

MINUTES

HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY

April 22, 2009

The Higher Education Student Assistance Authority (HESAA) Board held a meeting on April 23, 2009 at 10:00 a.m. at the HESAA offices in Hamilton.

PRESENT: Mr. Michael Angulo, Esquire; Sister Paula Marie Buley; Richard Garcia; Mr. Edward Graham (teleconference); Ms. Wilma Harris; Mr. Tony Hubbard; Ms. Tabatha Ialacci; Dr. Harvey Kesselman (teleconference); Ms. Rossy Matos; Ms. Nancy Style, Treasurer's Designee; and Ms. Maria I. Torres and Mr. Warren Smith, Esq. (teleconference) members.

ABSENT: Dr. Joann LaPerla-Morales and Jean McDonald Rash.

CALL TO ORDER

Chairwoman Torres called the meeting to order at 10:04 a.m. and stated that the meeting had been noticed in compliance with the requirements of the Open Public Meetings Act.

Ms. Torres led those present in the Pledge of Allegiance.

Ms. Torres welcomed the Board members including those participating on the phone and Sonia Frontera, Esq., Governor's Authorities Unit; Cheryl Clark, DAG; Dr. Glenn Lang, Executive Director, EOF; and Mr. and Mrs. James Avery.

She advised that no members of the public had registered to speak.

Ms. Torres asked Ms. Nancy Reffner to call the roll.

CONSIDERATION OF THE MINUTES OF THE JANUARY 21, 2009 MEETING:

A motion to approve the minutes of the January 21, 2009 meeting was made by Wilma Harris and seconded by Tabatha Ialacci. The minutes were approved unanimously with four abstentions, Sister Pula Marie Buley, Richard Garcia, Rossy Matos and Warren Smith, because they did not participate in the January 21, 2009 meeting.

CONSIDERATION OF THE MINUTES OF THE FEBRUARY 23, 2009 MEETING:

A motion to approve the minutes of the February 23, 2009 meeting was made by Sister Paula Marie Buley and seconded by Nancy Style. The minutes were approved unanimously with two abstentions, Richard Garcia, and Tony Hubbard, because they did not participate in the February 23, 2009 meeting.

RESOLUTION 04:09 ADOPTING A SCHEDULE OF MEETINGS FOR FISCAL YEAR 2010

Robin Bridges Johnson presented Resolution 04:09 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 2010 Tuesday, July 21, 2009, Wednesday, October 21, 2009, Tuesday, January 26, 2010, and Wednesday, April 28, 2010.

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

A motion to approve Resolution 04:09 was made by Wilma Harris and seconded by Richard Garcia. The FY 2010 meeting schedule was approved unanimously.

RESOLUTION 05:09 READOPTION WITH AMENDMENTS OF REGULATIONS GOVERNING STUDENT LOAN AND COLLEGE SAVINGS PROGRAMS, N.J.A.C. 9A:10

Marnie Grodman presented Resolution 05:09 to the Board.

Pursuant to N.J.S.A. 52:14B-5.1, N.J.A.C. 9A:10 was set to sunset on November 3, 2008. The expiration date of these rules was extended to May 2, 2009 by filing the proposal for readoption with the Office of Administrative Law prior to the expiration date. At its July 16, 2008 meeting the Board voted to propose Readoption of N.J.A.C. 9A:10 with amendments. The Proposed Rule No. PRN 2008-391, was published in the December 1, 2008 New Jersey Register at 40 N.J.R. 6721(b), on the HESAA website at HESAA.org, sent to the Statehouse News Media and Secondary notice was mailed to interested parties. The 60-day legislative review period for this rule expired on December 26, 2008, with no comments received and the public comment period for this rule expired on January 30, 2009 with no comments received. A summary of the proposed amendments has been provided in your materials. There have been no changes from the proposal.

A motion to approve Resolution 05:09 was made by Tabatha Ialacci and seconded by Tony Hubbard. Resolution 05:09 was approved unanimously.

RESOLUTION 06:09: PROPOSED AMENDMENTS TO THE NEW JERSEY WORLD TRADE CENTER SCHOLARSHIP PROGRAM POLICIES AND PROCEDURES GENERAL PROVISIONS AND ELIGIBILITY REQUIREMENTS AND FINANCIAL NEED, N.J.A.C. 9A:9-7.1 AND 7.4

Marnie Grodman presented Resolution 05:09 to the Board.

N.J.S.A. 18A:71B-23.5a(3) was amended effective January 17, 2007 to expand scholarship eligibility to the dependent children and surviving spouses of those who were New Jersey residents on September 11, 2001 and died as a result of illness caused by exposure to the attack

sites, as established in medical records or other appropriate documentation as required by the board.

