

MINUTES

HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY

July 25, 2012

The Higher Education Student Assistance Authority (HESAA) Board held a meeting on July 25, 2012 at 10:00 a.m. at the HESAA offices in Hamilton.

PRESENT: Mr. James Allen; Fr. Michael Braden; Ms. Gabrielle Charette, Esq.; Mr. Gregg Edwards, Secretary Of Higher Education Designee; Mr. Anthony Falcone; Mr. George Garcia, Esq. (teleconference); Mr. Richard Garcia; Dr. Jon Larson; Ms. Jean McDonald Rash; Mr. Christopher McDonough, Treasurer's Designee; Ms. Michele Petrucelli; Mr. David Reeth; Ms. Maria Torres; and Ms. Christy Van Horn, Members.

ABSENT: Dr. Harvey Kesselman; Mr. Julio Marengo; and Ms. Elaine Pappas-Varas.

Also participating were Melissa Dutton, DAG; Leah Sandbank, McManimon and Scotland, Bond Counsel; Joseph Santoro, Bank of America/Merrill Lynch, Senior Manager; and Clifford Rones, Esq., DAG (teleconference).

CALL TO ORDER

Richard Garcia called the meeting to order at 10:04 am. Richard Garcia stated that the meeting had been noticed in compliance with the requirements of the Open Public Meetings Act.

Mr. Garcia led those present in the Pledge of Allegiance.

Mr. Garcia welcomed the Board members and advised that because some members are participating via teleconference, Roseann Sorrentino will conduct a roll call for the resolutions.

Mr. Garcia welcomed Melissa Dutton, DAG; Dr. Jon Larson, President, Ocean County College; Michelle Petrucelli, Student Advisory Committee (SAC) Chair; David Reeth, SAC Vice Chair; Leah Sandbank of McManimon and Scotland, Bond Counsel; and Joseph Santoro of Bank of America/Merrill Lynch, Senior Manager.

Deputy Attorney General Melissa Dutton swore-in Dr. Jon Larson, County College Representative; Michelle Petrucelli Chair SAC; and David Reeth Vice Chair SAC.

Mr. Garcia advised that no members of the public have registered to speak.

Mr. Garcia asked Roseann Sorrentino to call the roll.

CONSIDERATION OF THE MINUTES OF THE APRIL 26, 2012 MEETING:

A motion to approve the minutes of the April 26, 2012 meeting, which were updated to change Glen Lang's title from Mr. to Dr., was made by Mr. James Allen and seconded by Fr. Michael Braden. The minutes were approved unanimously with four (4) abstentions, Mr. Gregg Edwards, Dr. Jon Larson, Ms. Michele Petrucelli and Mr. David Reeth, who did not participate in the April 26, 2012 meeting.

REPORT OF THE NOMINATING COMMITTEE AND ELECTION OF OFFICERS AND MEMBERS OF THE EXECUTIVE COMMITTEE (RESOLUTION 10:12 ELECTING A CHAIRPERSON, VICE CHAIRPERSON AND TWO MEMBERS OF THE EXECUTIVE COMMITTEE)

Maria Torres made the following presentation to the Board.

In accordance with Article V of the Bylaws of the Higher Education Student Assistance Authority, the Chairperson appointed James Allen, Jean McDonald Rash and myself to the Nominating Committee to nominate a Chairperson and Vice Chairperson from among the public members of the Authority Board and two additional members of the Executive Committee, one from among the public members of the Board and one from among the institutional members of the Board. The bylaws include the State Treasurer or designee and the Executive Director as members of the Executive Committee, with the Executive Director serving as Secretary/Treasurer. Accordingly, Chris McDonough, as Treasurer's Designee is a member of the Executive Committee, and Executive Director Gabrielle Charette will serve as Secretary/Treasurer of the Executive Committee.

The Nominating Committee met via conference call on June 4, 2012 and recommends electing Mr. Richard Garcia as Chairperson, Ms. Christy Van Horn as Vice Chairperson, Mr. Anthony Falcone as a member of the Executive Committee representing public members and Dr. Harvey Kesselman as a member of the Executive Committee representing institutional members, for fiscal year 2013.

Ms. Torres thanked the Executive Committee for the work that they do. She asked that the record reflect that she chaired the Nominating Committee in honor of Wilma Harris and that it was hard to fill her shoes.

A motion to approve Resolution 10:12 was made by Fr. Michael Braden and seconded by Mr. James Allen. The motion was passed unanimously.

RESOLUTION 11:12 ADOPTING A TUITION AID GRANT AWARD TABLE FOR ACADEMIC YEAR 2012-2013

Kenneth Jones presented Resolution 11:12 to the Board.

Resolution 11:12 will establish a table of full-time TAG Grant award values for the 2012-2013 academic year, in accordance with the provisions of the Fiscal Year (FY) 2013 Appropriations Act.

As the HESAA Board has recognized in prior years, in order to remain within available resources, while allowing for the likely increase in the number of TAG-eligible students, the 2012-2013 Full-Time TAG Award Table (Attachment A) recommended for adoption sets awards for students demonstrating the highest need at a two-year lag compared to tuition, less approximately 8.3%. Awards for all other eligible students are based on a four-year lag compared to tuition, less approximately 8.3%.

As shown in Attachment B, in addition to the State appropriation of \$325,043,000, budgeted FY 2013 full-time TAG resources also include a State appropriation of \$558,000 for part-time students receiving TAG through the EOF Part-Time Program and a \$6,000,000 carry forward of funds from the 2012 fiscal year, making the total available resources \$331,601,000.

These resources are sufficient to fund the Full-Time TAG Table shown in Attachment B which will support 63,324 full-year equivalent awards.

It should be noted that budgetary footnote language provides that unexpended balances reappropriated to the Tuition Aid Grant account shall be available to fund increases in the number of applicants qualifying for full-time TAG awards, to fund increases in award amounts, and to fund shifts in the distribution of awards that result in an increase in program costs. Subject to the approval of the Director of the Division of Budget and Accounting, supplemental appropriations are available should these resources be insufficient to cover total program costs.

It is recommended that the Board approve the Full-Time TAG Award Table for the 2012-2013 academic year shown in Attachment A.

A motion to approve Resolution 11:12 was made by Ms. Maria Torres and seconded by Mr. James Allen.

Fr. Braden stated that it was a great day for our students and our State as the students are our State's future. He thanked the Governor and the Legislature for their will to make these awards happen and thanked HESAA staff for all that they do to structure these tables. Fr. Braden stated that as an acknowledgement of the importance of this program and adopting these tables the following college presidents were in attendance: Richard Lavau, President Bloomfield College; Nancy Blattner, President Caldwell College; Barbara Jayne Lewthwaite, President Centenary College; Sheldon Drucker, Interim President Fairleigh Dickinson University; Sister Rosemary Jeffries, President Georgian Court University; Mordechai Rozanski, President Rider University; and Eugene Cornacchia, President St. Peters University.

James Allen and Christy Van Horn echoed Fr. Braden's sentiments. Speaking on behalf of the State's students, David Reeth thanked all of those who made these awards possible and explained that it is because of TAG that many students are able to go to school.

The motion was passed unanimously.

RESOLUTION 12:12 ADOPTING A PART-TIME TUITION AID GRANT AWARD TABLE FOR COUNTY COLLEGES FOR ACADEMIC YEAR 2012-2013

Kenneth Jones presented Resolution 12:12 to the Board.

Resolution 12:12 will establish a table of part-time Tuition Aid Grant award values for the 2012-2013 academic year, in accordance with the provisions of the Fiscal Year (FY) 2013 Appropriations Act.

