MINUTES

HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY

October 25, 2017

The Higher Education Student Assistance Authority (HESAA) Board held a meeting on October 25, 2017 at 10:00 am at the HESAA offices in Hamilton.

PRESENT: Ms. Audrey Bennerson, Secretary of Higher Education Designee; Ms. Stephanie Berdugo-Hernandez; Ms. Gabrielle Charette, Esq.; Dr. Jon Larson; Ms. Jean McDonald Rash; Mr. Corey Amon; Treasurer's Designee; Mr. Bader Qarmout (teleconference); Ms. Maria Torres, and Ms. Christy Van Horn Members.

ABSENT: Mr. Anthony Falcone and Mr. Rbrey Singleton.

CALL TO ORDER

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

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

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

Ms. Van Horn introduced Roger Michaud and Michael O'Brien of Franklin Templeton and Joseph Santoro of Bank of America Merrill Lynch.

Ms. Van Horn welcomed Geoffrey Stark, Esq., Deputy Attorney General; and Nicholas Kant, Esq., Governor's Authorities Unit.

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

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

CONSIDERATION OF THE MINUTES OF THE JULY 26, 2017 MEETING

A motion to approve the minutes of the July 26, 2017 meeting was made by Ms. Audrey Bennerson and seconded by Dr. Jon Larson. The minutes were approved unanimously with one abstention, Christy Van Horn who did not participate in the July 26, 2017 meeting.

REPORT OF THE AUDIT COMMITTEE AND RESOLUTION 16:17 ACCEPTING AND ADOPTING THE FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORTS FOR FISCAL YEAR 2017

Maria Torres reported that the audit committee met with the independent auditors on October 19, 2017 for a review of the audit report. She introduced Nancy Gunza, Engagement Principal, and Andrew Lee, Engagement Manager, of CliftonLarsonAllen (CLA), to report on the audit.

Nancy Gunza advised that CLA was engaged to audit three different entities of the Authority, the NJCLASS/FFELP Programs; the other HESAA Fiduciary Funds and Programs, and the New Jersey World Trade Center Scholarship Fund. She advised that CLA completed the audits for all three of those entities and met with the Audit Committee to review the results of the audit. In all cases CLA issued unmodified audit opinions, which are the best type of opinion an auditor can provide. In addition, as a byproduct of CLA's report they issued a letter on internal controls and reported there were no material weaknesses in the internal controls identified in any of the reports. She confirmed that CLA reviewed the audit results in detail with the Audit Committee and presented the full Board with the final reports for each of those entities. In addition to the reports, they provided a government communication letter related to each of the audits which explains the various other communications that are required under the auditing standards. Ms. Gunza thanked HESAA staff and management for making this audit a smooth process.

Christy Van Horn thanked the Auditors and HESAA staff and management.

A motion to approve Resolution 16:17 was made by Mr. Bader Qarmout and seconded by Ms. Jean McDonald Rash.

The motion passed unanimously.

REPORT OF THE BUDGET COMMITTEE AND RESOLUTION 17:17 ADOPTING A BOARD BUDGET POLICY STATEMENT FOR FISCAL YEAR 2019

Dr. Jon Larson made the following presentation to the Board:

I am pleased to report that the budget committee of the HESAA Board met on September 27, 2017 to review the FY 2019 Full-Time Tuition Aid Grant models reflecting various award parameters, as well as anticipated funding requirements for all other State-supported programs administered by HESAA.

I would like to begin by expressing on behalf of the entire Board our gratitude to Governor Christie and the Legislature for their continued support of New Jersey's state grant and scholarship programs during these difficult economic times. Moreover, the Board, on behalf of the students and families served, would also like to express appreciation for this on-going commitment. During the 2017-18 academic year, the State's financial aid programs will provide over 81,000 awards to State residents to pursue a postsecondary education, ultimately benefitting New Jersey's economy.

The FY 2019 Board Budget Policy Statement reflects the Board's fundamental principles of promoting access and affordability to postsecondary education for New Jersey's residents through need-based financial aid, merit-based scholarship and loan redemption programs. In developing this budget policy statement and its funding recommendations, the committee was mindful of the on-going fiscal challenges facing the State of New Jersey. While the committee affirmed its commitment to advocate on behalf of students to achieve full funding of the full-time TAG Program in future years, its recommended funding levels reflect the State's ongoing fiscal constraints.

The budget committee's funding recommendations are as follows.

Full-Time TAG Program

When the Board met in July 2016, the Full-Time TAG Award Table that was adopted set awards using a base-year percentage increase structure for the third year. This structure ensures all awards, in all eligibility indexes at all institutions are increased by a percentage that is fixed annually.

At its September 27 meeting, the budget committee reviewed the FY 2019 Full-Time TAG models. It should be noted that enrollment decreases and shifts realized from the reconciled 2016-17 end-of-year awards and expenditures were incorporated into the revised FY 2018 projected model. This FY 2018 revised projection model was the basis for creating the FY 2019 models used in the base-year percentage structure.

Model 1-A

- To increase awards by 1% at the current level of eligible students for a total cost of \$400.392 million which would provide 63,094 full-year equivalent (FYE) awards.

Model 1-B

- To increase awards by 1% and increase the number of awards by 1,500 and it would include a total cost of \$409.945 million and would provide 64,594 full-year equivalent (FYE) awards.

Model 2-A

- To increase awards by 2% at the current level of eligible students for a total cost of \$404.356 million and would provide 63,094 full-year equivalent (FYE) awards.

Model 2-B

- To increase awards by 2% and increase the number of awards by 1,500 which would cost a total of \$414.001 million and would provide 64,594 full-year equivalent (FYE) awards.

In recognition of the continuing fiscal challenges facing the State, the committee is recommending that the Board support a request to increase funding for all student in all sectors by 2% over 2016-17 TAG awards for 64,594 full-time equivalent (FYE) awards.

Accordingly, the committee recommends that HESAA's Executive Director, Gabrielle Charette, request the funding required for the Full-Time TAG Program to achieve the following:

- Maintain the current base-plus percentage increase structure of the TAG table

- Increase awards by 2% over 2016-17 TAG awards
- Recognize a likely increase in the number of eligible recipients to include 1,500 additional new awards.

The projected cost to fund these award increases and provide for the 1,500 additional new awards at these levels is $414.001 million and would not require additional funding over the FY 2018 appropriation.

Notwithstanding the above, due to flattening college enrollment trends, and declining number of students graduating from high school, and an improved economy, the demand for TAG has softened. This softening will allow for an across-the-board increase in the amount of awards and an increase in the number of awards in Fiscal Year 2019 without the need for additional appropriations beyond the Fiscal Year 2018 appropriation level. Given the ability to increase both the amount of the awards and the number of awards within the current funding level, the HESAA board wishes to express its willingness to work with the next administration and the higher education community to consider alternative models to increase award amounts to meet student needs and to address the growing disparity in award amounts among the sectors of New Jersey higher education.

Part-Time TAG Program for County College Students

The committee recommends $7.373 million in funding the Part-Time Tuition Aid Grant Program for County College Students. At this funding level, awards would be set following the same parameters as the full-time TAG table. There is no anticipated program growth in the number of awards this year. The projection model does not require an increase over the FY 2018 appropriation.

Governor's Urban Scholarship Program

FY 2019 represents the seventh year of funding this program. The committee is recommending funding of $659,500 to fund all eligible students as well as 85 graduating students who will receive a persistency award of $500.

NJ STARS Program/NJ STAR II Program

Based on the current programs' parameters, HESAA staff projected the cost of the NJ STARS and NJ STARS II Program will be $7.1 million in FY 2019. An increase of $193,800 over the FY 2018 appropriation to recognize anticipated county college tuition increases. The current appropriation level should be sufficient with the use of the projected program balances, to fund the FY 2019 projection model.

The merit-based NJ STARS Program covers the cost of tuition for up to 18 college-level credits each term, less other State and federal grants and scholarships.

NJ STARS II Program annual award values are $2,500. To qualify for NJ STARS II, total family income must be less than $250,000.

All Other HESAA Programs Funded through State Appropriations
The Board recommends funding the following programs accordingly:

- **Survivor Tuition Benefits Program**
  Projected programs balances will be sufficient to fund FY 2018 awards.

- **World Trade Center Scholarship Program**
  Continue funding of $202,000 to fund this program.

- **Primary Care Practitioner/Nursing Faculty Loan Redemption Program**
  Continue level funding of $1.5 million for this program.

A motion to approve Resolution 17:17 was made by Ms. Stephanie Berdugo-Hernandez and seconded by Ms. Maria Torres.

The motion passed unanimously.

RESOLUTION 18:17 APPOINTING A SENIOR MANAGER FOR AUTHORITY BOND ISSUES

Robert Clark presented Resolution 18:17 to the Board.

Resolution 18:17 requests your approval of the appointment of Bank of America Merrill Lynch as the Authority's Senior Manager for 2018 and 2019.

The Authority engages a senior manager for its bond transactions. In negotiated sales, such as those currently utilized by the Authority, the Senior Manager is responsible for developing structuring proposals, working with the rating agencies in the detailed cash flow modeling of the bond transactions, and the marketing and management of the initial sale of the bonds.

On September 5, 2017 RFPs were sent to 60 underwriting firms who perform the role of Senior Manager in bond transactions, posted on HESAA's website and advertised in the Trenton Times, Star Ledger, Courier News and Home News. An evaluation team consisting of the Executive Director, the Chief Financial Officer, the Controller and the Director of Legal & Governmental Affairs reviewed the proposals based on the following criteria:

The experience of the firm in advising on tax-exempt student loan revenue bond offerings;

The relevant experience of the staff assigned to the Authority;

The quality of the response to the RFP;

The ability to meet the needs of the Authority; and

The fee proposed.

In response, HESAA received three proposals from underwriting firms, one of which was deemed unresponsive. Of the two responsive proposals, Bank of America Merrill Lynch's proposal outlined a set of services that most closely matches the Authority's needs. Bank of America Merrill Lynch has proposed to work closely with Authority staff in the continued development of financing structures tailored to match program delivery objectives and the firm has a proven track record in bringing bond issues to market in an effective and efficient manner. Additionally, the Bank of America Merrill Lynch proposal outlined the depth of experience of assigned staff and the firm's strong support of the Authority's after bond sale needs, including consultation to the Authority regarding proposed changes to its loan programs, and providing advice to the Authority's finance staff on the early retirement of bonds when possible, which will result in substantial additional cost savings to the Authority.

The other proposal also reflected student loan industry experience but not to the same extent as Bank of America Merrill Lynch, and would have required the Authority to separately contract for cash flow modeling services at a substantial additional cost.

Bank of America has proposed a cost of $7.59 per thousand for fixed rate bonds.

The RFP Evaluation Committee recommends that the board approve the attached Resolution 18:17, approving the appointment of Bank of America Merrill Lynch for 2018 and 2019.

A motion to approve Resolution 18:17 was made by Ms. Audrey Bennerson and seconded by Ms. Jean McDonald Rash.

Corey Amon asked about the advice BAML gave on retirement of debt and whether there were penalties for early retirement.

Mr. Clark explained that there were no penalties for early retirement of debt and that BAML provides ongoing advice on retirement of debt by keeping updated on the cash receipts received on loans so the excess cash is used to retire bonds. He explained that this provides a significant savings on interest expense through the life of the bonds. Gene Hutchins added that excess revenue redemptions are provided for under the terms of the bond indentures because the rating agencies' assumptions provide for high levels of losses that are never realized. BAML provides an analysis, issue-by-issue, to ensure adequate cash reserves are maintained for debt service to determine what is available that can be used for excess revenue redemptions. Mr. Hutchins explained that the excess revenue provision has always been part of the bond deal because otherwise you are sitting on cash for which you are paying approximately 4% interest when you are only earning 16 basis points, which would be a very inefficient use of bond proceeds.

Maria Torres questioned who the previous Senior Manager was. Mr. Clark advised that BAML has been the Senior Manager since 2009. Mr. Hutchins added that they have consistently provided HESAA with superior market execution which helps keep interest rates as low as possible. He explained that the bonds are oversubscribed each year, and as a result we are able to lower the interest rate that we pay on the bonds, and those savings are passed directly on to the borrowers. Mr. Hutchins further advised that BAML delivers a superior level of service to HESAA. They have the retail and social networks to reach out into the investment community and they understand student loan revenue bonds. Mr. Hutchins explained that since this is a niche market that differs from other muni bonds, BAML helps HESAA work with initial investors so that the investors understand exactly what it is they are buying and BAML answers any questions they may have. He explained that this is part of the execution process, it is not just selling bonds.

The motion passed unanimously.

RESOLUTION 19:17 APPROVING THE SECOND EXTENSION OF THE CONTRACT WITH THE HIGHER EDUCATION LOAN AUTHORITY OF MISSOURI (MOHELA) AS HESAA'S REMOTE SITE, THIRD PARTY DIRECT LENDING SERVICING PARTNER FOR ONE YEAR

Gene Hutchins presented Resolution 19:17 to the Board.

