

## AGENDA ITEM 8.

### MEDIUM TERM FINANCING FACILITY

**Submitted for:** Action

**Summary:** At the June Commission meeting, Commissioners were briefed on plans to recapitalize ISAC. In summary, these plans called for a series of transactions that would create an interim financial structure. Transactions previously approved or being presented today to the Commissioners include: (1) a sale of \$1.3 billion of non-Illinois based student loans; (2) refinancing up to \$400 million of FFELP student loans through an existing facility; (3) utilizing the funds generated by the transactions described in (1) and (2) to provide for the payment of all debt issued under its 1995 and 2001 General Resolutions as well as all series of outstanding Variable Rate Notes; and (4) the refinancing of Illinois nexus "Alternative Loans" through a medium term financing facility. Items described in (1) and (3) are being presented to Commissioners today in the agenda item related to the Partial Sale of the Loan Portfolio. Item (2) was approved by the Commissioners at the June Commission meeting.

With regard to the medium term alternative loan facility, staff issued a Request for Proposals for this facility and received responses from Bank of America Securities LLC, Citigroup Global Markets Inc. and certain affiliates ("Citigroup"), RBC Capital Markets and UBS. After reviewing responses based upon first technical merits and secondly price, staff selected Citigroup as the winning bidder. A summary of the key terms of the Citigroup proposal will be provided to Commissioners separately.

The Citigroup proposal provides more funds at a higher advance rate (the percentage of collateral against which the lenders will advance funds) for a longer period with greater flexibility than staff initially projected. For point of reference, staff's original request was for an 18-month, \$450 million facility and the advance rate was projected to be approximately 90%. Citigroup's proposed advance rate was higher than projected as well as higher than those from other bidders. Citigroup's fees were approximately 0.02% lower than the nearest competitor. The higher advance rate in the Citigroup proposal, combined with the lower cost of funds, will, over the 18-month term of the facility, save close to \$2,000,000.

Staff is recommending that the Commission enter into a Medium Term Financing Facility with Citigroup, having terms similar to those described to Commissioners, for the purpose of providing up to \$500 million to finance a portion of IDAPP's Alternative Loan portfolio.

Additionally, in order to ensure that funds are available on the July 31 closing date, Citigroup has offered to provide, if necessary, interim financing (“bridge” financing) while the Medium Term Financing Facility is being documented. Staff further recommends that the Commission authorize entering into a short-term bridge loan with a maximum maturity of 30 days and a maximum principal amount not to exceed \$400 million, having eligible loan characteristics, collateral requirements and other terms and provisions similar to those described in connection with the Medium Term Financing.

Perkins Coie LLP will serve as counsel to the Commission in connection with the transaction.

**Action Requested:**

“**BE IT RESOLVED** that the Illinois Student Assistance Commission adopt the Resolution authorizing a medium term financing transaction with Citigroup in an initial principal amount not to exceed \$500 million, together with a short-term bridge loan to provide, if necessary, interim financing while the medium term financing transaction is being negotiated and documented.”