



HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY

The Authority on Financial Aid

2012 ANNUAL REPORT

HESAA's Mission

The Higher Education Student Assistance Authority (HESAA) is the only New Jersey State agency with the sole mission of providing students and families with financial and informational resources for students to pursue their education beyond high school. These include grants, scholarships, loans, loan redemption programs, a college savings plan and comprehensive outreach programs.

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*Member as of July 25, 2012

Message from HESAA's Executive Director

Periodically every organization needs to take a hard look at where it is and where it wants to be. In 2012 HESAA did just that through a series of strategic planning sessions. This effort has allowed HESAA to set a direction for the future and identify priority projects to be accomplished in the coming years. This ongoing initiative will allow HESAA to better serve New Jersey's students, families and higher education institutions.

While we devoted a considerable amount of time to planning in 2012, no one should think that planning was HESAA's exclusive accomplishment. On the contrary, we also implemented a number of initiatives and programs. For example in May of 2012 Governor Christie signed into law legislation making a number of changes to the NJ STARS and NJ STARS II programs. The most notable of the changes was the provision that allows NJ STARS II awards to be used at non-public institutions of higher education in New Jersey. HESAA hosted a training session for financial aid administrators at independent colleges and universities to introduce them to the NJ STARS II program and has been providing ongoing guidance to institutions and students regarding the programs' new parameters.

HESAA also implemented the new Governor's Urban Scholarship program created by Governor Christie in June of 2012. This program provides students who reside in 14 high need cities and who graduate in the top 5% of their high school class with a GPA of 3.0 or higher a \$1,000 scholarship. This annual award is renewable for up to four years of attendance. HESAA solicited the top 5% of the graduating class from all New Jersey high schools, notified eligible students of their ability to participate in the program and processed the awards of those who elected to accept the scholarship. While tackling new projects is important, it is equally important to know when partnering with another entity is a better option than going it alone. HESAA came to that conclusion with respect to the servicing of Direct Loans (DL) under the Federal Direct Loan program. HESAA entered into a partnership agreement with its sister state agency in Missouri, MOHELA, to service its guaranty agency allotment of 100,000 DL accounts. Given the federal landscape, the partnership has proved both fruitful and fortuitous.

Speaking of student loans, in 2012 the Nation continued to witness an increase in student indebtedness. This is an issue that is of great concern at HESAA. Due to a successful bond sale, HESAA was able to lower interest rates on two of its NJCLASS loan products. Our financial literacy and extensive outreach programs emphasize the importance of borrowing wisely and avoiding over-borrowing.

Last but certainly not least, in 2012 HESAA continued its core mission of administering the Tuition Aid Grant (TAG) program, the most generous need based student aid program in the nation. In 2012 HESAA awarded over \$330 million in TAG funds to over 80,000 students. TAG has instilled the notion throughout New Jersey that you need not be born to affluent or educated parents in order to achieve the dream of a higher education. HESAA could not be more proud of our core mission.

Sincerely,



Making Education Accessible and Affordable is One of HESAA's Proudest Missions

GRANTS

Still the Nation's premier and most generous need-based program, HESAA's Full-Time Tuition Aid Grant program (TAG), provided 72,540 awards totaling \$302,465,270 in FY 2012. HESAA's Part-Time Tuition Aid Grant program for County Colleges provided an additional 10,874 awards totaling \$8,237,525.

HESAA also supports the infrastructure used by the Office of the Secretary of Higher Education to administer the Educational Opportunity Fund (EOF) Program providing grants to approximately 13,042 students.

SCHOLARSHIPS

HESAA awarded over 7,600 merit-based scholarships in 2012, helping to keep the State's high achieving students in New Jersey through the Edward J. Bloustein Distinguished Scholar Award, Urban Scholar Programs, Governor's Urban Scholars, NJ STARS and NJ STARS II Programs.

COLLEGE SAVINGS PLAN

NJBEST provides families the opportunity to start an independent savings account for a child's college fund, and offers a scholarship for eligible savers who attend school in New Jersey. As of the end of FY2012, the NJBEST program had 212,484 accounts with over \$3.1 billion of assets under management.

STUDENT LOAN PROGRAMS

HESAA's NJCLASS program remained a model for similar State-based supplemental student loan programs and was once again one of the Nation's leading and lowest cost fixed-rate supplemental student loan programs. In Fiscal Year 2012, NJCLASS originated over 18,100 individual loans totaling almost \$258 million.

