

## MINUTES

### HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY

February 28, 2020

The Higher Education Student Assistance Authority (HESAA) Board held a meeting by conference call on February 28, 2020 at 2:00 pm at the HESAA offices in Hamilton.

**PRESENT:** HESAA Board Members: Ms. Beatrice Daggett; Dr. Jon Larson; Ms. Madeline Perard; Mr. Bader Qarmout; Mr. Robert Shaughnessy, Treasurer's Designee; Dr. Zakiya Smith Ellis; Mr. David Socolow; Ms. Maria Torres; and Ms. Christy Van Horn, chair.

**ABSENT:** Ms. Stephanie Berdugo-Hernandez and Ms. Jean McDonald Rash.

#### CALL TO ORDER

Christy Van Horn called the meeting to order at 2:00 pm and David Socolow stated that the meeting had been noticed in compliance with the requirements of the Open Public Meetings Act.

David Socolow advised that no members of the public were in attendance.

Ms. Van Horn welcomed the Board members and advised that because this is a teleconference, Roseann Sorrentino would conduct a roll call for the resolutions.

Ms. Van Horn welcomed Joy Johnson, Associate Counsel from the Governor's Authorities Unit; and Erin Herlihy, Deputy Attorney General from the New Jersey Division of Law.

Ms. Van Horn asked Roseann Sorrentino to call the roll.

**RESOLUTION 03:20 APPROVING THE EXECUTION AND DELIVERY OF A SECOND SUPPLEMENTAL INDENTURE TO THE 2019 INDENTURE OF TRUST AMENDING THE FIRST SUPPLEMENTAL INDENTURE TO PERMIT THE USE OF RECOVERIES OF PRINCIPAL TO ORIGINATE OPTION 1 LOANS AND REFINANCE LOANS, TO AMEND RELATED LOAN LIMITATIONS ACCORDINGLY, AND OTHER MATTERS IN CONNECTION THEREWITH.**

Jerry Traino presented Resolution 03:20 to the Board.

Good Afternoon and thank you all for your attention to the resolution before you and related documents as well.

Resolution 03:20 authorizes the Authority to amend the 2019 First Supplemental Indenture to permit the use of Recoveries of Principal, also referred to as recycling funds, to Originate new Option 1, 10-year Loans and up to an additional \$2,000,000 of Refinance Loans to eligible

borrowers. Additionally the resolution revises the Option 1 and Refinance Loan limitations accordingly.

As the members will recall, in April of 2019 the Board approved Resolution 04:19, which authorized HESAA to issue \$285 million in Student Loan Revenue Bonds to finance the Authority's New Jersey College Loans to Assist State Students ("NJCLASS") program for the 2019-2020 academic year, and to provide funds for NJCLASS Refinance loans.

The 2019 Indenture placed dollar limits on the number of new origination of loans as well as the use of recycling funds, as was fully detailed in the memo the Board received. Those limitations included the recycling funds, to originate new 15-year Option 2 loans only.

I will take a moment to note that what we refer to as recycling funds are the recovery of principal within the first 15 months from loans originated or transferred into the initial loan portfolio of a particular bond issue. In this discussion, it is the recovery of principal from loans originated with 2019 bond funds as well as principal recovered from the 2009 loans that were transferred into the 2019 series as part of the 2009 refunding authorized by the Board with its approval of the Resolution 04:19.

The use of recycling funds for the purposes outline in the Board Memo, and detailed by the resolution before you, does not require HESAA to issue new bonds or to obtain any new funds to originate new loans.

Multiple events led to the need to amend the uses of the recycling funds. Market conditions at the time of the bond sale allowed HESAA to offer historically low interest rates to our borrowers. Additionally, HESAA now offers an additional 0.25% reduction in the interest rate to borrowers who choose to establish automatic recurring monthly payments.

In 2019 HESAA also expanded its Refi+ program to include a 15-year refinance loan option as well as, for the first time, the ability to refinance eligible student loans issued by private lenders – not just NJCLASS or federal Parent PLUS loans as we have done previously.

Factoring in the very low rates, the repayment incentive and the expanded Refi+ program HESAA has experienced an unanticipated demand for our NJCLASS loan products, including a larger demand for Option 1 10-year Standard CLASS loan and the new 15-year Refi+ Option.

