

## **MINUTES**

### **HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY**

February 4, 2026

The Higher Education Student Assistance Authority (HESAA) Board held a remote teleconference meeting on February 4, 2026 at 10:00 am via Zoom. Forty-seven people logged into the meeting.

**PRESENT:** HESAA Board Members: Angela Bethea, Secretary of Higher Education Designee; Beatrice Daggett; Lisa Dougherty; Ellie Dowek; Robert Joyce, Treasurer's Designee; Favour Oyelade; Scott Salmon; Jerry Traino; Eduardo Valenzuela; Christy Van Horn, Chair; and Gary Williams.

**ABSENT:** Shernelle Pringle and Nelson Turcios.

#### **CALL TO ORDER**

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

Ms. Van Horn welcomed the Board members

Ms. Van Horn welcomed Kevin Milton, Deputy Attorney General from the New Jersey Division of Law, and Blair Gerold, Senior Counsel from the Governor's Authorities Unit.

Ms. Van Horn welcomed the newly appointed Board members, Lisa Dougherty and Eduardo Valenzuela.

Ms. Van Horn advised that HESAA's previous Executive Director, Margo Chaly, was nominated by Governor Sherrill as the Secretary of Higher Education. Ms. Van Horn then introduced Angela Bethea, Ms. Chaly's designee to the Board.

Ms. Van Horn advised that since this meeting is being held remotely, Roseann Sorrentino would conduct a roll call for the resolutions.

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

#### **CONSIDERATION OF THE MINUTES OF THE OCTOBER 22, 2025 MEETING**

A motion to approve the minutes of the October 22, 2025 meeting was made by Scott Salmon and seconded by Bea Daggett. The minutes were approved unanimously with five abstentions, Angela Bethea, Lisa Dougherty, Robert Joyce, Eduardo Valenzuela and Gary Williams who were not present at this meeting.

## **RESOLUTION 01:26 APPROVING THE THIRD EXTENSION OF THE CONTRACT WITH DILWORTH PAXSON LLP, SPECIAL COUNSEL NJBEST 529 PLANS**

Marnie Grodman presented Resolution 01:26 to the Board.

HESAA engages Special Counsel to assist in the review of materials related to the 529 Plans as well as to provide general tax advice as questions arise. As a result of the RFQ issued on December 9, 2021, HESAA engaged Dilworth Paxson LLP as Special Counsel to serve for a term of two years with three optional one-year extensions. During the initial terms of engagement, Dilworth responded to HESAA's requests for legal advice promptly, providing well researched opinions. Additionally, Dilworth successfully assisted HESAA in negotiating a contract with Franklin Templeton as the NJBEST Investment Manager.

Based on Dilworth's successful performance during the initial terms of its agreement with HESAA, staff recommends exercising the third and final option to extend Dilworth's contract for one year.

A motion to approve Resolution 01:26 was made by Scott Salmon and seconded by Bea Daggett.

The motion passed unanimously.

## **BOND PROCESS OVERVIEW**

Tim Webb from HESAA's financial advisor Hilltop Securities provided an overview of the bond process. Mr. Webb presented the attached PowerPoint.

## **CHIEF COMPLIANCE OFFICER'S REPORT**

Greg Foster presented the following report to the Board:

Good morning Board members, colleagues and guests of the Authority.

Since we have some new Board members I decided I would start my report today with a description of what my role as the Chief Compliance officer, Ombudsman, and Ethics Liaison Officer is and how my team assists HESAA.

The Compliance unit is responsible for ensuring HESAA's compliance with all Federal and State laws and regulations, as well as industry best practices that govern the financial aid and higher education loan sectors. We ensure that compliance responsibilities are established and communicated to employees; and that those responsibilities for meeting legal and regulatory requirements are incorporated into HESAA's business practices, decisions and culture. The Chief Compliance Officer is responsible for the daily monitoring of all aspects of the program and supervision of HESAA staff to ensure its continued success. Additionally, I routinely assist with consultation requests from other business units and compliance reviews of promotional materials, loan disclosures, terms and conditions, form letters, contracts, RFP's, OPRA requests; policies and procedures, data integrity, privacy, training, new laws or regulations, and the implementation of new products.

