

January 14, 2015

MEMORANDUM

TO: State Board of Regents

FROM: David L. Buhler

SUBJECT: UHEAA—Proposed Student Loan Portfolio Purchase and Financing

Issue

Board of Regents adoption of an approving resolution authorizing the purchase of an existing portfolio of loans originated under the Federal Family Education Loan Program (FFELP) in an outstanding principal amount of approximately \$1,770,476,000 and the execution of a warehouse line of credit to finance those loans on an interim basis.

Background

The UHEAA Board has encouraged management to pursue opportunities to acquire FFELP student loan portfolios as various organizations make those portfolios available for acquisition. In November 2014, UHEAA submitted a bid for a FFELP student loan portfolio owned by a major U.S. bank and was ultimately selected as the successful bidder. The portfolio parameters are:

Amount:	\$1,770,476,000
Number of Borrowers:	157,095
Number of Loans:	279,392
Average Balance/Borrower:	\$11,052
Current Servicer:	Xerox Education Services, LLC

After the purchase transaction is completed, this portfolio will be converted to UHEAA's in-house servicing operation. UHEAA uses the Pennsylvania Higher Education Assistance Agency's (PHEAA) Compass servicing system which is scalable to accommodate the additional 157,000 borrowers. UHEAA has successfully converted similar portfolios from other major student loan servicers in the past and will utilize available space at its Gateway location to house the expanded staff needed to service these loans.

Financing Plan

The portfolio will be acquired with funds drawn on a short-term warehouse facility from the Royal Bank of Canada (RBC). It is anticipated that the warehouse facility will be replaced with a series of permanent financings over the subsequent 24 months with LIBOR-Indexed floating rate notes similar to bonds successfully issued by the Board over the last few years.

RBC Warehouse Line of Credit - Proposed Not To Exceed Parameters

	<u>Not To Exceed Parameters</u>	<u>Resolution Reference</u>
• Total Principal Amount	\$1,800,000,000	Section 4
• Variable Interest Rate	25.0%	Section 4
• Maximum Maturity	3 years	Section 4

The Student Finance Subcommittee will review the proposed student loan purchase and related financing and their recommendation will be provided at the January 23 Regents meeting. Board of Regents adoption of the Resolution is necessary to provide authority for the purchase of the portfolio and related issuance of the debt.

Basic Documents Requiring Approval

The Approving Resolution provided with this report is in final draft form. Its approval by the Board will authorize the purchase of the student loan portfolio described above, the use of the RBC Warehouse Line of Credit, and the execution of the necessary documents and agreements.

The Approving Resolution delegates authority to the Board's Chair, Vice Chair and/or Chair of the Finance, Facilities, and Accountability Committee to approve final versions of the bond documents, consistent with parameters contained in the Approving Resolution, and along with designated Officers of the Board, to execute other necessary implementing agreements (see Resolution Sections 5 and 6).

UHEAA staff, representatives of the Attorney General's Office, and Bond Counsel will be at the Board of Regents meeting on January 23 to review the proposed transaction and answer questions.

Commissioner's Recommendation

The Commissioner recommends, subject to final review and concurrence by the Student Finance Subcommittee, that the Regents approve the attached Approving Resolution authorizing the purchase of the student loan portfolio and the related RBC Warehouse Line of Credit.

David L. Buhler
Commissioner of Higher Education

DLB/DAF/ROD
Attachment

Salt Lake City, Utah

January 23, 2015

The State Board of Regents of the State of Utah met in regular session (including by electronic means) at the University of Utah Campus in Salt Lake City, Utah on January 23, 2015, commencing at _____. The following members were present:

Daniel W. Campbell	Chair
France A. Davis	Vice Chair
Jesslie B. Anderson	Member
Nina Barnes	Member
Bonnie Jean Beesley	Member
Keith M. Buswell*	Member
Leslie Castle*	Member
Wilford W. Clyde	Member
James T. Evans**	Member
Brady Harris	Student Regent
Marlin K. Jensen	Member
Robert S. Marquardt	Member
Jed H. Pitcher	Member
Robert W. Prince	Member
Harris H. Simmons	Member
Mark R. Stoddard	Member
Teresa L. Theurer	Member
Joyce P. Valdez	Member
John H. Zenger	Member

Absent:

Also Present:

David L. Buhler	Commissioner of Higher Education
Kirsten Schroeder	Secretary

* Non-voting member from State Board of Education

** Non-voting member from Utah College of Applied Technology

After the meeting had been duly convened and called to order by the Chair, the roll had been called with the above result and after other matters not pertinent to this Resolution had been discussed, the Chair announced that one of the purposes of the meeting was the consideration of various matters with respect to (i) the acquisition of an existing portfolio of student loans and (ii) the establishment of a warehouse line of credit for the purpose of financing such purchase and all related matters.