The Part-Time TAG for County College's award table, as shown in Attachment A, is based on the same parameters as the 2012-2013 full-time TAG award table. That is, awards for students demonstrating the highest need are based on 2010-11 tuition levels, a two-year lag, while all other awards are based on 2008-09 tuition level, a four-year lag. All awards were then further reduced by approximately 8.3%.

The FY 2013 appropriation for the Part-Time TAG for County Colleges Program is \$10,360,000. This appropriation is sufficient to fund the Part-Time TAG Table shown in Attachment B, which will provide awards to 11,267 students, an increase of 5% over the 2011-12 academic year.

Budgetary footnote language permits the Authority to retain the unexpended balances in the part-time TAG for county colleges account, to fund increases in the number of applicants qualifying for part-time awards, to fund increases in award amounts and to fund shifts in the distribution of awards that result in an increase in program costs.

It is recommended that the Board approve the Part-Time TAG Award Table for the 2012-2013 academic year as shown in Attachment A.

I will be happy to respond to your questions.

It is recommended that the Board approve Resolution 12:12 Adopting Attachment A as the Part-Time TAG for County Colleges Award Table for Academic Year 2012-2013.

A motion to approve Resolution 12:12 was made by Ms. Christy Van Horn and seconded by Ms. Maria Torres.

Dr. Larson expressed the County College community's appreciation for these awards. He stated that they show an understanding of their world and what their students face. Being able to attend school part-time makes a difference for many students and they often move on the State's four year institutions. Dr. Larson wanted to express the community's appreciation to the Governor and the Legislature for their support.

The motion was passed unanimously.

**SUMMARY OF 2012 BOND TRANSACTION AND RESOLUTION 13:12
AUTHORIZING A FIRST SUPPLEMENTAL INDENTURE TO THE 2010-FFELP
INDENTURE OF TRUST**

Eugene Hutchins introduced Joe Santoro from HESAA's underwriter, Bank of America Merrill Lynch. Mr. Hutchins explained that Bank of America Merrill Lynch has been HESAA's underwriter for three years and that they have done an excellent job in executing HESAA's bond deals. Mr. Santoro presented the attached Review of 2012 NJCLASS Financing to the Board.

Mr. Hutchins presented the following information regarding IRS form 8038:

Starting earlier this year, the IRS changed the Form 8038, which reports the results of bond issues, for all new issues of private activity bonds (and made a similar change on the Form 8038-G for governmental issues) to include a "check the box" asking if issuer has written procedures concerning compliance with the arbitrage provisions of section 148 of the code and written procedures governing noncompliance (such as for private activity of governmental facilities-which effect colleges but do not apply to HESAA). Although there is no direct violation of the Code or the Regulations for not having written procedures, the IRS has stated and states on its website that compliance with the federal rules for tax-exempt bonds requires active monitoring of such bond issues. Otherwise, the argument is how can the Issuer have reasonable expectations with respect to its on-going post-issuance compliance. The IRS states that issuers should adopt written procedures applicable to all bond issues, beyond the tax certificate, which is included in the bond documents signed at the closing, to set forth the requirement for due diligence and monitoring, the identification of what officials or employees are responsible, retention of records, training and the actual procedures to identify any noncompliance. The IRS believes that issuers who do not have written procedures are more likely than those that do to fail to identify and resolve any noncompliance issues. There is some concern that not checking the box on Form 8038 would raise some kind of red flag with the IRS since the IRS does use the 8038 forms to identify issues to be audited but there is no indication as yet that the IRS is choosing issuers specifically that do not check the box for audit. In this world where the IRS is paying close attention to Student Loan bond issuers, it is prudent to develop and adopt these procedures.

The Authority and its staff are authorized under the authorization resolutions for each of the bond issues to take any actions deemed necessary or prudent in connection with those issues. Therefore, Gabrielle and I will be working with bond counsel to develop and adopt post-issuance tax compliance procedures to allow the Authority to "check the box" on any new bond issues and for the 2012 bonds. As the Chief Financial Officer I will be designated the Tax Compliance Officer for purposes of performing the monitoring responsibilities set forth in the procedures and may delegate certain tasks to staff, such as the comptroller. I will report back to the board at the next board meeting when the procedures have been finalized. We have a draft of the procedures which need to be reviewed by the Attorney General's office. The draft procedures reflect what we already do with regard to arbitrage calculations. HESAA is already in compliance with the standards that will be outlined in the policies and procedures.

Leah Sandbank from McManimon and Scotland, HESAA's bond counsel, then presented Resolution 13:12 to the Board.

Resolution 13:12 authorizes the execution of a first supplemental indenture to the FFELP indenture, which was the indenture of trust dated May 2010 that authorized the \$145,000,000 tax-exempt libor floating rate notes that were done in connection with moving all of the FFELP loans out of the existing 1998 trust and into this new 2010 trust. The way those bonds work is, there are certain required payments to bondholders from the revenue fund and certain other payments that are not mandatory, so principal on those bonds is paid to the extent there is revenue available. Because of a typo in the documents at the closing, some of the numbers that cross referenced to the section that relates to those distributions, were incorrect. That one little typo makes all of those principal distributions mandatory when they are not supposed to be mandatory. They were never disclosed to bondholders as being mandatory because that is not what the document intended, or what HESAA and the bondholders understood, as well as what went out and was sold to investors. This indenture authorizes the fix of that typographical error. The indenture replaces the three sections of the indenture that have that cross reference to that section and restates the whole section so that it now reads correctly.

Mr. Hutchins explained that without this correction there would have been draws on the debt service reserve fund which would have been a negative material event. He also added that the disclosures in the offering statements did contain the correct language.

A motion to approve Resolution 13:12 was made by Mr. Anthony Falcone and seconded by Mr. James Allen. The motion was passed unanimously.

RESOLUTION 14:12 PROPOSED AMENDMENTS TO THE NEW JERSEY STUDENT TUITION ASSISTANCE REWARD SCHOLARSHIP PROGRAM AND THE NEW JERSEY STUDENT TUITION ASSISTANCE REWARD SCHOLARSHIP II PROGRAM POLICIES AND PROCEDURES, N.J.A.C. 9A:9-10 AND 11.

Marnie Grodman, Esq., presented Resolution 14:12 to the Board.

On May 2, 2012, Governor Christie signed into law P.L. 2012 c. 8 to revise the NJ STARS and NJ STARS II programs. It is now necessary to amend the regulations for each program to incorporate these statutory changes.

Pursuant to the statutory amendments, NJ STARS awards are now limited to tuition only, whereas the statute used to provide an award to cover tuition and fees. N.J.A.C. 9A:9-10.7 is amended to reflect the change in the NJ STARS award amount.

The statute also amended the NJ STARS II program. NJ STARS II awards can now be used to attend any TAG eligible 4-year institution, where they used to be limited to the 4-year public institutions. Additionally, the NJ STARS II award had been for up to \$7000 annually, paid half by the State and half by the institution. The statute changed the award amount to up to \$2500 annually, paid 100% by the State.

The proposed regulatory amendments encompass these changes. Additionally, as there are now new eligible institutions, some of which are on a quarter or trimester schedule, the amendments provide clarifications as to which semesters are eligible for payment and what constitutes full-time enrollment.

Finally, the proposed amendments provide clarifications for some questions HESAA has received from institutions. For example, for both NJ STARS and NJ STARS II students are required to remain continuously enrolled at the institution unless on an approved medical leave. Staff has received questions as to when the leave needs to be approved. N.J.A.C 9A:9-10.4(a)(6) and 11.5(a)(5) will now explain that the leave needs to be granted prior to completion of the term for which leave is being granted.

Included in the materials is the full set of proposed amendments.

It is recommended that the Board approve Resolution 14:12.

A motion to approve Resolution 14:12 was made by Dr. Jon Larson and seconded by Mr. James Allen.

