

**MINUTES OF THE MAY 19, 2016 MEETING OF THE MEMBERS
OF THE FINANCE AUTHORITY OF MAINE**

Chair Nowak called the May 19, 2016 meeting of the members of the Finance Authority of Maine to order at 9:05 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
Cheri Walker, Treasurer
Jonathan Block
Denise Garland for George Gervais
Terry Hayes
Larry Mitchell
Rosaire Pelletier
Christopher Pierce
Richard Roderick

Those members absent:

Reis Hagerman
James Howard
Patrick Keliher
Gregory Miller
Susan Snowden

Staff present:

Bruce Wagner, Chief Executive Officer
Carlos Mello, Chief Risk Officer
Christopher Roney, General Counsel
Elizabeth Vanderweide, Director of Business Development and Marketing
Jonathan Harvell, Chief Information Officer
Katrjn 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
Jennifer Cummings, Senior Workout Officer
Joshua Dixon, Senior Accountant
Rita Fournier, Education Programs Manager
Eva Giles, College Savings Plan Manager
Adele Bickford, Executive/Legal Assistant

Guests Present:

None

A2: Approval of April 21, 2016 Board Meeting Minutes

Mr. Mitchell noted that the reference to the Business Committee in Action Items B2 and B3 should read the Education Committee in both instances.

A motion was made by Treasurer Hayes and seconded by Mr. Mitchell to approve the minutes of the April 21, 2016 board meeting as amended. The motion was approved by a vote of 9 in favor, 0 opposed and 1 abstention (Cheri Walker).

R-05-19-16-01

CHAIR'S REPORT

B1: Acceptance of Report of the Executive Committee Meeting of April 21, 2016

A motion was made by Vice Chair Violette and seconded by Mr. Block to accept the Report of the April 21, 2016 Executive Committee meeting. The motion was approved by a vote of 10 in favor, 0 opposed and 0 abstentions.

R-05-19-16-02

B2: Board Evaluation Tool

Mr. Wagner advised members that the Board Evaluation Tool, normally completed at this time, will be delayed to allow more time for the newly adopted committee charters to take effect. The tool is included in the board packet and, Chair Nowak asked that any comments or questions be directed either to him or Mr. Wagner.

B3: Offsite Board Visit

Members responded positively to having a two day offsite visit and board meeting. Considered was a more detailed review of the Strategic Plan or visits to business and education constituents. The consensus was to visit education and business sectors, either successful or under stress, with thought given to geographical location. Staff will come back to the board with a proposal.

C: CEO's and STAFF REPORT

C1: CEO's Report:

Vice Chair Violette exited the meeting at 9:20 a.m.

Vice Chair Violette re-entered the meeting at 9:33 a.m.

Mr. Wagner referred members to the CEO Report in their board packets. He pointed out the mission of the Work Force Coalition relates directly to FAME's vision. After finalizing its charter, the work group will strategize how to close two gaps in Maine: quantity of a skilled workforce and quality of educated citizens. Important to the success of the coalition is the attraction/retention of students and Maine's immigration population. The coalition will seek the Governor's support, which other states such as Tennessee have done to create successful programs.

Mr. Wagner reiterated FAME's position regarding the EB-5 Program. FAME will validate any project/developer trustworthiness and integrity to mitigate the news of the misappropriation of investor money in Vermont's EB-5 Program.

Mr. Mello has suggested that FAME work on an enterprise risk management assessment, similar to that which was done for IT. FAME will align its policies and procedures to what it does and come back to the board with a proposal.

C1c: Interim Report – First Infrastructure Business Programs and Capital Assessment

Mr. Mello presented an interim report of First Infrastructure' Business Programs and Capital Assessment. Members were provided a memo outlining the interim recommendations made by the consultants. The full report will come before the board in July.

C1b: NextGen Update

Mr. Wagner requested an executive session in order to update the board on the NextGen issue.

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 Mr. Block and approved by a vote of 8 in favor, 1 opposed (Terry Hayes) and 0 abstentions. Chair Nowak did not vote.

Members entered Executive Session #1 at 9:35 a.m.

