

**Tennessee Student Assistance Corporation  
Board of Directors Meeting Minutes  
March 19, 2009  
2:00 p.m. CDT**

The Board of Directors of the Tennessee Student Assistance Corporation met on Thursday, March 19, 2009. The meeting was called to order by Dr. Claude Pressnell at 2:00 p.m.

**ROLL CALL**

The following board members/alternate representatives were present:

Claude Pressnell	Nancy Moody
Richard Rhoda	Jeff Gerkin
Lori May	Deborah Cole
Mary Kate Ridgeway	David Lillard
Clay Petrey	
Cory Curl, representing Governor Bredesen	
Morgan Branch, representing Commissioner Tim Webb	
Cathy Pierce, representing Commissioner Dave Goetz	
David Gregory, representing Chancellor Charles Manning	
Faye Weaver, representing Comptroller Justin Wilson	
Bonnie Yegidis, representing Jan Simek	

**ADOPTION OF AGENDA**

Dr. Pressnell called for a motion to approve the agenda as presented. Ms. Mary Kate Ridgeway made a motion to approve. Mr. David Gregory seconded the motion; the motion was duly adopted.

**APPROVAL OF MINUTES FOR THE MARCH 19, 2009 MEETING**

Dr. Pressnell called for a motion to approve the minutes of the March 19, 2009 Board Meeting. Mr. David Lillard made a motion to approve the minutes. Ms. Mary Kate Ridgeway seconded the motion; the motion was duly adopted.

**CHAIRMAN'S REPORT**

(In the absence of Governor Phil Bredesen, Dr. Claude Pressnell served as Chairman for the meeting.)

Dr. Pressnell began his report by recognizing Dr. Nancy Moody, who was participating by phone. He then called on Dr. Richard Rhoda to provide the Executive Director's Report.

## **EXECUTIVE DIRECTOR'S REPORT**

Dr. Rhoda welcomed all and announced the following new members and designees: David Lillard, State Treasurer; Justin Wilson, Comptroller; Jan Simek, Interim President of UT; Cory Curl, Governor Bredesen's designee; and Dan Boone, President of Trevecca University, Dr. Nancy Moody's designee.

Dr. Rhoda discussed the TSAC sunset review and noted TSAC was approved to continue until 2014 in the senate government operations committee. He then noted the resolution of findings and recognized Mr. Jim Vaden, Chief Fiscal Officer for Tennessee Higher Education Commission, to provide an update on the financial audit.

Mr. Vaden began by introducing Stephanie Strong, a new staff member in the fiscal division reporting to Michelle Berry. Mr. Vaden stated that the 2007 audit's major issues had been resolved within six months and that there were no findings in the 2008 audit but did have thirty-one weaknesses, of those twenty-six had been resolved with the remaining five currently being addressed.

Dr. Rhoda concluded his report by commending the program staff for their work ensuring that all programs are well functioning.

## **TASFEE PRESIDENT'S REPORT**

Mr. Gerkin began his report by extending his thanks to Governor Bredesen and his staff for working with TASFEE staff and dedicating February as financial aid awareness month.

He stated that TASFEE's spring conference would be April 5-8 and will include presentations by TSAC staff. Mr. Gerkin also stated the importance of financial aid staff's attendance at the conference, which will focus on training due to the changes in legislation and the President's budget proposal.

Mr. Gerkin then briefly discussed the President's proposal to eliminate the FELP program, which most Tennessee institutions participate and the request being sent to express the importance of the program.

## **DECISION ITEMS**

### **Special Election of Treasurer for Remainder of 2008-09**

Dr. Pressnell discussed changes in the recent elections and reviewed staff recommendations of Mr. Lillard to serve as treasurer for the remainder of FY 2008-09. Mr. Petrey made a motion to approve Mr. David Lillard as treasurer. Ms. Deborah Cole seconded the motion; the motion was duly adopted.

**Appointment of Committee Members for Remainder of 2008-09**

Dr. Pressnell then reviewed the following nominations for Mr. Justin Wilson to the Executive and Appeals Committee and Mr. David Lillard to the Executive Committee for the remainder of 2008-09. Dr. Rhoda made a motion to approve the nominations. Mr. Petrey seconded the motion; the motion was duly adopted.

**Selection of the 2009-10 Officers and Committee Members**

Dr. Pressnell reviewed the nominations for 2009-10, being that the committee’s remain the same. Dr. Bonnie Yegedis made a motion to approve the nominations. Mr. Morgan Branch seconded the motion; the motion was duly adopted. Mr. David Gregory inquired about adding a representative from a public institution to the Executive Committee. Dr. Pressnell stated there is no statute limiting the number of members. Mr. Gregory then nominated Dr. Jan Simek to the Executive Committee. Mr. Lillard seconded the motion; the motion was duly adopted.

