



Continuing Disclosure Certificate

Mr. Chris McKim, Assistant Vice President
U.S. Bank
CN-OH-W6CT
425 Walnut St.
Cincinnati, OH 45202

The undersigned, the Chief Financial Officer of the Minnesota Office of Higher Education (the Issuer) hereby certifies to U.S. Bank National Association (the Purchaser), a national banking association with reference to the Continuing Covenant Agreement dated as of July 18, 2017, in connection with the issuance of Minnesota Office of Higher Education General Indenture dated July 18, 2017, as amended and supplemented (the "Bonds"), that:

- (1) A complete audit report and opinion of an Accountant and the financial statements of the Issuer for fiscal year ending **June 30, 2020**, containing balance sheets as of the end of such fiscal year and a statement of operations, changes in fund balances and cash flows for the fiscal year then ended, prepared in accordance with generally accepted accounting principles promulgated by the Financial Accounting Standards Board as modified in accordance with the governmental accounting standards promulgated by the Governmental Accounting Standards Board or as otherwise provided under Minnesota law, is accurate and complete in all material respects to the best of my knowledge.
- (2) The following unaudited information is accurate and complete in all material respects to the best of my knowledge:
 - (1) Information regarding the operating budget of the Issuer for the current fiscal year and the Loan Capital Fund for the most recent fiscal year of the type contained under the caption "Minnesota Office of Higher Education - Financial Information" in the Official Statement.
 - (2) Information for the most recent fiscal year regarding the amount of student loans originated, the outstanding principal balance of student loans as of the end of the most recent fiscal year and loan loss and recovery experience and borrower delinquencies for the most recent fiscal year of the type contained under the caption "The Supplemental Student Loan Program—SELF II, SELF III, SELF IV, SELF V, & SELF Refi Program Overview" and "—Loss and Delinquency Experience for the Student Loan Portfolio" in the Official Statement.

IN WITNESS WHEREOF, the Issuer has executed and delivered this Continuing Disclosure Certificate as of the 28th day of October, 2020.

MINNESOTA OFFICE OF
HIGHER EDUCATION

By: 
Chief Financial Officer

Minnesota Office of Higher Education - Financial Information
Fiscal Year Ending June 30, 2020

Prior Financing Activities. MHECB, MHESO and the Issuer have issued \$2.51 billion in aggregate principal amount of revenue bonds under its various loan programs since 1973, over one third relating to the previous lending activities under the federal guaranteed student loan program (the "GSL Program"). MHECB discontinued originating loans under the GSL Program in 1988, and as of June 30, 2016, there were no outstanding GSL Program loans in its Loan Capital Fund.

Approximately \$1.91 billion of the revenue bonds previously issued by MHECB, MHESO, and the Issuer are related to the supplemental student loan programs. Of this amount, four series of bonds aggregating \$498.63 million in principal amount remained outstanding as of June 30, 2020.

The Issuer is authorized to have outstanding an aggregate \$850 million of revenue bonds, exclusive of refunded and defeased bonds, under current State law. Neither bonds issued by the Issuer, nor bonds previously issued by MHECB or MHESO, constitute debt of the State.

Operating Budget. As of September 30, 2020, the Agency's 2020-2021 operating budget, exclusive of its supplemental student loan programs, is \$264,342,959, of which it is anticipated \$3,994,554 will come from federal appropriations, \$253,842,511 from State appropriations, and \$6,505,894 from miscellaneous special appropriations. None of these funds are available for use in the Supplemental Student Loan Program or any other student loan programs. None of these funds are available for the payment of the outstanding bonds referenced above.

General Financial Information. The Loan Capital Fund ("LCF"), which is maintained as an Enterprise Fund of the Agency, is the funding source for the Agency's student loan activities, both present and future. Certain summary financial information for the LCF for the past three years is presented in the table below. The Agency anticipates using money in the LCF to pay certain Program Expenses and costs of issuance, and, under certain circumstances, money and loans in the Loan Capital Fund that qualify as Student Loans pursuant to the terms in the Indenture to replace or repurchase Defaulted Student Loans. The LCF is not pledged to pay bonds in any indenture.

