

MINUTES

HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY

October 23, 2014

The Higher Education Student Assistance Authority (HESAA) Board held a meeting on October 23, 2014 at 10:00 am at the HESAA offices in Hamilton.

PRESENT: Mr. James Allen (teleconference); Fr. Michael Braden; Ms. Audrey Bennerson, Secretary of Higher Education Designee; Ms. Gabrielle Charette, Esq.; Ms. Kathleen Flynn; Dr. Harvey Kesselman; Dr. Jon Larson; Ms. Jean McDonald Rash; Mr. Luis Miguel Padilla; Mr. Bader Qarmout (teleconference); and Ms. Christy Van Horn, Members.

ABSENT: Mr. Anthony Falcone; Mr. George Garcia, Esq.; Mr. Christopher McDonough, Treasurer's Designee; and Ms. Maria Torres.

Also attending were Michael Collins, Esq., Governor's Authorities Unit; Geoffrey Stark, DAG; and Andrew Lee, CPA, CliftonLarsonAllen LLP.

CALL TO ORDER

Christy Van Horn called the meeting to order at 10:04 am. Ms. Van Horn 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 asked Roseann Sorrentino to call the roll.

Ms. Van Horn welcomed Geoffrey Stark, Esq., DAG, and Michael Collins, Esq., Governor's Authorities Unit.

Ms. Van Horn introduced Mr. Bader Qarmout, EOF Representative.

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

CONSIDERATION OF THE MINUTES OF THE JULY 24, 2014 MEETING

A motion to approve the minutes of the July 24, 2014 meeting was made by Dr. Harvey Kesselman and seconded by Fr. Michael Braden. The minutes were approved unanimously with two abstentions, Ms. Jean McDonald Rash and Mr. Bader Quarmout, who did not participate in the April 24, 2014 meeting.

REPORT OF THE AUDIT COMMITTEE AND RESOLUTION 19:14 ACCEPTING AND ADOPTING THE FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORTS FOR FISCAL YEARS 2014

Christy Van Horn reported that the audit committee received an unmodified opinion from HESAA's independent Auditors CliftonLarsonAllen LLP. She introduced Andrew Lee of CliftonLarsonAllen to report to the Board.

Andrew Lee reported that CliftonLarsonAllen is engaged to audit the financial statements of HESAA's NJCLASS/FFELP Loan Programs, NJ World Trade Center Scholarship Fund and Other HESAA Programs and Funds. He advised that CliftonLarsonAllen completed their audit in accordance with the generally accepted auditing standards from the USA and that HESAA management had prepared the financial statements. The auditors met with the Audit Committee to discuss the results and that there were no material weaknesses and they were able to issue an unmodified opinion.

Mr. Lee explained that in addition to the audit this year, CliftonLarsonAllen used a data analytical software called IDEA which imports all the loan portfolio data into the software enabling the firm to analyze the complete portfolio. Mr. Lee explained that although they were able to use this software last year, this year they were able to use the data to perform two year comparisons.

A motion to approve Resolution 19:14 was made by Dr. Harvey Kesselman and seconded by Ms. Jean McDonald Rash. Dr. Kesselman acknowledged that this was a great report and the motion passed unanimously.

REPORT OF THE BUDGET COMMITTEE AND RESOLUTION 20:14 ADOPTING A BOARD BUDGET POLICY STATEMENT FOR FISCAL YEAR 2016

Eugene Hutchins, Chief Financial Officer advised that Dr. Larson had planned to present the recommendations of the Board Budget Committee, however, he was required to attend a meeting in Trenton that overlapped the time of this meeting. As such, Mr. Hutchins provided the following report on Dr. Larson's behalf:

The budget committee of the HESAA Board met on September 30, 2014 to review the FY 2016 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 Board their 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 2014-15 academic year, the State's financial aid programs will provide more than 87,000 awards to State residents to pursue a postsecondary education, ultimately benefiting New Jersey's economy.

The FY 2016 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 student financial aid, merit-based scholarship and loan redemption programs. In developing this Board 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 Board Budget Committee's funding recommendations are as follows:

When the Board met in July 2014, the Full-Time TAG Award Table that was adopted set awards using a base-year percentage increase structure. This structure ensures all awards, in all eligibility indexes at all institutions are increased by a percentage that is fixed annually.

At its September 30 meeting, the board budget committee reviewed the following FY 2016 Full-Time TAG models. In light of continuing strong demand for TAG, all of the models included funding for an additional 1,500 new awards, for a total 65,062 full-year equivalent awards using the base-year percentage structure.

Model 1 provided awards to all eligible students with no TAG award increases and would require an increased appropriation of nearly \$8.4 million over FY 2015 for a total cost of \$364,116,000.

Model 2 increases awards by 2% as well as funds all eligible students and that would require an estimated increased appropriation of \$15.7 million over FY 2015 for a total cost of \$371,407,000.

Model 3 increases awards by 2.5% as well as funds all eligible students and would require an increase of nearly \$17 million of FY 2015 for a total cost of \$373,214,000.

Model 4, which was the last TAG model looked at, would increase awards by 3.0% as well as fund all eligible students, and would require an increase of more than \$18.7 million for a total cost of \$375,006,000.

As stated earlier, 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 students in all sectors by 2% over the 2014-15 TAG 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 current 2014-15 TAG awards; and
- 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 to provide for 1,500 additional new awards at these levels is \$371,407,000, an increase of \$15,688,000 over FY 2015 resources.

For the Part-Time TAG Program, the committee recommends \$9.827 million in funding. At this funding level, awards would be set following the same parameters as the full-time TAG table. There is no anticipated growth in the number of awards. However, an increase of \$45,084 over the FY 2015 appropriation is requested to increase the value of the awards.

For the Governor's Urban Scholarship Program the FY 2016 request represents the fourth year of funding for this program. The committee is recommending funding of \$945,000 to fund all eligible students as well as provide 100 graduating students with persistency awards of \$500. This is an increase of \$245,000 over FY 2015.

For the 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 \$8.147 million for FY 2016.

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

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

With respect to all other HESAA programs funded through State Appropriations, the Board recommends funding the following programs accordingly:

- For the Survivor Tuition Benefits Program, projected program balances will be sufficient to fund FY 2016 awards.
- For the World Trade Center Scholarship Program, it is recommended to continue funding of \$202,000 for FY 2016.
- For the Primary Care Practitioner/Nursing Faculty Loan Redemption Program, it is recommended to continue level funding of \$1.5 million for this program.

A motion to approve Resolution 20:14 was made by Dr. Harvey Kesselman and seconded by Fr. Michael Braden. Audrey Bennerson arrived at the meeting prior to the presentation and discussion of this resolution.

Harvey Kesselman stated that this is a very thoughtful budget recognizing the fiscal constraints. He commended what the Board has done with the Governor's Urban Scholarship Program and the fact that it addresses the fundamental issue of allowing individual students who require financial aid to remain in New Jersey and continue in school.

Christy Van Horn asked for a clarification as to whether the requirement that a student graduate in the top 5% of his or her high school class had been changed from the top 10%.

Gabrielle Charette explained that the top 10% requirement had been for other programs and that the Governor's Urban Scholarship had been created by Governor Christie with the 5% parameter.

Ms. Van Horn requested that staff review whether the top 5% is too narrow of a parameter and whether it should be expanded for next year.

Gabrielle Charette and Harvey Kesselman agreed that it would be a good idea to review and Dr. Kesselman reminded the Board that the original Urban Scholarship Program had the highest yield of students accepting the scholarship and persisting in school of any merit based scholarship program.

The motion passed unanimously.

PRESENTATION ON BORROWER OUTREACH FOR STUDENT LOANS

Tera Gervasio, Director of Student Loans, and Dave Gillespie, Associate Director of Servicing and Collections presented the attached power point on borrower outreach for student loans to the Board.

After the presentation Harvey Kesselman questioned the reasons for the perceived dip in the overall number of loans serviced in the last few years. Tera Gervasio explained that HESAA's overall portfolio has been affected by the elimination of the FFELP Program. She explained that the volume of claims that HESAA purchased is lower in the last five years, impacting the overall portfolio. In terms of NJCLASS, volume has decreased due to tightening of credit criteria in response to the credit crisis.

Dr. Kesselman also questioned the percentages of loans in each of the NJCLASS repayment options. Ms. Gervasio explained that fully deferred loans are limited to approximately 35% of loans originated in order to encourage borrowers to make payments while in school. Mr. Gillespie advised that currently approximately 80% of the loans in the portfolio are in monthly repayment, 8% are in a complete deferment status and the remainder are in an interest only repayment status.

Christy Van Horn thanked Ms. Gervasio and Mr. Gillespie for their enlightening presentation.

RESOLUTION 21:14 APPROVING THE ADOPTION OF AMENDMENTS TO REGULATIONS GOVERNING NJCLASS, N.J.A.C. 9A:10-6

Marnie Grodman, Esq. presented Resolution 21:14 to the Board.

At the April meeting the Board approved proposed amendments to the NJCLASS regulations. The proposal was published in the New Jersey register and on HESAA's website and was also sent to interested parties.

The purpose of the proposed amendments is to ensure consistency with the bond indentures, incorporate federal changes to the cohort default rate used to determine an institution's eligibility

to participate in NJCLASS and to provide clarity to program terms. HESAA received comments on the proposal, most of which were with regards to the NJCLASS program in general, as opposed to the specific proposed amendments. As such, those comments did not require modifications to the proposal.

One comment, however, did necessitate a change. Two commenters requested a clarifying change regarding total and permanent disability discharge applications. HESAA agreed with the commenters that the purpose of the amendment was not to bar a borrower from discharge when the original source of income used to qualify for the loan has been reduced. As such, staff recommends modifying the amendment as shown in the attachment to this resolution.

A summary of all of the comments and HESAA's responses are included in the materials.

At this time, staff is recommending that the Board approve the adoption of the amendments to the NJCLASS regulations as modified.

A motion to approve Resolution 21:14 was made by Mr. James Allen and seconded by Ms. Jean McDonald Rash. The motion passed unanimously.

RESOLUTION 22:14 APPROVING THE READOPTION WITH AMENDMENTS OF REGULATIONS GOVERNING THE GRANT AND SCHOLARSHIP PROGRAMS, N.J.A.C. 9A:9

Marnie Grodman Esq. presented Resolution 22:14 to the Board.

The regulations governing the grants and scholarship programs were scheduled to expire on August 7, 2014. At its April meeting the Board voted to propose the readoption with amendments of Chapter 9, and upon submission of the proposal to the Office of Administrative Law the expiration date was extended to February 3, 2015.

The proposal was published in the New Jersey register and HESAA's website and was also sent to interested parties. A summary of the comments received and HESAA's responses are contained in the materials. None of the comments required modifications to the proposal.

However, on September 10, 2014 Governor Christie signed into law a statute that changes the eligibility requirements for the NJ STARS program. Students will now be eligible for an NJ STARS award if they reach the top 15% of either their junior or senior class. In order to implement the statutory change, it is necessary to modify the original proposal to incorporate the new eligibility requirement into the regulations. As the statute supersedes regulation, HESAA is not required to re-propose the regulation to implement the modification. The modifying language is attached to the memo.

At this time, staff is recommending that the Board approve the readoption with amendments of Chapter 9, as modified.

A motion to approve Resolution 22:14 was made by Ms. Audrey Bennerson and seconded by Ms. Jean McDonald Rash. Dr. Larson arrived at the meeting prior to the presentation and discussion of this resolution.

Luis Padilla questioned whether students who were in the top 15% of their junior class prior to the statute being enacted would be grandfathered into the NJ STARS program.

Ms. Grodman explained that the legislation permits students who were enrolled at their county college in the 2013-2014 academic year to be grandfathered into the program. She advised that these students had already been notified and that Gabrielle Charette would be discussing this issue in more detail in her Executive Director's report.

The motion passed unanimously.

RESOLUTION 23:14 APPOINTING SPECIAL COUNSEL TO A LIST OF ATTORNEYS TO ASSIGN EDUCATIONAL RECEIVABLES FILES

David Gillespie presented Resolution 23:14 to the Board.

Every two years HESAA needs to issue a Request for Qualifications for qualified outside counsel for collection work for a term of two years.

New to the process this year, HESAA included a provision in the proposal requesting to see how many CFPB complaints were filed for the previous 12 months for each firm, the type of complaints filed by consumers, and how the firm addressed these types of complaints.

On September 10, 2014 an RFQ was issued. Notice of the RFQ was published on HESAA's website, sent to entities that asked for the RFQ, and published in various newspapers throughout the State. Four firms responded to the RFQ. All four proposals were deemed complete. The evaluation committee then sat down and evaluated all the proposals. The evaluation committee consisted of Robert Clark, Frank Colgan, Janice Seitz, Gena Carapezza, and me. We all are intimately involved with these law firms and understand their practices. After the committee sat down and scored the proposals, three firms were deemed "GOOD" with a score better than 2500, Schachter Portnoy, LLC, Solomon and Solomon PC and Fein, Such, Kahn and Shepard, PC.

The firm of Richard Kreig LLC did not meet the minimum threshold. They had received a "FAIR" rating, which is below the cut-off. This score was primarily based upon to their back office work and the fact that their collection work was not as good as the other firms being evaluated.

For the firm Fein, Such, Kahn and Shepard, PC, staff will be conducting a site visit prior to engaging the firm to ensure they have adequate security, and meet HESAA's standards.

It is recommended that Schachter Portnoy, LLC, Solomon and Solomon PC and Fein, Such, Kahn and Shepard, PC be placed on the list of firms authorized to perform collection work on HESAA's behalf.

A motion to approve Resolution 23:14 was made by Fr. Michael Braden and seconded by Dr. Jon Larson.

Christy Van Horn questioned whether the firms were using the same prototype language in their collection letters as had been shown to the Board previously. Gabrielle Charette assured Ms. Van Horn that the tone is the same and Marnie Grodman added that most of the firms were the same and therefore using the exact same letters.

The motion passed unanimously.

RESOLUTION 24:14 APPOINTING A FINANCIAL ADVISOR FOR AUTHORITY BOND ISSUES

Eugene Hutchins presented Resolution 24:14 to the Board.

This memorandum recommends your approval of the appointment of a Financial Advisor for the Authority for calendar years 2015 and 2016. The Financial Advisor represents the Authority's interests in the development of a bond issue. Its services include the review of proposed financing structures and the review of cash flow analysis. The Financial Advisor and Senior Manager work jointly to answer any issues raised by rating agencies, liquidity providers, bond counsel or the bond trustee.

The RFP for these services was posted to the HESAA website and sent to 16 financial advisory firms. Two firms responded to the request.

The proposals were evaluated based on the following criteria as outlined in the memorandum:

- 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.

The evaluation and ranking process resulted in First Southwest being rated as superior in terms of depth and breadth of financial advisory services they could provide to HESAA, as well as their experience with a number of other student loan issuers from across the United States.

Additionally, the fees proposed by First Southwest were significantly lower and capped as follows:

For Financial advisory services in connection with the issuance of bonds, inclusive of a review of cash flows prepared by the Senior Manager - \$100,000.

Swap advisory services at a fee of \$1.00 per \$1,000 of swap notional amount either modified or terminated.

Guaranteed Investment Contract Bidding, Evaluation and Award fees of 2 basis points based on the invested balances, with a maximum of \$34,000 to be paid by the GIC provider.

For GASB #53 Swap valuation and effectiveness testing required as part of each year's financial statements, a fee of \$1,250 per SWAP.

Mr. Hutchins advised that the fees for swap advisory services and the GIC bidding services may or may not be used, however upon the advice of the Attorney General's office HESAA solicited pricing for the services in the event that it is necessary to terminate swaps or if the interest rate markets and the GIC provider market improves it makes sense for HESAA to engage in a guaranty investment contract as part of the bond issues.

Based upon the evaluation, staff is recommending the Board approve Resolution 24:14 appointing First Southwest as HESAA's financial advisor for 2015 and 2016.

A motion to approve Resolution 24:14 was made by Dr. Harvey Kesselman and seconded by Mr. James Allen.

Dr. Jon Larson questioned whether HESAA had experience with First Southwest.

Mr. Hutchins explained that First Southwest is the current Financial Advisor and HESAA's experience with the firm has been very good. He explained that First Southwest is a large corporation and that they have the back office support for all the services that HESAA solicited bids for and that they bring a level of expertise that was not matched by the other respondent. He advised that the other respondent is a small firm with limited resources and fees significantly higher than those proposed by First Southwest. The other firm's fee for the ancillary services was not capped and therefore left open the question as to how much their services would ultimately cost HESAA.

Mr. Hutchins added that this market is being influenced by Dodd Frank and the fact that firms are now required to be qualified municipal investment advisor firms. There is a certification process that they have to go through with the SEC, and they have to demonstrate capability to advise on all the types of issues where they are being contracted. A firm needs to be able to demonstrate that they can advise adequately on revenue bonds before they are certified. Mr. Hutchins stated that he believes this is the reason HESAA only received two responses out of 16 specific mailings and the general RFP being posted to the website.

Bader Qarmout questioned whether First Southwest had changed their fees since the last procurement. Mr. Hutchins responded that not only were there no cost increases, the degree of liability and responsibility of the municipal advisor firm has greatly increased.

The motion passed unanimously.

RESOLUTION 25:14 APPROVING THE EXTENSION OF THE CONTRACT WITH NELNET, DESIGNATED PURCHASER OF FEDERAL FAMILY EDUCATION LOAN PROGRAM (FFELP) REHABILITATION & BANKRUPTCY LOANS FOR ONE YEAR

Mr. Robert Clark presented Resolution 25:14 to the Board.

The FFELP rehab program provides a Loan Rehabilitation Program that enables defaulted borrowers to remove the default status on their loans and repair their credit history if nine

payments are made within a ten month period. Borrowers who have 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 accrued interest and collection costs to 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 had been purchasing monthly pools of rehabilitated defaulted and bankruptcy loans from HESAA's 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 an RFP process, the Authority appointed Nelnet, Inc. as its designated purchaser of these loans for the two year period ending December 31, 2012, with three optional one-year extensions. The first two extensions were granted at previous Authority meetings.

The Board approved the initial selection because Nelnet offered to purchase the loans at a smaller discount than the other bidder, and they have provided excellent service over the life of the contract to date. Even at a discounted rate, HESAA still realizes a nominally positive cash flow from these loan sales.

To determine if HESAA could receive more favorable terms on FFELP rehab sales, in June 2014, we issued another RFP for purchases of FFELP rehabilitation and bankruptcy loans. No responses were received, resulting in the continuation of the current contract with Nelnet for the remainder of 2014.

Accordingly, it is in the best interest of HESAA to exercise its third option to extend the contract with Nelnet. HESAA recommends that the Board approve the attached Resolution 25:14, approving the extension of the contract with Nelnet, Designated Purchaser of FFELP Rehabilitation & Bankruptcy Loans for One Year.

A motion to approve Resolution 25:14 was made Ms. Jean McDonald Rash and seconded by Dr. Jon Larson. The motion passed unanimously.

RESOLUTION 26:14 APPROVING AN EXTENSION OF THE EMPLOYMENT SERVICES CONTRACTS

Ms. Patricia Maske, Human Resource Director, presented Resolution 26:14 to the Board.

Staff requests the Board's approval to extend the existing contracts appointing vendors to provide temporary employment services to HESAA. The initial contracts were for a three year period with two optional one-year extensions.

Overall, HESAA has been satisfied with the candidates received from the vendors, the quality of the candidates, the time period in which they are being presented and the rates that the agencies

have proposed. Only a few times has it been necessary to move from the primary to the secondary vendor and it has not been necessary to move to the third yet.

Staff recommends that the Board approve this Resolution providing a one-year extension to each of the vendors under the current contract.

A motion to approve Resolution 26:14 was made by Dr. Harvey Kesselman and seconded by Mr. James Allen.

Harvey Kesselman questioned whether this is a workforce that HESAA hires for a specific period of time.

Ms. Maske explained that due to the hiring freeze and the additional hours HESAA is open, there is a need for longer term of temporary employees as well as some part time staff and summer interns. Dr. Kesselman asked what type of benefits temporary workers receive, and Ms. Maske explained that any benefits are through their temporary agency.

In response to Dr. Kesselman's question regarding the proportion of temporary employees who work full-time has opposed to part-time, Ms. Masked advised that 2/3 of the temporary staff work full-time and 1/3 work part-time.

The motion passed unanimously.

EXECUTIVE DIRECTOR'S REPORT

Executive Director Gabrielle Charette gave the following report:

Thank you, Vice Chairwoman Van Horn, members of the Board, guests. Last month Governor Christie signed A2364/S1985, which expands student eligibility for NJ STARS, the New Jersey Student Tuition Assistance Rewards Scholarship. Previously the law limited eligibility to students graduating high school in the top 15.0% of their class. Effective upon signing, NJ STARS is open to students who complete either junior or senior year in the top 15.0% of their class.

After the Governor signed the bill, HESAA immediately updated its brochures and website. We also sent a memorandum to the financial aid directors at the 19 community colleges, explaining the statutory change and advising them how HESAA would administer the program going forward. In addition, we sent a memorandum to all the high school guidance counselors statewide, so they may appropriately advise current juniors and seniors.

To supplement this written guidance, NJ STARS will figure prominently in our upcoming in-person training sessions, including our annual High School Counselor Training Institute, which began earlier this month and ends in December. This institute is a day-long training that attracts about 950 high school counselors each year. The training is conducted statewide, and this year will be held at nine institutions of higher education.

You will recall at the last Board meeting you heard from Jim Anderson, president of the New Jersey Association of Student Financial Aid Administrators (NJASFAA). NJASFAA's annual

Fall conference is scheduled for next month, and includes three break-out sessions focused on NJ STARS and its administration. These sessions will be led by HESAA staff members Jossette Greene and Taina Morales.

Speaking of Taina, about a year ago she came to me to discuss an assignment for the doctoral program that she is enrolled in at Rowan University. The assignment led to HESAA University, officially launched this Fall.

While we have always provided training programs, HESAA University is the first to present a standardized curriculum on a year-round basis, making for a more professional and predictable training experience. Further, the initiative is giving the financial aid community a sense of the breadth and depth of knowledge they need to have to be successful in our shared mission. By the way, Taina tells me she received an "A" in the class, but I would give her an "A+".

Overseeing all of HESAA's internal and external training is our new Chief Compliance Officer, Michael McCulley. This is not only Michael's first board meeting; it's his first week at HESAA. Michael earned his undergraduate degree at Villanova University and his Juris doctorate from Rutgers—Camden School of Law. He comes to us from PHH Mortgage, where he was the compliance manager. Michael's focus at PHH and in the private practice of law has been to ensure compliance with the myriad of laws and regulations pertaining to the financial services industry. These include the Dodd-Frank Act, the Truth in Lending Act, the Equal Credit Opportunity Act, the Electronic Funds Transfer Act, the Fair Debt Collections Practices Act and the Fair Credit Reporting Act. Just to name a few. He has also written and spoken about working with the now ubiquitous Consumer Financial Protection Bureau, or CFPB. Welcome, Michael.

Speaking of borrowing and lending, in September the U.S. Department of Education released the three- year cohort default rates for federal loan borrowers. This rate measures the percentage of loans entering repayment three years ago that defaulted in the third year of repayment. The good news is that the national rate fell from 14.7% to 13.7%. The better news is that HESAA's default rate fell from 9.0% to 7.5%. I think this just underscores that the significant borrower outreach that Tera and Dave outlined so eloquently earlier does indeed help prevent defaults.

Finally, as a state agency and federal contractor we are routinely subject to a variety of audits and program reviews. Last month, HESAA's John R. Justice Loan Redemption program for prosecutors and public defenders was reviewed by the U.S. Department of Justice. I am pleased to report that at the exit conference, the program reviewer informed HESAA that there were no findings and she complimented the professionalism and cooperation of the HESAA staff. I would like to congratulate Adam Uretsky, Lorraine Staley and Kathryn Safran for diligently putting together all the documents and materials required for this review.

Also, last month, the State Ethics Commission conducted an audit of HESAA's ethics program. The final exit memorandum from the Executive Director of the Ethics Commission states that HESAA "is in substantial compliance with reporting documentation and other requirements of the New Jersey Conflicts of Interest Law, Executive Orders and regulations issued thereunder." In her memorandum the Executive Director went on to say "it is very clear from this audit that there is a commitment to maintaining the highest level of ethics at HESAA." I want to thank

Marnie Grodman, our Ethics Liaison Officer, and her assistant Roseann Sorrentino for their good work in making sure that our commitment is actually put into practice.