Resolution 19:17 requests your approval of a Second Extension of the Teaming Arrangement Contract with the Higher Education Loan Authority of Missouri (MOHELA) as HESAA's Remote Site, Third Party Direct Lending Servicing Partner.

Pursuant to the Health Care and Education Reconciliation Act of 2010, Public Law 111-152 ("HCERA"), the Federal Family Education Loan Program ("FFELP") was effectively abolished and all new federal student loans are now originated through the Federal Direct Loan Program ("DL").

Both Congress and the US Department of Education (USDE) recognized that the USDE had insufficient resources by way of capacity and experience to service the much larger DL portfolio resulting from all federal student loans being originated under the DL program. Section 2212 of the HCERA provided that the Secretary of the USDE contract with not-for-profit servicers ("NFP") to service certain federally owned student loans originated through the DL program.

HESAA responded to an FSA "Sources Sought Notice" and FSA determined that the Authority was an Eligible NFP Servicer under HCERA.

Following an analysis of HESAA's servicing options, it was determined that it would be in the Authority's best interests to enter into a "Teaming Arrangement" with an Eligible NFP Servicer that had already made the necessary investments, including but not limited to Federal Information Systems Management Act ("FISMA") compliance. Based upon that determination, and following an evaluation of responses to a HESAA issued RFP for a Direct Loan Servicing Platform for providing comprehensive remote site, third party DL servicing capability. Of the four responses, MOHELA (Higher Education Loan Authority of Missouri) already had received an Authorization to Operate ("ATO") from the USDE and their proposal was the most financially beneficial to HESAA both in terms of total revenue over the course of the contract and in terms of structure.

At its December 20, 2011 meeting the Board approved entering a contract with MOHELA for a term of five years with two possible one-year extensions. To date, HESAA has received $2.71 million in revenue under the contract. On October 26, 2016 the HESAA Board approved the first of its two possible one-year extensions.

Based upon the success of the agreement, and the willingness of MOHELA to extend the contract, it is recommended that the Board approve Resolution 19:17, extending the Teaming Arrangement contract with MOHELA as HESAA's remote site, third party Direct Loan Servicing Partner for the second of two potential one-year contract extension periods through December 31, 2018.

A motion to approve Resolution 19:17 was made by Ms. Jean McDonald Rash and seconded by Ms. Maria Torres.

The motion passed unanimously.

RESOLUTION 20:17 APPROVING THE EXTENSION OF THE AGREEMENT WITH NELNET, DESIGNATED PURCHASER OF FEDERAL FAMILY EDUCATION LOAN PROGRAM (FFELP) REHABILITATION & BANKRUPTCY LOANS FOR ONE YEAR

Robert Clark presented Resolution 20:17 to the Board.

As specifically provided for under federal law, the FFEL program provides a Loan Rehabilitation Program that enables defaulted borrowers to remove the default status on their loans and repair their credit history. To qualify for loan rehabilitation, the borrower must make nine payments within a ten month period. Additionally, defaulted borrowers who have filed for bankruptcy and completed their bankruptcy actions are also eligible to exit default status. As New Jersey's FFELP guaranty agency, the Authority administers the FFELP rehabilitation and bankruptcy program for borrowers whose loans were originated with a HESAA guarantee.

Current federal regulations provide for reimbursement of all accrued interest and collection costs incurred by the guaranty agency of up to 16% of the loan balance when defaulted loans are rehabilitated. In addition to the benefits that rehabilitation provides to FFELP borrowers, it is a source of program revenue to HESAA's Guaranty Agency Operating Fund.

Prior to May 7, 2010, the NJCLASS/FFELP Loan Program bond trust estates had been purchasing monthly pools of rehabilitated defaulted and bankruptcy loans from HESAA's guaranty agency portfolio of defaulted FFELP loans. After that date, the refinancing of all HESAA held FFELP loans into a closed trust made it necessary to sell them to an outside entity. Through the most recent Loan Rehabilitation RFP process, conducted in 2015, the Authority appointed Nelnet, Inc. as its designated purchaser of these loans for the two-year period ending December 31, 2017, with three optional one-year extensions.

Under the current contract, the discount applied by Nelnet on all loan types is 6%. HESAA staff have determined that this discount and other terms of the Nelnet contract are acceptable under the current market conditions. It should be noted that even with the Nelnet discount rate, HESAA will still realize a positive cash flow on these loan sales.

Accordingly, it is in the best interest of HESAA to exercise its first option to extend the contract with Nelnet. HESAA recommends that the Board approve the attached Resolution 20:17, approving the extension of the contract with Nelnet, Designated Purchaser of FFELP Rehabilitation & Bankruptcy Loans for one year.

A motion to approve Resolution 20:17 was made by Dr. Jon Larson and seconded by Ms. Jean McDonald Rash.

Corey Amon asked whether the 6% discount rate is applied to the full principal debt.

Robert Clark responded that HESAA is paid 94% of the principal and Gene Hutchins added that since HESAA keeps 100% of the interest and collection there is still positive cash flow to HESAA. Mr. Hutchins explained that since 2010, with the abolishment of FFELP, there a limited number of companies who participate in the program. He further explained that this is long-dated debt and due to the administrative costs the current value is no longer face value.

In response to Corey Amon's question as to who else participates in this program, Robert Clark advised that there were no other bidders to HESAA's last RFP.

Ms. Torres asked how many loans are sold. Mr. Clark estimated that $15 million worth of loans are sold annually. Ms. Torres asked whether this can be done for NJCLASS as well. Mr. Hutchins explained that there is a carve-out in federal law to allow rehabilitation of federal student loans and that the law does not currently allow for the rehabilitation of non-federal loans.

The motion passed unanimously.

RESOLUTION 21:17 APPROVING THE EXTENSION OF THE AGREEMENT WITH OBERMAYER REBMANN MAXWELL & HIPPEL LLP, SPECIAL COUNSEL TO ASSIST IN THE REVIEW OF MATERIALS RELATED TO 529 PLANS AND PROVIDING GENERAL TAX ADVICE

Marnie Grodman, Esq., presented Resolution 21:17 to the Board.

At its October 22, 2015 meeting, as a result of a Request for Qualifications, the Board appointed Obermayer Rebmann Maxwell & Hippel LLP as special counsel to assist in the review of materials related to 529 Plans, as well as to provide general tax advice as questions arise. The appointment was for a term of 2 years with three optional one-year extensions.

Obermayer was appointed to provide opinions and advice to HESAA on all documents prepared by HESAA's investment manager, Franklin Templeton, related to the 529 Plans. These documents include but are not limited to: investor handbook supplements, disclosure updates, contract amendments and supplements, and dealer program distribution agreements.

Warren Ayres, a partner at Obermayer, has provided prompt and professional advice in response to all requests for opinions.

Obermayer's fees are a very reasonable rate of $325 per hour for attorneys and $100 per hour for paralegals. As such, staff recommends exercising the first one-year option to extend the contract.

A motion to approve Resolution 21:17 was made by Ms. Maria Torres and seconded by Ms. Audrey Bennerson.

The motion passed unanimously.

NEW JERSEY BETTER EDUCATIONAL SAVINGS TRUST PROGRAM

a. PRESENTATION FROM FRANKLIN TEMPLETON

Chair Van Horn introduced Roger Michaud and Michael O'Brien of Franklin Templeton to present the attached PowerPoint on NJBEST.

At the conclusion of the presentation, Corey Amon asked for clarification regarding the distinction between the NJBEST and FT 529 Plan and questioned why the FT 529 Plan is more popular.

Mr. Michaud explained that 65% of the overall industry is driven by financial advisors, and that the FT 529 follows that trend. He further explained that many people do not want to invest on their own, and that if people already have a financial advisor they are not going to open an account on their own.

Corey Amon asked about the cost difference between the two plans. Roger Michael responded that while the funds are the same and they are both actively managed, the only real difference in cost structure is a program management fee that is shared with HESAA. With the direct program the fee is 10 basis points a year and with the national program, due to additional expenses, it is 25 basis points, making it 15 basis points more expensive to own the national program then the direct program.

Corey Amon questioned to what degree the accounts are actively manager versus passively managed. Mr. Michaud advised that all funds are actively managed and that the degree of passive management ranges from 3-6%, never exceeding 10% of passive management.

b. RESOLUTION 22:17 PROPOSED AMENDMENTS TO REGULATIONS GOVERNING THE NEW JERSEY BETTER EDUCATIONAL SAVINGS TRUST PROGRAM (NJBEST), N.J.A.C. 9A: 10-7.5

Gabrielle Charette presented the attached PowerPoint on a new initiative, a dollar for dollar match of up to a $1,000 for new NJBEST accounts opened after the effective date.

Marnie Grodman presented Resolution 22:17 for the proposal of authorizing regulation to implement the NJBEST matching program that Gabrielle described. Ms. Grodman advised that the draft proposal language was included in the materials and that upon the Board's approval, the proposal would be submitted to the Office of Administrative Law for publication in the New Jersey Register.

A motion to approve Resolution 22:17 was made by Dr. Jon Larson and seconded by Ms. Audrey Bennerson.

Bader Qarmout asked for a clarification as to when the match would vest and whether account owners would receive the match if they closed the account within the first three years. Ms. Charette explained that the match would be credited at the time the account is opened but would not vest until 12 months of monthly payments have been made. She further advised that if the account must be kept open for three additional years, and that if the account is closed prior, they would not receive the match.

Corey Amon confirmed that the program is designed to encourage individuals to begin saving for their children. He asked whether people who have another 529, but not NJBEST would be able to take advantage of this matching program. Ms. Charette explained that they would have to open a new NJBEST account, but that people can have multiple 529 plans.

Jean Rash asked how long the regulatory process would take to implement this plan. Ms. Grodman responded that, based on the regulatory schedule for publications the goal is to have this program in place for accounts opened on or after June 1, 2018.

Chair Van Horn asked how many people still do not have saving plans. Roger Michaud responded there are 300,000 accounts and roughly 2 million children in New Jersey under the age of 18, so 1.5 million have no accounts. He added that once they realize $25 a month is not a lot, they often become more disciplined and start adding even more.

Corey Amon asked how many accounts can be opened with this benefit. Ms. Charette responded that the program would be offered on a first-come, first-served basis and that there is a formula to ensure there is enough in the account to maintain the scholarship program. Ms. Grodman added that the formula is included in the proposed regulations and that the funding would equal the three year average of the amount the total NJBEST administrative funding exceeds 20 times the average cost to finance the NJBEST scholarships.

The motion passed unanimously.

CHIEF COMPLIANCE OFFICER'S REPORT

Greg Foster, Esq., Chief Compliance Officer presented the attached PowerPoint to the Board.

Jon Larson questioned what HESAA's obligation are related to the Wilfred Academy Class Action settlement.

Mr. Foster explained that due to the fraud perpetrated by Wilfred Academy the USDE is required to refund loans to students. The USDE provides the guaranty agencies including HESAA, with the list of borrowers with loans associated with that guaranty agency. HESAA is required to send those borrowers the discharge certification applications. If they return the applications, HESAA will process the discharge and refund the loan amounts. The USDE then reimburses HESAA for the refunds.

EXECUTIVE DIRECTOR'S REPORT

Executive Director Gabrielle Charette gave the following report:

Thank you Chairwoman Van Horn, members of the Board and guests.

At the April Board meeting, I informed you that the first phase of the NJCLASS Refi+ pilot program had launched. Phase I provides an opportunity for NJCLASS borrowers who are out of school and have older, higher interest rate loans the opportunity to refinance those loans at lower interest rates. I am now pleased to report that in September, Phase II of the Refi+ program commenced. Phase II allows Federal Parent PLUS borrowers to refinance those loans through the NJCLASS program. Since the NJCLASS program's inception in 1991, this is the first refinance program ever offered. Because this was a new endeavor, we launched in two phases to make sure each rollout was smooth and error-free. And, I am pleased to report that the strategy has worked.

Speaking of NJCLASS, I would like to share with you an excerpt from a letter I received in August from an NJCLASS parent. This father from Freehold, New Jersey wrote:

> "My thanks to you for providing two of my children with the financial resources to pursue their college dreams. My son graduated from Rutgers in 2008 with a Business degree and is now a Finance Director for an insurance company, and my daughter graduated from Syracuse in 2012 with a Design degree and is now an Experiential Production Manager at a marketing firm."

Unfortunately, not all students have parents who are willing and able to be active in their college planning and financing. That is why HESAA was very pleased to partner with the New Jersey Department of Children and Families to expedite and streamline the financial aid processing of students who had been through the foster care system. Andre Maglione and Kathryn Safran met with a representative from the foster care program to establish procedures and protocols to allow timely and seamless verification of these students as well as cross-referrals between our two agencies. This partnership is working. Last year, we only processed 73 former foster care students. So far this year, 279 former foster care students have been processed and awarded.

