

**Tennessee Student Assistance Corporation
Board of Directors Meeting Minutes
April 29, 2016
10:00 a.m. CST**

The Board of Directors of the Tennessee Student Assistance Corporation met on Friday, April 29, 2016. The meeting was called to order by Dr. Russ Deaton at 10:00 a.m.

Dr. Deaton welcomed all to the meeting.

ROLL CALL

The following board members/alternate representatives were present:

Sheree Anderson, representing Comptroller Wilson
Will Cromer, representing Governor Bill Haslam
Russ Deaton
LaSimba Gray, via conference call
Tom Hughes
India Lane, representing President Joe DiPietro
Andy McArthur, representing Treasurer David Lillard
Claude Pressnell
Greg Turner, representing Commissioner Larry Martin
Dale Sims, representing TBR Chancellor David Gregory
Richard Smelser
John Smarrelli
Garrett Wilson

ADOPTION OF AGENDA

Mr. Cromer called for a motion to adopt the agenda. Mr. Tom Hughes 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> |
|-----------------|------------|-----------|----------------|
| Sheree Anderson | o | | |
| Will Cromer | x | | |
| Russ Deaton | x | | |
| LaSimba Gray | x | | |
| Tom Hughes | x | | |
| India Lane | x | | |
| Andy McArthur | x | | |

| | |
|------------------|---|
| Claude Pressnell | x |
| Greg Turner | x |
| Dale Sims | o |
| Richard Smelser | x |
| Garrett Wilson | x |

* Not present at the time of vote

ADOPTION OF THE MINUTES FOR THE September 24, 2015, MEETING

Mr. Cromer called for a motion to adopt the minutes from September 24, 2015 meeting. Mr. Tom Hughes made a motion to approve. Dr. Pressnell seconded the motion; the motion was duly adopted by the following roll call vote:

| | <u>Aye</u> | <u>No</u> | <u>Abstain</u> |
|------------------|------------|-----------|----------------|
| Sheree Anderson | o | | |
| Will Cromer | x | | |
| Russ Deaton | x | | |
| LaSimba Gray | x | | |
| Tom Hughes | x | | |
| India Lane | x | | |
| Andy McArthur | x | | |
| Claude Pressnell | x | | |
| Greg Turner | x | | |
| Dale Sims | o | | |
| Richard Smelser | x | | |
| Garrett Wilson | x | | |

CHAIRMAN’S REPORT

Mr. Cromer highlighted a few legislative items that apply specifically to higher education. Two of the Governor’s legislative priorities are the FOCUS act, which will better align Tennessee higher education to the Drive to 55, and the Tennessee Higher Education Authorization Act. From the budget stand point, an additional \$135 million was allocated for higher education. This includes \$50 million for the outcomes-based funding formula and \$13.2 million for TSAA awards, and \$300 million for both higher education capital and maintenance.

EXECUTIVE DIRECTOR’S REPORT

Dr. Russ Deaton was recognized to provide the executive director’s report. Dr. Deaton echoed Mr. Cromer’s comments, agreeing that it has been a great year for higher education in Tennessee. Dr. Deaton thanked the TSAC staff and thanked them for their dedication in the past year. Dr. Deaton recognized James Snider to give the board an update on Tennessee Promise. Mr. Snider explained that of the

58,000 applicants in the first Tennessee Promise cohort, 38,000 submitted the 2015-2016 FAFSA on time, 23,000 students completed community service hours, and 16,300 were certified from fall eligibility received approximately \$15 million in funds. A small group of summer certifications are outstanding at some of our TCAT institutions as they roll into the fall. Of the 16,300 students enrolled, 85% are enrolled at community colleges or APSU, 13% are enrolled TCATs, 2% are enrolled at 2-year institutions. Tennessee Promise students had a fall-to-spring retention rate of 78% when looking at fall-to-spring payments to institutions. The average award is \$920. For 2016-2017 academic year, they had approximately 59,000 applications and, of those students, 49,000 submitted the 2016-2017 FAFSA. This group of students is still flowing through the eligibility pipeline.

