

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

Chair Nowak called the April 21, 2016 meeting of the members of the Finance Authority of Maine to order at 9:04 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

A1: Ascertainment of Quorum

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
Jonathan Block
George Gervais
Reis Hagerman
Kristi Carlow for Terry Hayes
Gregory Miller
Larry Mitchell
Rosaire Pelletier
Christopher Pierce
Richard Roderick
Susan Snowden

Those members absent:

James Howard
Patrick Keliher
Cheri Walker, Treasurer

Staff present:

Bruce Wagner, Chief Executive Officer
Carlos Mello, Chief Risk Officer
Elizabeth Vanderweide, Director of Business Development and Marketing
Jonathan Harvell, Chief Information Officer
Katryn Gabrielson, Deputy General Counsel
Charles Emmons, Senior Commercial Loan Officer
Lisa Brown, Human Resource Manager
Scott Weber, Senior Credit Officer

William Norbert, Governmental Affairs & Communications Manager
Rita Fournier, Education Programs Manager
Eva Giles, College Savings Plan Manager
Mary Dyer, Financial Education Officer
Mila Tappan, College Access and Outreach Manager
Jana McQuilkin, Communications Officer
Adele Bickford, Executive/Legal Assistant

Guests Present:

None

A2: Approval of March 17, 2016 Board Meeting Minutes

A motion was made by Mr. Pelletier and seconded by Mr. Hagerman to approve the minutes of the March 17, 2016 board meeting. The motion was approved by a vote of 12 in favor, 0 opposed and 0 abstentions.

R-04-21-16-01

CHAIR'S REPORT

B1: Acceptance of Report of the Business Committee Meeting of March 10, 2016

A motion was made by Vice Chair Violette and seconded by Ms. Snowden to accept the Report of the March 10, 2016 Business Committee meeting. The motion was approved by a vote of 12 in favor, 0 opposed and 0 abstentions.

R-04-21-16-02

B2: Acceptance of the Report of the Education Committee Meeting of March 15, 2016

Mr. Pelletier exited the meeting at 9:07 a.m.

A motion was made by Mr. Roderick and seconded by Mr. Mitchell to accept the Report of the March 15, 2016 Education Committee meeting. The motion was approved by a vote of 11 in favor, 0 opposed and 0 abstentions.

R-04-21-16-03

B3: Acceptance of the Report of the Education Committee Meeting of March 17, 2016

A motion was made by Ms. Snowden and seconded by Mr. Roderick to accept the Report of the March 17, 2016 Education Committee meeting. The motion was approved by a vote of 11 in favor, 0 opposed and 0 abstentions.

R-04-21-16-04

B4: Acceptance of the Report of the Executive Committee Meeting of March 17, 2016

A motion was made by Vice Chair Violette and seconded by Mr. Hagerman to accept the Report of the March 17, 2016 Executive Committee meeting. The motion was approved by a vote of 11 in favor, 0 opposed and 0 abstentions.

R-04-21-16-05

Mr. Block corrected the reference to Michael High, Pierce Atwood, to Michael High, Drummond Woodsum. The motion is so amended.

B5: Acceptance of the Report of the Risk Management and Audit Committee Meeting of April 7, 2016

A motion was made by Ms. Snowden and seconded by Deputy Treasurer Carlow to accept the Report of the April 7, 2016 Risk Management and Audit Committee meeting. The motion was approved by a vote of 11 in favor, 0 opposed and 0 abstentions.

R-04-21-16-06

C: CEO's and STAFF REPORT

C1: CEO's Report:

Mr. Pelletier re-entered the meeting at 9:10 a.m.

Mr. Wagner reviewed his CEO Report included in the board packet. He elaborated on the Work Force Development Coalition, which fits in with FAME's vision to create good paying jobs for Maine citizens. Reports suggest that Maine will be short 65,000 workers by 2020 that will be needed to fill the economic requirements of the state. He emphasized that this is not a study but a working team with an aggressive timeline. Commissioner Gervais added that the Department of Economic and Community Development (DECD), in conjunction with the Maine International Trade Center (MITC) and Maine & Company, is already involved with the work force attraction effort.

Mr. Wagner provided an update to the EB-5 Program included in his report. A recent article in the Portland Press Herald reported that EB-5 project managers in Vermont have been accused of running a Ponzi scheme, using early contributions to the program to fund other projects in order to hide their underperformance. The concern is for the reputation of all EB-5 programs, particularly in New England as a result.

Mr. Wagner referred members to the New Product Development heading where there is a listing considered by the Business team of things that can be done to make FAME competitive by developing: 1) enhancements to our current product line; 2) new product lines, e.g., EB-5 and the Loan Consolidation Program; and 3) breakthrough concepts, of which there are none at this time. The Capital Formation Project, however, could provide a platform by which FAME could expand what it is able to do by not financially limiting economic development. The vision for FAME is to constantly develop new product enhancements, find new platforms and explore ideas for breakthroughs. Staff is investing considerable time into the New Product Development and Launch (NPD) methodology.

Mr. Wagner noted one other item of interest to the board that appeared recently in the news, the declaration of bankruptcy by owners of the Nova Star.