As HESAA's Ethics Liaison Officer, I am responsible for all ethics training, guidance, inquires, complaints, and managing HESAA's responsibilities under the State Ethics Code and Conflicts Law.

Finally, The Authority's Director of Audits and Quality Assurance reports directly to the Chief Compliance Officer. In that capacity the Chief Compliance Officer acts as the regulator of the administration of State and federal financial assistance programs at all participating institutions of higher education within New Jersey, assuring accountability to State and federal fiscal interests.

As I reported many times in the past, staffing issues and succession planning were previously identified as weaknesses at HESAA. Several reasons contributed to this deficiency including: the State-wide hiring freeze, the lack of qualified employees available to assume key roles at HESAA, and barriers to cross training in critical business areas.

I am happy to report that HESAA, with help from the Board, has built upon recent hiring initiatives by recruiting and new hiring employees this past year and improving organizational structures to improve the efficiency of the Authority's staff. In addition to hiring permanent employees in 2025, HESAA also promoted several current employees, continuing the Authority's crucial rebuilding effort, replacing staff lost to attrition, and adding new and necessary functions to the Compliance, Customer Care Solutions, Customer Contact Center, Finance, Grants & Scholarships, Human Resources, HTECH, Loan Originations, Legal & Governmental Affairs, and Outreach & Communications teams. These organization changes have built new capacity, channeling HESAA's resources and expertise to improve support for students and families in all aspects of the college financial aid process while building on the Authority's existing energy and knowledge. The Board plays a key role in this process through the Budget approval process that enables the Authority to continue to grow with new postings for open positions and hiring additional employees this year to fill critical vacancies.

To follow-up on old business, I previously reported about our Quality Assurance (QA) team which was created a few years ago to continuously improve the customer experience delivered by HESAA. The QA team monitors inbound and outbound calls of all call center representatives for both NJCLASS loans and Grants to assess technical accuracy, customer service performance, and compliance with HESAA's policies and procedures. Assessments of call quality are used by both the Compliance team and Customer Contact Center supervisors to identify areas of improvement for individual staff as well as the team as a whole.

It is my pleasure to report that over the last year we have expanded the scope of the QA unit to include training and monitoring the HTECH Department Help Desk which assists HESAA staff with computer issue and system support as well as helping external customers with NJCLASS loans and Grants reset their passwords and provide the public technical assistance for access to our portals for web-based services. We are in the process now of expanding the Quality Assurance program into the Loan Originations unit and then moving onto the Loan Redemption Unit later in the second half of 2026.

Through this feedback loop, HESAA is improving call center quality processes, consistency, and procedures, as well as making recommendations for enhancements to training materials as needed

to advance the overall customer experience. HESAA has already achieved numerous positive results such as decreased call time, less call backs, better customer service, and even fewer overall complaints.

In addition to this expansion of the Compliance unit to encompass the Quality Assurance team, we also hired an additional member of the program review team to augment existing audit functions and support new initiatives such as the Garden State Guarantee program and the financial aid award letter review process.

As a practical matter, annual reports chronicle the past, but they should also provide insight into the future. Looking ahead, plans are underway for the Compliance unit to continue a comprehensive review of HESAA's Policies and Procedures, training materials, as well as its monitoring processes, incident response, and remediation preparedness.

In the upcoming year, the Compliance unit will finish our Records Retention modernization project that was started last year with the FFELP records purge. And we will work to complete our contract management software project, and assist in an Authority wide project to make HESAA information available in multiple languages.

In August, the Compliance Unit will conduct its biannual Request for Qualifications (RFQ) for outside collection counsel resulting in new agreements for collections counsel firms. We will work with these law firms to improve processes, update procedures, strengthen the Authority's reputation, and to assist borrowers who have defaulted on NJCLASS loans.

Finally, Compliance will continue to frame its interactions with HESAA's various business units in support of the Authority's overall culture of excellence. By adapting quickly and planning for the new and emerging risks and challenges, our compliance team can help mitigate risk and support business strategy to successfully any new challenges that arise in the future.

At this time, I would like to take a moment to thank all the members of the Board for setting the proper compliance tone at the top of the organization. More specifically I want to acknowledge the Board for their role in supporting the compliance function of the Authority and my personal role as Chief Compliance Officer in establishing safeguards that flow up and down the Authority which promote compliance participation and excellence at all operational levels.

