



1200 North Seventh Street, Harrisburg, PA 17102

**Meeting of the Board of Directors
March 21, 2019 – 10:00 AM**

A meeting of the Board of Directors was held on March 21, 2019 at 10:00 a.m. in the Boardroom.

Those in attendance were:

Representative Michael Peifer, Chairman
Senator Wayne D. Fontana, Vice Chairman
Senator Ryan Aument
Senator John P. Blake
Representative Mike Carroll
Representative Angel Cruz **(via teleconference)**
Representative Sheryl Delozier
Senator Arthur Haywood
Representative Steven Mentzer
Honorable Roy Reinard
Senator Mario Scavello **(via teleconference)**
Representative Curtis Sonney
Chancellor Timothy R. Thyreen
Senator Robert M. Tomlinson **(via teleconference)**
Secretary Robin Wiessmann
James H. Steeley, President and CEO
Jim White, General Counsel

Those absent were:

Senator Vincent Hughes
Representative Anita Kulik
Representative James Roebuck, Jr.
Secretary of Education Pedro Rivera
Noe Ortega, Deputy Secretary for Postsecondary and Higher Education

Also in attendance:

Thomas Miller, PA House Finance Committee; Liz Craig, Senator Hughes' office **(via teleconference)**; Christine Zubeck, Senator Scavello's office **(via teleconference)**; Mike Dotts, Noe Ortega's office **(via teleconference)**; Stephanie Applegate, Senator Aument's office; Patty Smith, Rock the Capitol; Tom Foley and Nichole Duffy, Association of Independent Colleges and Universities (AICUP); Ed Haines, SAS; Elizabeth Bolden, PA Commission for Community Colleges (PACCC); and the following PHEAA staff: Judith Bines, Bethany Coleman, Amanda Foster, Mubashar Hameed, Nathan Hench, Keith New, Todd Mosko, Stephanie Martella, Mike Garman, Linda Randby, LaWanda Morris **(via teleconference)**, Andrew Mehalko, Elizabeth McCloud, Scott Miller, Marc Bitsko, William Fisher, Dana Hepner, Jodi Shomper and Lisa Gipe.

Upon establishing the presence of a quorum, Chairman Peifer called up Agenda Item #1.

1. **Minutes**

On a motion made by Vice Chairman Fontana and seconded by Mr. Reinard, the minutes of the February 21, 2019 meeting were unanimously approved.

Chairman Peifer called up Agenda Item #2.

2. **Committee Reports**

Chairman Peifer called on Senator Tomlinson to provide a report of the Executive Committee. Senator Tomlinson thanked the Chairman and reported that the Executive Committee did meet last evening and once a quorum was established, the Committee reviewed and adopted the minutes from the February 20, 2019 Executive Committee meeting.

The Committee then moved into Executive Session to receive a security, privacy, compliance and litigation report from PHEAA's management, to consult with professional advisors and internal auditors regarding PHEAA finances, and to discuss Agency business, which if conducted in public, would lead to the disclosure of confidential information that is protected by statute.

Following the return to Regular Session, the Committee reviewed proposed changes to PHEAA's Privacy Program and Policy. The policy is reviewed annually and administrative changes were made to the policy that the Committee adopted, to align with the Fair Credit Reporting Act.

Senator Tomlinson concluded his report and said he would be happy to answer any questions that the Board members may have.

Hearing no questions for Senator Tomlinson, Chairman Peifer called on Chancellor Thyreen to provide a report of Committee of Need Analysis and Aid Coordination. Chancellor Thyreen thanked the Chairman and said that the Committee on Need Analysis and Aid Coordination met on Monday, March 18, 2019 and reviewed two items. For the benefit of the new Board members, Chancellor Thyreen explained that one of the key functions of the PHEAA Board, from a public service perspective, is to adopt a formula that drives out the state-appropriated dollars to the PA State Grant Program.

