MINUTES

HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY

April 18, 2018

The Higher Education Student Assistance Authority (HESAA) Board held a meeting on April 18, 2018 at 10:00 am at the HESAA offices in Hamilton.

PRESENT: Ms. Stephanie Berdugo-Hernandez; Mr. Anthony Falcone (teleconference); Dr. Jon Larson; Mr. Bader Qarmout (teleconference); Ms. Jean McDonald Rash; Mr. Robert Shaughnessy, Treasurer's Designee; Mr. David Socolow; Ms. Diana Gonzalez, Secretary of Higher Education Designee; Ms. Maria Torres, and Ms. Christy Van Horn Members.

ABSENT: Mr. Rbrey Singleton.

CALL TO ORDER

Christy Van Horn called the meeting to order at 10:00 am and David Socolow stated that the meeting had been noticed in compliance with the requirements of the Open Public Meetings Act.

Ms. Van Horn led those present in the Pledge of Allegiance.

Ms. Van Horn welcomed the Board members and advised that because some members were participating via teleconference, Roseann Sorrentino would conduct a roll call for the resolutions.

Ms. Van Horn introduced Mr. David Socolow, HESAA's new Executive Director, and Hanifa Barnes, HESAA's new Chief of Staff.

Ms. Van Horn welcomed Geoffrey Stark, Esq., Deputy Attorney General; Lauren Nathan-LaRusso, Esq., Governor's Authorities Unit; Cliff Rones, Esq., Office of the Attorney General; Joseph Santoro of Bank of America Merrill Lynch; Steve Kantor and Tim Webb of Hilltop Securities; and Leah Sandbank, Esq. and Kevin Fenstemaker, Esq., McManimon, Scotland & Baumann, LLC.

Ms. Van Horn advised that no members of the public registered to speak.

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

CONSIDERATION OF THE MINUTES OF THE JANUARY 24, 2018 MEETING

A motion to approve the minutes of the January 24, 2018 meeting was made by Dr. Jon Larson and seconded by Ms. Maria Torres. The minutes were approved unanimously with three abstentions, Stephanie Berdugo-Hernandez, Anthony Falcone, and Diana Gonzalez, who did not participate in the January 24, 2018 meeting.

CHAIR TO ANNOUNCE NOMINATING COMMITTEE APPOINTMENTS

Christy Van Horn announced that Jean McDonald Rash has agreed to chair, and Maria Torres and Rbrey Singleton have agreed to serve on, the Nominating Committee. Ms. Van Horn advised that any members interested in serving on the Executive Committee should advise Roseann Sorrentino or the Nominating Committee Members of their intention by June 1st. She thanked the members for agreeing to be on the Committee.

RESOLUTION 03:18 ADOPTING A SCHEDULE OF MEETINGS FOR FISCAL YEAR 2019

Marnie Grodman, Esq., presented Resolution 03:18 to the Board.

At the last Board meeting of the fiscal year HESAA sets the meeting schedule for the next fiscal year in order to provide notice to the public. After polling the Board members regarding their availability it is recommended that for fiscal year 2019 the Board meetings be scheduled on Wednesday, July 25, 2018; Wednesday, October 24, 2018; Wednesday, January 23, 2019; and Wednesday, April 17, 2019. All of these meetings will take place at 10:00 am.

In addition, HESAA may call additional meetings, including telephone conference meetings. Specific notice of each meeting will be provided prior to each meeting pursuant to the Open Public Meetings Act.

A motion to approve Resolution 03:18 was made by Ms. Jean McDonald Rash and seconded by Dr. Jon Larson.

The motion passed unanimously.

RESOLUTION 04:18 AUTHORIZING THE ISSUANCE AND SALE OF ADDITIONAL SERIES OF SENIOR STUDENT LOAN REVENUE BONDS AND SUBORDINATE OBLIGATIONS AND APPROVING THE EXECUTION AND DELIVERY OF AN INDENTURE OF TRUST, SUPPLEMENTAL INDENTURE, PRELIMINARY OFFICIAL STATEMENT, FINAL OFFICIAL STATEMENT, CONTINUING DISCLOSURE AGREEMENT, ACKNOWLEDGEMENT OF SERVICING, BOND PURCHASE AGREEMENT, AND OTHER MATTERS IN CONNECTION THEREWITH AND ACKNOWLEDGING A CHANGE IN LOAN RATES FOR 2017-1 NJCLASS LOANS

Jerry Traino presented Resolution 04:18 to the Board.

Resolution 04:18 authorizes a bond sale of Series 2018 bonds in an amount not to exceed $250 million. Final maturity on the bonds shall not exceed June 1, 2053. The Series 2018 bonds will be issued under a new Master Indenture of Trust dated as of May 1, 2018.

The proceeds of the bonds net of funds required for bond reserves will be used to finance the Authority's NJCLASS program for the 2018-2019 academic year, to provide funds for NJCLASS Refinance loans, and to refund certain bonds contained within the 2008 Indenture. In addition, proceeds will be used to make a deposits into the Capitalized Interest and Debt Service Reserve Funds.

The memorandum sent to the Board on April 10th notes that all costs of issuance will be paid with HESAA funds and not from the proceeds of the Series 2018 bonds. We anticipate the need for HESAA to contribute up to $3 million in reserves into the trust estate in order to meet the rating agencies' overcollaterization requirements which will be paid back to the Authority with interest over time.

As in prior years, the NJCLASS program will utilize bond funds to finance standard NJCLASS Loans with its three repayment options, NJCLASS Consolidation Loans, NCLASS ReFi+ Loans, and Graduate/Professional NJCLASS Loans. All NJCLASS loans originated from the 2018 bond proceeds will continue to follow the credit standards adopted by the Authority in 2012. Similarly, as detailed in the memorandum, the criteria for the Refi+ loan program remains the same as those developed in 2016.

HESAA's underwriting standards have proven themselves effective since 2012 with default rates of roughly 1.47% for loans made during that period and we anticipate the default rates remain low going forward.

Unlike previous years, Fixed Rate Undergraduate and Graduate/Professional NJCLASS loans will not have a 0.75% step-up in interest rate upon entering repayment or after a certain number of payments are made. Rather, they will all have a flat interest rates for the life of the loan.

There are two key items in this year's bond proposal which seek to expand the Authority's ability to assist students and families who find themselves struggling to keep their loans current and avoid default.

First, we will continue to offer our Repayment Assistance Program, or RAP, to borrowers whose loans originate with the 2018 bond proceeds.

As you may recall, we first offered RAP in 2017. RAP provides eligible borrowers the ability to make monthly payments reduced to an affordable level for up to two years, during which those payments would be applied to the principal balance while HESAA assumes the interest payments.

The second item is a new payment assistance initiative we will be making available for borrowers whose loans originate with 2018 bond proceeds. Beginning with this Indenture HESAA will be offering its Household Income Affordable Repayment Program – HIARP – to those families struggling with extended periods of material loss of income. HIARP is a longer-term assistance program for those who have exhausted their RAP eligibility period.

Much of the details of HIARP are outlined in the memorandum and our Executive Director will be discussing it further during his report to the Board. HIARP is an important initiative for the

Authority and represents an opportunity for us to better assist borrower families in managing their repayment commitments against financial circumstances they could not have foreseen.

At this time I would like to ask Ms. Leah Sandbank, representing our Bond Counsel, to review the specific provisions of the Bond Resolution with all of you.

Leah Sandbank, Esq. gave the following report:

Resolution 04:18 is before you today for approval. It sets forth the authorizations for (i) a transaction to finance the Authority's loan origination needs for the upcoming academic year via a new master trust indenture, and cause a refinancing of the Authority's outstanding 2008 Bonds, (ii) the transfer of certain reserves to meet rating agency parity requirements, and (iii) an acknowledgement of the change in loan rates made with remaining proceeds of the 2017-1 bond transaction.

First, the resolution sets forth the customary authorizations for a new issue of Student Loan Revenue Bonds, Series 2018. The 2018 bonds are authorized in a principal amount not to exceed $250 million, are made up of three series, a senior new money series, a senior refunding series and a subordinate new money series and are authorized to be sold to Merrill Lynch as the underwriter representative. The parameters for the Bonds include a final maturity date not later than June 1, 2053, not to exceed redemption price of 103%, a 10-year call protection and a not to exceed bond interest rate of 7.0% for the senior series of bonds and a not to exceed bond interest rate of 8.5% on the subordinate series. The expected terms of the 2018 bonds and the loans that can be originated with proceeds of the 2018 Bonds are further described in the Master Trust Indenture and First Supplemental Indenture before you.

In connection with the approvals, the resolution authorizes the Chairperson, Vice Chair, Secretary-Treasurer, Executive Director or Chief Financial Officer to execute and deliver the customary bond documents, those include a Bond Purchase Contract, the Indenture and First Supplemental Indenture, a Continuing Disclosure Agreement, an Acknowledgement of Servicing and a Preliminary Official Statement, the forms of each of those operative documents is before you today.

In addition to the above authorizations, the resolution authorizes the use of reserves in an amount not to exceed $4 million, although it is expected that approximately $2.5 million of reserves will be transferred to the Indenture and the remaining funds that are required by the rating agencies to meet their cash flow stress tests and so that the Authority can achieve the initial parity requirement necessary to obtaining the desired rating from the rating agencies, will come from cash and loans transferred from the 2008 Indenture upon refinancing the 2008 Bonds.

The loan parameters for the 2018 loans are substantially the same as in last year's transaction, including continuing the pilot refinance loan program, however, this year all of the 2018 loans have a flat interest rate and do not step up after the 4th year of repayment, and, this year the Authority continues with the Repayment Assistance Program and adds for 2018 loans the Household Income Affordable Repayment Plan program as a new program to certain qualifying borrowers.

A motion to approve Resolution 04:18 was made by Mr. Robert Shaughnessy and seconded by Ms. Maria Torres.

Anthony Falcone asked why the step-up rate was being eliminated when it was a discounted rate for the early part of the loan. Jerry Traino explained that, while borrowers had the same payment amount throughout the loan the stepped-up interest rate caused confusion. He explained it would be simpler to understand if the flat rate remained at the same flat rate for the life of the loan. Leah Sandbank added that while the interest rate will be slightly higher at the beginning of the loan term it will even out by the end of payment.

Christy Van Horn asked if Mr. Traino could explain how the step-up rate worked in prior year's loans. Mr. Traino explained that the payment amount stayed the same but after a set amount of payments were made the interest increased by 0.75%.

The motion passed unanimously.

RESOLUTION 05:18 APPROVING THE EXTENSION OF THE CONTRACT WITH WELLS FARGO TO PROVIDE DEPOSITORY BANKING SERVICES

Arthur Quaranta presented Resolution 05:18 to the Board.

Resolution 05:18 The Approval of the First One-Year Extension of the Contract with Wells Fargo to provide Depository Banking Services is presented to you today for approval.

