

MAINE STATE LEGISLATURE

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Business & Education
at Work for Maine

March 10, 2010

Hon. Elizabeth Schneider, Senate Chair
Hon. Nancy Smith, House Chair
Honorable Members of the Joint Standing Committee
On Business, Research, and Economic Development
Maine Legislature
Cross State Office Building, Room 208
Augusta, ME 04333

Dear Senator Schneider, Representative Smith, and Distinguished Committee Members:

I am pleased to present you with the Finance Authority of Maine's 2009 *Issuer Report* as required by P. L. 1999, Chapter 433. This law requires that each issuer of tax exempt bonds issued with a portion of the allocation of the state ceiling on tax exempt bond issuance annually deliver to the Governor and to the Legislature's Joint Standing Committee on Business, Research, and Economic Development a report that includes the following:

- A review of what bonds have been issued in the most recent year
- How the state ceiling was allocated or carried forward
- Who has benefited from the proceeds of tax exempt bonds

In addition, each report must be accompanied by a letter from an independent accountant addressing the savings attributable to the use of tax exempt financing and how the savings were passed on to the entities or individuals benefiting from the bond proceeds. The following information, together with the enclosed report, addresses each of these items.

INDUSTRIAL DEVELOPMENT BOND ACTIVITY

FAME began the year with a \$40,000,000 allocation. It did not authorize any usage of this bond cap by year's end. FAME reallocated \$40,000,000 of its unused bond authority through a reallocation agreement among the state issuers group, as required by 10 M.R.S.A. § 363(A-1). \$17,400,000 of unused bond cap carried forward from 2007 remains available for 2010.

HIGHER EDUCATION BOND ACTIVITY

FAME began the year with a \$50,000,000 allocation. It did not authorize usage of this bond cap by year's end. The Authority reallocated \$50,000,000 of its unused bond authority through a reallocation agreement among the state issuers group, as


required by 10 M.R.S.A. § 363(A-1). FAME carried forward \$80,000,000 of bond cap from 2008 to use for student loan bonds. The Authority did not issue any tax exempt bonds in 2009 and the \$80,000,000 of unused bond cap carried forward remains available for 2010. Using proceeds available from previously issued bonds, FAME purchased approximately \$4,207,720 of federally guaranteed student loans in 2009 from the following lenders:

Androscoggin Bank
Maine Education Services
Norway Savings Bank
TD Bank

As FAME continued to face significant challenges in the federal student loan program during the year, the Authority curtailed its purchases of student loans using bond proceeds. For the current academic year of 2009-2010, the Authority originated (rather than purchased) federally guaranteed student loans for the first time. FAME is authorized to utilize a financing program offered by the U.S. Department of Education (U.S.D.E.) to fund the origination of these loans, until such time that a buyer is found for them or the Authority sells them to the U.S.D.E.

If you have any questions regarding this report, please do not hesitate to contact me.

Respectfully submitted,



Elizabeth L. Bordowitz
Chief Executive Officer

Encl.