C1b: NextGen Update

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 result in a business or competitive disadvantage, loss of business, or other significant detriment (10 MRSA §975-A(2)(B)). The motion was seconded by Commissioner Gervais and approved by a vote of 10 in favor, 1 opposed (Kristi Carlow) and 0 abstentions. Chair Nowak did not vote.

Members entered Executive Session #1 at 9:24 a.m.

Members exited Executive Session #1 at 9:32 a.m.

C1c: FFELP Update

An analysis of the FFELP portfolio transfer/retention is provided in the board packet. The FFELP portfolio balance is currently at \$474 million, declining 10% per year. There is a \$1 million cost associated with the conversion of the Navient data management system to that of ECMC who has made a viable offer for the transfer of the FFELP portfolio. Staff is recommending rejection of ECMC offer unless the \$1 million conversion costs can be negotiated. Although the conversion costs appear to make the transfer less desirable, there is a negative related to retention, which is the unpredictability of the U.S. Department of Education (DOE). A possibility exists that they could retroactively apply new collection fees that would impact FAME's operating reserves, which are currently at \$7.6 million. Staff will approach ECMC to lower the conversion costs to narrow the gap and come back to the board to consider a transfer.

C1d: Committee Charters

Vice Chair Violette exited the meeting at 10:05 a.m.

Vice Chair Violette re-entered the meeting at 10:07 a.m.

Mr. Wagner referred members to the memo in their board packets related to the various draft committee charters. He made seven recommendations, which will bring commonality to the charters, and is asking for feedback from the board. Each committee has reviewed their charter in draft form and, Mr. Wagner would like to have the charters finalized in time for the May board meeting. In the ensuing discussion, tenure was considered as well as the role of the Business Committee. The Business Committee will see all Major Business Expansion loans prior to action by the board. A clarification of the Business Committee Mission statement was requested and members agreed, after discussion, that the committee was not an approval body except in specific instances but could make an approval/denial decision when requested to do so by the board. The board, for example, could make such a request if not all information was available at a board

meeting but a decision was needed prior the next board meeting. Language exists in the Loan Policy addressing loan authority in emergency situations.

C1e: Forestry, Fishing, Farming

In August, 2014, the board approved resolutions allowing specific programs for businesses in the Forestry, Fishing and Farming (FFF) areas. Direct loans were offered at prime, paper applications for Commercial Loan Insurance (CLI) were discounted and On Line Answer (OLA) loans carried a higher level of leverage. There was no activity and the program expired in 2015. Mr. Wagner is asking the board to extend the program for FFF through May 1, 2017 due to the declines experienced recently in the forestry area. Ms. Gabrielson advised that the application date of both resolutions given to members as a handout should be changed to May 1, 2017, replacing September 1, 2015. Mr. Mello added that the reference to the length of the term referred to in the CLI resolution be deleted as the term is set by the lender.

A motion was made by Commissioner Gervais and seconded by Mr. Pelletier to approve the Resolutions authorizing the Chief Executive Officer to waive certain credit policies for on-line/scoring process loan insurance applications from certain new or expanding businesses engaged in Forestry, Fishing or Farming and for members of the Finance Authority of Maine to make a finding substantial public benefit will result from providing special assistance to new or expanding businesses in the state focused on Forestry, Fishing or Farming as presented. The motion was approved by a vote of 11 in favor, 0 opposed and 1 abstention (Ray Nowak).

R-04-21-16-07

R-04-21-16-08

Mr. Wagner provided a legislative update regarding a bill sponsored by Sen. Stanley Gerzofsky that passed this month to create a \$50 million account to attract business to Maine. It will be funded by private capital investment and, although not initiated by FAME, will be administered by FAME. Staff will be meeting with Steve Levesque, Executive Director of the Midcoast Regional Redevelopment Authority (MRRRA) at Brunswick Landing in the near future to establish parameters for rulemaking.

Mr. Wagner alerted the board that staff is assessing its administration of a federal program designed for student loan repayment for state and local prosecutors. The fund has dwindled over the years from \$110,000 to \$30,000. The program presents reporting burdens and a change requiring a match from FAME next year has staff considering whether to continue with the program. Staff is inclined to not apply for the grant next year. He made members aware that if FAME declined to administer the program next year, it could expect some push back from the Attorney General's office.

C2: Marketing Quarterly Update

Vice Chair Violette exited the meeting at 10:27 a.m.

Vice Chair Violette re-entered the meeting at 10:32 a.m.

Ms. Vanderweide introduced Sheila Kennedy, recently hired by FAME as a Marketing Specialist. Ms. Kennedy has graphic design experience and will be acting as web steward, doing event management, and taking the lead for social media, in-house mailing/printing and Maine Rural Development Authority (MRDA) marketing.

Ms. Vanderweide reviewed the memo in the board packet that provides business development and marketing updates. She informed members that the Customer Survey has been sent out and she expects to come back to the board with the results in May or June. She noted two new groups were included: The Maine Loan and Maine NextGen accountholders. Ms. McQuilkin elaborated on the two goals on the Scorecard increasing the number of Maine 529 accounts and the contributions made to those accounts. She and her team are targeting by mail those accountholders who previously made contributions but have not done so in the last year and the Alford grant recipients who have not opened 529 accounts. Currently only 20% of Alford grant recipients have opened 529 accounts.