HESAA engages a bank to perform Depository Banking Services on HESAA's behalf. These services include receiving all loan payments made on all HESAA loan programs including NJCLASS and the portfolio of defaulted loans held by HESAA as the New Jersey Federal Family Education Loan Programs (FFELP) guaranty agency. Payments are made though ACH payments from multiple sources, check processed through lockbox and check payments received directly by HESAA.

At its April 23, 2015 meeting, as the result of a Request for Proposals, the HESAA Board appointed Wells Fargo as the provider of these services for a period of three years, with two possible one-year extensions at the option of HESAA. That initial three-year term is set to expire on July 1, 2018.

Wells Fargo NA has established a track record of quality service as well as excellent customer service regarding our lockbox banking issues.

Accordingly, we recommend to the Board the approval of the first one-year extension of the contract.

A motion to approve Resolution 05:18 was made by Dr. Jon Larson and seconded Ms. Jean McDonald Rash.

The motion passed unanimously.

RESOLUTION 07:18 PROPOSED NEW REGULATIONS GOVERNING TUITION REIMBURSEMENT PROGRAM FOR PSYCHIATRISTS, N.J.A.C. 9A:10-3

Marnie Grodman presented Resolution 07:18 to the Board.

HESAA has been charged with administering a new program, the Tuition Reimbursement Program for Psychiatrists. To encourage psychiatrists to practice in underserved areas the program provides tuition reimbursement equal to 25% of the participant's eligible tuition expenses for the least expensive year of medical school in return for each full year of service.

Because the Rutgers Biomedical and Health Sciences academic health center administers the Primary Care Physician Loan Redemption Program on HESAA's behalf, we reached out to them for assistance with administering this program as well. To draft the regulations we also reached out to the Department of Health to ensure that the program meets the needs of both the psychiatrists and the patients they will be serving.

For example, we were advised that many psychiatrists might work part-time for multiple facilities, adding up to a full-time practice. Therefore, the regulations were drafted to ensure that the psychiatrists whose combined work hours in underserved areas equal full-time practice are eligible for the program.

Additionally, both the Rutgers staff and the representatives from the Department of Health will be advising HESAA in creating the criteria to score the applications, as required by the proposed regulations.

The full proposal was included in the materials.

A motion to approve Resolution 07:18 was made by Ms. Maria Torres and seconded by Stephanie Berdugo-Hernandez.

The motion passed unanimously.

RESOLUTION 08:18 CONSIDERATION AND APPROVAL OF THE HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY 2017 ANNUAL REPORT PURSUANT TO EXECUTIVE ORDER 37 (CORZINE)

Jennifer Azzarano presented Resolution 08:18 to the Board.

In accordance with Executive Order 37 (Corzine), all independent state authorities such as the Higher Education Student Assistance Authority are required to produce an annual report. The Executive Order states the annual report should reflect a comprehensive overview of the work of the Authority and explain how that work promotes the State's overall economic growth strategies.

Included in the binders before each of you is a copy of HESAA's proposed 2017 Annual Report. As in everything we do, this report is designed to be a useful resource describing all that HESAA provides to the students and families of New Jersey. In the spirit of transparency, this report contains a great deal of data about appropriations, award levels, number of awards and expenditures. Also highlighted in this year's annual report are the partnerships HESAA formed throughout the State. We are proud of these collaborations as they result in improved access to a postsecondary education to New Jersey students.

We recommend that the Board approve Resolution 08:18.

A motion to approve Resolution 08:18 was made by Ms. Jean McDonald Rash and seconded by Ms. Christy Van Horn.

The motion passed unanimously.

REPORT OF THE PROGRAM REVIEW AND QUALITY CONTROL COMMITTEE

Christy Van Horn reported that the Program Review and Quality Control Committee met on March 28, 2018 via teleconference and advised that she and Maria Torres participated in the call. Also included, on behalf of HESAA were David Socolow, Jill Schmid, Gena Carapezza, Greg Foster, Marnie Grodman, and Hanifa Barnes.

Ms. Van Horn invited Jill Schmid, Director of Audits and Quality Assurance, to provide the following report:

HESAA's Audits and Quality Assurance Department met with the Program Review and Quality Control Committee on March 28th to review the Audit and Quality Assurance Department's performance and accomplishments in 2017, as well as the review schedule for the upcoming year.

The full report presented to the committee is included as item 9 in the board materials, but I would like to highlight our major accomplishments for you today.

The Audits and Quality Assurance area conducts numerous institutional management reviews to ensure that institutions are administering state grant and scholarship programs in accordance with all applicable federal and state statutes, regulations, policies and procedures. These institutional reviews include full-scale reviews, limited reviews, and follow up to single audit finding reviews.

This past year we started and closed one full-scale review and are currently in the process of closing two others.

We also commenced and closed two limited reviews, closed one limited review that started the previous year, and are in the process of working on another limited review.

Additionally, we conducted three reviews as a result of federal findings on institutional single audit reports that we assess for potential impact on State awards. Two of those have been closed and one was initiated with a recent announcement to the institution.

The total refunds from these reviews amounted to almost $62,000 in grant funds back to the State and mostly resulted from errors related to eligibility for grants after student withdrawals. Our group is working closely with the Grants and Scholarships area updating policy to ensure clarity and training for the schools regarding eligibility surrounding various withdrawal scenarios. We also work with the schools to correct issues that resulted in non-monetary findings.

Three special counsel reviews were closed in 2017 with two more anticipated to close by the middle of 2018. These reviews are performed on attorneys with whom HESAA contracts to perform collection activities on defaulted FFELP and NJCLASS loans.

The Audits and Quality Assurance group ensured that HESAA completed the 2016 State required internal controls assessment and had no significant weaknesses to report. The 2017 internal controls assessment is currently underway.

The team also worked on reviewing Institutional Single Audit Reviews and reporting the results in the New Jersey Treasury's Grantee Single Audit System as well as participating as a desk reviewer for three of HESAA's largest federal loan servicers through the Common Review Initiative which is a national group to which we belong.

As proud as we are of the work performed last year, the review schedule being proposed increases the number of reviews to be performed in the coming year and incorporates an increase in the single audit reporting requirements. The schedule was approved by the Program Review and Quality Control Committee on March 28th and is also included as part of item 9 in the board materials.

I am requesting that the board approves the proposed schedule and would be happy to answer any questions you may have. Thank you.

Dr. Jon Larson made a motion to accept the Program Review and Quality Control Report and the review schedule for FY 2019. Mr. Bader Qarmout seconded the motion. The motion passed unanimously.

Christy Van Horn commented that it is a lot of work and it has gotten more ambitious over the last several years. She stated that this is good from both an institutional perspective and HESAA's.

EXECUTIVE DIRECTOR'S REPORT

Executive Director David Socolow gave the following report:

It's a pleasure to offer my first report to the Board as HESAA's Executive Director. I am grateful to Governor Phil Murphy for the honor of this appointment, which offers such a meaningful opportunity to serve our state's students and families. Our shared goal is to make postsecondary education more accessible and affordable, both to transform individual lives and to help New Jersey's economy grow.

Throughout my career in public service and advocacy here in my home state and around the country, I've worked to help people advance in the workforce. One of my priorities has been assisting low-income and first-generation students in earning the postsecondary credentials that are the key to unlocking opportunities for success in the labor market. In the 10 weeks since I joined the Authority, I have been impressed by the professionalism, dedication, and talent of HESAA's employees. I really look forward to working with all of them, with this Board, and with our other stakeholders to further our mission of offering the financial resources and information that New Jersey students and their families need to make their college dreams a reality.

I would also like to take this opportunity to introduce the newest member of HESAA's executive team, Hanifa Barnes, Esq., who joined the Authority as our new Chief of Staff five weeks ago. I was delighted to recruit Hanifa to fill this vital role in strategic planning and implementing objectives. She has already hit the ground running, due to her strong background in human resources and legal issues, facilities, operations, communications, and information systems. Thanks so much for your partnership, Hanifa!

While this is Hanifa's and my first HESAA Board meeting, this is Teresa Gervasio's last meeting. After more than 40 years of service to the State, of which 26 were with HESAA, Tera will be retiring from her position as Director of Student Loans at the end of this month. I would like to thank Tera for all of her hard work and for many of her contributions to HESAA. Our search for the next Student Loans Director is underway.

FY 2019 State Budget

Since this Board last met, Governor Murphy introduced his budget for Fiscal Year 2019, entitled "Building a Stronger and Fairer New Jersey." The budget proposes significant new investments in state-funded financial aid programs, including $50 million for a new Community College Opportunity Grant (CCOG) program which is the first step towards the Governor's goal of tuition-free community college. In the initial pilot phase starting with the 2019 spring semester, these new "last dollar" grants will enable approximately 15,000 additional students from families with incomes below $45,000 to attend community college tuition- and fee-free. In collaboration with the Secretary of Higher Education and the state's 19 county colleges, we have already begun discussions on implementing this new program.

The Governor's budget also increases funding for the Tuition Aid Grant (TAG) program by $7 million over the prior year's level, enabling 3,500 additional students to receive TAG grants to help pay for college education at one of New Jersey's two-year or four-year degree programs. In about an hour the Governor is going to be talking about these initiatives at an event in Jersey City. This shows the Governor's commitment to these initiatives. We will present the budget to the legislature at two hearings over the next several weeks, and look forward to hearing their input and gaining their approval for these important priorities for the success of New Jersey's students.

Federal Update

Much of our work at HESAA is tied to postsecondary education and financial aid policy at the national level, from our efforts to encourage students to complete the FAFSA form that's the gateway to all federal, state, and institutional financial aid, to our continued role as a state guaranty agency under the federal student loan program. There are several recent developments at the federal level to note:

Last month, Congress passed the Omnibus Appropriations Act for Federal Fiscal Year 2018, which included a 3% increase in the maximum Pell Grant from the current level of $5,920 to

$6,095 for academic year 2018-2019. Funding was also increased for other federal financial aid programs, with a boost of more than 14% for the need-based Federal Supplemental Educational Opportunity Grant (SEOG) and Federal Work-Study programs, additional support for TRIO and GEAR-UP, and a new $350 million fund to help students qualify for loan cancellation under the Public Service Loan Forgiveness program.

Meanwhile, a national debate has flared up over the roles of states and the federal government in consumer protection for borrowers of federal student loans. This is due to reports of loan servicers misapplying students' payments and failing to help students enter the federal loans' lower-cost, income-based repayment options. In mid-March, U.S. Education Secretary Betsy DeVos announced a new federal position that states are pre-empted from licensing and regulating the servicers of federal student loans. In response, the National Governors' Association and a bipartisan coalition of 30 state Attorneys General (including New Jersey's) expressed strong views to the contrary. We joined this debate with our announcement last week that HESAA has canceled our membership in the National Council of Higher Education Resources (NCHER), the trade association leading the opposition to state protections for borrowers. In our view, state governments play a vital role in consumer protection, and HESAA, as a State Authority, shouldn't use our resources to support a group that is committed to stopping states from taking action to protect student borrowers.