Maria Torres asked whether a summary of the programs was provided to students and Ms. Grodman explained that HESAA's Grants and Scholarships unit prepares a Fact Sheet about each program which is on HESAA's website and is distributed to students and schools.

Dr. Larson noted how appreciated the changes to the programs are. He stated that they alleviated the burdens to the senior public institutions, supported continuation of the program and extended to the program to New Jersey's other fine institutions.

The motion was passed unanimously.

RESOLUTION 15:12 CONSIDERATION AND APPROVAL OF THE HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY 2011 ANNUAL REPORT PURSUANT TO EXECUTIVE ORDER 47 (CORZINE)

Joel Mayer presented Resolution 15:12 to the Board.

Executive Order 37 (Corzine) requires authorities, such as HESAA, to prepare and publish an annual report, which is placed on the website and details the Authority's major accomplishments of last year.

It was an extremely active year providing financial services and outreach to students and their families. The Annual Report is data rich so the presentation focuses upon that but that doesn't show the whole picture. To continue the discussion from last year, page 9 of the report focuses on an issue that is being discussed nationally with regards to whether higher education has the same value it once had. The Annual Report answers that question and gives a full picture with regards to the financial and other rewards that flow from attaining a higher education. HESAA is proud to help students obtain their education.

Mr. Mayer recommended that the Annual Report, which includes HESAA's financials for FY 2011, be adopted.

A motion to approve Resolution 15:12 was made by Ms. Jean McDonald Rash and seconded by Fr. Michael Braden.

The motion was passed unanimously.

RESOLUTION 16:12 APPROVAL OF HESAA'S FY 2014 ADMINISTRATIVE BUDGETS

Anthony Falcone presented this item to the Board.

The Board Budget Committee met last month via teleconference to review the presentation of the Fiscal Year 2013 Administrative and Capital Budgets. Eugene Hutchins, Chief Financial Officer and his staff, including Kathryn Safran, Associate Director of Budget and Fiscal Analysis, did a tremendous job and put in a lot of time and effort preparing the budgets.

The four major themes for the FY 2013 HESAA Budget while preparing the expenditure side were: staffing, costs savings, investments in equipment and software made to enhance staff productivity, and investments in data security, which is a regulatory requirement through FISMA (Federal Information Security Management Act) and the protection of customers' personal information, which is of paramount importance.

The Administrative Expenditure Budget totaled \$28.23 million, down \$90,000 from the FY 2012 final budget. The budget funds 163 HESAA positions and all non-salary costs associated with delivering student assistance services to over 1 million residents. The 163 HESAA positions are actually down 12 positions from the prior year.

- \$15.3 million is budgeted for the FFELP program (Federal Family Education Loan);
- \$12.7 million for the origination and servicing of NJCLASS loans and its portfolio; and
- \$289,000 for the oversight of the NJBEST portfolio and administration of scholarships.

The major Capital Expenditures for next year include upgrades to the telecommunications and network capacities, improved disaster recovery capabilities, upgrade to mainframe software and hardware and security system enhancements to meet FISMA requirements. Total expenditures from the Capital Fund are budgeted to be \$1.44 million.

On the revenue side, the projections are for administrative revenues to total \$30.9 million, which is an increase of .7% above 2012 levels.

Federal Student Loan Program Administration is expected to earn \$13.8 million. This revenue stream also includes \$400,000 in College Access Challenge Grant funding as part of joint efforts with the Secretary of Higher Education. This \$400,000 in the board memo was recorded as \$400,000 million, \$400,000 is the correct amount.

The NJCLASS Program Administration is expected to provide \$13.5 million for the origination and servicing of loans. This is a decrease of \$500,000 from FY 2012.

NJBEST Administration is projected to provide \$4 million from fees and interest related to the NJBEST Trust for oversight of the program. The total available for Administration is actually \$3.5 million, after \$500,000 is set aside for future NJBEST scholarship obligations.

There is no support provided by the State for the administration of the State funded grants and scholarship programs.

In sum, it is recommended and urged that the FY 2013 Administrative and Capital Budgets for HESAA be approved by the HESAA Board. Again, Gene, Kathryn and their staff, with Gabrielle's leadership deserve a ton of credit for putting together these budgets. HESAA will be able to maintain current service levels and make the necessary and required investments in technology while at the same time keeping within the limited available resources and maintaining adequate reserves to ensure the fiscal administrative stability of HESAA.

A motion to approve Resolution 16:12 was made by Dr. Jon Larson and seconded by Mr. James Allen.

The motion was passed unanimously.

REPORT OF THE STUDENT ADVISORY COMMITTEE

Sharon Austin, Senior Marketing Manager for HESAA and also the Staff Advisor for the Student Advisory Committee for 2012-3013 reported to the Board.

The first Student Advisory meeting was held on June 22, 2012. During that meeting we were able to provide information on HESAA's products, services and programs to our new committee and also went over the responsibilities of the Student Advisory Committee. At this meeting we elected our new Chair, Michelle Petrucelli, and Vice Chair, David Reeth.

Michelle is attending Essex Community College and is studying Radiography and Education. She is also a member of the National Honor Society and was awarded first place in the National Work Readiness Test. Michelle has volunteered for many different organizations. She would like to pursue her passion in the field of medicine. She is also a single mother of two and works part time at Essex Community College.

David Reeth is a junior at Caldwell College majoring in Business and Administration. He is a Resident Assistant and newly elected President of the Student Government Association. David is also a Business Advisory Council member. After graduation he plans on working in Economics and Finance. David wishes to continue working in his business that he created at the age of 12 in automotive beautification.

EXECUTIVE DIRECTOR'S REPORT

Thank you Chairman Garcia, members of the Board and guests. Dr. Larson, Michele, David congratulations and welcome.

On June 29th Governor Christie signed into law the Fiscal Year 2013 budget. As we have already discussed, the budget included very generous funding increases for the Tuition Aid Grant program and the part time TAG for County College Students Program. The budget also included \$1 million for a new Governor's Urban Scholarship program to recognize high achieving students from 14 economically challenged municipalities. I would like to thank the Secretary of

Higher Education for her leadership on this initiative, and I am pleased to report that HESAA has already notified eligible students with a personal letter signed by the Governor.

Last month, The National Association of State Student Grant and Aid Programs came out with its 42nd Annual Survey Report on State-Sponsored Student Financial Aid; the report looked at funding for academic year 2010-2011. Once again, New Jersey ranked first in the nation in terms of its need based aid awards to full time undergraduate students. I suspect that the FY 13 budget, in conjunction with the TAG tables this Board just approved, will retain our State's status as a national leader in student aid.

In addition to our grants and scholarship programs, our NJCLASS loan program is also well underway for the current academic year. As you have already heard we had an extremely successful bond sale that allowed us to lower interest rates a full 45 basis points on our 10 year and 15 year loan products and only slightly increase the interest rate on the 20 year deferred payment product.

Having now gone through two bond sales, I have come to fully appreciate the diligence necessary to execute a successful transaction. Once again, I have to commend CFO Hutchins for expertly guiding us through this complex process.

I would also like to acknowledge Raju Konduru, Senior Systems Architect in our Information Services Unit, and Lorraine Staley, Assistant Director of Student Loans, for their teamwork implementing the enhancements HESAA adopted this year to our electronic signature process. Their collaborative efforts have definitely paid off, as to date we have processed approximately 5,000 applications and have committed over \$91 million in loan funds.

At HESAA, we are constantly looking for customer friendly ways to make repayment easier for our borrowers. As you know, last September we initiated our own online payment system which has been extremely successful. Some customers, however, prefer to use the online payment services offered to them by their banks. So instead of logging on to HESAA's website they prefer to log on to their bank's site. Unlike utilizing our own site, this payment process had presented some challenges for HESAA. Often, the account information is either not complete or has errors in it and, contrary to what borrowers may think, these online payments are often not truly electronic. The bank, through an intermediary third party company, converts the customer's electronic submission into a paper check that is then sent to HESAA. This results in several days delay in the application of payment. To avoid these delays and discrepancies, HESAA has invested in a product called E-Box.