Members exited Executive Session #1 at 9:46 a.m.

Treasurer Hayes asked FAME's help to fill two Governor appointed vacancies on the Maine College Savings Program Advisory Committee. Attaining a quorum for the meetings has become a challenge and, she asked if FAME could help to speed up the process with the Governor.

C1d: Approval of Committee Charters

Mr. Roderick exited the meeting at 10:00 a.m.

Mr. Roderick re-entered the meeting at 10:02 a.m.

Vice Chair Violette exited the meeting at 10:12 a.m.

Vice Chair Violette re-entered the meeting at 10:14 a.m.

The board was provided with a color coded block diagram denoting those committees that are established statutorily, by contract or by the board. Members discussed the roles of the Advisory Committee and its relationship to the Advisory Council. A correction was made to the chart showing the committees under the FAME Board of Directors. The reference to FAME Executive Directors will be changed to FAME Executive Committee. The charters of the Business, Education and Risk Management and Audit committees are included in the board packet for approval by the board. The “Agenda, Minutes and Reports” section was clarified to read “Agenda and Reports” since the board accepts the reports of the committee, not minutes. The section of “Membership/Structure/Quorum” related to telephonic participation will be changed to read remote participation. It was noted that the Executive Committee charter was not included and it was agreed to approve the three charters before members currently with consideration to establish an Executive Committee charter being given at a later date.

A motion was made by Vice Chair Violette and seconded by Mr. Roderick to accept the Business, Education and Risk Management and Audit committee charters as amended. The motion was approved by a vote of 10 in favor, 0 opposed and 0 abstentions.

R-05-19-16-03

BREAK: 10:26 A.M. – 10:36 A.M.

D: ACTION ITEMS

D1: Authorization to sell or transfer Guaranty Portfolio under the Federal Family Education Loan Program (FFELP)

Mr. Mitchell exited the meeting at 10:50 a.m.

As previously reported to the board, there would be a \$1 million de-conversion cost associated with the sale of FAME’s FFELP portfolio to Educational Credit Management Corporation (ECMC). ECMC has agreed to cap that cost at \$300,000 and, staff is recommending approval of the sale, based upon a favorable bid price offered by EMDC, enhanced as a result of the negotiated de-conversion costs, the declining revenue stream absent sale based upon portfolio runoff, and the potential risk going forward from Department of Education (DOE) policy changes.

A motion was made by Mr. Pelletier and seconded by Mr. Mitchell to authorize the Chief Executive Officer to negotiate and enter into an agreement with Educational Credit Management Corporation for the sale of the Authority’s loan guaranty portfolio under the Federal Family Education Loan Program (FFELP), and to complete said sale.

Mr. Roney responded to a question regarding FAME's liability after the sale. The terms of the agreement with ECMC will address FAME's liability, although the potential for responsibility for past actions by FAME or by people acting on FAME's behalf remains as well as the DOE interpretation of collection cost assessments. Most of FAME's actions have been taken by Sallie Mae, FAME's servicer and therefore, FAME would have recourse to Sallie Mae for most servicing issues.

The motion was approved by a vote of 9 in favor, 0 opposed and 0 abstentions.

R-05-19-16-04

D2: Ratification of Investment Securities Purchases, Maturities, Calls and Sales

Mr. Mitchell re-entered the meeting at 10:51 a.m.

Mr. Mello referred members to the Investment Allocations and Rates in their board packet, which details the alignment of the portfolio with FAME's investment policies for the quarter ending March 31, 2016. The \$9.5 million in purchases were made from funds of matured investments, calls and sales.

A motion was made by Mr. Mitchell and seconded by Treasurer Hayes to ratify investment securities purchases, maturities, calls and sales. The motion was approved by a vote of 10 in favor, 0 opposed and 0 abstentions.

R-05-19-16-05

D3: Adoption of Rule Ch. 611, Amendment 15 – Maine College Savings Program

Ms. Gabrielson reminded members that the rule was approved for rulemaking by the board in March. The amendment conforms the rule to recent federal law changes and a minor modification was made to the way the maximum contribution limit is formulated. The comment period has closed and no comments were received.