In other federal matters, HESAA continues to serve as a state guaranty agency under the Federal Family Education Loan Program (FFELP). We work with the Federal Student Aid (FSA) unit to improve both physical and information security. Since 2015, HESAA has participated in two self-assessments resulting in an established, continuous plan of action and milestones identifying security control improvements. On April 24th through April 26th, FSA will be onsite to conduct a review of 87 of our 185 National Institute of Standards and Technology (NIST) controls. The scope of the audit is limited to systems and infrastructure which support FFELP. Upon completion, HESAA will receive a preliminary findings report, allowing a two-week remediation period, and a subsequent plan of action and milestones to keep all information safe.

Also with regard to HESAA's role as a guarantor of FFELP loans, as you may recall no new loans have been originated through this program since the federal government terminated FFELP as of July 1, 2010. While HESAA continues to guarantee more than 186,000 FFELP loans, we are analyzing options to transition our work as this loan volume continues to decline over the next several years. I will continue to keep the Board informed on this topic.

<u>NJCLASS Loan Back-end Technology System</u>

In February, HESAA issued a Request for Proposals (RFP) to procure a new student loan back-end servicing platform. We invited software and technology vendors to bid on the design, development, implementation, and documentation of a new system, along with project management and supporting services. Our goal is to replace our student loan back-end systems with modernized technology that will enable HESAA's staff to assist borrowers more efficiently and effectively. As we did with the grants system, we plan on doing an in-depth evaluation of all proposed systems and anticipate presenting a potential system to the Board at either the October or January board meeting.

NJCLASS Enhancements
One of my top goals at HESAA is to develop new tools to help student borrowers, including those whose economic circumstances make it more difficult for them to repay their student loans. This includes providing better information to all parties to an NJCLASS loan, as well as developing new approaches to help borrowers avoid defaults through affordable repayment options, and, in those unfortunate cases where borrowers' loans are in default, by reforming HESAA's collection practices and protocols.

Currently, 93% of NJCLASS loans have more than one party to the loan; in most cases, a family member is the co-signer, which is why we refer to NJCLASS as a "Family Loan for Higher Education." Effective immediately, when an applicant for an NJCLASS loan indicates that they will have a co-signer, before moving forward in the online application, they must view a short, one-minute and 10-second video explaining the responsibilities of co-signing a student loan and directing them to reputable third-party consumer information about co-signing. While this information was already provided on our website and in the formal legal documents that borrowers must read and sign to execute a loan, we believe that the evocative, plain-language approach of this video will help more co-signers fully understand all their responsibilities.

As noted earlier in the Board presentation on the bond resolution, we are offering additional repayment assistance for loans originated in the 2018 bond indenture. Our new Household Income Affordable Repayment Plan ("HIARP") program will offer reduced, affordable monthly payments for borrowers whose economic hardships extend beyond the maximum two-year timeframe of the Repayment Assistance Program (RAP) that was introduced in 2017. HESAA will use the RAP and HIARP programs in tandem to help borrowers avert defaults, by offering more affordable repayment plans in cases where all the parties to a NJCLASS loan have experienced material changes in their combined economic circumstances.

Subject to limited available funds and on a first-come, first-served basis, new Standard NJCLASS Loans originated in the 2018 Indenture will be eligible for HIARP. NJCLASS Graduate/Professional loans, Refi+ and Consolidation loans are not eligible for HIARP. As with RAP, the calculation of reasonable, affordable reduced monthly payments is based on the income of all parties to the loan. Reduced payments will be set at 15% of the total of the household discretionary income of all of the parties to the loan, with "discretionary income" defined as income in excess of 150% of the federal poverty guideline for their family size, and a minimum monthly payment of $25 will be required. Under HIARP, loans will have an extended repayment term of 25 years from the date of origination; over that time, annual income certification will be required to calculate monthly payments, and any remaining balance at the end of 25 years will be forgiven. During the HIARP period interest continues to accrue on the loan. Borrowers can only enter HIARP after exhausting their two years of RAP eligibility.

Finally, we have another important task underway to review and revise HESAA's policies and procedures governing the collection of FFELP and NJCLASS loans that are in default. HESAA's mission is to make higher education accessible for New Jersey families, not only by helping them finance their education but also by assisting them in paying off their debts. We are working to identify ways to better assist struggling defaulted borrowers by offering more flexible payment structures that seek to balance borrowers' debt obligations with their ability to pay. I look forward to updating the Board on our progress as we consider these changes.

Thank you.

Dr. Jon Larson congratulated and welcomed Executive Director Socolow. On behalf of his colleagues at the county colleges, Dr. Larson expressed his appreciation for the County College Opportunity Grant initiative. He stated that this will enable the county colleges to support students that they traditionally had trouble reaching, such as adults returning to school.

Diana Gonzalez welcomed Executive Director Socolow and Chief of Staff Barnes. She expressed her appreciation for the commitment by HESAA to provide flexible loan payments and stated how important that was to both the Governor and the Secretary of Higher Education. She stated that she and the Secretary look forward to continuing to work together with HESAA.

NEW BUSINESS

Chair Van Horn reminded the Board that Financial Disclosure Statements must be filed by May 15, 2018 and that there is a $50 per day fine if filed late.

David Socolow presented a Resolution of Appreciation to Teresa Gervasio, Director of Student Loans, to honor her service to HESAA upon her pending retirement.

ADJOURNMENT

Ms. Van Horn advised that the next regularly scheduled Board meeting is Wednesday, July 25, 2018.

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

The meeting adjourned at 10:50 am.

Higher Education Student Assistance Authority

State of New Jersey

HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
4 QUAKERBRIDGE PLAZA
PO BOX 545
TRENTON, NJ 08625-0545
1-800-792-8670
www.hesaa.org

PHILIP D. MURPHY
Governor

SHEILA Y. OLIVER
Lt. Governor

DAVID J. SOCOLOW
Executive Director

MEMORANDUM

TO: Members, Higher Education Student Assistance Authority Board

THROUGH: David J. Socolow
Executive Director

FROM: Marnie B. Grodman, Esq. MBG
Director, Legal and Governmental Affairs

SUBJECT: Resolution 03:18 - Adopting a Schedule of Meetings for Fiscal Year 2019

DATE: April 18, 2018

Attached for your review is Resolution 03:18 recommending dates for the Fiscal Year ("FY") 2019 HESAA Board meetings. The following dates were chosen after polling each member regarding his or her availability.

Wednesday July 25, 2018
Wednesday October 24, 2018
Wednesday January 23, 2019
Wednesday April 17, 2019

All regular Board meetings will take place at 10:00 a.m. at HESAA offices, 4 Quakerbridge Plaza, Building 2, Mercerville, New Jersey. HESAA may call additional meetings, including telephone conference call meetings, at its discretion.

The HESAA Board adopts a regular meeting schedule so that HESAA may notify Board members and the public of future meeting dates. Specific notice of each meeting will be provided to the public in a timely fashion in accordance with the provisions of the Open Public Meetings Act.

Recommendation

It is recommended that the Board approve the attached Resolution 03:18 – Adopting a Schedule of Meetings for Fiscal Year 2019.

Attachment

RESOLUTION 03:18

ADOPTING A SCHEDULE OF MEETINGS FOR FISCAL YEAR 2019

Moved By: Ms. Jean McDonald Rash
Seconded By: Dr. Jon Larson

WHEREAS: Adopting a regular meeting schedule provides general notice to Board members and to the public of meetings of the Higher Education Student Assistance Authority Board; and

WHEREAS: The dates for the regular meetings for Fiscal Year 2019 were chosen after polling the Board members regarding their availability; and

WHEREAS: The Higher Education Student Assistance Authority may call additional meetings, including telephone conference call meetings; and

WHEREAS: Specific notice of each meeting will be provided to the public in accordance with the provisions of the Open Public Meetings Act.

NOW, THEREFORE, LET IT BE:

RESOLVED: That the Higher Education Student Assistance Authority hereby adopts the following schedule of meetings for Fiscal Year 2019:

Wednesday July 25, 2018
Wednesday October 24, 2018
Wednesday January 23, 2019
Wednesday April 17, 2019

April 18, 2018

State of New Jersey
Higher Education Student Assistance Authority
4 Quakerbridge Plaza
PO Box 545
Trenton, NJ 08625-0545
1-800-792-8670
www.hesaa.org

Philip D. Murphy
Governor

Sheila Y. Oliver
Lt. Governor

David J. Socolow
Executive Director

MEMORANDUM

TO: Members, Higher Education Student Assistance Authority

THROUGH: David Socolow
Executive Director

FROM: Jerry Traino
Chief Financial Officer

SUBJECT: NJCLASS: Student Loan Revenue Bonds, Series 2018, Resolution 04:18 - a resolution authorizing the issuance and sale of senior student loan revenue bonds, including refunding bonds, and subordinate student loan revenue bonds through a new indenture of trust, and approving the execution and delivery of the indenture of trust, supplemental indenture, preliminary official statement, final official statement, continuing disclosure agreement, acknowledgement of servicing, bond purchase agreement, and other documents and matters in connection therewith, and acknowledging a change in loan rates for 2017-NJCLASS loans.

DATE: April 10, 2018

Summary

Resolution 04:18 authorizes a bond sale of Series 2018 bonds in an amount not to exceed $250 million. Final maturity on the bonds shall not extend past June 1, 2053. The Series 2018 bonds will be issued under a new Master Indenture of Trust dated as of May 1, 2018.

The Series 2018 bonds will consist of Senior Series 2018 A bonds, Senior Refunding Series 2018 B bonds, and Subordinate Series 2018 C bonds. The structure currently contemplates total issuance of $220,000,000, consisting of $94.5 million Senior Series 2018 A bonds, $108.5 million Senior Refunding Series 2018 B bonds , and $17 million Subordinate Series 2018 C bonds. Tranche sizes may change at pricing, but in no event will total issuance exceed $250 million.

The Series 2018 Bonds are being issued to provide funds for HESAA's New Jersey College Loans to Assist State Students ("NJCLASS") program for the 2018-2019 academic year, to provide funds for NJCLASS Refinance loans, and to refund certain bonds contained within the 2008 Indenture. In addition, proceeds shall be used to make deposits into the Capitalized Interest and Debt Service Reserve Funds. It is anticipated that all costs of issuance will be paid with HESAA funds and not from the proceeds of the Series 2018 bonds.

Credit market conditions make it most advantageous for the Authority to utilize the same basic capital structure as used in the sale of the Authority's Series 2012 thru 2017 bonds, fixed rate serial and term bonds with a super sinker. The proceeds of the Series 2018 bonds will be used to originate loans as follows:

Undergraduate Students: 10-year Option 1 (immediate payment of principal and interest), 15-year Option 1 and Option 2 (immediate payment of interest only), and 20-year Option 3 (deferred payment of principal and interest);

Graduate/Professional Students: 25-year Option 1, 2 and 3;

Consolidation: 25- and 30-year repayment options; and

Refinance: 10-year repayment option.

Unlike previous years, loans originated with Series 2018 proceeds will be offered at a fixed flat interest rate, the rate will not step-up upon entering repayment or after a set amount of payments.