E-box eliminates the creation of a paper check by the bank's third party intermediary and instead creates a daily electronic file that is transmitted directly to HESAA for upload into our repayment accounts receivables. E-box payments now account for about 9% of all NJCLASS payments. HESAA Controller, Bob Clark, should be commended for his efforts in bringing E-box online at HESAA.

While making sure our own internal processes work, a key component of HESAA's mission is to train college and university staff on the myriad of statutes and regulations governing state financial aid. To that end, HESAA recently conducted two very important training sessions.

Last month we hosted an in person training session for the independent college sector on the NJ STARS II program, since in September NJ STARS II students will, for the first time, be allowed to use their award at a non public institution. Our NJ STARS resident expert, Taina Morales, conducted the session.

We also hosted our first training webinar entitled "Verification by the Numbers". This training walked financial aid professionals through verifying applicant data, sources of income and assets. Over 269 college and university staff members participated in the webinar.

As you are aware, student debt and the cost of post secondary education, have garnered a great deal of media attention of late. So it is no surprise that the financing HESAA provides has been an area of interest. At the request of the Senate and Assembly Higher Education committees, I testified about New Jersey's financial aid programs in general and student debt in specific.

I reported to the Committees that According to the Project on Student Debt sponsored by the Institute for College Access and Success, two thirds of American college seniors who graduate in 2010 had student loan debt, and the average debt burden for those students was \$25,250. That same year, the average student loan debt for New Jersey college seniors was \$23,792 while our neighboring states of New York, Pennsylvania and Connecticut all ranked above the national average. I attribute the generosity of the TAG program and the protections against over borrowing embedded in the NJCLASS program to keeping New Jersey student loan debt below the national average not only in 2010 but also for the five preceding years in which the study was also conducted.

Speaking of student debt, on the federal front, Congress recently passed, and President Obama signed, legislation extending the 3.4% interest rate on the federally subsidized Stafford loan product. Starting in 2007, through legislation, the interest rate on these loans was gradually reduced from 6.8% to 3.4%. According to the 2007 law, however, the low rate was to expire and return to 6.8% in July of this year. Since the legislation that was recently enacted to extend the 3.4% rate is set to again expire next July, I suspect we will relive this debate in a few short months.

Also this month, the federal Consumer Financial Protection Bureau issued its long awaited report on private student loans. I am pleased that the CFPB did recognize the distinction between alternative loans offered by non-profit state-based entities, such as HESAA, and private loans offered by for profit financial institutions and in doing so the CFPB pointed out the extensive borrower protections embedded in our loan programs. I am also pleased that the CFPB's number one recommendation is that lenders be required to have schools certify the amount of unmet financial need before a loan is issued. School certification is something HESAA has required since the inception of the NJCLASS loan program back in 1991.

Of course, the best way to reduce debt is to start saving early. Since this Board last met, Governor Christie declared May 29th "529 College Savings Plan Day" in New Jersey. You will be pleased to know, that despite the current volatility in the stock market our State's 529 plan has never been stronger. There are currently over 266,000 NJ BEST accounts open with over \$3 billion in assets under management. I wrote an op-ed that appeared in the Trenton Times about the unique features of NJBEST. That article along with other media coverage HESAA has received is included in your materials.

Finally, fortunately this is not something I routinely have to report to you. But last week, we lost a member of the HESAA family. Anthony Ingram worked in HESAA's mailroom for the last ten years. He will be missed.

Richard Garcia thanked all of the HESAA staff members for their hard work.

NEW BUSINESS

Gabrielle Charette presented resolutions acknowledging and thanking the Student Advisory Committee members, Wilmot Wilson and Liscet Duran, for their service and dedication to the Higher Education Student Assistance Authority Board.

ADJOURNMENT

Chairman Garcia announced the next regularly scheduled Board meeting is October 25, 2012 at 10:00 am. There will be an audit committee meeting following today's meeting.

The motion to adjourn passed unanimously.

The meeting adjourned at 11:20 pm.

RESOLUTION 10:12

**ELECTING A CHAIRPERSON, VICE CHAIRPERSON AND
TWO MEMBERS OF THE EXECUTIVE COMMITTEE**

Moved by: Fr. Michael Braden
Seconded by: Mr. James Allen

WHEREAS: In accordance with Article V of the Bylaws of the Higher Education Student Assistance Authority, the Chairperson appointed a Nominating Committee to nominate a Chairperson and Vice Chairperson from among the public members of the Authority Board and two additional members of the Executive Committee, one from among the public members of the Board and one from among the institutional members of the Board; and

WHEREAS: The bylaws include the State Treasurer or designee and the Executive Director as members of the Executive Committee; and

WHEREAS: The Nominating Committee recommends the election of members, as Chairperson, as Vice Chairperson, as a member of the Executive Committee representing institutional members, and as a member of the Executive Committee representing public members; and

NOW THEREFORE, BE IT:

RESOLVED: That the Higher Education Student Assistance Authority Board elects, Richard Garcia as Chairperson, Christy Van Horn as Vice Chairperson, Anthony Falcone as a member of the Executive Committee and Dr. Harvey Kesselman as a member of the Executive committee for terms of one year, and recognizes the State Treasurer's Permanent designee (Chris McDonough) and Gabrielle Charette, Esq., Executive Director, ex officio as members of the Executive Committee.

July 25, 2012

RESOLUTION 11:12

ADOPTING A FULL-TIME TUITION AID GRANT AWARD TABLE FOR ACADEMIC YEAR 2012-13

Moved by: Ms. Maria Torres

Seconded by: Mr. James Allen

WHEREAS: N.J.S.A. 18A:71B-21 (P.L. 1999, Chapter 46) authorizes the Higher Education Student Assistance Authority (HESAA) to establish a table of full-time award values for Tuition Aid Grants (TAG) based on financial need for the grant, tuition levels, projected number of eligible students, and available funding; and

WHEREAS: The FY 2013 line-item appropriation for TAG is \$325,043,000; and

WHEREAS: Language in the Appropriations Act stipulates the following:

- TAG awards for students enrolled in public institutions of higher education who are eligible for maximum awards (New Jersey Eligibility Index (NJEI) below 1500) shall not exceed the in-State undergraduate 2010-2011 tuition rate for the institution with comparable awards provided to students enrolled at non-public institutions – a two-year lag compared to tuition charges;
- Awards for all other TAG-eligible students shall not exceed the in-State undergraduate tuitions in effect at institutions in academic year 2008-2009 - a four-year lag compared to tuition;
- Participation in the TAG program is limited to institutions that previously participated in the program, or had applied in writing to the Higher Education Student Assistance Authority (HESAA) to participate in the TAG program prior to September 1, 2009 and met all eligibility requirements prior to that date; and

WHEREAS: Budgeted FY 2013 resources also include unexpended balances reappropriated to the TAG account to be held as a contingency for unanticipated increases in the number of applicants qualifying for full-time TAG awards, to fund increases in award amounts, and to fund shifts in the distribution of awards that result in an increase in program costs; and

WHEREAS: The FY 2013 Appropriations Act provides for such sums as are required to cover the costs of increases in the number of applicants qualifying for full-time Tuition Aid Grant awards or to fund shifts in the distribution of awards that result in an increase in total program costs, subject to the approval of the Director of the Division of Budget and Accounting.