Since autumn is upon us, our outreach staff has entered their peak season. HESAA's Financial Aid Night presentations have been booked for months and are taking place at high schools across the state. Our annual half day School Counselor Training Institute has commenced. This training updates high school counselors on the latest developments in both State and federal financial aid. Nine sessions have been scheduled and close to 1,000 school counselors are registered.

Of course, all of these activities require a team of dedicated professionals. We are fortunate to have a number of staff committed not only to the mission of the authority, but to continually hone their professional skills and expand their subject matter expertise. Kieanna Childs-Alexander who works in our Human Resources unit is one of these employees. Kieanna wanted to attend the Society of Human Resource Management's Diversity and Inclusion Conference in San Francisco, California. Recognizing that travel budgets are not unlimited, she wrote an essay and won one of only three full scholarships available nationwide.

Since this Board last met, we have also welcomed a number of new members to the HESAA team. David Moffett is HESAA's new Assistant Controller. David earned his Bachelor's degree from Seton Hall University and his MBA in finance from Drexel University.

Seth Foster, Barry Halloran and Inderpal Gambhir all joined the Information Services Unit as Information Technology Specialists. Delroy Snow joined Servicing and Collections as a Student Loan Investigator.

Unfortunately, this is not only the last meeting of the calendar year, but the last meeting for two key HESAA staff who all of us have grown to know and rely upon.
Bob Clark, HESAA's Controller, is retiring after over 16 years. Bob is one of the most detail oriented individuals with whom I have ever worked. A Certified Public Accountant, Bob developed accounting methods and implemented a new general ledger system to produce financial statements for the NJCLASS program, the World Trade Center Scholarship program and other HESAA programs and funds. He also led various automation improvements to streamline processing of loan payments. We thank him for his service and will miss his commitment to precision, automation and order.

A 39-year veteran of state government, Gene Hutchins has served as HESAA's Chief Financial Officer for the last 23 years. During this time, he has overseen the issuance of 25 separate bond issues totaling over $5.3 billion, the growth of over $5 billion in our NJBEST program, and the distribution of over $6.2 billion to Tuition Aid Grant recipients.

In addition to growing and managing HESAA's numerous programs, Gene has carved out time to take on leadership roles within national associations that represent higher education financing issues such as the National Council of Higher Education Resources and the Education Finance Council. Hence, it was no surprise when the Kentucky Higher Education Assistance Authority and the Kentucky Higher Education Student Loan Corporation was looking for a new Executive Director/Chief Executive Officer they actively sought Gene during their recruiting efforts.

There is no way around this, this is a huge loss for HESAA. But, it is also an affirmation. An affirmation of Gene's good work and solid reputation and an affirmation of the good work and solid reputation of the Authority among those who truly understand higher education finance.

Thank you.

NEW BUSINESS

Christy Van Horn reminded Board members that ethics training is required to be completed by November 10, 2017 and that it can be found at nj.gov/ethics/training and Board members should select the Special State Officer Training Module.

Gabrielle Charette presented Resolutions of Appreciation to Gene Hutchins, Chief Financial Officer and Robert Clark, Controller to honor their service to HESAA upon their pending retirements.

ADJOURNMENT

Ms. Van Horn advised that the next regularly scheduled Board meeting is Wednesday January 24, 2018 at 10:00 am.

A motion to adjourn was made by Ms. Audrey Bennerson and seconded by Dr. Jon Larson. The motion passed unanimously.

The meeting adjourned at 11:53 am.

State of New Jersey

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KIM GUADAGNO
Lt. Governor

GABRIELLE CHARETTE, ESQ.
Executive Director

MEMORANDUM

TO: Members, Higher Education Student Assistance Authority

FROM: HESAA Board Audit Committee

SUBJECT: Report of the Audit Committee and Resolution 16:17 Accepting and Adopting the Financial Statements and Independent Auditors' Reports for Fiscal Year 2017

DATE: October 25, 2017

Summary

Attached for review, comment and approval is Resolution 16:17 Accepting and Adopting the Financial Statements and Independent Auditors' Reports for Fiscal Year 2017.

Background

The Higher Education Student Assistance Authority (HESAA) Audit Committee is comprised of Christy Van Horn, Chair; Maria Torres, Vice-Chair; and Treasurer's Designee, Corey Amon as the member of the Board having accounting or related financial experience.

The Committee met with representatives of CliftonLarsonAllen on October 19, 2017 to review and discuss the 2017 Financial Statements and CliftonLarsonAllen's unmodified reports.

Recommendations

The Audit Committee recommends that the HESAA Board accept and adopt the Financial Statements and Independent Auditors' Reports for Fiscal Year 2017.

Attachment

RESOLUTION 16:17

ACCEPTING AND ADOPTING THE FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORTS FOR FISCAL YEAR 2017

Moved by: Mr. Bader Qarmout
Seconded by: Ms. Jean McDonald Rash

WHEREAS: The Higher Education Student Assistance Authority (HESAA) prepared three separate financial statements for Fiscal Year 2017 ("2017 Financial Statements") which were audited by the independent auditor CliftonLarsonAllen LLP; and

WHEREAS: The members of the Board Audit Committee met with CliftonLarsonAllen LLP on July 26, 2017, prior to the commencement of the audit; and

WHEREAS: The members of the Board Audit Committee have received and reviewed the Financial Statements and the unmodified reports of CliftonLarsonAllen LLP dated for the year ending June 30, 2016; and

WHEREAS: The members of the Board Audit Committee met with representatives of CliftonLarsonAllen LLP on October 19, 2017 to discuss the 2017 Financial Statements and CliftonLarsonAllen's unmodified reports; and

WHEREAS: The members of the Board Audit Committee recommend that the HESAA Board accept and adopt the Financial Statements and Independent Auditors' Reports for Fiscal Year 2017.

NOW THEREFORE, BE IT:

RESOLVED: That the HESAA Board accepts and adopts the Fiscal Year 2017 Financial Statements and Independent Auditor's Reports as attached hereto; and be it further

RESOLVED: That the attached Fiscal Year 2017 Financial Statements and Independent Auditor's Reports shall be posted on HESAA's website at www.HESAA.org, and submitted to the State Treasurer and the Governor's Authorities Unit.

October 25, 2017

State of New Jersey
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CHRIS CHRISTIE
Governor

KIM GUADAGNO
Lt. Governor

GABRIELLE CHARETTE, ESQ.
Executive Director

MEMORANDUM

TO: Members, Higher Education Student Assistance Authority

FROM: Gabrielle Charette, Esq.
Executive Director

SUBJECT: Report of the Budget Committee and Resolution 17:17 Adopting a Board Budget Policy Statement for Fiscal Year 2019

DATE: October 25, 2017

Summary

Attached for review, comment and approval is Resolution 17:17 Adopting a Board Budget Policy Statement for Fiscal Year 2019. Dr. Jon Larson will report the results of the Budget Committee's meeting.

The Committee's recommendation for FY 2019 continues support for those policies advanced in Fiscal Year 2018.

Background

The Budget Committee of the Authority is comprised of the Executive Committee of the Board, which includes Gabrielle Charette, Christy Van Horn, Maria Torres and Jon Larson.

The Committee met on September 27, 2017 with HESAA staff to develop the attached Board Budget Policy Statement for Fiscal Year 2019.

Recommendations

The Budget Committee recommends adoption of the attached policy statement and Resolution 17:17.

Attachments (2)

RESOLUTION 17:17
ADOPTING A BOARD BUDGET POLICY STATEMENT FOR STATE FISCAL YEAR 2019

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

WHEREAS: The Higher Education Student Assistance Authority (HESAA) Board is responsible for recommending budget policies in support of New Jersey's student financial aid programs; and

WHEREAS: On September 27, 2017 the Board's Budget Committee met with staff to review background information and to draft a FY 2019 budget policy statement for consideration by the full Board.

NOW THEREFORE, LET IT BE:

RESOLVED: That the HESAA Board strongly affirms the importance of preserving education access and affordability for all residents of the State of New Jersey and recognizing academic achievement; and be it further

RESOLVED: That the Board hereby adopts the budget policy statement for FY 2019 as advanced by the budget committee and described in the attachment to this resolution; and be it further

RESOLVED: That HESAA shall endeavor to maximize FY 2019 resources available for State-funded student assistance programs in keeping with the attached budget policy statement, subject to refinement of underlying projections.

October 25, 2017

FY 2019 BUDGET POLICY STATEMENT FOR THE HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY BOARD

Pursuant to N.J.S.A. 18A:71A-9f., the Higher Education Student Assistance Authority (HESAA) is the lead State agency in determining policy on student assistance issues. Consequently, the HESAA Board is charged with developing budget recommendations for all programs administered by the Authority. These recommendations are submitted to the Executive Director for review and submission to the Division of Budget and Accounting.

The Board would like to take this opportunity to thank Governor Christie and the Legislature for their sustained support of New Jersey's State grant and scholarship programs during these challenging fiscal times. Moreover, the Board, on behalf of the students and families served, would also like to express its appreciation for this on-going commitment. During the 2017-2018academic year, the State's financial aid programs will provide more than 81,000 awards to State residents to pursue a postsecondary education, ultimately benefitting New Jersey's economy.

The Fiscal Year 2019 Budget Policy Statement reflects the Board's fundamental principles of promoting access and affordability to postsecondary education for New Jersey residents through need-based student financial aid and merit-based scholarship programs. In formulating this budget policy recommendation, the Board remained mindful of its role as student advocate to achieve full funding of the full-time TAG Program, while recognizing the on-going fiscal challenges facing the State of New Jersey.

Funding requirements based on various TAG table parameters were reviewed. The Board feels that the funding recommendation outlined below is the most reasonable in light of the State's fiscal challenges and the needs of New Jersey students and families. However, it wishes to reaffirm its long-standing commitment to achieve full funding of the full-time TAG Program and affordability, access and choice for all students. The full-time TAG Program is one of the most important sources of aid available to low- and middle-income New Jersey students, who must cover ever-increasing postsecondary education expenses. Full funding of the TAG Program would help these students meet expenses and achieve their educational goals, ultimately benefitting New Jersey's economy.

The funding recommendations and priorities staff will advance over the course of the budget process will reflect the Board's position as expressed in this policy statement.

General Policy Recommendations

- The role of the HESAA Board in the budget process is to advocate policies that advance higher education access, choice, affordability, and academic achievement for New Jersey residents.

- The Board supports, as its funding priority, ensuring protection of the State's historical commitment to all eligible full-time students under the need-based TAG Program.

- The Board supports continued funding of the Part-Time TAG Program for County College Students.

- Future award values, funding and expenditures for the Part-Time TAG Program for County College Students, from year to year or within a year, must always be considered separately from award values, funding and expenditures for the full-time TAG Program because TAG and Part-Time TAG are separate line items in the State budget.

- FY 2019 is the seventh year of the Governor's Urban Scholarship providing $1,000 renewable scholarship awards to students who rank in the top 5% of their class with a GPA of 3.0 or higher and demonstrate financial need, no matter whether they attend a public or non-public high school. Students must reside in, but not necessarily attend high school in, one of 14 high-need communities identified by the New Jersey Department of Education and the New Jersey Department of Community Affairs.

Key to maintaining higher education access and affordability for New Jersey families is the ability of State grant programs to provide predictability and stability to financially needy students and their families and the institutions they seek to attend. With this goal in mind, we present the following funding recommendations:

Funding Policy Recommendations

Tuition Aid Grants for Full-Time Students

The HESAA Board recommends the following funding policies for full-time TAG:

- Awards to all eligible students who apply by the application deadlines.

- Continue to provide full-time TAG awards using the base-year percentage increase structure. Beginning in FY 2015, full-time TAG awards were structured on a base-year percentage increase. The base-plus percentage structure ensures all awards, in all eligibility indexes at all institutions are increased by a percentage that is fixed annually.

- Recognize an increase in the number of eligible recipients to include up to 1,500 additional new awards and an increase in the amount of the awards not to exceed 2.0%.

- Provide for a contingency mechanism that ensures sufficient reserves to cover increases in program costs not anticipated in the budget.

Part-Time Tuition Aid Grants for EOF Students

The Board recommends funding for the Part-Time TAG for EOF Students Program at a level sufficient to maintain the current program and reflect any increases in TAG.

Part-Time Tuition Aid Grant Program for County College Students

In accordance with the Board's long-standing tenets for this program, provide awards to all eligible students who apply by the application deadlines at one-half or three-quarters of the dollar value of full-time awards, within available funding levels.

NJ Student Tuition Assistance Reward Scholarship/NJ Student Tuition Assistance Reward Scholarship II Programs

The Board recommends continued funding to support all students who meet the eligibility requirements of the NJ STARS and NJ STARS II Programs.