Market conditions and loan demand make it possible for the Authority to continue offering its 10-year Option 1 Loan to families who can afford higher monthly repayment amounts. The 10-year Option 1 loan carries a significantly lower interest rate than either the 15-year NJCLASS loan or the federal Direct Parent Loan for Undergraduate Students (PLUS).

As noted above, the Series 2018 bonds will include a series of subordinated bonds, Subordinate Series 2018 C bonds, as part of the overall bond structure. The Subordinate Series 2018 C bonds will be structured with the longest maturity date. Payment of principal on the Subordinate Series 2018 C bonds is payable after all principal payments on the Senior Series 2018 bonds has been paid. Interest on the Senior Series 2018 bonds is payable prior to the payment of interest or principal on the Subordinate Series 2018 C bonds. The Subordinate Series 2018 C bonds are expected to carry a higher rate of interest than the Senior Series 2018 bonds, and will appeal to investors willing to accept a subordinated bond payment in exchange for a higher yield. This structure has been successfully used in each of the Authority's issuances since 2012. The inclusion of subordinate bonds in the bond structure reduces the amount of equity the Authority is required to contribute to the Series 2018 bonds. The Subordinate Series 2018 C bonds are expected to carry an investment grade rating of A2/A(sf) from Moody's and Standard and Poor's, respectively.

It is anticipated that the Authority will be required to contribute equity to the Series 2018 bonds in an amount not to exceed $3.0 million to satisfy certain rating agency stress case cash flows. Any equity contribution will be drawn from cash released from the NJCLASS Life of Loan Servicing Reserves. These funds are not required for current program purposes. Excess revenues in certain of HESAA's trusts will be eligible for release over the next 10 years. The release of excess revenues will be used to replenish funds drawn from the Guaranty Agency Operating Fund or the NJCLASS Life of Loan Servicing Reserves.

NJCLASS loan volume for academic year 2018-19 is expected to approach $240 million. HESAA anticipates using residual unexpended 2016-1 and 2017-1 proceeds and Series 2018 proceeds to meet demand.

NJCLASS Program Parameters

The NJCLASS Pilot Refinance Loan Program will continue to be offered to help NJCLASS borrowers refinance NJCLASS loans and federal PLUS loans. All of the underlying student loans requested for refinancing must also have a New Jersey nexus. HESAA's refinance loan allows borrowers to significantly reduce the interest rates on their existing loans. To qualify for a Refinance Loan borrowers must meet HESAA's established credit criteria for the program.

For the 2018-2019 Academic Year, Fixed Rate Undergraduate NJCLASS loans and Fixed Rate NJCLASS Graduate /Professional loans will no longer have a 0.75% step-up, but instead will carry a flat interest rates for the life of the loan.

All NJCLASS loans originated from the series 2018 bond proceeds will continue to follow the revised credit standards adopted by the Authority in 2012 as detailed below:

- Minimum Income of $40,000.
- Revised Credit Score Criteria
    - 670-699 FICO Band – all applicants credit reports reviewed for derogatories.
    - 700+ FICO Bands – application auto approved.
- Administrative fee of 3% for all option types (except for consolidation loans which carry a 1% origination fee and refinance loans with a zero origination fee) to provide additional collateralization for the Bonds.
- Loan funds available for Option 3 loans not to exceed $30.0 million and interest rate set at its true cost.

- Consolidation Loans – maintain the credit and the minimum income standards with those of the standard undergraduate loan.

- Refinance Loans – in addition to meeting the credit criteria outlined above, borrowers applying for a NJCLASS Refinance loan will be subject to a debt to income ratio test. The borrower's debt to income ratio, inclusive of payments on the new refinance loan, cannot exceed 40%. Interest rates for the refinance loans will be tiered based on borrower credit scores. Borrowers with credit scores 780 or higher are offered the best rate, those with credit scores from 720 to 779 a slightly higher rate and those with credit scores from 670-719 the highest rate. These rates are tied to the default loss assumptions utilized by the rating agencies in their rating process. Borrowers in each of these tiers are expected to realize significant cost savings in comparison to their current loans.

Borrowers who do not qualify for the NJCLASS loans on their own will have the choice of obtaining a credit-worthy co-signer or will be counseled to apply for the federal PLUS loan. The federal PLUS program offers more flexible repayment terms and less stringent credit standards than can be funded through the issuance of rated bond for NJCLASS, but may carry a higher interest rate.

HESAA continues to counsel families to borrow under those options that requires some level of payment during the in-school period to avoid the impact of interest capitalization. Particular focus is placed on lower FICO-score borrowers who often end up facing monthly payments they cannot afford, which is detrimental to both the borrower and the NJCLASS program.

The tighter credit standards implemented by HESAA in 2012 in combination with an improving economy, State and national, has resulted in a decrease in loan defaults. Over the last five years HESAA's portfolio has experienced a default rate of only 1.47%.

RAP and HIARP

In a continued effort to better assist those families who suffer a material loss of income for a period of time during the life of their loans, HESAA will continue to offer the Repayment Assistance Program (RAP) to borrowers whose loans were originated with Series 2018 bond proceeds (RAP was first offered in 2017). A borrower is eligible to participate in RAP for a period of two years. Monthly payments, during the RAP period, are reduced to a level that is deemed affordable, taking into account the resources of all parties on the loan. During RAP, HESAA makes all of the borrower's interest payments. Borrower payments are applied to the principal balance of the loan. At the end of the RAP period, a borrower's monthly payment is recalculated. RAP is subject to the availability of funds. Based on cash flows, HESAA believes that the funds allocated for RAP will cover anticipated need.

As a means of further providing assistance to families struggling with extended periods of material loss of income, HESAA is implementing the Household Income Adjusted Repayment Program (HIARP) for borrowers whose loans are originated in or after the

2018-2019 academic years. HIARP is a longer term assistance program, available to those borrowers who have exhausted their RAP eligibility period. Monthly payments in HIARP are reduced to a level that is deemed affordable, taking into account the resources of all parties to the loan. When borrowers enters HIARP, their loan term will be extended to 25 years from the date of origination. Any remaining loan balance after 25 years will be forgiven. During the HIARP period interest continues to accrue on the outstanding balance and will be capitalized when the borrowers are no longer eligible for reduced payments. Annually, the borrowers must meet HIARP eligibility requirements. If the borrowers no longer qualify for reduced payments, the repayment term remains 25 years and the payment amount reverts to the standard loan payment determined when the borrower enters HIARP. As with RAP this program is subject to the availability of funds.

Sale of Bonds and Associated Documents

The underwriters, in coordination with HESAA and its financial advisor, will assess market conditions at the time of sale. The underwriters will make final sizing and structuring recommendations for the marketing and sale of the Series 2018 bonds. It is anticipated that the sale of the Series 2018 bonds will take place in early May.

This resolution delegates to the Chairperson, Vice Chairperson, Secretary–Treasurer, Executive Director, Chief Financial Officer or other authorized representative or designee of the Authority the power to modify and approve the final structure and interest costs of the Series 2018 bonds.

In conformance with Executive Order 26 (Whitman), the bonds are being issued through a negotiated sale. Because of the complexity of the underlying credit (non-federal private student loans), the size of the issue, and complex bond structure (structured asset-backed issuance), a negotiated sale should result in better pricing for the bonds than would be obtained from a competitive sale.

The bond documents are enclosed after the resolution in the following order with blue headers:

Attachment A – 2018 Indenture

Attachment B – 2018-1 First Supplemental Indenture

Attachment C – 2018-1 Preliminary Official Statement

Attachment D – 2018-1 Continuing Disclosure Agreement

Attachment E – 2018-1 Acknowledgement of Servicing

Attachment F – 2018-1 Bond Purchase Agreement

The staff of the Authority will continue to work with Hilltop Securities, the Financial Advisor, and Bank of America Merrill Lynch, the Senior Manager, to develop an optimum strategy for marketing and pricing the bonds so that sufficient funds will be available to satisfy the demand for NJCLASS Loans while at the same time answering any questions the rating agencies and potential bondholders may have regarding the Series 2018 Bond Issue.

Ms. Leah Sandbank representing McManimon, Scotland and Baumann, LLC, Bond Counsel, will review the bond resolution with the Board.

Mr. Joseph Santoro of Bank of America Merrill Lynch, Mr. Steven Kantor of Hilltop Securities, and Mr. Clifford Rones, Deputy Attorney General, will also be available at the Authority meeting to answer any questions from members of the Board.

It is recommended that the Board approve the attached Resolution 04:18.

Attachments

RESOLUTION 04:18

RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF ADDITIONAL SERIES OF SENIOR STUDENT LOAN REVENUE BONDS AND SUBORDINATE OBLIGATIONS AND APPROVING THE EXECUTION AND DELIVERY OF AN INDENTURE OF TRUST, SUPPLEMENTAL INDENTURE, PRELIMINARY OFFICIAL STATEMENT, FINAL OFFICIAL STATEMENT, CONTINUING DISCLOSURE AGREEMENT, ACKNOWLEDGEMENT OF SERVICING, BOND PURCHASE AGREEMENT, AND OTHER MATTERS IN CONNECTION THEREWITH AND ACKNOWLEDGING A CHANGE IN LOAN RATES FOR 2017-1 NJCLASS LOANS

Moved: Mr. Robert Shaughnessy
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: Pursuant to the Act and the Indenture of Trust, dated as of January 1, 2010, between the Authority and Trustee, as amended and supplemented (the "2010-1 Indenture"), the Authority has issued $250,000,000 in aggregate principal amount of its Student Loan Revenue Bonds, Series 2017-1 (the "2017-1 Bonds"), consisting of $141,100,000 Senior Student Loan Revenue Bonds, Series 2017-1A, $86,900,000 Senior Student Loan Revenue Refunding Bonds, Series 2018-1B and $22,000,000 Subordinate Student Loan Revenue Bonds, Series 2017-1C, as authorized by the Fourth Supplemental Indenture, dated as of June 1, 2017 (the "2017 Fourth Supplemental Indenture") between the Authority and Trustee; and

WHEREAS: The Authority desires to acknowledge the change in the loan rates for the 2017-1 NJCLASS Loans (as defined in the 2017 Fourth Supplemental Indenture) originated (i) with proceeds of the Series 2017-1 Bonds from and after the date of issuance of the Series 2018 Bonds and (ii) from Recoveries of Principal during the Recycling Period set forth in the 2017 Fourth Supplemental Indenture at the respective Loan Rates set forth in the First Supplemental Indenture from and after the issuance of the Series 2018-1 Bonds, as contemplated by the definition of 'Loan Rate' as defined in the 2017 Fourth Supplemental Indenture; and