A motion was made by Treasurer Hayes and seconded by Mr. Mitchell to adopt Rule Ch. 611, Maine College Savings Program. The motion was approved by a vote of 10 in favor, 0 opposed and 0 abstentions.

R-05-19-16-06

D4: Approval of Modifications to Maine College Savings Program (NextGen)

Treasurer Walker 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 that 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 in 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 Mr. Mitchell and approved by a vote of 10 in favor, 0 opposed and 0 abstentions.

Members entered Executive Session #2 at 10:53 a.m.

Members exited Executive Session #2 at 10:59 a.m.

A motion was made by Mr. Mitchell and seconded by Treasurer Hayes to approve modifications to the Maine College Savings Program and authorize the Chief Executive Officer to take certain actions to implement the modifications as amended. The motion was approved by a vote of 10 in favor, 0 opposed and 0 abstentions.

R-05-19-16-07

D5: Approval of Section 3.0 (Loan Authorities) of the Business Division Direct Loan and Loan Insurance Credit Policy

Mr. Block exited the meeting at 11:03 a.m.

Mr. Block re-entered the meeting at 11:08 a.m.

Mr. Pelletier exited the meeting at 11:28 a.m.

Mr. Emmons referred members to the materials in their board packets related to Section 3, Loan Authorities, of the Business Division Direct Loan and Loan Insurance Credit Policy, which have been reviewed by the Business Committee. The memo outlines the recommended changes to the policy: signature authorization levels rather than committee approval/denial; approval/denial based on size of loan and risk level; number of exceptions and level of required authority; and all denials will require CEO's signature. Vice Chair Violette, a member of the Business Committee, reviewed the changes considered by the committee, noting that staff determined the monetary levels for each risk rating level and also noting that one exception to policy will move the required authorization to the next highest level in accordance with the chart provided. He suggested that the board receive more training to get a better understanding of the entire process. Members continued to review the policy, striking "The decision will stand." under the Denial section, as there is an appeal process. A request to see a listing of approved/denied loans was made and, Vice Chair Violette suggested that a dashboard be presented quarterly of reporting activity.

A motion was made by Mr. Roderick and seconded by Treasurer Walker to approve modifications the revisions to Section 3.0 (Loan Authorities) of the Business Division Direct Loan and Loan Insurance Credit Policy as presented and amended. The motion was approved by a vote of 9 in favor, 0 opposed and 0 abstentions.

R-05-19-16-08

C2: Legislative Update

Vice Chair Violette exited the meeting at 11:30 a.m.

Mr. Norbert provided a Recap of the Second Regular Session of the 127th Maine Legislature in a memo to board members that lists the bills that became law, bills of interest, and failed bills. A veto by the Governor of a FAME bill that sought clarification of the energy bond financing statute was overturned. He also reminded members of the \$2 million one-time award for the Maine State Grant and \$1.5 million for financial literacy to be shared with Jobs for Maine Graduates and other organizations.

C3: Quarterly Strategic Plan Update

Vice Chair Violette re-entered the meeting at 11:34 a.m.

Treasurer Hayes exited the meeting at 11:34 a.m.

The Strategic Plan comes to the Staff meeting on a regular basis. A more detailed review was done at a series of department meetings to help employees know their role. Two new areas added to the Plan are the establishment and maintenance of the Best in Class IT security system and the Enterprise Risk Management process. The Customer Survey that tied last year's 4.61 rating, identified lenders' desire for more information, which FAME had already fulfilled with the creation of the Partner Lending Guide. FAME will participate in the Work Force Coalition to create quality jobs for Maine citizens and will again participate in the Best Places to Work in Maine, the metrics for which will be available in the fall.

Goal - Improve customer satisfaction by deploying processes that help employees perform to their highest potential:

Ms. Brown reviewed each of the items related to Human Resources outlined in the memo to the board. Ms. Johnson reviewed Education's accountable items and added that FAME is partnering with MELMAC and graduate students from Husson University to execute the pilot program, Summer Melt, at two locations, Oxford Hills and Nakomis high schools. Summer Melt refers to students that are accepted at higher education institutions but do not matriculate in the fall. A second program is in the process of creating exit counseling sessions for student borrowers of private student loans. Mr. Mello listed the three components for making the commercial loan process faster and more efficient: implementation of the Enterprise Content Management, leveraging of partner information to streamline underwriting and building capacity to manage overflow within the organization.

