



1200 North Seventh Street, Harrisburg, PA 17102

**Meeting of the Board of Directors
April 23, 2020 – 10:00 AM**

A meeting of the Board of Directors was held on April 23, 2020, at 10:00 a.m. **via teleconference only.**

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 Sheryl Delozier
Senator Arthur Haywood
Senator Vincent Hughes
Senator Kristin Phillips-Hill
Honorable Roy Reinard
Representative James Roebuck, Jr.
Representative Curtis Sonney
Chancellor Timothy R. Thyreen
Executive Director Robin Wiessmann
Noe Ortega, Dep. Sec. for Postsecondary and Higher Ed.
James H. Steeley, President and CEO
Jim White, Board Counsel

Those absent were:

Representative Angel Cruz
Representative Anita Kulik
Representative Steven Mentzer
Senator Mario Scavello
Secretary of Education Pedro Rivera

Also in attendance:

Ms. Alycia Lauretti, Representative Roebuck's Office; Ms. Liz Craig, Senator Hughes' Office; Ms. Christine Crone, Representative Sonney's Office; Nicole Duffy, AICUP; Tom Owad, Rock the Capital Video Crew; Jan Murphy, The Patriot News and PennLive, Ms. Carolyn Simpson, PA Commission for Community Colleges, Doug King, PwC, and the following PHEAA staff: Bethany Coleman, Amanda Foster, Mike Garman, Nathan Hench, William Lindsey, Stephanie Martella, Elizabeth McCloud, Andy Mehalko, LaWanda Morris, Keith New, Tara Patterson, Jodi Shomper, Kathleen Smith, and Jean Svoboda, Mike Hendler, Jai Prakash and Mark Eppley

Ms. Jean Svoboda, Board Secretary read the name of each board member in attendance. After establishing the presence of a quorum, Chairman Peifer called the meeting to order and called up Agenda Item #1.

1. **Minutes**

On a motion made by Senator Blake and seconded by Senator Fontana, the minutes of the March 19, 2020 meeting were unanimously approved.

Chairman Peifer called on Representative Roebuck for Agenda Item #2.

2. Committee Report

Representative Roebuck thanked the Chairman and reported that the Executive Committee met on April 22, 2020. After a quorum was established, the minutes of the meeting held on February 19, 2020 were adopted. The Committee then entered into Executive Session and received a compliance report, an update on PHEAA's finances, a technology update, a legal report, and a regulatory update, which, if conducted in public, could lead to the disclosure of information protected by statute. The Committee returned to Regular Session, no other business was discussed and the meeting was adjourned.

Representative Roebuck concluded his report and hearing no questions from the Board, Chairman Peifer called up Agenda Item #3.

3. PA State Grant & Special Programs Summer 2020 - Coronavirus

Chairman Peifer called on Mr. Nathan Hench. Mr. Hench thanked the Chairman and noted that ordinarily the Board would be receiving a full report from the Committee on Need Analysis and Aid Coordination with a recommendation to adopt a formula for the 2020-2021 PA State Grant Program. Mr. Hench said that after several conversations with Board leadership, Appropriations staff of the General Assembly and Chancellor Thyreen, as Chairman of the Committee, it was decided that the Board's review and adoption of the formula would be postponed until the May 2020 meeting.

Mr. Hench then asked the Members to turn their attention to the memo titled "Summer 2020 - PA State Grant and Special Programs COVID-19 Impact." He stated that PHEAA continues to monitor the COVID-19 situation and has maintained contact with Pennsylvania postsecondary schools as they continue with operational changes that may include, but are not limited to: 1) moving students from the traditional classroom environment to distance education; 2) adjusting the academic calendar; 3) allowing for more coursework to be taken pass/fail; and 4) cancelling certain educational experiences, such as study abroad or student teaching.

Mr. Hench reported that given the impact COVID-19 continues to have on Pennsylvania postsecondary schools, PHEAA remains focused on providing relief for the health and safety of all Pennsylvania families and students as they pursue their postsecondary education. He stated that it is the recommendation of PHEAA program staff that the following resolution be considered and adopted by the PHEAA Board of Directors. Consistent with the resolution that the Board approved in March, the resolution below would allow the President and CEO or his designee to relax the necessary program requirements that would allow Pennsylvania students and families to continue their postsecondary education without disruption to funding for the Summer 2020 term. Mr. Hench read the Resolution that is attached to these minutes.