The Board also has a valuable compliance function in its approval and oversight of expenditures for significant, mission-critical projects and infrastructure. Annually, the Board works with our outside auditor, CLA, and approves the selection of vendors after a procurement process. The Board, works with Finance and outside bond counsel to authorize complex bond transactions, reviews new regulations, and conducts other required ethics activities. As a result of the Board's compliance activities, HESAA routinely receives high marks as evidenced by clean audit reports, exemplary responses from credit rating agencies, and the absence of major regulatory inquiries, fines, significant lawsuits, security breaches, CFPB complaints, or ethics violations.

Perhaps the most important element of the compliance program is an open, active and transparent line of communication between my office and all HESAA staff members, including the Board. It pleases me to have such a strong informational reporting relationship between the executive staff

and the Board members which effectively acts as another layer of compliance protection. Through periodic reports to the Board from the Finance, Compliance, and Program Review units, as well as from the Executive Director, the open channels of communication and reporting allow the Board members to protect and strengthen the Authority's overall compliance, reputation, fiscal integrity and ability to provide critical support and services. The Board's involvement is critical to compliance success and plays an important role in the sustainable effectiveness of the Authority's mission to help New Jersey students and families achieve their higher education goals.

Since continuous self-evaluation and improvement of our Compliance Program ensures operational excellence throughout the Authority, I welcome the opportunity to provide additional background and details regarding the topics contained in this report and any other topics or issues of interest or concern to you within the Authority.

## **EXECUTIVE DIRECTOR'S REPORT**

Thank you Chairwoman Van Horn and members of the Board, and happy New Year to you all.

I appreciate this opportunity to share some overall information about New Jersey's ongoing efforts to provide financial aid that supports student access to, and success in, postsecondary education and career preparation.

### **Welcome to our new Board members.**

As the Acting Executive Director of HESAA, it is my honor to welcome our new Board members. Both Lisa and Eduardo bring extensive leadership experience to our Board as both have championed students in various capacities and both have worked toward access and accessibility for New Jersey college students for decades. I recently spoke with Lisa and Eduardo and appreciate their commitment to expanding opportunities for New Jersey students. I look forward to working with them and the full Board and I appreciate your support as I step into this new role.

Speaking of new roles, I would be remiss if I did not also acknowledge the new Administration. Governor Sherrill has already voiced her commitment to improving affordability for all New Jerseyans and I can assure you that the HESAA staff remains fully committed to administering the State programs that ensure a higher education remains accessible.

And as we noted earlier, Governor Sherrill nominated my predecessor, Margo Chaly, to serve as the Secretary of Higher Education. We at HESAA wish her every success and look forward to continuing to work with her in this new position.

### **Newly-Enacted Legislation**

Just before Governor Sherrill was sworn in, Governor Murphy signed into law several bills which impact financial aid and HESAA. One of which renames the Primary Care Practitioner Loan Redemption Program as the "Health Care Professional Loan Redemption Program," and expands eligibility beyond primary care to include psychiatry and other health care fields. This new law also increases the maximum loan redemption cap from \$120,000 over four years to \$200,000. Additionally, the amendments to the program add new public transparency and annual reporting requirements, and update both participant selection priorities and administrative responsibilities.

Other recently enacted legislation creates a new loan redemption program to incentivize New Jersey residents to become air traffic controllers. The new program provides up to \$100,000 in student loan redemption over a period of four years in exchange for service as an air traffic controller at an airport located in New Jersey, operated by a multi-state agency serving the State or at a control center servicing one of those airports

Newly enacted legislation also authorized the merger of Kean University and New Jersey City University. The merger legislation also codified Kean as a public research university for the purposes of student financial aid, ensuring that the students enrolled at Kean receive Tuition Aid Grant awards commensurate with other public research universities in New Jersey.

Additionally, the statute related to the release of a student's transcripts was amended in part to add some limitations and clarifications. As it relates to financial aid, the statute now requires institutions to release transcripts for any term in which the student's academic credits were paid for using funds received from a federal student aid program or any State student financial aid program administered by HESAA, including NJCLASS loans.

