MINUTES OF THE JUNE 25, 2026 MEETING OF THE MEMBERS OF THE FINANCE AUTHORITY OF MAINE

Chair Ouellette called the June 25, 2026 meeting of the Finance Authority of Maine to order at 9:00 a.m. This meeting was conducted in person at the offices of the Finance Authority of Maine at 5 Community Drive, Augusta, Maine, and virtually through Microsoft Teams. Provisions were made for the public to attend.

Communications and Board Specialist Lisa Gardner noted for the record that the members had received an Agenda and Notice of Meeting 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

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

Those members present (via Teams) were as follows:

Renee Ouellette, Chair
William Tracy, Vice Chair
Daniel Cummings, Treasurer
Joe Perry
Michael Foley
Amanda Beal
Jean Hoffman
Eric Kingsley
Andy Mueller
Simon Ferland
Fritz Onion, left at 9:28
Blue Keim
Stephen Shannon, left at 10:55, back at 10:55
Richard Trafton

Those members absent:

Michael Duguay

Staff present:

Carlos Mello, Chief Executive Officer
Sarah Nadeau-Balducci, Chief Risk Officer
Martha Johnston, Director of Education
Bert Audette, Chief Information Officer

Lisa Brown, Chief of Human Resources
Lisa Gardner, Communications Specialist
Jonathan Poole, Chief Operations Officer
Christopher Roney, General Counsel
Meredith Whitfield, Chief Communications Officer
Ellen Curtiss, Senior Credit Officer
Shelly Desiderio, Director of Finance
Jana McQuilkin, Program Manager
Bill Norbert, Governmental Affairs Manager
Jimmy Sargent, Compliance Officer
Emily Babineau, Business Programs Manager
Charlotte Mace, Director of business
Karen Kunesh, Senior Workout Officer

A: CALL TO ORDER

A. **Ascertainment of Quorum** *9:00 a.m.*
B. **Approval of the April 30, 2026 Board Meeting Minutes**
C. **Approval of the June 1, 2026 Special Board Meeting Minutes**
D. **Approval of Executive Committee Meeting Minutes, April 24, 2026**
E. **Approval of April 2026 Business Committee Meeting Minutes**
F. **Approval of the March 2026 Education Committee Meeting Minutes**
G. **Approval of the May 2026 Risk Management & Audit Committee Meeting Minutes**
H. **Approval of May 2026 Executive Committee Meeting Minutes**
I. **Approval of May 15, 2026 Business committee Meeting Minutes**
J. **Approval of May 28, 2026 Business Committee Meeting minutes**
K. **Approval of February 18, 2026 ACES Meeting Minutes**

A motion was made by Mr. Perry and seconded by Mr. Tracy to approve and/or accept all of the minutes presented.

The motion passed with 14 members voting in favor and none opposed.

B: CHAIR'S REPORT *9:04 a.m.*

Ms. Ouellette stated that she had nothing to discuss that would not be included in the CEO's report.

C: ACTION ITEMS *9:14 a.m.*

1. Approval of FY27 Budget

Shelly Desiderio provided an overview of the FY27 budget. She stated the budget is presented for approval with the understanding that Mr. Audette will request adjustments during his IT modernization update. She stated FY26 is projected to end with a significant surplus, largely from investment income and gains, while the FY27 budget is designed to be essentially break-even so resources can be fully directed toward FAME's mission. Revenue changes include modest growth in NextGen administrative fees and Maine Loan contribution, offset by lower investment income and reduced SSBCI reimbursement as that program winds down. Business revenues are expected to decline slightly, while Education revenues remain primarily driven by NextGen fees. FY27 operating expenses are expected to rise slightly from the FY26 forecast but remain below the FY26 budget, with salary and benefit increases partly offset by lower professional fees. Over time, IT modernization is expected to support a leaner workforce, with headcount projected to decline from 72 in FY27 to about 59 by the end of FY29.

Discussion ensued, with board members asking questions and staff providing answers and additional context.

A motion was made by Ms Hoffman and seconded by Mr. Mueller to approve the FY27 budget as it is. The motion passed with 13 members in favor and none opposed.

