

March 22, 2017

MEMORANDUM

TO: State Board of Regents

FROM: David L. Buhler

SUBJECT: Utah Higher Education Assistance Authority – Series 2017.1 Student Loan Backed Notes

Issue

The Utah Higher Education Assistance Authority (UHEAA) closed its Series 2017-1 Student Loan Backed Notes, totaling \$420 million, on February 9, 2017 at an initial interest rate of 1.69%. With the completion of this third and final transaction related to the purchase of the Bank of America student loan portfolio, the temporary \$1.66 billion warehouse from the Royal Bank of Canada is completely retired.

Background

Regent Policy R590, *Issuance of Bonds for Colleges and Universities* requires the Office of the Commissioner to report the results of the final bond pricing to the Board at the next scheduled meeting after the closing. In March 2015 the Board authorized the issuance of several series of permanent financings in the aggregate amount of \$1.8 billion to retire an existing student loan warehouse facility. The warehouse facility was originally established as a temporary loan from the Royal Bank of Canada to purchase a \$1.8 billion student loan portfolio from the Bank of America. The warehouse was completely refinanced with the issuance of the Series 2017-1 notes on February 9, 2017 in conformity with the parameters approved by the Regents. UHEAA's bonds continue to have a strong reputation in the market and receive the top financial ratings available on student loan transactions. Presented in the table below is a summary of the bonds issued to refinance the warehouse.

Description	2015-1 Indenture	2016-1 Indenture	2017-1 Indenture
Senior Series A (millions) *	\$415.5	\$452.3	\$402.2
Transaction Date	June 12, 2015	October 27, 2016	February 9, 2017
Stated Interest Rate	Libor + .60%	Libor + .75%	Libor + .75%
True Interest Cost	Libor + .69%	Libor + .95%	Libor + .87%
Bond Price	99.629%	99.219%	99.512%
Ratings Fitch/S&P	AAA/AA+	AAA/AA+	AAA/AA+
Lead Investors:	Charles Schwab Goldman Sachs TD Bank	PIMCO Goldman Sachs Bank of New York State of Tennessee	PIMCO

\*To provide credit enhancement for the Series A bonds, the Board also issued subordinate Series B bonds in connection with each transaction. In each issue, the subordinate bonds were less than 4.25% of the total transaction and conformed to the parameters approved by the Regents.

Not to Exceed Parameters as Approved (Actual in Red)

• Total Principal Amount	\$1,800,000,000 \$1,270,000,000
• Authorizing Period To Issue Notes	2.5 Years (September 27, 2017) 1.87 years (February 9, 2017)
• Interest Rate	
Senior Notes	1M LIBOR + 1.0% 1M LIBOR + 0.70%
Subordinate Notes	1M LIBOR + 2.0% 1M LIBOR + 1.50%
In any event, not to exceed:	25%
• Discount from Par	
Senior Notes	5% (0.55%)
Subordinate Notes	5% (9.66%)
• Maximum Maturity (from date of issuance)	
Senior Notes	40 Years (36 years)
Subordinate Notes	40 Years (36 years)
• Underwriters Discount	.60% (0.514%)

With the warehouse retired and the permanent financing in place, UHEAA expects to achieve the operating spreads and economic benefits discussed previously with the Board. UHEAA staff will be at the Board meeting to answer any questions.

Commissioner's Recommendation

This is an information item; no action is required.

---

David L. Buhler  
Commissioner of Higher Education

DLB/DAF/DSS