Governor's Urban Scholarship Program

The Governor's Urban Scholarship Program, created in 2012, provides New Jersey high school students who reside in 14 high-need communities identified by the Department of Education (DOE) and the Department of Community Affairs (DCA) the opportunity and resources they need to pursue higher education opportunities. For FY 2019the seventh class of $1,000 renewable scholarship awards will be made available to New Jersey high school graduates who rank in the top 5% of their class with a GPA of 3.0 or higher and demonstrate financial need, no matter whether they attend a public or non-public high school. In addition, a persistency award of $500 is provided to students in their final term of the scholarship upon completion of their associate or baccalaureate degree. The Board recommends continued funding to support the Governor's Urban Scholarship recipients.

All Other HESAA Programs Funded through State Appropriations

The Board recommends funding the following programs as indicated below:

Survivor Tuition Benefits Program

To fund anticipated program participants, projected program balances will be sufficient to fund FY 2019 awards.

World Trade Center Scholarship Program

Recognizing that the program is committed to funding the majority of the students through 2024, the Board recommends continuation of level funding to support the World Trade Center Scholarship Program recipients.

Primary Care Practitioner/Nursing Faculty Loan Redemption Program

The Board recommends continuation of level funding for this program which provides funding for both redemption of student loans for practitioners in medically underserved areas across the State as well as funding for the Nursing Faculty Loan Redemption Program which is one mechanism for addressing the State's current critical shortage of both nurses and nursing faculty.

HESAA Revenue and Fee-Supported Programs

Federal Family Education Loan Program (FFELP)
Federal Direct Loan Servicing
New Jersey College Loans to Assist State Students (NJCLASS)
New Jersey Better Educational Savings Trust (NJBEST)
Program NJBEST Scholarships
Law Enforcement Officer Memorial Scholarship Program
World Trade Center Scholarship Program (Public and Private Donations)

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Executive Director

MEMORANDUM

TO: Members, Higher Education Student Assistance Authority

THROUGH: Gabrielle Charette, Esq.
Executive Director

FROM: Robert J. Clark, CPA
Controller

SUBJECT: Resolution 18:17 Appointing a Senior Manager for Authority Bond Issues

DATE: October 25, 2017

Introduction

The Higher Education Student Assistance Authority ("HESAA" or the "Authority") engages a senior manager for its bond transactions. In negotiated sales, such as those currently utilized by the Authority, the senior manager is responsible for developing structuring proposals, working with the rating agencies in the detailed cashflow modeling of the bond transactions, and the marketing and management of the initial sale of the bonds. The senior manager works with HESAA's financial advisor to answer any issues raised by bond counsel, the bond trustee, rating agencies, and potential investors.

Background

A. Selection Process

The Authority procedures call for Request for Proposal (RFP) documents to be developed and circulated to prospective underwriting firms by Authority staff. On September 5, 2017 the RFPs were sent to 60 underwriting firms who perform the role of Senior Manager in bond transactions, posted on HESAA's website and advertised in the Trenton Times, Star Ledger, Courier News and Home News. An evaluation team consisting of the Executive Director, the Chief Financial Officer, Controller and Director of Legal & Governmental Affairs reviewed the proposals based on the following criteria:

1. The experience of the firm in advising on tax-exempt student loan revenue bond offerings;
2. the relevant experience of the staff assigned to the Authority;
3. the quality of the response to the RFP;
4. the ability to meet the needs of the Authority; and
5. the fee proposed.

HESAA received three proposals from underwriting firms, one of which was deemed non-responsive. Of the two responsive proposals, Bank of America Merrill Lynch's proposal outlined a set of services that most closely matches the Authority's needs. Bank of America Merrill Lynch has proposed to work closely with Authority staff in the continued development of financing structures tailored to match program delivery objectives and the firm has a proven track record in bringing bond issues to market in an effective and efficient manner. Additionally, the Bank of America Merrill Lynch proposal outlined the depth of experience of assigned staff and the firm's strong support of the Authority's after bond sale needs, including consultation to the Authority regarding proposed changes to its loan programs.

The other proposal also reflected student loan industry experience but not to the same extent as Bank of America Merrill Lynch, and did not propose to complete the required cashflow modeling for the bonds themselves, stating that the Authority would need to contract separately with another entity for that work. The Bank of America Merrill Lynch proposal reflected an in-depth understanding of the issues involved in the structuring of the Authority's bond issues, the scope of work currently required in working with the rating agency modeling teams, and the financing and student benefit issues facing the Authority's loan programs. Bank of America Merrill Lynch has demonstrated its effectiveness as an underwriter during previous HESAA bond issues. In 2009 - 2017, Bank of America Merrill Lynch structured transactions which eliminated nearly $1.2 billion of failed ARS and terminated over two thirds of a billion dollars of swap notional amounts, while creating over $100 million in equity. Bank of America Merrill Lynch also completed the first placement of municipal subordinated bonds for student loans since before the financial crisis. In the last two years, the firm structured transactions that provided another $440 million in capital for the origination of NJCLASS loans at favorable rates, which enabled HESAA to offer its borrowers lower loan rates in academic year 2016-17 and hold rates level in academic year 2017-18, in spite of a rising interest rate environment. Bank of America Merrill Lynch has also provided valuable portfolio analysis and advice to the Authority on restructuring of its student loan underwriting criteria, which has contributed to lower NJCLASS loan default rates over the last several years.

The proposed fee caps to Bank of America from a negotiated bond sale are based upon rates per thousand dollars of bonds sold and the types of bonds sold. The proposed rates are inclusive of management fees, expenses, and 'takedown' (or the commission rate paid to the bond salespeople). Takedown is set relative to market conditions at the time of sale in consultation with the Financial Advisor. Bank of America has proposed a cost of $7.59 per thousand for fixed rate bonds. The proposed fees are based on an estimated $250 Million Authority bond sale.

Although its fee structure is higher than the other proposing firm, the rate proposed covers all of the work required to bring a bond deal to market, and the anticipated savings in resulting lower costs of capital as a result of the firm's superior level of student loan financing experience, along with its demonstrated strength in developing innovative structures and excellent execution are expected to benefit HESAA and its borrowers many multiples above the differential in proposed fees.

Bank of America Merrill Lynch has also proposed to continue its assistance to HESAA through post-sale management of trust estate finances, including advising the Authority's finance staff on the early retirement of bonds when possible, which will result in substantial additional cost savings to the Authority.

It is the opinion of the RFP Evaluation Committee that Bank of America Merrill Lynch's approach to developing the Authority's bond financings and the scope of services proposed were superior to the other respondent, and closely meet the needs of the Authority.

Recommendation

It is recommended that the Board approve the attached Resolution 18:17 Approving the Appointment of Bank of America Merrill Lynch as the Authority's Senior Manager for 2018 and 2019.

Attachments

RESOLUTION 18:17

APPOINTING A SENIOR MANAGER FOR AUTHORITY BOND ISSUES

Moved by: Ms. Audrey Bennerson
Seconded by: Ms. Jean McDonald Rash

WHEREAS: There is a need for the Higher Education Student Assistance Authority (the "Authority") to appoint a Senior Manager in connection with its Student Loan Revenue Bonds; and

WHEREAS: The Authority has established procedures for the methods of procurement of underwriting services related to the issuance of bonds; and

WHEREAS: Pursuant to these procedures on September 5, 2017 a Request for Proposals was sent to 60 underwriting firms who perform the role of Senior Manager in bond transactions, posted on HESAA's website and advertised in the Trenton Times, Star Ledger, Courier News and Home News; and

WHEREAS: The Authority received three proposals in response to the RFP, one of which was deemed non-responsive; and

WHEREAS: An Evaluation Committee comprised of the Authority's Executive Director, Chief Financial Officer, Controller and Director of Legal Affairs & Governmental Affairs reviewed all of the proposals; and

WHEREAS: Bank of America Merrill Lynch received the highest score as a result of such evaluation.

NOW, THEREFORE, LET IT BE:

RESOLVED: That the Board approves a two- year appointment of Bank of America Merrill Lynch as the Senior Manager at a cost of $7.59 per thousand for fixed rate bonds based on a $250 Million bond issue.

October 25, 2017

EVALUATION SCORE SHEET	HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY (Senior Manager Proposal Evaluation)
BIDDER Bank of America Merrill Lynch	DATE 10/4/2017

SUMMARY OF EVALUATION TEAM'S COMMENTS:

The BAML proposal:

- Described the Firm's extensive experience as senior manager on student loan bond financing transactions, and the extensive related experience of the staff assigned to HESAA.
- Provided a through description of BAML's analytical capabilities, including cash flow modeling and tying out with rating agencies cash flow models. This service is performed by in-house personnel and is included in the underwriting fee.
- Included a detailed description of HESAA's future financing alternatives based on the Firm's knowledge of HESAA's current situation, specific rating agency business practices and market conditions affecting student loan financing transactions.

Scoring 9-10 = Excellent 7-8 = Very Good 5-6 = Good 3-4 = Fair 1-2 = Poor 0 = No Response

CRITERIA	Score 1	Score 2	Score 3	Score 4	WEIGHT	TOTAL
The experience of the firm in advising on tax-exempt student loan revenue bond offerings	10	9	9	9	20	740
The relevant experience of the staff assigned to the Authority	10	10	9	10	20	780
The quality of the response to the RFP	8	9	9	9	15	525
The ability to meet the needs of the Authority	9	9	10	10	15	570
The fee proposed	6	5	7	7	15	375
The technical qualifications, experience and time commitment of personnel assigned to the project, as demonstrated by descriptions of experience contained in the RFP response	10	9	10	10	15	585
Total						3575

EVALUATION SCORE SHEET	HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY (Senior Manager Proposal Evaluation)
BIDDER Ramirez & Co., Inc.	DATE 10/4/2017

SUMMARY OF EVALUATION TEAM'S COMMENTS:

The Ramirez proposal:

- Reflected that the Firm has no experience as the senior manager on a student loan debt financing transactions
- Reflected that the Firm has no experience completing student loan cash flows and tying out to rating agency cash flow models. The proposal indicates this service would need to be performed by a third party, with whom the Authority would need to contract, resulting in a significant extra fee.
- Provided no specific information about specific rating agency business practices that, if known, would affect the decision of which rating agencies to choose to rate the bonds.

Scoring 9-10 = Excellent 7-8 = Very Good 5-6 = Good 3-4 = Fair 1-2 = Poor 0 = No Response

CRITERIA	Score 1	Score 2	Score 3	Score 4	WEIGHT	TOTAL
The experience of the firm in advising on tax-exempt student loan revenue bond offerings	5	6	5	5	20	420
The relevant experience of the staff assigned to the Authority	5	5	6	5	20	420
The quality of the response to the RFP	6	6	6	6	15	360
The ability to meet the needs of the Authority	5	6	4	4	15	285
The fee proposed	9	8	7	5	15	435
The technical qualifications, experience and time commitment of personnel assigned to the project, as demonstrated by descriptions of experience contained in the RFP response	4	5	5	5	15	285
Total						2205

Higher Education Student Assistance	
Firm	**Total Score**
Bank of America Merrill Lynch	3,575
Ramirez & Co., Inc.	2,205

Senior Manager Fees (Cost per Per Bond) *				
Firm	**Management Fee**	**Takedown ****	**Expenses**	**Total**
Bank of America Merrill Lynch	$2.40	$5.19	$0.00	$7.59
Ramirez & Co., Inc.	$0.50	$4.75	$0.12	$5.37

* BAML includes cash flow modeling services in its fee. Ramirez proposes that HESAA Pay a subcontractor for this service

** Ramirez' takedown is slightly lower for bonds with maturities less than 5 years

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Executive Director

MEMORANDUM

TO: Members, Higher Education Student Assistance Authority

THROUGH: Gabrielle Charette, Esq.
Executive Director

FROM: Eugene Hutchins
Chief Financial Officer

SUBJECT: Resolution 19:17 – Approving the Second Extension of the Teaming Arrangement Contract with the Higher Education Loan Authority of Missouri (MOHELA) as HESAA's Remote Site, Third Party Direct Lending Servicing Partner

DATE: October 25, 2017

Background

Pursuant to the Health Care and Education Reconciliation Act of 2010, Public Law 111-152 ("HCERA"), the Federal Family Education Loan Program ("FFELP") was effectively abolished and all new federal student loans are now originated through the Federal Direct Loan Program ("DL").

Both the United States Congress and the US Department of Education (USDE) recognized that the USDE had insufficient resources by way of capacity and experience to service the much larger DL portfolio resulting from all federal student loans being originated under the DL program. Section 2212 of the HCERA provided that the Secretary of the USDE contract with not-for-profit servicers ("NFP") to service certain federally owned student loans originated through the DL program.

On April 29, 2010, the USDE's Office of Federal Student Aid ("FSA") issued a "Sources Sought Notice" in which it set forth certain requirements for determining whether an entity is an Eligible NFP Servicer. HESAA responded to the FSA "Sources Sought Notice" and FSA determined that the Authority is an Eligible NFP Servicer under HCERA. On September 29, 2010, the USDE issued a Solicitation (NFP-RFP-2010) seeking responses from Eligible NFP Servicers to act as federal subcontractors for the servicing of federally owned student loans originated through the DL program.