To meet this demand HESAA is seeking the Board's approval to amend the 2019 First Supplemental Indenture to:

First, expand the permitted use of recycling funds from the origination of Option 2 15-year loans to also include the origination of new Option 1 10-year loans and up to \$2 million of new Refi+ loans to borrowers with credit scores equal to or greater than 720;

Second, eliminate the hard dollar limit on the origination of Option 1 10-year loans; and

Third, increase the total hard loan limit for Refi+ loans to \$22 million.

It is recommended that the Board approve Resolution 03:20 authorizing the amendments discussed.

A motion to approve Resolution 03:20 was made by Dr. Zakiya Smith Ellis and seconded by Ms. Maria Torres.

Christy Van Horn asked what the hard dollar limit was for Option 1 loans to which Jerry Traino responded that the limit was \$35 million.

The motion passed unanimously.

## **BRIEFING ON THE FISCAL YEAR 2021 BUDGET**

David Socolow provided the following briefing on the FY 2021 Budget:

The Governor's proposed budget makes historic investments in college access and affordability. You may have heard the major headlines on the budget's proposal for a Garden State Guarantee to expand the tuition-free, predictable price guarantees to students across the state at our senior four-year colleges and universities based on the model that we have put in place for students at county colleges through the Community College Opportunity Grant (CCOG). That investment is the major headline from this week's budget and we are working very closely with the Secretary of Higher Education to roll that out.

Now to turn to the programs specifically administered by HESAA, starting with the Tuition Aid Grant (TAG). The Governor supports the continued strength of the TAG program, which makes New Jersey first in the nation in offering need-based financial aid per undergraduate enrolled. The Governor's budget enables HESAA to continue making TAG available at current award amounts to all eligible students.

In a major change that will impact TAG for Fiscal Year 2021, we have discontinued New Jersey's past practice of requiring the completion of additional state questions for students applying for financial aid, starting with the FAFSA for Academic Year 20-21, which opened up last October. More students may qualify for TAG in FY21 simply as a result of removing this administrative burden, since the deadline for completing these additional state questions is no longer applicable for the coming year. We will use other sources to obtain the financial information that we previously asked students and families to self-report.

As additional students become eligible for TAG awards, we will be able to use the flexible language in the budget to receive supplemental funding to ensure that everyone is covered, without reducing TAG awards for any current or prospective eligible student. The Appropriations Act has historically consistently included budget language that provides for supplemental TAG funding in the amounts necessary to cover the cost of increases in the number of applicants qualifying for TAG awards, or to fund shifts in the distribution of TAG awards that cause an increase in the total costs. This language is in the FY20 Appropriation Act, and the Governor recommends keeping this language in FY21 to ensure sufficient funding to keep TAG award amounts at FY20 levels. The reason that I wish to particularly make this point is because the presentation in the budget may be confusing, causing some stakeholders to raise concerns that a reduction in TAG is proposed for FY21, which is not the case.

The Community College Opportunity Grant: the Governor remains committed to CCOG as a complement to the Garden State Guarantee. The Governor's FY21 Budget recommends level funding that will allow CCOG to continue to provide last-dollar financial aid, administered by HESAA, covering the balance of tuition and approved fees at all 18 county colleges. For students to qualify for CCOG grants, the eligibility parameters remain the same as those we have been using in the current academic year: students must enroll in at least six credits per semester; complete the FASFA by the state deadline; make satisfactory academic progress; and have a Household Adjusted Gross Income (AGI) between \$0 and \$65,000. OSHE also will provide Student Success Incentive funding directly to county colleges for their administrative initiatives that support student completion and address students' material hardships.

In addition, some other programs administered by HESAA are strongly supported by the FY 21 budget, including the New Jersey Student Tuition Assistance Reward Scholarships (NJSTARS and NJSTARS II), which provide merit scholarship to students in the top 15% of their high school class. This nearly \$7 million investment covers approximately 1,600 STARS students at county colleges and approximately 800 students at four-year schools.

The Part-Time TAG for County College Students program is receiving a nearly \$9 million investment, which supports more than 5,000 part-time students at county colleges.

The Governor's Urban Scholarship Program is receiving a nearly \$1 million investment, which supports merit scholarships for more than 500 students from the top 5% of their high school class who come from 14 designated urban centers.

And finally, this year, the Governor is recommending a \$1.5 million increase in FY21 funding for the Primary Care Practitioner Loan Redemption Program, which provides incentive grants that pay down a portion of student loan balances for primary care health professionals who agree to serve up to four years in a medically underserved area of our state. This state funding leverages a federal grant from the National Health Service Corps.

