

Action Item

LOAN ADVISORY COUNCIL

Approval of the November 9, 2006 Meeting Minutes

Recommended Action: The Loan Advisory Council is asked to approve the minutes.

**CALIFORNIA STUDENT AID COMMISSION
LOAN ADVISORY COUNCIL
TELECONFERENCE MEETING**

**MINUTES
NOVEMBER 9, 2006**

A teleconference meeting of the California Student Aid Commission's Loan Advisory Council (LAC) convened on Thursday, November 9, 2006 at the following locations:

Commission/EDFUND Board Room 3300 Zinfandel Drive Rancho Cordova, CA	888 Sixteenth Street, NW 8 th Floor, Suite 800 Washington, DC
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Chair Steere-Salazar called the meeting to order at 9:16 a.m.

The following LAC Members were present:

Carrie Steere-Salazar, Chair
Alan Crane, Vice Chair
David Ambrose
Patricia Hurley
Brian Jones (via telephone)
Dean Kulju
Dolores Niccolai
Kurt Schneiber
Audrey Tanner
Ben Chiu, Non-Voting Member

The following LAC Members were absent:

Vince DeAnda
Kenneth Evans, Jr.
Robert Haushalter
Greg Jaeger
Robert Johnson
Ruth Tesfai
Amy Tien-Gordon

PUBLIC COMMENT

There was no public comment.

AGENDA ITEM 1 – EXECUTIVE DIRECTOR'S REPORT

Executive Director Diana Fuentes-Michel highlighted the following items:

- *Technology Improvements* – Commission and EDFUND staffs successfully transferred the production support for the grant system from the State's Teale Data Center to EDFUND. In 2007, staff hopes to complete enhancements to WebGrants, an on-line real-time data system that allows schools and students to access information.
- *Annual Budget* – The Commission is building next year's baseline budgets -- the Cal Grant and other specialized programs have grown over the last three years from \$400 million to about \$1 billion a year, serving over 300,000 students in the Cal Grant Program and delivering about 856,000 loans.
- *Outreach* – A "Cash for College" kickoff event recently took place in Los Angeles with Mayor Villariagosa. This year, EDFUND is providing the financial support needed to continue the "Cash for College" work we have been doing with various community-based organizations.
- *Communications* – The Commission established a committee of financial aid directors and staff to review the Commission's correspondence sent to students and schools -- schools have noticed the improvements the Commission has made. A similar effort is underway with the brochures and other materials provided by the Commission.
- *New Programs* – The Commission is in the process of developing several new loan forgiveness programs: State Nursing Assumption Program for Loans for Education (SNAPLE) to promote nursing education, SNAPLE for Nurses in State Facilities, and SNAPLE for Mental Health Nurses and Professionals. Additionally, the Commission is working with the Department of Social Services to administer the Chafee Grant Program.
- *Student Loan Program* – The Commission has been examining policies as it moves forward, responding to the Bureau of State Audits report as well as concerns raised by the Legislature regarding the governance of EDFUND. The Commission is working to engage an external contractor to look at these issues and continues to work closely with EDFUND in the administration of the program.

AGENDA ITEM 2 – EDFUND PRESIDENT'S REPORT

EDFUND President Sam Kipp highlighted the following items:

- EDFUND concluded its most successful year in EDFUND history, providing \$10.1 billion of new student loan aid.
- President Kipp participated in a recent forum, convened by the Chairs of the California Secretary of Education and both the Assembly and Senate Education Committees, which focused on the challenges facing California higher education such as:
 - Student debt burden and how to make it more manageable, i.e. better repayment terms
 - Working with at-risk borrowers and schools to avert defaults and improve the borrowers' chances of successfully completing their academic programs and repayment obligations.

- EDFUND continues to work closely with the leadership and members of the House and Senate on issues affecting college access, college affordability and the challenges of paying for college and repaying student loans.

AGENDA ITEM 3 – ELECTION OF CHAIR AND VICE CHAIR

Janet McDuffie, Acting Chief of Federal Policy & Programs and Staff Liaison, stated that the Loan Advisory Council (LAC) is expected to annually elect a Chair and Vice Chair who may hold their offices for no more than two consecutive one-year terms. She remarked that Member Steere-Salazar is the only member who has expressed interest in serving.

On **MOTION** by Member Hurley, **SECONDED** and **CARRIED**, LAC **APPROVED** by Roll Call Vote the appointments of Member Steere-Salazar as Chair and Member Crane as Vice Chair for a period of one year. Member Crane **ABSTAINED**.

AGENDA ITEM 4 – APPROVAL OF MINUTES OF THE JANUARY 30, 2004, FEBRUARY 9, 2006 AND APRIL 11, 2006 MEETINGS

As the sole existing LAC member present at the January 30, 2004 meeting, Chair Steere-Salazar appointed herself, as allowed by Robert's Rules of Order, Article X, to serve as a special committee to review and approve the meeting minutes.

Therese Bickler, Vice President of EDFUND Loan Operations and Staff Liaison, indicated that paragraph 3 on page 2 of the January 30, 2004 minutes is inaccurate and recommended deleting the language regarding "\$44 million in loan revenues" (in sentences 3 and 4).

