

**Tennessee Student Assistance Corporation
Board of Directors Meeting Minutes
September 24, 2015
1:00 p.m. CST**

The Board of Directors of the Tennessee Student Assistance Corporation met on Thursday, September 24, 2015. The meeting was called to order by Dr. Russ Deaton at 1:00 p.m.

Dr. Deaton welcomed all to the meeting and recognized Mr. Will Cromer of the Governor's office and new designee for Governor Haslam and Mr. Garrett Wilson, student member from Union University.

ROLL CALL

The following board members/alternate representatives were present:

Gary Adcox
Will Cromer, representing Governor Bill Haslam
Russ Deaton
LaSimba Gray, via conference call
David Gregory, representing Chancellor John Morgan
Katie High, representing President Joe DiPietro, via conference call
Tom Hughes
Treasurer David Lillard
Danielle Mazera, representing Commission Candice McQueen
Keri McInnis
Claude Pressnell
Greg Turner, representing Commissioner Larry Martin
Richard Smelser
Gary Weedman
Courtney Williams
Garrett Wilson
Joseph Woodson, representing Comptroller Justin Wilson

ADOPTION OF AGENDA

Dr. Deaton called for a motion to adopt the agenda. Ms. Keri McInnis made a motion to approve the agenda, as presented. Dr. Claude Pressnell seconded the motion; the motion was duly adopted by the following roll call vote:

	<u>Aye</u>	<u>No</u>	<u>Abstain</u>
Gary Adcox	x		
Will Cromer	x		

Russ Deaton	x
*LaSimba Gray	
*David Gregory	
Katie High	x
Tom Hughes	x
Treasurer David Lillard	x
Danielle Mazera	x
Keri McInnis	x
Claude Pressnell	x
Richard Smelser	x
Greg Turner	x
Gary Weedman	x
Courtney Williams	x
Joseph Woodson	x

* Not present at the time of vote

ADOPTION OF THE MINUTES FOR THE MAY 27, 2015, MEETING

Dr. Deaton called for a motion to adopt the minutes from May 27, 2015 meeting. Dr. Gary Weedman made a motion to approve. Ms. McInnis seconded the motion; the motion was duly adopted by the following roll call vote:

	<u>Aye</u>	<u>No</u>	<u>Abstain</u>
Gary Adcox	x		
Will Cromer	x		
Russ Deaton	x		
*LaSimba Gray			
*David Gregory			
Katie High	x		
Tom Hughes	x		
Treasurer David Lillard	x		
Danielle Mazera	x		
Keri McInnis	x		
Claude Pressnell	x		
Richard Smelser	x		
Greg Turner	x		
Gary Weedman	x		
Courtney Williams	x		
Joseph Woodson	x		

* Not present at the time of vote

CHAIRMAN'S REPORT

Dr. Deaton recognized Mr. Mike Krause of the Governor's office and Mr. James Snyder of TSAC to provide an update on the Drive to 55 Initiative and TN Promise program. Mr. Krause began by noting that last fall, there were 58,000 applicants for the TN Promise and of those 43,000 attended the first meeting and 22,500 completed their community service. He noted that as of the fall census, there were 15,800 in the program, an expenditure of \$12 M for year one of the program. He noted the increase of 12 percent in FAFSA completion in Tennessee and the 14 percent increase in community college enrollment, both an outcome of the Tennessee Promise program and the 18.5 percent enrollment increase at TCATs due to the Promise and the Reconnect program.

Ms. McInnis inquired whether a list of all applicants that did not participate in the Tennessee Promise was maintained with the reason for not completing the program for follow up. Mr. Krause confirmed there is a data base that maintained a list of all applicants, whether they completed the program or not but will have more information in the spring.

Mr. Cromer inquired about how many counties required students to apply for the TN Promise? Mr. Krause stated 32 counties had every student apply. Mr. Tom Hughes asked if community service opportunities were an issue for students and if there was a list of community service opportunities. Mr. Krause affirmed there was a list of opportunities and the students that did not complete were given every opportunity to complete the eight hours required.

Mr. Snyder then provided an update on enrollment data and cohort II with student feedback. He noted that payments are currently being processed; around 1700 students processed so far with approximately \$700,000 awarded to date with a five-business day turnaround time. Mr. Snyder noted there have been issues with verification and clarity of the process but they have addressed those issues through rule changes. He commented on the regional counselor trainings recently completed with THEC and noted over 800 counselors at 7 sites attended from across the state and were provided results of Cohort I and updates on Cohort II, which is around 24,000 applications to date. He noted although nearly 4,000 applications were sent per week, there have been no application portal issues. Mr. Snyder then announced the fall training in late October where he and others will present TSAC program updates.