Following an analysis of HESAA's servicing options, it was determined that it would be in the Authority's best interests to enter into a "Teaming Arrangement" with an Eligible NFP Servicer that had already made the necessary investments, including but not limited to Federal Information Systems Management Act ("FISMA") compliance. Based upon that determination, on November 1, 2011, HESAA issued an RFP for a Direct Loan Servicing Platform, which solicited responses from Eligible NFP Servicers interested in providing comprehensive remote site, third party DL servicing capability. Of the four responses MOHELA (Higher Education Loan Authority of Missouri) already had received an Authorization to Operate ("ATO") from the USDE and their proposal was the most financially beneficial to HESAA both in terms of total revenue over the course of the contract and in terms of structure. At its December 20, 2011 meeting the Board approved entering a contract with MOHELA for a term of five years with two possible one-year extensions. To date, HESAA has received $2.71 million in revenue under the contract. On October 26, 2016 the HESAA Board approved the first of its two possible one-year extensions.

Recommendation

Based upon the success of the agreement, and the willingness of MOHELA to extend the contract, it is recommended that the Board approve Resolution 19:17, extending the Teaming Arrangement contract with MOHELA as HESAA's remote site, third party Direct Loan Servicing Partner for the second of two potential one-year contract extension periods through December 31, 2018.

Attachments

RESOLUTION 19:17

APPROVING THE SECOND EXTENSION OF THE TEAMING ARRANGEMENT CONTRACT WITH THE HIGHER EDUCATION LOAN AUTHORITY OF MISSOURI (MOHELA) AS HESAA'S REMOTE SITE, THIRD PARTY DIRECT LENDING SERVICING PARTNER

Moved: Ms. Jean McDonald Rash
Seconded: Ms. Maria Torres

WHEREAS: The Health Care and Higher Education Reconciliation Act of 2010 (HCERA) abolished the Federal Family Education Loan Program (FFELP) thereby significantly reducing revenues earned by the Higher Education Student Assistance Authority (HESAA) for guarantor services performed by HESAA in association with FFELP loans; and

WHEREAS: The United States Department of Education (USDE) solicited Eligible Not-For-Profit (NFP) entities to service certain Federal Direct Loans as contractors for a fee, and HESAA was designated by the USDE as an Eligible NFP Servicer; and

WHEREAS: The USDE also authorized Eligible NFP's to enter into Teaming Arrangements with other Eligible NFP Servicers; and

WHEREAS: At a Special Meeting on December 11, 2011 the HESAA Board approved a Teaming Arrangement Contract with the Higher Education Loan Authority of Missouri (MOHELA), a Federal Information Systems Management Act (FISMA) compliant Eligible NFP Servicer, that held an Authority to Operate (ATO) certification from the USDE and was already engaged in the servicing of Federal Direct Loans for a term of five years with two possible one-year extensions; and

WHEREAS: At its October 26, 2016 meeting the Board approved the first one-year contract extension; and

WHEREAS: The MOHELA's teaming agreement has proved beneficial to HESAA with over $2.71 million in revenue realized to date.

NOW, THEREFORE, LET IT BE:

RESOLVED: That the Board approves the second one-year extension of the contract for a Teaming Arrangement with MOHELA as HESAA's remote site, third party Direct Lending Servicing Partner.

October 25, 2017

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GABRIELLE CHARETTE, ESQ.
Executive Director

MEMORANDUM

TO: Members, Higher Education Student Assistance Authority

THROUGH: Gabrielle Charette, Esq.
Executive Director

FROM: Robert J. Clark, CPA
Controller

SUBJECT: Resolution 20:17 Approving the Extension of the Agreement with Nelnet as Designated Purchaser of Federal Family Education Loan Program (FFELP) Rehabilitation & Bankruptcy Loans for One Year

DATE: October 25, 2017

Background

As the State of New Jersey's designated guaranty agency by the U.S. Department of Education, the Higher Education Student Assistance Authority (HESAA) is responsible for the administration of the Federal Family Education Loan Program (FFELP).

Loan Rehabilitation is provided for under the Federal Higher Education Act of 1965, as amended, and allows borrowers with defaulted FFELP loans to remove the default status on their loans and repair their credit history if nine (9) consecutive, on-time, voluntary monthly payments are made within a ten (10) month period. When borrowers have completed their bankruptcy actions they are similarly eligible to exit default status.

The Higher Education Act provides for payments of 16.0% of the principal and interest as collection costs to the guaranty agency when loans held in its pool of defaulted loans are rehabilitated. As a result, in addition to the benefits that the rehabilitation program provides to FFELP borrowers, it has been a significant source of program revenue to the Authority's Guaranty Agency Operating Fund.

From February 2002 through May 2010, the NJCLASS/FFELP Loan Program 1998 Trust Estate purchased monthly pools of rehabilitated defaulted FFELP loans after they met the requirements for rehabilitation as described above. However, in 2010, the refinancing plan for the debt supporting existing FFELP loans owned by HESAA from failed Auction Rate Bonds to Libor-Indexed Floating Rate Notes, including rehabilitation loans, resulted in a bond issue that did not allow for origination or purchase of additional FFELP loans by the NJCLASS/FFELP Program.

As a result of these circumstances, and in order to be able to continue to offer the rehabilitation option to its defaulted FFELP borrowers, HESAA uses the RFP process to appoint a designated purchaser of FFELP rehabilitations and bankruptcy loans. Under the current market conditions, potential purchasers of these loans are expected to make purchase offers at a discount, meaning that they would likely be below the outstanding amount of the loans.

In response to the RFP that HESAA issued in August 2015, at its October 22, 2015 meeting, the Board appointed Nelnet Inc. as the designated purchaser of FFELP rehabilitation and bankruptcy loans at a discount on all loan types of 6% for a two year term with three possible one year extensions.

Recommendation

Based on the continuing success of this arrangement, it is recommended that the Board approve the attached Resolution 20:17 Approving the Extension of the Agreement with Nelnet as Designated Purchaser of Federal Family Education Loan Program (FFELP) Rehabilitation & Bankruptcy Loans for first of the three possible 1-year extensions.

Attachment

RESOLUTION 20:17

APPROVING THE EXTENSION OF THE AGREEMENT WITH NELNET AS DESIGNATED PURCHASER OF FEDERAL FAMILY EDUCATION LOAN PROGRAM REHABILITATION & BANKRUPTCY LOANS FOR ONE YEAR

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

WHEREAS: At its October 22, 2015 meeting, as the result of a Request for Proposals, the Higher Education Student Assistance Authority Board appointed Nelnet, Inc. as the Authority's designated purchaser of Federal Family Education Loan Program (FFELP) rehabilitation and bankruptcy loans for the two year period ending December 31, 2017, with three 1-year extensions at the option of the Authority; and

WHEREAS: The market conditions have not changed and it remains necessary for HESAA to sell rehabilitated loans to an outside entity; and

WHEREAS: The Authority desires to exercise its first option to extend the contract with Nelnet for one year.

NOW THEREFORE, LET IT BE:

RESOLVED: The Higher Education Student Assistance Authority hereby approves extending its contract with Nelnet, Inc. as designated purchaser of FFELP rehabilitation & bankruptcy loans for one year at a discount percentage of 6%.

October 25, 2017

Higher Education Student Assistance Authority

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Executive Director

MEMORANDUM

TO: Members, Higher Education Student Assistance Authority

THROUGH: Gabrielle Charette, Esq. GC
Executive Director

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

SUBJECT: Resolution 21:17 Approving the Extension of the Agreement With Obermayer Rebmann Maxwell & Hippel LLP, Special Counsel to Assist in the Review of Materials Related to 529 Plans and Providing General Tax Advice For One Year

DATE: October 25, 2017

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").

At its October 22, 2015 meeting, as a result of a Request for Qualifications, the Board appointed Obermayer Rebmann Maxwell & Hippel LLP as special counsel to assist in the review of materials related to 529 Plans, as well as to provide general tax advice as questions arise. The appointment was for a term of 2 years with three optional one-year extensions.

Obermayer was appointed to provide opinions and advice to HESAA on all documents prepared by HESAA's investment manager, Franklin Templeton, related to the 529 Plans. These documents include but are not limited to: investor handbook supplements, disclosure updates, contract amendments and supplements, and dealer program distribution agreements.

Additionally, HESAA requires responses to specific tax questions that may arise from time to time in relation to its business and program, including but not limited to issues related to student loans, student loan forgiveness, scholarships and employee benefits.

Obermayer has provided prompt and professional advice in response to all requests for opinions.

Recommendation

It is recommended that the Board approve Resolution 21:17 providing a one year extension of the retainer agreement with Obermayer Rebmann Maxwell & Hippel LLP as Special Counsel to Assist in the Review of Materials Related to 529 Plans and to provide general tax advice upon request at a rate of $325 per hour for attorneys and $100 per hour for paralegals.

Attachment

RESOLUTION 21:17

APPROVING THE EXTENSION OF THE CONTRACT WITH OBERMAYER REBMANN MAXWELL & HIPPEL LLP, SPECIAL COUNSEL TO ASSIST IN THE REVIEW OF MATERIALS RELATED TO 529 PLANS AND PROVIDING GENERAL TAX ADVICE FOR ONE YEAR

Moved: Ms. Maria Torres
Seconded: Ms. Audrey Bennerson

WHEREAS: At its October 22, 2015 meeting, as a result of a Request for Qualifications, the Higher Education Student Assistance Authority Board appointed Obermayer Rebmann Maxwell & Hippel LLP as special counsel to assist in the review of materials related to 529 Plans as well as to provide general tax advice as questions arise; and

WHEREAS: The Board appointed Obermayer for a term of 2 years with three optional one-year extensions; and

WHEREAS: Obermayer has provided the Authority with prompt and professional legal advice with regards to investor handbook supplements, disclosure updates, contract amendments and supplements, and dealer program distribution agreements; and

WHEREAS: Obermayer has provided the Authority with prompt and professional advice with regards to specific tax questions in relation to its business and program including but not limited to issues related to student loans, student loan forgiveness, scholarships and employee benefits; and

WHEREAS: The Authority desires to continue this contract with Obermayer Rebmann Maxwell & Hippel LLP.

NOW THEREFORE, LET IT BE:

RESOLVED: The Higher Education Student Assistance Authority hereby approves a one year extension of the retainer agreement with Obermayer Rebmann Maxwell & Hippel LLP as Special Counsel to Assist in the Review of Materials Related to 529 Plan as well as provide general tax advice as questions arise at a rate of $325 per hour for attorneys and $100 per hour for paralegals.

October 25, 2017

NJBEST
NEW JERSEY'S
529 COLLEGE SAVINGS PLAN

TURN A DREAM INTO A DEGREE®

HESAA BOARD MEETING

HESAA
HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY

FRANKLIN TEMPLETON
INVESTMENTS

Franklin Templeton Distributors, Inc.
One Franklin Parkway
San Mateo, California 94403-1906
franklintempleton.com