That concludes my brief overview of some of the crucial investments proposed as part of the historic commitment to higher education access and affordability in Governor Murphy's FY 21 budget.

## **ADJOURNMENT**

Ms. Van Horn advised that the next regularly scheduled Board meeting is Wednesday April 22, 2020.

A motion to adjourn was made by Ms. Maria Torres and seconded by Ms. Beatrice Daggett. The motion passed unanimously.

The meeting adjourned at 2:17 pm.



*State of New Jersey*

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PHILIP D. MURPHY  
Governor

SHEILA Y. OLIVER  
Lt. Governor

DAVID J. SOCOLOW  
Executive Director

**MEMORANDUM**

**TO:** Members, Higher Education Student Assistance Authority

**THROUGH:** David J. Socolow  
Executive Director

*DJS*

**FROM:** Jerry Traino  
Chief Financial Officer

*JT*

**SUBJECT:** Resolution 03:20 - a resolution approving the execution and delivery of a second supplemental indenture to the 2019 Indenture of Trust amending the first supplemental indenture to permit the use of recoveries of principal to originate 10-year Option 1 Loans and Refinance loans and to amend related loan limitations accordingly.

**DATE:** February 28, 2020

**Summary**

Resolution 03:20 authorizes the Higher Education Student Assistance Authority (HESAA) to amend the First Supplemental Indenture to permit the use of Recoveries of Principal, also referred to as recycling funds, to Originate new Option 1 Loans and up to an additional \$2,000,000 of Refinance Loans to borrowers or co-obligors, as applicable, with a credit score greater than or equal to 720. Additionally the resolution revises the Option 1 and Refinance Loan limitations accordingly.

Recycling funds are the recovery of principal within the first twelve months from loans originated or transferred into the initial loan portfolio of a particular bond issue.

As the Board members will recall, in April 2019 the Board approved Resolution 04:19, authorizing HESAA to issue \$285 million in Student Loan Revenue Bonds to finance HESAA's New Jersey College Loans to Assist State Students ("NJCLASS") program for the 2019-2020 academic year and to provide funds for NJCLASS Refinance loans.

The proceeds of the Series 2019 bonds have been used to originate loans as follows:

- 10-year Option 1 (immediate payment of principal and interest);

- 15-year Option 2 (immediate payment of interest only);
- 20-year Option 3 (deferred payment of principal and interest);
- Consolidation loans; and
- Refinance loans.

The 2019 Indenture further placed dollar limits on the new origination of loans as well as the use of recycling funds. Those limitations include:

- \$35 million of 10-year Option 1 – subject to an increase up to \$40 million with transfers from the Refi+ loan originations. No more than \$5 million of which may be transferred to 15-year Option 2 loans;
- \$15 million of Consolidation loans;
- \$30 million of 20-year Option 3 loans;
- \$20 million of Refinance loans, with no more than 20% used to originate loans with less than 720 credit score. Up to \$5 million of which can be transferred to originate 10-year Option 1 loans; and
- All other hard dollars limits can be transferred to originate 15-year Option 2 loans.

The 2019 Indenture also limits the use of Recoveries of Principal, or recycling funds, to originate new 15-year Option 2 loans only.

2019 has been an unusual year for the NJCLASS program. Market conditions at the time of the bond sale allowed HESAA to offer historically low interest rates for the NJCLASS loan products – 3.99% for 10-year Option 1, 4.49% for 15-year Option 2, 6.50% for 20-year Option 3, as well as Refinance loan interest rates ranging from 4.70% to 6.70% for the 10-year Option and 4.99% to 7.20% for the 15-year Option. Additionally, HESAA now offers an additional 25% reduction in the interest rate to borrowers who choose to establish automatic recurring monthly payments. HESAA also added a new 15-year Refinance loan Option, providing borrowers the opportunity to lower the interest rates on their outstanding loans, with lower monthly payments than the 10-year option. The 2019 indenture also provided, for the first time, the ability for HESAA to refinance eligible student loans issued by private lenders (previously, HESAA only refinanced NJCLASS loans and federal Parent PLUS loans).

These very low rates, the repayment incentive and the Refinance loan program expansions have led to an unanticipated demand for HESAA's NJCLASS loan products on a whole, with an even larger demand for the 10-year Option 1 Standard NJCLASS loan and the new 15-year Refi+ Option.