Thank you.

NEW BUSINESS

Marnie Grodman reminded Board members that ethics training is required to be completed by November 10, 2014 and that it can be found at nj.gov/ethics/training and Board members should select the Special State Officer Training Module.

EXECUTIVE SESSION TO DISCUSS THE POSSIBLE LEASE OF REAL PROPERTY – DISCUSSION ONLY.

Ms. Van Horn announced the Board would be entering a closed session pursuant to the Open Public Meeting Act, N.J.S.A. 10:4-12b.(5) and then re-entering Open Session. She advised members of the public who wished to wait for the Board to re-enter Open Session and act on Resolution 27:14 that they could wait in the lobby; and informed those who would not be staying that the next regularly scheduled meeting is January 27, 2015 at 10:00 a.m.

Ms. Van Horn stated that the closed session would be to discuss matters involving the lease of real property with public funds, which according to the Open Public Meetings Act is permitted for closed session discussion. She advised that details of the closed session will be available to the public upon execution of a lease or the Board's decision not to move forward.

A motion to approve entering into executive session was made by Mr. Bader Qarmout and seconded by Dr. Jon Larson. The motion was passed unanimously.

The Board entered Closed Session at 11:12 am and reentered Open Session at 11:45 am.

RESOLUTION 27:14 AUTHORIZING HESAA STAFF TO SOURCE OFFICE SPACE AND NEGOTIATE AND EXECUTE A LEASE

Greg Myer presented Resolution 27:14 to the Board.

HESAA staff believes that it may be beneficial to the Authority to move its headquarters to a location more conducive to its business model.

Staff believes that a new space can be procured providing a reduction in square footage, a lower per square foot rent charge, accommodations for all HESAA staff under one roof, adequate parking for staff and visitors and a location in the general vicinity of the current offices to minimize disruptions to employee commutes.

Pursuant to HESAA's enabling statute the lease of office space is not required to go out to bid. As such, in order to ensure the ability to procure the most efficient use of office space, at the most reasonable cost it is necessary to provide staff with the latitude to negotiate the strongest deal possible.

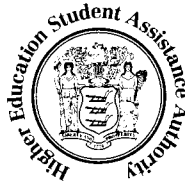
It is recommended that the Board approve Resolution 27:14 Authorizing HESAA's Executive Director, Chief of Staff and Chief Financial Officer to Source Office Space and Negotiate and Execute a Lease on HESAA's behalf not to exceed \$12 million in over eleven year.

A motion to approve Resolution 27:14 was made by Dr. Harvey Kesselman and seconded by Fr. Michael Braden. The motion passed unanimously.

ADJOURNMENT

Motion to adjourn was made by Dr. Harvey Kesselman and seconded by Fr. Michael Braden.

The meeting adjourned at 12:48 p.m.



State of New Jersey

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Executive Director

MEMORANDUM

TO: Members, Higher Education Student Assistance Authority

FROM: Gabrielle Charette, Esq. *GC*
Executive Director

SUBJECT: Report of the Audit Committee and Resolution 19:14 Accepting and Adopting the Financial Statements and Independent Auditors' Reports for Fiscal Year 2014

DATE: October 23, 2014

Summary

Attached for your review, comment and adoption is Resolution 19:14 Accepting and Adopting the Financial Statements and Independent Auditors' Reports for Fiscal Year 2014. Christy Van Horn will report on behalf of the Audit Committee of the Board.

Background

The Audit Committee of the Authority is comprised of the Chair, Vice-Chair and one public member of the Board, as well as a member of the Board having accounting or related financial experience, which includes Anthony Falcone, Christy Van Horn, James Allen and Chris McDonough.

The Committee met with representatives of Clifton Gunderson LLP on October 16, 2014 to review and discuss the 2014 Financial Statements and Clifton Gunderson's unqualified reports.

Recommendations

The Audit Committee recommends that the HESAA Board accept and adopt the Financial Statements and Independent Auditors' Reports for Fiscal Year 2014.

Attachment

RESOLUTION 19:14

**ACCEPTING AND ADOPTING THE FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORTS FOR FISCAL YEAR 2014**

Moved by: Dr. Harvey Kesselman
Seconded by: Ms. Jean McDonald Rash

WHEREAS: The Higher Education Student Assistance Authority (HESAA) prepared three separate financial statements for Fiscal Year 2014 ("2014 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 24, 2014, 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, 2014; and

WHEREAS: The members of the Board Audit Committee met with representatives of CliftonLarsonAllen LLP on October 16, 2014 to discuss the 2014 Financial Statements and CliftonLarsonAllen's unmodified reports; and

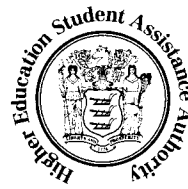
WHEREAS: The members of the Board Audit Committee recommend that the HESAA Board accept and adopt the Financial Statements and Independent Auditors' Reports for Fiscal Year 2014.

NOW THEREFORE, BE IT:

RESOLVED: That the HESAA Board accepts and adopts the Fiscal Year 2014 Financial Statements and Independent Auditor's Reports as attached hereto; and be it further

RESOLVED: That the attached Fiscal Year 2014 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 Governor's Authorities Unit.

October 23, 2014



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

FROM: Gabrielle Charette, Esq. 
Executive Director

SUBJECT: Report of the Budget Committee and Resolution 20:14 Adopting a Board Budget Policy Statement for Fiscal Year 2016

DATE: October 23, 2014

A. Summary

Attached for your review, comment and adoption is Resolution 20:14 Adopting a Board Budget Policy Statement for Fiscal Year 2016. Gene Hutchins, Chief Financial Officer, will report the results of the Budget Committee's meeting.

In general, the Committee's recommendation for FY 2016 continues support for those policies advanced in Fiscal Year 2015.

B. Background

The Budget Committee of the Authority is comprised of the Executive Committee of the Board, which includes Gabrielle Charette, Anthony Falcone, Christy Van Horn, James Allen and Jon Larson.

The Committee met on September 30, 2014 with HESAA staff to develop a Board Budget Policy Statement for Fiscal Year 2016.

C. Recommendations

The Budget Committee recommends adoption of the attached policy statement and Resolution 20:14.

Attachments (2)

RESOLUTION 20:14
ADOPTING A BOARD BUDGET POLICY STATEMENT FOR
STATE FISCAL YEAR 2016

Moved by: Dr. Harvey Kesselman
Seconded by: Fr. Michael Braden

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 30, 2014 the Board's budget committee met with staff to review background information and to draft a FY 2016 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 2016 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 2016 resources available for State-funded student assistance programs in keeping with the attached budget policy statement, subject to refinement of underlying projections.

October 23, 2014

FY 2016 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 2014-2015 academic year, the State's financial aid programs will provide approximately 87,000 awards to State residents to pursue a postsecondary education, ultimately benefitting New Jersey's economy.

The Fiscal Year 2016 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 2016 is the fourth 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 NJ Department of Education and the NJ 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 1,500 additional new awards.
- 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 2016 the fourth 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 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 2016 awards.

World Trade Center Scholarship Program

Recognizing that the program is committed to funding the majority of the students through 2024, the Board requests continued funding of \$202,000 for FY 2016.

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)

FOR INFORMATION ONLY - THIS PAGE IS NOT PART OF THE RESOLUTION

Estimated **Additional*** State Appropriations Necessary to Implement the HESAA Board's FY 2016
Budget Policy Statement

Full-Time Tuition Aid Grants

Provides awards for students based on their current award levels plus a percentage increase not to exceed 2.0%.

Table assumes 65,062 awards –
an increase of 1,500 additional new awards \$15.688 million

Part-Time TAG for County Colleges

Provides pro-rated full-time TAG awards to students enrolled part-time (6-11 credits)

Table assumes 14,302 half-time and full-time awards
No increase in the number of awards \$45,084

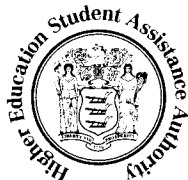
Governor's Urban Scholarship

Provides awards to 895 students
Provides persistency awards to eligible students \$245,000

**Total Estimated Additional State Appropriations Potentially Needed
to Implement the HESAA Board's FY 2016 Budget Policy Statement \$15.978 million**

*** Due to enrollment trends, the following programs do not require additional funding: NJ STARS, NJ STARS II and Part-time TAG for EOF.**

PRESENTATION ON BORROWER OUTREACH FOR STUDENT LOANS



State of New Jersey

HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY

4 QUAKERBRIDGE PLAZA

PO BOX 545

TRENTON, NJ 08625-0545

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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. 
Director, Legal & Governmental Affairs
Administrative Practice Officer

SUBJECT: Resolution 21:14 – Adoption of Amendments to the New Jersey College Loans to Assist State Students (NJCLASS) Program Policies and Procedures, N.J.A.C. 9A:10-6.

DATE: October 23, 2014

Background

HESAA is responsible for the administration of the NJCLASS Program pursuant to N.J.S.A. 18A:71C-21 et seq.

NJCLASS ensures that loans are available to, or for the benefit of, eligible students who are not eligible for, or have additional financial need beyond, Federal student loans.

NJCLASS loans are funded by the sale of bonds. The interest rate on the NJCLASS loans is a pass through rate of the bond interest rate, associated costs of sale and other costs determined by the bond sale. It is necessary to amend the regulations to ensure consistency with the bond indentures, incorporate federal changes to the cohort default rate used to determine an institution's eligibility to participate in NJCLASS and to provide clarity to program terms.

At its April 23, 2014 meeting the HESAA Board approved the proposed amendments to N.J.A.C. 9A:10-6. The Proposed Rule No. PRN 2014-086, was published in the June 16, 2014 New Jersey Register at 46 N.J.R. 1398(a) on the HESAA website at HESAA.org, sent to the Statehouse News Media and Secondary notice was emailed to interested

parties. The 60-day legislative review period for this rule expired on June 30, 2014, with no comments received and the public comment period for this rule expired on August 15, 2014.

The Authority received comments from David McMillin on behalf of Legal Services of New Jersey, Jennifer N. Weil, Esquire, Daniel A. Frischberg on behalf of the Law office of Daniel A. Frischberg, LLC and Jean Public which are summarized below.

COMMENT: Mr. McMillin and Mr. Frischberg both reference the language in N.J.S.A. 18A:71C-29 which provides "Unless expressly limited to federal programs, the information exchange, wage withholding, collection procedures, repayment determinations and other provisions set forth in article 1 of this part shall apply to the NJLCLASS Loan Program." Mr. Frischberg commented that he believes the entirety of the regulations dealing with default are arbitrary and capricious and outside the scope of HESAA's delegated authority. Both Mr. McMillin and Mr. Frischberg assert that pursuant to this language HESAA should implement a rehabilitation program for NJLCLASS Loans in default based on reasonable and affordable payments. Ms. Weil also commented that HESAA should provide rehabilitation for NJLCLASS loans. All three commenters stated that this would help with the affordability of repaying NJLCLASS loans.

RESPONSE: 34 C.F.R. 682.405 and 34 C.F.R. 685.211(f) provide for rehabilitation of federal student loans, not all student loans. HESAA is not authorized by either statute, or the bond indentures that fund NJLCLASS loans, to rehabilitate NJLCLASS loans at this time. The regulations allow for an NJLCLASS rehabilitation program in the event that statute and market conditions change to allow for the issuance of bonds to finance rehabilitation.

COMMENT: Mr. McMillin, Mr. Frischberg and Ms. Weil all commented on the need for HESAA to adopt income-sensitive payment plans as a means to cure or avoid default.

RESPONSE: A NJLCLASS loan is a supplemental student loan that is funded through the sale of tax exempt bonds issued by HESAA. HESAA is required to administer the loans pursuant to the parameters of the bond indentures. Income based payment plans are specifically limited to federal loans due to their funding source. Federal tax dollars do not subsidize repayment plans based on income for NJLCLASS loans, as such NJLCLASS cannot offer the same deferment, repayment, or forbearance options that are available on federal student loans.

COMMENT: Mr. McMillin commented that HESAA should extend death and disability discharges to co-signers.

RESPONSE: NJLCLASS loans provide for discharge upon the death of the sole borrower on the loan. If there is a surviving party to a loan, whether it is the borrower or the co-signer, the loan cannot be discharged. Most undergraduate students who borrow under the NJLCLASS program do not meet the minimum income or credit history to secure an

NJCLASS loan without the assistance of a parent or grandparent. Under the Equal Credit Opportunity Act, HESAA cannot deny a co-borrower or cosigner because of his/her age. The requested amendment to N.J.A.C. 9A:10-6.17 would require discharge in the event a parent or grandparent is on the loan and then dies regardless of whether or not the student has graduated, is gainfully employed and can afford to repay the loan. As NJCLASS loans are financed through the sale of tax exempt bonds, the broad forgiveness parameters being requested would make NJCLASS bonds less attractive to the rating agencies and investors and could in turn increase both the interest rates HESAA has to pay investors to purchase the bonds and the interest rates HESAA has to charge borrowers on the loans.

COMMENT: Mr. McMillin commented that in the absence of reform, NJHESAA should require that potential borrowers maximize both subsidized and unsubsidized federal direct loans before applying for a NJCLASS loan.

RESPONSE: While Borrowers are required to maximize their subsidized federal loans, they are not required to maximize unsubsidized federal direct loans prior to applying for a NJCLASS loan to ensure that borrowers have as many loan options available to them as possible and are not prevented from taking advantage of lower interest rates if and when they are available.

COMMENT: Mr. McMillin and Mr. Frischberg both requested a clarifying change regarding total and permanent disability discharge applications. Mr. McMillin recommended that the amendment to N.J.A.C. 9A:10-6.17(c) be modified to read “A borrower is not considered totally and permanently disabled if he or she continues to receive **an equal or greater amount of** income from the source of income that was used to meet the minimum income requirements at the time the loan was approved.”

RESPONSE: HESAA agrees that the purpose of this amendment was not to bar a borrower from discharge when the original source of income used to qualify for the loan has been reduced. As such, HESAA agrees that clarifying language is necessary in both N.J.A.C. 9A:10-3(a) and N.J.A.C. 9A:10-6.17(c) to make the intent less confusing. This change can be made upon adoption pursuant to N.J.A.C. 1:30-6.3(f)2. as the purpose of the language is to clarify the proposal and pursuant to N.J.A.C. 1:30-6.3(f)3. since the changes do not significantly enlarge or curtail the scope of the rule or those who are affected by it. This modification relieves a burden from those affected by the regulation.

COMMENT: Mr. Frischberg commented that N.J.A.C. 9A:10-6.11(e) is ambiguous. He questioned whether this language means that a student can make a payment of \$10.00 if they are in an interest only repayment plan. Jean Public commented that \$10.00 is too low and a person could not repay a loan with a \$10 minimum payment.

RESPONSE: N.J.A.C. 9A:10-6.11(e) as amended reads, “The minimum acceptable monthly payment for borrowers in an interest only repayment status shall not be less than \$10.00 per loan.” HESAA does not agree that this language is ambiguous. N.J.A.C. 9A:10-6.11(b)2. provides for a repayment option where, while in school, students only

pay the interest that accrues on their loans. Subsection (e) requires these interest payments to be the minimum acceptable payment amount required to fully repay the loan in the maximum repayment term, and for students in the interest only status, that payment must be at least \$10.00 per loan even if the loan has not accrued \$10.00 of interest. Excess amounts will be applied to principle to help reduce debt. The regulation ensures that all loans will be repaid within the maximum repayment term.

COMMENT: Jean Public commented that this is a “something for nothing” program and that banks should be making the loans because banks can make people repay loans and that taxpayers should not be paying for graduate loans. Jean Public added that she believes this program leads to losses to taxpayers and parents’ houses should be taken as collateral.

RESPONSE: N.J.S.A. 18A:71C-23 defines an eligible borrower for NJCLASS loans and does not limit the program to undergraduate students as such it is available for graduate students as well. The NJCLASS program is financed through tax exempt bonds. It is not subsidized by taxpayers. The majority of NJCLASS borrowers repay their loans and do not reach default status. At 7.1% the NJCLASS default rate over the 22 year life of the program is well below the federal student loan program three year cohort default rate of 13.7%.

COMMENT: Jean Public commented that deferments could cause problems for future students who want to borrow.

RESPONSE: Permitted deferments on loan repayments in certain circumstances help keep borrowers out of default. The permissible deferment periods are limited to ensure that loans are repaid within the maximum repayment term of the loan.

COMMENT: Jean Public commented that one doctor’s note is not enough to prove disability.

RESPONSE: Historically a note from a physician, who is a doctor of medicine or osteopathy and is legally authorized to practice medicine, certifying that the borrower is temporarily totally disabled has been sufficient to determine if a person qualifies for a deferment.

HESAA agrees with one comment received that clarifying language is necessary in both N.J.A.C. 9A:10-3(a) and N.J.A.C. 9A:10-6.17(c) to make the intent of the regulation less confusing. The purpose of this amendment was to ensure that borrowers were not having their loans discharged if there was no change to the source of income that was used to meet the minimum income requirements at the time the loan was approved. The purpose was not to bar a borrower from discharge when the original source of income used to qualify for the loan has been reduced. As such, the amendment is being modified to specify that individuals are not considered totally and permanently disabled if they continue to receive an equal or greater amount of income from that same source. This change can be made upon adoption because it is not substantial pursuant to N.J.A.C.

1:30-6.3(f)2. since the purpose of the language is to clarify the proposal and pursuant to N.J.A.C. 1:30-6.3(f)3. since the changes do not significantly enlarge or curtail the scope of the rule or those who are affected by it. This modification relieves a burden on those affected by the change. Attached to Resolution 21:14 is the Rule Proposal, as published in the June 16, 2014 New Jersey Register as well as the proposed modification to N.J.A.C. 9A:10-6.17(c).

Recommendation

It is recommended that the Board approve Resolution 21:14, Adoption of Amendments to the New Jersey College Loans to Assist State Students (NJCLASS) Program Policies and Procedures, N.J.A.C. 9A:10-6.

Attachments

Proposed Modifications to Rule Proposal

Additions to the original proposal are indicated in boldface with asterisks **thus**:

N.J.A.C. 9A:10-6.3

(a) The following words and terms, when used in this subchapter, shall have the following meanings, unless the context clearly indicates otherwise:

...

"Totally and permanently disabled" means the condition of any individual who is unable to work and earn money or attend school because of an injury or illness that is expected to continue indefinitely or result in death. An individual is not considered "totally and permanently disabled" if he or she continues to receive ***an equal or greater amount of income from*** the source of income that was used to meet the minimum income requirements at the time the loan was approved.

...

N.J.A.C. 9A:10-6.17

...

(c) If the Authority determines that an individual borrower is totally and permanently disabled, the obligation of the borrower to make any further payments on the loan is discharged. A borrower is not considered totally and permanently disabled on the basis of a condition that existed at the time he or she applied for the loan, unless the borrower's condition has substantially deteriorated later, so as to render the borrower totally and permanently disabled. A borrower is not considered totally and permanently disabled if he or she continues to receive ***an equal or greater amount of income from*** the source of income that was used to meet the minimum income requirements at the time the loan was approved. After being notified by the borrower, or the borrower's representative, that the borrower claims to be totally and permanently disabled, the Authority shall request that the borrower, or the borrower's representative, submit the discharge application provided by the Authority. The application must contain a certification by a physician, who is a doctor of medicine or osteopathy and legally authorized to practice in a state, that the borrower is totally and permanently disabled as defined in N.J.A.C. 9A:10-6.3.

...

RESOLUTION 21:14

APPROVING THE ADOPTION OF AMENDMENTS TO THE NEW JERSEY COLLEGE LOANS TO ASSIST STATE STUDENTS (NJCLASS) PROGRAM, N.J.A.C. 9A:10-6

Moved By: Mr. James Allen
Seconded By: Ms. Jean McDonald Rash

WHEREAS: HESAA is responsible for the administration of the New Jersey College Loans to Assist State Students (NJCLASS) Program pursuant to N.J.S.A. 18A:71C-21 et seq.; and

WHEREAS: NJCLASS loans are funded by the sale of bonds and the interest rate on the NJCLASS loans is a pass through rate of the bond interest rate, associated costs of sale and other costs determined by the bond sale; and

WHEREAS: In order to ensure consistency with the bond indentures, incorporate federal changes to the cohort default rate used to determine an institution's eligibility to participate in NJCLASS and to provide clarity to program terms, it is necessary to make changes to the NJCLASS program.

WHEREAS: At its April 23, 2014 meeting the HESAA Board approved the proposed amendments to N.J.A.C. 9A:10-6; and

WHEREAS: The Proposed Rule No. PRN 2014-086, was published in the June 16, 2014 New Jersey Register at 46 N.J.R. 1398(a), on the HESAA website at HESAA.org, sent to the Statehouse News Media and Secondary notice was emailed to interested parties; and

WHEREAS: The 60-day legislative review period for this rule expired on June 30, 2014, with no comments received; and

WHEREAS: The public comment period for this rule expired on August 15, 2014 with four comments received; and

WHEREAS: Clarifying language is necessary in both N.J.A.C. 9A:10-3(a) and N.J.A.C. 9A:10-6.17(c) to refine the intent of the rule; and

WHEREAS: This change can be made upon adoption because the purpose of the language is to clarify the proposal pursuant to N.J.A.C. 1:30-6.3(f)2. and pursuant to N.J.A.C. 1:30-6.3(f)3. the changes do not significantly enlarge or curtail the scope of the rule or those who are affected by it.

NOW, THEREFORE, LET IT BE:

RESOLVED: That the Board approves the Adoption of Amendments to the New Jersey College Loans To Assist State Students (NJCLASS) Program, N.J.A.C. 9A:10-6 as modified.

October 23, 2014

ineligibility. [Appeals should be in the form of a letter] **All appeals shall be in writing and** addressed to the Director of Grants and Scholarships in the Authority, PO Box 540, Trenton, New Jersey 08625-0540 **or submitted electronically**, and shall contain the student's full name, Social Security number or **customer ID number**, college of attendance, and a description of the basis for the appeal. The Director of Grants and Scholarship will respond with the Authority's final determination of the appeal.

SUBCHAPTER 11. NEW JERSEY STUDENT TUITION
ASSISTANCE REWARD SCHOLARSHIP II (NJ
STARS II) PROGRAM

9A:9-11.10 Appeals

If, for any reason a student, his or her family, or an institution feels that the application of this subchapter results in an unfair determination of eligibility, an appeal shall be filed with the Higher Education Student Assistance Authority within 30 days of **initial** notification of eligibility or ineligibility. [Appeals should be in the form of a letter] **All appeals shall be in writing and** addressed to the Director of Grants and Scholarships in the Authority, PO Box 540, Trenton, New Jersey 08625-0540 **or submitted electronically**, and shall contain the student's full name, Social Security number or **customer ID number**, college of attendance, and a description of the basis for the appeal. The Director of Grants and Scholarship will respond with the Authority's final determination of the appeal.

(a)

**HIGHER EDUCATION STUDENT ASSISTANCE
AUTHORITY**

**Student Loan and College Savings Programs
The New Jersey College Loans to Assist State
Students (NJCLASS) Program: Policies and
Procedures**

**Proposed Amendments: N.J.A.C. 9A:10-6.3 through
6.19**

Authorized By: Higher Education Student Assistance Authority,
Anthony Falcone, Chairperson.

Authority: N.J.S.A. 18A:71A-1 et seq. and 18A:71C-21 et seq.
Calendar Reference: See Summary below for explanation of
exception to calendar requirement.

Proposal Number: PRN 2014-086.

Submit written comments by August 15, 2014, to:

Marnie B. Grodman, Esquire
Administrative Practice Officer
Higher Education Student Assistance Authority
PO Box 545
Trenton, NJ 08625-0545
Email: Regulations@hesaa.org

The agency proposal follows:

Summary

The Higher Education Student Assistance Authority (Authority) is statutorily responsible for the administration of the State's supplemental student loan program, the New Jersey College Loans to Assist State Students (NJCLASS), and for the promulgation of all rules to that effect, pursuant to N.J.S.A. 18A:71C-21 et seq.

NJCLASS ensures that loans are available to, or for the benefit of, eligible students who are not eligible for, or have additional financial need beyond, Federal student loans.

NJCLASS loans are funded by the sale of bonds. The interest rate on the NJCLASS loans is a pass through rate of the bond interest rate, associated costs of sale, and other costs determined by the bond sale. It is necessary to amend the rules to ensure consistency with the bond indentures, incorporate Federal changes to the cohort default rate used to

determine an institution's eligibility to participate in NJCLASS, and to provide clarity to program terms.