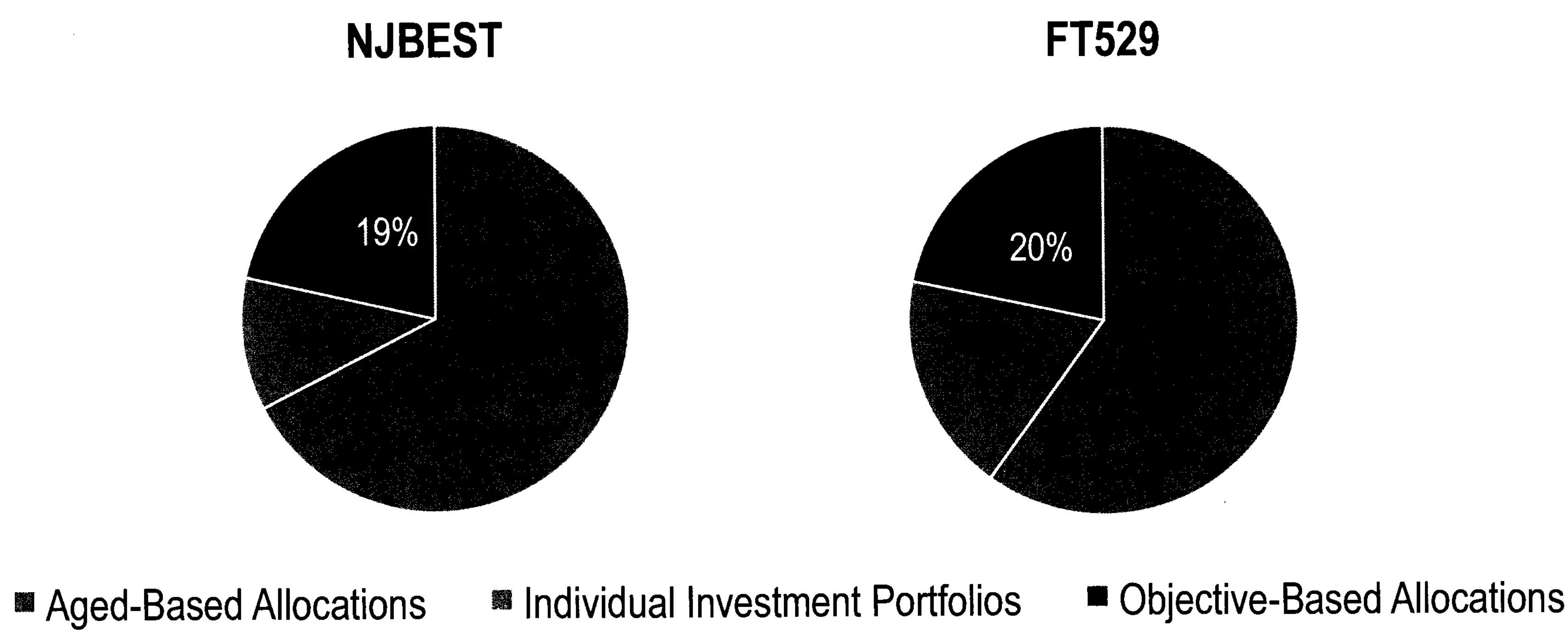
Review of Plan Features and Benefits

	NJBEST	FT529
Availability	• Direct Sold • Low Minimum Investment • High Contribution Limit	• Advisor Sold • Low Minimum Investment • High Contribution Limit
Tax Status	• Federal Tax Benefits • Special Gift and Estate Tax Treatment	• Federal Tax Benefits • Special Gift and Estate Tax Treatment
Investment	• Professional Investment Management • 9 Investment Choices (3 age-based tracks, 4 objective-based portfolios, 2 individual portfolios)	• Professional Investment Management • 15 Investment Choices (3 age-based tracks, 5 objective-based portfolios, 9 individual portfolio)
Exclusive New Jersey Benefits	• State Tax Benefits Savings • Scholarship Opportunity • No Sales Charges • Financial Aid Exclusion (first $25K) • Statutory Asset Protection	• State Tax Benefits Savings • Scholarship Opportunity • Financial Aid Exclusion (first $25K) • Statutory Asset Protection
Additional Features	• eDelivery • Spryng	• eDelivery • Spryng • NAV Transfer Option

Current Portfolio Options

	NJBEST	FT529
Age-Based Portfolios	• Franklin Conservative Portfolios (0-8; 9-12; 13-16; 17+) • Franklin Moderate Portfolios (0-8; 9-12; 13-16; 17+) • Franklin Growth Portfolios (0-8; 9-12; 13-16; 17+)	• Franklin Conservative Portfolios (0-8; 9-12; 13-16; 17+) • Franklin Moderate Portfolios (0-8; 9-12; 13-16; 17+) • Franklin Growth Portfolios (0-8; 9-12; 13-16; 17+)
Objective-Based Portfolios	• Franklin Growth 529 Portfolio • Franklin Growth & Income 529 Portfolio • Franklin Income 529 Portfolio • Franklin Corefolio® 529 Portfolio	• Franklin Growth 529 Portfolio • Franklin Growth & Income 529 Portfolio • Franklin Income 529 Portfolio • Franklin Templeton Corefolio® 529 Portfolio • Founding Funds 529 Portfolio
Individual Portfolios	• S&P 500 Index 529 Portfolio • Franklin U.S. Government Money 529 Portfolio	• S&P 500 Index 529 Portfolio • Franklin Income 529 Portfolio • Franklin Growth 529 Portfolio • Franklin Mutual Global Discovery 529 Portfolio • Franklin Mutual Shares 529 Portfolio • Franklin Small-Mid Cap Growth 529 Portfolio • Franklin U.S. Government Money 529 Portfolio • Templeton Global Bond 529 Portfolio • Templeton Growth 529 Portfolio

Portfolio Allocations



Based on AUM Data as of June 30, 2017.

Internal/HESAA Use Only

Plan Milestones

2003
- Franklin Templeton established as program manager
- Launched the Franklin Templeton 529 College Savings Plan as the national advisor-sold program
- HESAA re-launched NJBEST with 10 investment portfolios and 28,934 account owners
- **AUM:** $0.2Bn

2008
- Product operational activities in-sourced to Franklin Templeton to better service account owners
- Conducted NJBEST direct mail campaign to 250,000 of NJ residents
- Participated in 8 NJBEST community events
- **AUM:** $2.0Bn

2009
- Enhanced product offering with additional age-based portfolio and reduced program fees
- NJBEST.com launched redesigned website with a fresh new look, compelling content and improved functionality/tools
- Expanded community outreach efforts and participated in 25 NJBEST community events
- **AUM:** $1.7Bn

2010
- Introduced new NJBEST logo along with Advertising 1st – television and radio ads
- May 29 proclaimed 529 Day by Gov. Christie of NJ
- NJBEST participated in 31 community events resulting in the distribution of 7,381 brochures, 238 Investor Kits and product awareness to nearly 23,000 potential investors
- **AUM:** $2.4Bn **Plans:** 117K

2011
- 200,000+ accounts in combined plans
- NJBEST sponsorships and community events resulted in the distribution of 10,299 brochures, 294 Investor Kits and product awareness to nearly 30,000 potential investors
- Introduced new NJBEST print ad design
- **AUM:** $2.9Bn **Plans:** 124K

2012
- Enhanced product offering with the introduction of the NAV rollover feature
- NJBEST website named best retail website
- Enhanced targeted marketing materials and strategies
- **AUM:** $3.2Bn **Plans:** 131K

2013
- Total assets eclipsed $3.5Bn
- Record number of plans
- Removed the $25 annual maintenance fee on the advisor-sold product
- Enhanced product line-up in age and objective-based options
- **AUM:** $3.6Bn **Plans:** 139K

2014
- Completion of a successful RFP with HESAA
- Reduced the program management fee for both plans
- Changed the underlying in the S&P 500 option
- Launched NJBEST Twitter Account
- Implemented Omnibus with Edward Jones
- **AUM:** $4.3Bn **Plans:** 144K

2015
- NJBEST Twitter Account gained 4K+ followers
- Executed NJBEST social advertising
- Expansion of eDelivery capabilities
- Launched 2 new individual portfolios in advisor plan
- **AUM:** $4.7Bn **Plans:** 153K

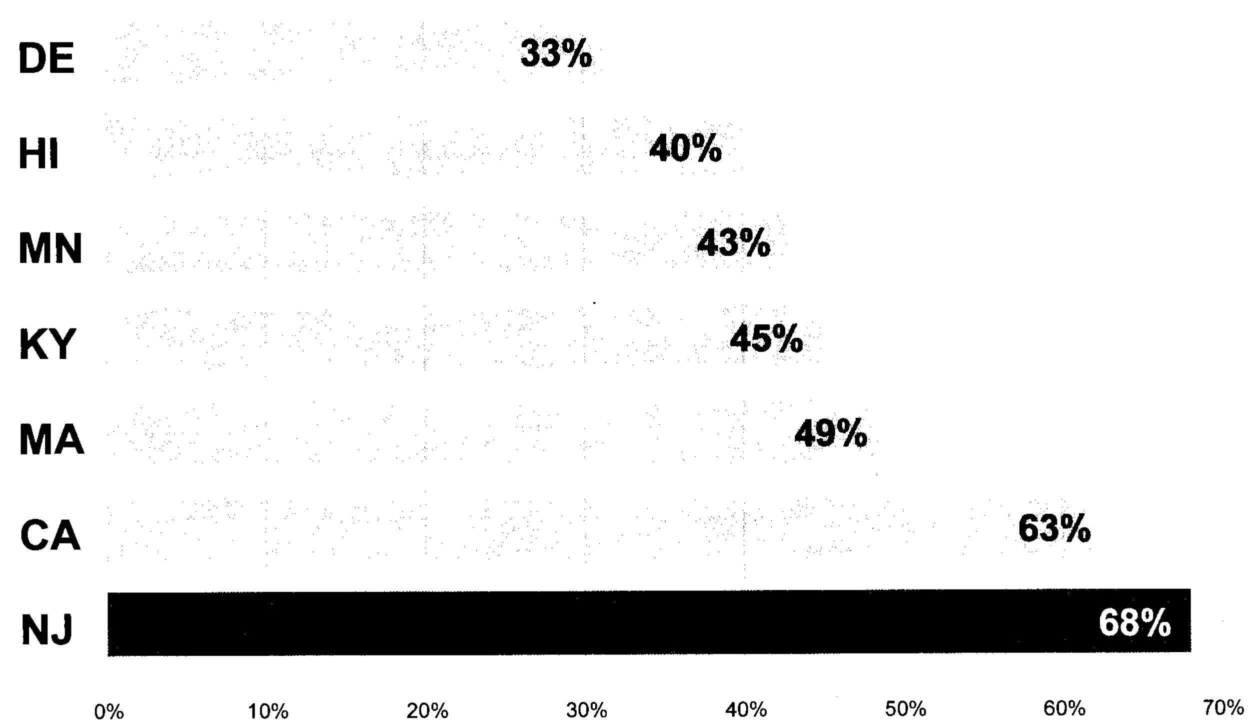
2016
- Enhanced persona-based marketing
- Improved online application for NJBEST.com
- Launched new FT529 webpages
- Expanded social media library
- Partnered with HESAA on website promotions.
- **AUM:** $4.6Bn **Plans: 182K**

Program Snapshot

	Distribution	AUM (06/30/2017)	AUM (09/30/2012)	Change (%)
Industry	**Direct/Advisor**	**$276,220**	**$158,260**	**65%**
New Jersey Total	**Direct/Advisor**	**$5,221**	**$3,170**	**60%**
NJBEST (FT)	Direct	$1,176	$674	74%
NJBEST (DOI)	Direct (Closed)	$353	$404	-13%
FT529	Advisor	$3,693	$2,178	69%

Outpacing Peers

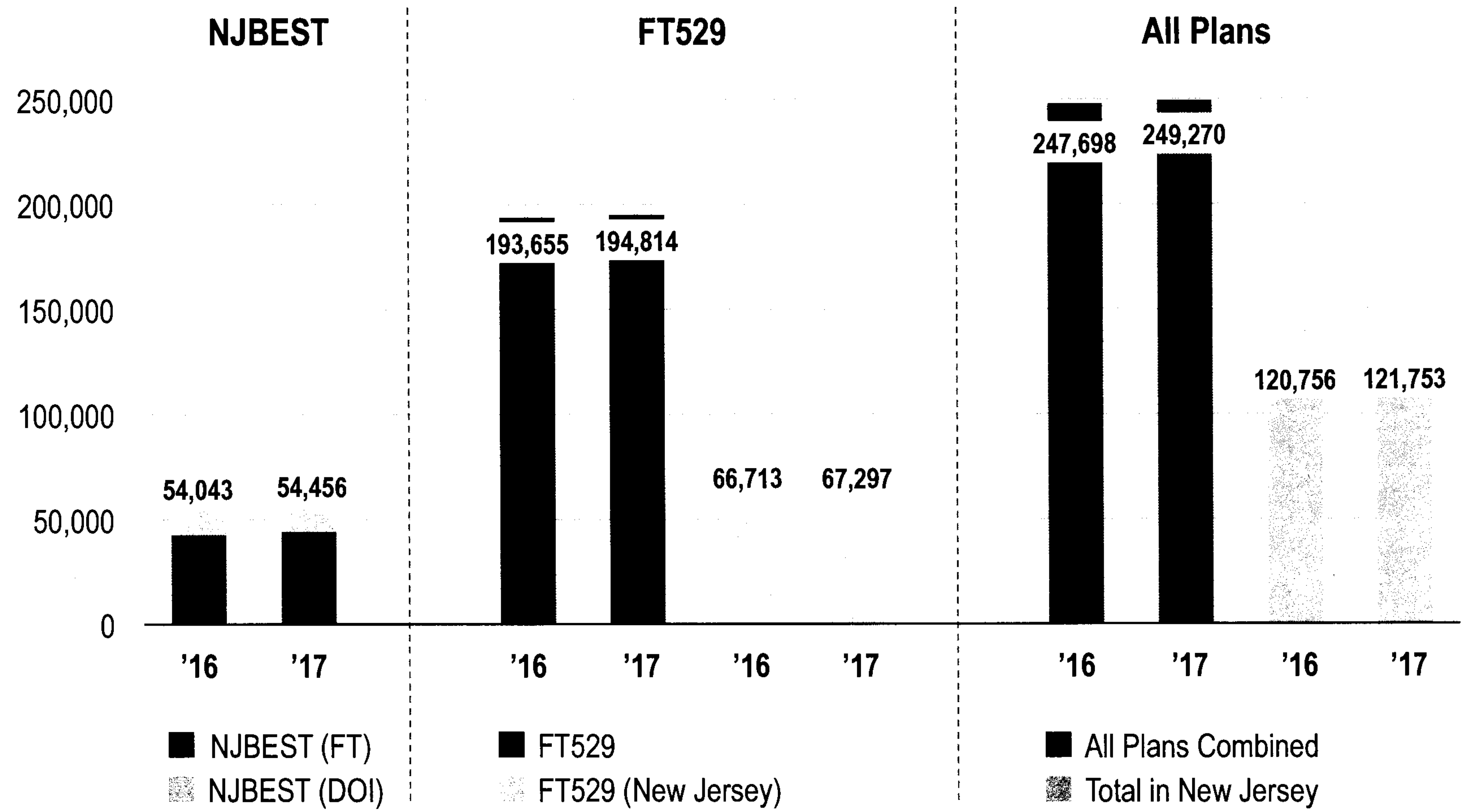
Over the past 5 years, New Jersey has outpaced the 6 other states with no state income tax deduction.