NOW THEREFORE BE IT:

RESOLVED: That the Higher Education Student Assistance Authority hereby adopts the attached Full-Time TAG Award Table for AY 2012-2013 (Attachment A); and be it further

RESOLVED: That the attached Full-Time TAG Award Table for AY 2012-2013 pertains to New Jersey institutions (and their programs of study) that are licensed and approved for participation in the State grant program as of September 1, 2009; and be it further

RESOLVED: That the Higher Education Student Assistance Authority wishes to thank and commend Governor Christie and the Legislature for their commitment to higher education access and affordability for all New Jersey citizens.

July 25, 2012

**STATE OF NEW JERSEY
HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
FULL-TIME TUITION AID GRANT (TAG) AWARD TABLE FOR 2012-13¹**

New Jersey Eligibility Index (NJED)	County Colleges² Award Average	State Colleges² Award Average	Independent Non-Public³ Award Value	Rutgers &UMDNJ Award Value	NJIT Award Value
Under 1500	\$2,534	\$6,704	\$11,550	\$9,104	\$10,318
1500-2499	2,162	5,924	9,870	8,004	9,068
2500-3499	1,872	5,016	8,682	7,126	8,074
3500-4499	1,462	4,156	7,776	6,146	6,964
4500-5499	1,092	3,444	6,870	5,360	6,072
5500-6499	0	2,690	5,968	4,574	5,182
6500-7499		1,960	5,062	3,834	4,344
7500-8499		0	4,156	3,040	3,444
8500-9499			3,290	2,096	2,376
9500-10499			1,872	0	0

¹ Approximate annual award values at institutions licensed and approved for participation in the TAG Program as of September 1, 2009. In accordance with State law, the value of a student's grant may decrease depending on appropriated funds, actual tuition charges, cost of attendance, estimated family contribution, and other available resources.

² For county and state college sectors, this table displays projected average award values across the respective institutions in the sector. The award values at a given institution may be higher or lower depending on the level of tuition.

³ Limited to approved programs of study at Berkeley College, DeVry University, Eastern International College and Eastwick College.

FY 2013 FULL-TIME TAG BUDGET ESTIMATES

Awards in First Cell (Neediest Students) Reflect 2010-11 Tuition (A Two-Year Lag) - Further Reduced by Approximately 8.3%
 All Other Awards Based on 2008-09 Tuition Levels (A Four-Year Lag) - Further Reduced by Approximately 8.3%

Includes 500 New Awards

NJEI	ESTIM. AVERAGE FAMILY INCOME	COUNTY		STATE		NON-PUBLIC		RU/NJ/T/UMD		TOTAL						
		NUM AWARD	FUNDS (000)	NUM AWARD	FUNDS (000)	NUM AWARD	FUNDS (000)	NUM AWARD	FUNDS (000)	NUM BER	AVG. \$	FUNDS (000)				
Under 1500	18,700	8,484	2,520	21,380	5,596	6,605	36,962	4,274	11,303	48,304	4,354	9,342	40,675	22,708	6,488	147,321
1500 - 2499	23,000	4,435	2,135	9,469	3,423	5,832	19,963	2,234	9,739	21,758	2,379	8,195	19,496	12,471	5,668	70,686
2500 - 3499	32,800	2,780	1,855	5,157	2,213	4,964	10,965	1,381	8,393	11,591	1,538	7,286	11,206	7,912	4,922	38,939
3500 - 4499	36,000	2,421	1,453	3,518	1,775	4,107	7,290	1,064	7,514	7,995	1,259	6,315	7,951	6,519	4,104	26,754
4500 - 5499	38,300	1,946	1,081	2,104	1,501	3,416	5,127	972	6,633	6,447	1,023	5,482	5,608	5,442	3,544	19,286
5500 - 6499	44,200				1,264	2,672	3,377	781	5,749	4,487	822	4,707	3,869	2,867	4,092	11,733
6500 - 7499	48,200				1,144	1,942	2,222	757	4,882	3,696	721	3,917	2,824	2,622	3,334	8,742
7500 - 8499	52,400							612	3,990	2,442	638	3,122	1,992	1,250	3,547	4,434
8500 - 9499	55,400							560	3,154	1,766	526	2,147	1,129	1,086	2,666	2,895
9500-10499	55,200							447	1,803	806				447	1,803	806
TOTAL		20,066	2,075	41,628	16,916	5,080	85,926	13,082	8,355	109,292	13,260	7,146	94,750	63,324	5,236	331,596

Reflects 2010-11 tuition levels for students with an NJEI below 1500 at public institutions--a two-year lag and then further reduced by approximately 8.3%. The non-public sector maximum award is based on 50% of the 2010-11 weighted average tuition further reduced by approximately 8.3%. All other awards at public and non-public institutions are based on 2008-09 tuition levels--a four-year lag in award values further reduced by approximately 8.3%.

FY 2013 TAG APPROPRIATION	(000)
FY 2013 PT TAG/EOF APPROPRIATION	325,043
FY 2012 CARRY FORWARD FUNDS	558
FY 2013 TOTAL RESOURCES	6,000
	<hr/>
	331,601
	<hr/>
EST. FY 2013 MODEL COST	331,596

RESOLUTION 12:12

ADOPTING A PART-TIME TUITION AID GRANT FOR COUNTY COLLEGES AWARD TABLE FOR ACADEMIC YEAR 2012-13

Moved by: Ms. Christy Van Horn

Seconded by: Ms. Maria Torres

WHEREAS: The Part-Time Tuition Aid Grant (TAG) for County Colleges Program was established effective AY 2003-2004 to provide awards to financially needy county college students who enroll for 6-11 credits; and

WHEREAS: Pursuant to the Fiscal Year (FY) 2013 Appropriations Act, part-time awards shall be prorated, within the limits of available appropriations, against full-time awards as follows: eligible students enrolled for 6–8 credits receive 50 percent of the value of a full-time award, and students enrolled for 9–11 credits receive 75 percent of the full-time award; and

WHEREAS: The FY 2013 Appropriation for the Part-Time (TAG) for County Colleges Program is \$10.360 million; and

WHEREAS: The Part-Time TAG for County Colleges Award Table shown in Attachment A was constructed following the parameters used to develop the 2012-2013 Full-Time TAG Award Table as follows:

- Awards for students demonstrating the highest need (those with a New Jersey Eligibility Index (NJEI) below 1500) are based on 2010-2011 tuition levels less approximately 8.3% - a two-year lag;
- Awards for all other eligible county college students are based on 2008-2009 tuition levels less approximately 8.3% - a four-year lag; and

WHEREAS: Language in the Appropriations Act reappropriates unexpended balances in the Part-Time TAG for County Colleges account to serve as a contingency for unanticipated increases in the number of applicants qualifying for Part-Time TAG for County Colleges awards, to fund increases in award amounts and to fund shifts in the distribution of awards that result in an increase in program costs.

NOW THEREFORE BE IT:

RESOLVED: That the Higher Education Student Assistance Authority hereby adopts the attached Part-Time TAG Award Table for AY 2012-2013 (Attachment A); and be it further

RESOLVED: That the attached Part-Time TAG for County Colleges Award Table for AY 2012-2013 pertains to New Jersey County Colleges established pursuant to N.J.S.A. 18A:64A-1 et. seq. (and their programs of study) that are licensed and approved for participation in the State grant program as of September 1, 2009; and be it further

RESOLVED: That the Higher Education Student Assistance Authority wishes to thank and commend Governor Christie and the Legislature for their commitment to higher education access and affordability for all New Jersey citizens.