SUMMARY FINANCIAL DATA FOR THE LOAN CAPITAL FUND

	Fiscal Year Ended June 30,		
	2020	2019	2018
Total assets	\$ 1,035,413,692	\$ 1,026,072,816	\$ 968,417,826
Total cash and investments	250,106,895	228,775,545	251,248,420
Total loans outstanding, less allowance for loss	469,551,902	492,364,326	512,779,850
Allowance for loan losses	7,636,280	8,011,432	8,338,884
Total revenues	25,763,853	36,952,045	30,692,863
Total expenses	<u>15,739,078</u>	<u>16,645,153</u>	<u>14,125,394</u>
Excess of revenues over expenses	10,024,775	20,306,892	16,567,469
Total fund balance	\$530,970,232	\$520,945,458	\$500,638,567

THE SUPPLEMENTAL STUDENT LOAN PROGRAM

SELF Program Overview

Background. MHECB, MHESO, and subsequently the Issuer were authorized by the State Legislature in 1983 to establish and supervise loan programs other than the GSL Program. MHECB began originating supplemental loans in June of 1985 under the first phase of its Student Educational Loan Fund Program ("SELF I") and completed originations under SELF I in September of 1988. At that time MHECB began originating loans under the second phase of its Student Educational Loan Fund Program ("SELF II"). In May 2002, MHESO established the third phase of its SELF Program ("SELF III") and in July 2006 the Issuer established its fourth phase of the SELF Program ("SELF IV"). SELF I through SELF IV Loans are all variable rate loans. The Issuer began offering fixed rate and variable rate loans under the fifth phase of its SELF Program ("SELF V") in October 2010. Currently, all Student Loans originated by the Issuer are made pursuant to the SELF V. In January 2016 the Issuer also began offering refinancing of student loans under the SELF Refi program.

Together, MHECB, MHESO, and the Agency have originated approximately \$2.38 billion of loans under the SELF I, SELF II, SELF III, SELF IV, SELF V, and SELF Refi Programs through June 30, 2020. The following table shows the outstanding principal balance of SELF I, SELF II, SELF III, SELF IV, SELF V, and SELF Refi loans at the dates indicated:

(\$ in Thousands)

<u>As of June 30,</u>	<u>SELF I</u>	<u>SELF II</u>	<u>SELF III</u>	<u>SELF IV</u>	<u>SELF V</u>	<u>SELF Refi</u>	<u>Total</u>
2020	\$0	\$0	\$209	\$69,622	\$390,516	\$16,841	\$477,188
2019	\$0	\$0	\$1,316	\$99,872	\$378,091	\$21,097	\$500,376
2018	\$0	\$0	\$4,797	\$136,924	\$354,589	\$24,807	\$521,118
2017	\$0	\$3	\$12,268	\$180,785	\$325,548	\$26,724	\$545,328
2016	\$0	\$190	\$25,577	\$230,511	\$289,224	\$22,291	\$567,793
2015	\$0	\$1,023	\$46,470	\$283,410	\$247,566		\$578,469
2014	\$0	\$3,436	\$75,535	\$336,763	\$210,063		\$625,797
2013	\$0	\$8,756	\$111,093	\$386,486	\$163,001		\$669,336
2012	\$0	\$18,366	\$152,156	\$434,126	\$102,610		\$707,258
2011	\$0	\$34,138	\$195,824	\$475,124	\$21,568		\$726,754
2010	\$0	\$56,037	\$240,259	\$446,156			\$742,452
2009	\$0	\$83,012	\$283,864	\$353,916			\$720,792
2008	\$0	\$114,250	\$328,321	\$248,630			\$691,201
2007	\$0	\$151,527	\$375,487	\$120,613			\$647,627
2006	\$0	\$194,312	\$412,123				\$606,435
2005	\$0	\$240,387	\$322,308				\$562,695
2004	\$0	\$284,895	\$205,913				\$490,808
2003	\$2	\$330,223	\$99,346				\$429,571
2002	\$9	\$369,839	\$1,524				\$371,372
2001	\$32	\$314,508					\$314,540
2000	\$198	\$260,922					\$261,120
1999	\$849	\$209,876					\$210,725
1998	\$2,962	\$172,788					\$175,750
1997	\$4,093	\$168,812					\$172,905