The proposed amendments are summarized below:

N.J.A.C. 9A:10-6.3 is amended to revise the definition of "cohort default rate" to comport with the new Federal definition provided by 34 CFR 668.200 through 202 and Subpart N. Pursuant to the Federal regulatory change, as of 2014, two-year cohort default rates will no longer be provided. As such, the Authority will need to rely on a three-year cohort default rate. The amended definition in subchapter mirrors the Federal definition.

Additionally, Executive Reorganization Plan No. 005-2011 eliminated the Commission on Higher Education and transferred its powers to the Office of the Secretary of Higher Education. As such, the definition of "Commission" or "CHE" is amended to reflect this change.

References to "consolidation loan" have been changed throughout the subchapter to "NJCLASS Consolidation Loan." As such, the definition has been amended and moved to remain in alphabetical order.

The definition of "eligible institution" has been amended due to the change in the definition of cohort default rate. As the cohort default rate has been increased from two to three years, it is necessary to increase the percentage rate from 20 percent to 25 percent. Additionally, reference to the NJCLASS Variable Rate Program is deleted as the definition for this program has been consolidated with that for the NJCLASS Graduate/Professional Students program.

A new definition is added for "fixed rate" as this term is used throughout the subchapter.

In order to alleviate confusion in determining the difference between the overall NJCLASS Loan Program, and the individual loan types included in the Program, the definition of "NJCLASS" has been amended to define the "NJCLASS Loan Program," which encompasses all NJCLASS loans except for NJCLASS Consolidation Loans. A separate definition for "Standard NJCLASS Loan" has been added to define the individual loan that is the primary loan product offered by the Authority. "NJCLASS Loan Program" is used to replace "NJCLASS loans" in the definitions for "delinquency" and "rehabilitation," in the heading for N.J.A.C. 9A:10-6.4, and in N.J.A.C. 9A:10-6.4 through 6.19, and "Standard NJCLASS Loan" replaces "NJCLASS loan" and "fixed rate NJCLASS loan" in the definitions for "NJCLASS Graduate/Professional Students Program" and "NJCLASS Postgraduate Program" and in N.J.A.C. 9A:10-6.4(a) and (b) (except where, in subsection (a), specific reference is made to "any NJCLASS Loan Program or Consolidation Loan amount") and 6.5(c) and (d).

Additionally, the definition for the "NJCLASS Graduate/Professional Students Program" is amended to incorporate the predecessor variable rate version of that loan program. As such, the two programs are merged into this definition and the definition for the "NJCLASS Variable Rate Program" is deleted.

The definition for "rehabilitation" has been amended to reflect the change in terminology discussed above regarding the defined terms of "NJCLASS Loan Program" and "NJCLASS Consolidation Loans."

A definition has been added for "temporarily totally disabled" as this term is used in the subchapter.

In order to protect the integrity of the trust estate used to fund NJCLASS, loans are only forgiven if a total and permanent disability affects the ability to pay. Accordingly, the definition for "totally and permanently disabled" has been amended to clarify that, in the case of people who receive an NJCLASS loan on the basis of an income that is not affected by their ability to work or attend school, they will not be deemed totally and permanently disabled for the purposes of having their NJCLASS loans forgiven.

A definition has been added for "variable rate" as that term is used in this subchapter and was not previously defined.

N.J.A.C. 9A:10-6.4(a)3 has been amended to reflect the change in terminology discussed above regarding the defined terms of "NJCLASS Loan Program" and "NJCLASS Consolidation Loans." This update is also proposed at N.J.A.C. 9A:10-6.13(d)4, 6.15, and 6.18.

As the amended definition for NJCLASS Graduate/Professional Students loans incorporates the variable rate NJCLASS loan, N.J.A.C. 9A:10-6.4(c) is amended to delete the superfluous reference to the Variable Rate NJCLASS loan.

Due to the change in the definition of cohort default rate, N.J.A.C. 9A:10-6.4(c) is amended to change the eligible institution requirement for a Graduate/Professional Student loan to a three-year cohort default rate of 15 percent or less.

N.J.A.C. 9A:10-6.5(e) is amended to clarify that a borrower who does not meet the income and credit requirements for an NJCLASS Loan Program loan and would like to be reconsidered with a new cosigner will need to reapply.

The loan amounts proscribed in N.J.A.C. 9A:10-6.6 are the same regardless of the source of the funding. As such, N.J.A.C. 9A:10-6.6 is amended to incorporate the information into one section and delete reference to two separate subsections.

N.J.A.C. 9A:10-6.8(a) is amended to clarify that application and administrative fees are assessed as determined by the bonds or notes whose proceeds are funding the loan or by the NJCLASS Application and Promissory Note, if the loan is funded through other means.

N.J.A.C. 9A:10-6.8(b) is amended for clarity to rename the administrative fee for servicing as a servicing fee.

N.J.A.C. 9A:10-6.11(a) is amended to specify that the Pre-Disbursement Disclosure statement includes information on the expected monthly payment amounts.

N.J.A.C. 9A:10-6.11(b) is amended to simplify the subsection. The revised subsection describes the primary repayment options and advises that the specific variations may be restricted by the bond indentures. Specific language is also proposed for deletion regarding interest rates in this subsection. This amendment allows flexibility for the program to provide the most advantageous options for borrowers based on the annual market conditions. Additionally, N.J.A.C. 9A:10-6.11(b)3 is amended to allow the bond indentures to define how often interest is capitalized for the deferred repayment option.

N.J.A.C. 9A:10-6.11(c)1 and 2 are amended to clarify that the paragraphs refer to the NJCLASS Postgraduate loan, as indicated in the lead-in text of subsection (c).

N.J.A.C. 9A:10-6.11(e) is amended to lower the minimum acceptable monthly payment for borrowers in an interest only repayment status from \$50.00 per borrower to \$10.00 per loan, as accrued interest on smaller loans may not reach \$50.00.

Proposed new N.J.A.C. 9A:10-6.11(h) is added to reference the Federal Servicemembers Civil Relief Act (SCRA). Among other relief, the SCRA provides lower interest rates for active duty servicemembers. This new subsection states that servicemembers must submit a request for relief under the SCRA as prescribed at 50 U.S.C. § 527(b)(1).

N.J.A.C. 9A:10-6.12(a)4 is amended to expand the scope of how to prove active duty status by deleting the requirement of a "statement" from a commanding officer and replacing it with "documentation" and to provide examples of acceptable documentation borrowers can provide to receive an active-duty military deferment.

N.J.A.C. 9A:10-6.12(a)6 is deleted as the definition for "temporarily totally disabled" has been moved to the definitions section, N.J.A.C. 9A:10-6.3.

N.J.A.C. 9A:10-6.12(b) is amended to specify that in-school deferments are not available within 24 months of the loan maturity date. This amendment is necessary to provide borrowers with time to pay off their loans prior to the maturity date, as opposed to paying the entire loan amount in one payment.

N.J.A.C. 9A:10-6.13(a) is amended to clarify that NJCLASS Consolidation Loans are not limited to being offered on a fixed rate basis.

N.J.A.C. 9A:10-6.13(c) is amended to state that existing NJCLASS Consolidation Loans are not eligible to be included in a new consolidation loan.

N.J.A.C. 9A:10-6.13(i) is amended to advise borrowers of the servicing fee that they may be required to pay for an NJCLASS Consolidation Loan.

N.J.A.C. 9A:10-6.13(m) is amended to advise that the forbearance maximum time limit restrictions set forth in N.J.A.C. 9A:10-6.12(d) also pertain to NJCLASS Consolidation Loans.

N.J.A.C. 9A:10-6.17(c) is amended to state that a borrower is not considered totally and permanently disabled if he or she continues to receive the source of income that was used to meet the minimum income requirements at the time the loan was approved. This amendment protects

the integrity of the trust estate used to fund NJCLASS loans, by only discharging loans if a total and permanent disability affects the ability to repay the loan.

As the Authority has provided a 60-day comment period on this notice of proposal, this notice is excepted from the rulemaking calendar requirement pursuant to N.J.A.C. 1:30-3.3(a)5.

Social Impact

The NJCLASS Program serves as this State's supplemental student loan program to help families complete their financial aid package and meet higher education costs. The NJCLASS Program continues to experience significant growth and offers one of the lowest fixed rate supplemental loans in the nation. As the volume of loan applications continues to increase, the Authority seeks to maintain and improve service to applicants and borrowers.

It is anticipated that the proposed change to the cohort default rate will have a positive impact on students and schools by ensuring schools remain eligible to participate in the NJCLASS Loan Program, thereby increasing the school options for students.

Additionally, the proposed addition of a reference to the Servicemembers Civil Relief Act, as well as the expansion of acceptable documents that can be used to prove military services, are intended to simplify the process for servicemembers to request relief in repaying NJCLASS loan Program loans.

The amendments also positively impact borrowers by providing more transparency to loan disclosure documents and providing a lower minimum payment for borrowers who select an interest only repayment option while in school. The amendments to the Consolidation Loan Program protect borrowers from large balloon payments by limiting the forbearance period and from higher interest rates by not allowing a consolidation loan to be reconsolidated at a higher rate.

The amendment to the definition of total and permanent disability has a positive impact on all future borrowers. By ensuring that creditworthy borrowers who retain the ability to repay the loan remain obligated, default rates remain low. Low default rates mean better assumptions from rating agencies, which in turn lead to lower interest rates on the loans.

The proposed amendments provide further clarification of the policies and procedures governing the NJCLASS Program in the Authority's efforts to continue to improve efficiency and service.

Economic Impact

The proposed amendments implement changes to the State supplemental student loan program, which makes postsecondary education accessible and affordable to thousands of New Jersey students and families. For the State's NJCLASS Loan Program, more than \$200 million was made available last year alone by the Authority in affordable NJCLASS loans. The entire cost of the program is self-generated through bond financing of NJCLASS loans. The NJCLASS Program offers one of the lowest fixed-rate supplemental loans in the nation. It is anticipated that the amendments will allow the Authority to keep interest rates as low as possible, and will continue the low rate of borrowers defaulting on their NJCLASS loans.

Specifically, the amendments provide that application, administrative fees, and servicing fees are not mandatory, allowing the Authority the flexibility to not charge these fees to borrowers when the bond indentures determine that they are not necessary. The amendments also provide economic relief to borrowers by lowering the mandatory minimum payments for loans in the interest only repayment option. Servicemembers receive even greater relief through lower interest rates provided by the Servicemembers Civil Relief Act.

The amendments to the Consolidation Loan Program protect borrowers from large balloon payments by limiting the forbearance period and from higher interest rates by not allowing a consolidation loan to be reconsolidated at a higher rate.

The amendment to the definition of total and permanent disability allows the Authority to keep interest rates on the NJCLASS Loan Program loans low. By ensuring that creditworthy borrowers who retain the ability to repay the loan remain obligated, default rates remain low. Low default rates mean better assumptions from rating agencies, which in turn lead to lower interest rates on the loans.

Federal Standards Statement

A Federal standards analysis is not required because the subject matter of this State student loan program is not subject to any Federal requirements or standards except for the standards for tax-exempt bonds, section 144(b) of the Federal Internal Revenue Code. NJCLASS loans funded by tax-exempt bonds are intended to qualify under the standards of section 144(b) of the Federal Internal Revenue Code, and do not exceed the standards of that section.

Jobs Impact

Because the NJCLASS Program administered by the Authority makes postsecondary education accessible to thousands of New Jersey students and their families, it promotes access to one of the keys to economic development: higher education. Programs so significant to the financing of a college-trained New Jersey workforce can only be expected to add to the job opportunities in this State. It is not anticipated that the proposed amendments to these rules will result in the generation or loss of jobs.

Agriculture Industry Impact

The proposed amendments will have no impact on the agriculture industry.

Regulatory Flexibility Statement

A regulatory flexibility analysis is not required because the proposed amendments to the NJCLASS Program do not impose reporting, recordkeeping, or other compliance requirements on small businesses as defined by the Regulatory Flexibility Act, N.J.S.A. 52:14B-16 et seq. The Authority does not anticipate that any educational institution participating in this program would be covered by the definition of a small business because these entities have over 100 full-time employees. Additionally, NJCLASS loan applicants are not covered by the definition because they are individuals, not businesses.

Housing Affordability Impact Analysis

The proposed amendments will have an insignificant impact on affordable housing in New Jersey. There is an extreme unlikelihood that the amendments would evoke a change in the average costs associated with housing because the proposed amendments concern student loans, which have no impact on housing.

Smart Growth Development Impact Analysis

The proposed amendments will have an insignificant impact on smart growth and there is an extreme unlikelihood that the amendments would evoke a change in housing production in Planning Areas 1 or 2, or within designated centers, under the State Development and Redevelopment Plan in New Jersey. The proposed amendments concern student loans, which have no impact on housing.

Full text of the proposal follows (additions indicated in boldface thus; deletions indicated in brackets [thus]):

SUBCHAPTER 6. THE NEW JERSEY COLLEGE LOANS TO ASSIST STATE STUDENTS (NJCLASS) PROGRAM: POLICIES AND PROCEDURES

9A:10-6.3 Definitions

(a) The following words and terms, when used in this subchapter, shall have the following meanings, unless the context clearly indicates otherwise:

... "Cohort default rate" means the percentage of Federal Family Education Loan Program (FFELP) and William D. Ford Federal Direct Loan Program (Direct Loan) borrowers who default [before] by the end of the **second** Federal fiscal year following the Federal fiscal year in which they entered repayment on their loans, unless otherwise defined by the United States Department of Education. The United States Department of Education calculates this rate annually to determine the default experience of students who attended a particular school during a particular period of time.

"Commission" or "CHE" means the [Commission on] **Office of the Secretary of Higher Education**, a State higher education policy-making agency presided over by [a governing board, whose chairman] **the Secretary of Higher Education who is a member, ex-officio, of the**

Authority. The Commission's statutory responsibilities include final administrative decisions over institutional licensure and university status in this State.

"Consolidation loan" means a new NJCLASS loan that discharges previous NJCLASS loans. NJCLASS loan consolidation enables a borrower with several loans to obtain one loan with one repayment schedule, and one interest rate.]

... "Delinquency" means a payment on an NJCLASS Loan Program loan or Consolidation Loan made late. Delinquency begins the first day after the due date of the first missed payment that is not later made. The due date of the first payment is established by the Authority.

"Eligible institution" means a public or private nonprofit institution eligible for Title IV, Higher Education Act of 1965 assistance, approved or licensed by the New Jersey Commission on Higher Education or its equivalent in another state or country and accredited by a nationally recognized accrediting association and having an annual cohort default rate of [20] **25** percent or less. Eligible institution shall also include proprietary institutions eligible for Title IV, Higher Education Act of 1965 assistance and having an annual cohort default rate of [20] **25** percent or less. An eligible institution for purposes of the [NJCLASS Variable Rate Program or the] NJCLASS Graduate/Professional Students Program shall have a lower cohort default rate threshold, as set forth in N.J.A.C. 9A:10-6.4(c)2. Eligible institution for purposes of the NJCLASS Postgraduate Program means an American Bar Association approved law school, a graduate medical school accredited by the Liaison Committee on Medical Education, the American Osteopathic Association[,], or the U.S. Department of Education's National Committee on Foreign Medical Education and Accreditation (NCFMEA), or a graduate dental school accredited by either the American Dental Association or the Commission on Dental Accreditation of Canada.

"Fixed rate" means a predetermined interest rate percentage that is set at the origination of the loan. NJCLASS Loan Program Loan rates are determined by the bond indentures and may include a step-up to the percentage charged after a predetermined number of months.

... ["NJCLASS" means the New Jersey College Loans to Assist State Students Loan Program.]

"NJCLASS Consolidation Loan" means a new NJCLASS loan that discharges previous NJCLASS Loan Program loans. NJCLASS loan consolidation enables a borrower with several loans to obtain one loan with one repayment schedule and one interest rate.

"NJCLASS Graduate/Professional Students Program" means an NJCLASS program targeted for graduate and professional students, [whose loans are disbursed on or after June 1, 2006,] with eligibility requirements specially tailored for such students, as set forth in N.J.A.C. 9A:10-6.4(c). The provisions governing **Standard** NJCLASS loans in this subchapter shall apply to NJCLASS Graduate/Professional Students loans unless this subchapter otherwise provides.

"NJCLASS Loan Program" means the New Jersey College Loans to Assist State Students Loan Program and encompasses all loans offered under the NJCLASS name except for the NJCLASS Consolidation Loan.

"NJCLASS Postgraduate Program" means an NJCLASS program for law, medical, and dental students intended to assist with higher education costs incident to the cost of attendance, such as bar examination and medical and dental residency travel and relocation expenses. The provisions governing **Standard** NJCLASS loans in this subchapter shall apply to NJCLASS Postgraduate loans, unless this subchapter otherwise provides. The Authority may offer the NJCLASS Postgraduate Program subject to the availability of funding and conditioned on market demand.

"NJCLASS Variable Rate Program" means an NJCLASS program targeted for graduate and professional students, whose loans were disbursed prior to June 1, 2006, with eligibility requirements specially tailored for such students, as set forth in N.J.A.C. 9A:10-6.4(c). The provisions governing NJCLASS loans in this subchapter shall apply to NJCLASS Variable Rate loans unless this subchapter otherwise provides.]

“Rehabilitation” (of a defaulted NJCLASS loan) means a process by which a borrower may bring an NJCLASS Loan Program loan or an NJCLASS Consolidation Loan out of default by adhering to specified repayment requirements.

“Standard NJCLASS Loan” means the primary loan offered by the Authority, which is offered to both graduate and undergraduate students.

“Temporarily totally disabled” means that an individual is unable to work and earn money or attend school during a period needed to recover from injury or illness.

“Totally and permanently disabled” means the condition of any individual who is unable to work and earn money or attend school because of an injury or illness that is expected to continue indefinitely or result in death. An individual is not considered “totally and permanently disabled” if he or she continues to receive the source of income that was used to meet the minimum income requirements at the time the loan was approved.

“Variable rate” means an interest rate that is reset at predetermined intervals. The adjustments are determined by a specific index as specified in the bond indentures.

(b) (No change.)

9A:10-6.4 Eligibility for the NJCLASS Loan[, NJCLASS Variable Rate Loan, NJCLASS Graduate/Professional Students Loan, NJCLASS Postgraduate Loan, and MedNJ Program

(a) To be eligible for [an] a Standard NJCLASS loan, each applicant must:

1.-2. (No change.)

3. Provide an acceptable cosigner if it is determined by the Authority that one is required; and in the case of any Federal Family Education Loan amount, Federal Direct Loan amount, or any NJCLASS Loan Program loan or Consolidation Loan amount that previously was canceled due to the applicant’s total and permanent disability, obtain a certification from a physician that the applicant’s condition has improved and that the applicant is able to engage in substantial gainful activity and sign a statement acknowledging that the Standard NJCLASS loan the applicant receives cannot be canceled in the future on the basis of any impairment present when the new loan is made, unless that impairment substantially deteriorates. If the applicant is not the student, and the student had any loan amount described in this paragraph canceled due to the student’s total and permanent disability, the student on whose behalf another borrower is applying for [an] a Standard NJCLASS loan must obtain the physician certification as to the student’s improvement and sign the statement limiting future cancellation on the basis of the student’s present impairment; and

4. (No change.)

(b) In addition to all of the requirements in (a) above, a student applicant or a student on whose behalf the parent is applying for [an] a Standard NJCLASS loan shall:

1.-5. (No change.)

6. If applying for [an] a Standard NJCLASS loan financed in whole or in part by qualified student loan bonds, as described in section 144(b) of the Federal Internal Revenue Code of 1986, as amended, 26 U.S.C. § 144(b), have met the eligibility criteria described in that section or have not violated any other criteria [which] that would result in the bonds no longer to be qualified under section 144(b) of the Federal Internal Revenue Code of 1986, as amended, 26 U.S.C. § 144(b); and

7. If applying for [an] a Standard NJCLASS loan not financed in whole or in part by qualified student loan bonds, as described in section 144(b) of the Federal Internal Revenue Code of 1986, as amended, 26 U.S.C. § 144(b), have met the eligibility criteria described in this subchapter.

(c) To be eligible for [a Variable Rate NJCLASS loan for student borrowers, or] an NJCLASS Graduate/Professional Students loan for student borrowers, each student must satisfy the requirements of (b)1, 3, and 6 above, as well as the following:

1. (No change.)

2. Be enrolled in an eligible institution for purposes of this program, which shall mean an eligible institution of higher education under Title

IV, Higher Education Act of 1965 and accredited by a nationally recognized accrediting association that is licensed by the New Jersey Commission on Higher Education or its equivalent in another state or country with a [three year average] cohort default rate of [10] 15 percent or less;

3.-5. (No change.)

(d)-(e) (No change.)

9A:10-6.5 NJCLASS creditworthiness

(a) To be approved for an NJCLASS Loan Program loan, a borrower must be determined creditworthy by the Authority.

(b) (No change.)

(c) To be approved for a [fixed rate] Standard NJCLASS loan, a creditworthy borrower or cosigner must have documentable annual income that exceeds Federal poverty guidelines, as adjusted annually by the United States Department of Health and Human Services. The amount by which income must exceed Federal poverty guidelines is determined by the bonds or notes whose proceeds are funding the loan.

(d) A borrower or cosigner with one or more of the items listed below in his or her credit history may be denied [an] a Standard NJCLASS loan for not being creditworthy. These items include delinquent accounts, paid and unpaid collection accounts, paid and unpaid charged off accounts, foreclosure, repossession, bankruptcy, or a paid or unpaid judgment.

(e) Borrowers who do not meet the income and credit requirements may [be reconsidered] reapply with an eligible cosigner who does meet the requirements of this section.

9A:10-6.6 Loan amounts

[a] If the NJCLASS loan is financed in whole or in part by qualified student loan bonds, as described in section 144(b) of the Federal Internal Revenue Code of 1986, as amended, 26 U.S.C. § 144(b), the The amount borrowed for an NJCLASS Loan Program loan shall not exceed a student’s estimated cost of attendance at the eligible institution minus all other financial assistance for which the student is eligible [(excluding any financial assistance which would not cause the bonds to fail to qualify under section 144(b) of the Federal Internal Revenue Code)] for the academic period for which the loan is intended. This means that an eligible institution shall determine a student borrower’s loan amount eligibility for Federal Direct Stafford loans prior to determining a student borrower’s loan amount eligibility for an NJCLASS Loan Program loan. This eligibility determination excludes eligibility for Federal Direct PLUS loans.

[b] If the NJCLASS loan is not financed in whole or in part by qualified student loan bonds, the amount borrowed may not exceed a student’s estimated cost of attendance at the eligible institution minus all other financial assistance for which the student is eligible for the academic period for which the loan is intended. This means that an eligible institution shall determine a student borrower’s loan amount eligibility for Federal Direct Stafford loans prior to determining a student borrower’s loan amount eligibility for an NJCLASS loan. This eligibility determination excludes eligibility for Federal Direct PLUS loans.]

9A:10-6.7 Application procedures, disbursement, and students who transfer

(a) To borrow under the NJCLASS Loan Program, the process shall be as follows:

1. (No change.)

2. The Authority shall notify the eligible institution the student attends or plans to attend that the student qualifies for a loan pending certification and request the school to certify the student’s eligibility for an NJCLASS Loan Program loan.

(b)-(c) (No change.)

(d) The method of disbursement is determined by an eligible institution. Loan proceeds may be disbursed by individual check, master check, or by electronic means, such as Electronic Funds Transfer (EFT). Funds disbursed by individual check to a student borrower shall be made jointly payable to the student and the eligible institution, sent directly to the school and may be multiply disbursed. Funds disbursed by individual check to a parent borrower shall be made payable to the parent borrower and may be multiply disbursed. If the Authority issues an individual

NJCLASS [loan] **Loan Program** check, and the student is enrolled in a study-abroad program approved for credit and if the student requests, the loan check may be made payable to the student only.

(e) An NJCLASS **Loan Program** loan may be used only to cover the educational costs of attendance at the school that completes the school certification form providing school data. NJCLASS Postgraduate loans may be used to cover the educational expenses incident to the educational costs of attendance at the school that completes the school certification form providing school data. The school must return to the Authority any refund of NJCLASS proceeds resulting from a student's withdrawal, after satisfying any outstanding accounts receivable. If a student transfers between schools at any time, neither the student nor the parent borrower are eligible to receive proceeds from an application and promissory note for which the school certification form was completed by the previous school. If a student transfers from one school to another before a loan is fully disbursed, the student or parent borrower is not eligible for any remaining disbursements of that loan, and the student or parent borrower must notify the Authority to cancel the loan or the balance of any undisbursed portion of the loan. The student or parent borrower may submit a second application and promissory note with new cost of attendance and estimated financial assistance figures certified by the new school.