Hearing no questions or comments for Mr. Hench, Vice Chairman Fontana made the motion, seconded by Representative Carroll and the Resolution was unanimously passed as read by Mr. Hench.

Chairman Peifer called up Agenda Item #4.

4. Operations Update/COVID-19 Borrower Relief

Chairman Peifer called on Ms. Stephanie Martella who thanked the Chairman and provided an update on COVID-19 activities as they related to (1) PHEAA Third Party Commercially Serviced Client Activity (2) Customer communication and self-service and (3) Operational Activities and PHEAA Loan Operations COVID-19 Timeline.

Ms. Martella stated that in mid-March 2020 PHEAA began receiving inquiries from Commercial clients related to options available for COVID-19 impacted customers while during this same time frame President Trump deemed COVID-19 a Natural Disaster.

She stated that various options were applied with effective start dates of March 11, 2020. Ms. Martella first described the options available for Commercial Loans and stated that the Legacy FFELP Loans, loans not owned by Federal Student Aid, follow Department of Education Regulations for a Natural Disaster Forbearance, which could be applied for up to 90 days and interest would not be capitalized during this time frame. All FFELP holders supported this option.

Ms. Martella stated that for private loans, a Natural Disaster Forbearance could be applied for up to 90 days, at the discretion of the holder and interest would not capitalize during this time frame. Any payments past due/delinquent would be covered with an Administrative Forbearance and without capitalization of interest. The Forbearance time utilized on a customer's loans would not decrease the loan term permitted for repaying the remainder of the loan. She stated that additional options were available at the holder's discretion and included: interest waiver, any interest accrued on the loan may be written off; reduced interest rates; waived late fees; ceased collection activities on Private Loans; outreach/collection activities on FFELP continue with a soft approach while PHEAA monitors pending legislation related to FFELP Commercial Loans. These are loans guaranteed by the Department of Education, thus require a change to the HEA regulations to cease collection activities); credit reporting for customers who are reported as current or with a special code representing the forbearance activity during this time. The Natural Disaster Special Code is neutral for companies like Vantage Score and FICO when reviewing credit criteria; standardized letters were sent to customers to inform them of any COVID-19 related changes made to their loans.

Ms. Martella noted that while PHEAA began tracking all client related inquiries in mid-March, PHEAA sent a formal letter to all third party FFELP holders for whom PHEAA services loans on April 3, 2020 to inform them of options available to provide relief to their customers. This type of notification is utilized with external state and federal regulations to demonstrate PHEAA's consideration of their respective customers concerns.

Ms. Martella stated that while PHEAA services for over 200 clients nationally, 80 percent of these clients are smaller in volume and hold FFELP loans only. PHEAA has received directives for thirty clients, which includes our top twenty in volume/dollars. As of April 17, 2020, the following applies: all thirty clients have Private Loans serviced by PHEAA and are offering the Natural Disaster Forbearance, two are applying the forbearance automatically to any customer that reaches 30 days delinquency. One private loan client (that also has FFELP) has modified the interest rates / or is waiving interest for a period of time. Five private loan/FFELP clients are waiving late fees. Three clients have ceased collections.

Ms. Martella reviewed the guidance that was received from FSA on March 27, 2020 related to COVID-19 Relief. She stated a series of three change requests were issued to PHEAA. PHEAA and other Servicers collaborated with FSA to develop solutions. Collection activities were ceased no later than April 3, 2020. Interest rates were modified for almost 7.5 million customer accounts effective March 13, 2020 through September 30, 2020. Emergency Forbearance were applied to all FSA owned loans with no capitalization of interest with exception to in school/in grace populations which began on March 13, 2020 and will run through September 30, 2020. Also, Administrative Forbearances were applied with no capitalizing of interest to cover prior delinquency. PHEAA ensured that all customers were reported as current and to the four major credit reporting agencies (Trans Union/Equifax/Experian/Innovis). Requirements for Forgiveness Programs (PSLF/IDR) were waived and payments were considered being made monthly during the Emergency Forbearance period. PHEAA processed well over 30 million adjustments on the FSA portfolio within ten business days.