Each year the Committee on Need Analysis receives recommendations from the State Grant Advisory Committee, a committee which is comprised of financial aid officers and key stakeholders representing a cross section of higher education institutions and associations, including a high school counselor. This advisory committee meets several times a year to 1) review the prior year's performance of the PA State Grant Program; 2) review policies that may need updating; and 3) make recommendations to the Committee on Need Analysis regarding policy changes and a formula for the ensuing academic year. Chancellor Thyreen said that he and the rest of the Committee members appreciate the work of the Advisory Committee.

In 2008-2009, the maximum State Grant award was \$4,700; in 2018-2019 the maximum award was only \$4,123. Chancellor Thyreen said that if we would adjust for inflation, the actual maximum award should be over \$5,500. He emphasized that \$800 million has been supplemented from PHEAA - not the state.

Chancellor Thyreen stated that he and Chairman Peifer both agreed that, given the challenges of managing a program with finite resources that provides a critical resource for need-based students in the Commonwealth, we should start the process one month early – traditionally the Committee on Need Analysis would meet in April and adopt a formula recommendation at the same meeting. Given the accelerated timeframe, the Committee met on Monday, March 18, as noted, and reviewed various options and policy recommendations. However, the Committee decided to digest the information and will meet again in April with a formal recommendation for the Board at the April 25th meeting.

Chancellor Thyreen asked the Members to turn their attention to a memo that is contained in the Board materials entitled 2019-2020 Pennsylvania State Grant Program and Matching Funds Program. On the first page there is a chart that outlines anticipated PA State Grant Program Resources for the 2019-2020 Academic Year. PHEAA is recognizing the Governor's appropriation recommendation of \$310.2 million – more than a 13% increase over the current year's appropriation of \$273.391 million. As PHEAA indicated in October of 2018, PHEAA is not positioned to allocate any new direct supplement numbers for the 2019-2020 state fiscal year. Total resources to be allocated to the program will be \$315.2 million.

2019-2020 PA State Grant Program Resources	
Appropriation Recommendation¹	\$ 310.2 M
PHEAA Supplement²	\$ 0.0 M
Refunds, Interest, Carry Forward³	\$ 5.0 M
Total Resources	\$ 315.2 M

¹ This represents a 13.5% increase over the current year's appropriation of \$273.391 million.

² Per Board direction, the 2019-2020 Budget Transmittal indicated no available funds to supplement the program. The Governor's recommended budget asks for a \$58 million supplement.

³ PHEAA continues to monitor precise resource usage for 2018-2019 and availability for 2019-2020.

Given the allocation of resources, on Page 2 of the memo, there are two recommendations that the State Grant Advisory Committee is strongly recommending to the Committee on Need Analysis, and thus the Board.

The first is Full Integration of Distance Education. As a reminder, Act 5 that was passed by the General Assembly integrated distance education into the PA State Grant Program starting with the 2018-2019 Academic Year. The legislation also provided the Board a "lever" to control the cost of distance education. When the Board was contemplating the 2018-2019 awarding formula last spring, the Board decided to apply a lever and limit the cost of distance education integration to \$14 million. This applied lever artificially suppressed awards for students that were enrolling in distance education courses that exceeded 50% of their enrollment pattern each semester. The State Grant Advisory Committee feels passionately that the Board should not apply a lever and not suppress awards that are going to students that are predominantly enrolled in distance education. Chairman Thyreen said that this policy recommendation encouraged many members of the Need Analysis Committee to discuss whether distance education awards should be suppressed given that the higher education institutions across the Commonwealth are administering distance education differently across all sectors.

The second recommendation that the Advisory Committee has made is to have the Board fully fund the 2019-2020 program to maintain awards consistent with the current awarding year of 2018-2019. Simply put, the Committee would like to see resources allocated that maintain the maximum award of \$4,123.

Chancellor Thyreen then asked the Members to call their attention to the chart at the bottom of Page Two, and pointed out the two recommendations (A) and (B). Funding request A – the preferred choice of the Advisory Committee – would fully fund distance education students and maintain the maximum award of \$4,123, benefitting over 132,000 students and requiring total resources of \$335.9 million dollars. For comparison purposes, the Advisory Committee is presenting recommendation (B), showing a maximum award of \$3,856 given the anticipated resources received from the Governor’s increased appropriation.