Grants and Scholarships Programs

TUITION AID GRANT (TAG)

Helping students who attend New Jersey institutions, TAG consistently ranks among the five most generous grant programs in the nation, based upon award values.

- FY 2012 AWARDS: 72,540 students totaling \$302,465,270

PART-TIME TUITION AID GRANT (TAG) FOR COUNTY COLLEGE STUDENTS

Students enrolled for between 6 and 11 credits in a degree or certificate program at any of New Jersey's 19 county colleges may be eligible for these awards.

- FY 2012 AWARDS: 10,876 students totaling \$8,237,525

EDUCATIONAL OPPORTUNITY FUND GRANTS (EOF)

This program provides financial assistance and educational support services to low-income New Jersey undergraduate and graduate students.

- FY 2012 AWARDS: 13,042 students in totaling slightly over \$16,000,000

EDWARD J. BLOUSTEIN DISTINGUISHED SCHOLAR AWARD

This four-year renewable scholarship recognizes the exceptional academic performance of New Jersey's high school students. The award is based upon a student's high school class rank and SAT scores. This program is being phased out and was only available to renewal students in FY 2012.

- FY 2012 AWARDS: 2,644 students totaling \$2,376,916

URBAN SCHOLAR AWARD

Based on class rank and high school GPA, this renewable scholarship is designed to support students from the State's urban and economically distressed areas. This program in its previous incarnation is being phased out and was only available to renewal students in FY 2012. The new Governor's Urban Scholarship is replacing this program.

- FY 2012 AWARDS: 1,087 students totaling \$934,774

JOHN R. JUSTICE LOAN REDEMPTION GRANT

This second year federal pilot program provides partial loan redemption of student loan debt for eligible prosecutors and public defenders who commit to continued service in their public offices.

- FY 2012 AWARDS: 30 recipients totaling over \$100,000

STUDENT TUITION ASSISTANCE REWARD SCHOLARSHIP (NJ STARS)

New Jersey students who graduate in the top 15% of their high school class are potentially eligible for this program, which statutorily covers county college tuition and fees for up to 18 credits per semester, for up to 5 semesters. The Fiscal Year 2012 budgetary footnote language limited the award to county college tuition.

- FY 2012 AWARDS: 2,072 students totaling \$5,283,556

NJ STARS II

NJ STARS II recipients are NJ STARS eligible students who graduated from a community college with a GPA of 3.25 or higher.

- FY 2012 AWARDS: 1,754 students totaling \$4,711,906

GOVERNOR'S URBAN SCHOLARSHIP PROGRAM

A merit based award of up to \$1000 annually for students ranked within the top five (5) percent of their high school class and have a minimum 3.0 GPA at the end of their junior year who reside in one of the following high need communities:

- Asbury Park
 - City of Camden
 - Irvington
 - East Orange
 - Jersey City
 - Millville
 - Plainfield
 - Lakewood Township
 - Newark
 - New Brunswick
 - Paterson
 - Roselle
 - City of Trenton
 - Vineland
- CY 2012 AWARDS: 230 students totaling \$220,000

Loans & Outreach

FEDERAL FAMILY EDUCATION LOAN PROGRAM (FFELP)

As one of the original guaranty agencies in the Federal Family Education Loan Program, HESAA worked on behalf of the federal government to provide guarantees for federal student loans. Between 2000 and 2010, HESAA paid federal default fees on behalf of FFELP borrowers, saving those students well over \$39 million which would have otherwise been charged on student loans.

As of July 1, 2010, the FFELP program was largely abolished, with no new loans originated; however, HESAA continues to earn revenues as guarantor for its very large portfolio of FFELP loans which were made prior to July 1, 2010. The abolition of the FFELP program provided the Authority with a new landscape of opportunities; and in 2011, HESAA began to take advantage of those possibilities. Following HESAA's acceptance by the United States Department of Education as an eligible not-for-profit servicer, the Authority partnered with the Missouri Higher Education Loan Authority (MOHELA) as a servicer of 100,000 federal Direct Loans. Servicing fees on those loans both offset further reductions in FFELP guarantor revenues and provide additional support for other critical HESAA programs. HESAA continues to evaluate additional opportunities to participate in USDE sponsored programs and looks forward to pursuing those opportunities which align with HESAA's mission while strengthening revenue.

NJ COLLEGE LOANS TO ASSIST STATE STUDENTS (NJCLASS)

HESAA recognizes that many students and families often need help in closing the gap between financial aid and college costs and is proud to assist those families by providing the NJCLASS loan. Available to New Jersey residents as well as out of state students who attend school in New Jersey,

NJCLASS offers one of the most affordable fixed-rate supplemental loans in the entire nation. In 2012 HESAA was once again the Nation's top not-for-profit issuer of supplemental student loans.

