

AGENDA ITEM 4.

PARTIAL SALE OF STUDENT LOAN PORTFOLIO

Submitted for:

Action

Summary:

During the past year, the Illinois Student Assistance Commission has indicated publicly its intention to sell certain student loans from its Illinois Designated Account Purchase Program (IDAPP) portfolio in order to provide FY2007 funding for both Monetary Award Program (MAP) grants and the new MAP Plus grant. Funding for both MAP and MAP Plus was authorized, in the form of state appropriations, by the Governor and Illinois General Assembly. The bond resolution herein reproduced sets forth the means by which the Commission can repay principal and interest (defease) bonds issued under its 1992 resolution, and utilize any excess receipts (premium) on these loan sale proceeds to benefit Illinois college students enrolled at Illinois schools who are eligible for MAP Plus grants during the current 2006-2007 academic year.

The sale was supervised by the consulting firms Morgan Stanley and Gardner, Underwood and Bacon. Provisions of the resolution ensure that the sale protects the students' borrower benefits and also begin to redefine ISAC's participation in an increasingly competitive student loan industry. This action is an initial step toward ISAC strategically exiting the business of helping out-of-state students attend out-of-state colleges and, instead, ensuring that the state concentrate upon assuring college affordability for Illinois students.

Following a thorough analysis of ISAC's student loan assets, the Commission along with its advisors has identified a specific portion of the agency's \$4.2 billion loan portfolio which could better serve Illinois students and taxpayers if purchased by other lenders. The redeployment of these student loan proceeds enables the Commission to immediately fund the new MAP Plus grant for Illinois students attending Illinois schools. Legislation creating MAP Plus was signed into law by Governor Rod Blagojevich in July, 2006, to directly aid college students from Illinois' middle-income families. MAP Plus provides up to \$500 to each eligible college sophomore, junior and senior not receiving the need-based MAP (Monetary Award Program), and attending a MAP-eligible school during the 2006-2007 school year.

Funding for MAP Plus - projected at \$34.4 million for 70,000 middle-income students - will come from this sale. The Governor and legislature also provided additional FY2007 funding for the need-based MAP program, \$34.4 million more than provided the year before. It is expected that later this spring a second sale of other ISAC student loan assets will be authorized, with the proceeds used to fund up to \$34.4 million of the agency's FY2007 appropriation for MAP grants.

Action requested:

That the Commission approve the following resolution:

“BE IT RESOLVED that the Illinois Student Assistance Commission approve the attached 2007 Resolution providing for the sale of certain student loans within the IDAPP portfolio for the purpose of supporting student grant programs, administered by the Commission, for which appropriations have been authorized by the Illinois General Assembly and Governor.

RESOLUTION approving the sale of student loans and the defeasance and redemption of certain revenue bonds; in connection therewith authorizing the execution and delivery of an Escrow Agreement, Loan Sale Agreements, a Student Loan Servicing Agreement and such other documents as may be necessary or desirable in connection therewith; providing that the invalidity of any part of this Resolution shall not affect the remainder; repealing all resolutions or portions thereof in conflict herewith; and providing for the effective date of this Resolution.

WHEREAS, pursuant to the provisions of the Education Loan Purchase Program Law of the State, as amended (the "Act"), the Illinois Student Assistance Commission (the "Commission") has established a secondary market for certain educational loans so as to improve student access to loans; and

WHEREAS, pursuant to and in accordance with the provisions of the Act and the Higher Education Student Assistance Act of the State of Illinois, as amended, the Commission is also authorized to acquire and sell student loans; and

WHEREAS, the Commission has previously issued bonds pursuant to a resolution entitled "RESOLUTION authorizing the issue of Student Loan Revenue Bonds of the Illinois Student Assistance Commission, providing for the issue of Bonds by Supplemental Resolution, providing for the payment of the principal and interest on such Bonds, providing for the rights of Holders of such Bonds, creating and establishing certain funds and accounts of the Commission, providing for the appointment, powers and duties of the Trustee and establishing other provisions relating to the issue of such Bonds and the handling of funds of the Commission," which was duly adopted by the Commission on the 2nd day of October, 1992 and which was supplemented by various Supplemental Resolutions providing for the sale and issue by the Commission of Student Loan Revenue Bonds thereunder (collectively, the "1992 Resolution"); and

WHEREAS, the Commission desires to sell the student loans securing the bonds which were issued under the 1992 Resolution and which are currently outstanding (as identified on Addendum I hereto) (the "Bonds"), and to use the proceeds of the sale of such student loans and other moneys held under the 1992 Resolution among other things to defease the Bonds as provided in the hereinafter defined Escrow Agreement and to pay related costs and expenses; and