9A:10-6.8 Fees

(a) [A] **As determined by the bonds or notes whose proceeds are funding the loan or by the NJCLASS Application and Promissory Note if the loan is funded through other means, a recipient of an NJCLASS Loan Program loan [shall] may be required to pay an application and an administrative fee to the Authority, which combined shall not exceed five percent of the total approved loan amount.**

1.-2. (No change.)

(b) A recipient of an NJCLASS **Loan Program** loan may be required to pay [an administrative] a **servicing fee** [for servicing of the NJCLASS loan] if provided by the promissory note.

9A:10-6.9 Interest

(a) The NJCLASS **Loan Program** loan shall have a daily fixed simple annual interest rate, a variable interest rate, or another type of interest rate, as determined by the bonds or notes whose proceeds are funding the loan or by the NJCLASS Application and Promissory Note if the loan is funded through other means. For NJCLASS **Loan Program** loans funded through bonds, the NJCLASS **Loan Program** interest rate will be a pass through rate of the bond interest rate, associated costs of sale, and such other costs or reserves which may be required, and/or determined as the bonds are issued.

(b) Interest on an NJCLASS **Loan Program** loan shall begin to accrue at the time of the first loan disbursement.

9A:10-6.10 Late charge

The Authority may collect a late charge from the borrower if the borrower fails to pay all or part of the required payment of an NJCLASS **Loan Program** loan within 10 days of the date the payment is due. The late charge may not exceed six percent of each late payment.

9A:10-6.11 Repayment of loan

(a) The Authority shall provide the borrower and cosigner, if any, with a Pre-Disbursement Disclosure Statement detailing **expected monthly payment amounts and due dates** of required payments at least three days prior to the first loan disbursement.

(b) There are three **primary** repayment options for NJCLASS **Loan Program** loans. [Eligibility] **The details and eligibility criteria** for each specific option and their variations may be restricted by the bond indentures. Borrowers shall indicate preferred repayment options while applying for an NJCLASS **Loan Program** loan. Applications cannot be processed until a repayment option is selected. The Authority shall make best efforts, based on available funding, to offer borrowers the repayment option selected. If the selected option is unavailable the loan offer will include the most similar available repayment option. [In exchange for the option of deferring both principal and interest or principal only, borrowers in the repayment schedule set forth in (b)2 and 3 below may be required to pay an increase over the regular interest rate in effect at the time of borrowing. In exchange for a shortened term for repayment,

borrowers in the repayment schedule set forth in (b)1 below may receive a decrease from the regular interest rate in effect at the time of borrowing.] The [regular] interest rate is established by the Authority pursuant to N.J.A.C. 9A:10-6.9(a). [The interest rate differentials do not apply to NJCLASS variable interest rate loans.] The three **primary** repayment options for an NJCLASS loan are as follows:

1.-2. (No change.)

3. Borrowers are not required to pay principal or interest until graduation, withdrawal, or notification of less than half-time enrollment of the student on whose behalf the loan was obtained. Once one of these circumstances occurs, the loan reverts to a repayment schedule as set forth in (b)1 above. However, interest accrued from the date of loan disbursement is deferred and capitalized (added to principal) on [a quarterly basis for loans originated before June 9, 1997, and on] an **annual basis** [for loans originated on or after June 9, 1997], or **more frequently as determined by the bond indentures**. The first monthly payment of principal and interest shall be required within 60 days after the reversion date.

(c) In the case of an NJCLASS Postgraduate loan, borrowers may pay, but are not required to pay, principal or interest until the end of the deferment period. After the end of the deferment period, the loan reverts to a repayment schedule as set forth in (b)1 above. Interest accrued from the date of loan disbursement is deferred and capitalized on an annual basis and at the end of the deferment period. The deferment period for an NJCLASS Postgraduate loan means the period beginning on the initial disbursement date and ending on:

1. If the NJCLASS **Postgraduate** loan is for medical or dental residency travel and relocation expenses, the date that is nine months after the date of graduation, withdrawal, or notification of less than half-time enrollment at the eligible institution named in the NJCLASS Application and Promissory Note unless on such date the borrower is participating in a required residency or postdoctoral program, in which event the deferment period will end on the date that is nine months after the date the borrower completes or otherwise ceases to participate in such program. In no event shall the deferment period end later than 57 months after the date the borrower graduates from medical school or 33 months after the date the borrower graduates from dental school. To be considered participating in a required residency or postdoctoral program during any one-year period requires that the borrower submit to the Authority a certification from the director of such program for such year; or

2. If the NJCLASS **Postgraduate** loan is for bar examination expenses, the date is nine months after the eligible institution indicated to be the borrower's anticipated or actual graduation date on the NJCLASS application.

(d) (No change.)

(e) For loans made after August 3, 1998, the minimum acceptable monthly payment shall be the amount required to fully repay an NJCLASS **Loan Program** loan in the maximum repayment period; however, the minimum acceptable monthly payment of principal and interest shall not be less than \$50.00 per borrower for all of that borrower's NJCLASS **Loan Program** loans. **The minimum acceptable monthly payment for borrowers in an interest only repayment status shall not be less than \$10.00 per loan.**

(f) Notwithstanding any periods of deferment and/or forbearance, NJCLASS **Loan Program** loans shall be paid in full within the amount of years from the date of first disbursement as specified in the NJCLASS Application, Promissory Note, and disclosures. The amount of years in which a loan is to be repaid is determined by the bonds or notes whose proceeds are funding the loan.

(g) (No change.)

(h) **Borrowers seeking relief under the Servicemembers Civil Relief Act, 50 U.S.C. §§ 501 et seq., must submit a request to the Authority in the manner prescribed by 50 U.S.C. § 527(b)(1).**

9A:10-6.12 Deferments and forbearance

(a) Under certain conditions, borrowers shall be permitted to defer payments of interest and/or loan principal for specified periods of time. Some deferments may only be granted if both the borrower and co-borrower qualify for the deferment. During periods of authorized

deferment, borrowers remain responsible for the payment of the interest accruing on their loan(s). The following are available NJCLASS Loan Program deferments and their requirements:

1. (No change.)
2. Unemployment[;].
 - i.-iii. (No change.)
 - iv. In order to remain eligible for the deferment, the borrower shall not restrict his or her search to specific fields, positions, or salaries[;].
3. Service as an intern or resident[;].
 - i.-ii. (No change.)
 - iii. Borrower shall provide certification from the organization with which the internship or residency is being undertaken, which specifies:
 - (1) (No change.)
 - (2) Anticipated beginning and completion dates of the program[;].
 4. Active duty status in the Armed Forces[;].
 - i. The borrower shall provide [a statement from his or her commanding officer] **documentation attesting to full-time active duty status. Acceptable documentation includes, but is not limited to, a copy of military orders or leave and earning statements. Borrowers shall notify the Authority upon release from active duty;**
 5. Peace Corps[;].
 - i. To qualify for this deferment, a borrower shall submit a request and provide the Authority with a statement from an official of the Peace Corps program certifying:
 - (1)-(2) (No change.)
 - (3) The date on which the borrower's service is expected to end[;] **and**
 6. Temporary total disability[;].
 - i. (No change.)
 - iii. Temporarily totally disabled means that an individual is unable to work and earn money or attend school during a period needed to recover from injury or illness.]
 - (b) The deferment begins on the date the borrower's qualifying status is certified to begin and ends on the date the borrower's qualifying status is certified to end. Maximum allowable time periods for all deferments except full-time and half-time study at an eligible institution shall not exceed six months for loans with a 10-year repayment term, 18 months for loans with a 15-year repayment term, 24 months for loans with a 20-year repayment term, 30 months for loans with a 25-year repayment term, and 36 months for loans with a 30-year repayment term for an unemployment deferment, and for each of the remaining deferments, as established by the Authority. **Full-time and half-time study deferments are not available within 24 months of the loan maturity date.** Deferments for NJCLASS Loan Program loans with a 10-year repayment term are limited to unemployment deferments.
- (c) (No change.)
- (d) The Authority may also, at its discretion, grant borrowers periods of forbearance in the repayment of the NJCLASS Loan Program loan(s). Forbearance will only be granted if both the borrower and co-borrower qualify for the forbearance pursuant to 34 CFR 682.211(a)(3). Forbearance may be granted for situations including, but not limited to, economic hardship (as these terms are defined for the FFEL Program, 34 CFR part 682). The maximum allowable time period for economic hardship forbearance shall not exceed six months for loans with a 10-year repayment term, 18 months for loans with a 15-year repayment term, 24 months for loans with a 20-year repayment term, 30 months for loans with a 25-year repayment term, and 36 months for loans with a 30-year repayment term. In granting a forbearance, the Authority permits a temporary cessation of principal payments and temporarily permits payments of interest only, or a temporary cessation of both principal and interest payments. Interest continues to accrue during all forbearance periods.

9A:10-6.13 Consolidation Loan Program

(a) Subject to the availability of funds, the Authority offers an NJCLASS Consolidation Loan Program for the purpose of permitting existing NJCLASS borrowers and/or co-borrowers to consolidate their existing NJCLASS Loan Program loans into a single [fixed rate] NJCLASS Consolidation [loan] Loan. The purpose of the NJCLASS Consolidation Loan Program is to provide borrowers with high

NJCLASS Loan Program debt an extended repayment term, which provides for lower monthly payments.

- (b) (No change.)
- (c) Only NJCLASS Loan Program loans in monthly repayment of principal and interest are eligible for consolidation into an NJCLASS Consolidation [loan] Loan. **Existing NJCLASS consolidation loans are not eligible to be consolidated.** The student for whom the underlying NJCLASS Loan Program loan was obtained shall no longer be enrolled in school. He or she shall have graduated or withdrawn.
- (d) To be eligible for an NJCLASS Consolidation [loan] Loan, the NJCLASS borrower and/or co-borrower shall:
 - 1.-3. (No change.)
 4. In the case of any Federal Family Education Loan amount, Federal Direct Loan amount, or any NJCLASS [loan] Loan Program or Consolidation Loan amount that previously was canceled due to the borrower's total and permanent disability, obtain a certification from a physician that the borrower's condition has improved and that the borrower is able to engage in substantial gainful employment and sign a statement acknowledging that the NJCLASS Consolidation [loan] Loan that the borrower receives cannot be canceled in the future on the basis of any impairment present when the new loan is made, unless that impairment substantially deteriorates; and
 5. (No change.)
 - (e)-(f) (No change.)
 - (g) NJCLASS Consolidation [loan] Loan borrowers and/or co-borrowers may be permitted to add additional eligible NJCLASS Loan Program loans to an existing NJCLASS Consolidation [loan] Loan provided sufficient funding is available and the origination period has not expired.
 - (h) The process to borrow under the NJCLASS Consolidation Loan Program shall be as follows:
 - 1.-2. (No change.)
 3. The NJCLASS Consolidation [loan] Loan amount will be calculated based upon the sum of the outstanding principal and interest balance of each underlying NJCLASS Loan Program loan being consolidated and the NJCLASS Consolidation [loan] Loan application/administrative fee, as specified in (i) below, will be charged to the borrower.
 4. (No change.)
 5. Consolidation loan proceeds will be applied to satisfy the outstanding NJCLASS Loan Program loans included in the consolidation. No proceeds will be issued to the borrower. Any adjustment amount will be applied to the outstanding principal balance of the new NJCLASS Consolidation [loan] Loan.
 - (i) NJCLASS Consolidation [loan] Loan borrowers and/or co-borrowers will be required to pay a one percent application/administrative fee. This fee will be added to the sum of the outstanding principal and interest balance of each underlying NJCLASS Loan Program loan being consolidated at the time of approval. **In addition, borrowers and/or co-borrowers may be required to pay a servicing fee for the NJCLASS Consolidation Loan if provided for by the promissory note.**
 - (j) The interest rate on the NJCLASS Consolidation [loan] Loan will be a fixed rate based upon the weighted average interest rate of all the underlying NJCLASS Loan Program loans being consolidated plus 25 basis points. The interest rate of the underlying NJCLASS Loan Program loan is calculated using a blending of the applicable initial and step-up interest rates disclosed to the borrower. If the interest rate of the underlying NJCLASS Loan Program loan currently reflects the step-up interest rate, the step-up interest rate will be used solely in the calculation. If a variable rate NJCLASS Loan Program loan or an NJCLASS Loan Program loan with a 10-year repayment term is being included in the NJCLASS [consolidation] Consolidation Loan, the rate used in the weighted average calculation will be the equivalent 15- or 20-year fixed rate interest rate for the immediate repayment of principal and interest in effect at the time of disbursement of the underlying NJCLASS Loan Program loan. Interest on an NJCLASS Consolidation [loan] Loan will begin to accrue at the time of the loan disbursement.
 - (k)-(l) (No change.)
 - (m) The Authority may also, at its discretion, grant borrowers periods of forbearance in the repayment of the NJCLASS Consolidation [loan(s)]

Loan(s). Forbearance will only be granted if both the borrower and co-borrower qualify for the forbearance pursuant to 34 CFR 682.211(a)(3). Forbearance may be granted for situations including, but not limited to, economic hardship (as these terms are defined for the FFEL Program, 34 CFR Part 682). During periods of forbearance, the NJCLASS Consolidation [loan] **Loan** will revert to quarterly or monthly payments of interest only. **The maximum allowable time period for economic hardship forbearance set forth in N.J.A.C. 9A:10-6.12(d) pertains to NJCLASS Consolidation Loans.**

(n) NJCLASS [loan] **Loan Program** provisions, which pertain to delinquency, set forth in N.J.A.C. 9A:10-6.14; credit bureau reporting, set forth in N.J.A.C. 9A:10-6.15; default and consequences of default, set forth in N.J.A.C. 9A:10-6.16; discharge, set forth in N.J.A.C. 9A:10-6.17; and rehabilitation, set forth in N.J.A.C. 9A:10-6.18, shall be in effect for this Program.

9A:10-6.14 Delinquency

(a) In keeping with the Authority's goals of default prevention in the NJCLASS **Loan Program**, the Authority may perform a series of default prevention activities beginning when an NJCLASS **Loan Program** loan is 10 days delinquent.

(b)-(c) (No change.)

9A:10-6.15 Credit bureau reporting

The Authority shall report the status of all NJCLASS **Loan Program** loans and **Consolidation Loans**, for borrowers and cosigners, in the NJCLASS portfolio to a national credit bureau each month.

9A:10-6.17 Discharge

(a) Rules governing the discharge of loans based on filing for relief in bankruptcy, and discharge of loans due to death or total and permanent disability are set forth in this section. If an NJCLASS **Loan Program** loan was obtained by two borrowers as co-makers or by a borrower and one or more cosigners, and only one of the borrowers dies, becomes totally and permanently disabled, has collection of his or her loan obligation stayed by a bankruptcy filing, or has that obligation discharged in bankruptcy, the other borrower or cosigner remains obligated to repay the loan, beginning with NJCLASS **Loan Program** loans using promissory notes dated 1994 or later.

(b) (No change.)

(c) If the Authority determines that an individual borrower is totally and permanently disabled, the obligation of the borrower to make any further payments on the loan is discharged. A borrower is not considered totally and permanently disabled on the basis of a condition that existed at the time he or she applied for the loan, unless the borrower's condition has substantially deteriorated later, so as to render the borrower totally and permanently disabled. **A borrower is not considered totally and permanently disabled if he or she continues to receive the source of income that was used to meet the minimum income requirements at the time the loan was approved.** After being notified by the borrower, or the borrower's representative, that the borrower claims to be totally and permanently disabled, the Authority shall request that the borrower, or the borrower's representative, submit the discharge application provided by the Authority. The application must contain a certification by a physician, who is a doctor of medicine or osteopathy and legally authorized to practice in a state, that the borrower is totally and permanently disabled as defined in N.J.A.C. 9A:10-6.3.

(d) (No change.)

9A:10-6.18 Rehabilitation

(a) Effective no earlier than June 1, 1999, the Authority may offer a rehabilitation program for NJCLASS **Loan Program** loans and **NJCLASS Consolidation Loans**. If the Authority offers a rehabilitation program for [NJCLASS] these loans, the Authority shall notify [NJCLASS] borrowers of the availability of this program. In the event the Authority offers a rehabilitation program for NJCLASS **Loan Program** loans or **NJCLASS Consolidation Loans**, [an NJCLASS] a borrower who has defaulted on an NJCLASS **Loan Program** loan or **NJCLASS Consolidation Loan** is permitted to rehabilitate the loan with an enforceable promissory note and remove that loan from default status, provided the borrower satisfies the requirements of (c) below. A defaulted [NJCLASS] loan may be rehabilitated only once.

(b) An NJCLASS **Loan Program** loan or **NJCLASS Consolidation Loan** is considered to be rehabilitated only after the borrower has made one voluntary full payment each month and the payment is received by the Authority within 15 days of the scheduled due date for 12 consecutive months, with no deferrals or forbearances permitted during the [12 month] **12-month** period.

(c) An NJCLASS borrower may request the rehabilitation of the borrower's defaulted NJCLASS **Loan Program** loan or **NJCLASS Consolidation Loan** held by the Authority. The borrower shall make one voluntary full payment each month for 12 consecutive months to be eligible to have the defaulted loans rehabilitated. For purposes of this section, "full payment" means the minimum acceptable monthly payment as defined in N.J.A.C. 9A:10-6.11(d). "Voluntary payments" are those made directly by the borrower regardless of whether there is a judgment against the borrower, and do not include payments obtained by income tax offset, garnishment, or income or asset execution.

(d) The maximum repayment period for a rehabilitated NJCLASS **Loan Program** loan or **NJCLASS Consolidation Loan** shall be the same as that of the [NJCLASS] loan prior to default. A borrower who wishes to rehabilitate a loan on which a judgment has been entered must sign a new promissory note. The maximum repayment period of the new promissory note shall be the same as that of the NJCLASS **Loan Program** loan or **NJCLASS Consolidation Loan** prior to default. Once an NJCLASS **Loan Program** loan or **NJCLASS Consolidation Loan** subject to a judgment has been rehabilitated, the Authority shall have the judgment marked satisfied.

(e) (No change.)

(f) The Authority may elect to hold the rehabilitated loan directly, or transfer the loan to another lender, including, but not limited to, the trustee of the trust estate held for the benefit of NJCLASS **Loan Program** and **NJCLASS Consolidation Loan** bondholders.

9A:10-6.19 Authority enforcement requirements for schools participating in the NJCLASS **Loan Program**

(a) To assess the administrative and financial capability of a school participating in the NJCLASS **Loan Program**, the Authority may expand the scope of either [a] an FFEL Program review or a State scholarship and Tuition Aid Grant management review to cover the NJCLASS **Loan Program**.

(b)-(c) (No change.)

(d) The program review follow up procedures set forth in N.J.A.C. 9A:10-1.18(g) shall apply to NJCLASS **Loan Program** reviews, with the exception of notifications to the United States Department of Education and Federal limitation, suspension, or termination actions.

(a)

EDUCATIONAL OPPORTUNITY FUND Undergraduate EOF Academic and Financial Eligibility; Graduate EOF Financial Eligibility Grant Amounts

Proposed Amendments: N.J.A.C. 9A:11-2.6 and 3.4

Authorized By: Educational Opportunity Fund Board of Directors,
Audrey Bennerson, EOF Statewide Director.

Authority: N.J.S.A. 18A:71-28 et seq., and 18A:71-33 through 36;
and Executive Reorganization Plan 005-2011.

Calendar Reference: See Summary below for explanation of
exception to calendar requirement.

Proposal Number: PRN 2014-090.

Submit written comments by August 15, 2014, to:

Ms. Audrey Bennerson
Administrative Practice Officer
New Jersey Higher Education
E-mail: Audrey.Bennerson@njhe.state.nj.us
Regular Mail:
PO Box 542
Trenton, NJ 08625-0542



State of New Jersey

HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY

4 QUAKERBRIDGE PLAZA

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www.hesaa.org


CHRIS CHRISTIE
Governor


KIM GUADAGNO
Lt. Governor

GABRIELLE CHARETTE, ESQ.
Executive Director

MEMORANDUM

TO: Members, Higher Education Student Assistance Authority Board

THROUGH: Gabrielle Charette, Esq. 
Executive Director

FROM: Marnie B. Grodman, Esq. 
Director, Legal and Governmental Affairs
Administrative Practice Officer

SUBJECT: Resolution 22:14 Approving the Readoption with Amendments of Regulations Governing the Grant and Scholarship Programs, N.J.A.C. 9A:9

DATE: October 23, 2014

Background

Pursuant to N.J.S.A. 18A:71A-1 et seq., the Higher Education Student Assistance Authority (HESAA) is statutorily responsible for the administration of State scholarship and tuition aid programs and for the promulgation of all rules to that effect. Pursuant to N.J.S.A. 52:14B-5.1b. the rules governing the grant and scholarship programs were scheduled to expire August 7, 2014. In accordance with N.J.S.A. 52:14B-5.1c(2). the submission of the notice of proposal to the Office of Administrative Law extended that date 180 days to February 3, 2015. The Authority reviewed the rules and determined that they continue to be necessary, reasonable and proper for the purpose for which they were originally promulgated. The rules being readopted will continue to provide the Authority with the ability to administer the grant and scholarship programs in an efficient and economic matter. Pursuant to N.J.S.A. 18A:71A-1 et seq., the Authority is statutorily responsible for the administration of State scholarship and tuition aid programs and for the promulgation of all rules to that effect. To ensure the continued efficient administration and operation of these programs, the Authority proposed the readoption of these rules with amendments and the repeal of certain rules no longer applicable to program operations to provide additional clarity in the eligibility requirements for participation and application, enrollment criteria and continued payment of awards for students attending participating New Jersey institutions.

At its April 23, 2014 meeting the HESAA Board approved the proposed readoption with amendments to N.J.A.C. 9A:9. The proposed rule, PRN 2014-087, was published in the June 16, 2014 New Jersey Register 46 N.J.R. 1391(a) on the HESAA website at HESAA.org, sent to the Statehouse News Media and Secondary notice was emailed to interested parties. The 60-day legislative review period for this rule expired on July 6, 2014, with no comments received and the public comment period for this rule expired on August 15, 2014. The Authority received comments from Dr. Dario A. Cortes on behalf of Berkeley College and Jean Public which are summarized below along with HESAA's responses

COMMENT: Dr. Cortes expressed concern with a statement in the summary section of the proposal with regards to subchapter 11 where the statement referenced four-year public institutions of higher education as eligible institutions for NJ STARS II.

RESPONSE: Consistent with N.J.S.A. 18A:71B-86.4b., participating institutions for NJSTARS II continue to be defined in N.J.A.C. 9A:9-11.2 as New Jersey four-year institutions of higher education that offer degrees up to the baccalaureate level at a minimum and are participating in the Tuition Aid Grant program. The reference to New Jersey four-year public institutions of higher education was inadvertent and was only made in the summary section, not in the body of the regulations being proposed as such no modification to the proposal are necessary.

COMMENT: Jean Public commented that "eligible non citizen" should be replaced with "eligible legal non citizen" and people who are not here legally should not receive aid.

RESPONSE: "Eligible non-citizen" is the term of art found in N.J.S.A. 18A:71B-2c. which specifies that only students that are U.S. citizens or eligible noncitizens, as determined by federal law 20 U.S.C .s. 1091 are eligible for State aid.

COMMENT: Jean Public commented that living parents should always be required to pay for student's tuition.

RESPONSE: Eligibility for Tuition Aid Grants is determined by financial need pursuant to N.J.S.A. 18A:71B-20c.(3). For dependent students, parents' income is included in the need calculation.

COMMENT: Jean Public commented that in N.J.A.C. 9A:9-2.15, HESAA should only accept Social Security numbers because foreigners could fake customer ID numbers.

RESPONSE: The Customer ID numbers are provided to students by HESAA and are used in lieu of Social Security numbers to protect students from identity theft.

COMMENT: Jean Public commented that in N.J.A.C. 9A:9-2.2 dependents whose parents are illegal immigrants should be investigated to ensure they are here legally.

RESPONSE: All students who apply for financial aid are required to fill out the Free Application for Federal Student Aid. As part of this application they are required to certify their citizenship.

COMMENT: Jean Public commented that in N.J.A.C. 9A:9-2.2 b. “proof of residency” should read “proof of legal residency.”