2. Approval of Modifications to Authority Contract with IBM, Inc. Relating to Technology Modernization

Mr. Audette summarized proposed modifications to FAME's IBM contract for the technology modernization program. He stated they completed a productive discovery phase that produced a viable roadmap, technical requirements scope, cost modeling, and implementation plan for a modernized cloud-based enterprise platform built on Salesforce Public Sector Solutions. The next proposed six-month, $1.3 million SOW would begin this summer, pending board approval, and establish the Salesforce data foundation, consolidated marketing, customer engagement, and customer care capabilities needed for future modernization phases, including Commercial, Education, and NextGen programs. Mr. Audette stated IBM's total estimated work is approximately $7 million and will be delivered using an agile approach that prioritizes the highest-value business functionality through iterative sprints. Board approval is requested to amend the CEO's authorization to procure IBM professional services and to authorize procurement policy exceptions for Carahsoft/Salesforce licensing and FinSpectra licensing and implementation services for the Prizm loan management system.

Discussion ensued, with board members asking questions and staff providing answers and additional context.

Mr. Trafton made a motion which was seconded by Mr. Kingsley to approve the Resolution authorizing modifications to the Authority contract with IBM, Inc. relating to technology modernization. The motion passed with 13 members in favor and none opposed.

------------- Board meeting break-----------------------

The Board came back into session at 10:42 a.m.

3. Approval of FAME Compliance Policy

Sarah Nadeau-Balducci introduced James Sargent, FAME's Compliance Officer. Mr. Sargent provided an overview of FAME's new compliance policy stating it establishes the framework for FAME's broader compliance program, centered on regulatory compliance, risk mitigation, ethical conduct, and accurate internal and external reporting. It applies to all FAME parties and business partners and outlines procedures for training and education, audit scheduling, internal auditing, and clear reporting channels for violations or incidents, including alignment with the whistleblower policy. The policy also defines the roles and responsibilities of the compliance officer, management, and employees, emphasizes compliance as an organization-wide resource, describes potential consequences of violations, and explains how the policy will be reviewed and updated with stakeholder involvement. It will be incorporated into onboarding, require annual acknowledgement, and include resources to help employees access relevant policies, legislative information, and research tools.

Discussion ensued, with board members asking questions and staff providing answers and additional context.

Mr. Trafton made a motion which was seconded by Mr. Tracy to approve FAME's compliance policy.
The motion was approved with 13 members in favor and none opposed.

4. Approval of Temporary Interest Rate Reduction (Economic Recovery Loan Program)

Mr. Mello gave an overview of the request which asked the Board to approve a continuation of the six-month waiver capping the direct loan program's interest rate at 8%, rather than applying the current Wall Street Journal Prime-based rate of 8.75%. The lower ceiling remains above many comparable rates but is intended to recognize current market conditions and support borrowers where a demonstrated need and public benefit justify the reduction. Approval requires the board to make those findings, as it has in prior approvals, and may also include delegation to the CEO to continue the waiver if the same findings remain valid. If the interest rate environment changes significantly during the next three- to six-month period, the matter will be brought back for board review.

Mr. Kingsley made a motion and it was seconded by Mr. Foley to approve the temporary interest rate reduction.
The motion passed with 13 members in favor and none opposed.

D. Staff Reports

1. **CEO Report** *10:52 a.m.*

Mr. Mello stated NextGen has grown to approximately $18 billion in assets with nearly half a million account holders nationwide and more than $1.5 billion in contributions this year, with the potential to exceed $1.6 billion. Mainers hold about 81,000 accounts, representing roughly 20% of the total, and Maine families have saved approximately $1 billion in assets. Through FAME's partnership with the Alfond Scholarship Foundation, more than 180,000 Maine children have received the $500 Alfond Grant, and about one-third of those children—approximately 60,000—also have NextGen accounts, generating about $800 million in additional higher education savings. The partnership continues to be viewed positively, with strong participation and shared commitment to helping more Maine families save for education.