2019-2020 State Grant Formula Options			
	2018-2019	SGAC Recommended 2019-2020 Option	
	(Classroom / Online)	SGAC Request for Funding (A)	Available Resources from Governor’s Budget (B)
Maximum Awards	\$4,123 / \$2,061	\$4,123	\$3,856
Average Awards	\$3,075	\$3,102	\$2,903
Number of Recipients*	140,000	132,064	132,064
Program Resources Needed	N/A	\$335.9 M	\$315.2 M

* Award Year Recipients (Academic Year and Summer)

The Committee then reviewed the information that is provided on Page 3 of the memo for the Matching Funds Program – an allocation the agency receives from the Commonwealth that benefits a suite of four (4) programs that predominately benefit higher education students who engage in student employment or community service activities.

Resources	2018-2019	2019-2020	Increase/(Decrease)
Appropriation	\$12,496,000	\$13,121,000*	\$ 625,000
Estimated Carryover	\$ 1,752,949	\$ 1,718,517	\$ (34,432)
Total Resources	\$14,248,949	\$14,839,517	\$ 590,568
Program Allocations	2018-2019	Proposed 2019-2020	Increase/(Decrease)
PATH Grants	\$ 2,500,000	\$ 2,600,000	\$ 100,000
FWSP On-Campus	\$ 6,996,000	\$ 7,539,517	\$ 543,517
FWSP Community Service	\$ 1,200,000	\$ 1,200,000	\$ 0
State Work Study	\$ 3,552,949	\$ 3,500,000	\$ (52,949)
Totals	\$14,248,949	\$14,839,517	\$ 590,568

*Governor Wolf’s Proposed Funding

Chancellor Thyreen said that the Need Analysis Committee took no action other than the adoption of the previous meeting minutes. The Committee will meet again in April to review revised numbers, and at that time, it is anticipated that the Committee will be presenting a formal recommendation to the Board at the April 25th meeting so that program staff can make preliminary awards to students and families enrolling in the fall term of the 2019-2020 Academic Year.

Chancellor Thyreen concluded his remarks, and said he would be happy to answer any questions that the Board may have. Chairman Peifer asked if we are really trying to maintain the maximum award of \$4,123. Chancellor Thyreen said that is correct. Chairman Peifer said that the Governor did provide a 13% increase to the line items in the general fund, and those dollars will flow directly to the students. Secretary Wiessmann said that with everything that is going on in the student loan industry, grants are a high priority, and asked if the Executive Committee or the legislature discussed some sort of allocation to further increase the state line item for students? Chairman Peifer said that is a good question. He said it is a challenge we face every day, trying to do the best matching sources with need, and agreed that if we could find a consistent source of funding, that would be great.

Hearing no other questions or comments, Chairman Peifer then called up Agenda Item #3.

3. **Federal Update**

Chairman Peifer called on Mr. Scott Miller. Mr. Miller thanked the Chairman and began by saying this is his last report to the Board after serving twenty-one years. He stated that it has been a privilege to have this position and to tell people PHEAA's story - some know us, others do not. He said it has been fun to talk about how we were created, including the creation of a bipartisan Board to govern PHEAA. People ask if any other state has something like PHEAA, and the answer is not really. There is a great appreciation for PHEAA in D.C. and the public service we provide by contributing to the State Grant Program.

Mr. Miller then stated that a new Congress is organizing, a change in party control and there has been extraordinary turnover. There are 8 new members of the PA Congressional delegation presenting a challenge for education and to introduce PHEAA to them. Senator Casey is still member of the Senate education committee. There are four PA members on the House Education and the Workforce Committee including Representative G.T. Thompson, senior Republican on the committee; Representative Smucker; and new members, Representatives Meuser and Wild. Representative Smucker is a senior Republican on the Subcommittee on Higher Education and Workforce Development, a great place for a PHEAA supporter. Jim Steele and Nathan Hench met with Representative Meuser earlier in March and he expressed support for PHEAA's model. Representatives Boyle and Evans are now serving on the Ways and Means Committee.