WHEREAS: In order to accomplish the purposes of the Act and (a) provide Student Loans (as defined in the 2018 Indenture) commencing with the 2018-2019 school year and (b) provide for the refunding of all outstanding obligations issued under the Indenture of Trust dated August 1, 2008, as amended (the "2008 Indenture") between the Authority and the Trustee, the Authority wishes to (i) provide for the issuance and sale of a series of senior student loan revenue bonds, senior student loan revenue refunding bonds and subordinate obligations (collectively, the "Series 2018 Bonds") pursuant to an Indenture of Trust to be entered into between the Authority and the Trustee (the "2018 Indenture") and (ii) authorize the transfer of funds from its reserves; and

WHEREAS: In accordance with the requirements of Executive Order No. 26 (Whitman 1994), the Authority hereby determines that because of the complexity and size of the financing structure as hereinafter described, and volatile market conditions, a negotiated sale of such Series 2018 Bonds would best serve the requirements of this financing; and

WHEREAS: An Underwriter for the Series 2018 Bonds, Merrill Lynch, Pierce, Fenner & Smith, Incorporated; a Financial Advisor, FirstSouthwest, a Division of Hilltop Securities; and Bond Counsel, McManimon, Scotland & Baumann, LLC, have been selected in accordance with the requirements of Executive Order No. 26; and

WHEREAS: In connection with the issuance and sale of the Series 2018 Bonds, the Authority intends to enter into a Continuing Disclosure Agreement (the "Continuing Disclosure Agreement") with the Trustee, acting as dissemination agent, in accordance with Rule 15c2-12 under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"); 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. To accomplish the purposes and objectives of the Act, including the purchase and origination of Student Loans as authorized by the Act and as defined in the 2018 Indenture, and the refinancing of all outstanding Student Loan Revenue Bonds of the Authority issued under the 2008 Indenture, consisting of $350,000,000 Student Loan Revenue Bonds, 2008 Series A (the "Prior Bonds"), the Authority hereby authorizes the issuance of its Series 2018 Bonds issued as Student Loan Revenue Bonds, Series 2018, in the aggregate principal amount not to exceed $250,000,000 in one or more senior and subordinate Series, issued as fixed rate bonds. The Authority presently contemplates issuing the Series 2018 Bonds as (i) Senior Student Loan Revenue Bonds, Series 2018 A (the "Series 2018 A Bonds"), (ii) Senior Student Loan Revenue Refunding Bonds, Series 2018 B (the "Series 2018 B Bonds"; and together with the Series 2018 A Bonds, the "Series 2018 Senior Bonds") and (ii) Subordinate Student Loan Revenue Bonds, Series 2018 C (the "Series 2018 Subordinate Bonds" and together with the Series 2018 Senior Bonds, the "Series 2018 Bonds") but may alter the Series designations as may be approved by the hereinafter defined Authorized Authority Official and reflected in the First Supplemental Indenture.

The Series 2018 A Bonds and Series 2018 B Bonds shall constitute "Bonds" for all purposes of the 2018 Indenture and shall be issued on a parity basis with all other Outstanding Series of Bonds to be issued under the 2018 Indenture. The Series 2018 Bonds is the first series of Bonds and other obligations to be issued under the 2018 Indenture. The Series 2018 Subordinate Bonds shall constitute "Subordinate Obligations" for all purposes of the 2018 Indenture, the Principal Installments of which shall be payable on a subordinate basis to payment of all Principal Installments on the Outstanding Series 2018 Senior Bonds in accordance with the requirements of the First Supplemental Indenture and without regard to whether Bonds of any other Series remain Outstanding in accordance with paragraph (ix) of Section 5.5(A)(1) of the 2018 Indenture.

The Series 2018 Bonds shall be sold to Merrill Lynch, Pierce, Fenner & Smith Incorporated, New York, New York, acting as representative of the group of underwriters, if any (the "Underwriter"), pursuant to the terms of one or more Bond Purchase Agreement(s) to be entered into by and between the Authority and the Underwriter (collectively, the "Bond Purchase Agreement") with an Underwriter's fee (excluding Underwriter's Counsel) not to exceed \$7.54/\$1,000 of Series 2018 Bonds issued. The Chairperson, Vice Chairperson, Secretary-Treasurer, Executive Director and Chief Financial Officer or other authorized representative or designee (each an "Authorized Authority Official" and, collectively, the "Authorized Authority Officials") are each hereby authorized to execute the Bond Purchase Agreement. The Series 2018 Bonds shall be dated, shall bear interest at the respective fixed rates, shall be payable as to principal, redemption premium, if any, and interest, shall be issued in the respective forms, shall be in the respective Authorized Denominations, shall be signed, authenticated and numbered, shall mature, shall be subject to redemption prior to maturity, and shall have such other details and provisions as set forth in the 2018 Indenture, as amended and supplemented by a First Supplemental Indenture to be dated as of the first date of the month the Series 2018 Bonds are issued (the "First Supplemental Indenture"), by and between the Authority and the Trustee; provided, however, an Authorized Authority Official may modify the stated interest rate(s) of the Series 2018 Bonds, the maturity date(s) of any of the Series 2018 Bonds (including, without limitation, creating serial and term bonds, if any, and providing for cumulative and/or mandatory sinking fund payments on term bonds), and the redemption provisions of the Series 2018 Bonds subject to the following: (i) the final maturity of the Series 2018 Bonds shall not be after June 1, 2053; (ii) the optional redemption price for any Series 2018 Bond shall not exceed 103% of the principal amount thereof, and the initial call protection for any Series 2018 Bond shall not exceed 10 years, and (iii) the stated interest rate on the Series 2018 Senior Bonds shall not exceed 7.0% per annum and the stated interest rate on the Series 2018 Subordinate Bonds shall not exceed 8.5% per annum.

Capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the 2018 Indenture.

The Authority is authorized, together with the Trustee, to the extent necessary or appropriate, to take such actions and execute such documents as may be necessary or appropriate to qualify the Series 2018 Bonds with The Depository Trust Company, New York, New York, as book-entry obligations.

Section 2. The Series 2018 Bonds shall be limited obligations of the Authority, and shall be payable solely out of the Trust Estate as set forth in the 2018 Indenture, subject to the application thereof to the purposes and on the conditions permitted by the 2018 Indenture. The payment of the principal, redemption premium, if any, and interest on the Series 2018 Bonds shall be secured by a pledge and assignment of the Trust Estate as provided in the First Supplemental Indenture. Neither the State nor the Authority shall be obligated to pay the Series 2018 Bonds or the interest thereon except as so provided in the 2018 Indenture.

Section 3. No covenant, stipulation, obligation, or agreement herein contained or contained in the Bond Purchase Agreement, the 2018 Indenture (including the First Supplemental Indenture) or the Continuing Disclosure Agreement, shall be deemed to be a covenant, stipulation, obligation or agreement of any member, officer, agent or employee of the Authority or of the State in an individual capacity. Neither the members of the Authority, nor any person executing the Series 2018 Bonds issued pursuant to this resolution and the Act, nor any officer nor employee of the Authority shall be liable personally on the Series 2018 Bonds by reason of the issuance or execution thereof. The Series 2018 Bonds shall not be in any way a debt or liability of the State or any political subdivision thereof (except the Authority to the limited extent of the Trust Estate), either legal, moral or otherwise, and neither the faith and credit nor the taxing power of the State or any political subdivision thereof (except the Authority to the limited extent of the Trust Estate) shall be pledged to the payment of the principal, redemption premium, if any, or interest thereon. The issuance of the Series 2018 Bonds shall not directly or indirectly or contingently obligate the State or any political subdivision thereof to levy or pledge any form of taxation whatsoever therefor.

Section 4. In order to satisfy the initial Parity Percentage Requirement set forth by the Rating Agencies rating the Series 2018 Bonds, the Authority hereby authorizes the transfer of an amount to be determined by an Authorized Authority Official as necessary to satisfy such requirement from its reserves, which aggregate amount shall not exceed $4,000,000, some or all of which shall consist of amounts transferred from the 2008 Indenture in connection with the refunding of the Prior Bonds, and any or all of the NJCLASS Life of Loan Servicing Reserves, the Guaranty Agency Operating Fund, the Direct Loan Servicing Fund or the NJBEST Scholarship Administrative Reserves. These amounts transferred to the 2018 Indenture shall be applied to originate Student Loans thereunder. The Authority shall replenish such reserves from Revenues and Recoveries of Principal on the Student Loans as provided under the 2018 Indenture.

Section 5. The Bond Purchase Agreement, the Continuing Disclosure Agreement, the First Supplemental Indenture and the Series 2018 Bonds, substantially in the respective forms submitted to the Authority and made a part of this resolution as though set forth in full herein, are hereby approved. An Authorized Authority Official is hereby authorized to execute, acknowledge and deliver such documents with any changes, insertions and omissions (including, without limitation, insertion of the Loan Rates or the method of determination thereof in the First Supplemental Indenture) as may be approved by said Authorized Authority Official and the Secretary-Treasurer of the Authority is hereby authorized to affix the seal of the Authority on such documents and attest the same. The execution of any of such documents by said Authorized Authority Official shall be conclusive evidence of any approval of such document in final form as authorized by this Section 5.

Section 6. The Acknowledgement of Servicing to be entered into by and between the Authority and the Trustee regarding the servicing of 2018 Student Loans (as defined in the First Supplemental Indenture), substantially in the form submitted to the Authority and made a part of this resolution as though set forth in full herein, is hereby approved. The Authorized Authority Officials are hereby authorized to execute, acknowledge and deliver such document with any changes, insertions and omissions as may be approved by said Authorized Authority Official and the Secretary-Treasurer of the Authority is hereby authorized to affix the seal of the Authority on such document and attest the same. The execution of such document by said Authorized Authority Official shall be conclusive evidence of any approval of such document in final form as authorized by this Section 6.

Section 7. The Series 2018 Bonds shall be executed in the manner provided in the 2018 Indenture, and the same shall be delivered to the Trustee for proper authentication and delivery to the Underwriter upon instructions to that effect. The 2018 Indenture shall provide the terms and conditions, covenants, rights, obligations, duties and agreements of the Holders of the Series 2018 Bonds, the Authority and the Trustee.

Section 8. All covenants, stipulations, obligations and agreements of the Authority contained in this resolution and contained in the Bond Purchase Agreement, the Continuing Disclosure Agreement, the 2018 Indenture (including the First Supplemental Indenture) and the Acknowledgement of Servicing shall be deemed to be the covenants, stipulations, obligations and agreements of the Authority to the full extent authorized or permitted by law, and such covenants, stipulations, obligations and agreements shall be binding upon the Authority and its successors from time to time and upon any board or body to which any powers or duties affecting such covenants, stipulations, obligations and agreements shall be transferred by or in accordance with law. Except as otherwise provided in this resolution, all rights, powers and privileges conferred, and duties and liabilities imposed, upon the Authority or the members thereof by the provisions of this resolution, the Bond Purchase Agreement, the Continuing Disclosure Agreement, the 2018 Indenture (including the First Supplemental Indenture), and the Acknowledgement of Servicing shall be exercised or performed by the Authority or by such members, officers, board or body as may be required by law to exercise such powers and to perform such duties.