WHEREAS, there have been prepared in connection with the foregoing the following documents:

(1) the form of the Escrow Agreement (the "Escrow Agreement") between the Commission and The Bank of New York Trust Company, N.A., which is the successor trustee (the "Trustee") under the 1992 Resolution;

(2) the form of the Loan Sale Agreement (the "Sallie Mae Loan Sale Agreement") among the Commission, SLM Education Loan Corp. and SLM Education Credit Finance Corporation;

(3) the form of the Loan Sale Agreement (the "Nelnet Loan Sale Agreement") among the Commission, National Education Loan Network, Inc. and Union Bank and Trust Company, as Purchaser Trustee; and

(4) the form of the Student Loan Servicing Agreement (the "Servicing Agreement") among the Commission, as servicer, and SLM Education Loan Corp. and SLM Education Credit Finance Corporation, as lenders.

NOW, THEREFORE, BE IT RESOLVED BY THE ILLINOIS STUDENT ASSISTANCE COMMISSION AS FOLLOWS:

Section 1. The Escrow Agreement, the Sallie Mae Loan Sale Agreement, the Nelnet Loan Sale Agreement and the Servicing Agreement (collectively, the “Commission Documents”) are in all respects hereby authorized and approved, and the Chair, the Vice Chair and/or the Executive Director are each authorized and directed to execute and deliver the Commission Documents for and on behalf of the Commission, in substantially the form as presented to the Commission on this date, but with such changes, modifications, additions and deletions therein as shall be reasonably necessary, desirable or appropriate, the execution thereof to constitute conclusive evidence of the approval of any and all changes, modifications, additions and deletions from the forms thereof as presented to this meeting.

Section 2. The Commission authorizes the sale of the student loans held under the 1992 Resolution pursuant to the Sallie Mae Loan Sale Agreement and the Nelnet Loan Sale Agreement, in accordance with the respective terms thereof, authorizes the purchase of the government obligations necessary and other investments necessary for defeasance of the Bonds and authorizes the redemption of certain of the Bonds in accordance with the Escrow Agreement.

Section 3. Without in any way limiting the power, authority or discretion elsewhere herein granted or delegated, the Commission hereby authorizes and directs the Chair, the Vice Chair and/or the Executive Director of the Commission to perform or cause to be performed such obligations of the Commission and such other actions as they, in consultation with bond counsel and counsel to the Commission, shall consider necessary or desirable in connection with or in furtherance of this Resolution, and the transactions contemplated by the documents and agreements identified in this Resolution, including, without limitation, the execution and delivery of other ancillary agreements, documents, instruments and certifications, whether or not identified herein, including documents relating to the sale and servicing of loans sold pursuant to the agreements referred to herein.

Section 4. If any provision of this Resolution shall be held or deemed to be or shall in fact, be illegal, inoperative or unenforceable, the same shall not affect any other provision or provisions herein contained or render the same invalid, inoperative or unenforceable to any extent whatever.

Section 5. All provisions of prior resolutions, or parts thereof, in conflict with the provisions of this Resolution are, to the extent of such conflicts, hereby repealed.

Section 6. This Resolution shall be in full force and effect immediately upon its adoption.

ADOPTED AND APPROVED at a regular meeting of the Commission this 26th day of January, 2007.
Attest: ILLINOIS STUDENT ASSISTANCE COMMISSION

Chair, Illinois Student Assistance Commission

Executive Director, Illinois Student
Assistance Commission

Addendum I

Illinois Student Assistance Commission
Student Loan Revenue Bonds, Subordinate Series CC
Taxable Student Loan Revenue Bonds, Senior Series HH
Taxable Student Loan Revenue Bonds, Subordinate Series II
Taxable Student Loan Revenue Bonds, Senior Series JJ
Student Loan Revenue Bonds, Senior Series LL
Taxable Student Loan Revenue Bonds, Senior Series MM
Taxable Student Loan Revenue Bonds, Senior Series NN
Student Loan Revenue Bonds, Subordinate Series OO
Taxable Student Loan Revenue Bonds, Senior Series PP
Taxable Student Loan Revenue Bonds, Senior Series SS-I
Taxable Student Loan Revenue Bonds, Senior Series SS-II
Student Loan Revenue Bonds, Senior Series UU
Taxable Student Loan Revenue Bonds, Senior Series VV-I
Taxable Student Loan Revenue Bonds, Senior Series VV-II
Taxable Student Loan Revenue Bonds, Senior Series VV-III
Student Loan Revenue Bonds, Senior Series XX
Taxable Student Loan Revenue Bonds, Senior Series YY-I
Taxable Student Loan Revenue Bonds, Senior Series YY-II
Taxable Student Loan Revenue Bonds, Senior Series YY-III