Goal - Grow the number of Maine citizens with quality in-state jobs by deploying the financial resources needed to obtain relevant post-secondary education and increase economic development:

Ms. Johnston emphasized the importance of the Work Force Coalition that will align education programs to create quality jobs for Maine citizens. Ms. Vanderweide added that TheLoanforME.com link provides information about private student loan partners and refers to loan consolidation, which will be launched shortly. Mr. Mello noted that ensuring adequate capital, implementing the New Product Development and Launch (NPDL) process and expanding relationships with customers are essential to growing business.

C4: Quarterly Financial Report/2016 Forecast

Mr. Roderick exited the meeting at 11:55 a.m.

Treasurer Walker exited the meeting at 11:57 a.m.

Treasurer Walker re-entered the meeting at 12:00 p.m.

Mr. Mello reported that based on the third quarter revenue, the budget will end FY 2016 \$1 million less than expected. The deficit is due in part to the volatility of the NextGen market, slower than anticipated fees in the Maine Private Education Loan Network and the decline of application fees for conduit bonds. Operating expenses improved with changes to the marketing plan, lower than budgeted professional fees due to capitalization of some IT expenses and lower Business division and Maine Loan program fees. He also noted provision for loan loss that was impacted by a favorable loss experience and the pay down of larger loans and NextGen program benefits due to higher than expected NextStep Matching Grants.

C5: Scorecard

Mr. Mello reviewed the Scorecard. He noted that all four metrics are progressing well.

C6: Quarterly Contributions, Sponsorships & Donation Report

Members were provided with a list of contributions, sponsorships and donations. There were no changes from the previous quarterly report.

C7: Commercial Loan Portfolio Review

Mr. Weber and Ms. Cummings reviewed the Portfolio Risk reports as of March 31, 2016 as provided in the board materials. The insurance portfolio risk at quarter end was \$115.3 million. As of May 19, 2016, it is \$114.7 with the payoff of a large insurance claim. Mr. Weber expects it to close at \$114 million at fiscal year end. The tables included in the board packet indicate risk rating in the 5 range and delinquency over 30 days at 4.5%, a one percent increase since the last quarter. Ms. Cummings expects the delinquency rate to drop as two loans are satisfied, one a paid off in April and the other a claim payout. Claim payouts in the third quarter are at \$500,000. Also included are ERLP delinquencies over 30 days, comparison of CLI totals, 2015 and 2016 third quarter, and industry and lender concentrations.

C7a: Quarterly Watch Desk Report

Ms. Cummings referred members to the charts providing percentages of risk rating migration: 15% of CLI portfolio and half of ERLP loans are on WatchDesk. The slight increase in CLI is due to the addition of one larger loan. A commentary on the larger loans was included and, Ms. Cummings asked for questions regarding any loans appearing on the WatchDesk Report.

C7b: Top Ten Relationship

Ms. Cummings asked for any questions regarding the Top Ten Relationship Report provided in the board packet, noting that it had been reviewed by members of the Business Committee in May.

C8: Identity Theft Prevention Program – Annual Report

A memo to the board was provided as a handout. The report is required to be given annually and, Ms. Gabrielson advised that there had been no instances of identity theft, “red flags”, in the last reporting period.

COMMISSIONERS’ & TREASURER’S UPDATES

In the absence of Treasurer Hayes, Mr. Wagner reported that the Maine College Savings Program Work Group has been taking a historical look at what has happened so far and will look next at the relationship with the Alford Scholarship Foundation (ASF). The group has not considered any policy issues thus far.

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 Mr. Mitchell and approved by a vote of 7 in favor, 0 opposed and 0 abstentions.

Members entered Executive Session #3 at 12:15 p.m.

Members exited Executive Session #3 at 12:28 p.m.

The meeting adjourned at 12:28 p.m.

Respectfully submitted,

James Violette, Jr., Vice Chair