To meet this demand, HESAA is seeking the Board's approval to amend the 2019 First Supplemental Indenture to: (1) expand the permitted use of recycling funds from the origination of Option 2 loans to also include the origination of new Option 1 Loans and up to an additional \$2,000,000 of new Refinance Loans to borrowers with a credit score greater than or equal to 720; and (2) eliminate the hard dollar limit on Option 1 Loan originations, and (3) increase the total hard loan limitation for Refinancing Loans to \$22 million. Using recycling funds for this purpose does not require HESAA to issue new bonds or to obtain any new funds.

It is recommended that the Board approve the attached Resolution 03:20 authorizing the requested amendments.

Attachments

## RESOLUTION 03:20

### RESOLUTION APPROVING THE EXECUTION AND DELIVERY OF A SECOND SUPPLEMENTAL INDENTURE TO THE 2019 INDENTURE OF TRUST AMENDING THE FIRST SUPPLEMENTAL INDENTURE TO PERMIT THE USE OF RECOVERIES OF PRINCIPAL TO ORIGINATE OPTION 1 LOANS AND REFINANCE LOANS, TO AMEND RELATED LOAN LIMITATIONS ACCORDINGLY AND OTHER MATTERS IN CONNECTION THEREWITH

Moved: Dr. Zakiya Smith Ellis  
Seconded: Ms. Maria Torres

**WHEREAS:** The Higher Education Student Assistance Authority (the "Authority") is a body corporate and politic constituting an instrumentality of the State of New Jersey (the "State") established and created under and by virtue of the provisions of the Higher Education Student Assistance Authority Law, constituting Chapter 46 of the Pamphlet Laws of 1999 of the State of New Jersey, as amended and supplemented and any successor legislation (the "Act"); and

**WHEREAS:** The Authority and Trustee entered into the Indenture of Trust dated June 1, 2019 (the "Original 2019 Indenture"), under which the Authority issued its \$285,550,000 Student Loan Revenue Bonds, Series 2019 (the "2019 Bonds"), pursuant to the First Supplemental Indenture dated June 1, 2019, between the Authority and Trustee (the "2019 First Supplemental Indenture") (the Original 2019 Indenture, as amended and supplemented, including by the 2019 First Supplemental Indenture, is hereinafter referred to as the "2019 Indenture"); and

**WHEREAS:** The 2019 First Supplemental Indenture limited the use of Recoveries of Principal to Originate new Option 2 Loans only; and

**WHEREAS:** The Authority desires to amend the 2019 First Supplemental Indenture to (i) permit the use of Recoveries of Principal to Originate new Option 1 Loans and to Originate up to an additional \$2,000,000 of new Refinance Loans to borrowers or co-obligors, as applicable, with a credit score greater than or equal to 720, and (ii) amend origination limitations for Option 1 Loans and Refinance Loans accordingly (collectively, the "Recycling Amendments"); and

**WHEREAS:** In furtherance thereof, and to make such other amendments deemed reasonable and necessary by the Authority to obtain the Rating Agency Condition described in Section 5 herein, the Authority wishes to authorize the execution and delivery of a Second Supplemental Indenture between the Authority and Trustee (the "2019 Second Supplemental Indenture") to amend the 2019 First Supplemental Indenture; and

**WHEREAS:** Pursuant to Section 8.1(O) of the Original 2019 Indenture, a Supplemental Indenture not requiring the consent of Bondholders may be executed and



delivered by the Authority and the Trustee to make any change which, in the judgment of the Trustee acting in reliance upon a Counsel's Opinion, which may be a Bond Counsel's Opinion, to the extent the Trustee deems such opinion desirable, does not adversely affect the interest of any Bondholder; and

**NOW, THEREFORE, BE IT RESOLVED BY THE MEMBERS OF THE HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY** (not less than a majority of a quorum thereof affirmatively concurring) **AS FOLLOWS:**

**Section 1.** The recitals set forth above are incorporated herein as if set forth at length.

**Section 2.** The Authority hereby authorizes the execution and delivery of the 2019 Second Supplemental Indenture to effectuate the Recycling Amendments.