Finally, recently enacted legislation impacting financial aid came in the form of the "Establishing a New Jersey Pathways to Career Opportunities Initiative", which directs the New Jersey Community College Consortium for Workforce and Economic Development to operate a statewide initiative focused on building and expanding career pathways for students, workers, and job seekers. In addition to other pathways, the legislation requires the Consortium to promote the use of the financial aid programs HESAA administers, such as the Community College Opportunity Grant, to support progress along the pathways, including for incumbent workers.

### **Grants and Scholarship Results: Fall 2025 Semester**

I am pleased to report on HESAA's grants and scholarship programs during the first half of Academic Year 2025-2026. During the fall semester that just ended in December, over 20,000 students received awards through both the Community College Opportunity Grant and the Garden State Guarantee programs. Also in Fall 2025, nearly 66,000 full-time students and nearly 7,500 part-time students received need-based Tuition Aid Grant awards, and more than 1,900 students received merit-based NJ STARS awards.

HESAA also continues to support the expansion of the K-12 education talent pipeline and help seed the careers of our State's future teachers through the New Jersey Student-Teacher Scholarship program. Last fall, this program provided awards of \$1,450 to more than 600 future teachers during their semester of clinical practice (better known as "student teaching") as part of an approved Educator Preparation Program at one of New Jersey's institutions of higher education.

New Jersey families have also been using their savings to pay for college in addition to the grants and scholarships HESAA administers. So far this academic year student beneficiaries of HESAA's NJBEST/529 College Savings Plan have drawn down roughly \$185 million of funds to put toward their educational expenses with 370 beneficiaries also receiving the one-time NJBEST scholarships totaling \$1.9 million for choosing to pursue their continuing educational goals at one of New Jersey great institutions of higher education.

### **Looking Ahead to Academic Year 2026-2027**

While HESAA employees continue to process financial aid for the current academic year, our Outreach unit is already looking ahead and supporting students and families who will be enrolling in the Fall 2026 semester. There is a clear and strategic focus on increasing the number of students who complete a financial aid application – either the Free Application for Federal Student Aid (FAFSA) or the NJ Alternative Financial Aid Application for those who qualify as NJ Dreamers.

Currently, New Jersey is ranked 2<sup>nd</sup> in the nation when it comes to measuring the FAFSA completion rate of our high school seniors. This is a great start to supporting the New Jersey Department of Education's high school graduation requirement to complete the FAFSA. Now in its second year, this three-year pilot program is designed to boost awareness of how much federal and state aid is available to New Jersey's college-bound students.

As of February 4, 2026, the overall financial aid application count for New Jersey is close to 290,000. This includes current New Jersey college students who are renewing their financial aid application to continue their studies in the Fall as well as first-time applicants. The federal application, the FAFSA, did open on time this year on October first which helps contribute to applications being up by over 18% than this time last year.

### **NJCLASS Loan Volume**

While HESAA's grants, scholarships and college savings programs assist students and families in minimizing the reliance on student loan debt to finance post-secondary education, many students still face a gap in covering the cost of college. With this Board's annual approval, HESAA offers the NJCLASS supplemental student loans as an affordable borrowing option for New Jersey students and families.

As the Board is aware, HESAA receives the vast majority of NJCLASS loan applications between July and December each year, with the heaviest volume in August and September, as New Jersey families borrow for college expenses in the academic year that starts each fall. This year to date, HESAA has originated nearly 6,100 Standard NJCLASS loans totaling more than \$143 million for academic year 2025-2026. Families have noted that the Annual Percentage Rates (APRs) of 6.5 percent, 7.99 percent, and 8.75 percent for the 10-year, 15-year, and 20-year Standard NJCLASS loans, respectively, are lower than the equivalent federal Parent PLUS loans, which charge APRs of almost 10 percent currently. Nearly 40% of all NJCLASS borrowers are from families with household incomes under \$120,000.

### **Student Loan Redemption Programs**

HESAA's loan redemption programs remain a critical tool in addressing workforce shortages. HESAA offers valuable financial incentives for New Jersey residents to serve in key occupations, including careers in primary healthcare, behavioral healthcare, education, and in-demand, high-growth technical jobs.

Through HESAA's student loan redemption programs hundreds of qualified professionals were given the opportunity to receive student loan relief in exchange for serving in crucial positions in high-need fields. Over the past decade more than 500 eligible participants have received a combined total of \$22 million in student debt relief for their commitments to teaching, primary healthcare, behavioral healthcare and science and technology driven professions.

