

**MINUTES OF THE JULY 21, 2016 MEETING OF THE MEMBERS  
OF THE FINANCE AUTHORITY OF MAINE**

Chair Nowak called the July 21, 2016 meeting of the members of the Finance Authority of Maine to order at 9:03 a.m. at the Finance Authority of Maine, 5 Community Drive, Augusta, Maine.

Chair Nowak noted for the record that the members had received an Agenda and Notice of Meeting (*see Certificate of Mailing attached as Appendix 1*), and that notices of the meeting had been published in certain newspapers throughout the state (*see Affidavits of Publication attached as Appendix 2*).

**A. CALL TO ORDER**

Chair Nowak called the roll of the members and noted that there were sufficient members present for the purpose of beginning the meeting.

Those members present were as follows:

Raymond Nowak, Chair  
James Violette, Jr., Vice Chair  
Cheri Walker, Treasurer  
Douglas Ray for George Gervais  
Terry Hayes  
Meredith Mendelson for Patrick Keliher  
Larry Mitchell  
Rosaire Pelletier  
Christopher Pierce  
Richard Roderick  
Susan Snowden

Those members absent:

Jonathan Block  
Reis Hagerman  
James Howard  
Gregory Miller

Staff present:

Bruce Wagner, Chief Executive Officer  
Christopher Roney, General Counsel  
Elizabeth Vanderweide, Business Development and Marketing  
Martha Johnston, Director of Education  
Carlos Mello, Chief Risk Officer  
Charles Emmons, Senior Commercial Loan Officer  
Lisa Brown, Human Resource Manager  
Scott Weber, Senior Credit Officer  
William Norbert, Governmental Affairs & Communications Manager  
Jennifer Cummings, Senior Workout Officer

Rita Fournier, Education Programs Manager  
Roxanne Broughton, Commercial Loan Officer  
Sally Garand, Commercial Loan Officer  
Jana McQuilkin, Communications Officer  
Adele Bickford, Executive/Legal Assistant

Guests Present:

Steven Klein, First Infrastructure  
Steve Weems, Polaris Associates

### **A2: Approval of June 16, 2016 Board Meeting Minutes**

**A motion was made by Treasurer Hayes and seconded by Mr. Mitchell to approve the minutes of the June 16, 2016 Board meeting. The motion was approved by a vote of 10 in favor, 0 opposed and 1 abstention (Susan Snowden).**

**R-07-21-16-01**

### **CHAIR'S REPORT**

#### **B1: Acceptance of the Report of the Education Committee Meeting of June 9, 2016**

**A motion was made by Mr. Mitchell and seconded by Mr. Roderick to accept the Report of the June 9, 2016 Education Committee meeting. The motion was approved by a vote of 11 in favor, 0 opposed and 0 abstentions.**

**R-07-21-16-02**

#### **B2: Acceptance of Report of the Executive Committee Meeting of June 16, 2016**

**A motion was made by Vice Chair Violette and seconded by Mr. Pelletier to accept the Report of the June 16, 2016 Executive Committee meeting. The motion was approved by a vote of 11 in favor, 0 opposed and 0 abstentions.**

**R-07-21-16-03**

### **C: CEO's and STAFF REPORT**

#### **C1: CEO Report**

Mr. Wagner asked to go into Executive Session for an update on a pending Major Business Expansion (MBE) loan.

**Mr. Mitchell moved to enter into Executive Session to discuss records obtained or developed prior to receipt of a written application for financial assistance from the Authority or in connection with transfer of property to or from the Authority (10 MRSA §975-A(2)(A). The motion was seconded by Ms. Snowden and approved by a vote of 11 in favor, 0 opposed and 0 abstentions.**

*Members entered Executive Session #1 at 9:08 a.m.*

*Members exited Executive Session #1 at 9:10 a.m.*

**Mr. Pelletier moved to enter into Executive Session to discuss records including any financial statement or tax return obtained or developed by the Authority in connection with any monitoring or servicing activity by the Authority pertaining to any financial assistance to be provided by or with the assistance of the Authority (10 MRSA §975-A(2)(C). The motion was seconded by Vice Chair Violette and approved by a vote of 11 in favor, 0 opposed and 0 abstentions.**

*Members entered Executive Session #2 at 9:10 a.m.*

*Members exited Executive Session #2 at 9:12 a.m.*

Mr. Wagner advised members that he has been asked to join the Board of the National Council of Higher Education Resources (NCHER). NCHER lobbies on “public policy initiatives within the legislative, executive and regulatory branches of the federal government, and brings together the higher education community to strengthen all federal student loan and grant and private loan programs through its ongoing involvement with Congress, the U.S. Department of Education, the U.S. Department of Treasury, the Consumer Finance Protection Bureau, the Federal Communications Commission, and other federal agencies, associations, and organizations engaged in student financing and policy.” Mr. Wagner sought support from the Board for his nomination to NCHER, which he received.