**Section 3.** The Chairperson, Vice Chairperson, Secretary-Treasurer, Executive Director and Chief Financial Officer or other authorized representative or designee of the Authority (each an "Authorized Authority Official" and, collectively, the "Authorized Authority Officials"), are each hereby authorized to execute, acknowledge and deliver the 2019 Second Supplemental Indenture in such form as an Authorized Authority Official, in consultation with Bond Counsel, shall determine. The execution of the 2019 Second Supplemental Indenture by an Authorized Authority Official shall be conclusive evidence of the approval of the form thereof as authorized by this Section.

**Section 4.** All actions authorized pursuant to this resolution are subject to receipt by the Authority and Trustee of a determination by the Trustee that, in the judgment of the Trustee, acting in reliance upon a Counsel's Opinion, which may be a Bond Counsel's Opinion, to the extent the Trustee deems such opinion desirable, such actions do not adversely affect the interest of any Bondholder.

**Section 5.** All actions authorized pursuant to this resolution are subject to receipt by the Authority of a Rating Agency Condition from Moody's Investors Service, Inc. stating that the execution and delivery of the 2019 Second Supplemental Indenture and the amendments contained therein will not result in a reduction, qualification or withdrawal of the current rating of the 2019 Bonds.

**Section 6.** Capitalized terms used but not defined in this resolution shall have the meanings given to them in the 2019 Indenture.

**Section 7.** This resolution shall take effect immediately, but no action authorized herein shall have force and effect until ten (10) days after a copy of the minutes of the Authority meeting at which this resolution was adopted has been delivered to the Governor of the State for his approval, unless during such 10-day period the Governor shall approve the same, in which case such action shall become effective upon such approval, as provided by the Act.

February 28, 2020

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**SECOND SUPPLEMENTAL INDENTURE**

**between**

**HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY**

**and**

**WELLS FARGO BANK, NATIONAL ASSOCIATION  
as Trustee**

\_\_\_\_\_  
**Dated as of March \_\_\_\_, 2020**  
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## SECOND SUPPLEMENTAL INDENTURE

THIS SECOND SUPPLEMENTAL INDENTURE, dated as of March \_\_\_\_, 2020 (the "Second Supplemental Indenture") between the HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY, (successor to the Higher Education Assistance Authority pursuant to N.J.S.A. 18A:71A-1 et seq., effective April 26, 1999) (the "Authority"), and WELLS FARGO BANK, NATIONAL ASSOCIATION, (the "Trustee"), is a Supplemental Indenture pursuant to and as defined in the Indenture of Trust, dated as of June 1, 2019, between the Authority and Trustee, as amended and supplemented (the "Indenture of Trust").

### WITNESSETH:

**WHEREAS**, the Authority is established and created under and pursuant to the Higher Education Student Assistance Authority Law, constituting Chapter 46 of the Pamphlet Laws of 1999 of the State of New Jersey, effective April 26, 1999, as amended and supplemented, and any successor legislation (the "Act"); and

**WHEREAS**, the Authority has issued its \$285,550,000,000 Student Loan Revenue Bonds, Series 2019 (the "Series 2019 Bonds") pursuant to the Indenture of Trust, as supplemented by the First Supplemental Indenture dated as of June 1, 2019 (the "First Supplemental Indenture"); and

**WHEREAS**, the First Supplemental Indenture limited the use of Recoveries of Principal to only Originate new Option 2 Loans; and

**WHEREAS**, the Authority desires to amend the First Supplemental Indenture to (i) permit the use of Recoveries of Principal to Originate new Option 1 Loans and up to an additional \$2,000,000 of Refinance Loans to borrowers or co-obligors, as applicable, with a credit score greater than or equal to 720, and (ii) revise the Option 1 and Refinance Loan limitations accordingly; and

**WHEREAS**, the Authority, by resolution duly adopted on February 28, 2020, authorized the execution and delivery of this Second Supplemental Indenture; and

**WHEREAS**, pursuant to Section 8.1(O) of the Indenture, acting in reliance on a Bond Counsel's Opinion, it is the judgment of the Trustee that amendments contained in this Second Supplemental Indenture do not adversely affect the interest of any Bondholder; and

**WHEREAS**, the Authority has received a Rating Agency Condition from Moody's stating that the execution and delivery of this Second Supplemental Indenture and the amendments contained herein to the First Supplemental Indenture, will not result in a reduction, qualification or withdrawal of the current rating of the Series 2019 Bonds.