2. **Education Update** *10:55*

Ms. Johnston stated that FAME met its FAFSA completion scorecard goal, with 57.83% of the Class of 2026 completing the FAFSA by May 1, while continuing summer outreach to support students making last-minute college decisions. The team also celebrated the 20th anniversary of its renamed Education Affordability 101 program, which drew more than 100 college access, school counseling, and financial aid professionals, and expanded 529 and financial aid information sessions through a successful partnership with the Treasurer's Office and participating employers. In education finance, staff are refining Maine State Grant projections in response to the new FAFSA formula and student aid index patterns, while also addressing increased demand for health professions loans following the elimination of Grad PLUS. As a result, staff anticipate reallocating up to $2.5 million from the general student financial assistance appropriation to support health professions loans and add funding for Maine dental loan and dental loan repayment programs, subject to final school reconciliation.
Ms. Johnston also shared the winning images from students in FAME's Design Your Dream Money contest.

Discussion ensued, with Mr. Ferland sharing information about a court ruling that impacts loan borrowing, specifically for advanced nursing degrees.

3. **Business update** *11:06 a.m.*

Ms. Curtiss stated that as of March 31, FAME's portfolio reports show continued growth in credit risk across both the commercial loan insurance and direct loan portfolios. Commercial loan insurance exposure totaled $161 million, up 8% from the prior year, with stable concentration metrics and slightly improved lender diversification; however, delinquencies rose to 8.3%, the highest level since 2012, WatchDesk exposure increased to 89 loans totaling $27 million, and the weighted average risk rating climbed to 5.21, with higher-risk credits now representing 12% of the portfolio. Reserves declined slightly after two claims totaling just over $600,000 were paid, leaving total reserves of just over $31 million, or 19% of the portfolio, with additional claims expected into next year. The direct loan portfolio totaled $19.6 million, down about $1 million from year-end due to amortization, while delinquencies rose sharply to 24%, with $4.6 million more than 30 days past due; WatchDesk exposure remained at $5.6 million, or 29% of the portfolio, and the weighted average risk rating increased to 5.46, with 26% of credits rated six or seven. Direct loan reserves held steady at $5.3 million, including 11 specifically reserved loans totaling $2.8 million, with no Q3 charge-offs and one year-to-date charge-off of $68,000, though additional notable charge-offs are expected early next year.

4. **WatchDesk Report** *11:12 a.m.*

Ms. Kunesh started her report discussing Pennacook Falls investments, LTD, which may be nearing a positive resolution through a refinance with its first lien holder that would pay off FAME's direct loan, while Ocean Approved, Inc. has completed asset liquidation, claims have been paid, and the credit will be removed from the next quarterly report. W.W. London Woodlot Management, a forestry services company in Milo, has been added to WatchDesk and moved to workout due to repeated payment deferment requests and will be closely monitored. Tanbark will also appear on the next report after being moved to WatchDesk.

Mr. Roney suggested the Board needed to enter into executive session.

> **A motion to enter Executive Session No. 1 under 10 MRSA §975-A(2)(B) and 10 MRSA §975-A(2)(D) was made by Mr. Mueller and seconded by Mr. Kingsley and approved by 12 members and abstained by 1. (Dan Cummings)**
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> ***Executive session started: 11:15 a.m.***
> ***Executive session ended: 11:18 a.m.***

5. **Customer Satisfaction Survey** *11:18 a.m.*

Ms. Whitfield stated that the 2026 customer satisfaction survey covered 12 customer groups and produced a weighted average score of 4.21, or 98% of FAME's annual goal, with especially strong results from direct customer groups such as guidance counselors, legislators, commercial borrowers, colleges and universities, and commercial lenders. The overall average was affected by the large volume of NextGen 529 responses tied to third-party servicers, while written feedback about FAME staff remained highly positive, frequently citing professionalism, kindness, responsiveness, and strong service. Key opportunities include improving visibility, communication, customer education, and self-service tools such as online portal functionality, which aligns with FAME's technology modernization efforts. Future surveys are expected to shift from a once-annual model to more timely, point-in-time feedback, allowing FAME to gather broader input and make customer experience improvements throughout the year.

6. **Succession Planning Update** *11:25 a.m.*

A motion to enter Executive Session No. 2 under 1 MRSA §405)6)(A) was made by Mr. Trafton and seconded by Mr. Kingsley and approved unanimously.

The Board exited executive session and the meeting was adjourned.

ADJOURN- *12:02 p.m.*

A true copy as adopted,

DocuSigned by:

Bill Tracy

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Bill Tracy, Vice Chair to the FAME Board of Directors