Ms. Vanderweide referred members to the Brand Tree page in their board materials. MELA had many trademarks and taglines. With the merger of FAME and MELA, FAME began an effort to unify all branding, and to emphasize the One Stop Shop for education. On the Business side, the Economic Recovery Loan Program (ERLP) was renamed to FAME Direct Loan, which after consulting with customers, better describes the direct loan and does not limit it to a specific area.

C3: Education Quarterly Update

Ms. Tappan reviewed the Education Quarterly update, highlighting some specific areas. May 1 is the deadline for filing FAFSA. As of April 13, 2016, FAFSA completions are at 56.5%, down 1% from the previous year. Ms. Tappan explained that the federal government provided more security to the filing process but at the same time restricted the process, making it more difficult. On the positive side, IT has been able to establish a portal through which schools are able to view all high school students and FAFSA completions. Financial education has been growing with the on line rollout of Claim Your Future® that has been viewed over 15,000 times. The time spent on line and by teachers in the classroom will allow the Financial Education team to concentrate their efforts in other areas. Ms. Tappan also reported that there are more than 30,000 users of SALT. The board packet included statistical readouts for Financial Aid and Financial Education Presentations, NextGen, Maine Private Education Loan Network, State Loan Programs and State Loan and Grant Program Disbursements.

BREAK: 10:56 A.M. – 11:03 A.M.

Legislative Update

Vice Chair Violette re-entered the meeting at 11:05 a.m.

Mr. Norbert provided updates to recent developments at the Legislature. The Legislature appropriated from the Standards & Poor's settlement monies a one-time award of \$2 million to the Maine State Grant Program and \$1.5 million to the joint effort of FAME and Jobs for Maine Graduates for financial education outreach. In June, 2017 voters will consider a \$45 million R&D bond for MTI. The bond would include \$5 million for the Maine Venture Fund, which FAME helps to administer. The Governor vetoed a FAME bill that sought clarification of the energy bond financing statute. The statute allowed for energy distribution projects but FAME wanted all parts of

the project to be included, from generation to distribution. Mr. Norbert will have a detailed report of this legislative session at next month's board meeting.

D: ACTION ITEMS

D1: Allocation to Student Loan Insurance Fund from Federal Family Education Loan Program Operating Fund

The board is being asked to approve the transfer of \$1.8 million from FFELP operating funds to be added to a \$3.2 reserve previously capitalized for the Student Loan Insurance Program (SLI) from the FFELP operating fund and program loan guaranty fees. The additional funds will establish a \$5 million reserve for both SLI and the Refinance Student Loan Insurance Program (RSLI), soon to be launched. Ms. Fournier added that the program consultant advised that a \$5 million reserve is adequate for both programs. By combining the programs and reserves, the fund provides sole security for lenders and spreads the risk. Although most defaults will result from the RSLI program, staff is confident in its ability to maintain adequate reserves because those loans enter repayment immediately.

A motion was made by Deputy Treasurer Carlow and seconded by Ms. Snowden to approve the allocation of \$1.8 million from the FFELP operating fund to the existing SLI reserve fund. The motion was approved by a vote of 12 in favor, 0 opposed and 0 abstentions.

R-04-21-16-09

D2: Business Insurance Fund – Capitalization Policy

Mr. Mello referred members to the memo in their board packets proposing two modifications to the Business Insurance Fund Capitalization Policy. The modifications will correct inconsistencies in the policy as outlined in the memo.

A motion was made by Mr. Pelletier and seconded by Mr. Miller to approve Business Insurance Fund Capitalization Policy as presented. The motion was approved by a vote of 12 in favor, 0 opposed and 0 abstentions.

R-04-21-16-10

D3: Education Funds – Fiduciary and Capitalization Policy

There are two substantive changes to the Education Fiduciary and Capitalization Policy as redlined in the policy included in the board packet: expansion of the Maine Private Education Loan Network Program (SLI) to include insurance for student consolidation/refinance loans and maintenance of sufficient capital to support the student loan insurance programs in accordance with the criteria listed in the policy.

A motion was made by Mr. Mitchell and seconded by Mr. Roderick to approve the Education Funds Fiduciary and Capitalization Policy as presented. The motion was approved by a vote of 12 in favor, 0 opposed and 0 abstentions.

R-04-21-16-11

COMMISSIONERS' & TREASURER'S UPDATES

None

F: BOARD EXECUTIVE SESSION

Chair Nowak called for Executive Session to discuss personnel matters.

Mr. Block 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 Deputy Treasurer Carlow and approved by a vote of 12 in favor, 0 opposed and 0 abstentions.

Members entered Executive Session #2 at 11:20 a.m.

Members exited Executive Session #2 at 11:45 a.m.

The meeting adjourned at 11:45 a.m.

Respectfully submitted,

James Violette, Jr., Vice Chair