Mr. Miller said that luckily, we were not a part of the federal government shut down. The Department of Education was fully funded through the end of the federal fiscal year. Appropriations were completed early for the 2019-2020 award year; this was the first time in a long time. The maximum Pell Grant was maintained for the 2019-2020 academic year at \$6,195. The Supplemental Educational Opportunity Grant (SEOG) was level funded at \$840 million, Federal Work Study (FWS) was level funded at \$1.1 billion, funding for TRIO was increased by \$50 million and was increased for GEAR Up by \$10 million. The process for Fiscal Year 2020 has just begun in Congress. The President's budget proposes dramatic decreases in student aid funding by eliminating supplemental grants, cutting Federal Work Study in half and maintaining the current Pell Grant maximum award. The President proposes changes to allow Pell to be used for short-course and certificate programs. Mr. Miller said that he points Congressional offices to the PA Tip Program if they want to see what a good program looks like. The proposed changes establish student loan maximums for PLUS and Grad PLUS.

Mr. Miller stated that reauthorization is supposed to be done every five (5) to six (6) years and Congress is making another try. Senate staffs are meeting, and he said that Senators Alexander and Murray need to reach an agreement, while the House Committee is still organizing and identifying its member's issues of concern and interest. If reauthorization does happen, it is likely to include FAFSA simplification with possible reliance on IRS data only; fewer repayment options for "new borrowers"; and revising the formula for allocating FWS and SEOG. The current formula favors old-line schools and states like PA, and we need to ensure that Senators Casey and Toomey are aware since the new formula will propose moving more funds to western states. Reauthorization will also likely include incentives for states to increase investment in higher education; for example, maintenance of effort requirements, or other strings attached as requirements for accessing certain federal funds. Mr. Miller said that The White House is becoming more involved in higher education issues; an executive order is expected today on free speech on campus and, possibly requiring colleges to release data on student success. Last week, the White House released its priorities for Higher Education Act reauthorization, which are largely the same as the proposals in the President's budget.

At the conclusion of Mr. Miller's report, Chairman Peifer asked Nathan Hensch to explain the importance of a Pell Grant. Mr. Hensch said it is a need based grant, like the PA grant; the maximum award is \$6,195, and coupled with the state grant of \$4,123, a student with a \$0 EFC would receive over \$10,000 to attend school. Pell grant eligibility is a lower income compared to the state grant in which the eligibility reaches more into middle income families with higher incomes.

Mr. Steeley then acknowledged Mr. Miller for his service, stating that he served as PHEAA's Senior Vice President and Director of Federal Relations, and is retiring in April after more than 20 years of service. Mr. Miller has well-represented PHEAA in Washington, D.C. since 1998, serving as our primary liaison with the U.S. Congress, the U.S. Department of Education, and other federal agencies. He is well-known both in and out of PHEAA, and within the financial aid industry. Mr. Steeley stated that he was impressed with the network of people that Mr. Miller knows; at a recent Education Finance Council meeting they both attended, only 1 out of the total 60 people in attendance did not know Mr. Miller. Mr. Miller has worked with PHEAA employees from all areas who have helped to support his work in D.C. – just as he is well-known in the student aid industry for championing our fight for creating affordable access to higher education. He has received numerous awards during his tenure. Most recently, he was awarded the PASFAA Life Membership Award – the highest award that PASFAA has to bestow upon an individual. The award is given to those who have made an outstanding and sustained contribution to student financial aid. He has also served NCHER (formerly NCHHELP) in numerous capacities during his tenure, as an active member of various committees and as the chair of their Board of Directors in 2005-2006. Mr. Miller has dedicated his career at PHEAA to ensuring that the Agency is engaged in the efforts of student loan servicing advocacy groups, that higher education remains accessible, and that borrowers are served well. Mr. Steeley concluded by thanking Mr. Miller for his service.

Hearing no more questions or comments, Chairman Peifer called up Agenda Item #4.

