

VSAC Finance Committee Meeting

March 22, 2021

12:30 p.m.

Zoom Videoconference Meeting

Attendance:

Committee Members Present: Beth Pearce (Chair), John McSoley, Caleb Elder

Committee Members Absent: Michael Smith

Other Board Members Present: Dodie Mitchell

Staff: Scott Giles, Mike Stuart, Marilyn Cargill, Tom Little, Patrick Leduc, Bruce Hicken, Jodie Ducharme

Chair Beth Pearce called the meeting to order at 12:42 p.m. on the Zoom virtual meeting platform with all present able to hear one another throughout the meeting. With a quorum established, the Committee took up the first order of business.

Approval of Minutes

Upon a motion made by John McSoley and seconded by Caleb Elder, the Committee Members present voted to approve the minutes of the Committee meeting of January 25, 2021, as presented.

Standing Reports Discussion

Mike Stuart reviewed the previously distributed Income Statement and Balance Sheet and responded to Committee member questions. Mike pointed out formatting changes made to the data for organizational purposes, noting that the changes do not impact the numbers. Mike drew attention to Guarantor Fees and Collections, noting that line item is down 50% due to the shut off of Collections, which lasted longer than anticipated, going through the end of December.

Bruce Hicken reviewed the Variance Analysis noting endowment earnings are up due to improved investment performance. Bruce pointed out that revenue from Guarantee Operations is down year over year due to a decrease in rehabilitated FFELP loans because of COVID-related rules from the Department of Education which resulted in fewer borrowers making payments to rehabilitate their loans. He also noted the impact that COVID had on the Bad Debt Expense as more customers used forbearance, resulting in fewer loans aging out in delinquency and decreasing the number of loans that default and are written off.

Mike Stuart reviewed the Operating Budget, reminding the Committee that two bonds were paid off earlier than expected, resulting in a transfer of assets from restricted to the unrestricted classification on the balance sheet.

Mike Stuart reviewed the previously distributed Vermont Student Development Fund Performance Report, noting that the endowment spend rate is 4%, and responded to member questions. Mike noted that VSAC posts these performance reports quarterly to the VSAC website.

2020/2021 AY Private Loan Originations

Mike Stuart directed the Committee's attention to the previously distributed private loan volume reports, noting that volume is down approximately 25% from last year. In response to member questions, Mike confirmed that more borrowers are choosing the immediate repayment option than in past years, which gives them a lower interest rate resulting in decreased finance charges over time.

May 2021 Student Loan Bond Update

Mike announced that we have met with the rating agencies and have submitted required loan performance data. Mike reviewed the previously distributed materials on market conditions and responded to member questions. He noted that we expect to receive the rating agency assumptions for cash flows soon with a target date for bond issuance around the second week of May.

Risk Management: Interest Rate Risk

Mike Stuart summarized the risk category, providing a definition, the current inherent risk, oversight & controls, and the residual risk. The Committee discussed the risk and Mike responded to member questions. After a discussion, the Committee agreed that the probability and impact of the risk remains low.

Other Business

There being no other business, the meeting adjourned at 1:52 p.m.

Respectfully submitted,

Michael Stuart, Assistant Secretary