Mr. Hughes commented that being a mentor for the second year, he noticed that there are a lot less contact touches that he is making with the students. He asked if the 49,000 that filled out the FAFSA represented an increase, and if it had anything to do with assigning mentors later. Mr. Snider explained that could be a factor. Mr. Snider sent five reminders and partnering organizations sent dozens of updates to communicate with students about FAFSA deadlines. He also noted that they extended the FAFSA deadline because of inclement weather. Roughly 2,300 students completed their FAFSA in that week of extension. The mentor assignment coming after FAFSA was to shift the communication timeline so mentors work more with students while they are in college. Mr. Cromer also said that this shift was to make the best use of mentors' time.

Dr. Pressnell asked a question on the retention rate. Fall to spring for payments 78%, what are the student retention rates? Mr. Snider said they are 80%. Dr. Deaton is pleased that they are able to maintain the macro level average retention rate. Dr. Pressnell also asked about the massive amount of communication utilized for the change in the FAFSA timeline in 2016-17. Mr. Snider explained that the FAFSA opens October 10th, and will close in January. This will give them more time to combat the confusion. Mr. Smelser commented that there is a strong effort from high school guidance counselors to clear up FAFSA date confusion.

Dr. Deaton thanked Mr. Snider and noted that historically the college going rate out of high school has been 57%. Tennessee is in the middle of the pack nationwide. Due to Tennessee Promise and other initiatives, that rate jumped to 62.5% with the 3-4,000 new students. The college going rate is tough to move, but it moved a lot this last fall.

Dr. Deaton recognized Tim Phelps to give an eGRandS update. eGRandS is the system that TSAC uses to administer funding to students. TSAC recently purchased eGRandS. The last several months have consisted of hiring staff and knowledge transfer. Starting July 1, control of eGRandS will go to TSAC, but NGS will be

supporting TSAC until August. Beginning in mid-August, the eGRandS system will move in-house. Mr. Phelps anticipates that the transition will be complete at the end of this year. Mr. Smelser asked where institutions would direct questions or requests. Mr. Phelps said to reach out to him and the TSAC staff. He emphasized the importance of user input from all stakeholders and constituencies.

TASFAA PRESIDENT’S REPORT

Mr. Richard Smelser was recognized to provide the TASFAA report. Mr. Smelser began his report by updating the board on the TASFAA annual conference that was recently held. 268 members participated, there were numerous TSAC staff members in attendance. Mr. Bob Moran from Senator Alexander’s office was in attendance to give federal updates.

Mr. Smelser wanted to highlight that at the conference, two TSAC Loan Division staff members were recognized, Terri Parchment and Sandra Rockett. Terri Parchment received the distinguished service award and Sandra Rockett received the milestone award for her years of service. Every month, the financial aid advisory group holds a call with all of the TBR schools has helped the group make suggestions to TSAC. Mr. Smelser noted that this conference call is very important to this group, they meet face to face every quarter.

Mr. Smelser discussed his recent trip to Washington, DC to meet with 5 senators and their staff, then had other group meetings met with Congressman Phil Roe, Congressman Jimmy Duncan, Senator Bob Corker, and Bob Moran and Kathleen Smith from Senator Alexander’s office. Mr. Smelser’s year as President will conclude June 30th. Karen Hauser from Vanderbilt will be the new president beginning July 1.

DECISION ITEMS

Selection of 2016-2017 Officers and Committee Members

Mr. Peter Abernathy presented the board with the selection of officers and committee members, with the exception of Keri McInnis. Mr. Cromer called for the motion. Mr. Hughes made a motion to accept these recommendations. Dr. Pressnell seconded the motion; the motion was duly adopted by the following roll call vote:

| | <u>Aye</u> | <u>No</u> | <u>Abstain</u> |
|-----------------|------------|-----------|----------------|
| Sheree Anderson | x | | |
| Will Cromer | x | | |
| Russ Deaton | x | | |
| LaSimba Gray | x | | |
| Tom Hughes | x | | |
| India Lane | x | | |

| | |
|------------------|-----|
| Andy McArthur | x |
| Claude Pressnell | x |
| Greg Turner | x |
| Dale Sims | x |
| Richard Smelser | x |
| Garrett Wilson | nvm |

TSAA Over-Commitment Ratio

Mr. Phelps introduced the TSAA Over-Commitment Ratio. Mr. Phelps explained that they over-commit how much money to spend because historically students have not accepted all of the aid offered to them. Mr. Phelps noted that TSAC saw a 153% over-commitment ratio for the past five years. In the current year, TSAC has overcommitted \$80 million so they are very close to that figure. To keep with the wishes of the board, the amount they over committed was \$78 million, so they will be spending \$5.8 million from the reserves. For 2016-17 Mr. Phelps is continuing to recommend the 153% ratio and recommend to spend \$4.3 million from the reserves to cover bases in case they overspend and spend that down to get closer to the balance the board wants to maintain in the reserve.