No covenant, stipulation, obligation or agreement herein contained or contained in the Bond Purchase Agreement, the Continuing Disclosure Agreement, the 2018 Indenture (including the First Supplemental Indenture), or the Acknowledgement of Servicing shall be deemed to be a covenant, stipulation, obligation or agreement of any member, officer, agent or employee of the Authority or of the State in his or her individual capacity, and neither the members of the Authority nor any officer executing the Series 2018 Bonds shall be liable personally thereon or be subject to any personal liability or accountability by reason of the issuance thereof.

Section 9. The proper officers of the Authority are hereby further directed to cause the proceeds of the Series 2018 Bonds, together with other available Authority funds, if any, to be initially deposited and disbursed as provided in the 2018 Indenture (including the First Supplemental Indenture). To the extent the Authority pays any or all of the costs of issuance from other available funds of the Authority, the Authority may reimburse the expenditure of those funds from available funds on deposit in the Trust Estate, provided that said reimbursement complies with the requirements of the Internal Revenue Code of 1986, as amended, and court decisions interpreting the same and existing regulations, rulings, and other publications promulgated or released thereunder.

Section 10. In order to secure payment of principal of (on the scheduled maturity dates and/or sinking fund maturity dates) and interest on the Series 2018 Bonds (on the dates due) the Authority is hereby authorized to obtain one or more municipal bond insurance policies and to enter into commitments and agreements with respect thereto. The Authorized Authority Officials are each hereby authorized to enter into an agreement with the issuer(s) of such municipal bond insurance policy in customary form, and to make such revisions to the forms of documents submitted to this meeting as may be necessary or appropriate in connection with such policy. The Authority is hereby further authorized to use proceeds of the Series 2018 Bonds or other available funds of the Authority to fund all or a portion of the premium payable to the issuer of the municipal bond insurance policy for such policy.

Section 11. The Authority, in consultation with the Treasurer of the State of New Jersey (the "Treasurer") and the Attorney General of the State of New Jersey (the "Attorney General"), is hereby authorized to purchase one or more financial guaranty insurance policies or surety bonds for deposit to the Debt Service Reserve Fund established under the 2018 Indenture to satisfy the 2018 Reserve Requirement (as defined in the First Supplemental Indenture) for the Series 2018 Bonds, if any, each constituting a Funding Instrument within the meaning of the 2018 Indenture, with respect to any or all of the Series 2018 Bonds (the "Funding Instrument(s)"). Such Funding Instrument, if any, shall be issued in an amount not exceeding the 2018-1 Reserve Requirement for the Series 2018 Bonds, if an Authorized Authority Official, in consultation with the Treasurer and the Attorney General, determines that such Funding Instrument(s) can be obtained upon terms and conditions consistent with the Act and reasonably acceptable to the Authority. The Authorized Authority Officials are each hereby authorized to enter into an agreement with the issuer(s) of such Funding Instrument(s), in customary form, and to make such revisions to the forms of documents submitted to this meeting as may be necessary or appropriate in connection with such Funding Instruments). Together with, or in lieu of, a Funding Instrument, the Authority is hereby further authorized to use proceeds of the Series 2018 Bonds or other available funds of the Authority to fund all or a portion of the 2018 Reserve Requirement for the Series 2018 Bonds.

Section 12. Wells Fargo Bank, National Association is hereby appointed (a) Trustee, Paying Agent, Registrar, and Authenticating Agent for the Series 2018 Bonds and (b) dissemination agent for the Series 2018 Bonds pursuant to the Continuing Disclosure Agreement.

Section 13. All actions of the Authority and its staff which have previously been taken with regard to the issuance of the Series 2018 Bonds and the NJCLASS Loan Program in respect of the Series 2018 Bonds are hereby ratified and approved, including the selection, pursuant to a competitive solicitation process, of American Municipal Tax-Exempt Compliance Corporation as verification agent for the refunding of the Prior Bonds.

Section 14. The Authorized Authority Officials are hereby designated to be the authorized representatives of the Authority, and each of them and other authorized representatives and designees are hereby authorized and directed to execute and deliver any and all papers, instruments, opinions, certificates, affidavits and other documents and to do and cause to be done any and all acts and things necessary or proper for carrying out this resolution, the Bond Purchase Agreement, the Continuing Disclosure Agreement, the 2018 Indenture (including the First Supplemental Indenture), the Acknowledgement of Servicing, and the issuance of the Series 2018 Bonds, including, without limitation, the substitution and approval of documents other than those approved and authorized to be executed by this resolution in order to conform the same to the purposes of the Act and the intentions of the Authority as expressed herein and in the First Supplemental Indenture.

Section 15. The Preliminary Official Statement relating to the offering of the Series 2018 Bonds (the "Preliminary Official Statement"), substantially in the form presented to this meeting, is hereby approved, with any changes, insertions and omissions as may be approved by an Authorized Authority Official. The Authorized Authority Officials are each authorized to execute such documents as shall be necessary or desirable to evidence that the final Preliminary Official Statement in the form to be electronically posted and/or printed and distributed, is "deemed final" within the meaning of (and with the exception of certain information permitted to be omitted by) Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended. The Authorized Authority Officials are each authorized to execute and deliver a final Official Statement relating to the Series 2018 Bonds (the "final Official Statement"), substantially in the form of the Preliminary Official Statement, with any changes, insertions and omissions as may be approved by said Authorized Authority Official. The execution of the final Official Statement by said Authorized Authority Official shall be conclusive evidence of any approval of such Official Statement in final form as authorized by this Section 15.

Section 16. The Authorized Authority Officials are hereby authorized to select, pursuant to a competitive solicitation process, the printer for the Preliminary Official Statement and final Official Statement.

Section 17. The Trustee is authorized to invest funds held under the 2018 Indenture in Investment Securities at the direction of an Authorized Authority Officer.

Section 18. 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.

April 18, 2018

State of New Jersey
Higher Education Student Assistance Authority
4 Quakerbridge Plaza
PO Box 545
Trenton, NJ 08625-0545
1-800-792-8670
www.hesaa.org

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

FROM: Arthur Quaranta
Controller

SUBJECT: Resolution 05:18 Approving the First One-Year Extension of the Contract with Wells Fargo NA to Provide Depository Banking Services

DATE: April 18, 2018

Background

The Higher Education Student Assistance Authority ("HESAA" or the "Authority") engages a bank to perform Depository Banking Services on HESAA's behalf, which means receiving payments made on all HESAA loan programs, including NJCLASS and the portfolio of defaulted loans held by HESAA as the designated New Jersey Federal Family Education Loan Program (FFELP) guaranty agency. Payments are made through the selected bank via ACH payments from multiple sources, checks processed though lockbox, and check payments received directly by the Authority.

As the result of a Request for Proposals, at its April 23, 2015 meeting, the HESAA Board appointed Wells Fargo NA as the provider of depository banking services for the Authority for a period of three years, with two possible one-year extensions at the option of HESAA.

Wells Fargo NA has established a track record of quality service, including assistance in implementation of technical improvements, as well as excellent customer service, by providing prompt and helpful responses at no additional cost whenever staff needs to communicate regarding lockbox banking issues. Accordingly, staff recommends approving the first one-year extension of the contract with Wells Fargo NA.

Recommendation

It is recommended that the Board approve Resolution 05:18 Approving the First One-Year Extension To the Contract with Wells Fargo NA to Provide Depository Banking Services.

Attachment

RESOLUTION 05:18

APPROVING THE EXTENSION OF THE FIRST ONE-YEAR EXTENSION TO THE CONTRACT WITH WELLS FARGO NA TO PROVIDE DEPOSITORY BANKING SERVICES

Moved By: Dr. Jon Larson
Seconded By: Ms. Jean McDonald Rash

WHEREAS: The Higher Education Student Assistance Authority (HESAA) engages a bank to perform depository banking services, which include receiving all loan payments made on HESAA loan programs, including NJCLASS and federal loans, made via ACH payments from multiple sources, checks processed though lockbox, and check payments received directly by HESAA; and

WHEREAS: At its April 23, 2015 meeting, as the result of a Request for Proposals, the HESAA Board appointed Wells Fargo NA as the provider of depository banking services for the Authority for a period of three years, with two possible one-year extensions at the option of HESAA; and

WHEREAS: Wells Fargo NA has established a track record of quality service, including assistance in implementation of technical improvements, as well as excellent customer service, by providing prompt and helpful responses at no additional cost whenever staff needs to communicate regarding lockbox banking issues; and

WHEREAS: The Authority desires to exercise its first option to extend the contract with Wells Fargo NA.

NOW, THEREFORE, LET IT BE:

RESOLVED: That the Higher Education Student Assistance Authority hereby approves the first one-year extension of its contract with Wells Fargo NA as the provider of lockbox banking services for the Authority.

April 18, 2018

State of New Jersey
HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
4 QUAKERBRIDGE PLAZA
PO BOX 545
TRENTON, NJ 08625-0545
1-800-792-8670
www.hesaa.org

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

FROM: Marnie Grodman, Esq. MG
Director, Legal & Governmental Affairs
Administrative Practice Officer

SUBJECT: Resolution 07:18 Proposed New Regulations Governing the Tuition Reimbursement Program for Psychiatrists, N.J.A.C. 9A:10-3

DATE: April 18, 2018

On July 21, 2017, an act establishing the Tuition Reimbursement Program for Psychiatrists, P.L. 2017, c.126 (N.J.S.A. 18A:71C-59 et seq.) (the "Act"), was signed into law. Pursuant to the Act the Higher Education Student Assistance Authority (HESAA) shall adopt rules necessary for the administration of the Act.

The Act addresses a shortage of mental health care access in certain areas of the State by providing tuition reimbursement in exchange for up to four years of service as a full-time psychiatrist in an underserved area. The tuition reimbursement for a participant equals 25% of the participant's eligible tuition expenses for the least expensive year of medical school in return for each full year of service.

HESAA drafted the proposed rules to govern the policy, administration and procedures of the Tuition Reimbursement Program for Psychiatrists with input from the Rutgers Biomedical and Health Sciences academic health center, which administers the Primary Care Physician Loan Redemption Program, and representatives from the Department of Health.

The proposed new rules are attached hereto and summarized below:

N.J.A.C. 9A:10-3.1 provides the purpose of the rules established by this Subchapter and the scope of eligibility in order to apply for loan redemption.

N.J.A.C. 9A:10-3.2 provides the definitions for words and terms as used within this Subchapter.

N.J.A.C. 9A:10-3.3 provides the process the Commissioner of Health, in consultation with the Commissioner of Human Services, shall use to define underserved areas. This section also specifies the source of the listings of the underserved areas, including the projected number of psychiatrists needed in each area, and the list of State psychiatric hospitals, including the projected number of psychiatrists needed in each hospital.

N.J.A.C. 9A:10-3.4 establishes the eligibility requirements that an applicant must meet in order to participate in the program.

N.J.A.C. 9A:10-3.5 specifies the procedures which an applicant must follow in order to participate in the program as well as the process for the Authority's review of the information submitted and selection of applicants for acceptance into the program.