The Agency (and previously MHECB and MHESO), finances the origination of SELF loans with the proceeds of revenue bond issues and amounts available in the Loan Capital Fund. Although the Agency receives State and Federal appropriations, the SELF program is designed to be self-sustaining, and such appropriations are neither available for use in the SELF Program nor available for the payment of principal and interest on any of the associated revenue bonds.

Loss and Delinquency Experience for the Student Loan Portfolio

The tables that follow set forth, with regard to SELF II, SELF III, SELF IV and SELF V loans, loan loss and recovery experience, shown on an annual basis for the fiscal years ended June 30, 2013 through 2020, and borrower delinquencies, shown on a quarterly basis for quarters ending June 2019 through June 2020. There can be no assurance, however, that the loss or delinquency experience for the Program in the future will be similar to the historical experience set forth below.

SELF I, SELF II, SELF III, SELF IV, SELF V, and SELF Refi Programs

Loss Experience for the Student Loan Portfolio

	12 Months Ended June 30, 2020	12 Months Ended June 30, 2019	12 Months Ended June 30, 2018	12 Months Ended June 30, 2017	12 Months Ended June 30, 2016	12 Months Ended June 30, 2015	12 Months Ended June 30, 2014	12 Months Ended June 30, 2013
Average Receivables Outstanding**	\$495,009,950	\$515,891,647	\$521,123,504	\$562,944,531	\$573,706,586	\$605,044,661	\$650,924,814	\$692,465,872
Gross Losses	\$3,687,138	\$4,115,647	\$4,834,897	\$4,277,024	\$5,684,844	\$5,627,055	\$6,777,757	\$7,312,082
Recoveries	<u>5,507,900</u>	<u>5,999,490</u>	<u>6,388,293</u>	<u>6,297,174</u>	<u>6,446,963</u>	<u>6,730,172</u>	<u>6,608,297</u>	<u>7,273,012</u>
Net Losses*	(1,820,762)	(1,883,843)	(1,553,396)	(2,020,150)	(762,119)	(1,103,117)	\$ 169,460	\$ 39,070
Net Losses as Percentage of Average Receivables Outstanding	0.00%*	0.00%*	0.00%*	0.00%*	0.00%*	0.00%*	0.03%	0.01%

*Recoveries were greater than gross losses for the year.

**Average Receivables Outstanding is the arithmetic average of receivables outstanding during the period indicated.

Delinquencies for the Student Loan Portfolio for all SELF and SELF Refi Loan Programs

(Dollars in Thousands)

	June 30, 2019		September 30, 2019		December 31, 2019		March 31, 2020		June 30, 2020	
Days Delinquent	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
15-29	\$8,240	1.6%	\$9,383	1.9%	\$10,071	2.1%	\$8,669	1.8%	\$5,132	1.1%
30-44	7,502	1.5	5,909	1.2	8,014	1.6	7,059	1.4	4,005	0.8
45-59	4,233	0.9	3,177	0.6	4,364	0.9	4,020	0.8	2,973	0.6
60-89	3,528	0.7	2,648	0.5	2,876	0.6	2,666	0.5	2,251	0.5
90-119	1,780	0.4	1,726	0.3	2,133	0.4	1,407	0.3	1,143	0.2
120 and Over	<u>1,062</u>	<u>0.2</u>	<u>1,024</u>	<u>0.2</u>	<u>1,169</u>	<u>0.2</u>	<u>707</u>	<u>0.1</u>	<u>252</u>	<u>0.1</u>
Total	\$26,347	5.3%	\$23,867	4.7%	\$28,627	5.8%	\$24,528	4.9%	\$15,756	3.3%