4. **President and Chief Executive Officer's Report**

Chairman Peifer called on Mr. Jim Steeley. Mr. Steeley thanked the Chairman and called on Mr. Marc Bitsko who oversees the FedLoan Servicing (FLS) operations center including Tier 2 and 3 calls and processing Employment Certification Forms (ECFs). An ECF is the form completed by eligible employers for borrowers to enter into the Public Service Loan Forgiveness program. Mr. Bitsko thanked the Chairman and Mr. Steeley and provided an overview of Temporary Extended Public Service Loan Forgiveness (TEPSLF) – a new program launched by the Department of Education (DOE).

Mr. Bitsko noted that in the fall, we talked to the Board about the challenges of Public Service Loan Forgiveness (PSLF). PSLF began in the 2000s, and there was not a lot of public information about the program. FLS began administering PSLF in 2012.

In May of 2018, the DOE launched TEPSLF, a limited opportunity made possible by a \$700 million allocation through the Consolidated Appropriations Act of 2018, which provides more borrowers the opportunity toward student loan forgiveness who were otherwise denied based solely on repayment plan type. The allocation of funds is based on a first-come, first served basis and borrowers must have met the following criteria to be eligible for TEPSLF: (1) submitted a PSLF Application for Forgiveness (PSLF application) and had that application denied only because some or all of the payments were not made under a qualifying repayment plan for PSLF; (2) had at least 10 years of full-time employment certified by a qualifying employer; (3) met the requirement for the amount paid 12 months prior to applying for TEPSLF and the last payment made before applying for TEPSLF to be at least as much as would have been paid under an income-driven repayment plan (to simplify, was the amount paid equal to or greater than payments in an income driven repayment plan); and (4) made 120 qualifying payments while working full-time for a qualifying employer or employers.

Mr. Bitsko said that specific to the program, only Direct Loans are eligible. FFEL, Perkins, Direct Parent Plus, Defaulted Direct loans are not eligible loans. Extended eligible loan programs beyond the Income Driven Plan include: Graduated Repayment Plan, Extended Repayment Plan, Consolidated Standard Repayment Plan and Consolidated Graduated Repayment Plan.

On May 21, 2018, PHEAA began implementing Phase 1 of the 2 phased TEPSLF implementation process. Phase 1 consisted of providing borrowers the opportunity to request consideration for TEPSLF, and we began accepting email requests for TEPSLF reconsideration. Phase 2 outlined the process which requires PHEAA to review reconsiderations and determine. On August 28, 2018, PHEAA officially began processing TEPSLF Reconsideration requests and by close of business on August 29, we had completed 2,509 reviews.

As of March 12, 2019, we have received 45,448 requests for reconsideration and 385 borrowers have reached forgiveness for a total amount of \$15,345,785.72. Mr. Bitsko stated that this amount includes the total amount of principal and interest forgiven. He said there has been a lot of interest in the program, but those borrowers who have not been forgiven may have been on an incorrect repayment plan, or may not have met all of the other requirements such as eligible employment. We have another 1,500 customers working through the process; they have not been excluded because of eligibility at this time.

Mr. Bitsko pointed to Page 5 of the presentation and said there is a lot of negativity around the program, but there are positive, life changing events to share that the general public does not get to hear about. In some instances, we do hear back from our customers with positive feedback such as this social media post on this page. Page 6 shows a (\$2,429) - this consists of additional funds and this borrower actually received a refund in that amount based on the payments that were made.

Mr. Steeley added that we wanted to share some of the positives of the program; much of the media tends to be critical of PHEAA and the Department of Education. But a lot of what is included in the news is not the whole story. The statistics of 99% of the borrowers being denied is only partially true; some of it is true, but most borrowers are denied because they are not in the right repayment plan or have yet not met the required ten years of employment. The purpose of the TEPSLF program is to correct borrowers who were on the wrong plan.

Senator Blake thanked Mr. Bitsko for his work, and commented that 385 borrowers forgiven for a total of \$15 million equates to approximately \$40,000 per borrower. He asked how much money is available. Mr. Bitsko responded that there was \$350 million to start and that has increased to \$700 million. Senator Blake said that he has constituents who fall into the category of being in the wrong repayment plan, and he expressed his appreciation for the work Mr. Bitsko and his team is doing. Mr. Steeley said that the number one reason borrowers are in the wrong plan is because the prior servicers did not have the information, as PHEAA is the sole servicer for PSLF. He explained that once a borrower applies for the program, the loan is transferred to PHEAA from the previous servicer.