RESPONSE: Pursuant to N.J.A.C. 9A:9-2.2a students must be legal residents of New Jersey. This subsection of the regulation lists what evidence can be provided to prove New Jersey residency. The current wording of the regulation does not necessitate the addition of the word “legal” as it is provided in 2.2a.

COMMENT: Jean Public commented that in N.J.A.C. 9A:9-2.3 people who served time in jail for immigration acts should not be allowed to enter school.

RESPONSE: HESAA does not have the authority to determine which students are eligible to enroll in school. Pursuant to N.J.S.A. 18A:71B-2d a person who is incarcerated is not eligible for student financial aid.

COMMENT: Jean Public commented that students who are enrolling under President Obama’s Executive Order do not have permanent residency.

RESPONSE: Pursuant to N.J.S.A. 18A:71B-2c. only students that are U.S. citizens or eligible noncitizens, as determined by federal law 20 U.S.C .s. 1091 are eligible for State aid. The proposed amendment to the regulation incorporates by reference the Federal Student Aid (FSA) Handbook to define eligible noncitizens. The FSA Handbook specifies that students with The Deferred Action for Childhood Arrivals (DACA) status are not eligible for aid.

COMMENT: Jean Public commented that HESAA should not allow use of IRS forms because people lie on them.

RESPONSE: HESAA relies on IRS tax return tax transcripts and signed tax returns when not available, because applicants are required to certify the accuracy of these documents. In addition, it is an industry standard to accept these documents for verification.

COMMENT: Jean Public commented that in N.J.A.C. 9A:9-3.5 Part-time students should not get any loans or grants.

RESPONSE: Pursuant to N.J.S.A. 18A:71B-20b, “Eligibility for tuition aid grants may be extended to part-time students through regulations developed by the Authority if funds are separately appropriated for this purpose.” As funds have been separately appropriated for Part-Time TAG these regulations are necessary to administer the program.

On September 10, 2014 Governor Christie signed P.L. 2014 c. 55 into law, modifying the eligibility requirements for the NJ STARS program. This statutory change requires a modification to the original proposal to incorporate the new eligibility requirements into N.J.A.C. 9A:9-10.4(a)3. Upon advice from the Office of Administrative Law, this modification does not require a new proposal.

Attached to Resolution 22:14 is the Rule Proposal, as published in the June 16, 2014 New Jersey Register as well as the proposed modification to N.J.A.C. 9A:9-10.4(a)3.

Recommendation

It is recommended that the Board approve Resolution 22:14 Approving the Readoption With Amendments of Regulations Governing the Grant and Scholarship Programs, N.J.A.C. 9A:9.

Attachments

Proposed Modifications to Rule Proposal

Additions to the original proposal are indicated in boldface with asterisks **thus**:

N.J.A.C. 9A:9-10.4(a)3

For the first year of enrollment, a student must have graduated ***high school and had a class rank at the completion of the 11th or 12th grade*** in the top 15.0 percent of the student's high school ***[graduating]*** class, provided that in the case of students graduating from high schools that do not calculate their class rank, the student's ranking should be determined by the high school in consultation with the Authority. Ranking policies are determined by the individual high schools and not by the Authority. At the time of high school graduation a student must have met, and continue to meet, all residency and citizenship requirements set forth in N.J.A.C. 9A:9-2.2 and 2.3;

RESOLUTION 22:14

APPROVING THE READOPTION WITH AMENDMENTS OF REGULATIONS GOVERNING THE GRANT AND SCHOLARSHIP PROGRAMS, N.J.A.C. 9A:9

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

WHEREAS: Pursuant to N.J.S.A. 18A:71A-1 et seq., the Higher Education Student Assistance Authority (HESAA) is statutorily responsible for the administration of State scholarship and tuition aid programs and for the promulgation of all rules to that effect; and

WHEREAS: Pursuant to N.J.S.A. 52:14B-5.1b. the rules governing the grant and scholarship programs were scheduled to expire August 7, 2014; and

WHEREAS: The Authority reviewed the rules and determined that they continue to be necessary, reasonable and proper for the purpose for which they were originally promulgated; and

WHEREAS: At its April 23, 2014 meeting the HESAA Board approved the proposed readoption with amendments to N.J.A.C. 9A:9; and

WHEREAS: The Proposed Rule No. PRN 2014-087, was published in the June 16, 2014 New Jersey Register at 46 N.J.R. 1391(a), on the HESAA website at HESAA.org, sent to the Statehouse News Media and Secondary notice was emailed to interested parties; and

WHEREAS: In accordance with N.J.S.A. 52:14B-5.1c(2). the submission of the notice of proposal to the Office of Administrative Law extended the sunset date 180 days to February 3, 2015; and

WHEREAS: The 60-day legislative review period for this rule expired on July 6, 2014, with no comments received; and

WHEREAS: The public comment period for this rule expired on August 15, 2014 with two comments received requiring no modifications to the proposal; and

WHEREAS: On September 10, 2014 Governor Christie signed P.L. 2014 c. 55 into law, modifying the eligibility requirements for the NJ STARS program necessitating a modification to the original proposal to incorporate the new eligibility requirements into N.J.A.C. 9A:9-10.4(a)3; and

WHEREAS: Upon advice from the Office of Administrative Law, this modification does not require a new proposal.

NOW, THEREFORE, LET IT BE:

RESOLVED: That the Board approves the Readoption with Amendments of Regulations Governing the Grant and Scholarship Programs, N.J.A.C. 9A:9, as modified.

October 23, 2014

HIGHER EDUCATION

(a)

HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY

Grant and Scholarship Programs

Proposed Readoption with Amendments: N.J.A.C. 9A:9

Proposed New Rules: N.J.A.C. 9A:9-3.4 and 5.3

Proposed Repeals: N.J.A.C. 9A:9-9

Authorized By: Higher Education Student Assistance Authority,
Anthony Falcone, Chairperson.

Authority: N.J.S.A. 18A:71A-1 et seq., 18A:71B-1 et seq., 18A:71B-7, 18A:71B-12, 18A:71B-19, 18A:71B-23, 18A:71B-23.7, 18A:71B-24.3, 18A:71B-25, 18A:71B-86, and 18A:71B-86.6.

Calendar Reference: See Summary below for explanation of exception to calendar requirement.

Proposal Number: PRN 2014-087.

Submit written comments by August 15, 2014, to:

Marnie B. Grodman, Esquire
Administrative Practice Officer
Higher Education Student Assistance Authority
PO Box 545
Trenton, NJ 08625-0545
Email: Regulations@hesaa.org

The agency proposal follows:

Summary

The Higher Education Student Assistance Authority (Authority) proposes to readopt N.J.A.C. 9A:9 governing grant and scholarship programs. Pursuant to N.J.S.A. 52:14B-5.1.b, the rules in this chapter are scheduled to expire August 7, 2014. In accordance with N.J.S.A. 52:14B-5.1.c(2), the submission of this notice of proposal to the Office of Administrative Law extends that date 180 days to February 3, 2015.

The Authority has reviewed the rules and determined that they continue to be necessary, reasonable, and proper for the purpose for which they were originally promulgated. The rules proposed for re-adoption will continue to provide the Authority with the ability to administer the grant and scholarship programs in an efficient and economic matter.

Pursuant to N.J.S.A. 18A:71A-1 et seq., the Authority is statutorily responsible for the administration of State scholarship and tuition aid programs and for the promulgation of all rules to that effect. To ensure the continued efficient administration and operation of these programs, the Authority is proposing the re-adoption of these rules with amendments, new rules, and the repeal of certain rules no longer applicable to program operations to provide additional clarity in the eligibility requirements for participation and application, enrollment criteria, and continued payment of awards for students attending participating New Jersey institutions, all of which are summarized below.

Subchapter 1 sets forth the responsibilities of the Higher Education Student Assistance Authority and details the structure and mission of the Student Advisory Committee as created by the Authority.

Subchapter 2 details the general provisions for the overall administration and eligibility for the Tuition Aid Grant and Garden State Scholarship Programs and participation by eligible New Jersey institutions under these programs.

An amendment is proposed at N.J.A.C. 9A:9-2.1(a) to state that a student needs to have received a high school diploma or a recognized equivalent in order to be eligible for financial aid to attend institutions of higher education. This parallels the Federal requirements for financial aid, which no longer accept the Ability to Benefit test as a substitute for a high school diploma.

Executive Reorganization Plan No. 005-2011 eliminated the Commission on Higher Education and transferred its powers to the Office of the Secretary of Higher Education. As such N.J.A.C. 9A:9-2.1(b)2 is

amended to replace reference to the Commission on Higher Education with reference to the Office of the Secretary of Higher Education or its successor office. This replacement is also made in N.J.A.C. 9A:9-2.1(c), 3.5(a), 5.4, 7.2, 8.3, and 10.2.

N.J.A.C. 9A:9-2.1(b)2 is further amended to clarify that to remain eligible, an institution needs to maintain licensure by the Office of the Secretary of Higher Education while N.J.A.C. 9A:9-2.1(b)3 is amended to clarify that the current license cannot be for an out-of-State institution. While the current regulation provides the criteria for an institution to achieve initial eligibility, these amendments specify the requirements to maintain eligibility.

In order to measure the effectiveness of the Tuition Aid Grant program, proposed new paragraph (b)5 is added to require institutions to annually provide the Authority with graduation rates for State Tuition Aid Grant recipients, as well as transfer rates for State Tuition Aid Grant recipients attending county colleges.

N.J.A.C. 9A:9-2.1(c) is amended to state that proprietary institutions need to meet the same licensure, accreditation, and facilities requirements as all other institutions to qualify as an eligible institution.

In order to provide more accurate projections when budgeting for financial aid, N.J.A.C. 9A:9-2.1(d), (d)1, and (d)2 are amended to require an institution to provide the Authority with an application when expanding its participation by adding a branch campus or changing its programmatic mission and new paragraph (d)3 is added to require institutions to provide the Authority with an estimate of the number of potential Tuition Aid Grant recipients during the first four years of program participation. Paragraph (d)2 is also amended to require a branch campus or expansion of mission to be approved by the Office of the Secretary of Higher Education or its successor.

N.J.A.C. 9A:9-2.2(a)1 is amended pursuant to the court's holding in *A.Z. v. Higher Education Student Assistance Authority*, 427 N.J. Super. 389, 399 (App. Div. 2012), which held that the Authority cannot irrefutably presume that a dependent student's residence is the same as his or her parents' residence. In accordance with the decision, the amendment provides for a rebuttable presumption that a dependent student's legal residence is the same as his or her parent.

N.J.A.C. 9A:9-2.2(b) is amended to refine the process for students to demonstrate proof of residency. The amendment clarifies that the Authority will request the documentation that is needed and adds additional types of documentation that may be used to demonstrate residency.

N.J.A.C. 9A:9-2.2(c) is amended pursuant to N.J.S.A. 18A:71B-85.c(1) and 18A:71B-86.4.e(1), to extend eligibility for NJSTARS and NJSTARS II to dependent children of parents transferred to military installations in New Jersey.

The list of acceptable affirmative evidence to prove a student is an eligible non-citizen is delineated annually by the United States Department of Education in the Federal Student Aid Handbook. To ensure the rule remains current with evolving standards, N.J.A.C. 9A:9-2.3(a) is amended to incorporate the Handbook by reference, as amended and supplemented and N.J.A.C. 9A:9-2.3(b) and (c) are proposed for deletion as they are no longer necessary.

The Authority uses the Federal criteria for defining who is a dependent student, except with regards to emancipated minors. As such, N.J.A.C. 9A:9-2.6(a) is amended to incorporate by reference the Federal definition of an independent student as defined in Federal Student Aid Handbook, which incorporated by reference into the rule, as amended and supplemented and N.J.A.C. 9A:9-2.6(b) and paragraphs (b)1 through 7 are deleted as the reference to the Federal Student Aid Handbook replaces the need for this language.

Proposed new N.J.A.C. 9A:9-2.6(b) is added to specify that emancipated minors, or students who were emancipated minors upon reaching the age of majority, are not considered independent students in New Jersey. This ensures that parents do not emancipate their children in order to receive higher amounts of State assistance. Students who have extenuating circumstances may still be eligible for State student financial aid pursuant to the recodified N.J.A.C. 9A:9-2.6(c).

In order to enhance verification procedures for Federal financial aid, the Federal government now requires the use of tax return transcripts as opposed to copies of tax returns. As such, N.J.A.C. 9A:9-2.7 is amended

to enhance the verification procedures for State financial aid to mirror the Federal requirement. The section is also amended to state that financial aid cannot be granted if documentation is not provided to verify income and resolve discrepancies in a student's file.

N.J.A.C. 9A:9-2.11(a)2 is amended to clarify that the maximum semesters of eligibility for students attending a four-year college are cumulative and include the payments made while the student attended a two-year college.

N.J.A.C. 9A:9-2.11(b) is amended to reflect the State's practice of making payments in two installments over the regular academic year, regardless of the number of school terms.

N.J.A.C. 9A:9-2.15 is amended to specify that appeals need to be made within 60 days of initial notification of eligibility. This amendment is necessary to clarify that additional notices do not add to the time for appeals. This section is further amended to mandate that appeals be made in writing, rather than just being preferred in writing, and may be submitted electronically. Additionally, the section is amended to permit students who elect to do so to provide their customer ID number instead of their Social Security number on their appeal.

N.J.A.C. 9A:9-2.16(c) is amended to allow for limited program reviews in addition to full-scale reviews and removes that restriction that all reviews be conducted on-site.

Due to a change in the Authority's organizational chart, N.J.A.C. 9A:9-2.16(e) is amended to replace the Chief Operating Officer with the Chief Compliance Officer as the arbiter of appeals.

Subchapter 3 provides the rules for determining a student's eligibility under the Tuition Aid Grant (TAG) Program and the value of the TAG award as it relates to the student's tuition charges and ability to pay for educational costs on a full-time or part-time basis at an eligible New Jersey institution. These rules supplement the general provisions for this program set forth in N.J.A.C. 9A:9-2.

N.J.A.C. 9A:9-3.1 is amended to advise students that in addition to the financial aid form, the Authority relies on the additional information provided for each student in determining eligibility for a Tuition Aid Grant.

Proposed new N.J.A.C. 9A:9-3.4 is added to include a definition for full-time students. This term is used in the subchapter and was not previously defined. The proposed definition is identical to that used in the Grants and Scholarships Policies and Procedures Manual.

Subchapter 4 specifies the requirements that students must meet to qualify for awards under the Garden State Scholarship Program, which includes students in the program categories of Edward J. Bloustein Distinguished Scholars, Urban Scholars, and Garden State Scholars. This program recognizes those students who demonstrate high academic achievement based upon their secondary school class rank or a combination of class rank and Scholastic Assessment Test (SAT) scores or secondary school grade point average (GPA). This program provides scholarship awards of up to \$1,000 annually without regard to financial need. Funding for this program is currently limited to renewal students.

N.J.A.C. 9A:9-4.4(a) and (b) are amended to delete reference to UMDNJ and add Rowan University to the public research institutions sector. This amendment is made pursuant to the New Jersey Medical and Health Sciences Education Restructuring Act, N.J.S.A. 18A:64M-1 et seq.

Subchapter 5 contains the rules for providing free tuition for any child or surviving spouse of a member, officer, or worker of an emergency service, law enforcement, or civil defense agency killed in the performance of duty under the Survivor Tuition Benefits Program. An eligible child or surviving spouse who wishes to attend any public institution of higher education in New Jersey may enroll as an undergraduate student and have his or her tuition paid by the State while in good standing at that college or university. Such child or spouse may also attend any independent institution in New Jersey; however, the annual value of the grant cannot exceed the highest tuition charged at a New Jersey public institution. Recipients must enroll on at least a one-half time basis in an undergraduate degree program and be in good academic standing.

Proposed new N.J.A.C. 9A:9-5.3 is added to provide the application procedures for this program. This new rule enumerates the existing

procedures to apply for a Survivor Tuition Benefits scholarship, which were not previously included in the chapter.

N.J.A.C. 9A:9-5.9 is amended to clarify that the institution must certify the student's eligibility to receive payment and to state that the certification must be made within the term for which the scholarship is requested. This amendment will ensure that a student's award is not delayed.

Subchapter 6 specifies the rules governing the Miss New Jersey Educational Scholarship Program, which provides for an annual award equal to the cost of tuition to an individual who has been designated by the Authority, in consultation with the Miss New Jersey Pageant Organization, as demonstrating exceptional leadership in the area of civic, cultural, or charitable endeavors in the spirit of the Miss New Jersey Pageant. To receive and maintain the scholarship, the individual must be enrolled in a full-time course of study leading to an initial bachelor's degree or a postgraduate degree at any public institution of higher education in New Jersey. This program is currently not funded.

Subchapter 7 contains the rules for providing scholarships under the New Jersey World Trade Center Scholarship Program. This program provides scholarships for the costs of undergraduate study at an eligible institution of higher education to the dependent children or surviving spouses of New Jersey residents who were killed in the terrorist attack on the United States on September 11, 2001, who died as a result of injuries received in the attack, who die as a result of illness caused by exposure to the attack sites, or who are missing and officially presumed dead as a direct result of the attack. The scholarship pays up to the annual cost of attendance at the highest cost public institution of higher education in New Jersey as determined by that institution.

N.J.A.C. 9A:9-7.5 is amended to delete reference to the Department of Law and Public Safety and to add a reference to the eligibility requirements described in N.J.A.C. 9A:9-7.4. This amendment is necessary because, in practice the Authority used to receive verification from the Office of Recovery and Victim Assistance (ORVA), not the Department of Law and Public Safety via lists of victims and their dependent children and spouses. ORVA has since been disbanded and the Authority has retained the lists necessary for verifying eligibility.

Subchapter 8 provides the rules governing the policy, administration, and procedures of the Law Enforcement Officer Memorial Scholarships (LEOMS) Program. Under this program, scholarships are provided for the annual costs of undergraduate study at an eligible New Jersey institution of higher education to the children of New Jersey law enforcement officers as defined by N.J.S.A. 18A:71B-24.2, who were killed in the line of duty. The scholarship will pay up to the student's cost of attendance at the institution that is not otherwise covered by any other scholarship, tuition aid grant, benefit, or other assistance awarded to the recipient under the Higher Education Student Assistance Authority Law, N.J.S.A. 18A:71A-1 et seq.

N.J.A.C. 9A:9-8.6 is amended to state that applications need to be submitted to the Authority within established deadlines as specified on the application. This ensures timely scholarship awards.

N.J.A.C. 9A:9-8.9 is amended to state that the institutions must certify a student's eligibility within the term for which the scholarship is requested. This amendment will ensure that a student's award is not delayed.

Subchapter 9 sets forth the rules governing the Paul Douglas Teacher Scholarship Program, which was a Federally funded program established by Congress to encourage highly qualified students to pursue teaching careers. There was no matching State funding for this program. The Federal government has not funded new awards under this program since the 1994-95 academic year and, in 1998, repealed the enabling program statute, 20 U.S.C. § 1111. This subchapter is proposed for repeal as there are no longer any participants remaining in a repayment status.

Subchapter 10 sets forth the policies and procedures for the New Jersey Student Tuition Assistance Reward Scholarship (NJ STARS). This program recognizes the academic achievements of New Jersey high school students who graduate in the top 15.0 percent of their graduating class by providing a scholarship for the cost of tuition for eligible students who enroll in a full-time course of study at the New Jersey county college serving their county of residence.

N.J.A.C. 9A:9-10.4(a)3 is amended pursuant to N.J.S.A. 18A:71B-85.b(1) to add language explaining how NJ STARS eligibility is determined for a student whose school does not provide a class rank. The paragraph is further amended to specify that the graduation date referred to in the paragraph is high school graduation.

N.J.A.C. 9A:9-10.7 is amended to clarify that the NJ STARS award is for an amount up to the full cost of tuition and approved fees for students who graduated high school prior to 2010 and for up to the full cost of tuition for all other participants. Pursuant to N.J.S.A. 18A:71B-85.a, the NJ STARS scholarship amount is subject to the prior application of other grants and scholarships.

N.J.A.C. 9A:9-10.10 is amended to specify that appeals need to be made within 30 days of initial notification of eligibility. This amendment is necessary to clarify that additional notices do not add to the time for appeals. This section is further amended to require that all appeals be made in writing, rather than to state a preference for written appeals, and may be submitted electronically. Additionally, the section is amended to permit students who elect to do so, to provide their customer ID number instead of their Social Security number on their appeal.

Subchapter 11 sets forth the policies and procedures for the New Jersey Student Tuition Assistance Reward Scholarship II (NJ STARS II). This program recognizes the academic achievements of New Jersey county college graduates who wish to continue their education by providing scholarships for full-time attendance at eligible New Jersey colleges and universities. A student is eligible for a scholarship under the NJ STARS II Program if he or she has graduated from a New Jersey county college as an NJ STARS scholar with an associate degree and enrolls full-time in a baccalaureate degree program at a New Jersey four-year public institution of higher education in the student's academic year of study immediately following attainment of an associate degree.

N.J.A.C. 9A:9-11.10 is amended to specify that appeals need to be made within 30 days of initial notification of eligibility. This amendment is necessary to clarify that additional notices do not add to the time for appeals. This section is further amended to require that all appeals be made in writing, rather than to state a preference for written appeals, and may be submitted electronically. Additionally, the section is amended to permit students who elect to do so, to provide their customer ID number instead of their Social Security number on their appeal.

As the Authority has provided a 60-day comment period on this notice of proposal, this notice is excepted from the rulemaking calendar requirement pursuant to N.J.A.C. 1:30-3.3(a)5.

Social Impact

The rules proposed for readoption with amendments, new rules, and repeals govern the administration of the State's grant and scholarship programs. They establish criteria for student eligibility, set forth the academic standards for qualification, and specify the determination of award amounts, as well as renewal eligibility and payment. The rules proposed for readoption include changes, which provide clarification in key aspects of program eligibility, application, and payment. These rules impact students by providing the eligibility criteria and information on how to apply for the grants and scholarships they need to make higher education affordable. The rules also assist schools by providing the framework on how to administer the grant and scholarship programs on their campuses. The proposed changes impact students and schools by updating the administration of the programs and providing clarification on sections they have questioned in the past. The Authority expects that these changes will have a positive impact on both students and schools.

Economic Impact

The rules proposed for readoption with amendments, new rules, and repeals do not represent any new cost factors for the State.

In fiscal year 2013, the Tuition Aid Grant Program, which is the primary State grant program in New Jersey, provided over \$331.6 million in need-based awards to approximately 76,750 full-time New Jersey undergraduate students. During the 2012-13 academic year, these awards, which are based on financial need and tuition charges at New Jersey colleges and universities, ranged in value from \$1,092 to a maximum of \$11,550. Funding is derived from State appropriations.

The Garden State Scholarship Program provides merit awards that range in value from \$500.00 to \$1,000 annually to academically qualified New Jersey residents. This program is currently not funded.

The Survivor Tuition Benefits Program is open to qualified New Jersey residents who are children or surviving spouses of emergency service personnel and law enforcement officers killed in the line of duty. These grants pay the actual cost of tuition at the New Jersey institution attended, up to the highest tuition charged at a New Jersey public institution of higher education. During fiscal year 2013, five recipients received \$22,064 through this program.

The Miss New Jersey Educational Scholarship Program was previously funded by an annual appropriation to the Higher Education Student Assistance Authority in an amount equal to the cost of tuition at the New Jersey public institution enrolling the annual recipient of the scholarship, as well as renewal recipients. There have been no appropriations for this program since fiscal year 2004.

The New Jersey World Trade Center Scholarship Program was established by the Legislature to aid dependent children and surviving spouses of New Jersey residents who were killed in the terrorist attacks against the United States on September 11, 2001, who died as a result of injuries received in the attacks, or who died as a result of illness contracted due to exposure to the attack site. In 2012-13, 75 qualifying individuals received scholarships up to \$5,000 per academic year for a total of \$375,000.

The Law Enforcement Officer Memorial Scholarships (LEOMS) Program provides scholarships for full-time undergraduate study at approved New Jersey institutions of higher education to the dependent children of New Jersey law enforcement officers killed in the line of duty. The scholarship pays the balance of a recipient's annual cost of attendance at the institution after deducting any other scholarship, grant, benefit, or other assistance awarded to the recipient under the Higher Education Student Assistance Authority Law, N.J.S.A. 18A:71A-1 et seq. During the 2012-13 academic year, four recipients received funds totaling \$94,517.

The Federal government has not funded new awards under the Paul Douglas Teacher Scholarship Program since the 1994-95 academic year, nor was there any cost to the State.

