made a motion to approve the changes in the TSAA awarding procedures. Dr. Rhoda seconded the motion. Discussion was held in regard to phasing in the changes as opposed to affecting the current recipients to avoid impeding the neediest students. Dr. Pressnell stated that only Pell recipients are eligible for this program so the impact is minimal due to the increase in the Pell grant and eligibility in the lottery scholarship program, while serving a greater number of students. He then called for a vote to approve; the motion was duly adopted.

Dr. Pressnell made a motion for the staff to review a process and cost of what it would take to hold harmless the students currently receiving the TSAA and to bring the recommendation to the TSAC board by email as early as possible. Mr. Jeff Wilson seconded the motion; the motion was duly adopted.

Proposed Rules for Helping Heroes Grant

Mr. Phelps was recognized to discuss Public Chapter 501 of the 2009 Tennessee Public Acts which revised the Helping Heroes Grant program, adopted Tennessee General Assembly. He noted the two changes in the rules which were including active members of the Reserve and National Guard and eliminated the cap of 375 recipients per semester. Dr. Pressnell then called for a motion to approve the rules for Helping Heroes Grant. Mr. Gregory made a motion to approve. Mr. Jeff Wilson seconded the motion; the motion was duly adopted by the following roll call vote.

- Richard Rhoda ___Aye_____
- Claude Pressnell ___Aye_____
- Faye Weaver ___Aye_____
- Marian Huffman ___Aye_____
- Morgan Branch ___Aye_____
- David Gregory ___Aye_____
- Bonnie Yegidis ___Aye_____
- Jeff Wilson ___Aye_____
- Clay Petrey ___Aye_____
- Joy Harris ___Aye_____
- Fred Johnson ___Aye_____

(Cathy Pierce had to depart before the vote)

Proposed Budget Request for 2010-11

Dr. Pressnell recognized Mr. Abernathy to review the proposed budget request for 2010-11. He stated that the Tennessee Student Assistance Corporation is required to submit its budget request to the State Budget Division by October 1, 2009. Mr. Abernathy then discussed the documents indicating funding levels for all TSAC divisions for the current 2009-10 and base 2010-11 fiscal years and noted that the base amount includes a 6% (approximately \$74,000) reduction in the TSAC Administrative code, as requested the Department of Finance and Administration.

He also discussed the improvement of \$3.2 million, which is being recommended for the TSAA program replacing \$3.2 million in non-recurring funds appropriated for the 2009-10 fiscal year. After discussion, Dr. Pressnell called for a motion to approve the 2010-11 proposed budget request. Mr. Petrey made a motion to approve. Mr. Morgan seconded the motion. Dr. Pressnell then requested to amend the motion to prioritize the TSAA recommendation to include the number one priority, for the staff to collect accurate data on students served and funds necessary to move back to a May 1 deadline, and to fully fund the TSAA program, with the understanding that it would be for information purposes only to be able to communicate to the state the need of the full program. Mr. Jeff Wilson seconded the motion. Discussion was held regarding the reserve amount and historical funding. After discussion, Dr. Pressnell called for a vote to approve the amended motion; the motion was duly adopted.

Change to Minority Teaching Fellows Program

Mr. Phelps briefly discussed the Minority Teaching Fellows Program and stated it is restricted by statute to undergraduate students and typically underutilizes the maximum number of awards available each year. He noted that the proposed change would allow graduate students, in addition to undergraduate students, to enroll in the program and would allow TSAC to place priority in awards on upperclassmen and graduate students and fully utilize the maximum number of awards each year. Mr. Phelps stated that the intended impact would be to increase the number of participants who are further along in their academic careers and are more committed to teaching as a career path.

Dr. Rhoda made a motion to approve the changes; Ms. Weaver seconded the motion. After discussion, Dr. Pressnell called for a vote on the motion; the motion was duly adopted.

Adoption of Audit Committee Charter

Ms. Ann Collett was recognized to update the board on the Audit Committee Charter. She stated that the Tennessee Higher Education Commission approved the merging of the THEC and TSAC audit committees on July 24, 2008 and the joint audit committee charter was adopted by the Commission on November 20, 2008. She stated that the revision includes the addition of the internal audit director in conjunction with fiscal affairs staff to provide support to the Committee and terminology is made consistent in the charter to say "internal audit director" and "internal audit department." Ms. Collett also stated that the joint Audit Committee approved the revised charter on July 23,

2009 and the Commission also voted to adopt the revised charter. Mr. Clay Petrey made a motion to adopt the audit committee charter. Mr. Fred Johnson seconded the motion; the motion was duly adopted.

DISCUSSION ITEMS

Grant and Scholarship Programs Update

Mr. Robert Biggers was recognized to provide the update on the Grant and scholarship programs. He stated that the Tennessee Education Lottery Scholarship (TELS) has concluded the 2008-2009 academic year by providing awards to 89,237 students at just under \$260 million.

He discussed the increase in the Wilder-Naifeh Technical Skills grant and stated that this the year, there was a six percent increase in recipients and over the past two years, there has been an increase of ten percent. Mr. Biggers then discussed the dual enrollment program and noted that there has been an 18 percent growth in the program.

