



Vermont Student Assistance Corporation

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September 2, 2010

Stephan A. Klein
Chief Legislative Fiscal Officer
State House
115 State Street
Montpelier, VT 05633-5201

Re: VSAC Education Loan Bond Activity in FY 2011

Dear Steve:

This letter responds to your request on behalf of the Legislative Joint Fiscal Committee for updating information about VSAC's loan program in FY 2011. On August 3, VSAC issued \$19 million of tax exempt, private activity revenue bonds to fund its private loan program for the 2010-2011 school year. The structure of the bonds will enable VSAC to make roughly \$24 million of loans.

In prior years, this summer VSAC would also be issuing \$200-\$300 million of private activity revenue bonds to fund federal loans, but effective July 1, 2010, the U.S. Congress terminated the federal loan program VSAC has administered since the 1960's. VSAC is preparing a report for the General Assembly, due January 15, 2011, covering how we are responding to this major program change.

For many years, the four agencies that regularly issue private activity bonds (VHFA, VSAC, VEDA, and the Vermont Municipal Bond Bank), plus certain municipal issuers represented by J. Paul Giuliani, Esq., have collaborated to agree on fair and effective allocations and reallocations of bond cap. Statewide need is determined by December of each year, in advance of the January meeting of the Emergency Board. This process generates a letter from all parties to the Secretary of Administration, containing the recommendation from all of the issuers to the Emergency Board, which considers and acts on the recommendation. This process has worked well and is supported by the participating issuers.

In recent discussions with the Executive Directors of VEDA, VHFA and the Bond Bank, we have learned that to the extent there will be a diminished need for private activity bonds related to student loan programs, those agencies will likely use any additional allocation resulting from this to fund eligible projects as they are proposed and vetted, using their established underwriting

criteria. It is my understanding that the agencies' ability to take advantage of additional bond cap will be driven by the strength of the eligible projects under those underwriting criteria.

I would be pleased to make a presentation about these issues to the Committee, and answer members' questions, although I am not available to do so on September 10.

Sincerely,

A handwritten signature in cursive script, appearing to read 'T. Little', with a long horizontal flourish extending to the right.

Thomas A. Little, Esq.
General Counsel