Dr. Pressnell inquired if the Reconnect 5,000 number was in addition to the 15,800 in the Promise program. Mr. Krause affirmed. Ms. McInnis inquired how many counties had signed up; Mr. Krause stated that 50 percent in every county signed up. She then asked what the participation was between public and private institutions. Mr. Krause stated that all eligible TICUA institutions had some

participation but none over 30-40. Dr. Pressnell stated that the institutions with the most participation integrated into their communications with students and has cost the institution more money by matching funds but those institutions are keeping an eye on those costs.

EXECUTIVE DIRECTOR'S REPORT

Dr. Russ Deaton was recognized to provide the executive director's report. He commended TSAC staff, institutional staffs and Mr. Krause for the success of the implementation. Dr. Deaton commented on how financial aid helps solve the DRIVE to 55 issue and obtain the goals of the initiative. He then updated on the board on the budget in terms of the TSAA program and noted that staff was charged with expending all the money allocated for this program including the over-awards. Dr. Deaton then recognized Mr. Tim Phelps to provide an update on the over-commitment awards and reserve funds. Mr. Phelps commented that the reserve balance has grown over the past few years although some funds were expended to award more students and although the balance is still higher than anticipated, awards are being made to further utilize the funds and will award renewal and neediest students, as long as they applied by the March 1 deadline. He noted that the balance currently is \$17 M however the intention is to fund an additional 4,000 students, approximately \$7M, to reduce loan burdens. Dr. Pressnell commended the Governor for the additional \$10M to allow TSAC to fund those students and would not impact the over award percentage. Mr. Greg Turner inquired about the target reserve balance. Mr. Phelps stated that would be addressed and presented to the board in the spring but did not want to deplete the reserve. Dr. Gregory inquired if these changes were pursuant to the Promise program. Mr. Phelps stated that any funds received by a Promise recipient would be an addition to that award and would not replace it.

TASFEE PRESIDENT'S REPORT

Mr. Richard Smelser was recognized to provide the TASFEE report. Mr. Smelser began his report by updating the board on elected officers and members of the TASFEE board. He then discussed fall TASFEE training series, held in West Tennessee on October 28 at Union University, Middle Tennessee on October 29 at Tennessee State University and East Tennessee on October 30 at Johnson University and noted the logistics for those meetings such as presenters and time frames. Mr. Smelser then commented the 2015 spring conference held April 24-27 in Murfreesboro, TN. He noted there were 311 current members of TASFEE, 27 of which are TSAC staff members; three serving on the executive board -Jane Pennington serves as State Program Chair, Terri Parchment serves as Membership Chair, and Leah Louallen serves as Treasurer. Mr. Smelser thanked Mr. Krause and Mr. Snyder for the quick responses to questions regarding the Promise program. He then noted the initiative by Senator Lamar Alexander to reduce the FAFSA, fewer

loan payment options and control at institutions to reduce loan debt and volume by introducing students to other options such as the Tennessee Promise.

DECISION ITEMS

Ratification of Chair

Dr. Deaton noted that Governor Haslam was elected as chair during the Board’s May meeting. Mr. Mark Cate, who served as the Governor’s designee and acting chair, resigned from state service in July 2015. He noted that the Governor has selected Mr. Will Cromer to serve as his designee to the board and action on this item will ratify the Governor’s designee as the new acting Chair.

Dr. Pressnell made a motion to affirm Mr. Will Cromer as the new designee for Governor Haslam and ratify his role as chair. Mr. Tom Hughes seconded the motion; the motion was duly adopted by the following roll call vote:

	<u>Aye</u>	<u>No</u>	<u>Abstain</u>
Gary Adcox	x		
Will Cromer			x
Russ Deaton	x		
LaSimba Gray	x		
David Gregory	x		
Katie High	x		
Tom Hughes	x		
Treasurer David Lillard	x		
Danielle Mazera	x		
Keri McInnis	x		
Claude Pressnell	x		
Richard Smelser	x		
Greg Turner	x		
Gary Weedman	x		
Courtney Williams	x		
Joseph Woodson	x		

Mr. Cromer thanked the board and stated he is excited to serve on the TSAC board.

Adoption of Rules – Tennessee Promise Scholarship

Mr. Cromer recognized Mr. Peter Abernathy to provide an overview of the proposed rules for the Tennessee Promise Scholarship. Mr. Abernathy stated that in addition to making various clarifications and technical changes to existing language, these rules make the following changes: Requires students to submit FAFSA verification documents to their postsecondary institution by August 1; allows community service to begin as early as the day following the Promise Scholarship application deadline

of August 1 of the high school senior year; and beginning in the 2017-18 academic year, requires students to perform and report community service by July 1.