July 25, 2012

STATE OF NEW JERSEY
HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
PART-TIME TUITION AID GRANT (TAG) FOR COUNTY COLLEGES

2012-13 AWARDS

NJEI	1/2 Time Semester Award (6-8 credits)	3/4 Time Semester Award (9-11 credits)
0-1499	\$633	\$950
1500-2499	540	810
2500-3499	468	702
3500-4499	365	548
4500-5499	273	409

**PART-TIME TAG FOR COUNTY COLLEGES PROGRAM
FY2013 - As of 7-10-2012**

Awards in First Cell (Neediest Students) Reflect 2010-11 Tuition (A Two-Year Lag) - Further Reduced by Approximately 8.3%
All Other Awards Based on 2008-09 Tuition Levels (A Four-Year Lag) - Further Reduced by Approximately 8.3%

Number of Awards Increased by 5% Over 2011-12 Enrollment

	Est. # of 1/2 Awards	Semester 1/2 Award Value	Est. Cost of 1/2 Awards	Est. # of 3/4 Awards	Semester 3/4 Award Value	Est. Cost of 3/4 Awards	Est. # of All Awards	Est. Total Cost	Proj. Headcount
NJCI									
0-1499	2,884	\$633	\$1,825,572	3,356	\$950	\$3,188,200	6,240	\$5,013,772	4,437
1500-2499	1,704	\$540	\$920,160	1,687	\$810	\$1,366,470	3,391	\$2,286,630	2,411
2500-3499	1,158	\$468	\$541,944	1,109	\$702	\$778,518	2,267	\$1,320,462	1,612
3500-4499	995	\$365	\$363,175	1,003	\$548	\$549,644	1,998	\$912,819	1,420
4500-5499	1,003	\$273	\$273,819	949	\$409	\$388,141	1,952	\$661,960	1,387
Total	7,744	\$507	\$3,924,670	8,104	\$774	\$6,270,973	15,948	\$10,195,643	11,267

FY2013 APPROPRIATION

10,360,000

EST. FY 2013 MODEL COST

10,195,643

164,357

RESOLUTION 13:12

AUTHORIZING THE EXECUTION AND DELIVERY OF A FIRST SUPPLEMENTAL INDENTURE OF TRUST BY AND BETWEEN THE HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY (THE "AUTHORITY") AND WELLS FARGO BANK, NATIONAL ASSOCIATION, AS TRUSTEE (THE "TRUSTEE") TO AMEND THE INDENTURE OF TRUST, DATED AS OF MAY 1, 2010, BETWEEN THE AUTHORITY AND THE TRUSTEE WITH RESPECT TO \$145,000,000 STUDENT LOAN REVENUE BONDS, SERIES 2010-FFELP(TAX-EXEMPT LIBOR FLOATING RATE BONDS) AND AUTHORIZING OTHER MATTERS IN CONNECTION THEREWITH

Moved: Mr. Anthony Falcone
Seconded: Mr. James Allen

WHEREAS, the Higher Education Student Assistance Authority (the "Authority") is a body corporate and politic constituting an instrumentality of the State of New Jersey 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 May 1, 2010, between the Authority and Trustee (the "FFELP Indenture"), the Authority has issued \$145,000,000 in aggregate amount of its Student Loan Revenue Bonds, Series 2010-FFELP (Tax Exempt LIBOR Floating Rate Bonds) (the "Bonds"); and

WHEREAS, the Authority wishes to authorize the execution and delivery of a First Supplemental Indenture between the Authority and the Trustee (the "First Supplemental Indenture") to renumber certain references to Section 5.04(c) of the FFELP Indenture which have been incorrectly numbered as more particularly provided below; and

WHEREAS, pursuant to Section 8.01(a) of the Indenture, a Supplemental Indenture not requiring the consent of Bondholders may be executed and delivered by the Authority and the Trustee to cure a formal defect and typographical error that exists in the Indenture; and

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

Section 1. The Authority hereby authorizes the execution and delivery of the First Supplemental Indenture substantially in the form attached hereto and presented to the Authority for the purpose of renumbering certain improperly numbered references to Section 5.04(c) of the FFELP Indenture to reflect the correct priority of distributions from the Collection Fund and the flow of funds as described to Bondholders in the Official Statement relating to the Bonds.

Section 2. The Chairperson, Vice Chairperson, Secretary-Treasurer, Executive Director, Chief Financial Officer and any other authorized representative or designee of the Authority, (each, an "Authorized Official" and collectively, the "Authorized Officials"), acting severally, are hereby authorized to execute, acknowledge and deliver the First Supplemental Indenture in such form as an Authorized Official, in consultation with Bond Counsel, shall

determine. The execution of the First Supplemental Indenture by an Authorized Official shall be conclusive evidence of the approval of the form thereof as authorized by this Section.

Section 3. The Authority hereby determines that the execution and delivery of the First Supplemental Indenture cures a formal defect and typographical error that exists in the FFELP Indenture.

Section 4. The Authorized Officials, acting severally, are hereby authorized to execute such additional certificates, instruments and other documents and take such other actions as may be necessary or appropriate in connection with the execution and delivery of the First Supplemental Indenture.

Section 5. Capitalized terms used but not defined in this Resolution shall have the meanings given to them in the FFELP Indenture.

Section 6. This Resolution shall take effect immediately, but no action authorized herein shall have force and effect until 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 of New Jersey 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.

Dated: July 25, 2012

RESOLUTION 14:12

PROPOSED AMENDMENTS TO THE NEW JERSEY STUDENT TUITION ASSISTANCE REWARD SCHOLARSHIP PROGRAM AND THE NEW JERSEY STUDENT TUITION ASSISTANCE REWARD SCHOLARSHIP II PROGRAM POLICIES AND PROCEDURES, N.J.A.C. 9A:9-10 AND 11.

Moved by: Dr. Jon Larson
Seconded by: Mr. James Allen

WHEREAS: HESAA is responsible for the administration of the New Jersey Student Tuition Assistance Reward Scholarship (NJ STARS) Program pursuant to N.J.S.A. 18A:71B-86; and

WHEREAS: HESAA is responsible for the administration of the New Jersey Student Tuition Assistance Reward Scholarship II (NJ STARS II) Program pursuant to N.J.S.A. 18A:71B-86.6; and

WHEREAS: P.L. 2012 c. 8 was approved on May 2, 2012 providing amendments to the NJ STARS and NJ STARS II Programs; and

WHEREAS: It is necessary to amend N.J.A.C. 9A:9-10 and 11 to reflect the statutory amendments and provide clarifications requested by students and institutions of higher education.

NOW, THEREFORE, LET IT BE:

RESOLVED: That the Board approves and authorizes publishing the Proposed Amendments to the New Jersey Student Tuition Assistance Reward Scholarship Program and the New Jersey Student Tuition Assistance Reward Scholarship II Program Policies and Procedures, N.J.A.C. 9A:9-10 and 11 in the September 17, 2012 New Jersey Register.

July 25, 2012

RESOLUTION 15:12

CONSIDERATION AND APPROVAL OF THE HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY 2011 ANNUAL REPORT PURSUANT TO EXECUTIVE ORDER 37 (CORZINE)

Moved by: Ms. Jean McDonald Rash
Seconded by: Fr. Michael Braden

- 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.
- 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 2011 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 2011 Annual Report; and be it further
- RESOLVED:** That the attached Higher Education Student Assistance Authority 2011 Annual Report shall be submitted to the Governor's Authorities Unit and posted on the HESAA website, hesaa.org.

July 25, 2012

RESOLUTION 16:12

APPROVING HESAA's FY 2013 ADMINISTRATIVE AND CAPITAL BUDGETS

Moved by: Dr. Jon Larson
Seconded by: Mr. James Allen

WHEREAS: As part of the Higher Education Student Assistance Authority's (HESAA) annual budget process, to ensure the Board's oversight of the programmatic and administrative activities of the Authority, staff is presenting the FY 2013 administrative and capital budgets to the Board for its review and approval; and

WHEREAS: On June 20, 2012 the Board's budget committee met with staff to review and approve the FY 2013 administrative and capital budgets for consideration by the full Board.