Earlier this week, HESAA launched the 2026 application period for the Nursing Faculty Loan Redemption Program. We encourage all eligible nursing faculty – both full and part-time – throughout the State to apply by March 2, 2026.

### **HESAA Staff Updates**

Since the Board's last meeting, I am pleased to report that we promoted two HESAA staff members: Barry Halloran and Dana Barrett. Barry has worked in our HTECH unit for nearly a decade and was recently promoted to Software Development Specialist 3 where he now serves as a lead analyst and programmer. Barry brings strong problem-solving skills and operational expertise to the CLASS design team. Dana joined HESAA in 2007 and was recently promoted to be the Associate Director of our Student Loan Originations & Redemption Unit. Dana has been the leading force behind numerous enhancements and strengthened daily operations for NJCLASS. Dana maintains exceptional customer service, deep operational knowledge, and extraordinary organizational skills to this leadership role.

Also since October, HESAA has accepted the retirements of two of our longer serving employees, Iris Rivera Pensavalle and Patricia Simmons. Both employees began their career with HESAA on the same day, March 31, 1986. Both worked in our Customer Care Solutions Unit and both dedicated nearly 40 years to assisting the students and families of New Jersey to achieve their Higher Education goals. Iris worked as a Principal Clerk for our Customer Care Solutions team and made a lasting impact through her commitment and willingness to support colleagues and students alike. Patti started her HESAA career as a loans supervisor and retired as a Principal Investigator. Patti's leadership and commitment to excellence will be missed. HESAA thanks Iris and Patti for their dedication and positive attitudes these past 40 years. We thank them for their combined nearly 80 years of service and wish them continued good health and happiness in their retirement.

### **Conclusion**

As I conclude my report, I am grateful to the Board for your counsel and collaboration, and for your commitment to HESAA's efforts to reach even more New Jersey students and offer the support they need to achieve success in postsecondary education and throughout their lives.

### **ADJOURNMENT**

Ms. Van Horn advised that the next regularly scheduled Board meeting is Wednesday, April 15, 2026 at 10:00 am.

A motion to adjourn was made by Lisa Dougherty and seconded by Bea Daggett. The motion passed unanimously.

The meeting adjourned at 11:01 am.





**MIKIE SHERRILL**  
Governor


**DR. DALE G. CALDWELL**  
Lt. Governor


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**JERRY TRAINO**  
Acting Executive Director

## MEMORANDUM

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

**THROUGH:** Jerry Traino   
Acting Executive Director

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

**SUBJECT:** Resolution 01:26 Approving the Third Extension of the Contract with Dilworth Paxson LLP, Special Counsel NJBEST 529 Plans

**DATE:** February 4, 2026

### **Background**

The Higher Education Student Assistance Authority (HESAA) administers the New Jersey Better Educational Savings Trust (NJBEST) program, New Jersey's State qualified tuition program under Section 529 of the Federal Internal Revenue Code of 1986, as well as the Franklin Templeton 529 College Savings Plan (529 Plans). On December 9, 2021, HESAA issued a Request for Qualifications (RFQ) seeking proposals from qualified law firms for the appointment of Special Counsel to assist in the review of materials related to the 529 Plans as well as to provide general tax advice as questions arise.

As a result of the RFQ issued on December 9, 2021, HESAA engaged Dilworth Paxson LLP (Dilworth) as Special Counsel NJBEST 529 Plans to serve for a term of two years with three optional one-year extensions. During the initial terms of engagement, Dilworth responded to HESAA's requests for legal advice promptly, providing well researched opinions. Additionally, Dilworth assisted HESAA in drafting RFPs for a 529 consultant and Investment Manager, and represented HESAA in negotiating contract terms with the latter. Therefore, staff recommends exercising the third and final option to extend Dilworth's contract for one year.

### **Recommendation**

It is recommended that the Board approve Resolution 01:26 Approving the Third Extension of the Agreement with Dilworth Paxson LLP as Special Counsel to assist in the review of materials related to 529 Plans and to provide general tax advice.