The following resolution was introduced in written form and after full discussion, pursuant to motion made by Regent _____ and seconded by Regent _____, was adopted by the following vote:

AYE:

NAY:

The resolution is as follows:

RESOLUTION

A RESOLUTION OF THE STATE BOARD OF REGENTS OF THE STATE OF UTAH (THE "BOARD") AUTHORIZING (i) THE PURCHASE OF AN EXISTING PORTFOLIO OF STUDENT LOANS ORIGINATED UNDER THE FEDERAL FAMILY EDUCATION LOAN PROGRAM IN AN OUSTANDING PRINCIPAL AMOUNT OF APPROXIMATELY \$1,770,476,000 AND (ii) THE EXECUTION OF A WAREHOUSE LINE OF CREDIT AND RELATED DOCUMENTS TO FINANCE THE PURCHASE OF SAID STUDENT LOANS; AUTHORIZING THE TAKING OF ALL OTHER ACTIONS NECESSARY TO THE CONSUMMATION OF THE TRANSACTIONS CONTEMPLATED BY THIS RESOLUTION; AND RELATED MATTERS.

WHEREAS, the State Board of Regents of the State of Utah (the "Board") is established and exists under and pursuant to Section 53B-1-103, Utah Code Annotated 1953, as amended; and

WHEREAS, pursuant to Chapter 13, Title 53B, Utah Code Annotated 1953, as amended (the "Act"), the Board is empowered to make or purchase student loan notes and other debt obligations reflecting loans to students; and

WHEREAS, in order to further advance the Board's Student Loan Program (as described herein), the Board desires to purchase a portfolio of student loans originated under the Federal Family Education Loan Program (the "Portfolio") in a principal amount of approximately \$1,770,476,000; and

WHEREAS, to memorialize the agreement of the Board to purchase the Portfolio it is proposed that the Board enter into a Loan Sale Agreement (the "Loan Sale Agreement") between the Board and the seller named in the Loan Sale Agreement and the Board desires to authorize the execution of the Loan Sale Agreement (a form of which was before the Board at this meeting) and to ratify the execution of various other documents leading to the purchase of the Portfolio described herein; and

WHEREAS, the Act provides for certain certifications to be made, to the extent required by the rules and regulations of the Board, by the lender with respect to a student loan in order for such loan to be qualified for acquisition or purchase by the Board, and the Board has previously adopted a rule clarifying the lender certification requirements in connection with any such acquisition or purchase (all as permitted by the Act) and in furtherance thereof, the Board finds and determines that the acquisition of the Portfolio will assist the Board (including in its role as the Utah Higher Education Assistance Authority) in accomplishing its purposes without the need for reinvestment of the proceeds of such sale in additional student loans; and

WHEREAS, the Board hereby finds that the purchase of the Portfolio is in the best interest of the Board and the State of Utah and its residents as such purchase will further enhance (i) the performance of the Board's Student Loan Program, (ii) the

efficient operation of such Program and the servicing and other functions performed by the Board, and (iii) the economies of scale relating to such Program and servicing and other functions, thus enabling the Board to more efficiently continue to provide student loan and related services to the students of the State of Utah and elsewhere; and

WHEREAS, in order to provide funds for the purchase of student loans, the Board is duly authorized to incur indebtedness pursuant to the provisions of the Act and the Board desires to authorize entering into a warehouse line of credit for such purchase (the "Line of Credit") by execution and delivery of a Warehouse Loan, Security and Servicing Agreement (the "Financing Agreement") by and among the Board, individually and as servicer, the Conduit Lenders (as defined in the Financing Agreement), the Alternate Lenders (as defined in the Financing Agreement), the LIBOR Lenders (as defined in the Financing Agreement), the Managing Agents (as defined in the Financing Agreement), Royal Bank of Canada ("Royal Bank"), acting through its WFC, New York, Branch, as the administrative agent for the Conduit Lenders, Alternate Lenders, LIBOR Lenders and Managing Agents, and The Bank of New York Mellon Trust Company, N.A., as trustee and as securities intermediary, a form of which was before the Board at this meeting; and

WHEREAS, the Board's obligations under the Financing Agreement shall be payable solely from the revenues and other moneys pledged therefor and shall not constitute nor give rise to a general obligation or liability of the Board or constitute a charge against its general credit; and

WHEREAS, pursuant to Section 53B-13-104(9) of the Act, the Board desires to grant to the Chair, Vice Chair and/or the Chair of the Finance, Facilities and Accountability Committee of the Board the authority to approve the final terms of the Loan Sale Agreement and the Financing Agreement and related documents and any changes with respect thereto from the forms thereof which were before the Board at the time of adoption of this resolution.

