

CHESLA

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Connecticut Higher Education Supplemental Loan Authority
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November 15, 2010

Elizabeth M. Murphy
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: File Number S7-24-10
File Number S7-26-10

Dear Secretary Murphy:

On behalf of the Connecticut Higher Education Supplemental Loan Authority (“CHESLA” or the “Authority”), I submit the following comments on the Commission’s proposed rules to implement Sections 932, 941, 943 and 945 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd Frank”). I understand that others will be responding to the Commission’s specific requests for comment and addressing specific drafting concerns. I take this opportunity to explain the Authority’s mode of operation, its role in higher education in New England, and why we believe the application of certain provisions of the Dodd-Frank Act to CHESLA is not in the public interest.

The Authority is a political subdivision and instrumentality of the State of Connecticut created to offer lower-cost alternative student loans to Connecticut residents attending public or private not-for-profit colleges and universities and non-residents attending such schools within the State. The Authority provides fixed rate long-term loans pursuant to a single set of underwriting standards posted on its website and does not acquire loans from other lenders. CHESLA finances its lending through the issuance of qualified student loan bonds. The Authority’s loans are pledged to the bond trustee, and the bonds are collateralized by, and payable primarily from, the pool of student loans. The Authority’s two trust estates are collateralized at levels of 102% and 106%. The bonds also are secured by a special capital reserve fund (“SCFR”) which the State is statutorily obligated to replenish to the required minimum on an annual basis. Since 2000, we have originated an average of approximately \$18.5 million per academic year, helping thousands of students and their families finance the cost of higher education.

The Authority has operated for over 25 years with a part-time Executive Director and a staff of two. The Authority receives no State funds for its operations, and relies on student loan revenues to fund its operations. We are limited by tax provisions applicable

to the use of proceeds of tax-exempt bonds as to the amount of loan revenues we may receive while maintaining the tax-exempt status of our bonds. Application of the proposed rules to CHESLA will be burdensome and increase costs, without furthering the purposes of Dodd Frank. Additional administrative demands would likely result in increased borrowing costs to our students and their families without increasing investor security. In addition, although not addressed in the recent releases, the risk retention provisions of Section 941, depending upon the form and definitions of final rules, could mean the end of the CHESLA program, as CHESLA finances 100% of its loans with bond proceeds and does not have assets available to satisfy the risk retention requirements of Dodd Frank.

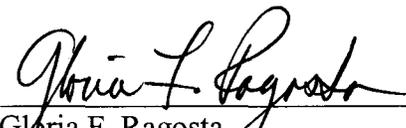
The Authority does not believe that the provisions of Dodd Frank should be applied to municipal securities, and certainly not to those such as CHESLA's, which are secured by a statutory state pledge. The policy concerns that led to adoption of Dodd Frank are not present in the case of traditional municipal securities. The municipal securities markets did not experience the failures or defaults that led to the remediation provisions of Dodd Frank. Nor have and municipal investors experienced such extensive losses.

CHESLA is an important source of financing for families across the economic spectrum in Connecticut. In addition, higher education, both public and private, plays a major role in the economy in the Northeast. I do not believe that any public purpose is advanced by imposing unnecessary administrative burdens upon programs such as CHESLA's and perhaps eliminating it.

CHESLA respectfully requests that the Commission exempt municipal securities from the provisions of the proposed rule as permitted by Dodd Frank. Section 941(b) of Dodd Frank directs the Commission in its rulemaking under Section 15G(b) to provide a total or partial exemption from the risk retention rules for municipal securities. At the least, the Commission should give municipal issuers time to phase in procedures to comply with such rules and attain any budgetary authorizations necessary to implement such procedures.

Respectfully submitted,

Connecticut Higher Education
Supplemental Loan Authority

By: 
Gloria F. Ragosta
Executive director