HESAA.ORG WEBSITE

The HESAA.org website provides timely, reliable, and valuable information that students, parents and financial aid professionals can access at their convenience. In addition to comprehensive program information and important details and FAQs regarding filing and dates and instructions, HESAA's NJCLASS borrowers can now process loan payments on line.

MAPPING-YOUR-FUTURE.ORG

Information on selecting a school, planning for college, and paying for college can be found at this award-winning website, co-sponsored by HESAA. The site schedules forums to answer questions for students and their families.

R.E.A.L. SUCCESS

HESAA offers a Repayment Education About Loans (R.E.A.L.) Success program that educates students about the importance of repaying their student loans, managing delinquencies and controlling defaults.

The program is comprised of six components and includes Real Money 101 – a curriculum designed to promote awareness about the importance of building sound money and debt management skills – and Cohort e-manager, which allows schools to manage delinquencies and reduce defaults.

HESAA's Contributions towards Advancing the Economic Growth Strategy of the State of New Jersey

In 2012 HESAA continued its proud and long-standing tradition of promoting the State's overarching economic growth strategy by assisting in the continuing development of a well-educated, world-class workforce in the state of New Jersey. In that regard, HESAA was again at the forefront of the State's critical initiatives by continuing to assist the State's students in obtaining a higher education which remains essential for competing in regional and global economies. As a direct result of services and expertise provided by the dedicated and professional HESAA staff, more New Jersey students and families than ever before were provided with the information and resources to access and afford higher education. The overwhelming majority of New Jersey's high school graduates remain intent on continuing their postsecondary education; and, in 2012, HESAA assisted a great number of those students by providing many critical products and services including, grant and scholarship funds, loan redemptions, low cost private student loans, student loan servicing and student outreach. HESAA continues to recognize the importance of identifying and serving those populations where postsecondary education participation rates are low, and in 2012 HESAA's client services staff increased the number of student outreach presentations available to those communities in an ongoing effort to provide those families and students with information and advice on how to achieve their goals of attaining postsecondary education.

In fiscal year 2012, the Authority provided almost \$258 million in NJCLASS loans to 18,158 borrowers. In addition, HESAA processed well over 500,000 grant applications and awarded a total of \$310,703,795 in Full-Time and Part-Time TAG funds to New Jersey students in fiscal year 2012. The combined grant and loan dollars administered by HESAA assist students as they advance their goals of achieving education beyond high school and also advance the State's interests in maintaining and growing a highly educated and highly skilled work force. Given the continued challenges presented by the difficult economic landscape in 2012, greater retention of New Jersey's highly educated and highly skilled workforce remains that much more critical in further promoting the State's economic interests to attract and retain business in the State.

In the aftermath of Hurricane Sandy, HESAA extended TAG and EOF filing deadlines for students. HESAA also extended loan forbearance to Sandy impacted borrowers.

Retention of the State's best and brightest students was once more promoted by the Authority's administration of the New Jersey Student Tuition Assistance Reward Scholarship (NJ STARS) and New Jersey Student Tuition Assistance Reward Scholarship II (NJ STARS II) Programs. These programs provide tuition for qualifying students for up to 18 credits per semester for attendance at the resident county college (NJ STARS) and provide funds for each semester for qualifying students who transfer from a county college to any TAG eligible 4 year school in the State (NJ STARS II). Together with the additional grant and scholarship programs administered by HESAA, these programs promote the State's economic priority of the continued development of a world-class, highly educated work force.

The most recently published statistics from the United States Bureau of Labor Statistics reveal annual compensation figures based upon attained educational degrees as follows:¹

- High School Diploma \$33,904
- Bachelor Degree \$55,432
- Professional Degree \$90,220

Increased annual salaries result in increased income tax revenues, thereby advancing the State's economic growth. More recently published data establishes positive trends regarding employment for those who continue on to postsecondary education. Specifically, the number of college-educated workers has increased almost every year. Over the period from 1992 to 2009, the number of college-educated workers increased from 27 million to 44 million. In contrast, the number of employed individuals with only a high school diploma or without a high school diploma has remained steady or decreased.² A detailed look at unemployment rates by educational attainment for 2011 reveals the following:³

- Professional Degree 2.1%
- Master's Degree 3.5%
- Bachelor's Degree 4.5%
- Associate Degree 6.2%
- Some College (no degree) 7.7%
- High School Diploma 8.3%
- Less than a High School Diploma 12.4%

Despite the challenging employment landscape these statistics continue to show the tremendous advantage gained by continuing on to postsecondary education but, the entire picture cannot be summed up in raw numbers. Students who attend institutions of higher education obtain a wide range of personal, financial, and other lifelong benefits⁴; likewise, taxpayers and society as a whole derive a multitude of direct and indirect benefits when citizens have access to postsecondary education.