N.J.A.C. 9A:10-3.6 provides the terms for tuition reimbursement.

N.J.A.C. 9A:10-3.7 outlines the contributing factors by which the Authority shall terminate a participant's employment service obligation and subsequently cancel the tuition reimbursement contract as well as the contributing factors for suspension of the tuition reimbursement contract and the length of the suspension. It further stipulates that the final decision-making authority to terminate a program participant's employment service obligation and cancel the participant's tuition reimbursement contract lies with the Authority.

N.J.A.C. 9A:10-3.8 outlines the procedures that an applicant must follow in order to appeal a notification of ineligibility for program participation.

Recommendation

It is recommended that the Board approves Resolution 07:18 Proposed New Regulations Governing the Tuition Reimbursement Program for Psychiatrists, N.J.A.C. 9A:10-3 so that the proposed new rules can be published in the New Jersey Register.

Attachment

RESOLUTION 07:18

PROPOSED NEW REGULATIONS GOVERNING THE TUITION REIMBURSEMENT PROGRAM FOR PSYCHIATRISTS, N.J.A.C. 9A:10-3

Moved by: Ms. Maria Torres
Seconded by: Ms. Stephanie Berdugo-Hernandez

WHEREAS: On July 21, 2017, an act establishing the Tuition Reimbursement Program for Psychiatrists, P.L. 2017, c.126 (N.J.S.A. 18A:71C-59 et seq.) (the "Act"), was signed into law; and

WHEREAS: Pursuant to the Act the Higher Education Student Assistance Authority (HESAA) shall adopt rules necessary for the administration of the Act; and

WHEREAS: HESAA received input from the Rutgers Biomedical and Health Sciences academic health center, which administers the Primary Care Physician Loan Redemption Program, and representatives from the Department of Health in drafting the proposed rules to govern the policy, administration and procedures of the Tuition Reimbursement Program for Psychiatrists; and

WHEREAS: The Act took effect on July 21, 2017.

NOW, THEREFORE, LET IT BE:

RESOLVED: That the Board approves and authorizes publishing the Proposed New Regulations Governing the Tuition Reimbursement Program for Psychiatrists, N.J.A.C. 9A:10-3, in the New Jersey Register.

April 18, 2018

SUBCHAPTER 3. TUITION REIMBURSEMENT PROGRAM FOR PSYCHIATRISTS

9A:10-3.1 Purpose and scope

The rules established by this subchapter provide the policies and procedures for participation in the Tuition Reimbursement Program for Psychiatrists administered by the Higher Education Student Assistance Authority. This program shall provide reimbursement to program participants for a portion of the eligible tuition expenses incurred by the participants in attending medical school.

9A:10-3.2 Definitions

The following words and terms, when used in this subchapter, shall have the following meanings, unless the context clearly indicates otherwise:

"Authority" means the Higher Education Student Assistance Authority.

"Eligible position" means full-time employment as a psychiatrist in a State underserved area or at a State psychiatric hospital or at a combination thereof.

"Eligible tuition expenses" means tuition expenses that were incurred by a program participant in attending an accredited medical school and which were not covered by any grants or scholarships.

"Fiscal year" means the period of time beginning on July 1 of a given year and ending on June 30 of the following year.

"Full-time" practice as a psychiatrist means 35 hours per week in an eligible position.

"Mental healthcare services" means the assessment and treatment of individuals with mental health or substance use disorders.

"Program" means the Tuition Reimbursement Program for Psychiatrists established pursuant to N.J.S.A. 18A:71C-59 et seq.

"Program participant" means a psychiatrist who contracts with the Authority to provide mental health care services in a State underserved area or in a State psychiatric hospital in return for tuition reimbursement provided under the program.

"State psychiatric hospital" means a State psychiatric hospital operated by the Department of Health and listed in R.S. 30:1-7.

"State underserved area" means a geographic area in this State which the Commissioner of Health, in consultation with the Commissioner of Human Services, determines on the basis of health status and economic indicators as having a physician shortage in the specialty of psychiatry.

9A:10-3.3 Designation of underserved areas, list of available positions in State psychiatric hospitals

(a) In accordance with N.J.S.A. 18A:71C-62, the Commissioner of Health, in consultation with the Commissioner of Human Services, shall designate State underserved areas which have a shortage of psychiatrists. In designating State underserved areas, the Commissioner shall consider health status criteria and economic indicators including, but not limited to, the financial resources of the population who resides in the area under consideration, and the population's access to mental health care services.

(b) The Commissioner of Health shall transmit to the Authority a list of the State underserved areas and the projected number of psychiatrists needed in each area.

(c) The Commissioner of Health shall transmit to the Authority the list of the State psychiatric hospitals and the projected number of psychiatrists needed in each hospital.

9A:10-3.4 Eligibility requirements for program participation

(a) To be eligible for participation in the program, an applicant must:

1. Maintain residency in the State during participation in the program;
2. Be a State-licensed physician who has successfully completed all educational and residency training requirements for the practice of psychiatry by the date of execution of the program contract;
3. Apply for the program by September 30 of the calendar year after completing an accredited residency training program in psychiatry or completing an accredited fellowship in child and adolescent psychiatry;
4. Agree to practice full-time as a psychiatrist in a State underserved area and/or in a State psychiatric hospital for a period of one to four years in return for the tuition reimbursement provided under the program; and
5. Not be simultaneously participating in either the Primary Care Practitioner Loan Redemption Program, N.J.S.18A:71C-32 et seq., or in the federally administered National Health Service Corps Loan Repayment Program, section 338B of the Public Health Service Act (42 U.S.C. s.2541-1).

9A:10-3.5 Application procedures

(a) In order to apply for participation in the program, an applicant must complete a tuition reimbursement program application and submit it to the Authority between July 1 and September 30.

1. The program application includes but is not limited to:
    i. The applicant's identification and contact information;

ii. Certification of full-time employment from the applicant's current employer or anticipated employer, including the start date;
iii. Proof of medical school attendance and graduation; and
iv. Proof of the amount of the applicant's tuition expenses for each year of medical school.

(b) The Authority will select the program participants from among those applicants who meet the eligibility criteria established pursuant to the N.J.A.C. 9A:10-3.4. Approval of the selected candidates is conditional upon the candidate receiving a license to practice medicine in New Jersey.

(c) In the event there are insufficient funds to select all of the applicants who meet the eligibility criteria, the Authority will rank all of the applications received during the application submission period using predetermined scoring evaluation criteria, which will be updated annually and posted on the Authority's website prior to July 1 each year.

(d) The Authority's approval of program participation is subject to available funding.

9A:10-3.6 Terms for tuition reimbursement

(a) An applicant who is selected for participation in the program shall enter into a written contract with the Authority. The contract shall specify the total amount of eligible tuition expenses to be reimbursed by the State, not to exceed 25 percent of the participant's eligible tuition expenses for the one academic year of medical school attendance in which tuition was the lowest, in return for each full year of service satisfactorily completed by the participant, not to exceed four years. The contract shall require a program participant to:

1. Charge for professional services at the usual and customary rate prevailing in the State underserved area, but allow a patient who is unable to pay that charge to pay at a reduced rate or receive care at no charge;

2. Not discriminate against any patient in the provision of mental health care services on the basis of that person's ability to pay or source of payment; and

3. Agree not to charge in excess of the limiting fee for a service, as determined by United States Secretary of Health and Human Services, to a recipient of benefits under the federal Medicare program established pursuant to Pub.L. 89-97 (42 U.S.C. s. 1395 et seq.)

(b) In order to maintain program eligibility a participant must:

1. Maintain residency in the State;

2. Maintain a license to practice medicine in the State;

3. Annually submit a certification signed by his or her employer verifying his or her continued employment and satisfactory performance in an eligible position.

(c) If a participant changes employers while participating in the program, he or she must provide the Authority with a certification signed by the previous full-time employer containing the termination date from that position and a certification from the new full-time employer containing the start date for that position and verification of the participant's continued employment and satisfactory performance in an eligible position. If there is a gap in full-time service between eligible positions, the service obligation will be extended a commensurate amount of time to complete a full year of service.

9A:10-3.7 Termination or suspension of the participant's tuition reimbursement contract

(a) The Authority shall terminate the participant's employment service obligation and cancel the tuition reimbursement contract if it determines:

1. On the basis of a sworn affidavit of a qualified physician that the participant is totally and permanently disabled;

2. On the basis of a death certificate, or other evidence of death that is conclusive under State law, that the participant has died;

3. On the basis of substantiating documentation as may be deemed necessary by the Authority upon specific case review that continued enforcement of the employment service obligation may result in extreme hardship for the participant;

4. The participant is no longer employed in a qualified position;

5. That the participant has been convicted of a felony and/or a high misdemeanor, as defined in N.J.S.A. 2C:1-4.d, or has committed an act of gross negligence in the performance of his or her employment service obligation; or

6. That the participant's license to practice has been revoked or suspended for cause.

(b) The Authority may suspend the participant's employment service obligation and the tuition reimbursement contract if it determines, on the basis of substantiating documentation as may be deemed necessary by the Authority upon specific case review, that continued enforcement of the employment service obligation may result in extreme hardship for the participant. Extreme hardships include but are not limited to: temporary disability, military action and temporary suspension of professional license pending the outcome of an investigation.

1. The Authority may suspend the employment service obligation and the tuition reimbursement contract of the program participant for a period of up to two calendar years from the date the suspension commences. At the end of the first year of suspension, the

participant must provide the Authority with substantiating documentation, as defined in (b) above, to renew the suspension for a second year.

2. The suspension, as stipulated in (b)1 above, may be extended beyond two years for exceptional circumstances at the discretion of the Authority on the basis of substantiating documentation, as defined in (b) above.

(d) The Higher Education Student Assistance Authority shall have final decision making authority to terminate a program participant's employment service obligation and cancel the tuition reimbursement contract.

9A:10-3.8 Appeals process

(a) When an applicant has received a notification of ineligibility for program participation, he or she may submit a written appeal to the Authority within 30 days of the date of the notification. The written appeal must include the following:

1. A copy of the notification of ineligibility received by the applicant from the Authority; and

2. The reason(s) why the applicant feels he or she is eligible to participate in the program along with any documentation which the applicant has obtained to support the appeal, if applicable.

(b) The applicant will receive a written response from the Authority concerning the determination of his or her eligibility for program participation within 30 days of the receipt of the appeal.

SUBCHAPTERS [3] <u>**4**</u> THROUGH 5. (RESERVED)

State of New Jersey
Higher Education Student Assistance Authority
4 Quakerbridge Plaza
PO Box 545
Trenton, NJ 08625-0545
1-800-792-8670
www.hesaa.org

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

FROM: Jennifer Azzarano
Director of Communications

SUBJECT: Resolution 08:18 - Approving the Higher Education Student Assistance Authority 2017 Annual Report Pursuant to Executive Order 37 (Corzine).

DATE: April 18, 2018

Background

Paragraph 2 of Executive Order 37 (Corzine) requires each State authority to prepare a comprehensive report concerning the authority's operations on an annual basis.