The NJ STARS Program provides scholarships to students who graduate in the top 15 percent of their high school class and who enroll in a full-time course of study at the New Jersey county college serving their county of residence. The NJ STARS Program award pays an amount up to the cost of tuition and fees. During the 2012-13 academic year 2,598 students received funding totaling more than \$5.1 million.

The NJ STARS II Program provides scholarships to eligible NJ STARS Program graduates who wish to continue their education at a New Jersey four-year institution of higher education. An NJ STARS II Program award is applied to tuition, and in the case of students who receive Tuition Aid Grants, towards tuition and fees. The amount of the scholarship is up to \$1,250 per semester. During the 2012-13 academic year 1,258 students received funding totaling more than \$3.0 million.

It is anticipated, that the proposed amendments will have a positive economic impact in that the new application procedures for institutional eligibility will assist in preparing future budgets by providing advance notice of the number of potentially eligible Tuition Aid Grant recipients. Additionally, the enhanced income verification procedures will ensure that State resources are accurately directed to eligible students.

Federal Standards Statement

A Federal standards analysis is not required since the rules proposed for readoption with amendments, new rules, and repeals are not subject to any Federal requirements or standards. While the Federally funded Paul Douglas Teacher Scholarship Program was subject to Federal requirements, the rules governing this program are proposed for repeal and therefore do not exceed the Federal standards.

Jobs Impact

The rules proposed for readoption with amendments, new rules, and repeals will not result in the loss or generation of jobs. These rules maintain previously established criteria for student eligibility, award amounts, renewal, and payment in the administration of the State's grant and scholarship programs, and to provide further clarity to the existing

rules. These programs provide financial assistance opportunities to students and their families to help them meet their higher education expenses, which are a major concern for many New Jersey residents. It is anticipated that they will also increase students' access to higher paying jobs.

Agriculture Industry Impact

The rules proposed for readoption with amendments, new rules, and repeals will have no impact on the agriculture industry.

Regulatory Flexibility Statement

A regulatory flexibility analysis is not required because the rules proposed for readoption with amendments, new rules, and repeals do not impose reporting, recordkeeping, or other compliance requirements on small businesses as defined by the Regulatory Flexibility Act, N.J.S.A. 52:14B-16 et seq. The Authority does not anticipate that any educational institution participating in these programs would be covered by the definition of a small business because these entities have over 100 full-time employees. Additionally, students participating in these programs are not covered by the definition because they are individuals, not businesses.

Housing Affordability Impact Analysis

The rules proposed for readoption with amendments, new rules, and repeals will have an insignificant impact on affordable housing in New Jersey. There is an extreme unlikelihood that the rules proposed for readoption with amendments, new rules, and repeals would evoke a change in the average costs associated with housing. The rules proposed for readoption with amendments, new rules, and repeals affect the administration of grants and scholarships for higher education, which has no impact on the cost of housing.

Smart Growth Development Impact Analysis

The rules proposed for readoption with amendments, new rules, and repeals will have an insignificant impact on smart growth and there is an extreme unlikelihood that the rules would evoke a change in housing production in Planning Areas 1 or 2, or within designated centers, under the State Development and Redevelopment Plan in New Jersey. The rules proposed for readoption with amendments, new rules, and repeals affect the administration of grants and scholarships for higher education, which has no impact on housing production.

Full text of the rules proposed for readoption may be found in the New Jersey Administrative Code at N.J.A.C. 9A:9.

Full text of the rules proposed for repeal may be found in the New Jersey Administrative Code at N.J.A.C. 9A:9-9.

Full text of the proposed amendments and new rules follow (additions indicated in boldface **thus**; deletions indicated in brackets [thus]):

SUBCHAPTER 2. GENERAL PROVISIONS FOR TUITION AID GRANT AND GARDEN STATE SCHOLARSHIP PROGRAMS

9A:9-2.1 Undergraduate enrollment and eligible institutions

(a) Students must **have received a high school diploma or recognized equivalent of a high school diploma as defined by 34 CFR 600.2** and be enrolled or plan to be enrolled as full-time undergraduate students matriculated in a curriculum leading to a degree or certificate in an eligible institution as defined in (b) through (d) below in order to be eligible for student assistance. Students possessing an undergraduate degree (either a Baccalaureate or Associate degree) are not eligible for student assistance at that degree level. Certification of full-time status is the responsibility of the enrolling institution based on the current institutional definition of full-time status and subject to review and approval by the Higher Education Student Assistance Authority (Authority).

(b) An eligible institution means an institution of higher education that:

1. (No change.)

2. [Has been] **Is licensed by the [New Jersey Commission on Higher Education] Office of the Secretary of Higher Education, or its successor office;**

3. [Has not been] **Is not licensed as an "out-of-State" institution pursuant to N.J.A.C. 9A:1-5; [and]**

4. **Is accredited or preaccredited by a nationally recognized accrediting association[.]; and**

5. **Upon commencing participation in the State financial aid programs, annually provides the Authority with detailed information on the graduation rates of State Tuition Aid Grant recipients and, in the case of county colleges provides information on the transfer rates of State Tuition Aid Grant recipients, in the format provided by the Authority.**

(c) Eligible institutions shall also include proprietary institutions in New Jersey **that meet the requirements of (b)1, 4, and 5 above**, but only for degree granting programs, as licensed by the [New Jersey Commission on Higher Education] **Office of the Secretary of Higher Education, or its successor office**, pursuant to N.J.A.C. 9A:1-4.

(d) An **eligible institution seeking to participate in the Tuition Aid Grant Program or expand its participation by adding a branch campus or changing its programmatic mission shall:**

1. **Submit a written request to the Authority no later than August 31 of the calendar year prior to the fall semester of the succeeding calendar year during which the institution wishes to begin or expand participation; [and]**

2. **Provide documentation that [it] the institution, branch campus, or expanded programmatic mission has been approved by the Office of the Secretary of Higher Education, or its successor office, and that the institution is authorized to participate in Title IV Federal student aid programs under the Higher Education Act of 1965, as amended, and its implementing regulations[.]; and**

3. **Provide an estimate of the number of potential Tuition Aid Grant recipients during the first four years of program participation.**

9A:9-2.2 Residency

(a) Students must be legal residents of New Jersey for a period of not less than 12 consecutive months immediately prior to the academic period for which aid is being requested. The residence of a student is defined in terms of domicile. Domicile is defined as the place where a person has his or her true, fixed, permanent home and principal establishment, and to which, whenever he or she is absent, he or she has the intention of returning.

1. A dependent student, as defined in N.J.A.C. 9A:9-2.6, shall be [considered] **presumed to be a legal resident of the state in which he or she and his or her parent(s) is domiciled.** A dependent student whose parent(s) has not established a domicile in New Jersey shall be [considered] **presumed to be in the State for the temporary purpose of obtaining an education and shall be ineligible for State student financial aid. A student may rebut both of these presumptions by submitting evidence to the Authority establishing that he or she is a legal resident of New Jersey notwithstanding the residency of his or her parent(s).** [However, any] **Any dependent student who continues to reside in this State and who has previously received at least one semester of payment of a State grant or scholarship shall continue to be eligible for State student financial aid during the course of each academic year at an eligible institution of higher education in New Jersey, despite his or her parent(s)' subsequent change of domicile to another state.**

2. (No change.)

(b) When a student's domicile is in question, [he or she must demonstrate proof of residence by submitting to] the [Higher Education Student Assistance] Authority [one or more of] **will request that the student submit the documentation necessary to demonstrate residency, which includes, but is not limited to, the following [documents]:**

1. **Student's and/or parent(s)' New Jersey driver license or New Jersey non-driver identification card;**

2. **Student's and/or parent(s)' New Jersey State Income Tax-Resident Return(s); [or]**

[3. Such documentation as may be deemed necessary by the Authority upon specific case review.]

3. **Proof of graduation from a New Jersey high school; and/or**

4. **Evidence of home ownership or a long-term lease in New Jersey.**

(c) The provisions for establishing legal residence in New Jersey as stipulated in (a) and (b) above are excepted for a dependent child of a parent who has been transferred to a military installation located in this State and such dependent child shall be considered a resident of New Jersey for the purposes of qualifying for State student financial aid under the State Tuition Aid Grant Program, [pursuant to P.L. 2005, c.60] the **New Jersey Student Tuition Assistance Reward Scholarship Program, and the New Jersey Student Tuition Assistance Reward Scholarship II Program.**

(d)-(e) (No change.)

9A:9-2.3 Noncitizens and resident aliens

[(a)] In order to receive a grant or scholarship, a noncitizen of the United States of America or resident alien must present affirmative evidence that he or she is not in the United States for the temporary purpose of obtaining an education. [Such evidence must include documentation from the United States Citizenship and Immigration Services (USCIS), or its successor agency, that the student may remain permanently in this country and such evidence must be placed in the student's file. The student must:

1. Be the holder of a Permanent Resident Card (Form I-551), issued beginning in 1997, a Resident Alien Card (Form I-551), issued prior to 1997, or an Alien Registration Receipt Card (Form I-151) issued prior to June 1978; or

2. Be the holder of an Arrival Departure Record (Form I-94) or an Arrival Departure Record (Form I-94A) with one of the following:

i. The endorsement "Processed for I-551. Temporary Evidence of Lawful Admission for Permanent Residence. Valid until (date stamp). Employment Authorized."

(1) With the endorsement in (a)2i above, the form is annotated by an "A" number and is acceptable on or before the expiration date; or

ii. For classes of eligible noncitizens, other than permanent residents, the following endorsements are also acceptable:

(1) Parolees: Paroled pursuant to Sec. 212(d)(5) of the Immigration and Nationality Act (8 U.S.C. § 1182(d)(5));

(2) Refugees: Admitted as a refugee pursuant to Sec. 207 of the Immigration and Nationality Act (8 U.S.C. § 1157);

(3) Asylees: Asylum status granted pursuant to Sec. 208 of the Immigration and Nationality Act (8 U.S.C. § 1158);

(4) Cuban-Haitian Entrant: Status pending, valid even after the expiration date has passed; or

(5) Conditional Entrant: Admission into this status through March 31, 1980.

(b) Students with nonimmigrant visas, including the F-1, F-2 or M-1 Student Visa; B-1 or B-2 Visitor Visa; J-1 or J-2 Exchange Visitors Visa; H series or L series Visa which allow temporary employment in the United States; or a G series Visa, which pertains to international organizations, or holding only a "Notice of Approval to Apply for Permanent Residence" (Form I-171 or I-464) are not eligible for student assistance.

(c) Students holding an Employment Authorization Card (Form I-688A), Employment Authorization Documents (Form I-688B or I-766) or Temporary Resident Card (Form I-688) are not eligible.] **Acceptable affirmative evidence is delineated annually by the United States Department of Education in the Federal Student Aid Handbook published at <http://ifap.ed.gov/ifap/byAwardYear.jsp?type=fsahandbook>. The acceptable affirmative evidence standards set forth in Volume 1, Chapter 2, Citizenship, of the 2013-2014 Federal Student Aid Handbook, which is incorporated herein by reference, as amended and supplemented. For a noncitizen of the United States of America, or resident alien, legal New Jersey residency for purposes of N.J.A.C. 9A:9-2.2 commences when a student is granted permanent resident status in the United States.**

9A:9-2.6 Dependent/independent student defined

(a) The term independent, when used with respect to a student, [means any individual who:

1. Is 24 years of age or older by December 31 of the award year; or
2. Meets at least one of the requirements in (b) below.

(b) A student meets the requirements for independent status if such individual:

1. Is an orphan or ward of the court or was a ward of the court until age 18;

2. Is a veteran of the Armed Forces of the United States;

3. Is a graduate or professional student;

4. Is a married individual;

5. Has legal dependents other than a spouse who live with the student and receive more than half of their support from the student;

6. Is currently serving on active duty in the United States Armed Forces for other than State purposes or training; or] **is defined annually by the United States Department of Education in the Federal Student Aid Handbook published at <http://ifap.ed.gov/ifap/byAwardYear.jsp?type=fsahandbook>. The definition is set forth in Chapter 2 of the Application and Verification Guide, contained in the 2013-2014 Federal Student Aid Handbook, which is incorporated herein by reference, as amended and supplemented.**

(b) For purposes of State student financial aid programs, an independent student does not include students who are emancipated minors or were emancipated minors upon reaching the age of majority in his or her state.

[7.] (c) [Is] **The term independent also includes a student for whom a financial aid administrator makes a documented determination of independence by reason of other unusual circumstances as provided under Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. § 1087vv, and its implementing regulations and rules. For purposes of receiving State financial assistance as an independent student due to unusual circumstances, the following conditions apply:**

Recodify existing i-iii. as 1.-3. (No change in text.)

[(c)] (d) A dependent student shall be any student who does not meet any of the eligibility criteria listed in (a) or [(b)] (c) above for independent student status.

[(d)] (e) (No change in text.)

9A:9-2.7 Verification of family financial data

Students upon request must provide [an authorization to] the Higher Education Student Assistance Authority [which permits the release of] **with documentation including, but not limited to, Internal Revenue Service tax return transcripts and/or State income tax returns for themselves, and in the case of dependent students, for their parents, for verification purposes. In the limited circumstances when students or parents are unable to obtain transcripts from the Internal Revenue Service, the Authority may accept a signed copy of the Federal income tax return.** Financial data provided on the financial aid form may be verified by the Authority and/or institution through the comparison of information reported on income tax transcripts and returns and other requested documentation. Discrepancies will require the re-evaluation of the student's eligibility. Students, as well as institutions, will be notified if an adjustment in the value of aid is required. **If documentation is not received to verify income or resolve discrepancies aid will not be granted.**

9A:9-2.11 Payments

(a) The maximum number of semester award payments [which] **that** students may receive are as follows:

1. (No change.)

2. All Other State Student Assistance Programs, except NJ STARS and NJ STARS II:

	Enrollment Status	Maximum Semesters for Award Payments
TWO-YEAR COLLEGES:	Regular 2-Year Program	5
	Remedial/Developmental or Bilingual (ESL)	6
FOUR-YEAR COLLEGES:	Regular 4-Year Program	8 ¹
	Regular 5-Year Program	10 ¹

¹ The semesters of payment are cumulative and include all payments made for a two-year program.

(b) Payments will be made by the Department of the Treasury for eligible students in [equal] two installments over the regular academic year[, the number of installments corresponding to the number of school terms]. Deadline dates shall be established annually by the Higher Education Student Assistance Authority to comply with the State's fiscal year and to allow for academic term expenditure control. The Authority shall provide payment directly to institutions on behalf of student recipients. Listings of eligible students to be credited shall also be provided to each institution.

9A:9-2.15 Appeals

If, for any reason a student, his or her family, or an institution feels that the application of [these rules] this subchapter results in an unfair determination of eligibility, an appeal shall be filed with the Higher Education Student Assistance Authority within 60 days of initial notification of eligibility or ineligibility. [Appeals should be in the form of a letter] All appeals shall be in writing and addressed to the Director of Grants and Scholarships in the Authority, PO Box 540, Trenton, New Jersey 08625-0540 or submitted electronically, and shall contain the student's full name, [social security] Social Security number or customer ID number, college of attendance, and a description of the basis for the appeal. Appeals will be considered on the basis of this appeals process approved by the Authority.

9A:9-2.16 Accounting and auditing standards

(a)-(b) (No change.)

(c) Based on prior coordination with financial aid, registration, and business personnel, institutions will be notified in writing at least 30 days in advance when a full-scale program review has been officially scheduled at their school [and] or 15 days for a limited program review. At such time, the institution will also be notified of what [institutional] files and student records will be required for analysis. Institutions shall provide access to institutional and student records as required by the program review team to conduct their [on-site] review.

(d) (No change.)

(e) Institutions that wish to appeal the findings of the program review shall submit a written appeal to the Authority's Chief [Operating] Compliance Officer within 30 days of receipt of the final program review report. The written appeal must explain in detail why the institution is appealing the program review findings and include any supporting documentation. The Authority's Chief [Operating] Compliance Officer will provide the institution with a written response within 60 days of receipt of the appeal.

SUBCHAPTER 3. TUITION AID GRANT PROGRAMS

9A:9-3.1 Determination of eligibility for and value of student assistance

The information on the financial aid form, as well as additional information provided for each student, shall be evaluated by employing the methodology used to calculate the New Jersey Eligibility Index (NJEI). The evaluation results in an estimate of the family or student's ability to contribute to the cost of education. This estimate is then used to determine the student's eligibility for and award value under the Tuition Aid Grant Programs.

9A:9-3.4 [(Reserved)] Full-time students

A full-time student is one who carries a minimum of 12 credit hours at an institution operating on a semester or quarter calendar or who carries a minimum of 8 credit hours at an institution operating on a trimester calendar.

9A:9-3.5 Part-time students

(a) Eligibility for Tuition Aid Grants shall be extended on an annual basis to part-time students based upon the approval of the Higher Education Student Assistance Authority and the level of appropriated funds. Eligibility for part-time Tuition Aid Grant/Educational Opportunity Fund (TAG/EOF) students must also be approved by the [New Jersey Commission on] Office of the Secretary of Higher Education, or its successor office.

(b)-(f) (No change.)

SUBCHAPTER 4. GARDEN STATE SCHOLARSHIPS

9A:9-4.4 Award amounts

(a) Garden State Scholars shall receive annual awards of up to \$500.00 without regard to financial need based upon their academic performance as determined pursuant to N.J.A.C. 9A:9-4.2(h). If sufficient funds are available, the award may be increased up to an additional \$500.00 based upon the student's New Jersey Eligibility Index (NJEI) pursuant to N.J.A.C. 9A:9-3.1 and 3.2 according to the following table:

Additional Amount of Grant

NJEI	County Colleges	State Colleges	Independent Institutions	Rutgers Univ. NJIT & [UMDNJ] Rowan
Under 1500	\$500	\$500	\$500	\$500
1500 - 2499	250	500	500	500
2500 - 3499	250	250	500	500
3500 - 4499	250	250	250	250
4500 - 5499	250	250	250	250
5500 - 6499	0	250	250	250
6500 - 7499	0	250	250	250
7500 - 8499	0	0	250	250
8500 - 9499	0	0	250	250
9500 - 10499	0	0	250	0
Over 10499	0	0	0	0

(b) Edward J. Bloustein Distinguished Scholars and Urban Scholars shall receive annual awards of up to \$1,000 without regard to financial need based upon their academic performance as determined pursuant to N.J.A.C. 9A:9-4.2(c), (d), and (e). If sufficient funds are available, the award may be increased up to an additional \$ 1,000 based upon the student's New Jersey Eligibility Index (NJEI) pursuant to N.J.A.C. 9A:9-3.1 and 3.2 according to the following table:

Additional Amount of Grant

NJEI	County Colleges	State Colleges	Independent Institutions	Rutgers Univ. NJIT & [UMDNJ] Rowan
Under 1500	\$1000	\$1000	\$1000	\$1000
1500 - 2499	500	1000	1000	1000
2500 - 3499	250	500	1000	1000
3500 - 4499	250	500	500	500
4500 - 5499	250	250	500	500
5500 - 6499	0	250	500	250
6500 - 7499	0	250	250	250
7500 - 8499	0	0	250	250
8500 - 9499	0	0	250	250
9500 - 10499	0	0	250	0
Over 10499	0	0	0	0

(c)-(d) (No change.)

SUBCHAPTER 5. SURVIVOR TUITION BENEFITS PROGRAM

9A:9-5.3 [(Reserved)] Application procedures

In order to apply for a Survivor Tuition Benefit Scholarship, the student must complete a scholarship program application within established deadlines as specified on the application and submit it to the Higher Education Student Assistance Authority. The application shall include identifying information about the student, his or her

college of attendance, the name of the deceased parent or spouse, and information about the organization with which the deceased was affiliated. The student must also submit documentation of his or her relationship to the deceased, as well as verification of the parent or spouse's death in the line of duty. The Authority will determine the student's eligibility for the scholarship based upon the information and documentation submitted and will notify the student of his or her eligibility.

9A:9-5.4 Eligible institutions

Tuition benefits are available to eligible students enrolled in an institution of higher education in New Jersey that is approved or licensed by the [Commission on] Office of the Secretary of Higher Education, or its successor office, and accredited or preaccredited by a nationally recognized accrediting association.

9A:9-5.9 Verification of enrollment and academic performance

[Before payment may be made to an eligible student, the institution must have satisfactory evidence] In order for an eligible student to receive payment, the institution must certify that the student is eligible for tuition benefits, and has registered for an academic term in an undergraduate degree program, and that the student is meeting the minimum standards for academic performance and academic progress at the institution in accordance with N.J.A.C. 9A:9-2.10. Institutions must certify eligibility within the term for which the scholarship is requested. Eligible students shall be enrolled on at least a one-half time basis during any term in order to receive payment.

SUBCHAPTER 7. NEW JERSEY WORLD TRADE CENTER SCHOLARSHIP PROGRAM

9A:9-7.2 Eligible institutions

Scholarships are available to eligible students enrolled in an institution of higher education licensed by the [New Jersey Commission on] Office of the Secretary of Higher Education, its successor office, or its equivalent in another state and accredited or preaccredited by a nationally recognized accrediting association. An institution of higher education shall also include certain proprietary institutions, but only for degree granting programs approved by the [New Jersey Commission on] Office of the Secretary of Higher Education, or its successor office, or other proprietary institutions as determined by the Authority.

9A:9-7.5 Application procedures

In order to apply for the New Jersey World Trade Center Scholarship, the student must annually complete a scholarship program application and submit it to the Higher Education Student Assistance Authority. The Authority will determine whether the student's eligibility is eligible for the scholarship [and obtain verification from the New Jersey Department of Law and Public Safety concerning the relationship of the dependent child or surviving spouse to the terrorist attack of September 11, 2001] pursuant to N.J.A.C. 9A:9-7.4.

SUBCHAPTER 8. LAW ENFORCEMENT OFFICER MEMORIAL SCHOLARSHIPS PROGRAM

9A:9-8.3 Eligible institutions

Scholarships are available to eligible students enrolled in an institution of higher education in New Jersey that is licensed by the [Commission on] Office of the Secretary of Higher Education, or its successor office, and accredited or preaccredited by a nationally recognized accrediting association. An institution of higher education shall also include certain proprietary institutions in New Jersey, but only for degree granting programs approved by the [Commission on] Office of the Secretary of Higher Education, or its successor office.

9A:9-8.6 Application procedures

In order to apply for a Law Enforcement Officer Memorial Scholarship, the student must complete a scholarship program application and submit it to the Higher Education Student Assistance Authority within established deadlines as specified on the application. The application shall include identifying information about the student, his or her college of attendance, the name of the deceased parent and

information about the law enforcement organization with which the deceased was affiliated. The student must also submit documentation of his or her relationship to the deceased as well as verification of the law enforcement officer's death in the line of duty. The Authority will determine the student's eligibility for the scholarship based upon the information and documentation submitted and provide notification to the student.

9A:9-8.9 Verification of enrollment and academic performance

Before payment may be made to an eligible student, the institution must certify that the student has registered full time for an academic term in an undergraduate degree program and that the student is meeting the minimum standards for academic performance and academic progress at the institution in accordance with N.J.A.C. 9A:9-2.10. Institutions must certify eligibility within the term for which the scholarship is requested.

SUBCHAPTER 9. (RESERVED)

SUBCHAPTER 10. NEW JERSEY STUDENT TUITION ASSISTANCE REWARD SCHOLARSHIP (NJ STARS) PROGRAM

9A:9-10.2 Definitions

The following words and terms, when used in this subchapter, shall have the following meanings, unless the context clearly indicates otherwise:

... "Rigorous high school course of study" means a course of study that is in accordance with the standards established by the [Commission on] Office of the Secretary of Higher Education, or its successor agency, in consultation with the Commissioner of Education.

9A:9-10.4 Eligibility requirements

(a) A student shall be eligible for a scholarship under the NJ STARS Program for up to five semesters, including summers. This period of eligibility also includes any semester for which a student qualifies for the scholarship but does not receive payment pursuant to N.J.A.C. 9A:9-10.7. In order to qualify for this scholarship, a student must meet the following eligibility requirements:

1.-2. (No change.)

3. For the first year of enrollment, a student must have graduated in the top 15.0 percent of the student's high school graduating class [and at], provided that in the case of students graduating from high schools that do not calculate their class rank, the student's ranking should be determined by the high school in consultation with the Authority. Ranking policies are determined by the individual high schools and not by the Authority. At the time of high school graduation a student must have met, and continue to meet, all residency and citizenship requirements set forth in N.J.A.C. 9A:9-2.2 and 2.3;

4.-7. (No change.)

(b)-(d) (No change.)