## **C2: Education Update**

### **C2a: FFELP**

The Department of Education (DOE) has declined FAME’s request to transfer its FFELP portfolio to ECMC. FAME and ECMC had reached terms to transfer the portfolio under a 5 year revenue sharing agreement. The DOE will not consider revenue sharing or terms over two years. Mr. Wagner added that he expects the Department of Education to take back all FFELP portfolios from the guaranty agencies in the next two years. Because FAME has chosen not to transfer its portfolio, it must become FISMA compliant, which is an expensive undertaking. The DOE has set certain requirements for FAME to meet regarding FFELP IT security. FAME has responded by informing the DOE that FAME has created a firewall between its systems and those of Navient, its FFELP servicer who is FISMA compliant. Staff feels that taking that step meets the DOE’s security requirements. The DOE has not responded as yet. FAME has secured a Portland IT consulting firm that will work with FAME to satisfy the DOE demands.

### **C2b: NextGen**

**Mr. Roderick moved to enter into Executive Session to discuss records for which confidentiality has been requested by the owner or the person to whom it pertains, and as to which the Authority determines the information in which gives the owner/user an opportunity to obtain business or competitive advantage over another person who does not have access to the information other than through the Authority, or that access to the information by others**

would results in a business or competitive disadvantage, loss of business, or other significant detriment (10 MRSA §975-A(2)(B). The motion was seconded by Ms. Snowden and approved by a vote of 9 in favor, 1 opposed (Terry Hayes) and 0 abstentions. Chair Nowak did not vote.

*Members entered Executive Session #3 at 9:23 a.m.*

*Members exited Executive Session #3 at 9:33 a.m.*

### **C2c: Loan Consolidation Presentation**

Mr. Wagner advised members that loan consolidation is FAME's first new product in a few years, and Ms. Johnston will present an overview to provide members with a better understanding of FAME's student loan insurance and refinance programs.

Ms. Johnston reviewed the materials in the Board packet that provide statistics, criteria and eligibility for the Student Loan (SLI) and Refinance Student Loan Insurance (RSLI) programs. She noted that the SLI program is currently only available to undergraduates but staff is exploring the possibility of extending it to graduate students as well. The Refinance Student Loan Insurance Program contains a financial education module, which is a critical feature. FAME receives 50 basis points from the lender and upfront fees that can be borne by the borrower or lender. Some of those funds go into the loan loss reserves.

### **C2d: Education Highlights**

Highlights are contained in a memo to members in their Board packets.

### **C2e: Education Marketing**

Ms. Vanderweide highlighted FAME's marketing efforts for Refinance/Consolidation of Student Loan Insurance. Market research conducted by Maine Loan borrowers and the University of Maine alumni indicated that respondents would consider refinancing their student debt to lower their interest rate and also to lower their monthly payment and their number of loans. Research also indicated that they would go on-line to get that information. The website, theLoanforME.com, encourages students to consider all aspects of borrowing and steps they can take. The website helps them to make good decisions (informed borrowing), and a tool available allows them to calculate what income they will need to support their student loan debt.

*Treasurer Walker exited the meeting at 10:08 a.m.*

*Vice Chair Violette exited the meeting at 10:10 a.m.*

**BREAK: 10:12 a.m. – 10:17 a.m.**

### **C3: Economic Development**

#### **C3b: Capital Formation Project – First Infrastructure**

*Vice Chair Violette re-entered the meeting at 10:17 a.m.*

*Treasurer Walker re-entered the meeting at 10:17 a.m.*

*Chair Nowak exited the meeting at 10:41 a.m.*

*Mr. Ray left at 10:50 a.m.*

*Mr. Ray re-entered the meeting at 11:00 a.m.*

*Vice Chair Violette exited the meeting at 11:07 a.m.*

*Vice Chair Violette re-entered the meeting 11:10 a.m.*

*Mr. Pelletier exited the meeting at 11:24 a.m.*

*Mr. Pelletier re-entered the meeting at 11:26 a.m.*

Mr. Mello introduced Steven Klein, First Infrastructure, and Steve Weems, Polaris Associates, who will present the First Infrastructure Report on FAME's business programs. First Infrastructure was contracted by FAME to make recommendations regarding its capital reserves and ways to increase its economic development impact. Recommendations are broken into two sections: enhancements to the existing commercial loan insurance program and creation of private capital funds to meet demand for larger loans. Mr. Klein stated that there is a tradeoff relative to raising private capital; as more capital is raised from third parties, FAME has less direct control. The Report recommends a more aggressive reserve requirement standard and increased use of the leveraged insurance option which, additionally, should be added to OnLine Application (OLA).