Dr. Pressnell asked that if the use of the prior-prior year income by the Department of Education shifts all the programs would the filing deadline be adjusted for the programs as well, since it will change the dynamics of what TSAC does. Mr. Abernathy stated that had not been discussed formally; the decision to use prior-prior year income was made after the proposed changes in the rules were written. Dr. Deaton stated it would require TSAC to reevaluate the sequencing in deadlines and although a formal discussion has not been had, it has been noted.

Mr. Smelser stated that in fall of 2016, students will be able to file for the 2017-18 year and a lot of professional judgments will be seen due to income changes. He also stated that the system used will be another issue.

Dr. Pressnell made a motion that the Tennessee Assistance Student Corporation adopt the proposed rules and the TSAC Board of Directors authorize the Executive Director to make any necessary technical corrections to these rules including changes required by the Tennessee Attorney General. Ms. McInnis seconded the motion; the motion was adopted by the following roll call vote:

	<u>Aye</u>	<u>No</u>	<u>Abstain</u>
Gary Adcox	x		
Will Cromer	x		
Russ Deaton	x		
LaSimba Gray	x		
David Gregory	x		
Katie High	x		
Tom Hughes	x		
Treasurer David Lillard	x		
Danielle Mazera	x		
Keri McInnis	x		
Claude Pressnell	x		
Richard Smelser	x		
Greg Turner	x		
Gary Weedman	x		
Courtney Williams	x		
Joseph Woodson	x		

Proposed Budget Request for 2016-17

Mr. Abernathy stated the budget is a base budget continuation of the current year's base budget for the FY 2016-17 and noted one improvement item is the Tennessee

Student Assistance Award program where \$28.6 million budget improvement for fiscal year 2016-17 is requested to fund an additional 118,000 students over the course of five years.

Dr. Pressnell made a motion to approve staff recommendations. Dr. LaSimba Gray seconded the motion. Dr. Pressnell inquired whether TSAC still communicated with legislators through county profiles; Dr. Deaton affirmed that THEC communicates with legislators through annual county profile reports. After discussion, the motion was adopted by the following roll call vote:

	<u>Aye</u>	<u>No</u>	<u>Abstain</u>
Gary Adcox	x		
Will Cromer	x		
Russ Deaton	x		
LaSimba Gray	x		
David Gregory	x		
Katie High	x		
Tom Hughes	x		
Treasurer David Lillard	x		
Danielle Mazera	x		
Keri McInnis	x		
Claude Pressnell	x		
Richard Smelser	x		
Greg Turner			x
Gary Weedman	x		
Courtney Williams	x		
Joseph Woodson			x

Wind-down of Federal Family Education Loan Program (FFELP)

Dr. Deaton stated that in July 2010, Congress directed all new student loans to the Federal Direct Loan Program, resulting in no new accounts into TSAC’s Federal Family Education Loan (FFEL) program portfolio. He stated that in order to maintain some assets from revenues, beginning an official wind-down of the FFEL program will help minimize depletion of program fund reserves, while maximizing opportunities for TSAC to provide needed resources to the state’s postsecondary students and institutions. Therefore, staff recommends formally withdrawing from the Federal loan program and be placed on official wind-down of the FFEL program, with a termination date of June 30, 2016. Dr. Deaton stated that upon approval, TSAC would begin to work with ED to transition the portfolio to another loan servicer and during the transition; TSAC would continue to work with the current loan servicer (Nelnet Guarantor Solutions/NGS) to manage the existing portfolio and assist student borrowers.

He also stated that moving forward TSAC's loan division intends to explore ways to continue default management and financial literacy services assistance to postsecondary institutions and offer customized assistance to individual financial aid offices and provide default aversion counseling to student borrowers.

Mr. Greg Turner made a motion to approve staff recommendations. Dr. Danielle Mazera seconded the motion; Mr. Cromer called for discussion and questions. Dr. Pressnell inquired if TSAC had any input on which loan servicer would get the portfolio; Dr. Deaton stated no, TSAC would not have any input on the servicer choice. Dr. Pressnell commented that there were servicers that would make the transition seamless to the students if input was allowed but if not, the transition could be disruptive to students. He asked if the June 30, 2016 date is the final tipping point to where it would no longer produce viable revenue.