9A:9-10.7 Amount of the scholarship

A scholarship under the NJ STARS Program shall cover up to the full cost of tuition and approved fees for students who graduated high school prior to 2010. For students who graduated high school in 2010 or later, a scholarship under the NJ STARS Program shall cover up to the full cost of tuition. All NJ STARS scholarships are subject to the prior application of other State and Federal grants and scholarships against those costs, for up to 18 credit hours in any semester for an eligible student enrolled in a full-time course of study at the New Jersey county college serving the student's county of residence. The full amount of State and Federal need-based grants and merit scholarships received by the student shall be applied to tuition or tuition and fee charges, as applicable, to reduce the amount of the NJ STARS award.

9A:9-10.10 Appeals

If, for any reason a student, his or her family, or an institution feels that the application of this subchapter results in an unfair determination of eligibility, an appeal shall be filed with the Higher Education Student Assistance Authority within 30 days of initial notification of eligibility or

ineligibility. [Appeals should be in the form of a letter] **All appeals shall be in writing and addressed to the Director of Grants and Scholarships in the Authority, PO Box 540, Trenton, New Jersey 08625-0540 or submitted electronically, and shall contain the student's full name, Social Security number or customer ID number, college of attendance, and a description of the basis for the appeal. The Director of Grants and Scholarship will respond with the Authority's final determination of the appeal.**

SUBCHAPTER 11. NEW JERSEY STUDENT TUITION ASSISTANCE REWARD SCHOLARSHIP II (NJ STARS II) PROGRAM

9A:9-11.10 Appeals

If, for any reason a student, his or her family, or an institution feels that the application of this subchapter results in an unfair determination of eligibility, an appeal shall be filed with the Higher Education Student Assistance Authority within 30 days of initial notification of eligibility or ineligibility. [Appeals should be in the form of a letter] **All appeals shall be in writing and addressed to the Director of Grants and Scholarships in the Authority, PO Box 540, Trenton, New Jersey 08625-0540 or submitted electronically, and shall contain the student's full name, Social Security number or customer ID number, college of attendance, and a description of the basis for the appeal. The Director of Grants and Scholarship will respond with the Authority's final determination of the appeal.**

(a)

HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY

**Student Loan and College Savings Programs
The New Jersey College Loans to Assist State Students (NJCLASS) Program: Policies and Procedures**

Proposed Amendments: N.J.A.C. 9A:10-6.3 through 6.19

Authorized By: Higher Education Student Assistance Authority,
Anthony Falcone, Chairperson.

Authority: N.J.S.A. 18A:71A-1 et seq. and 18A:71C-21 et seq.
Calendar Reference: See Summary below for explanation of
exception to calendar requirement.

Proposal Number: PRN 2014-086.

Submit written comments by August 15, 2014, to:

Marnie B. Grodman, Esquire
Administrative Practice Officer
Higher Education Student Assistance Authority
PO Box 545
Trenton, NJ 08625-0545
Email: Regulations@hesaa.org

The agency proposal follows:

Summary

The Higher Education Student Assistance Authority (Authority) is statutorily responsible for the administration of the State's supplemental student loan program, the New Jersey College Loans to Assist State Students (NJCLASS), and for the promulgation of all rules to that effect, pursuant to N.J.S.A. 18A:71C-21 et seq.

NJCLASS ensures that loans are available to, or for the benefit of, eligible students who are not eligible for, or have additional financial need beyond, Federal student loans.

NJCLASS loans are funded by the sale of bonds. The interest rate on the NJCLASS loans is a pass through rate of the bond interest rate, associated costs of sale, and other costs determined by the bond sale. It is necessary to amend the rules to ensure consistency with the bond indentures, incorporate Federal changes to the cohort default rate used to

determine an institution's eligibility to participate in NJCLASS, and to provide clarity to program terms.

The proposed amendments are summarized below:

N.J.A.C. 9A:10-6.3 is amended to revise the definition of "cohort default rate" to comport with the new Federal definition provided by 34 CFR 668.200 through 202 and Subpart N. Pursuant to the Federal regulatory change, as of 2014, two-year cohort default rates will no longer be provided. As such, the Authority will need to rely on a three-year cohort default rate. The amended definition in subchapter mirrors the Federal definition.

Additionally, Executive Reorganization Plan No. 005-2011 eliminated the Commission on Higher Education and transferred its powers to the Office of the Secretary of Higher Education. As such, the definition of "Commission" or "CHE" is amended to reflect this change.

References to "consolidation loan" have been changed throughout the subchapter to "NJCLASS Consolidation Loan." As such, the definition has been amended and moved to remain in alphabetical order.

The definition of "eligible institution" has been amended due to the change in the definition of cohort default rate. As the cohort default rate has been increased from two to three years, it is necessary to increase the percentage rate from 20 percent to 25 percent. Additionally, reference to the NJCLASS Variable Rate Program is deleted as the definition for this program has been consolidated with that for the NJCLASS Graduate/Professional Students program.

A new definition is added for "fixed rate" as this term is used throughout the subchapter.

In order to alleviate confusion in determining the difference between the overall NJCLASS Loan Program, and the individual loan types included in the Program, the definition of "NJCLASS" has been amended to define the "NJCLASS Loan Program," which encompasses all NJCLASS loans except for NJCLASS Consolidation Loans. A separate definition for "Standard NJCLASS Loan" has been added to define the individual loan that is the primary loan product offered by the Authority. "NJCLASS Loan Program" is used to replace "NJCLASS loans" in the definitions for "delinquency" and "rehabilitation," in the heading for N.J.A.C. 9A:10-6.4, and in N.J.A.C. 9A:10-6.4 through 6.19, and "Standard NJCLASS Loan" replaces "NJCLASS loan" and "fixed rate NJCLASS loan" in the definitions for "NJCLASS Graduate/Professional Students Program" and "NJCLASS Postgraduate Program" and in N.J.A.C. 9A:10-6.4(a) and (b) (except where, in subsection (a), specific reference is made to "any NJCLASS Loan Program or Consolidation Loan amount") and 6.5(c) and (d).

Additionally, the definition for the "NJCLASS Graduate/Professional Students Program" is amended to incorporate the predecessor variable rate version of that loan program. As such, the two programs are merged into this definition and the definition for the "NJCLASS Variable Rate Program" is deleted.

The definition for "rehabilitation" has been amended to reflect the change in terminology discussed above regarding the defined terms of "NJCLASS Loan Program" and "NJCLASS Consolidation Loans."

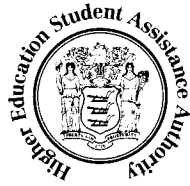
A definition has been added for "temporarily totally disabled" as this term is used in the subchapter.

In order to protect the integrity of the trust estate used to fund NJCLASS, loans are only forgiven if a total and permanent disability affects the ability to pay. Accordingly, the definition for "totally and permanently disabled" has been amended to clarify that, in the case of people who receive an NJCLASS loan on the basis of an income that is not affected by their ability to work or attend school, they will not be deemed totally and permanently disabled for the purposes of having their NJCLASS loans forgiven.

A definition has been added for "variable rate" as that term is used in this subchapter and was not previously defined.

N.J.A.C. 9A:10-6.4(a)3 has been amended to reflect the change in terminology discussed above regarding the defined terms of "NJCLASS Loan Program" and "NJCLASS Consolidation Loans." This update is also proposed at N.J.A.C. 9A:10-6.13(d)4, 6.15, and 6.18.

As the amended definition for NJCLASS Graduate/Professional Students loans incorporates the variable rate NJCLASS loan, N.J.A.C. 9A:10-6.4(c) is amended to delete the superfluous reference to the Variable Rate NJCLASS loan.



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

THROUGH: Gabrielle Charette, Esquire 
Executive Director

FROM: Dave Gillespie 
Associate Director of Servicing and Collections

SUBJECT: Resolution 23:14 Appointing Special Counsel to a List of Attorneys to Assign Educational Receivables Files

DATE: October 23, 2014

Background

On September 10, 2014 the Higher Education Student Assistance Authority (HESAA) issued a Request for Qualifications (RFQ) seeking proposals from qualified law firms to create a list of outside counsel to which HESAA can assign defaulted student loans and other educational receivables for collection. Additionally, the firms on the list will represent HESAA in contesting the dischargeability of a debtor from bankruptcy, in Administrative Wage Garnishment hearings and collection related appellate work. The term of the appointment for the placement of new files will be two years.

HESAA emailed the RFQ to the law firms currently providing these services for HESAA and other entities that reached out to HESAA, posted the RFQ on HESAA's website and advertised the RFQ in the Trenton Times, Star Ledger, Courier News, and Home News.

HESAA received proposals from four law firms, all of which currently represent HESAA.

Selection Process

An evaluation committee made up of HESAA's Controller, Assistant Controller, Associate Director of Servicing and Collections, Servicing and Collections Program Officer and Director of Audits and Quality Assurance met and reviewed each of the responsive proposals.

The selection criteria for reviewing Collection Counsel proposals were as follows:

- Knowledge and experience of attorneys and firm in educational receivables collections, bankruptcy, and Administrative hearings and appellate work;
- The firm's recovery performance;
- Average time it takes the firm to liquidate debt;
- Resources of the firm;
- Approach to communication with HESAA; and
- Past experience of HESAA with the firm and/or attorneys.

The committee determined that a firm must achieve a minimum score of 2500, meaning that it was deemed overall to be "good", to be recommended for placement on the list. Pursuant to the RFQ the list was limited to four firms.

Based on the reviews, three of the firms met the minimum threshold for appointment. As such, the committee recommends that Schachter Portnoy, LLC and Solomon & Solomon PC be placed on the list.

Although HESAA currently engages Fein, Such, Kahn & Shepard, P.C., the engagement is a result of a merger of HESAA's previous counsel, Levitan & Friedland into Fein, Such, Kahn & Shepard, P.C. As such it is recommended that the Board approve their placement on the list, contingent on the results of a site visit from HESAA staff. On the site visit, at a minimum, staff will review:

- Office Organization
- Facilities
- Computer System
 - o System used
 - o System Security
- Disaster Recovery
- How the law firm plans to handle the initial placement of files.

At the conclusion of the visit, the staff members will prepare a document that summarizes the visit. The document will be circulated to the evaluation committee with a pass/fail recommendation. A copy of the visit notes will become a part of the law firm's operational file maintained by the Servicing and Collections unit.

Once firms are placed on the list, HESAA staff will assign files to the firms based on the following criteria, as was specified in the RFQ:

- The background, qualifications, skills, and experience of the firm and its staff with specific reference to educational receivables collections practice;
- The firm's degree of expertise in all facets of providing legal services relating to educational receivables collections;
- The Authority's prior experiences with the firm, if applicable;

- The firm's recovery performance;
- The average time it takes the firm to liquidate debt;
- The firm's handling of customer service issues;
- The firm's familiarity with the work, requirements, and systems of New Jersey State Authorities and those of the Higher Education Student Assistance Authority; and
- Geographical location of the firm's offices.

Recommendation

It is recommended that the Board approve Resolution 23:14 Appointing Special Counsel to a List of Attorneys to Assign Educational Receivables Files. As specified in Resolution 23;14, it is recommended that LLC, Schachter Portnoy, LLC and Solomon & Solomon PC be appointed to the list without a new site visit and Fein, Such, Kahn and Shepard, P.C.be appointed to the list contingent on the results of a site visit by HESAA staff.

Attachment

RESOLUTION 23:14

**APPOINTING SPECIAL COUNSEL TO A LIST OF ATTORNEYS TO ASSIGN
EDUCATIONAL RECEIVABLES FILES**

Moved by: Fr. Michael Braden
Seconded by: Dr. Jon Larson

WHEREAS: On September 10, 2014 the Higher Education Student Assistance Authority (HESAA) issued a Request for Qualifications (RFQ) seeking proposals from qualified law firms to create a list of outside counsel to which HESAA can assign defaulted student loans and other educational receivables for collection; and

WHEREAS: Four law firms provided proposals in response to the RFQ; and

WHEREAS: An evaluation committee made up of HESAA's Controller, Assistant Controller, Associate Director of Servicing and Collections, Servicing and Collections Program Officer and Director of Audits and Quality Assurance met and reviewed each of the proposals; and

WHEREAS: Three firms exceeded the minimum score for placement on the list of attorneys to which HESAA assigns educational receivable files; and

WHEREAS: Two of the firms are currently engaged by HESAA and have therefore received site visits from HESAA staff; and

WHEREAS: One of the firms currently represents HESAA due to a merger of HESAA's previous attorneys and therefore requires a site visit from HESAA staff.

NOW, THEREFORE, LET IT BE:

RESOLVED: That the Board hereby appoints Schachter Portnoy, LLC and Solomon & Solomon PC as Special Counsel to be placed on a List of Attorneys to Assign Educational Receivables Files for a two-year term; and be it further

RESOLVED: That the Board hereby approves appointing Fein, Such, Kahn & Shepard, P.C. to the list of attorneys to which HESAA assigns educational receivable files for a two year term contingent on the results of the site visit to the firms by HESAA staff.

October 23, 2104

EVALUATION SCORE SHEET		HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY (Special Counsel: Student Loan Collections)					
BIDDER		DATE	October 9, 2014				
SUMMARY OF EVALUATION TEAM'S COMMENTS:							
Evaluators notes that the bidder provided more information than was necessary to respond to the RFQ. It was further noted that while members of the firm have previously handled defaulted FFELP files on behalf of HESAA at a previous firm, the acceptance of the firm will be contingent upon a site visit.							
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	SCORE 5	WEIGHT	TOTAL
Knowledge and experience of attorneys and firm in educational receivables collections, bankruptcy, and Administrative hearings and appellate work	6	7	7	6	6	20	640
The firm's recovery performance	5	6	6	5	6	20	560
Average time it takes the firm to liquidate debt	5	5	6	5	6	20	540
Resources of the firm	7	7	8	8	7	15	555
Approach to communication with HESAA	4	6	9	5	5	15	435
Past experience of HESAA with the firm and/or attorneys	4	5	9	4	5	10	270
Total	31	36	45	33	35	100	3000

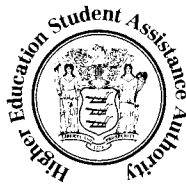
EVALUATION SCORE SHEET		HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY (Special Counsel: Student Loan Collections)									
BIDDER The Law Offices of Richard W. Krieg, LLC		DATE October 9, 2014									
SUMMARY OF EVALUATION TEAM'S COMMENTS:											
Evaluators raised concern with the responsiveness of the bidder to inquiries from HESAA for information. HESAA has also experienced issues related to the forwarding of remittance reports and monies. It was felt by the committee that the issues were primarily because of the bidder being a relatively new firm and that the firm is small.											
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	SCORE 5	WEIGHT	TOTAL				
Knowledge and experience of attorneys and firm in educational receivables collections, bankruptcy, and Administrative hearings and appellate work	4	6	6	4		20	520				
The firm's recovery performance	3	6	5	4		20	460				
Average time it takes the firm to liquidate debt	4	6	6	4		20	500				
Resources of the firm	4	4	7	4		15	360				
Approach to communication with HESAA	3	6	4	4		15	315				
Past experience of HESAA with the firm and/or attorneys	3	4	5	6		10	220				
Total	21	32	33	31	24	100	2375				

EVALUATION SCORE SHEET		HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY (Special Counsel: Student Loan Collections)									
BIDDER Schachter Portnoy, L.L.C.		DATE									
SUMMARY OF EVALUATION TEAM'S COMMENTS:											
One evaluator indicated that the firm tended to be a bit cautious in litigating matters. As a result, the firm has a lower but still acceptable recovery rate than some of the other firms. The evaluators all felt the bidder was most responsive bidder to inquiries from HESAA. It was noted that the firm is growing and has added two new offices in other states.											
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	SCORE 5	WEIGHT	TOTAL				
Knowledge and experience of attorneys and firm in educational receivables collections, bankruptcy, and Administrative hearings and appellate work	6	7	9	9	6	20	740				
The firm's recovery performance	6	7	7	5	6	20	620				
Average time it takes the firm to liquidate debt	5	7	6	5	5	20	560				
Resources of the firm	6	6	7	8	6	15	495				
Approach to communication with HESAA	7	6	9	9	7	15	570				
Past experience of HESAA with the firm and/or attorneys	7	7	9	9	7	10	390				
Total	37	40	47	45	37	100	3375				

EVALUATION SCORE SHEET		HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY (Special Counsel: Student Loan Collections)					
BIDDER Solomon and Solomon PC		DATE					
SUMMARY OF EVALUATION TEAM'S COMMENTS:							
The evaluators felt that the bidder needed to better manage the turnover of their staff, which has had a direct impact on back office operations. Several of the evaluators pointed out that the bidder has an IT department available to make changes to their computer system and this has made them responsive to requests from HESAA.							
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	SCORE 5	WEIGHT	TOTAL
Knowledge and experience of attorneys and firm in educational receivables collections, bankruptcy, and Administrative hearings and appellate work	6	7	8	7	6	20	680
The firm's recovery performance	5	8	6	7	6	20	640
Average time it takes the firm to liquidate debt	4	7	7	7	6	20	620
Resources of the firm	6	6	8	8	6	15	510
Approach to communication with HESAA	4	6	7	7	6	15	450
Past experience of HESAA with the firm and/or attorneys	4	7	6	6	6	10	290
Total	29	41	42	42	36	100	3190

Threshold score: 2500

Bidder	Score
Fein, Such, Kahn & Shepard, P.C.	3000
The Law Offices of Richard W. Krieg, LLC	2375
Schachter Portnoy, L.L.C.	3375
Solomon and Solomon PC	3190



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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: Eugene Hutchins 
Chief Financial Officer

SUBJECT: Resolution 24:14 Appointment of a Financial Advisor for Authority Bond Issues

DATE: October 23, 2014

Introduction

This memorandum recommends your approval of the appointment of a Financial Advisor for calendar years 2015 and 2016. The Financial Advisor represents the Authority's interests in the development of a bond issue. Its services include the review of proposed financing structures and the cash flow analysis. The Financial Advisor and Senior Manager work jointly to answer any issues raised by rating agencies, liquidity providers, bond counsel or the bond trustee.

Background

A. Selection Process

The Authority's procedures call for a Request for Proposal (RFP) document to be developed and circulated to prospective financial advisory firms by Authority staff. The RFP was sent to 16 financial advisory firms. The criteria for selection of Financial Advisor are contained in this document.

An evaluation team consisting of the Chief Financial Officer, the Controller and the Director of Legal & Governmental Affairs reviewed the proposals from the firms that submitted proposals.

B. Report on the Selection of a Financial Advisor

The selection criteria for Financial Advisor are the following:

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.

Two proposals were submitted by financial advisory firms. Both of these firms were evaluated based on their level of experience and suitability relative to the Authority's evaluation criteria. The ranking process resulted in First Southwest being rated as superior in terms of depth and breadth of financial advisor services they could provide to HESAA, as well as their experience with a number of student loan issuers from across the United States.

The maximum proposed fee by First Southwest for financial advisory services is \$100,000. This fee also includes review of cash flow models prepared by the senior manager at no additional fee. In response to requested quotes for related services that were included in the RFP, First Southwest has proposed a swap advisor fee of \$1 per \$1000 of notional amount for swap termination services. First Southwest also proposes a fee of 2 basis points on the invested balances, with a maximum of \$34,000, for their support in the bidding, evaluation and award of the Guaranteed Investment Contracts in which bond proceeds are invested until disbursed as student loans, and in which loan repayments are temporarily reinvested. However, in the current market environment, it is unlikely that a Guaranteed Investment Agreement will be sought as an investment vehicle for new bond proceeds. For GASB #53 Swap valuation and effectiveness testing, First Southwest proposes a fee of \$1,250 per SWAP. All fees proposed in this proposal are unchanged from the firm's previous proposal submitted for the years 2013 and 2014, with the exception of the GASB #53 work, which was included in the RFP for the first time this year.

The other competing firm, FS&L Financial S&Lutions, proposed a fee for providing financial advisory services for a bond issuance that was significantly higher, at \$150,000 per transaction. Most other services that HESAA would likely utilize were stated in terms of a rate of \$300 per hour, with no estimates of the number of hours required. Thus the Evaluation Committee was unable to quantify the total proposed cost of this firm's services.

Recommendation

It is recommended that the Board approve the attached Resolution 24:14, approving the appointment of First Southwest as the Authority's Financial Advisor for the years 2015 and 2016.

Attachments

RESOLUTION 24:14

APPOINTING A FINANCIAL ADVISOR FOR AUTHORITY BOND ISSUES

Moved by: Dr. Harvey Kesselman

Seconded by: Mr. James Allen

WHEREAS: There is a need for the Higher Education Student Assistance Authority (the “Authority”) to appoint a Financial Advisor for calendar years 2015 and 2016; and

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

WHEREAS: These procedures have been appropriately applied through the circulation of RFPs to 16 financial advisory firms; and

WHEREAS: An Evaluation Committee comprised of the Authority’s Chief Financial Officer, Controller and Director of Legal Affairs reviewed all of the proposals.

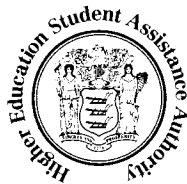
NOW, THEREFORE, LET IT BE:

RESOLVED: That the Board approves the appointment of First Southwest, 250 West 57th Street, Suite 1420, New York, New York 10107, as Financial Advisor for 2015 and 2016 at a cost of \$100,000 per bond issue; a fee of \$1 per \$1000 of notional amount for swap termination services; a fee of 2 basis points of the amount invested for guaranteed investment contract bid management services, with a maximum fee of \$34,000, to be paid by the guaranteed investment contract provider; and a fee of \$1,250 per SWAP for GASB #53 swap valuation and effectiveness testing.

October 23, 2014

EVALUATION SCORE SHEET		HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY (Financial Advisor Proposal Evaluation)			
BIDDER Financial S&Lutions, LLC	DATE	10/2/2014			
SUMMARY OF EVALUATION TEAM'S COMMENTS: Firm has limited experience with student loan issuers, does not have the depth of staff that may be necessary, had significantly higher base fees, and fees for other services were open-ended.					
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	WEIGHT	TOTAL
The experience of the firm in advising on tax-exempt student loan revenue bond offerings	5	8	8	20	420
The relevant experience of the staff assigned to the Authority	6	8	7	20	420
The quality of the response to the RFP	4	7	7	15	270
The ability to meet the needs of the Authority	4	8	7	15	285
The fee proposed	3	4	5	10	120
The technical qualifications, experience and time commitment of personnel assigned to the project, as demonstrated by descriptions of experience contained in the RFP response	5	8	8	20	420
Total					1935

EVALUATION SCORE SHEET		HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY (Financial Advisor Proposal Evaluation)			
BIDDER First Southwest	DATE	10/2/2014			
SUMMARY OF EVALUATION TEAM'S COMMENTS: Firm was highly rated in terms of depth and breadth of financial advisor services they could provide to HESAA, as well as broad base of experience with a number of student loan issuers across the country. All fees proposed were reasonable and capped.					
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	WEIGHT	TOTAL
The experience of the firm in advising on tax-exempt student loan revenue bond offerings	8	9	9	20	520
The relevant experience of the staff assigned to the Authority	8	9	9	20	520
The quality of the response to the RFP	9	9	9	15	405
The ability to meet the needs of the Authority	8	9	9	15	390
The fee proposed	7	8	8	10	230
The technical qualifications, experience and time commitment of personnel assigned to the project, as demonstrated by descriptions of experience contained in the RFP response	8	9	9	20	520
Total					2585



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CHRIS CHRISTIE
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Lt. Governor

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 25:14 Approving the Extension of the Contract with Nelnet, Designated Purchaser of Federal Family Education Loan Program (FFELP) Rehabilitation & Bankruptcy Loans for One Year

DATE: October 23, 2014

Background

The federal Higher Education Act of 1965, as amended, provides a Loan Rehabilitation Program for borrowers with defaulted loans issued under the Federal Family Education Loan Program, (FFELP). The FFELP loan rehabilitation program allows borrowers 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. Similarly, borrowers who have completed their bankruptcy actions are eligible to exit default status. Because HESAA is New Jersey's designated guaranty agency by the U.S. Department of Education, responsible for the administration of FFELP, the Authority administers the rehabilitation program for borrowers whose loans were originated with HESAA as the designated guaranty agency and also supervises bankruptcy proceedings of borrowers who have defaulted on HESAA-guaranteed loans.

Current regulations promulgated under the Higher Education Act provide for reimbursement of accrued interest and collection costs incurred by the guaranty agency of up to 16% of the loan balance, 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 is a source of program revenue to the Authority's Guaranty Agency Operating Fund.