Growth compares AUM of 12/31/2011 to 12/31/2016.

Internal/HESAA Use Only

Total Unique Beneficiaries



Data as of June 30, 2016 and June 30, 2017.

Internal/HESAA Use Only

Distributions

- Since Inception:
  - 256,412 plans have requested distributions
  - $2.8B has been distributed toward higher education
- Last Fiscal Year:
  - NJBEST: $134.5 million in distributions
  - FT529: $281.0 million in distributions

Inception as of March 2003. Fiscal Year references 7/1/16 – 6/30/17.

Marketing Overview

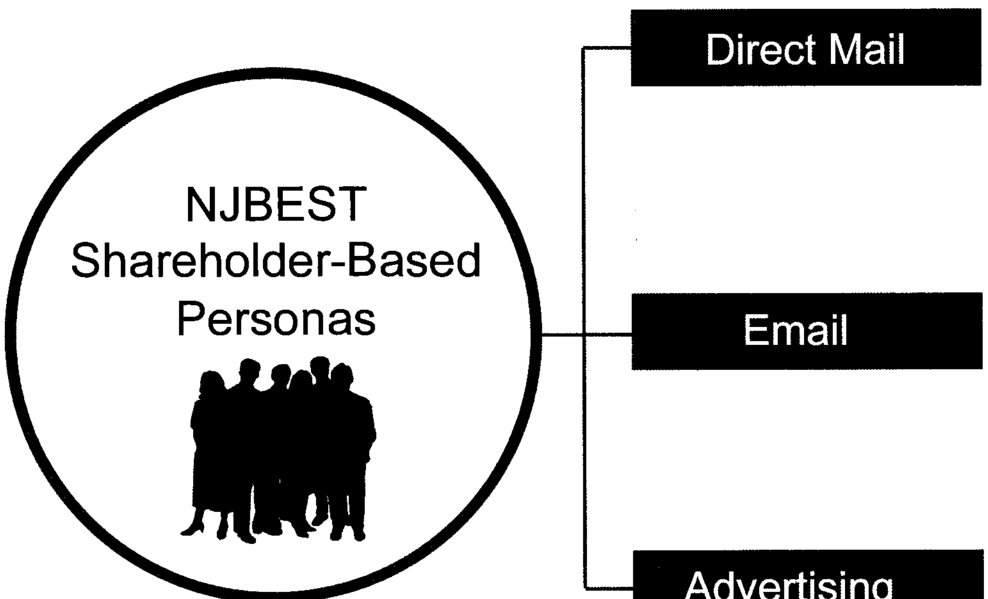
Internal/HESAA Use Only

NJBEST Shareholder Survey

Satisfaction	Communication	Referral
91%	**95%**	**88%**
are very satisfied, satisfied or somewhat satisfied with their overall NJBEST account	rated the communications they received as average or above	are likely, very likely or extremely likely to recommend NJBEST to friends/families

Distributed via email on April 20, 2016. 398 respondents.

Personalized: Integrated NJBEST Approach



- PRIZM-based targeting
- Message testing

- Acquisition campaign leveraging segmentation
- Dynamic birthday email

- PRIZM Testing
- Retargeting
- Optimize based on 529 seasonality
- Exploration of additional social media channels

Advertising Overview

	Examples	Impressions	Clicks	CTR
Online Display	GDN, Saving for College, US News	49,352,416	292,758	0.59%
Paid Social	Facebook	23,513,375	51,436	0.22%
Paid Search	Google & Bing	319,418	26,608	8.33%
Grand Total		**73,185,209**	**370,802**	**0.51%**

Items of Note

- Online display ad click-through rate achieved was 7x the national CTR benchmark* of 0.08%
- GDN (Google Display Network) delivered most of display ad impressions, over 34MM
- Paid Social ads were targeted to parents, grandparents and PRIZM segments.
- Bing delivered better paid search results than Google for both CTR and CPC.

Source: DoubleClick Google Rich Media Gallery benchmark based on data for Nov 2016-Apr 2017.

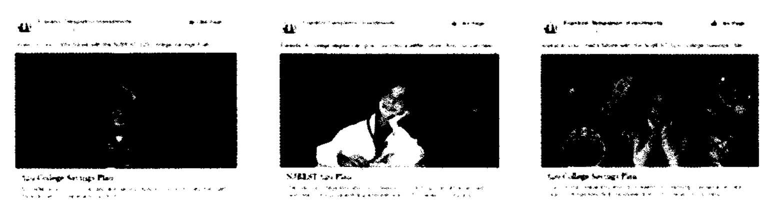
Online Display

Paid Search

NJBEST
529 College Savings Plan
www.njbest.com
Start Saving For College Today With NJBEST - For As Little As $25.

Paid Social

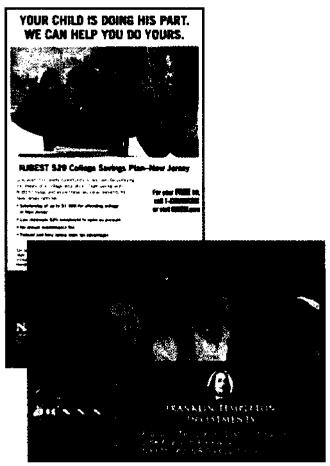
Facebook Creative



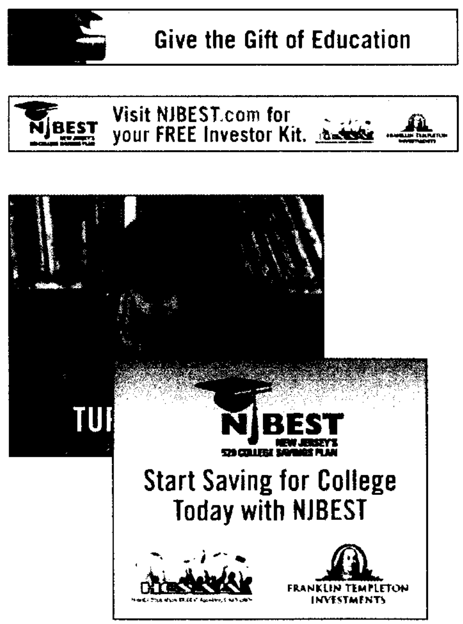
Internal/HESAA Use Only

Advertising Evolution

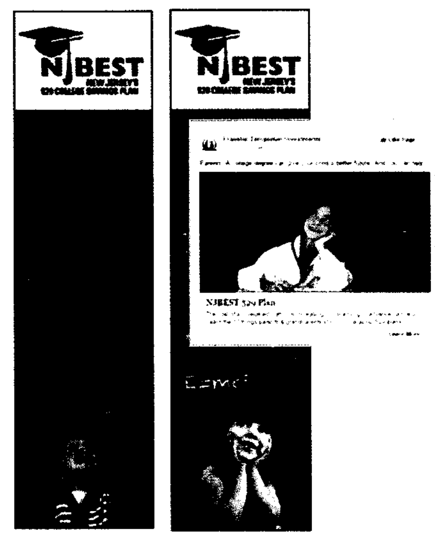
2009



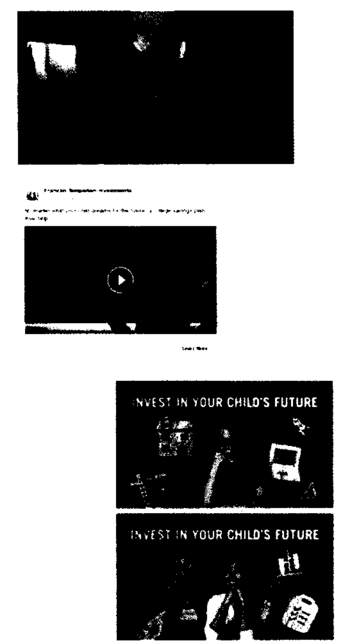
2012



2015



2016



NJBEST Social: @NJBEST529

With over **4600 unique followers**, NJBEST is one of the most followed direct-sold 529 plans.

Highlights

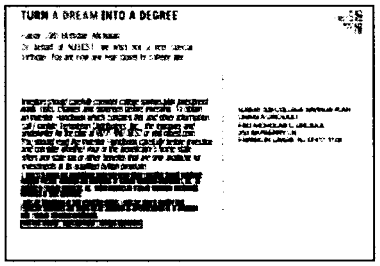
- Up to 3 post per week
- Real-time polls
- Event posting
- Seasonal themes

New Jersey/529 Promotion

Date	Publication	News Headline
10/25/2016	Morningstar (US)	Morningstar Names Best 529 College-Savings Plans for 2016
11/1/2016	My Metro Parents (US)	Investing in Your Child's Future: 529 College Savings Plans
11/17/2016	MarketWatch (US)	529 College Gift Cards and Online Gifting Tools Popular with Parents
12/7/2016	BankingSense (US)	Complete 529 College Savings Plan Guide
12/31/2016	The Press Of Atlantic City (US)	Financial New Year's resolutions for 2017
3/3/2017	Asbury Park Press (US)	College savings: 5 Things You'd Better Know Now
3/10/2017	Fund Action (US)	Franklin Templeton Launches 529 Gifting Tool
3/10/2017	Ignites (US)	Franklin Launches Crowdfunding Platform for 529s
3/13/2017	ThinkAdvisor (US)	Franklin Templeton Launches a Crowdfunding Tool for College Savings
3/13/2017	PlanAdviser (US)	Franklin Templeton 529 Tool Leverages Crowd Funding
5/23/2017	Advisor Perspectives (US)	Spryng into Saving for College
6/13/2017	Chicago Tribune (US)	Gen Z not eager to take on student debt
6/16/2017	Herald & Review (US)	Kids and Money: Generation Z careful about adding college debt
6/19/2017	Reading Eagle (US)	Kids and Money: Generation Z careful about college debt
6/21/2017	Associated Press	529s make it easier to ask family, friends for college cash
6/21/2017	Star Tribune (US)	529s make it easier to ask family, friends for college cash
6/21/2017	FOXBusiness (US)	529s make it easier to ask family, friends for college cash
6/21/2017	The New York Times (US)	529s Make It Easier to Ask Family, Friends for College Cash
6/22/2017	CBSNews.com (US)	Now you can crowdfund a 529 college savings plan
6/27/2017	WFMYNews2 (US)	Crowdfunding for 529 College Savings Plans
8/28/2017	Savingforcollege.com (US)	2017 one-year top performing direct plans Q2

NJBEST Shareholder Communication

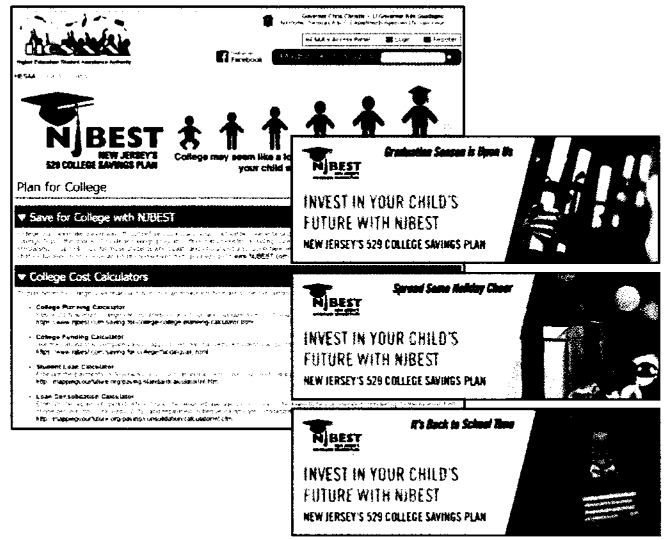
Encouraging contributions through an expanded birthday campaign



Overview

- Expanded to all beneficiaries who are 16 or younger
- Personalized with name and age
- Two distinct messages
    - Letter: Sent to Account Owner
    - Email: Reinforced to Account Owner with email address on record

Engagement: Integration with HESAA



Operational & Service Overview

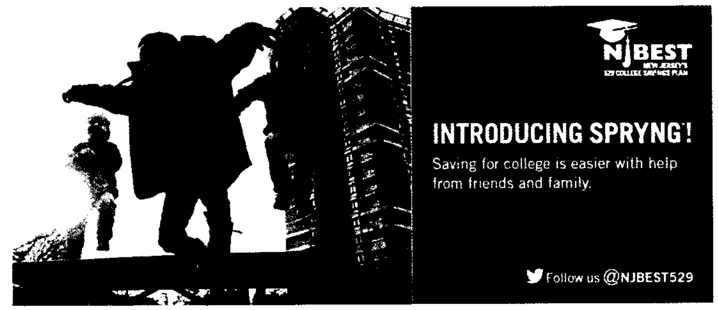
Service Update

Service	Service Standard	Actual Service
New account setup	99% on day of receipt	100%
Exchanges	99% on day of receipt	100%
Transfers	98% within 3 days	100%
Deposits/wires/purchases	99% on day of receipt	100%
Redemptions	99% on day of receipt	100%
Adjustments	98% within 3 days	100%
Account maintenance	98% within 3 days	100%

Data as of March 31, 2017.