At its March 23, 2009 meeting the World Trade Center Scholarship Board of Trustees determined what “other appropriate documentation” should be required to establish whether the deceased died as a result of illness caused by exposure to the attack sites. Accordingly, it is necessary to amend N.J.A.C. 9A:9-7.4 Eligibility Requirements and Financial Need, to reflect the statutory amendment to enumerate the required documentation. The recommended documentation consists of:

- proof that the deceased was a NJ resident on 9/11/01;
- An original or certified copy of the death certificate, or an accurate copy;
- A letter from the deceased’s physician stating the cause of death; and
- Proof that the deceased was registered with an appropriate state or federal registry, including but not limited to:
 - The victim’s compensation fund
 - The WTC Medical Monitoring & Treatment Program
 - The WTC Health Effects Treatment Program at Mt. Sinai.

Additionally, it is necessary to amend N.J.A.C. 9A:9-7.1, Eligibility Requirements, to correct a typographical error effecting the semesters of eligibility. Pursuant to N.J.A.C. 9A:10-7.1 “General provisions for the Tuition Aid Grant and Garden State Scholarship Programs that pertain to ... payments set forth in N.J.A.C. 9A:9-2.11(a)1... shall be in effect for the New Jersey World Trade Center Scholarship Program.” However, pursuant to N.J.A.C. 9A:9-2.11(a), paragraph 1 pertains to the Tuition Aid Grant Program, while paragraph 2 pertains to All Other Student Assistance Programs. As the World Trade Center Scholarship is a Student Assistance Program other than the Tuition Aid Grant Program, it is necessary to amend N.J.A.C. 9A:9-7.1 to reference N.J.A.C. 9A:9-2.11(a)2, instead of (a)1.

A motion to approve Resolution 06:09 was made by Nancy Style and seconded by Wilma Harris. Resolution 06:09 was approved unanimously.

CHAIR TO ANNOUNCE NOMINATING COMMITTEE APPOINTMENTS

Ms. Torres announced that Wilma Harris has agreed to chair the Nominating Committee and that Warren Smith and Dr. Harvey Kesselman have agreed to be on the Nominating Committee. Ms. Torres thanked them for agreeing to be on this committee. The Nominating Committee will meet in June to select the Chair, Co-Chair and Executive Committee for the HESAA Board, which will be announced at the July meeting.

EXECUTIVE DIRECTOR'S REPORT

Executive Director Michael Angulo made the following report to the Board:

My report today will focus on the recently proposed budgets by President Obama and Governor Corzine. Each contains some very welcome support for financial aid programs.

Last October, I forwarded the HESAA Board's budget policy recommendation to the Governor for consideration towards his proposed FY 2010 State budget. In these very difficult fiscal times, the Governor has prioritized the needs of New Jersey's students by proposing a funding level of \$323.403 million for financial aid programs. This exceeds the Board's request by more than \$2 million. The net increase over last year of \$33.9 million, or almost 12%, will fund an additional \$32.7 million for the Full-time TAG program, \$1.1 million for the Part-time TAG program, \$3.1 for the NJSTARS programs, and bringing funding for the WTC Scholarship Fund to \$450,000. The Governor's proposed budget modifies the award levels for students attending for-profit, proprietary, degree granting schools. Students attending these institutions would receive awards equivalent to the average award amount provided to students attending public colleges and universities.

Senate and Assembly budget hearings are underway and those for higher education are scheduled for next week.

Given the national recession and the drastic decline in State revenue, cost containment measures have been implemented by the State. This includes requiring all State personnel to take 2 furlough days to reduce current fiscal year costs. HESAA's furlough dates will be May 22, and June 12. The Governor's proposed FY 2010 budget recommends the continuation of the furlough next year along with ongoing wage and hiring freezes. We continue to work with the Governor's office, OMB and the Legislature to ensure the continuity of our staff at its current level, as well as preserving the high level of service HESAA provides to students and colleges.

On a national level, President Obama, proposed an increase to the Federal Pell Grant program which will result in a maximum award for the neediest students of \$5,530 for the 2010 – 2011 year with subsequent annual increases tied to the Consumer Price Index plus 1%. Additionally, the Pell Grant would become an entitlement program not subject to annual appropriations. This increase is significant. The financial aid community is hopeful that this section of the proposed budget becomes a reality. The increase in the Pell Grant awards should result in an additional \$146 million to assist New Jersey students. Also included in President Obama's budget are proposals to revitalize the Perkins Loan program and increases in funding for both the Perkins program and the Federal Work Study program. We strongly support these initiatives that benefit our students

Also of significance to HESAA, the colleges, and our students is the proposal in President Obama's budget that calls for the elimination of the Federal Family Education Loan program (FFELP). The proposal is receiving a lot of attention and causing robust debate within the financial aid and higher education communities. It has been HESAA's position that both FFELP and Direct Lending bring distinct benefits that have helped students. Moreover, historically, competition in FFELP between lenders, servicers and guaranty agencies put downward pressure

on costs to students by providing value added benefits or services. Those benefits come in the form of reduced fees, improved servicing, default prevention programs, and outreach activities.