**NOW, THEREFORE, THIS SECOND SUPPLEMENTAL INDENTURE WITNESSETH THAT:**

## ARTICLE I

### DEFINITIONS, AMENDMENTS AND MISCELLANEOUS

**Section 1. Definitions.** Capitalized terms used but not defined in this Second Supplemental Indenture shall have the meanings given to them in the Indenture of Trust, as amended and supplemented by the First Supplemental Indenture (the "Indenture").

**Section 2. Amendments to the First Supplemental Indenture.** Prior to the effectiveness of the following amendments to the First Supplemental Indenture, there shall have been delivered to the Trustee a Rating Agency Condition from Moody's:

(a) The definition of "Recycling Period" set forth in Section 1.2 of the First Supplemental Indenture is hereby amended and replaced in its entirety by the following:

**"Recycling Period** means the period commencing on the Issue Date and ending on October 1, 2020 with respect to the use of Recoveries of Principal to Originate new Option 1 Loans, Option 2 Loans or, subject to the origination limitations set forth in Section 3.13 hereof, Refinance Loans to borrowers or co-obligors, as applicable, having a credit score greater than or equal to 720; provided that the Recycling Period shall end on such earlier date, if any, on which an Event of Default shall occur and be continuing and the Recycling Period may be extended if there shall have been delivered to the Trustee a Rating Agency Condition from the Rating Agency and notice of such extension is provided to Series 2019 Bondholders promptly upon receipt of the Rating Agency Condition."

(b) Section 3.1 of the First Supplemental Indenture is hereby amended to add within the 2019 Refinance Loan Account, the 2019 Refinance Loan Repayment Subaccount. The 2019 Refinance Loan Repayment Subaccount shall be closed following the expiration of the Recycling Period.

(c) Section 3.2(E) of the First Supplemental Indenture is hereby amended and replaced in its entirety by the following:

"All Recoveries of Principal with respect to 2019 Student Loans and Transferred Loans shall be deposited by the Trustee upon the written direction of the Authority (i) during the Recycling Period, to the 2019 Repayment Subaccount within the 2019 NJCLASS Fixed Rate Standard Student Loan Account to Originate new Option 1 Loans or new Option 2 Loans or, subject to the origination limitations set forth in Section 3.13 hereof, to the 2019 Refinance Loan Repayment Subaccount to Originate new Refinance Loans to borrowers or co-obligors, as applicable, having a credit score greater than or equal to 720, and (ii) following the Recycling Period, to the 2019 Revenue Account. All Revenues from 2019 Student Loans and Transferred Loans shall be deposited in the 2019 Revenue Account. The Authority shall identify, in writing, to the Trustee Recoveries of Principal and Revenues as they are received by the Authority and into which Accounts the Recoveries of Principal and Revenues should be deposited. At conclusion or other termination of the Recycling Period, any funds remaining in the 2019 Repayment Subaccount within the 2019 NJCLASS Fixed Rate Standard Student Loan Account and 2019 Refinance Loan Repayment Subaccount within the 2019 Refinance Loan Account shall be transferred to the 2019 Revenue Account and the 2019 Repayment Subaccount and 2019 Refinance Loan Repayment Subaccount will be closed."

(d) Section 3.8 of the First Supplemental Indenture is hereby amended and replaced in its entirety by the following:

**Refinance Loan Limitations.** Unless the Authority delivers to the Trustee a Rating Agency Condition from Moody's, the Authority hereby agrees that it shall not Originate from the proceeds of the Series 2019 Bonds, including any Recoveries of Principal during the Recycling Period and other available Authority funds, more than \$22,000,000 of aggregate principal amount of Refinance Loans (computed as of the date of Origination), and at no time shall more than \$4,000,000 of aggregate principal amount of Refinance Loans (computed as of the date of Origination) be to borrowers or co-obligors, as applicable, having a credit score less than 720. Notwithstanding anything to the contrary contained herein, the Authority shall not Originate Refinance Loans to borrowers or co-obligors, as applicable, having a credit score less than 720 from Recoveries of Principal with respect to 2019 Student Loans and Transferred Loans."

(e) Section 3.13(A) of the First Supplemental Indenture is hereby deleted and removed in its entirety to eliminate any limitation on the amount of Option 1 Loans that may be Originated under the First Supplemental Indenture.