Ms. Naomi Derryberry then discussed the Tennessee Student Assistance Awards (TSAA) and stated that a total of \$74,115 million were awarded to for the 2009-10 academic year. She also stated that is estimated that 99 percent of TSAA funds will be paid for the 2009-10 academic year.

Ms. Derryberry discussed the projected TELS expenditures, which are \$276.5 million for 2009-10 and stated that as the year progresses, expenditures will be monitored and an updated estimate will be provided to the State Funding Board in December.

Federal Family Education Loan Program Update

Ms. Jane Pennington was recognized to provide the update on the Federal Family Education Loan Program. She stated that the subsidized Stafford loans are made to students who demonstrate financial need and that students do not have to begin repayment until they leave school, and the federal government pays the interest while the students are enrolled at least half-time.

She then discussed the PLUS loans and Graduate Professional loans. Ms. Pennington noted that in 2008-09 TSAC guaranteed \$846 million in these programs and it represents an increase of 39.2 percent or \$238 million since 2007-08. Discussion was held in regard to the transition from FFELP to direct lending. After discussion, Dr. Pressnell made a motion to create a committee to assist with the transition from the FFELP program to direct lending. Mr. Gregory seconded the motion; the motion was duly adopted.

Communication Services Update

Ms. Diane LeJuene was recognized to provide the communication services update. She discussed the Outreach Statistics such as college fairs, visits to administrators, financial aid presentations and visits to schools. Ms. LeJuene also reviewed the publications that were distributed by staff for those events.

2009 General Assembly Report

Mr. Abernathy briefed the board on legislation that impacted TSAC directly. He reviewed the “Omnibus” bill which included a provision to make the executive director of the Tennessee Higher Education Commission (THEC) the executive director of TSAC. He also reviewed the Appropriations Bill, which authorized the Commissioner of Finance and Administration to make appropriation transfers between THEC and TSAC to implement administrative reorganizations.

Mr. Abernathy then discussed TSAC’s sunset bill, extending TSAC’s statutory authority for five years, the changes to the Helping Heroes Grant Scholarship to include current members of a Reserve or Tennessee National Guard unit, and the technical correction bill which clarifies language in the lottery scholarship program regarding summer enrollment and requirements for provisional receipt of a HOPE scholarship.

NGS Contract Extension/Amendment

Mr. Abernathy then discussed the current contract with Nelnet Guarantor Solutions (NGS), which expires in December 2010. He stated that because of the many proposed changes in Washington to the Federal Family Education Loan Program (FFELP), TSAC staff is discussing with NGS the possibility of extending the contract an additional year to allow sufficient time to pass for TSAC to determine whether FFELP will remain an option for schools.

EdSouth Contract Amendment for Rehabilitation Loans

Ms. Pennington discussed the EdSouth Contract Amendment for Rehabilitation Loans. She stated that the need for this Amendment is a result of the collapse of the financial market which impacted all guaranty agencies and their ability to secure purchases of rehabilitated loans. She also stated that prior to the collapse; guaranty agencies were able to sell rehabilitated loans on a regular basis but TSAC has been unable to sell rehabilitated loans since September 2008. Ms. Pennington noted that recently, funds have become available through the U.S. Department of Education’s “conduit” program, which will allow EdSouth to purchase a portion of TSAC’s rehabilitated loan volume but at a discounted rate.

License Revocation Update

Mr. Abernathy discussed the license revocation program, which was identified in Performance audits conducted in 2002 and 2008 by the State Comptroller’s office that include findings that TSAC did not have a process in place to comply with these statutes. He stated that statutes TCA §§ 56-1-312 and 63-1-141 direct the TSAC to work with the Department of Commerce and Insurance and the Department of Health, respectively, to suspend the professional licenses or certificates of individuals who have defaulted on their federal student loans.

He stated that TSAC has been sending notices to defaulted borrowers encouraging them to contact TSAC to make payment arrangements or face the possibility of license suspension or revocation if they fail to comply within 90 with the requirements set forth in their default notice. He stated that once 90

days expires, TSAC must file an Order of Default with the appropriate licensing board requesting appropriate action be taken with the borrower's license.

NGS Update

Ms. Collett discussed the TSAC staff travel to NGS offices in Jacksonville, Florida the week of August 24 to meet with NGS staff. She stated that as noted in a finding in the 2008 Performance Audit conducted by the Comptroller of the Treasury, TSAC did not adequately monitor the NGS contract. She noted that the purpose of the trip was for TSAC staff to meet with NGS staff in all areas to gain an understanding of their processes, discuss questions regarding operations, outline follow-up items for both NGS and TSAC, and discuss the closing of the Jacksonville office and the transition to Denver. In closing she stated that another site visit will be made by various staff within the next few months and a report will be completed regarding the visits.

There being no further business, the meeting adjourned at 3:45 p.m.

Approved:

Dr. Claude O. Pressnell, Jr., Secretary