Mr. Cromer asked how many more students would be helped with the additional \$4.3 million. Mr. Phelps answered that with average award being \$1,800, approximately 2,800 more students would be helped.

Mr. Cromer called for the motion, Mr. Smelser made the motion, Mr. Hughes seconded the motion. The motion approved.

| | <u>Aye</u> | <u>No</u> | <u>Abstain</u> |
|------------------|------------|-----------|----------------|
| Sheree Anderson | x | | |
| Will Cromer | x | | |
| Russ Deaton | x | | |
| LaSimba Gray | x | | |
| Tom Hughes | x | | |
| India Lane | x | | |
| Andy McArthur | x | | |
| Claude Pressnell | x | | |
| Greg Turner | x | | |
| Dale Sims | x | | |
| Richard Smelser | x | | |
| Garrett Wilson | | | nvm |

Adoption of Rules—Community College Reconnect

Mr. Cromer recognized Mr. Phelps again to speak. Mr. Phelps explained that Community College Reconnect provides a last dollar scholarship to students that are independent as determined by the FAFSA. Eligible students must have lived in Tennessee for one year, have not taken college courses for at least 12 months, and earned at least 30 hours toward their associate degree. Funding includes \$1.5 million and the initial pilot will be distributed to community colleges in a block grant. Institutions will report that information back to TSAC. Mr. Smelser and TSAC worked very closely together on this project. Mr. Phelps recommends passage of this decision item.

Mr. Cromer asked if Mr. Phelps has a sense of the demand. Mr. Smelser explained that he had 600 students inquire on the website about this, only 70 have responded, once they went to the previous rules only 10 would have been eligible. Now, with the new rules, out of those 10, none of those students are eligible because of the 9 credit hour per semester requirement. Dr. Pressnell pointed out that they removed the income requirement. Mr. Phelps thought the funds would be expended quickly. Mr. Smelser said he only can speak for Pellissippi State Community College. Mr. Cromer said that is why this is a pilot project.

Mr. Hughes made a motion, Dr. Pressnell seconded the motion. The motion carried.

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. Pennington outlined the role the Loan Division has had in the Tennessee Reconnect initiative. These borrowers have dropped out of school because "life happens." If they did have loans, many of them have defaulted and are not eligible for any Title IV federal aid. Her staff connected with NGS and institutions to gather information about students to help them resolve their defaults so they can return to school. The Loan Division has made contact through letters and other modes of contact. Ms. Pennington stated that her proudest program is the license review program. The TSAC staff matches defaulted borrowers possessing a Tennessee professional license. This program encourages borrowers into a successful repayment plan. There are over 9,000 borrowers in the program and the TSAC staff has recovered approximately \$77 million in defaulted loans. More than 1,000 of those borrowers have paid in full. Ms. Pennington explained that rehabilitation of the defaulted loan is the best option. Borrowers that do not make payments have their license suspended.

Dr. Pressnell asked about what these numbers look like in terms of the humans that have their license suspended. Ms. Pennington explained that anyone that has a professional license in the state of Tennessee is included in this list. 77% that

rehabbed their loans were paid in full. A number of borrowers do consolidations through consolidation programs.

Scholarships to Loans is a program that is a collaborative effort with Mr. Phelps' group, students need to repay the scholarship through service. Two years ago, Mr. Phelps asked Ms. Pennington's division to help recover this money.

Mr. Hughes asked if there was an intensity change in the letter form as borrowers continue to receive letters. Ms. Pennington answered yes, collection has improved. As borrowers complete in full, delinquency has decreased.

The Loan Division is moving into a default management role. This includes financial literacy education, entrance and exit sessions, and assistance in school portfolio reports. The Loan Division is also doing a great deal of SKIP tracing.

Mr. Hughes asked if they are using any collection agency service as they are conducting the SKIP tracing. Ms. Pennington answered they are about to begin using Clear, through the Westlaw group. This group helps with SKIP tracing.