Dr. Deaton affirmed that any further beyond that point would risk financial loss as the program would eventually get into the operating fund. He stated that TSAC is more beneficial getting out a little early as opposed to staying in too long and risking an eventual financial loss of the operating fund. He noted that date puts TSAC in a good position financially- as a mid-point from retreating too early or too late. Dr. Pressnell also inquired about the cohort default rates comparing the US average to the TSAC FFELP portfolio average. He stated that because the TSAC portfolio was decreasing does not mean that Tennessee does not have a growing loan portfolio in direct lending, and the default aversion activity is a great public service to Tennessee Students with the revocation program allows borrowers to keep their license while repaying their debt. He asked how much of the reserve would TSAC need to keep in place to produce enough revenue to support that activity? He wanted to make sure that is as robust as possible to allow funding for the default aversion and revocation programs. Dr. Deaton stated that TSAC would focus on bringing back to the board an in depth business plan about how to proceed possibly in a called meeting or at the spring meeting. Dr. Pressnell stated that this is so critical he wanted to bring it to the board's attention and noted there were partners working in the for-profit realm and commended their efforts but it is critical to keep TSAC on this route.

Mr. Hughes asked if there was a specific cost for withdrawal and if the Department of Education had indicated what amount or percent of the portfolio might be? Dr. Deaton stated that there has not been any indication of cost at this point but did not anticipate it being a large amount of money but there would be some cost associated with the transfer. Ms. McInnis stated that it is very important for this to be as smooth of transition as possible to avoid complications with students and also ensure there is communication with students during the transfer. She also noted that TSAC would more than likely still get calls after the transition and inquired how that would be handled. Ms. Jane Pennington stated that although TSAC may not have their loan, they will still be able to assist students to a certain extent such as

connecting that student to the contact person for their loan. Mr. Hughes commented about the servicing transfer letter and stated that letter needs to be sent as soon as possible so borrowers know what to expect when the time comes. Ms. Pennington stated there would be letters sent from not only TSAC but also from the US Department of Education and the new lender. Ms. McInnis stated there would be complications when lenders change and notification of the upcoming change should be sent out. Dr. Deaton asked Ms. Pennington to clarify the process that has taken place in other states. Ms. Pennington stated this has been done in other states and there were some problems but those problems have been addressed.

After discussion, the motion was adopted by the following roll call vote:

	<u>Aye</u>	<u>No</u>	<u>Abstain</u>
Gary Adcox	x		
Will Cromer	x		
Russ Deaton	x		
LaSimba Gray	x		
David Gregory	x		
Katie High	x		
Tom Hughes	x		
Treasurer David Lillard	x		
Danielle Mazera	x		
Keri McInnis	x		
Claude Pressnell	x		
Richard Smelser	x		
Greg Turner	x		
Gary Weedman	x		
Courtney Williams	x		
Joseph Woodson	x		

DISCUSSION ITEMS

Federal Family Education Loan Program Update

Ms. Jane Pennington was recognized to provide the update on the Federal Family Education Loan Program. Ms. Jane Pennington was recognized to provide the update on the Federal Family Education Loan Program. Ms. Pennington stated her staff is ready to start the transition to the wind down of the program and looks forward to continuing to assist institutions and students in the future. She noted the annual report from NGS and stated that Rehabilitation collections brought \$17.5M more in 2014-15 than in the previous year and \$13.7 over the previous year from revocation.

Ms. Pennington then commented on default aversion and noted that representatives continue to assist schools across Tennessee preventing borrowers from going into default through webinars and onsite training for borrowers and schools, and developing default management processes based on a specific school needs.

Grant and Scholarship Program Update

Mr. Tim Phelps was recognized to provide an update on the Grants and Scholarship Program. He stated for the 2014-15 TSAC disbursed over \$304 M to over 100,000 students and year-end figures for 2013-14 indicate almost 94 percent actual expenditures, which represent about 34,300 students receiving \$62.2 million. Mr. Phelps stated that TSAA resources for 2015-16 total about \$78 million. He stated there were changes to the dual enrollment grant which has seen some increases and with collaboration from TBR and the Governor's office and stated funding will be \$500 for juniors for their first two classes; \$200 for the third class and no funding for the fourth class and will be monitored for issues. Dr. Mazera inquired about how the program will be monitored. Mr. Phelps stated that if there is a drop off in participation, it would be the main focus for investigating and following up.

Communications Services Update

Ms. Diane Lejeune was recognized to provide the update on communication and outreach services. She discussed the outreach statistics such as college fairs, visits to administrators, financial aid presentations, personal finance classes, and school visits to educate students on financial aid. Ms. Lejeune also provided information on call center statistics, the THEC High School Counselor Survey, and the social media outreach.

Audit Update

Ms. Ann Collett, Internal Auditor, was recognized to provide an audit update. She stated that the Division of State Audit's Financial and Compliance Audit of TSAC for the fiscal year ended June 30, 2014, was recently completed and no issues were noted.

There being no further business, the meeting adjourned at 2:42 p.m.

Approved:

Dr. Claude O. Pressnell, Jr., Secretary