NOW, THEREFORE, BE IT RESOLVED BY THE STATE BOARD OF REGENTS OF THE STATE OF UTAH, AS FOLLOWS:

Section 1. All terms defined in the foregoing recitals hereto shall have the same meanings when used herein.

Section 2. All action heretofore taken (not inconsistent with the provisions of this resolution) by the Board and the officers of the Board directed toward the purchase of the Portfolio and the execution of the Financing Agreement are hereby ratified, approved and confirmed, including in particular, the execution and delivery of the Board's original bid for the Portfolio and, if applicable, the Bid Acknowledgement Letter of the Board in connection therewith.

Section 3. The Board hereby authorizes and directs the purchase of the Portfolio pursuant to the Loan Sale Agreement. The Loan Sale Agreement, in substantially the form before the Board at this meeting, is in all respects authorized, approved and confirmed. The Chair, Vice Chair and/or Chair of the Finance, Facilities

and Accountability Committee are hereby authorized to execute and deliver the Loan Sale Agreement in the form and with substantially the same content as before the Board at this meeting for and on behalf of the Board with such alterations, changes or additions as may be authorized by Section 5 hereof.

Section 4. The Financing Agreement, in substantially the form before the Board at this meeting, is in all respects authorized, approved and confirmed. The Chair, Vice Chair and/or Chair of the Finance, Facilities and Accountability Committee are hereby authorized to execute and deliver the Financing Agreement and the related fee letter and valuation agent agreements in the form and with substantially the same content as before the Board at this meeting for and on behalf of the Board with such alterations, changes or additions as may be authorized by Section 5 hereof. The indebtedness incurred under the Financing Agreement shall be in an aggregate principal amount of not to exceed \$1,800,000,000, shall bear interest at variable rates as provided in the Financing Agreement and other documents related thereto and at rates which shall not at any time exceed twenty-five percent (25%) per annum and shall be due and payable in not more than three years from the date of execution thereof, all as approved by the Chair, Vice Chair and/or Chair of the Finance, Facilities and Accountability Committee. In addition, without limiting the foregoing, the Board is hereby authorized to pledge the Portfolio and student loans held by the Board in its short term loan fund to secure the payments of its obligations under the Financing Agreement.

Section 5. The appropriate officials of the Board, including without limitation the Chair, Vice Chair and/or Chair of the Finance, Facilities and Accountability Committee are authorized to make any alterations, changes or additions to the Loan Sale Agreement and Financing Agreement or any other document herein authorized and approved which may be necessary to correct errors or omissions therein, to remove ambiguities therefrom, to conform the same to other provisions of said instruments, to the provisions of this Resolution or any resolution adopted by the Board, or the provisions of the laws of the State of Utah or the United States and the final agreement with the seller of the Portfolio and Royal Bank.

Section 6. The appropriate officials of the Board, including without limitation the Chair, Vice Chair, Chair of the Finance, Facilities and Accountability Committee, the Commissioner of Higher Education, Associate Commissioner for Student Financial Aid, Executive Director of UHEAA, Deputy Executive Director of UHEAA and Secretary of the Board, are hereby authorized and directed to execute and deliver for and on behalf of the Board any or all additional certificates, documents and other papers and to perform all other acts they may deem necessary or appropriate in order to implement and carry out the matters authorized in this Resolution and the documents authorized and approved herein, including, to the extent not previously executed, to execute and deliver the Bid Acknowledgement Letter related to the Loan Sale Agreement and related servicing and guaranty agreements.

Section 7. The obligations of the Board under the Financing Agreement will constitute special limited obligations of the Board payable solely from and to the extent of the sources set forth in the Financing Agreement. No provision of this Resolution, the

Financing Agreement, or any other instrument authorized hereby, shall be construed as creating a general obligation of the Board, or of creating a general obligation of the State of Utah or any political subdivision thereof, nor as incurring or creating a charge upon the general credit of the Board.

Section 8. After the Financing Agreement has been executed and delivered and the proceeds of advances thereunder have been made available to the Board, this resolution shall be and remain irrevocable until the aggregate outstanding advances under the Financing Agreement, all interest thereon and all other obligations thereunder or with respect thereto have been fully discharged in accordance with the terms and provisions of the Financing Agreement.

Section 9. If any provisions of this Resolution should be held invalid, the invalidity of such provisions shall not affect the validity of any of the other provisions of this Resolution.