First Infrastructure's work was to identify the capital gap in Maine and provide the concepts to consider. Mr. Weem's role is to provide the Maine context for unmet capital needs and to formulate recommendations within FAME's mission. He presented seven key points, which dominate this phase of the work, the details of which are contained in First Infrastructure's Report in the Board packet:

1. FAME, lenders and development organizations are doing a good job.
2. There is an unmet need for subordinate lenders for > \$1 million loans.
3. Take action to stimulate economic development in Maine.
4. Any move should be directed to healthy companies (established companies).
5. Form private/public partnerships to raise capital.
6. Formulate a \$50 million subordinate debt fund with an independent board and third party management.
7. Work with allies to create business/capital plans and implement next steps.

The objective of the fund, according to Mr. Weems, is to mobilize new capital to be the engine for economic growth in Maine and to get it in the hands of companies that can deliver that growth. The fund would be utilized by established companies in targeted sectors that have a high social and economic impact. The potential \$50 million fund would be leveraged by state capital.

Mr. Wagner outlined that FAME staff will consider the Report findings, and after review by the Risk Management and Audit and Business committees, will come back to the Board with staff recommendations, probably in October.

### **C3a: 4<sup>th</sup> Quarter Performance**

Mr. Emmons thanked the Commercial team for their efforts to surpass the lender balance target of \$72.2 million. The lender balance reached \$73.9 with other deals still in the pipeline. In the 4<sup>th</sup> quarter, FAME insured \$15.2 million with an exposure of \$8.5 million. FAME did 13 direct loans in the same timeframe for \$2.6 million. He added that Commercial is at full complement for loan officers and credit analysts and has provided lenders with 300 copies of the Partner Guide and will continue to do banking calls and to distribute the Partner Guide. The Strategic Plan targets another 10% increase for FY 2017. Board members asked for a quarterly listing of new loans generated, which will be presented at the same time as the quarterly Commercial Loan Portfolio Review.

### **D: ACTION ITEMS**

#### **D1: Advance Industrial Solutions, Inc. – Request for Commercial Loan Insurance on a Term Loan and Line of Credit**

Application presentation deferred indefinitely.

### **COMMISSIONERS' & TREASURER'S UPDATES**

#### **College Savings Program Work Group Update**

*Mr. Pelletier exited the meeting at 11:29 a.m.*

*Treasurer Walker exited the meeting at 11:39 a.m.*

*Treasurer Walker re-entered the meeting at 11:41 a.m.*

Treasurer Hayes referred members to the report of the Work Group's June 22, 2016 meeting and specifically to the questions at the end of the report, which will be addressed in their final report. Members discussed the concept of providing NextGen grants to out of state students as a means of attracting students that will stay and work in Maine after graduation. The Work Group's recommendations could come to the Board in October and be finalized by December.

Mr. Wagner provided some details of the proposed October Board agenda, which is a two day retreat planned for Androscoggin county with a food industry and security theme. Members will be visiting Brigeen Farm, the Good Shepard Food Bank and Elmet. The Board meeting will be held at the campus of Lewiston/Auburn University of Maine. Mr. Wagner asked how many of the Board members anticipated coming to the two day meeting. Eight members responded affirmatively and Treasurer Hayes asked that Deputy Commissioner Kristi Carslow be included.

Mr. Wagner reviewed the Board and Advisory Committee chart, which was first suggested by Mr. Mitchell. He informed members that the Advisory Council was not included due to space restrictions but the Advisory Council consists of two members, Reis Hagerman and Andrew Sawyer, and was created by this Board to provide a Board member and investment expertise to the Advisory Committee on Maine College Savings. Mr. Hagerman will term off the FAME Board in September and Mr. Sawyer has become a voting member of the Advisory Committee. As noted, it may be time to consider whether there should be a council going forward.

## **F: BOARD EXECUTIVE SESSION**

Chair Nowak called for Executive Session to discuss personnel matters.

**Mr. Mitchell moved to enter into Executive Session for discussion or consideration of a personnel matter in which public discussion could reasonably be expected to cause damage to the reputation or the individual's right to privacy would be violated (1 MRSA §405(6)(A). The motion was seconded by Mr. Roderick and approved by a vote of 9 in favor, 0 opposed and 0 abstentions.**

*Members entered Executive Session #4 at 11:45 a.m.*

*Members exited Executive Session #4 at 12:10 p.m.*

The meeting adjourned at 12:10 p.m.

Respectfully submitted,

James Violette, Jr., Vice Chair