NOW THEREFORE, LET IT BE:

RESOLVED: That the Board hereby approves the FY 2013 administrative and capital budgets as advanced by the budget committee and described in the attachment to this resolution.

July 25, 2012



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

CHRIS CHRISTIE
Governor

KIM GUADAGNO
Lt. Governor

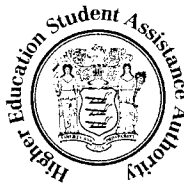
GABRIELLE CHARETTE, ESQ.
Executive Director

RESOLUTION

*Expression of Appreciation to
Mr. Wilmot Wilson*

- WHEREAS: Mr. Wilmot Wilson has served with distinction on the Student Advisory Committee (SAC) and was elected vice chairperson for 2010-2011; and chairperson for 2011-2012; and
- WHEREAS: In his role as an officer of the SAC, Mr. Wilson served as a member of the Board of the Higher Education Student Assistance Authority (HESAA), effectively representing New Jersey students; and
- WHEREAS: Mr. Wilson has proven himself a devoted advocate for students of New Jersey, providing valuable input on policy matters affecting students and their access to education; and
- WHEREAS: His contributions as a Board member of HESAA have helped advance postsecondary education and enhanced delivery of student aid in New Jersey; and
- WHEREAS: The members of the Board of the Higher Education Student Assistance Authority wish to acknowledge Mr. Wilson' fine service and contributions in providing an effective program of student financial assistance; now therefore be it
- RESOLVED: That the Higher Education Student Assistance Authority hereby adopts this resolution as an acknowledgement of Mr. Wilson' service and dedication; and be it further
- RESOLVED: That the Board of the Higher Education Student Assistance Authority expresses its appreciation to Mr. Wilson for his outstanding leadership and dedication on behalf of New Jersey students; and be it further
- RESOLVED: That the Board of the Higher Education Student Assistance Authority expresses its best wishes to Mr. Wilson for success in all of his future endeavors; and be it further
- RESOLVED: That a copy of this resolution be noted in the official records of the Authority and the original be presented to Mr. Wilson.

July 25, 2012



State of New Jersey

HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY

4 QUAKERBRIDGE PLAZA

PO BOX 545

TRENTON, NJ 08625-0545

1-800-792-8670

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CHRIS CHRISTIE
Governor

KIM GUADAGNO
Lt. Governor

GABRIELLE CHARETTE, ESQ.
Executive Director

RESOLUTION

*Expression of Appreciation to
Ms. Liscet Duran*

WHEREAS: Ms. Liscet Duran has served with distinction on the Student Advisory Committee (SAC) and was elected Vice-Chairperson for 2011-2012; and

WHEREAS: In her role as an officer of the SAC, Ms. Duran served as a member of the Board of the Higher Education Student Assistance Authority (HESAA), effectively representing New Jersey students; and

WHEREAS: Ms. Duran has proven herself a devoted advocate for students of New Jersey, providing valuable input on policy matters affecting students and their access to education; and

WHEREAS: Her contributions as a Board member of HESAA have helped advance postsecondary education and enhanced delivery of student aid in New Jersey; and

WHEREAS: The members of the Board of the Higher Education Student Assistance Authority wish to acknowledge Ms. Duran's fine service and contributions in providing an effective program of student financial assistance; now therefore be it

RESOLVED: That the Higher Education Student Assistance Authority hereby adopts this resolution as an acknowledgement of Ms. Duran's service and dedication; and be it further

RESOLVED: That the Board of the Higher Education Student Assistance Authority expresses its appreciation to Ms. Duran for her outstanding leadership and dedication on behalf of New Jersey students; and be it further

RESOLVED: That the Board of the Higher Education Student Assistance Authority expresses its best wishes to Ms. Duran for success in all of her future endeavors; and be it further

RESOLVED: That a copy of this resolution be noted in the official records of the Authority and the original be presented to Ms. Duran.

Presented July 25, 2012



New Jersey Higher Education Student Assistance Authority

Review of 2012 NJCLASS Financing

July 2012





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Review of 2012 NJCLASS Financing Transaction Overview

- The Series 2012-1 Bonds were issued to raise funds for the 2012-2013 academic year NJCLASS loans, to make a deposit to the Debt Service Reserve Fund and to make a deposit in the Capitalized Interest Fund
- The Series 2012-1 Bonds were issued under a new Trust Indenture
- Transaction Size: \$259.3 million
- Tax Status: Tax Exempt, but subject to the Alternative Minimum Tax (AMT)
- Senior/Subordinate bond structure with \$248.3 million of Senior debt with 2013-2030 maturities and \$11 million of Subordinate debt with a 2039 maturity
- Ratings provided by Standard & Poor's and Moody's. Senior Bonds rated AA/Aa2; Subordinate Bonds rated A/A2. Senior Bonds achieved the highest standalone rating in the history of the NJCLASS Program.
- The transaction is further supported by a Debt Service Reserve Fund (DSRF). As with all HESAA debt, the DSRF is supported by the Moral Obligation of the State of New Jersey
- Interest will be paid semi-annually commencing December 1, 2012
- Denominations: \$5,000
- No basis risk: fixed rate student loans match funded with fixed rate bonds



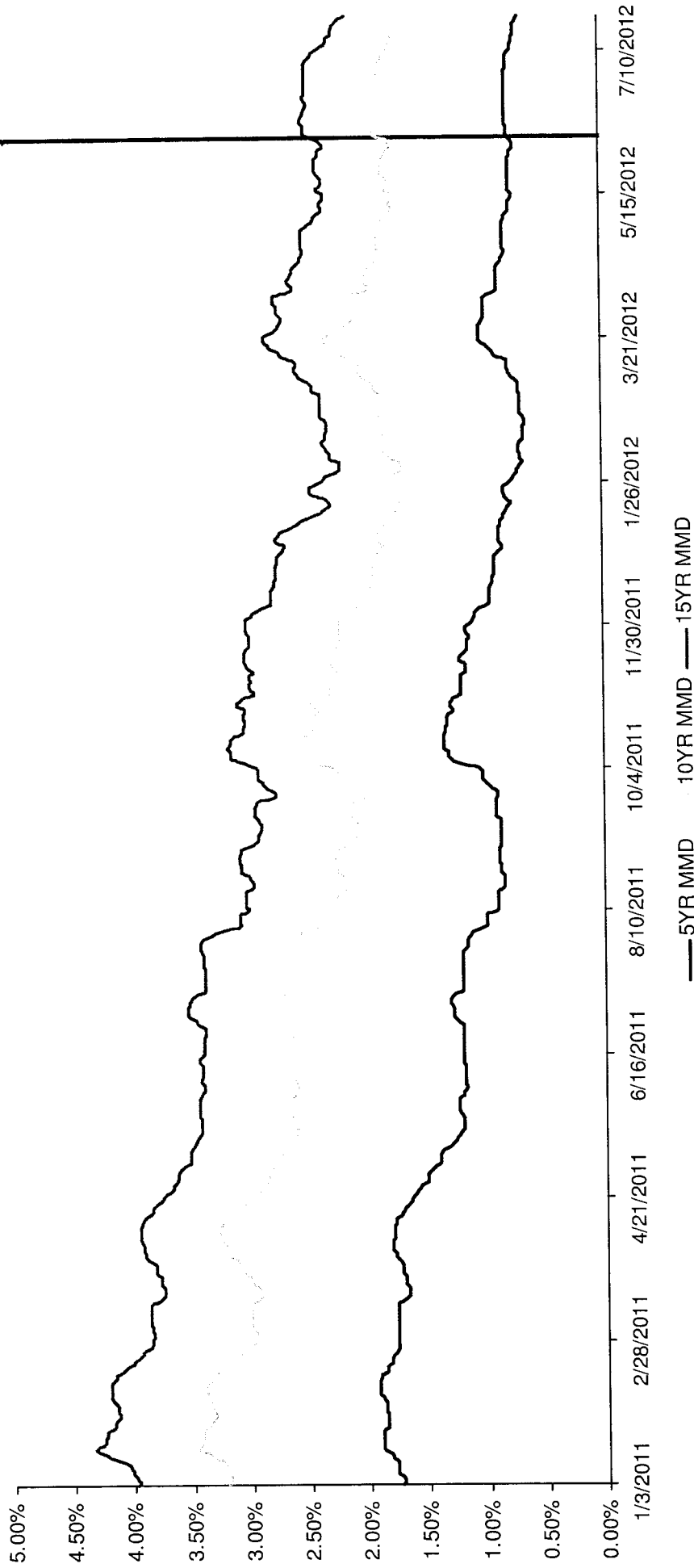
Review of 2012 NJCLASS Financing Transaction Structure and Pricing