**Proposed Rule Changes to the Tennessee Rural Health Program**

Dr. Pressnell asked for a motion and a second to approve the proposed rule changes to the Tennessee Rural Health Program. Ms. Cole made a motion to approve the proposed changes; Mr. Branch seconded the motion. Dr. Pressnell then called on Mr. Tim Phelps to provide the report.

Mr. Phelps briefed the committee on background information and noted that the initial rules were in place for the first two years of the program only. He then discussed the changes, which will give TSAC the authority to make awards to all applicants regardless of the program of study, if there are insufficient applications and giving the Executive director authority to make technical changes. The motion was duly adopted by the following roll call vote:

- Cory Curl                    \_\_\_Aye\_\_\_\_\_
- Richard Rhoda            \_\_\_Aye\_\_\_\_\_
- Claude Pressnell        \_\_\_Aye\_\_\_\_\_
- Faye Weaver             \_\_\_Aye\_\_\_\_\_
- David Lillard             \_\_\_Aye\_\_\_\_\_
- Morgan Branch         \_\_\_Aye\_\_\_\_\_
- Cathy Pierce             \_\_\_Aye\_\_\_\_\_
- David Gregory            \_\_\_Aye\_\_\_\_\_
- Bonnie Yegedis         \_\_\_Aye\_\_\_\_\_
- Lori May                  \_\_\_Aye\_\_\_\_\_
- Deborah Cole             \_\_\_Aye\_\_\_\_\_
- Jeff Gerkin                \_\_\_Aye\_\_\_\_\_
- Clay Petrey                \_\_\_Aye\_\_\_\_\_
- Mary Kate Ridgeway    \_\_\_Aye\_\_\_\_\_

\*(Dr. Nancy Moody was disconnected from the call before the vote.)

Following the vote, Mr. Gregory raised questions regarding the institutional distribution of awards. Mr. Phelps stated that all institutions had been consulted and noted that many students did not meet the award criteria nor did some students agree with the award stipulations.

**Proposed Rule Changes to the Tennessee Lottery Scholarship Award Program**

Dr. Pressnell entertained a motion that the TSAC Board of Directors adopt Rule 1640-1-19, Tennessee Education Lottery Scholarship Program, as Proposed Rules and authorizes the Executive Director to make any necessary technical corrections to these rules including changes suggested by the Tennessee Attorney General. Mr. Gregory made a motion to approve; Ms. Cole seconded the motion.

Dr. Pressnell then called on Mr. Phelps to discuss the changes, noting that the change clarifies the rules regarding non-traditional students that will extend the scholarship to those students. The motion was duly adopted with the following roll call vote:

Cory Curl	___Aye_____
Richard Rhoda	___Aye_____
Claude Pressnell	___Aye_____
Faye Weaver	___Aye_____
David Lillard	___Aye_____
Morgan Branch	___Aye_____
Cathy Pierce	___Aye_____
David Gregory	___Aye_____
Bonnie Yegidis	___Aye_____
Lori May	___Aye_____
Deborah Cole	___Aye_____
Jeff Gerkin	___Aye_____
Clay Petrey	___Aye_____
Mary Kate Ridgeway	___Aye_____

**DISCUSSION ITEMS**

**Consideration of Selling Rehabilitation Loans**

Dr. Pressnell recognized Mr. Peter Abernathy to discuss the rehabilitation loans. He stated that due to recent market conditions, TSAC has been unable to sell its rehabilitated loans since September 2008. Mr. Abernathy noted that currently there are approximately \$20 million in rehabilitated loans in TSAC’s portfolio. He briefly discussed issuing an RFP to obtain a lender to purchase the loans and remove the remaining borrowers from the tax offset program. Ms. Cole inquired about the

impact on the students who were not in the rehabilitated loan program. Ms. Stephanie Aylor stated that the students would remain in collection status until a rehabilitation lender is found.

### **Federal Direct Loan Program Impact of TSAC**

Mr. Abernathy discussed the Federal direct loan program. He briefly discussed the program's function and noted that several schools have recently announced their intention to move from the FFEL program administered by TSAC to the Direct Loan program. He also stated that the Obama administration has proposed repealing the FFEL program and that all new student loans beginning academic year 2010-11 will be moved to the Direct Loan program.

Mr. Abernathy also discussed the default aversion program. He stated that this program targets a specific population of students within an institution that stop paying their loans before the default status to help them understand the future consequences and assist them back into paying status.