As you know, our operations, outreach, financial literacy and default aversion programs, and service rely heavily on the revenue earned through non-State appropriated revenue, including those earned within the FFEL program. The scope of our work impacts a substantial number of students and their families. In 2008, we participated in, or presented at, events attended by approximately 175,000 students, families, counselors and aid professionals. Moreover, we continue to pay the federal default fee on behalf of student loan borrowers who use HESAA as their guarantor. To date, HESAA has saved students over \$44 million in life of loan costs. In a further effort to assist students during these difficult economic times, the Authority is also using revenue to pay the student loan origination fees for those students who receive TAG or an EOF Grant whose student loans are guaranteed through HESAA. HESAA's unconditional payment of the default and origination fees will save students approximately \$6.6 million in loan repayment in FY 2010... this translates to saving students over \$10 million in capitalized costs. The Authority also uses FFELP revenue to leverage the lowest interest rate possible in the State's NJCLASS loan program. Without question, through FFELP, the Authority has been able to provide many direct and indirect benefits to the State, our students, and the colleges we serve. We are closely monitoring the House and Senate's actions regarding the proposed budget. Regardless, the FFEL program will continue to operate efficiently for all participating schools for the 2009-2010 academic year. In fact, the President's proposed budget does not call for changes to take effect until the 2010-11 academic year. Again, the 2009-2010 school year will not be affected.

In the meantime, we are also exploring our options for strengthening our collections and default aversion activities to position ourselves for an enhanced role in the future. Notably, President Obama's budget calls for \$2.5 billion to fund outreach, default aversion programs, financial literacy counseling and other functions that HESAA currently offers. It has been widely discussed that, should the federal student loan landscape change, there would continue to be a role for guaranty agencies such as HESAA.

The Authority's efforts to work with the community and enhance our products and services are ongoing:

The e-signature process is progressing and will allow borrowers to electronically sign HESAA applications, forms, and promissory notes on line. The process for implementation has been complex. Our goal is to unveil e-signature for the upcoming NJCLASS processing cycle.

The automated ISIR change process is another initiative that is designed to save time and money for our students and school personnel. This process will allow us to obtain applicant data changes and eliminate the need for the institutions to report the changes more than once. Testing began last month and we hope to deliver this process to the aid community shortly.

Three weeks ago the Grants processing system went live for the 2009-10 application cycle. So far we have processed 198,730 applications. For Student Eligibility Notices mailed to students who checked off a proprietary school as an option, we are including a notice to advise them of potential grant eligibility changes pursuant to the Governor's proposal.

We are not preparing for the new bond cycle for the NJCLASS loan. Last week we met with rating agencies who complimented NJCLASS as a national model for student lending due to its effectiveness, low default rates, and service. This current year we have made more than 28,000 NJCLASS loans totaling over \$391 million. The increase reflects a 16.1% increase over this time last year and we anticipate that the demand for the NJCLASS program will increase again next year. Therefore, we hope to secure \$450 million in bond financing this year to support the program. Other issuers across the country have recently had successful bond sales and anticipate a more favorable environment in the credit markets than encountered last year. We will be working to secure the most favorable interest rate and terms available for our borrowers, including the reinstatement of the third repayment option. As you may recall, at our last meeting I explained that because of the dramatic increase in borrowing, under the terms of our bond indenture, we had to suspend the ability of our borrowers to utilize Option 3 which allowed for the deferment of principal and interest payments while in school. In these difficult times, we want to be able to support not only the increased demand, but also the flexibility that our borrowers need.

Without question, the Authority is facing daunting challenges. However, with the continued support of the Governor, the Legislature, and this Board, along with the hard work of HESAA's extremely dedicated and professional staff, I am confident that we will continue providing outstanding service and outreach to assist New Jersey students and families.

As we proceed with managing all of our programs, operations, and outreach activities, I want to recognize of the important role you, the HESAA Board, plays in helping to educate the State's students. Today, we are wishing one of our champion's success in his future. At our last Board meeting, we announced Mr. Avery's retirement. I know I speak for the entire HESAA family in expressing my heartfelt gratitude for Mr. Avery's strong leadership and dedication to financial aid. Congratulations on your retirement, and thank you for the honor of your service.

I would also like to recognize our colleague, Jane Oates, who has served with distinction over the last several years as the Executive Director on the State's Commission on Higher Education. Jane was recently nominated by President Obama to serve as Assistant Secretary in the Department of Labor. Jane has been a critical partner in our efforts to enhance grant and scholarship assistance for New Jersey students. Given Jane's capabilities, intellect, and strong record of public service, I know that her nomination will swiftly move forward. It has been my privilege to work with her on higher education and financial aid matters. We wish her the best.

Thank you.

NEW BUSINESS

Maria Torres read a Resolution acknowledging and thanking Mr. James Avery for his dedication to the Higher Education Student Assistance Authority Board and stated that a copy of the Resolution would be noted in all the official records of the Authority. She introduced Dr. Glenn Lang of the Educational Opportunity Fund who presented Mr. Avery with a Proclamation from Governor Corzine.

ADJOURNMENT

Ms. Torres reported that the Audit Committee will meet immediately following this meeting. She announced that the date for the next Board meeting has been scheduled for Tuesday, July 21, 2009 at 10:00 am. There will also be a special board meeting in May to approve the Bond Resolution.

A motion to adjourn was made by Wilma Harris and seconded by Tony Hubbard. The motion passed unanimously.

The meeting adjourned at 10:42 a.m.