Bond Type	Maturity Date	Par Amount	6/5/2012			Yield	Coupon	Price	Call Provisions
			MMD	Spread	Yield				
Serial	12/1/2013	\$ 5,000,000	0.20%	0.90%	1.10%	3.00%	102.678	Non-Callable	
Serial	12/1/2014	7,000,000	0.32%	1.25%	1.57%	4.00%	105.758	Non-Callable	
Serial	12/1/2015	13,000,000	0.46%	1.59%	2.05%	5.00%	109.707	Non-Callable	
Serial	12/1/2016	13,000,000	0.55%	1.91%	2.46%	5.00%	110.585	Non-Callable	
Serial	12/1/2017	16,500,000	0.74%	2.19%	2.93%	4.00%	99.370	Non-Callable	
Serial	12/1/2018	18,000,000	0.95%	2.18%	3.13%	5.00%	110.805	Non-Callable	
Serial	12/1/2019	19,000,000	1.16%	2.18%	3.34%	4.00%	104.306	Non-Callable	
Serial	12/1/2020	17,300,000	1.41%	2.18%	3.59%	5.00%	110.170	Non-Callable	
Serial	12/1/2021	15,700,000	1.63%	2.18%	3.81%	5.00%	109.346	Non-Callable	
Serial	12/1/2022	12,500,000	1.78%	2.18%	3.96%	5.00%	108.809	Non-Callable	
Serial	12/1/2023	12,000,000	1.93%	2.18%	4.11%	4.00%	99.002	Callable	
Serial	12/1/2024	11,300,000	2.08%	2.17%	4.25%	4.13%	98.800	Callable	
Serial	12/1/2025	15,000,000	2.20%	2.17%	4.37%	4.25%	98.788	Callable	
Serial	12/1/2026	14,000,000	2.29%	2.16%	4.45%	4.38%	99.204	Callable	
Super-Sinker	12/1/2027	21,500,000	2.37%	1.63%	4.00%	4.00%	100.000	Callable	
Serial	12/1/2028	15,500,000	2.45%	2.13%	4.58%	4.50%	99.080	Callable	
Serial	12/1/2029	13,000,000	2.52%	2.13%	4.65%	4.50%	98.218	Callable	
Serial	12/1/2030	9,000,000	2.59%	2.11%	4.70%	4.63%	99.078	Callable	
Subordinate	12/1/2039	11,000,000	3.06%	2.69%	5.75%	5.75%	100.000	Last Paid	
Senior Bonds		\$ 248,300,000	1.94%	2.07%	4.00%	4.44%			
All Bonds		\$ 259,300,000	2.06%	2.13%	4.19%	4.58%			



Review of 2012 NJCLASS Financing Municipal Market MMD Trend Chart

HESAA 2012-1 Pricing Date





Review of 2012 NJCLASS Financing Transaction Comparison

2012 New Money Fixed Rate Supplemental Student Loan Transactions

Bond Specifics	Rhode Island Student Loan Authority	Massachusetts Educational Financing Authority	New Jersey Higher Education Student Assistance Authority (2)	Maine Educational Loan Authority	Vermont Student Assistance Corporation
Par Amount	\$17,940,000	\$168,335,000	\$259,300,000	\$12,685,000	\$20,635,000
Pricing Date	2/8/2012	5/31/2012	6/5/2012	6/5/2012	6/28/2012
Closing Date	3/21/2012	6/27/2012	6/28/2012	6/14/2012	7/17/2012
Ratings (M/S/F)	NR/A+/A	NR/AA/A	Aa2/AA/NR	Aa3/AA-/NR	NR/A/A
Underlying Rating	N/A	N/A	Aa2/AA/NR	A2/A/NR	N/A
Starting Parity	109.8%	106.3%	106.9%	101.6%	125.8%
Starting Parity w/o premium bonds	108.4%	104.3%	103.0%	101.6%	124.0%
Insurer	N/A	N/A	N/A	Assured Guaranty	N/A
Moral Obligation (1)	No	No	Yes	Yes	No
Weighted Average Term to Maturity	9.60	11.44	10.29	9.64	12.94
Weighted Average Yield	3.67%	4.44%	4.00%	4.43%	4.65%
Weighted Average Spread over MMD	1.96%	2.41%	2.07%	2.56%	2.30%
Weighted Average MMD	1.72%	2.02%	2.06%	1.87%	2.34%
BofAML Role	Sole	Co-Manager	Senior	-	-

Note: All subject to the Alternative Minimum Tax ("AMT")

(1) The NJHESAA transaction ratings are based on the strength of their underlying loans while the ratings for the MELA transaction are based on the State's backing.

(2) Spread information relates to senior bonds. NJHESAA transaction also included a \$11mm subordinate bond with a 27.4 yr WAL and was priced at 5.75% or 2.70% over MMD.



Review of 2012 NJCLASS Financing Key Transaction Points

Solid NJCLASS Loan Program

Investor's and the Rating Agencies are increasingly concerned about consumer credit given the current economic conditions and less than stellar performance of other student loan programs. However, HESAA's NJCLASS program, long known for its school channel distribution and excellent default prevention and recovery techniques, has exhibited strong performance despite the difficult economy. Nevertheless, HESAA further strengthened the underwriting criteria for the upcoming academic year, providing rating agencies and investors further comfort.

State of New Jersey Moral Obligation

The State's moral obligation to replenish the debt service reserve fund further enhances the NJCLASS program. Rating agencies provide no credit.

Combination Retail and Institutional Investor Placement

Despite all bonds being subject to AMT, HESAA's advertisements along with BofAML's marketing of the new issue brought in over \$159 million retail orders. The resulting allocations left less bonds available for institutional investors that were willing to accept a lower yield to add the HESAA 2012-1 issue to their portfolio. An on-line roadshow was posted to provide potential investors an update of HESAA's program and details of the financing. Due to the resulting strong demand, BofAML was able to lower the yield on both the senior and subordinate bonds.

Financing Structure

This transaction improved upon the structure first used in HESAA's 2009 transaction to improve performance of the Rating Agency cash flows and to decrease the cost of funds. The inclusion of 'lock-out' principal periods on certain serial bonds and a super-sinker bond that absorbs prepayments help reduce the cost of funds by lessening concerns about bond principal payments and thus increasing investor demand.

Subordinate Bonds Helps Reduce HESAA's Equity Contribution

While subordinate bond structures were common prior to the financial crisis, prior to this issue no such bond was issued backing a similar fixed rate supplemental student loan transaction in over four years. Nevertheless, the HESAA's 2012-1B Subordinate Bond was over 9 times over subscribed. This very strong demand provides further confirmation on HESAA's plan to include subordinate bonds in future issues to minimize equity contributions going forward.