Attachment

**RESOLUTION 01:26**

**APPROVING THE THIRD EXTENSION OF THE CONTRACT WITH DILWORTH  
PAXSON LLP, SPECIAL COUNSEL NJBEST 529 PLANS**

Moved by: Mr. Scott Salmon  
Seconded by: Ms. Beatrice Daggett

**WHEREAS:** The Higher Education Student Assistance Authority (HESAA) administers the New Jersey Better Educational Savings Trust (NJBEST) program, New Jersey's State qualified tuition program under Section 529 of the Federal Internal Revenue Code of 1986, as well as the Franklin Templeton 529 College Savings Plan ("529 Plans"); and

**WHEREAS:** On December 9, 2021, HESAA issued a Request for Qualifications (RFQ) seeking proposals from qualified law firms for the appointment of Special Counsel to assist in the review of materials related to the 529 Plans as well as to provide general tax advice as questions arise; and

**WHEREAS:** As a result of the RFQ issued on December 9, 2021, HESAA engaged Dilworth Paxson LLP as Special Counsel NJBEST 529 Plans to serve for a term of two years with three optional one-year extensions; and

**WHEREAS:** During the initial terms of engagement, Dilworth responded to HESAA's requests for legal advice promptly, providing well researched opinions, assisted HESAA in drafting RFPs for a 529 consultant and Investment Manager, and represented HESAA in negotiating contract terms with the latter.

**NOW, THEREFORE, LET IT BE:**

**RESOLVED:** That the Board approves the third one-year extension of the contract with Dilworth Paxson LLP as Special Counsel to advise on 529 Plans as well as to provide general tax advice as questions arise.

February 4, 2026



Higher Education Student Assistance Authority

# 2026 Board Orientation – Municipal (Student Loan ) Finance February 4, 2026

# NJHESAA – Historical Context

- New Jersey College Loans to Assist State Students (“NJCLASS”) established in 1991
- As of December 31, 2025, HESAA had originated approximately 379 thousand NJCLASS loans in an aggregate principal amount of \$5.538 billion
- The NJCLASS program is funded entirely through the sale of HESAA issued tax-exempt Qualified Student Loan Bonds (“QSLB”)
- Repayment of each QSLB is dependent on the repayment of NJCLASS loans pledged to the bonds
- HESAA receives no State appropriation for the payment of debt service on the bonds nor does HESAA receive any funding from the State to administer the NJCLASS loan program
- HESAA issues bonds annually to fund NJCLASS student loans
- Annually, HESAA’s Board must provide authorization for the issuance of the student loan revenue bonds
- HESAA has never defaulted on its bonds

# Municipal Bonds - 101

- What is a Municipal Bond?
  - A promise by state or local governmental units to repay an amount of money borrowed along with a specified amount of interest according to a fixed schedule
  - Bonds are repaid over a specified period of time – typically one to thirty years
  - Interest on Municipal Bonds are usually tax-exempt to investors (generally not subject to federal, state or local taxes)
  - Student Loan Revenue Bonds are subject to the Alternative Minimum Tax (AMT)
  - Tax-exempt governmental entities usually borrow at lower rates
  - Tax law limits issuance of tax-exempt bonds and retainable earnings



Higher Education Student Assistance Authority



# Bond Proceeds Utilization

- What can be financed with Municipal Bonds?

Student Loans

Healthcare

Water & Waste  
Water

Colleges and  
Universities  
(Bricks/Mortar)

Transportation

Public Power

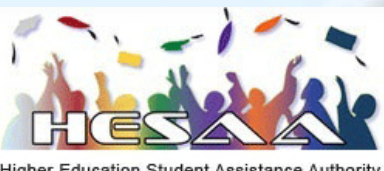
Housing

# Types of Municipal Debt

- General Obligation (G.O.)
  - Bond backed by the full faith and credit and taxing power of the issuing jurisdiction
- Revenue Obligation
  - Bond backed by a specific stream of revenue (i.e., student loan repayments)
- Bond Structures
  - Fixed Rate – Serial and Term Maturities (Super-Sinker)
  - Variable Rate – VRDO, Floating Rate Notes, CP
- Tax-Exempt
  - Non-AMT
  - Subject to AMT (Student Loan Bonds / PABs)
- Taxable

