MINUTES OF TELEPHONE CONFERENCE CALL MEETING
BOARD OF REGENTS OF HIGHER EDUCATION
MONTANA UNIVERSITY SYSTEM

DATE:	February 20, 1992
TIME:	8:15 a.m.
LOCATION:	Office of the Commissioner of Higher Education 33 South Last Chance Gulch Helena, Montana
REGENTS PARTICIPATING BY TELEPHONE:	Chairman Mathers; Regents Schwanke; Johnson; Boylan; Kaze, Rebish
REGENTS EXCUSED:	Topel
PRESENT IN THE COMMISSIONER'S OFFICE:	Commissioner of Higher Education John Hutchinson Chief Counsel LeRoy Schramm; William J. Lannan, Director; Arlene Hannawalt, Program Director; Montana Guaranteed Student Loan Program; James Stipcich, Director, Montana Higher Education Student Assistance Corporation Bob Anez, Associated Press

Chairman Mathers called the conference call meeting to order at 8:15 a.m. Roll call was taken and it was determined a quorum was present, participating by telephone.

Commissioner Hutchinson explained the purpose of the conference call meeting was to seek approval of Item 74-901-R0292, <u>Approval of the Respective Forms and Authorization of Execution and Delivery of a Guarantee Reserve Agreement, a Depository Agreement and a Guarantee Agreement;</u>

and Approval and Ratification of a Guarantee Agreement, A Servicing Agreement and Federal Reimbursement Contracts as requested for the Montana Higher Education Student Assistance Corporation (MHESAC) in connection with MHESAC's plans to issue its Student Loan Revenue Bonds, Series 1992-A and Series 1992-B.

At the Commissioner's request, Jim Stipcich, Director, MHESAC, explained the Board of Regents is being asked today to approve a number of documents, similar to ones approved in the past on other MHESAC financings, in such a way that will enable MHESAC to complete the refinancing of its 1984, 1987, 1988, and 1989 outstanding bond issues. All of the loans MHESAC will acquire under those particular financings have previously been acquired. The previous financings were done on a variable rate basis, primarily due to market conditions at that time. Market interest rates are such now that MHESAC can accomplish a refinancing of those variable rate debts using a fixed rate financing which greatly improves the ability of the corporation to operate in all interest rate environments. This action is also beneficial to the Montana Guaranteed Student Loan Program (MGSLP) and the Board of Regents in that it provides permanent financing for those loans acquired by MHESAC from 1984 to 1991.

Mr. Stipcich further explained the major advantage of the permanent financing element is that each of those prior financings was subject to a letter of credit that may or may not be renewed upon its expiration.

Mr. Stipcich then referenced the two packets of information sent earlier to the Board of Regents. One included the form of the resolution which the Board is asked to approve today. This packet also provided a description of the terms of the financing and a copy of the preliminary official statement which describes the financing. The second packet the Board received included the latest draft of the Guaranteed Reserve Agreement, the Depository Agreement, and the latest draft of the Trustee Guarantee Agreement, the corporation's Guarantee Agreement, and the Servicing Agreement for MGSLP.

Mr. Stipcich noted since those drafts were sent out, MHESAC has been asked to also have the Regents approve and re-ratify the Federal Reimbursement Contracts which the guarantee program entered into in 1980 and as they have been amended over the course of the years.

Mr. Stipcich stated the easiest way to proceed would be for him to respond to questions, or discuss in detail any of the documents sent to the Board.

Commissioner Hutchinson called for questions.

Responding to a question from Chairman Mathers, Mr. Stipcich explained MHESAC will not save a great deal of money in this particular move. Rather the corporation will be improving its ability to operate in both low and high interest rate environments. Under the variable rate financings the corporation is earning more than the maximum amount it is able to keep under federal regulations. Under current interest rate environments, the same will be true under the fixed rate financing. Mr. Stipcich explained the caps set on the amount of money a corporation like MHESAC can retain under these types of financings are set by the federal government.

Regent Kaze sought clarification on some issues. It was determined this is not the first such authorization sought from the Board of Regents. The Board has approved all of these various documents in all of the financings MHESAC has participated in, in a form very similar to those before the Board today.

Regent Kaze clarified that the reason for the refinancing is that if the existing financings are not refinanced a date in time will be reached when it might not be possible to get a letter of credit. Mr. Stipcich concurred with that clarification, and elaborated on the letter of credit term on each of the existing financings. If those letters of credit for any reason were not renewed, the loans pledged to the financings would end up in the hands of another entity such as Fuji Bank, Sallie Mae, etc.

Regent Kaze then spoke to the Board of Regents guarantee of MHESAC obligations. He stated it was his understanding the Board of Regents' guarantee does not under any circumstances commit the State's general fund and that this action has no bearing or impact on the State's taxpayer. Mr. Stipcich stated that is correct.

Mr. Stipcich added a point he felt to be relevant. Each of the financings MHESAC entered into which is proposed here for refinancing contained a conversion feature which if interest rates stayed in a low enough environment for an extended period of time, the financings would automatically kick to a fixed rate. It has always been MHESAC's perspective that it would like to be in a fixed rate mode at any point possible. What MHESAC is doing now is taking advantage of a window in the interest rate environment that will allow MHESAC to move to a fixed rate mode today instead of having to take the risk that interest rates stay low enough for a long enough period of time to force those financings to have to convert to a fixed rate.

Mr. Stipcich explained the bonds were preliminarily marketed yesterday. The transaction is planned for closing on March 12, 1992. At that time the new financing would be accomplished. Market fluctuations were discussed; because the bonds have already been preliminarily marketed, the market rate risk is relatively insignificant.

Hearing no further discussion, Regent Kaze moved approval of Item 74-901-R0292, Approval of the Respective Forms and Authorization of Execution and Delivery of a Guarantee

Reserve Agreement, a Depository Agreement and a Guarantee Agreement; and Approval and Ratification of a Guarantee Agreement, A Servicing Agreement and Federal Reimbursement Contracts. (It was noted this form of the Resolution was amended to include approval of the Federal Reimbursement Contracts and needs no further amendatory clause.)

Regent Kaze asked Chief Counsel Schramm if he had received or seen any information that would cause him concern about the transaction from a legal standpoint. Dr. Schramm responded he had not. As pointed out earlier by Mr. Stipcich, every one of these documents has been approved by the Board of Regents in virtually identical form at one time or another.

The question was called on Regent Kaze's motion to approve Item 74-901-R0292. The motion carried unanimously.

The meeting adjourned at 8:32 a.m. The next regularly scheduled meeting of the Board of Regents will be held on March 19-20, 1992, in Helena, Montana.

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