Ms. Martella provided an update on customer communication and self-service and stated that in mid-March PHEAA began a series of multi-daily updates to the PHEAA, AES and FLS public sites, as well as, self-service tools to assist customers in applying for the Natural Disaster Forbearance. PHEAA customized the messaging based on the guidance and directives that were provided to PHEAA throughout the last thirty plus days. She stated that customers have been afforded the opportunity to apply for the Natural Disaster Forbearance prior to automated applications in some circumstances via the Integrated Voice Response (IVR) that was available by dialing the toll free customer service line, the consumer portal embedded with PHEAA's websites, and the mobile application. Customers could also contact a customer service representative directly to apply for the forbearance and documentation was not required.

She reported that email outreach efforts occurred in April 2020 to customers who had not yet utilized one of the self-service tools or had not contacted AES to ensure they were aware of the relief options available to them. Monthly billing statements are being updated to ensure every customer understands relief options are available if they have not already received the forbearance or other benefits. She also noted that as of April 3, 2020, 12,236 customers opted out of the forbearance or asked to have the forbearance removed from their account, specifically FSA owned loans.

She reported that industry / external communications included conference calls that have occurred with State Regulators, the Consumer Financial Protection Bureau (CFPB), Banks, Financial Institutions, and Industry Trade Groups to collaborate with other parties and provide updates on PHEAA COVID-19 related activities.

Ms. Martella outlined the operational activities for PHEAA Loan Operations that occurred in response to COVID-19. She stated that on March 16, 2020 PHEAA suspended some business activities in order to evaluate Governor Wolf's directive for essential businesses. PHEAA staff was informed through the automated messaging system not to report to the office but staff that was equipped to telework was advised to continue working remotely and staff without equipment was advised that they would be provided equipment to telework. The AES Commercial Contact Center was closed for 3 business days but processing work continued. PHEAA deployed staff in professional positions that had past experience across the organization to assist with AES/FLS processing work. On March 17, 2020, FedLoan Servicing (FLS) Tier 2 sub-contractors Performant, located in Texas and WIPRO, located in Florida remained available to accept customer calls. During this time, Human Resources deployed the Clean Team and sanitized each floor of the HQ building. Digital Technology Staff programmed

current devices for teleworking, ordered additional laptops and deployed well over 1400 staff to telework from the contact center and other operational areas within PHEAA.

Ms. Martella stated that on March 19, 2020, clarification was received that PHEAA was able to continue to operate under the Governor's directive as a result of the financial services exception. A message was sent to the workforce that devices could be picked up at headquarters as their safety and time allowed. Staff not already equipped to telework returned to the office in a staggered approach and obtained equipment to work from home over these three days and through that weekend. As such, the AES contact center telephone lines opened on a limited basis with modified hours. By March 23, 2020, the vast majority of FLS staff (73%) worked from home on processing and telephone calls. She reported that 63% of AES staff was equipped to work from home and only 3% worked on-site. As of April 23, 2020, only 63 employees worked on-site in various locations due to the lack of internet bandwidth, no internet access or the inability to telework due to personal reasons. She stated that on March 24, 2020, all remaining AES telephone lines opened and normal contact center hours of operation resumed.

Ms. Martella reported that on March 25, 33 employees at the Seaport office, whose jobs were scheduled to end as a result of the planned site closure, agreed to remain on with PHEAA and were equipped to telework. PHEAA continued its staggered approach to equip employees and on March 26, 2020, 90% of FLS staff was teleworking and 81% of AES staff was equipped to telework. On March 30 2020, headsets were deployed to all remote locations in Pennsylvania and Tampa, Florida to telework. She reported that by April 6, 2020 (after a period of 14 days) FLS resumed normal hours of operation and was fully operational through telework. She stated that with each day significant progress was made from an operational, client, systemic and overall business standpoint.