Executive Order 37 requires that the annual report set forth the significant actions of the authority from the previous year, including a discussion of the degree of success the authority had in promoting the State's economic growth strategies and other policies. The report is also required to include the authority's financial statements and to identify internal financial controls at the authority that govern expenditures, financial reporting, procurement, and other financial matters and transactions. Pursuant to Executive Order 37, the report shall also contain a certification by the appropriate senior staff member(s) that during the preceding year the authority has, to the best of their knowledge, followed all of the authority's standards, procedures, and internal controls, or, where such certification is not warranted, shall set forth the manner in which such controls were not followed and a description of the corrective action to be taken by the authority.

The Higher Education Student Assistance Authority (HESAA) has prepared the attached 2017 Annual Report in compliance with Executive Order 37.

Recommendation

It is recommended that the Board approve Resolution 08:18 Approving the Higher Education Student Assistance Authority 2017 Annual Report pursuant to Executive Order 37 (Corzine) and that the Board authorize staff to submit the 2017 Annual Report to the Governor's Authorities Unit and post it on HESAA's website.

Attachments

RESOLUTION 08:18

APPROVING THE HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY 2017 ANNUAL REPORT PURSUANT TO EXECUTIVE ORDER 37 (CORZINE)

Moved by: Ms. Jean McDonald Rash
Seconded by: Ms. Christy Van Horn

WHEREAS: Paragraph 2 of Executive Order 37 (Corzine) requires each State authority to prepare a comprehensive report concerning the authority's operations on an annual basis; and

WHEREAS: Executive Order 37 requires that the annual report set forth the significant actions of the authority from the previous year, including a discussion of the degree of success the authority had in promoting the State's economic growth strategies and other policies; and

WHEREAS: The report is also required to include the authority's financial statements and to identify internal financial controls at the authority that govern expenditures, financial reporting, procurement, and other financial matters and transactions; and

WHEREAS: Pursuant to Executive Order 37 the report shall also contain a certification by the appropriate senior staff member(s) that during the preceding year the authority has, to the best of their knowledge, followed all of the authority's standards, procedures, and internal controls, or, where such certification is not warranted, shall set forth the manner in which such controls were not followed and a description of the corrective action to be taken by the authority; and

WHEREAS: The Higher Education Student Assistance Authority (HESAA) has prepared the attached 2017 Annual Report in compliance with Executive Order 37.

NOW THEREFORE, BE IT:

RESOLVED: That the Higher Education Student Assistance Authority Board approves the attached Higher Education Student Assistance Authority 2017 Annual Report; and be it further

RESOLVED: That the attached Higher Education Student Assistance Authority 2017 Annual Report shall be submitted to the Governor's Authorities Unit and posted on the HESAA website.

April 18, 2018

Audits and Quality Assurance Annual Report to the

Program Review and Quality Control Committee

Introduction

To ensure HESAA's programs are in compliance with federal and state statutes, regulations, policies and procedures, the Audits & Quality Assurance unit (A&QA) is tasked with conducting Institutional Management Reviews focusing on State Grants and Scholarship Programs, Special Counsel Reviews of HESAA's collection attorneys, Federal Family Education Loan Program (FFELP) reviews of lenders and servicers, Internal Control Evaluations, reviews of New Jersey Institutions' Single Audit reports and Quality Assurance Reviews of HESAA's programs.

Institutional Management Reviews

HESAA conducts Institutional Management Reviews to verify that institutions administer State Grants and Scholarship programs in accordance with all applicable federal and state statutes, regulations, policies and procedures. The management reviews are also designed to provide institutions with recommendations on how to improve the operations of the business offices that have a part in the administration of their financial aid to ensure compliance with state and federal statutes and regulations. These include the Financial Aid, Admissions, Registrar, Bursar and Accounting offices.

HESAA conducts two types of reviews. Limited reviews focus on areas with the greatest potential for error, such as reconciliations and certification of student eligibility. Full scale reviews have more in-depth testing and consist of the limited review components as well as adding a review of verification, dependency overrides and professional judgment cases. Several variables are evaluated to determine if an institutional review is going to be limited or full scale. These variables include, but are not limited to, the total dollar amount of awards, length of time since the last review, recent news or changes at the institution, unexpected trends observed and findings from Single Audit reviews.

The following provides a summary of the 2017-2018 reviews:

2018 Reviews

Full scale reviews: Two full scale reviews are currently in progress. One is in the draft report stage and one is in the post-visit analysis stage. The on-site institutional visits occurred during the week of February 26, 2018.

Limited reviews: Two limited reviews are in progress. The draft report for one institution was sent on March 5, 2018. The second review is in the early analysis phase as we recently received the requested documents from the institution. Another limited review is targeted to commence in April.

2017 Reviews

One full-scale review was performed and closed in September 2017. Refunds to the state equaled $1596.

One limited review was performed and closed in February 2018. No refunds were required.

Letters were issued for two institutions based on Single Audit findings for those institutions. One review found no state findings. The other resulted in a refund of $37,760. This monetary finding was due to students not being properly adjusted after they withdrew or stopped attending courses and where no longer eligible for TAG awards.

2016 Reviews

One limited review commenced in 2016 and closed in 2017 and resulted in a refund of $7842.

Special Counsel Reviews

HESAA contracts with Special Counsel to perform collection activities on defaulted FFELP and NJCLASS loans. The Audits and Quality Assurance unit conducts reviews of these Special Counsels to verify compliance with regulations for administering defaulted loans.

As of December 31, 2017, HESAA is utilizing the services of six law firms to perform collection activities for approximately 3,300 defaulted FFELP debtors and 12,870 NJCLASS debtors. These law firms handle loan portfolios that range in size from 67 to 6000 debtors. Since last year, one firm returned their portfolio of 47 accounts and HESAA cancelled the retainer of another firm.

Three Special Counsel reviews were closed in 2017. Two reviews from 2017 are anticipated to close by the second quarter of 2018. Three more reviews have either already started in 2018 or will commence in the second half of 2018.

Federally Mandated Reviews

Pursuant to Federal Regulation, Guaranty Agencies are responsible for taking all necessary measures to ensure the enforcement of all federal, state and guaranty agency requirements. To ensure compliance with this requirement, HESAA's Audits and Quality Assurance unit is responsible for conducting biennial reviews of HESAA's ten largest lenders for outstanding FFELP loans. These reviews are conducted jointly by 25 Guaranty Agencies under the Common Review Initiative (CRI), a program approved by the U.S. Department of Education.

HESAA's ten largest lenders are administered by five servicers, all of which fall within the parameters of the CRI. HESAA participated as a desk reviewer for three reviews in 2017.

The CRI committee created the review schedule for the 2018-2019 biennium. HESAA is scheduled to participate as a desk reviewer for three reviews in 2019.

Annual Internal Control Evaluation

The State Office of Management & Budget (OMB) requires all executive branch agencies to conduct an annual self-assessment of their internal controls. HESAA participates in this process through a series of evaluations and discussions that are conducted each year between March and June by the Audits & Quality Assurance unit with the assistance of HESAA's senior staff members. The results of the internal control evaluations are provided to HESAA's Executive Staff in a memorandum detailing the review requirements, reviews conducted and any weaknesses identified, along with recommendations for remediation.

On June 19, 2017, HESAA's Executive Director and Chief Financial Officer sent a letter to the Director of OMB confirming that HESAA performed the 2017 Internal Control Evaluation as required and that HESAA's system of internal accounting and administrative controls complies with the standards prescribed by the State of New Jersey. HESAA was happy to report that no significant weaknesses were identified as a result of the review.

HESAA is currently in the process of completing the 2018 assessment.

New Jersey Institution Single Audit Report Reviews

As of academic year end 2016, HESAA has audit cognizance over New Jersey's institutions of higher education. In accordance with State policy, OMB Circular Letter 15-08, HESAA must obtain and review the Annual Single Audit Report for institutions identified by New Jersey's Treasury department and update Treasury's Grantee Single Audit (GSA) system with the review results on an annual basis.

HESAA sent an email to the New Jersey institutions requesting their single audit reports be sent directly to us for review. These documents are currently in the process of being received and reviewed.

Conclusion

The Audits and Quality Assurance department is pleased with the results of the past year and we look forward to another productive year. The details of our 2018-2019 plans are listed in the attached review schedule.

Higher Education Student Assistance Authority
Compliance and Audits & Quality Assurance Units

Proposed Review Schedule for 2018-2019

Type of Review	Auditee	Description	Review Date / Status Date
Annual Internal Control Evaluation	HESAA	Assessment of Internal Accounting and Administration Controls	March – June 2018
Collection Counsel Review	Attorney 2017-1	Review of compliance with regulations for administering defaulted loans.	March – June 2018
Collection Counsel Review	Attorney 2018-1	Review of compliance with regulations for administering defaulted loans.	March – July 2018
Management Review	Institution 2018-F1 Sector: Independent	State Grants and Scholarship Program Review	April – October 2018
Limited Management Review	Institution 2018-L1 Sector: Community College	State Grants and Scholarship Program Review	June – October 2018

Higher Education Student Assistance Authority
Compliance and Audits & Quality Assurance Units

Proposed Review Schedule for 2018-2019

Type of Review	Auditee	Description	Review Date / Status Date
Limited Management Review	Institution 2018-L2 Sector: Independent	State Grants and Scholarship Program Review	July – November 2018
Collection Counsel Review	Attorney 2018-2	Review of compliance with regulations for administering defaulted loans.	July – December 2018
Management Review	Institution 2018-F2 Sector: Proprietary	State Grants and Scholarship Program Review	August – December 2018
Limited Management Review	Institution 2018-L3 Sector: Community College	State Grants and Scholarship Program Review	October 2018 – February 2019
Limited Management Review	Institution 2018-L4 Sector: State College	State Grants and Scholarship Program Review	December 2018 – April 2019
Single Audit Reports	Single Audits 2019	Audit Cognizance in Treasury system	December 2018-June 2019
Management Review	Institution 2019-F1 Sector: State	State Grants and Scholarship Program Review	January – May 2019

Higher Education Student Assistance Authority
Compliance and Audits & Quality Assurance Units

Proposed Review Schedule for 2018-2019

Type of Review	Auditee	Description	Review Date / Status Date
Collection Counsel Review	Attorney 2019-1	Review of compliance with regulations for administering defaulted loans.	January – June 2019
Limited Management Review	Institution 2019-L1 Sector: Community College	State Grants and Scholarship Program Review	February – June 2019
FFELP Lender Review	Conduent	CRI Lender/Servicer Review – 1 Desk Reviewer	February 2019
Management Review	Institution 2019-F2 Sector: Independent	State Grants and Scholarship Program Review	March – July 2019
FFELP Lender Review	EdFinancial	CRI Lender/Servicer Review – 1 Desk Reviewer	March 2019
FFELP Lender Review	Nelnet	CRI Lender/Servicer Review – 1 Desk Reviewer	April 2019