### **Federal Family Education Loan Program (FFELP)**

Ms. Stephanie Aylor provided a report on the FFELP program. She briefly discussed institutional participation and noted the increase of 7 percent in loan volume over last year. Ms. Aylor also introduced Bill Heath and Cathy Jones, new staff members in the FFELP division. She then discussed the charts for the following programs: Subsidized Stafford, Unsubsidized Stafford, Parent PLUS, and Grad/Professional Plus.

Ms. Aylor noted that in 2007-08, TSAC guaranteed \$613 million in these programs and in the first eight months of 2008-09, TSAC guaranteed \$710 million.

### **Tennessee Student Assistance Award Program Status Report**

Ms. Naomi Derryberry briefed the Board on the Tennessee Student Assistance Award Program. She stated that awards totaling \$57,174,000 have been awarded to 26,700 students for the 2008-09 year. Ms. Derryberry also stated that TSAA resources available for FY 2008-09 total about \$58.1 million. She noted that the Board previously approved a 145percent over-commitment ratio.

### **Tennessee Education Lottery Scholarship Program Status Report**

Mr. Robert Biggers provided a report on the Tennessee Education Lottery Scholarship Program. He stated that TSAC estimates that for the 2008-2009 award year, 88,000 students will receive a TELS award totaling \$266 million. Mr. Biggers also stated that contracts for the Helping Heroes Grant and the Tennessee Rural Health Loan Forgiveness program have been approved by the Department of Finance and Administration

and have been distributed to the participating institutions. He noted that as of February 20, 2009, the Tennessee Education Lottery Scholarship (TELS) has approximately 94,500 eligible students for various awards totaling \$291 million.

### **Merit and Loan Forgiveness Programs Status Report**

Ms. Derryberry briefly discussed the Merit and Loan Forgiveness Programs. She stated that the figures have decreased slightly due to decreased enrollment in the Minority Teaching Fellows and the Tennessee Teaching Scholars programs. She then discussed the Ned McWherter Scholars, which is a merit-based program, and the Graduate Nursing program. In closing, Ms. Derryberry stated that current data indicate 1,139 students will receive \$3,277,094.

### **Tentative TSAC Budget for 2009-10**

Mr. Peter Abernathy reported that the Governor's budget has not been passed; therefore, no budget is being presented at this point. He briefly discussed what TSAC submitted to the Governor, which was a single improvement request for fiscal year 2009-10. He stated that the request was for \$3.2 million for Tennessee Student Assistance Awards (TSAA) funded by the lottery program.

Mr. Abernathy stated that the current fiscal year 2008-09 reduction of state appropriations was approximately \$1.1 million, which includes \$946,000 from TSAA (2percent of total state funds in TSAA, representing approximately 450 awards), \$103,000 from TSAC Administration (3.5percent of total state funds in Administration), and \$78,500 for one position in the state Voluntary Buyout Program.

He also noted that like most other state agencies, TSAC had been asked to prepare for cuts in state appropriations of up to 15percent for fiscal year 2009-10, and TSAC would not receive any of the federal stimulus funds to offset reductions.

### **2009 General Assembly Legislative Report**

Mr. Abernathy cited 60 bills pertaining to the Tennessee Education Lottery Scholarship (TELS) Program as well as other student financial aid bills. He gave a brief summary of the significant bills pending.

### **College Goal Sunday Report**

Ms. Daroyln Porter gave a brief report on Tennessee's fourth annual College Goal Sunday (CGS) event, which was held on February 22, 2009, at thirty-six sites across the state. She stated that the response from the community was tremendous, with approximately 375 volunteers staffing the events and over 2,800 students and parents in attendance. Ms. Porter also noted that participation in this year's event increased by 20

percent from the previous year, due primarily to continued marketing efforts by the staff and each of the CGS sites. She stated that TSAC will be submitting an application for further funding in the amount of \$50,000 for a 3-year grant, from the Lumina Foundation for continuation of this project. Ms. Porter also discussed the collaborative efforts with the YMCA and the Lumina Foundation for the next year.

**Communication Services Update**

Ms. LeJeune provided a report on three areas within the Communication Services Division at TSAC including the Call Center, Outreach and Website/ Publications/Graphics.

**Tennessee Education Lottery Scholarship Program Annual Report**

Ms. Erin O'Hara, Tennessee Higher Education Commission staff, gave a presentation of the annual report for the Tennessee Education Lottery Scholarship Program, and noted the recent changes in policy and rules. She also discussed the program's retention and graduation rates, noting higher renewal rates this year over past years.

There being no further business, the meeting adjourned at 3:10 p.m.

Approved:

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Dr. Claude O. Pressnell, Jr., Secretary