(f) Section 3.13(C) of the First Supplemental Indenture is hereby amended and replaced in its entirety by the following:

"Refinance Loans shall only be Originated from the 2019 Refinance Loan Account (including the 2019 Refinance Loan Subaccount - 670 to 719 Credit Score and the 2019 Refinance Loan Repayment Subaccount). The Authority shall not make Refinance Loans, including additional Refinance Loans made from Recoveries of Principal during the Recycling Period, in an aggregate principal amount (computed as of the date of Origination) exceeding \$22,000,000, and at no time shall there be more than \$4,000,000 of aggregate principal amount of Refinance Loans (computed as of the date of Origination) Originated to borrowers or co-obligors, as applicable, having a credit score less than 720, unless in each case the Authority receives a Rating Agency Condition from Moody's. Notwithstanding anything to the contrary contained herein, the Authority shall not Originate Refinance Loans to borrowers or co-obligors, as applicable, having a credit score less than 720 from Recoveries of Principal during the Recycling Period."

**Section 3. Ratification.** Except as amended hereby, the Indenture and the First Supplemental Indenture are hereby ratified and reaffirmed in its entirety.

**Section 4. Second Supplemental Indenture Construed with Indenture; Consent of Bondholders Not Required.** All of the provisions of this Second Supplemental Indenture shall be deemed to be and construed as part of the Indenture to the same extent as if fully set forth therein. Consent of Bondholders is not required pursuant to Section 8.1(O) of the Indenture as, acting in reliance on a Bond Counsel's Opinion, it is the judgment of the Trustee that amendments contained in this Second Supplemental Indenture do not adversely affect the interest of any Bondholder.

**Section 5 Section Headings.** The headings or titles of the several sections hereof shall be solely for convenience of reference and shall not affect the meaning or construction, interpretation or effect of this Second Supplemental Indenture.

**Section 6. Execution in Counterparts.** This Second Supplemental Indenture may be executed in any number of counterparts, each of which, when so executed and delivered, shall be an original; but such counterparts shall together constitute but one and the same instrument.

**Section 7. Severability.** If any section, paragraph, clause, or provision of this Second Supplemental Indenture shall for any reason be held to be invalid or unenforceable, the invalidity

or unenforceability of such section, paragraph, clause, or provision shall not affect any of the remaining provisions of this Second Supplemental Indenture.

**Section 8. Confirmation of Actions.** All action (not inconsistent with the provisions of this Second Supplemental Indenture) heretofore taken by the Authority in connection with elimination of loan limitations for Option 1 Loans Originated under the First Supplemental Indenture is hereby ratified, approved, and confirmed.

**Section 9. Governing Law; Jurisdiction.** This Second Supplemental Indenture shall be construed in accordance with the laws of the State of New Jersey. The parties hereto agree to the non-exclusive jurisdiction of the State of New Jersey.

**Section 10. Waiver of Jury Trial.** TO THE EXTENT PERMITTED BY APPLICABLE LAW, EACH OF THE PARTIES HERETO HEREBY WAIVES ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT, OR OTHERWISE BETWEEN THE PARTIES HERETO ARISING OUT OF, CONNECTED WITH, RELATED TO, OR INCIDENTAL TO THE RELATIONSHIP BETWEEN ANY OF THEM IN CONNECTION WITH THIS SECOND SUPPLEMENTAL INDENTURE OR THE TRANSACTIONS CONTEMPLATED HEREBY.

**Section 11. PATRIOT Act.** The parties hereto acknowledge that in accordance with the Customer Identification Program (CIP) requirements under the USA PATRIOT Act and its implementing regulations, the Trustee in order to help fight the funding of terrorism and money laundering, is required to obtain, verify, and record information that identifies each person or legal entity that establishes a relationship or opens an account with the Trustee. Each party hereby agrees that it shall provide the Trustee with such information as the Trustee may request that will help the Trustee to identify and verify each party's identity, including without limitation each party's name, physical address, tax identification number, organizational documents, certificate of good standing, license to do business, or other pertinent identifying information.

IN WITNESS WHEREOF, the parties hereto have caused this Second Supplemental Indenture to be duly executed as of the day and year first above written.

**HIGHER EDUCATION STUDENT ASSISTANCE  
AUTHORITY**

By \_\_\_\_\_  
Gerald V. Traino  
Chief Financial Officer

**WELLS FARGO BANK, NATIONAL  
ASSOCIATION, as Trustee**

By \_\_\_\_\_  
Scott Olmsted  
Vice President