Hearing no questions for Ms. Martella, Mr. Andy Mehalko provided an updated on the COVID-19 pandemic relief efforts for PHEAA owned student loan customers. He reported that PHEAA's PA Forward private student loan portfolio as of March 31, 2020 stood at \$37.3 million, with \$8.9 million in active repayment. PHEAA also owns approx. \$16 million of legacy Keystone Extra and MedBest private loans that originated prior to 2009 and FFELP loan portfolio of \$3.4 billion. Mr. Mehalko stated that for PHEAA's private loan customers affected by the COVID-19 pandemic, three month natural disaster forbearance was offered which suspends payments for this time period. PHEAA waived late fees if charged, and cleared any delinquency that existed prior to the disaster declaration with no negative credit reporting. These options are applied to co-signers as well. He stated another measure PHEAA implemented for the PA Forward Refinance Loan Program was to proactively contact all in-process applicants, which encouraged them to consider options before refinancing federal student loan debt as they would waive the benefits enacted by the CARES Act.

Mr. Mehalko stated that as of April 23, 2020, the options for PHEAA owned FFELP borrowers included forbearance, deferment and income based repayment. He stated in certain cases consolidation into the federal direct program was an option. Late fees were waived if requested during the disaster time period. He stated that interest would continue to accrue on all PHEAA owned loans, both private and FFELP but would not capitalize at the end of the forbearance period. Hearing no questions for Mr. Mehalko, Ms. Kathleen Smith provided a federal update.

Ms. Smith reported on the PA delegation Briefing via zoom on April 20, 2020. Members who were present included Representative Smucker, Representative Dean, Representative

Keller, Representative Lamb, and Representative Scanlon. Staff from several other offices also participated. Topics discussed with the Members included the FFELP Parity initiative, a letter from Community leaders to hill leadership, and the letter to the U. S. Department Education from trade organizations. Senior staff also provided an update as to COVID-19 related activities both within the Agency and in implementation of the CARES Act. In relation to the FFELP Parity issue, Ms. Smith shared with the Board that Representative Stefanik (R-NY) introduced the Equity in Student Loan Relief Act, a bipartisan bill that would extend the temporary relief provided for in the CARES Act to FFEL borrowers.

Ms. Smith reported that the CARES Act is a \$2 trillion bill that provides funding for institutions of higher education and relief to students and student loan borrowers to manage student loans. It also provides funding directly to States. On April 21, 2020, a \$484 billion supplemental bill, known as CARES Act 3.5 was passed by the Senate. The deal included an additional \$321 billion for the Paycheck Protection Program (PPP). The bill was passed by the House on April 23, 2020.

Hearing no questions or comments for Ms. Smith, Chairman Peifer called up Agenda Item #5.

5. **DTS Update**

Chairman Peifer called on Mr. Doug King. Mr. King thanked the Chairman and said he would defer to Mr. Mike Hendler, Vice President for Infrastructure and Operations, Mr. Jai Prakash, Head of Digital Operations, and Mr. Mark Eppley, Vice President of Servicing Platform for an update on the Datacenter move, PHEAA's remote work enablement, and PHEAA's response to support COVID-19 response and the CARES Act legislation. Mr. King called on Mr. Hendler.

Mr. Hendler provided the update on PHEAA's Datacenter migration project. He stated the objective of this project was to shift all IT assets from the Harrisburg Legacy Datacenter, the Annex, to the modern, Tier 3 Iron Mountain Datacenter (IRM). He said the Iron Mountain Data Center is a 200-acre facility that is 220 feet below the surface, and is located about one hour north of Pittsburgh, PA. He reported the migration was successful and the project is 95% complete. The aged network infrastructure was replaced with current generation networking equipment which increased network capabilities and redundancy. PHEAA leveraged a loaner Mainframe and storage so that PHEAA was able to stage, migrate and validate which reduced customer outage windows and ensured a successful migration to IRM. He stated the PHEAA Mainframe and DASD were then shipped to IRM and quickly replaced the loaner equipment. With the leveraged storage replication and virtualization prevented downtime and reduced risk of a "lift & shift" type migration. He stated that 1,260 systems have migrated and over 1PB of storage was replicated. He stated the final step for project completion is the final physical move of the remaining equipment scheduled on April 28, 2020. Facilities shutdown of Annex Datacenter is scheduled to occur in May 2020. Mr. Hendler concluded his update and called on Mr. Jai Prakash.