¹ Compensation data by educational attainment achieved published May 22, 2013 by the United States Bureau of Labor Statistics.

² Employment data published March 2012 by the United States Bureau of Labor Statistics.

³ 2012 employment data by educational attainment published May 22, 2013 by the United States Bureau of Labor Statistics.

⁴The College Board, Education Pays 2010

Accordingly, an uneven rate of participation in higher education across different segments of society is a matter of urgent concern not only to the individuals directly affected, but also to public policymakers in New Jersey and at the federal level.⁵ College graduates contribute to vastly increased tax revenues and rely significantly less on government support programs.⁶ Moreover, college graduates are more likely than non-graduates to receive health insurance and pension benefits from their employers and also tend to lead healthier lifestyles, reducing overall healthcare costs to themselves and to society.⁷ College-educated parents engage in more educational activities with their children which helps prepare them for academic success, resulting in enhanced postsecondary educational opportunities for future generations.⁸

Again in 2012, through the administration of its programs, HESAA was proud to assist a greater number of New Jersey's students in attaining their goals of higher education. These same programs further promote the State's interest in attracting new businesses, including new technology and high technology businesses, by providing a more highly trained and better educated work force.

The Authority's continued administration of various loan redemption programs also continued in 2012. Each of these valuable programs advanced the State's interests by strengthening critical infrastructure needs in New Jersey's underserved communities and professions. In 2012 HESAA continued to administer the John R. Justice Loan Redemption Grant Program which, by redeeming a portion of eligible recipients' student loan debt, provided incentives for current prosecutors and public defenders in New Jersey to remain in their important offices, thereby strengthening the pool of experienced attorneys in each office. The Authority also continued its administration of the Social Services Student Loan Redemption Program (SSSLRP) confirm phase-out figures which provided incentives for college graduates to work in the social services field with public or non-profit social service agencies. The program is designed to address the current and projected shortage of social service direct care professionals in the State of New Jersey, and to ensure the provision of quality services to persons in need, including persons with mental illness, developmental and other disabilities. The Social Services Student Loan Redemption program provided loan redemption to recent college graduates who were hired as full-time direct care professionals at eligible social service agencies. Eligible participants received \$5000 per year of full-time qualified service for up to four years with a \$20,000.00 maximum redemption. This program was not available to new participants in 2012.

In addition, the Authority again administered the Teaching Fellows Program which recognizes New Jersey's shortage of teachers who instruct students in the critical need areas of mathematics, science, foreign language, and special education. Additionally, the Program recognizes the difficulty that certain New Jersey school districts have in acquiring and retaining talented teachers. In 2012, the Teaching Fellows Program addressed these issues by rewarding those teaching in selected school districts in New Jersey with student loan redemption. Finally, the Authority again administered the Primary Care Physician and Dentist Loan Redemption Program and the Nursing Faculty Loan Redemption Program in 2012. The Primary Care program promotes access to primary care services in

⁵ National Center for Education Statistics, 2010

⁶ "The Benefits to Taxpayers from Students' Educational Attainment", Stephen Carroll & Emre Erkut, 2009

⁷ Economic Policy Institute, 2010; National Center for Health Statistics, 2008

⁸ National Center for Education Statistics, 2009

medically underserved areas of the State by improving the distribution of primary care health providers, including physicians, dentists, physician assistants and certified nurse practitioners and certified nurse midwives, by redeeming eligible student loan expenses of providers in exchange for specified periods of service in medically underserved areas. The program provides up to \$120,000 in student loan redemption for two to four years of service as a primary care provider in areas of medicine defined by the Commissioner of Health and Senior Services or the U.S. Department of Health and Human Services in areas identified by the Commissioner of Health and Senior Services as experiencing a health professional shortage. HESAA has always been proud of its role in helping to support and strengthen New Jersey's underserved communities by administering these loan redemption programs.

The Nursing Faculty Loan Redemption program addresses shortages of nursing faculty in the state by providing student loan redemption for full-time faculty employment at New Jersey schools of nursing. The program provides up to \$50,000 in student loan redemption for over a five year period.