Spryng: Crowdfunding Tool

- **Launched in February 2017**
- **Over 2100 profiles created**
- **Over 1300 gifts made**
- **Nearly $80,000,000 in saving goals established**
- **Positive feedback**
  - *"I'll have to admit this is an ingenious idea"*
  - *"I love this idea! I want to do this for my baby who's turning 1 this month. I can share this with friends and family as her birthday gift!"*
  - *"This has to be the most innovative thing I've seen yet in the 529 space.*



Online Distribution

Clients can now request their online distributions to be sent directly to a college or higher educational institution.

Sell: Destination

DESTINATION

Select a Destination for Proceeds

How would you like us to deliver the proceeds from this transaction?

Mail a check to

RUTGERS UNIVERSITY
[redacted]
REF# 1112223344
C/O OFFICE OF THE REGISTRAR
100 SUTPHEN ROAD
PISCATAWAY
NJ
08854-8097

Final Thoughts & Questions

NJBEST
PROPOSAL TO MATCH INITIAL CONTRIBUTION FOR NEW ACCOUNTS OPENED

NJBEST
NEW JERSEY'S
529 COLLEGE SAVINGS PLAN

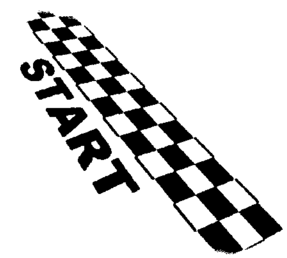
The very best way to pay for college is a 529 college savings plan.

NJBEST
NEW JERSEY'S
529 COLLEGE SAVINGS PLAN

The very best way to accumulate enough funds in a 529 college savings plan to make an appreciable impact on the cost of education is to start saving early and regularly.

Time and consistency are the two factors that make saving for any major life investment work.

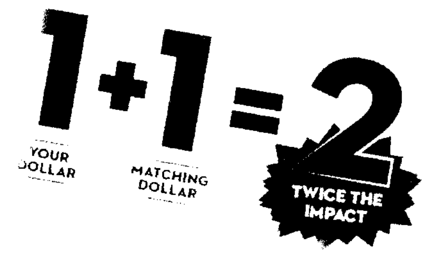
Some young families need a jump start!



- They think college is too far away on the horizon.
- They don't see themselves ever being able to actually accumulate enough.
- They think that when the time comes, college tuition may be free.

HESAA's Match Proposal is designed to give young families the jump start they need.

Here's how it works:



Example: *Open an account with $1,000, receive a $1,000 match.*

Open an account with $1,200, receive a $1,000 match.

Open an account with $300, receive a $300 match.

In order to receive the match, the account owner must:

- Open an account with an initial contribution of at least $100.
- Make monthly contributions of at least $25.00 by automatic deposit for at least 12 months following the opening of the account.
- Keep the account open for a minimum of 3 years following the deposit of the matching contribution.

Where are the matching funds coming from?

HESAA receives an administrative fee for administering the NJBEST program. Each year HESAA deposits a portion of that fee into an NJBEST Administrative Fund and uses that fund to finance NJBEST scholarships to NJBEST plan beneficiaries who attend New Jersey institutions of higher education.

This fund has grown considerably over the last several years and can now not only fully fund scholarships, but also fund a match initiative.

The regulation provides a calculation that guarantees sufficient funds are reserved to fulfill the scholarships, and funds above that level will be available on a first come, first served basis, for the match initiative.

NJBEST
NEW JERSEY'S
529 COLLEGE SAVINGS PLAN

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

MEMORANDUM

TO: Members, Higher Education Student Assistance Authority

THROUGH: Gabrielle Charette, Esq.
Executive Director

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

SUBJECT: Resolution 22:17 Proposed Amendments to Regulations Governing the New Jersey Better Educational Savings Trust Program (NJBEST), N.J.A.C. 9A:10-7.5

DATE: October 25, 2017

Background

The Higher Education Student Assistance Authority (HESAA) is statutorily responsible for the administration of the State's higher education savings program, the New Jersey Better Educational Savings Trust (NJBEST) Program, and for the promulgation of all rules to that effect pursuant to N.J.S.A. 18A:71B-35 et seq. NJBEST is administered in accordance with section 529 of the Federal Internal Revenue Code of 1986, 26 U.S.C. § 529.

Through the NJBEST Program, money saved by parents, grandparents, or others is invested for a designated beneficiary. When the designated beneficiary is ready to attend college the principal and interest earned can be used for college costs.

Pursuant to N.J.S.A. 18A:71B-35c. "Incentives are needed to encourage families to save for college education." NJBEST provides an incentive to families to save for college by offering a supplemental NJBEST scholarship if the designated beneficiary attends an eligible higher education institution in New Jersey. As an additional incentive, HESAA recommends initiating a program whereby the Authority will provide a one-time dollar for dollar matching contribution equal to the amount of the account owner's initial contribution, not to exceed $1,000. The matching contribution will be subject to the availability of excess funds in the NJBEST scholarship account. To initiate this program, it is necessary to amend the regulations to add a new section defining the incentive's parameters.

Full text of the proposal follows:

§ 9A:10-7.5 Contributions

(g) For new NJBEST 529 College Savings Plan accounts opened on or after June 1, 2018, the Authority will provide a one-time matching contribution equal to the amount of the account owner's initial contribution, not to exceed $1,000 provided:

1. The initial contribution into the NJBEST 529 College Savings Plan account is at least $100;

2. The contributor makes monthly contributions of at least $25 by automatic deposit for at least 12 months following the opening of the account;

3. The matching contribution will be deposited into the contributor's account after the contributor has made 12 automatic deposits of at least $25 into the account;

4. The NJBEST 529 College Savings Plan account remains open for a minimum of three years following the deposit of the matching contribution into the contributor's account, or the matching funds will be forfeited back to the Authority; and

5. Sufficient funds are available for the Authority to provide matching contributions.

    i. Funding for the matching contribution each year will equal the amount the total NJBEST Administrative Fund exceeds twenty times the average cost to finance NJBEST scholarships as defined in N.J.A.C. 9A:10-7.3, including related administrative expenses, for the previous three years.

Recommendation

It is recommended that the Board approves Resolution 22:17 Proposed Amendments to Regulations Governing the New Jersey Better Educational Savings Trust Program (NJBEST), N.J.A.C. 9A:10-7.5 so that the proposed amendments can be published in the New Jersey Register, permitting HESAA to provide an additional incentive for families to save for higher education.

Attachment

RESOLUTION 22:17

RESOLUTION 22:17 PROPOSED AMENDMENTS TO REGULATIONS GOVERNING THE NEW JERSEY BETTER EDUCATIONAL SAVINGS TRUST PROGRAM (NJBEST), N.J.A.C. 9A:10-7.5

Moved by: Dr. Jon Larson
Seconded by: Ms. Audrey Bennerson

WHEREAS: The Higher Education Student Assistance Authority (HESAA) is statutorily responsible for the administration of the State's higher education savings program, the New Jersey Better Educational Savings Trust (NJBEST) Program, and for the promulgation of all rules to that effect pursuant to N.J.S.A. 18A:71B-35 et seq.; and

WHEREAS: Incentives are needed to encourage families to save for college education; and

WHEREAS: HESAA recommends initiating a program whereby the Authority will provide a one-time dollar for dollar matching contribution equal to the amount of the account owner's initial contribution, not to exceed $1,000, subject to the availability of excess funds in the NJBEST scholarship account; and

WHEREAS: In order to initiate this program, it is necessary to amend the regulations to add a new section defining the incentive's parameters.

NOW, THEREFORE, LET IT BE:

RESOLVED: That the Board approves and authorizes publishing the Proposed Amendments to Regulations Governing the New Jersey Better Educational Savings Trust Program (NJBEST), N.J.A.C. 9A:10-7.5 in the New Jersey Register.

October 25, 2017

HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY

HESAA Compliance Update

HESAA Board Meeting
October 25, 2017
Greg Foster
Chief Compliance Officer & Ombudsman

U.S. Dept. of Education Class Action Settlement in the Wilfred Academy Education Corporation Fraud Case *Salazar v. DeVos* 14 Civ. 1230 (RWS)

* Large Scale nationwide Institutional Fraud committed by Wilfred Academy on Federal Loans in the 1980's & 1990's regarding False Certifications and Ability to Benefit
* As part of an effort to assist the USDE in resolving all Wilfred claims for relief from the Federal Government, Guaranty Agencies must mail discharge applications to potentially affected borrowers

U.S. Dept. of Education Class Action Settlement in the Wilfred Academy Education Corporation Fraud Case *Salazar v. DeVos 14 Civ. 1230 (RWS) cont.*

HESAA's Responsibilities

* Mail packets to 4,710 borrowers where HESAA is identified by the USDE as the Guaranty Agency of record by December 9, 2017,
* Process, discharge, and refund completed discharge applications submitted to HESAA

Federal Student Aid (FSA)

2017 Security Self-Assessment

"Examining internal and external threat factors to identify risk"

HESAA 2017 CONTROL FAMILY RESULTS & SCORES

GOOD
MEDIUM
POOR
CRITICAL

Control Family Name	Rating per Security Control Family
Access Control (AC)	Good
Security Awareness and Training (AT)	Good
Auditing and Logging (AU)	Good
Security Assessments (CA)	Medium
Configuration Management (CM)	Good
Contingency Planning (CP)	Good
Identification and Authentication (IA)	Good
Incident Response (IR)	Good
Maintenance (MA)	Medium
Media Protection (MP)	Good
Physical and Environmental (PE)	Good
Security Planning (PL)	Good
Personnel Security (PS)	Good
Risk Assessment (RA)	Good
Systems Acquisition (SA)	Good
System and Communications Protection (SC)	Good
System and Information Integrity (SI)	Good
Privacy (AP, AR, DI, DM, IP, SE, TR, UL)	Good
Overall Rating	Good

Benefits & Practical Uses

The information produced during the second round of a multi-year process to address data security produced control assessments will be used by HESAA to:

* Identify potential problems or shortfalls in the organization's implementation of the Risk Management Framework;
* Identify security- and privacy-related weaknesses and deficiencies in the information system and in the environment in which the system operates;
* Prioritize risk mitigation decisions and associated risk mitigation activities;
* Confirm that identified security- and privacy-related weaknesses and deficiencies in the information system and in the environment of operation have been addressed;
* Support monitoring activities and information security and privacy situational awareness;
* Facilitate security authorization decisions, privacy authorization decisions, and ongoing authorization decisions; and
* Inform budgetary decisions and the capital investment process.

Metro II

* The new national standard format for reporting credit, with an implementation deadline of February 2018.
* HESAA is currently in the testing stages to implement Metro II by the deadline.
* Metro II meets all the requirements of the Fair Credit Reporting Act (FCRA), the Fair Credit Billing Act (FCBA), and the Equal Credit Opportunity Act (ECOA). It allows accurate and complete information on consumers' credit history.

Collection Attorney Meeting

Provide Updates regarding:

* New or changed regulations
* Metro II Credit Reporting
* Wilfred Class Action Settlement
* Upcoming Audit Schedule
* Attorney Manuel Revisions
* Identified Process Improvements

Request Feedback & Discuss:

* Policies and Procedures regarding process improvements
* Answer and Discuss Attorney's questions or concerns

HESAA Compliance Comparison

Consumer Financial Protection Bureau (CFPB) Complaints by Company (Nov. 1 – Dec. 31, 2016)

* Navient Solutions, LLC	1,400
* AES/PHEAA	149
* Nelnet	73
* Sallie Mae	48
* HESAA	2

Misc. Compliance Tasks

* Ongoing Policy and Procedure Updates

* Provide compliance assistance to changing NJCLASS literature, Loan Documents, Disclosures, and Terms & Conditions to reflect recent Repayment Assistance, Disability, and Loan Limit regulations.

* Continue to improve Complaint Tracking

2018 Compliance Agenda

* Create a Privacy Committee

* Project to study current records retention and destruction practices to streamline with current technological processes available in an effort to modernize where applicable.

THANK YOU