Mr. Prakash thanked Mr. Hendler and provided an update PHEAA's enablement of remote work. Mr. Prakash stated that work from home was successfully enabled for more than 1,800 full time employees in two weeks. He stated that within two weeks 93% of PHEAA employees were working from home and he said this accomplishment was a reflection PHEAA's spirit and core values across the agency. He reported that PHEAA supplemented existing equipment stock and ordered 200 headsets, 500 laptops, 250 monitors, and 200 external badge

readers to enable remote work. Facilities staff and DTS staff collaborated and distributed existing and new equipment to employees in all divisions across multiple sites. He stated that training content and self-help guides were created to set up equipment at home. Mr. Prakash reported that additional bandwidth from AT&T was added to decrease latency and network performance. Additional VPN capacity and bandwidth was implemented through CenturyLink to allow for redundancy and faster speeds for those working from home. The work from home enablement was quickly improved and stabilized which was a huge win for moving PHEAA forward and keeping employees safe. Mr. Prakash concluded his report and called on Mr. Mark Eppley.

Mr. Eppley thanked Mr. Prakash and provided an update on the efforts by Digital Technology Solutions to support PHEAA's response to COVID-19. He stated that PHEAA's system response to Coronavirus Aid, Relief, and Economic Security Act or the CARES Act thru FSA requirements under CR 5505 included the following actions. He stated on April 3, 2020 collections, billing, and direct debit system activities were suspended. A new process was created and identified over 36 million FLS serviced loans and applied a 0% interest rate by April 10, 2020. He stated that numerous changes to support borrower messaging were applied to the IVR, Portal and Mobile engagement channels. Mr. Eppley reported that self-service forbearance request processes were enabled in all channels. Emergency forbearance payment suspension was applied to over 23 million FLS Serviced loans. He stated that PHEAA also processed the 0% interest rate change and emergency forbearance applications for our NFP Clients as well. He stated the work will continue on FSA CR 5505 into Summer 2020, to ensure the system can bring impacted borrowers back into repayment in accordance with FSA requirements, after these unprecedented rate change and mass forbearance application events expire.

Mr. Eppley reported on the borrower relief options for PHEAA's commercial clients. He stated that PHEAA's standardized system offering aids commercial lenders by providing relief to their borrowers, who are serviced by AES. Clients can chose one or a combination of the following, for use with customized borrower segments and date ranges: mass suspension of collections activities; mass application of emergency forbearance and accrued interest relief. Mr. Eppley concluded his update.

Hearing no questions for the DTS team, Chairman Peifer called Executive Session. The Board went into Executive Session and the following topics were covered: received an update on PHEAA finances and a legal report. The purpose of the Executive Session was to discuss agency business, which if conducted in public, could lead to the disclosure of information and confidentiality that is protected by statute.

7. **Other Business**

Upon the return to Regular Session and hearing no other business, Senator Fontana made a motion to adjourn, seconded by Representative Roebuck, and Chairman Peifer thanked the members and adjourned the meeting.

**Resolution of the Board of Directors
Pennsylvania Higher Education Assistance Agency
PA State Grant and Special Programs COVID-19 Impact
Adopted April 23, 2020**

The PHEAA Board of Directors hereby directs the President and CEO to temporarily suspend, amend, or relax certain program requirements, to the extent permitted by statute, that have been imposed by the PHEAA Board of Directors, CEO, or program staff, and that are impacting the ability for Pennsylvania students to continue their postsecondary education due to the COVID-19 virus. The President and CEO shall temporarily suspend, amend, or relax program requirements for schools and students that participate and/or are enrolled in the Summer 2020 term for the following programs: PA State Grant Program, Institutional Assistance Grant (IAG) Program, Matching Funds Programs, Higher Education of the Disadvantaged (Act 101) Program, Higher Education for Blind or Deaf Students Program, Pennsylvania Internship Program, Ready to Succeed Scholarship Program (RTSS), and the PA Targeted Industry Program (PA-TIP). The President and CEO shall monitor and intermittently report to the PHEAA Board of Directors on the adjustments to program administration that have been made as a result of this resolution and provide a full report at the September 2020 PHEAA Board of Directors meeting.