Chair Steere-Salazar **APPROVED** the minutes of the January 30, 2004 meeting, as corrected.

On **MOTION** by Member Hurley, **SECONDED** and **CARRIED**, LAC **APPROVED** by Roll Call Vote the minutes of the February 9, 2006 meeting, as presented. Members Crane and Jones **ABSTAINED**.

On **MOTION** by Member Niccolai, **SECONDED** and **CARRIED**, LAC **APPROVED** by Roll Call Vote the minutes of the April 11, 2006 meeting, as presented. Member Crane **ABSTAINED**.

AGENDA ITEM 5 – REVIEW OF THE PROPOSED UNIFORM POLICIES FOR THE COMMISSION'S ADVISORY BODIES

Ms. McDuffie presented the proposed Uniform Policies for the Commission's Advisory Bodies and highlighted the significant changes since its first publication in 2000, including the following:

- The document has been restructured to make it easier to locate information pertaining to each advisory body.
- A Background section was inserted for historical purposes.
- The Appointment Policy approved by the Commission in 2003 was added.

- The requirement for new members to complete an Oath of Office (not required per Attorney General) was removed.
- Procedures were clarified where needed, including the requirement that any workgroups prepare minutes or a summary of their meetings due to Bagley-Keene requirements.
- The responsibility of CSAC staff to notify the chairs of the advisory bodies of vacancies was added.

There was some discussion regarding whether a direct lending representative could serve as an ex officio member. California Education Code specifies the membership of LAC. It was suggested that if there are issues spanning both Federal Family Education Loan and Direct Loan schools, that LAC make a point to invite direct lending representatives to a particular meeting rather than amend statute.

AGENDA ITEM 6 – REPORT ON BORROWER BENEFITS

- a. EDSHARE Grant Program**
- b. Early Withdrawal Counseling Program**
- c. College Access Initiative**

EDSHARE Grant Program

Anita Kermes, Manager of EDFUND Default Prevention Initiatives, presented an overview of the EDSHARE Grant Program, a \$12 million competitive grant program in which 72 institutions participate through \$40,000 grants that were renewable up to three years. The program began in 2002-03 and its purpose was to enable institutions to develop creative, innovative borrower education, debt management and default prevention programs, which EDFUND and/or other institutions could learn from and possibly implement. Ms. Kermes highlighted examples of pilot programs developed by various institutions, which fell into several categories, including technology focused, personal outreach, peer assistance and non-traditional. A suggestion was made to develop a best practices publication for distribution to the financial aid community.

Early Withdrawal Counseling Program

Ms. Kermes presented an overview of the Early Withdrawal Counseling Program, which is an element of the Commission's Voluntary Flexible Agreement (VFA) with the U.S. Department of Education (USED). The program focuses on reducing student loan defaults by encouraging borrowers to return to school and/or provides counseling on repayment options during their grace periods. Ms. Kermes indicated that EDFUND has measured the program's success by the higher return-to-school rate, higher rate of borrowers remaining in a positive repayment status, higher rate of delinquent borrowers returning to a positive repayment status, and lower rate of default, when compared to a control group that did not receive counseling.

College Access Initiative

Ms. Kermes presented an overview of the College Access Initiative, which promotes early awareness and access to higher education and requires that guaranty agencies develop a comprehensive listing of the higher education opportunities, programs, publications and other services available in their designated states. She pointed out that the National Council of Higher Education Loan Programs (NCHELP) and Mapping Your Future have developed a college access website, which will be part of a national College Awareness Campaign beginning in January 2007.

AGENDA ITEM 7 – REPORT ON MANAGING STUDENT LOAN DEBT: THE INSTITUTE OF COLLEGE ACCESS AND SUCCESS (TICAS) PROJECT ON STUDENT DEBT’S “FIVE POINT PLAN FOR FAIR LOAN PAYMENTS”

Dr. Jennie Woo, EDFUND Senior Economist, presented an overview of the TICAS Project on Student Debt’s “Five Point Plan for Fair Loan Payments.” LAC members engaged in a general discussion of the eight proposed regulatory amendments to regulations on economic hardship and income-contingent repayment. As this item progresses through the negotiated rulemaking process, LAC may discuss the issue in the future.

AGENDA ITEM 8 – CONSIDERATION OF TOPICS FOR FUTURE MEETINGS

LAC members developed the following list of potential discussion topics for 2007, in no particular order:

- Removal of Tuition Sensitivity from the Higher Education Act
- Age Limit on Financial Aid Eligibility as it Relates to Re-entry Students
- Student Debt Burden
- Removal of Administrative Cancellation Provision on Non-Disbursed Loans
- Cost of Textbooks and Possible Provision of Subsidies
- Student Loan Limits
- Up Front Incentives for Teaching Credential Students
- Loan Program Outreach including Personal Finance Education
- Access and Affordability
- Measurable Programs that Encourage Responsible Borrower Behavior
- Direct-to-Consumer Marketing of Student Loans
- Continuation of the Discussion on the TICAS Project on Student Debt’s “Five Point Plan for Fair Loan Payments”

There being no further business, the meeting of the Loan Advisory Council adjourned at 2:45 p.m.

Carrie Steere-Salazar, Chair