# Tax-Exempt Student Loan Bonds

- Security Information
  - Secured by student loans, student loan receipts, reserve funds and investments
  - HESAA has an obligation to pay P&I
  - Payment of bond P&I limited to assets held in the trust
    - HESAA's bonds also carry a moral obligation of the State. The obligation of the State is subject and dependent upon annual appropriations by the State Legislature. HESAA has never drawn on the moral obligation.
  - May issue bonds on a tax-exempt or taxable basis. Tax-exempt student loan revenue bond issuance requires an allocation of Private Activity CAP allocation.
  - HESAA's Master Trusts – six outstanding Trusts
  - Additional security may be provided from internal and external credit enhancement
    - Over-collateralization
    - Subordinate bonds (additional credit for senior bondholders only)
    - External credit (i.e., Letter of Credit)





# Tax-Exempt Student Loan Bonds

- Tax Considerations
  - Tax-exempt Private Activity Volume CAP required
  - Student loan revenue bonds are considered private activity bonds
  - Student loans originated from the proceeds of tax-exempt bonds issued by HESAA are subject to a nexus to the State of New Jersey requirement. Students or Parent borrower must be either residents of New Jersey or must attend an eligible institution located within the State of New Jersey.
  - Tax-exempt bonds are subject to certain arbitrage and yield restrictions
    - Non-purpose investments (non-student loan investments) subject to rebate
    - Purpose Investments (student Loans)
      - Allowable loan yield to bond yield spread – 2.00%

# Methods of Sale

- Competitive Sale
  - Sold pursuant to a Notice of Sale (NOS) at a specific date and time
  - Any underwriter may bid on the bond offering. All bids will be reviewed presuming the bids meet the guidelines specified in the NOS
  - Bonds are awarded to the lowest conforming bid
  - Competitive sales usually occur when the bond structure or credit is easy to understand, “plain vanilla.” G.O. bonds and other highly rated issues are often sold on a competitive basis.

# Methods of Sale

- Negotiated Sale
  - The underwriter or underwriters are pre-selected and work with the issuer and municipal advisor to structure the transaction
  - Underwriters are often selected through an RFP process
  - The underwriters offer the bonds for sale to prospective investors (investors may include institutions and retail customers)
  - The bond size and maturities are flexible as is the pricing date
  - Negotiated sales are used for most revenue backed bonds including most student loan offerings, including HESAA's offerings

# Methods of Sale

- Private Placement

- Commonly referred to as Bank Loans or Direct Purchases
- Bonds are sold directly to a private investor or to a bank
- The terms of the issue are pre-negotiated with the investor or bank
- Generally, no external credit rating is required nor is an Official Statement required
- Investors do their own due diligence regarding collateral and revenue stream

# Financing Team

- Issuer – NJHESAA
- Municipal Advisor – HilltopSecurities, Inc.
- Issuer Counsel – Office of Attorney General, State of New Jersey
- Bond Counsel – Obermayer Rebmann Maxwell & Hippel
- Trustee – Computershare Trust Company
- Underwriter(s)
  - RBC Capital Markets (Senior Book Running Manager)
  - Siebert Williams Shank & Co (Co-Manager for 2025 issuance)



# Financial and Structural Considerations

- Anticipated Loan Volume and Origination Schedule (based on history of loan originations incorporating projected originations)
- Loan Type(s) and Percentage by Type (Options I, II, and III, Consolidation and Refinance).
- Date Proceeds are needed for new loan originations
- Recycling Needs
- Loan Rate Target(s)
- Retainable spread targets
- Bond Rating required. Rating process includes document review and multiple detailed cash flows analyzing assets and liabilities. Cash flows must pass rating stresses.

# Modeling the Transaction - Cash Flow Assumptions

- Bond structure (i.e., serial non-callable, super-sinker, and subordinate)
- Loan Originations – portfolio mix and timing
  - Percentage of portfolio that are Option I, Option II, and Option III, etc.
  - Determination of NJCLASS loan rates (set to be competitive with Federal offerings)
- Student Loan Performance parameters by loan type including defaults, recoveries, prepayment speeds, delinquency, deferment, etc.
- Expenses
  - Administrative Fees, Trustee Fees, Other Fees
- Loan Origination and Servicing Fees
  - Origination Fee, \$/borrower per month, Delinquency Fees, Inflation factors
  - Note: HESAA does not currently charge an Origination Fee
- Interest Rate Assumptions
  - Model investment vehicles including Origination and Reserve Fund (GIC vs US Government Ladder)
- Base Case and Stress Case scenarios for Rating Agency(s)