The Loan Division is also providing consulting services to institutions, education support, temporary emergency assistance, program review and audit findings, and career fairs. The Loan Division has over 200 years of experience all together. Ms. Pennington spoke about the loan portfolio transition to ECMC. The National Student Loan Data Systems (NSLDS) allowed 3% error rate has remained well below 1% for years. Ms. Pennington does not want to have any error rate, because those error rates negatively impact student lives. TSAC guaranteed 3 million loans for over 950,000 borrowers, representing \$13.1 billion. On the NSLDS error reporting TSAC has been working closely with the Department of Education, Ms. Pennington and the Loan Division have been 12,000 errors have decreased 2,800 errors. Ms. Pennington emphasized her focus and goal to treat borrowers as people. Ms. Pennington introduced Mr. Dave Hawn the CEO of ECMC.

Mr. Tom Hughes wanted to congratulate the Loan Division for their work in recent months.

Mr. Dave Hawn complimented the innovative work that has been done in higher education in Tennessee. Mr. Hawn gave the board background on ECMC. ECMC was created 22 years ago ostensibly to help the DOE transition to the direct loan program. They thought the process would take 3-4 years, but 22 years later they are inching toward the direct loan system. ECMC has a \$30 billion active portfolio. Mr. Hawn emphasized that TSAC has a strong portfolio. Mr. Hawn acknowledged Jane Pennington, Bill Heath, Terri Parchment, Diane Lejeune, Peter Abernathy, and Dr. Russ Deaton. Mr. Hawn noted that TSAC and ECMC are closely aligned in that their

main goal is to do what is right by the 143,521 student borrowers. Mr. Hawn recognized Ms. Jan Heinz who is leading ECMC in working with TSAC and the loan portfolio transfer. Ms. Heinz highlighted the programs that ECMC is engaging with in Tennessee. ECMC will continue to support TAFSAA. ECMC has an agreement with iGrad, an online financial literacy platform. She is hoping to compliment the financial literacy work that TSAC is already doing. Ms. Heinz described the college planning guide that she is hoping to work with TSAC to develop for Tennessee. ECMC also offers college planning night events, and will work with TSAC to bring those to Tennessee. In ECMC's other portfolio states, last year, they held 109 college planning nights and reached over 18,000 students and parents. Like TSAC, ECMC provides counseling and training to financial aid professionals. ECMC also provides training materials and supplies on their website for member institutions. Furthermore, ECMC has a curriculum for 4th to 8th grades to help them envision themselves going to college and believe they can achieve that dream. There is also a program called Achieving the College Dream for 9th through 12th graders, this program provides information about how to apply an day for college. Tools such as the Pell abacus and college abacus help students figure out how they can pay for different institutions. Ms. Heinz reiterated her thanks to Dr. Deaton and the THEC and TSAC staff members.

Mr. Cromer asked if Ms. Heinz could elaborate on the timeline. Ms. Heinz explained that ECMC has also been working with NGS on this transfer. There is a process where ECMC is taking data extracts from NGS to map the systems and cleanse the data so there are not errors. As of the last data extract, there was a .05 error rate, which is a low error rate. Ms. Heinz said the transfer will be done July 1 and will be up and functioning July 6th. They are ready to service the borrowers. ECMC is very aligned with TSAC and is very focused on helping students.

Mr. Cromer also asked about communication with borrowers. Ms. Heinz explained that every borrower will be getting a letter explaining the transfer and who they should be in contact with.

Ms. Pennington thanked Mr. Hughes for his kind words, and she thanked her strong and dedicated team.

Mr. Smelser is pleased that ECMC is taking over the portfolio because ECMC has the strong emphasis on customer service that TSAC has had over the years.

Dr. Deaton wanted to thank Mr. Hawn and Ms. Heinz for all they have done in this transition.

Use of Operating Fund after FFELP Transition

Mr. Cromer recognized Mr. Abernathy. Mr. Abernathy updated the board on the use of operating funds. Funds collected from the agency have been deposited in the operating over the years. There are some required expenses that are necessary to administer the portfolio. The federal government allows TSAC to use those funds for a number of things. The TSAC operating fund is at \$47 million and \$10 million was transferred to establish the Tennessee Promise endowment. Mr. Abernathy is expecting roughly a \$22 million balance at the end of the fiscal year. There will be some things that TSAC will need to pay for those funds, NGS and ECMC most notably. Other than that, Mr. Abernathy would like to see those funds put toward default management activities and general support for state scholarship programs. Because TSAC does not know what the exact balance will be, they are not in a position to make solid recommendations. Mr. Abernathy anticipates that TSAC will be able to make recommendations to the board in September.