HESAA's Contribution in Furtherance of the State's Priority of Promoting Fiscal Responsibility

HESAA is entirely self-supported by its own revenue and received no operating aid from the State. HESAA's non-State revenue supports the administration of State and Federal student aid programs including TAG, financial aid training, outreach programs, and provides direct borrower benefits to New Jersey students without a State appropriation for administration.

Once again HESAA's continued participation in the State's comprehensive annual internal control management and evaluation program as determined by the New Jersey Treasurer's Office of Management and Budget (OMB) process revealed no weaknesses in the Authority's internal control environment. Moreover, HESAA complies with all State-mandated procurement and financial control directives. HESAA's accounts are on the Treasury's cash management system and the Authority's off-line accounts are audited by an independent public accounting firm. No findings were issued by the Authority's independent auditors, Clifton Larson Allen, LLP.

HESAA is proud to remain an integral part of assuring that New Jersey continues to grow and improve an ever expanding, highly educated, highly competitive workforce.

**State of New Jersey
Higher Education Student Assistance Authority
Combined Statements of Net Assets**

	<u>June 30,</u>	
	<u>2012</u>	<u>2011</u>
Assets		
Cash and Cash Equivalents	\$ 534,574,794	\$ 201,949,351
Investments	3,190,329,353	3,121,094,202
Receivables		
Federal Government	11,232,681	14,027,173
Loans	2,105,375,024	2,017,897,701
Other	60,415,514	56,839,927
Fixed Assets, Net	579,538	555,382
Other Assets		
Due from Intergovernmental Agencies	5,828,456	1,458,260
Deferred Charges	16,574,020	17,384,660
Total Assets	<u>\$ 5,924,909,380</u>	<u>\$ 5,431,206,656</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable and accrued expenses	\$ 96,418,112	\$ 46,196,336
Due to federal government	6,927,384	7,204,845
Revenue bonds payable	2,493,510,000	2,102,026,306
Total Liabilities	2,596,855,496	2,155,427,487
Fund Balances		
Reserved for Loan Servicing	162,844,909	181,903,064
Restricted	3,165,208,975	3,093,876,105
Total Fund Balances	<u>3,328,053,884</u>	<u>3,275,779,169</u>
Total Liabilities and Fund Balances	<u>\$ 5,924,909,380</u>	<u>\$ 5,431,206,656</u>

State of New Jersey
Higher Education Student Assistance Authority
Combined Statements of Revenues, Expenditures and Changes in Net Assets

	<u>Year ended June 30,</u>	
	<u>2012</u>	<u>2011</u>
Revenues		
Appropriations	\$ 311,925,768	\$ 348,518,751
Federal and other grants	63,253,395	88,802,421
Fees	175,215,779	169,644,553
Investment earnings	67,624,084	486,703,730
Other	<u>858,464,401</u>	<u>763,562,104</u>
Total Revenues	1,476,483,427	1,857,231,559
Expenditures		
Direct Grant Aid to Students	326,412,566	313,538,322
Program expenses	941,719,857	709,799,299
Administrative expenses	27,535,291	20,890,282
Debt service interest	<u>107,246,665</u>	<u>99,694,138</u>
Total Expenditures	1,402,914,379	1,143,922,041
Excess of Revenues over Expenditures	73,569,048	713,309,518
Less:		
Year-end Lapsed Funds	(3,976,799)	(11,090,148)
Net Assets - Beginning of Year	<u>3,258,461,635</u>	<u>2,573,559,799</u>
Net Assets - End of Year	<u>\$ 3,328,053,884</u>	<u>\$ 3,275,779,169</u>

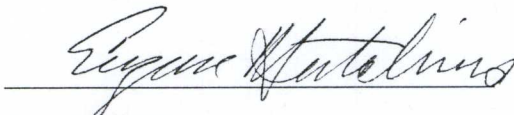
Certification of Compliance with Executive Order 37

We jointly certify that in compliance with paragraph 2 of Executive Order 37, HESAA has, to the best of our knowledge, followed all of the Authority's standards, procedures, and internal controls. We further jointly certify that HESAA fully participated in the prescribed Internal Control Assessment as directed by the Office of Management and Budget and no internal control weaknesses were revealed.

We hereby certify that the foregoing statements are true to the best of our knowledge. We understand that if any of the foregoing statements are willfully false, we are subject to punishment.

By: 

Gabrielle Charette, Esq.
Executive Director

By: 

Eugene Hutchins
Chief Financial Officer