

# Connecticut Higher Education Supplemental Loan Authority

## Market Overview

Gloria F. Ragosta

Executive Director CHESLA

[ragostag@theccic.org](mailto:ragostag@theccic.org)

Christine Doyle

Managing Director

**Public Financial Management, Inc.**

617-330-6914 (phone)

[doylec@pfn.com](mailto:doylec@pfn.com)

September 10, 2008



**The PFM Group**

Public Financial Management, Inc.  
200 St. Andrew's Management LLC  
PFM Advisors

## Table of Contents

- CHESLA and Capital Market Turmoil
- Bond Insurance
- Variable Rate Bond Market
- Implications for CHESLA

## CHESLA and Capital Market Turmoil

- CHESLA has only issued fixed rate bonds some were insured
- CHESLA has no auction rate securities, variable rate demand bonds, or swaps
- CHESLA's debt portfolio is not under stress from the current market conditions
- CHESLA has relied on AAA monoline bond insurance since 2003
- Market challenge for CHESLA will be securing bond insurance for the upcoming bond issue
- CHESLA could also explore issuing without insurance
- CHESLA is backed by a Special Capital Reserve Fund which is a statutory guaranty

## Asset-Backed Securities

- Linked to packages of mortgages – including sub prime mortgages
- Pass through Securities – As mortgage payments are made they are passed through to investors
- Defaults in Mortgages causing problems for owners of these securities
  - Cash Flows have essentially dried up
  - Causing Financial Institutions to report huge losses

# Bond Insurance