Mr. Cromer asked if the desired recommendations for how to spend those funds would be one-time expenses. Mr. Cromer asked Mr. Abernathy how he anticipates those funding for those expenses could be sustainable?. Mr. Abernathy hopes to transfer those funds into a self-sustaining fund for schools and their financial aid models. Mr. Abernathy anticipates that could take 3 to 5 years.

Dr. Deaton added that TSAC has had exploratory conversations with Dr. Pressnell and TBR. Dr. Pressnell added that in past years, there were support services from lenders. He noted that during this meeting, we have seen what an excellent job TSAC is doing providing those services and these services will be critically important to campuses moving forward.

Budget and Legislative Update

Mr. Cromer recognized Mr. Abernathy again to deliver to the board budget and legislative updates. Mr. Abernathy highlighted that there were 21 bills submitted and discussed, 6 passed that related to TSAC.

Senate Bill 1584 addressed a program that started 3 years ago for high school students that are disabled and do not graduate from high school with a regular diploma. This bill allows students to have access and transition into 5 institutions. Senate Bill 1654 by Senator Tracy encourages current and past public school to become Tennessee Promise Mentors with incentives. Senate Bill 1695 by Chairman Gresham allows homeschool students to receive GAMS supplement, previously they were not eligible for that. Senate Bill 1708 allows children with parents in the military that are stationed outside of Tennessee to be eligible for the Tennessee Promise. Senate Bill 2339 allows students with document disabilities to attend school less than full time and continue to receive the Tennessee Promise. Senate Bill 2595 amends the bill that passed last year that Mr. Phelps spoke about earlier.

Mr. Cromer asked about the bills that impact the lottery program. Mr. Abernathy said the changes were very minimal, six figures and less. Dr. Pressnell is pleased that there is stabilization in that area.

Mr. Abernathy spoke about the budget overview. He highlighted the increase of \$13.2 million in state funds that helps and additional 7,200 students that brings the total up to 50,000 students served. In the past ten years TSAA has doubled the number of students being served. Dr. Pressnell added that there are 100,000 eligible students and we are slowly chipping away at that number. In the loans, scholarship, and academic scholars programs, the scholarships code includes the minority teaching fellows program and the graduate nursing fellows programs. Those funds have not been fully expended for several years. TSAC asked financing administration to move \$300,000 into the Ned McWherter scholars code to fund another 100 students to the merit-based aid program. Dr. Pressnell said thank you for those additional funds. He likes this program because the institution has skin in the game.

Communications Services Update

Ms. Diane Lejeune was recognized to provide the update on communication and outreach services. She discussed the new activity called the TN FAFSA Frenzy. She highlighted the number of events increased from July of last year. She and her team are focused on maintaining the number one nationwide ranking in FAFSA completion. TSAC, THEC, TDOE, and all TN Promise partnering organizations collaboratively developed a plan to increase FAFSA completion. The FAFSA process has changed due to the new FAFSA timeline, the use of the prior-prior tax information, and the data retrieval process. The team is compiling a toolkit of best practices for high school counselors to use. They have started the communication process with high school counselors. With the October 1st opening of the FAFSA, they now have twice as many days to get Tennessee students to complete the FAFSA. Ms. Lejeune also provided information on call center statistics, the high school counselor survey, and social media outreach.

Dr. Deaton asked Ms. Lejeune to share with the board about a panel that was conducted for the THEC working session last week. Stakeholders working as high school counselors, postsecondary institutions financial aid staff, and TSAC outreach were all represented. High school counselors are feeling a great amount of pressure to help students with the transition to college in addition to the urgent real life issues that counselors are supporting their students through. There was discussion about expectations and what is possible in reality for counselors. Postsecondary financial aid staff members observe that students and their parents struggle with the deadlines that are involved in the college going process. Students and their families and staff members also struggle with adapting to the many changes that

are always occurring. Dr. Pressnell said that if Ms. Lejeune needs help mobilizing private colleges with help with the FAFSA frenzy she should let him know.

OTHER BUSINESS

Conflict of Interest Policy Statement

Dr. Deaton reminded board members to fill out their conflict of interest statements. Dr. Deaton recognized and introduced the board to Katy Lucci, his new executive secretary.

There being no further business, the meeting adjourned at 12:42 p.m.

Approved:

Dr. Claude O. Pressnell, Jr., Secretary