Section 10. Pursuant to the Board's Rule - R650 (Lender Certification of Obligations) the Board has found and determined that the purchase of the Portfolio will assist the Board under its Student Loan Program in accomplishing its purposes without the requirement of reinvesting the proceeds of the sale in other obligations under the student loan program.

Section 11. All resolutions of the Board or parts thereof inconsistent herewith, are hereby repealed to the extent only of such inconsistency. This repealer shall not be construed as reviving any bylaw, order, resolution or ordinance or part thereof.

Section 12. This Resolution shall become effective immediately upon its adoption.

PASSED AND APPROVED BY THE STATE BOARD OF REGENTS OF THE
STATE OF UTAH THIS 23RD DAY OF JANUARY, 2015.

STATE BOARD OF REGENTS OF THE
STATE OF UTAH

Chair

[SEAL]

ATTEST:

Secretary

After the conduct of other business not pertinent to the above, the meeting was, on motion duly made and seconded, adjourned.

Chair

[SEAL]

ATTEST:

Secretary

STATE OF UTAH)
 : ss.
COUNTY OF SALT LAKE)

I, Kirsten Schroeder, do hereby certify that I am the duly qualified and acting Secretary of the State Board of Regents of the State of Utah.

I further certify that the above and foregoing constitutes a true and correct copy of an excerpt of the minutes of a meeting of said Board held on January 23, 2015 and of a resolution adopted at said meeting, as said minutes and resolution are officially of record in my possession.

IN WITNESS WHEREOF, I have hereunto subscribed my official signature and impressed hereon the official seal of said Board this 23rd day of January, 2015.

Secretary

(SEAL)

STATE OF UTAH)
 : ss.
COUNTY OF SALT LAKE)

I, Kirsten Schroeder, the undersigned, the duly qualified and acting Secretary of the State Board of Regents of the State of Utah, do hereby certify, according to the records of said State Board of Regents in my official possession, and upon my own knowledge and belief, that:

(a) in accordance with the requirements of Section 52-4-202, Utah Code Annotated 1953, as amended, public notice was given of the agenda, date, time and place of the January 23, 2015 public meeting held by the Members of the State Board of Regents by causing a Notice of Public Meeting, in the form attached hereto as Schedule 1 to be: (i) posted at the principal office of the State Board of Regents at 60 South 400 West, Salt Lake City, Utah, on January 16, 2014, at least 24 hours prior to the convening of such meeting, said Notice of Public Meeting having continuously remained so posted and available for public inspection during the regular office hours of the State Board of Regents until the convening of the meeting; (ii) published on the Utah Public Notice Website (<http://pmn.utah.gov>), at least 24 hours prior to the convening of such meeting; and (iii) provided on January 16, 2014, at least 24 hours prior to the convening of such meeting, to the Deseret News and The Salt Lake Tribune, newspapers of general circulation within the geographic jurisdiction of the State Board of Regents, and to each local media correspondent, newspaper, radio station or television station which has requested notification of meetings of the State Board of Regents;

(b) in accordance with the requirements of Section 52-4-202, Utah Code Annotated 1953, as amended, public notice of the 2013-2014 Annual Meeting Schedule of the State Board of Regents was given, specifying the date, time and place of the regular meetings of the State Board of Regents scheduled to be held during the year, by causing a Notice of Annual Meeting Schedule for the State Board of Regents, in the form attached hereto as Schedule 2, to be (i) posted at the principal office of the State Board of Regents at 60 South 400 West, Salt Lake City, Utah in June 2013, (ii) provided in June 2013 to a newspaper of general circulation within the geographic jurisdiction of the State Board of Regents, and (iii) published on the Utah Public Notice Website (<http://pmn.utah.gov>) during the current calendar year; and

(c) the State Board of Regents has adopted written procedures governing the holding of electronic meetings in accordance with Section 52-4-207 Utah Code Annotated 1953, as amended (a copy of which is attached hereto as Schedule 3). In accordance with said Section and the aforementioned procedures, notice was given to each member of the State Board of Regents and to members of the public at least 24 hours before the meeting to allow members of the State Board of Regents and the public to participate in the meeting, including a description of how they could be connected to the meeting. The State Board of

Regents held the meeting (the anchor location) at the University of Utah Campus in Salt Lake City, Utah and provided space and facilities at the anchor location so that interested persons and the public could attend and participate.

IN WITNESS WHEREOF, I have hereunto subscribed my official signature and impressed hereon the official seal of the State Board of Regents of the State of Utah, this 23rd day of January, 2015.

(SEAL)

Secretary

SCHEDULE 1

NOTICE OF PUBLIC MEETING

SCHEDULE 2

NOTICE OF ANNUAL MEETING SCHEDULE

SCHEDULE 3

ELECTRONIC MEETING POLICY