Representative Carroll asked if we are notifying borrowers who are otherwise eligible with the exception of the ten years of eligible employment threshold, and encouraging them not to drop out of the program. Mr. Steeley said the borrower portal is available. Once they send in the ECF and it is approved, borrowers can see the number of payments counted toward the 120 payments. We are working with the Department of ED to reword denial letters so the borrowers know why they were denied and to encourage them to stay on track using softer wording. Representative Carroll urged us to stay in communication with the Department to get there, and commented that it is sad that borrowers are so close and drop out of the program, thereby derailing forgiveness. Mr. Steeley said he agrees wholeheartedly.

Representative Sonney asked if these programs began a long time ago (ten, eleven years ago?), and if so, are the problems new. Mr. Steeley said the program started in 2007 under President Bush, and it was limited in the early years - the Department did not give it much thought in the first five years. In 2012, the Department of ED awarded PHEAA the contract to service the program. We started to identify issues with the program as early as 2013 and subsequently, the issues borrowers were facing. We think the Department can fix some of the issues but some items need congressional action. Mr. Miller began to advocate with the DOE - some of the issues the DOE has the authority to fix; others need Congressional approval to fix. Representative Sonney asked if that meant PHEAA became proactive before borrowers were even eligible to be forgiven. Mr. Steeley said that is correct - as soon as we began receiving applications and saw the complexities, we tried to advocate for program changes.

Mr. Steeley then called for an Executive Session to receive a litigation and contract update, which if conducted in public, would lead to the disclosure of information and confidentiality that is protected by statute.

Upon the return to Regular Session, Chairman Peifer called up Agenda Item #5.

5. **Entry of Additional Orders of Default**

Chairman Peifer called on Mr. Steeley, who reported that there are several orders of default that require Board action. The borrowers outlined on the attached spreadsheet have been notified several times by PHEAA that they need to repay certain obligations to the Agency. In all of these cases, recipients received a grant for college but did not fulfill their obligations for receiving the grant. Board action is necessary in order for PHEAA staff to continue to attempt to collect on these grants - now converted to loans – as required by the program's statutes.

Mr. Steeley suggested to Chairman Peifer that the Board adopt the attached resolution in order to authorize PHEAA staff to continue to collect on the loans.

Hearing no questions, Chairman Peifer called for a motion to adopt the Order of Default Resolution, as presented. Vice Chairman Fontana made the motion, seconded by Representative Delozier, and the Resolution was unanimously adopted and is attached to these minutes.

Chairman Peifer called up Agenda Item #6.

6. **Other Business**

Hearing no other business, Mr. Reinard made the motion, seconded by Vice Chairman Fontana, and Chairman Peifer adjourned the meeting.

**Resolution of the Board of Directors
Pennsylvania Higher Education Assistance Agency
Order of Defaults
Adopted March 21, 2019**

WHEREAS, Act 102 of 1982 authorized an Administrative Loan Collection Process for the Pennsylvania Higher Education Assistance Agency, including use of a Statement of Claim; and

WHEREAS, this legislation provides that the Agency "may initiate action against borrowers whom it deems to be indebted to it by filing a statement of claim in the records maintained by the Agency"; and

WHEREAS, a Statement of Claim has been filed against each of the borrowers whose names appear on the List of Recommended Cases for Entry of an Order of Default dated March 21, 2019; and

WHEREAS, a summary of the Statement of Claim has been served on each such borrower by first-class mail in compliance with the requirements of Act 102; and

WHEREAS, 30 days from the date of service have elapsed and none of these borrowers has filed a response to the Statement of Claim as required by Act 102; and

WHEREAS, the President and Chief Executive Officer has recommended to the Board of Directors of the Agency that an Order of Default against these borrowers be entered by the Board to be lodged in Agency records;

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors of the Pennsylvania Higher Education Assistance Agency enters an Order of Default to be lodged in Agency records against each borrower whose name appears on the List of Recommended Cases for Entry of an Order of Default dated March 21, 2019.