Prior to May 7, 2010, the NJCLASS/FFELP Loan Program had been purchasing monthly pools of rehabilitated defaulted FFELP loans and bankruptcy loans from HESAA's portfolio of defaulted FFELP loans after they met the requirements for rehabilitation as described above. The ability for HESAA to purchase these loans ended as a result of the refinancing of all HESAA-held FFELP loans into a closed trust that precluded these purchases.

After that date, it was necessary to sell rehabilitated loans to an outside entity. An RFP for this purpose was issued in September of 2010. At its November 23, 2010 meeting, the Board appointed Nelnet, Inc. as the Authority's designated purchaser of FFELP rehabilitation and bankruptcy loans for the two year period ending December 31, 2012, with three 1-year extensions at the option of the Authority. The Board approved the first two one-year extensions at its October 25, 2012 and November 19, 2013 meetings.

The Board approved the initial selection of Nelnet because Nelnet offered to purchase the loans at a smaller discount than the other bidder. Nelnet's discount percentages, based on age of loans and type, range from 5% to 6%. It should be noted that even at the Nelnet proposed discount rate, HESAA still realizes a nominally positive cash flow from these purchases.

In an attempt to determine if current market conditions had improved enough to enable it to receive more favorable terms on FFELP rehab sales, in June 2014, HESAA issued another RFP for purchases of FFELP rehabilitation and bankruptcy loans. No responses to this solicitation were received, resulting in the continuation of the current contract with Nelnet for the remainder of the second extension year.

Accordingly, it is in the best interest of HESAA to exercise its third option to extend the contract with Nelnet for 1 year.

Recommendation

HESAA recommends that the Board approve the attached Resolution 25:14, approving the extension of the contract with Nelnet, Designated Purchaser of Federal Family Education Loan Program (FFELP) Rehabilitation & Bankruptcy Loans for One Year.

Attachment

RESOLUTION 25:14

**APPROVING THE EXTENSION OF THE CONTRACT WITH NELNET,
DESIGNATED PURCHASER OF FEDERAL FAMILY EDUCATION LOAN
PROGRAM (FFELP) REHABILITATION & BANKRUPTCY LOANS FOR ONE YEAR**

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

WHEREAS: At its November 23, 2010 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 FFELP rehabilitation and bankruptcy loans for the two year period ending December 31, 2012, with three 1-year extensions at the option of the Authority; and

WHEREAS: At its October 25, 2012 meeting the Board approved the first 1-year contract extension; and

WHEREAS: At its November 19, 2013 meeting the Board approved the second 1-year contract extension; 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 third option to extend the contract with Nelnet for 1 year.

NOW THEREFORE, LET IT BE:

RESOLVED: The Higher Education Student Assistance Authority hereby approves extending its contract with Nelnet, Inc. appointing Nelnet as designated purchaser of Federal Family Education Loan Program (FFELP) rehabilitation & bankruptcy loans for one year at discount percentages, based on age of loans and type, ranging from 5% to 6%.

October 23, 2014



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KIM GUADAGNO
Lt. Governor

GABRIELLE CHARETTE, ESQ.
Executive Director

MEMORANDUM

TO: Members, Higher Education Student Assistance Authority

THROUGH: Gabrielle Charette, Esq. 
Executive Director

FROM: Pat Maske 
Director, Human Resources

SUBJECT: Resolution 26:14 Approving an Extension to the Contracts Appointing Vendors to Provide Temporary Employment Services

DATE: October 23, 2014

Background

In order to accomplish its mission of providing students and their families with financial aid and informational resources to pursue their education beyond high school, it is necessary for the Higher Education Student Assistance Authority (HESAA) to supplement its permanent workforce with temporary employees and consultants. To ensure that HESAA employs the most qualified temporary employees and consultants in the most cost effective manner, on September 14, 2011 HESAA issued a "Request for Proposals for Temporary Employment Services: Administrative, Office/Clerical and Information Technology (IT)". At its October 26, 2011 meeting, the Board approved Resolution 20:11 based on the evaluation committee's recommendations. After encountering difficulty filling finance, accounting and collector positions, on March 23, 2012 HESAA issued a "Request for Proposals for Temporary Employment Services: Finance, Accounting and Collector Positions." At its April 26, 2012 meeting, the Board approved Resolution 08:12 based on the evaluation committee's recommendations. The contracts executed as a result of the RFPs are with J&J Staffing Resources, Brooks Personnel (now Perry Resources), Makro, Joule Staffing Solutions, Tek Systems, ClarusTec, LikeMinds Consulting, Software Galleria (now First TekDOS), Robert Half/Accountemps and Accounting Principals. All of the contracts were for three years with two possible one-year extensions.

HESAA has been satisfied with the quantity and quality of candidates received from the selected vendors. If the primary vendor was not able to provide qualified candidates in the timeframe

agreed to in their contract, HESAA moved to the secondary and, if necessary, the tertiary vendors. This does not happen often. HESAA is also satisfied with the rates. As such staff is recommending that the Board approve the first one year extension for all of the vendors. A listing of the vendor awards and rates is attached.

Recommendation

It is recommended that the Board approve Resolution 26:14 providing a one-year extension to each of the vendors HESAA engaged pursuant to the RFPs for Temporary Employment Services.

Attachments

RESOLUTION 26:14

APPROVING AN EXTENSION TO THE CONTRACTS APPOINTING VENDORS TO PROVIDE TEMPORARY EMPLOYMENT SERVICES

Moved by: Dr. Harvey Kesselman
Seconded by: Mr. James Allen

WHEREAS: On September 14, 2011 the Higher Education Student Assistance Authority (HESAA) issued a “Request for Proposals for Temporary Employment Services: Administrative, Office/Clerical and Information Technology (IT)” (RFP); and on March 23, 2012 issued a “Request for Proposals for Temporary Employment Services: Finance, Accounting and Collector Positions”; and

WHEREAS: On October 26, 2011 and April 26, 2012 the Board approved contracts with 9 temporary employment services vendors for a three year period with two optional one-year extensions; and

WHEREAS: These vendors have provided qualified candidates; and

WHEREAS: It will be cost-effective to extend the current contracts for one year in accordance with the costs as provided.

NOW, THEREFORE, LET IT BE:

RESOLVED: That the Board approves a one-year extension of the contracts with J&J Staffing Resources, Brooks Personnel (now Perry Resources), Makro, Joule Staffing Solutions, Tek Systems, ClarusTec, LikeMinds Consulting, Software Galleria (now First TekDOS), Robert Half/Accountemps and Accounting Principals for the prices listed on the attached sheet.

October 23, 2014

Award Sheet

IT

Job Title	Level	Primary Award	Secondary Award	Tertiary Award
Business Intelligence Developer	BID1	Tek 68.16	ClarusTec 69.00	Makro 68.20
Business Intelligence Developer	BID 2	Tek 83.40	ClarusTec 74.00	Makro 75.36
Business Intelligence Developer	BID3	Tek 95.17	ClarusTec 84.00	Makro 82.12
Data Center Specialist	DCS1	Tek 51.00	Software Galleria 41.95	Makro 40.68
Data Center Specialist	DCS2	Tek 58.20	Software Galleria 49.90	Makro 41.10
Data Entry Operator	DE1	J&J 2012-14 17.40 2015-16 18.85	Tek 23.00	Software Galleria 22.02
Data Entry Operator	DE2	J&J 2012-14 23.20 2015-16 24.65	Tek 25.00	Makro 21.65
Data Mart Operator	DMD1	Tek 72.60	ClarusTec 69.00	Software Galleria 60.51
Data Mart Operator	DMD2	Tek 77.40	ClarusTec 74.00	Software Galleria 66.98
Data Mart Operator	DMD3	Tek 93.00	ClarusTec 89.00	Software Galleria 79.24
Data Modeling Consultant	DMC1	Tek 62.84	Software Galleria 61.38	Makro 55.00
Data Modeling Consultant	DMC2	Tek 72.85	Software Galleria 67.40	Makro 62.00
Data Modeling Consultant	DMC3	Tek 84.60	Software Galleria 83.26	Makro 80.00
Database Administrator	DBA1	Tek 72.60	Software Galleria 53.11	ClarusTec 69.00
Database Administrator	DBA2	Tek 85.50	Software Galleria 59.64	ClarusTec 79.00
Database Administrator	DBA3	Tek 103.80	Software Galleria 83.26	ClarusTec 89.00
Engagement Manager	EM1	Tek 59.16	ClarusTec 69.00	Software Galleria 82.14
Engagement Manager	EM2	Tek 69.25	ClarusTec 79.00	Software Galleria 106.84

Engagement Manager	EM3	Tek 78.70	ClarusTec 89.00	Software Galleria 128.28
ETL Programmer	ETL1	Tek 62.05	ClarusTec 69.00	Makro 73.78
ETL Programmer	ETL2	Tek 73.78	Software Galleria 72.61	ClarusTec 79.00
ETL Programmer	ETL3	Tek 88.45	ClarusTec 89.00	Makro 70.00
Functional Architect	FA1	Tek 86.80	Software Galleria 54.81	Makro 56.00
Functional Architect	FA2	Tek 98.05	Software Galleria 66.27	Makro 64.00
Functional Architect	FA3	Tek 116.14	Software Galleria 73.24	Makro 76.00
Help Desk Support	HDS1	J&J 2012-14 20.30 2015-16 21.75	Tek 45.36	Software Galleria 32.96
Help Desk Support	HDS2	J&J 2012-14 26.10 2015-16 27.55	Tek 50.20	Software Galleria 35.84
Information Security Specialist	ISS1	Tek 75.00	ClarusTec 74.00	Likeminds 115.00
Information Security Specialist	ISS2	Tek 84.60	Likeminds 135.00	Software Galleria 67.81
Integration Engineer	IE1	Tek 68.89	Software Galleria 62.54	Makro 62.00
Integration Engineer	IE2	Tek 82.54	Software Galleria 69.11	Makro 67.00
Integration Engineer	IE3	Tek 98.16	Software Galleria 79.80	Makro 76.00
Network Systems Administrator	NSA1	Tek 61.80	ClarusTec 59.00	Makro 49.00
Network Systems Administrator	NSA2	Tek 71.40	ClarusTec 69.00	Software Galleria 66.12
Network Systems Analyst	SAN1	Tek 58.72	Software Galleria 44.22	ClarusTec 59.00
Network Systems Analyst	SAN2	Tek 74.23	ClarusTec 69.00	Software Galleria 47.90
Network Systems Analyst	SAN3	Tek 84.77	Software Galleria 53.45	ClarusTec 89.00

Product Specialist	PS1	Tek 71.82	Likeminds 85.00	Makro 54.00
Product Specialist	PS2	Tek 81.98	Likeminds 105.00	Makro 59.00
Product Specialist	PS3	Tek 95.40	Likeminds 125.00	Makro 73.00
Programmer	PR1	Likeminds 45.00	Tek 72.60	ClarusTec 54.00
Programmer	PR2	Likeminds 55.00	Tek 61.50	ClarusTec 64.00
Programmer	PR3	Likeminds 65.00	Tek 91.80	ClarusTec 79.00
Project Manager	PM1	Tek 72.60	Software Galleria 63.11	ClarusTec 79.00
Project Manager	PM2	Tek 78.60	Software Galleria 74.24	ClarusTec 89.00
Project Manager	PM3	Tek 93.00	Software Galleria 82.17	ClarusTec 99.00
Quality Assurance Specialist	QAS1	Tek 55.80	Likeminds 55.00	Makro 50.00
Quality Assurance Specialist	QAS2	Tek 72.60	Software Galleria 65.34	ClarusTec 74.00
Quality Assurance Specialist	QAS3	Tek 79.80	ClarusTec 79.00	Software Galleria 78.12
Software Process Engineer	SPS1	Tek 63.07	Software Galleria 49.22	ClarusTec 64.00
Software Process Engineer	SPS2	Tek 72.60	Software Galleria 53.92	ClarusTec 74.00
Software Process Engineer	SPS3	Tek 77.40	Software Galleria 71.11	ClarusTec 79.00
System Administrator	SA1	Tek 55.80	Software Galleria 45.47	ClarusTec 59.00
System Administrator	SA2	Tek 65.40	Software Galleria 49.79	ClarusTec 69.00
System Administrator	SA3	Tek 81.00	Software Galleria 66.35	Makro 65.00
System Specialist	SS1	Tek 65.40	Likeminds 65.00	Software Galleria 42.81
System Specialist	SS2	Tek 76.20	Likeminds 85.00	Software Galleria 45.21

System Specialist	SS3	Tek 90.55	Software Galleria 56.85	Likeminds 110.00
Team Lead	TL1	Tek 76.76	Software Galleria 74.26	ClarusTec 79.00
Team Lead	TL2	Tek 91.14	Software Galleria 78.28	ClarusTec 89.00
Technical Architect Specialist	TAS1	Tek 72.60	Likeminds 75.00	ClarusTec 99.00
Technical Architect Specialist	TAS2	Tek 85.80	Likeminds 90.00	ClarusTec 109.00
Technical Architect Specialist	TAS3	Tek 114.60	Likeminds 115.00	ClarusTec 119.00
Technical Writer	TW1	J&J 2012-13 24.65 2015-16 26.10	Tek 42.00	Software Galleria 35.62
Technical Writer	TW2	J&J 2012-13 29.00 2015-16 30.45	Tek 51.00	Software Galleria 41.31
Technical Writer	TW3	J&J 2012-13 33.35 2015-16 34.80	Tek 62.00	Software Galleria 46.56
Telecom Engineer	TE1	Tek 35.00	Software Galleria 41.93	Makro 38.66
Telecom Engineer	TE2	Tek 40.00	Software Galleria 48.09	Makro 43.70
Telecom Engineer	TE3	Tek 45.00	Software Galleria 54.96	Makro 52.10
Tester	Test1	Tek 52.50	Makro 44.00	ClarusTec 64.00
Tester	Test2	Tek 65.40	Software Galleria 57.46	Makro 50.00
Tester	Test3	Tek 71.40	Software Galleria 66.42	Makro 57.00
Voice/Data Engineer	VDE1	Tek 50.00	Makro 46.00	Software Galleria 50.68
Voice/Data Engineer	VDE2	Tek 53.00	Software Galleria 58.35	Makro 54.00
Voice/Data Engineer	VDE3	Tek 55.00	Software Galleria 65.74	Makro 63.00

Award Sheet
Administrative and Office Clerical

Job Title	Primary Award	Secondary Award	Tertiary Award
Administrative Assistant	J & J 2012-2014 14.35 2015-2016 15.44	Brooks Personnel 17.76	Makro 20.00
Administrative Assistant - Executive	J & J 2012-2014 17.50 2015-2016 18.83	Makro 22.00	Brooks Personnel 20.72
Auditor	J & J 2012-2014 21.00 2015-2016 22.60	Brooks Personnel 29.60	Makro 39.00
Clerk – Clerical Support	J & J 2012-2014 12.60 2015-2016 13.56	Makro 22.00	Brooks Personnel 14.80
Clerk –Data Entry	J & J 2012-2014 13.65 2015-2016 14.69	Makro 20.00	Brooks Personnel 15.91
Clerk –Mailroom	J & J 2012-2014 13.30 2015-2016 14.31	Brooks Personnel 13.32	Makro 19.00
Clerk -Typist	J & J 2012-2014 13.65 2015-2016 14.69	Makro 19.00	Brooks Personnel 16.28
Communications Assistant	J & J 2012-2014 16.80 2015-2016 18.08	Makro 18.00	Brooks Personnel 19.42
Communications Specialist	J & J 2012-2014 18.20 2015-2016 19.59	Makro 26.00	Brooks Personnel 19.98
Credit Reviewer	J & J 2012-2014 19.60 2015-2016 21.09	Makro 20.00	Brooks Personnel 25.16
Customer Service Representative (Day)	J & J 2012-2014 15.05 2015-2016 16.20	Makro 16.00	Brooks Personnel 16.28
Customer Service Representative (Day Bilingual Spanish)	J & J 2012-2014 15.75 2015-2016 16.95	Makro 18.00	Brooks Personnel 17.02
Customer Service Representative (2 nd Shift)	J & J 2012-2014 16.10 2015-2016 17.33	Brooks Personnel 16.28	Makro 18.00
Customer Service Representative (2 nd Shift Bilingual Spanish)	J & J 2012-2014 16.45 2015-2016 17.70	Brooks Personnel 17.02	Makro 20.00

Customer Service Representative (Evening)	J & J 2012-2014 16.45 2015-2016 17.70	Brooks Personnel 16.28	Makro 23.00
Customer Service Representative (Evening Bilingual Spanish)	J & J 2012-2014 16.80 2015-2016 18.08	Brooks Personnel 17.02	Makro 25.00
Default Aversion Manager	J & J 2012-2014 19.60 2015-2016 21.09	Joule 22.50	Makro 25.00
Editor	Makro 20.00	J & J 2012-2014 25.20 2015-2016 27.12	Brooks Personnel 22.20
Federal Compliance Reviewer	Makro 28.00	Brooks Personnel 29.60	Joule 33.00
File Clerk/Document Reviewer	J & J 2012-2014 13.30 2015-2016 14.30	Brooks Personnel 13.32	Makro 20.00
Graphics Designer	J & J 2012-2014 27.30 2015-2016 29.38	Brooks Personnel 20.72	Makro 30.00
Human Resources Generalist	Makro 20.00	J & J 2012-2014 28.00 2015-2016 30.14	Brooks Personnel 23.68
Human Resources Specialist	Makro 25.00	J & J 2012-2014 21.00 2015-2016 22.60	Brooks Personnel 23.68
Legal Assistant/Secretary	J & J 2012-2014 19.60 2015-2016 21.09	Makro 20.00	Brooks Personnel 23.68
Legal Specialist	J & J 2012-2014 25.20 2015-2016 28.63	Makro 25.00	Brooks Personnel 25.16
Marketing Assistant	J & J 2012-2014 19.60 2015-2016 21.09	Makro 19.00	Brooks Personnel 17.76
Marketing Specialist	J & J 2012-2014 25.20 2015-2016 27.12	Makro 22.00	Brooks Personnel 19.24
Mover	J & J 2012-2014 13.65 2015-2016 14.69	Brooks Personnel 11.10	Makro 15.00
Office Manager	J & J 2012-2014 18.20 2015-2016 19.59	Makro 20.00	Brooks Personnel 20.72
Paralegal	J & J 2012-2014 19.60	Makro 21.00	Brooks Personnel 22.20

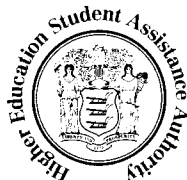
	2015-2016 21.09		
Program Administrator	Makro 28.00	J & J 2012-2014 30.80 2015-2016 33.15	Brooks Personnel 22.20
Project Manager	J & J 2012-2014 49.00 2015-2016 52.74	Brooks Personnel 26.64	Makro 48.00
Project Specialist	J & J 2012-2014 35.00 2015-2016 37.67	Brooks Personnel 22.20	Makro 30.00
Public Relations Specialist	J & J 2012-2014 30.80 2015-2016 33.15	Brooks Personnel 22.20	Makro 31.00
Receptionist/Greeter	J & J 2012-2014 13.30 2015-2016 14.31	Brooks Personnel 14.06	Makro 18.00
Student Intern	J & J 2012-2014 11.90-19.45 2015-2016 12.80-17.68	Makro 12.00	Brooks Personnel 16.28

Award Sheet
Supplemental Finance, Accounting & Collector

Job Title	Primary Award	Secondary Award
Accountant	Robert Half /AccounTemps 25.95	Accounting Principals 27.20-42.51
Bookkeeper	Robert Half /AccounTemps 23.85	Accounting Principals 25.50-31.60
Budget & Financial Analysis Manager	Robert Half /AccounTemps 57.50	Accounting Principals 65.38-89.89
Clerk – Accounting	Robert Half /AccounTemps 19.45	Accounting Principals 22.11-25.51
Collections Supervisor	Robert Half /AccounTemps 29.75	Accounting Principals 32.69-40.87
Collector (Day)	Accounting Principals 20.39-23.81	Robert Half /AccounTemps 23.80
Collector (Bilingual Spanish)	Robert Half /AccounTemps 24.30	Accounting Principals 20.39-28.91
Collector (2 nd Shift)	Robert Half /AccounTemps 23.96	Accounting Principals 20.39-28.91
Collector (2 nd Shift Bilingual Spanish)	Robert Half /AccounTemps 24.30	Accounting Principals 27.21-32.32
Collector (Evening/Saturday Bilingual Spanish)	Robert Half /AccounTemps 24.50	Accounting Principals 30.62-34.03
Collector (Evening/Saturday Bilingual Spanish)	Robert Half /AccounTemps 24.50	Accounting Principals 30.62-34.03
Collector – Senior	Robert Half /AccounTemps 27.45	Accounting Principals 30.62-34.03
Financial Analyst	Robert Half /AccounTemps 35.50	Accounting Principals 42.52-57.22
Investigator/Claim Processor/Default Aversion Specialist	Robert Half /AccounTemps 23.96	Accounting Principals 25.53-32.69
Tax Verification Expert	Robert Half /AccounTemps 24.86	Accounting Principals 53.14-69.47

Executive Director's Report

- I. NJ STARS Statutory Change and Implementation
- II. HESAA University
- III. New Chief Compliance Officer
- IV. USDE Default Rates Released
- V. John R. Justice Program Review
- VI. State Ethics Commission Audit



State of New Jersey

HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY

4 QUAKERBRIDGE PLAZA

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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: Greg Myer 
Chief of Staff

SUBJECT: Resolution 27:14 Authorizing HESAA Staff to Source Office Space and Negotiate and Execute a Lease on HESAA's Behalf

DATE: October 23, 2014

Background

The Higher Education Student Assistance Authority (HESAA) staff believes that it may be beneficial to the Authority to move its headquarters to a location more conducive to its business model.

HESAA moved to its current location in 1980 when Quakerbridge Plaza was first constructed. At that time HESAA occupied two separate buildings. In order to fit all of HESAA's employees and operations, the Authority is now spread out over three separate buildings occupying 45,000 square feet. While HESAA's staffing needs have decreased, it has not been possible to consolidate operations into one building in the current complex.

HESAA occupies its current space through a long-term master lease between the Department of Treasury and the landlord. This lease has contractually specified rental rates with built-in increases that require HESAA to pay higher rent than what is currently available in the commercial market. HESAA can terminate the current lease with 15 months notice to the landlord.

Staff believes that a new space can be procured providing a reduction in square footage, a lower per square foot rent charge, accommodations for all HESAA staff under one roof, adequate parking for staff and visitors and a location in the general vicinity of the current office space to minimize disruptions to employee commutes.

Pursuant to N.J.S.A. 18A:71A-10 and N.J.S.A. 52:34-9(c) the lease of office space is not required to go out to bid. As such, in order to ensure the ability to procure the most efficient use of office space, at the most reasonable cost it is necessary to provide staff with the latitude to negotiate the strongest deal possible.

Recommendation

It is recommended that the Board approve Resolution 27:14 Authorizing HESAA's Executive Director, Chief of Staff and Chief Financial Officer to Source Office Space and Negotiate and Execute a Lease on HESAA's behalf not to exceed \$12 million over eleven year.

Attachment

RESOLUTION 27:14
AUTHORIZING HESAA STAFF TO SOURCE OFFICE SPACE AND
NEGOTIATE AND EXECUTE A LEASE ON HESAA'S BEHALF

Moved by: Dr. Harvey Kesselman
Seconded by: Dr. Jon Larson

WHEREAS: The Higher Education Student Assistance Authority (HESAA) currently occupies three separate buildings occupying 45,000 square feet at Quakerbridge Plaza; and

WHEREAS: New space can be procured providing a reduction in square footage, a lower per square foot rent charge, accommodations for all HESAA staff under one roof, adequate parking for staff and visitors and a location in the same general vicinity as the current location; and

WHEREAS: Pursuant to N.J.S.A. 18A:71A-10 and N.J.S.A. 52:34-9(c) the lease of office space is not required to go out to bid; and

WHEREAS: In order to ensure the ability to procure the most efficient use of office space, at the most reasonable cost it is necessary to provide staff with the latitude to negotiate the strongest deal possible.

NOW THEREFORE, LET IT BE:

RESOLVED: That the Board authorizes HESAA's Executive Director, Chief of Staff and Chief Financial Officer to source new office space for HESAA that provides a reduction in square footage, a lower per square foot rent charge, accommodations for all HESAA staff under one roof, adequate parking for staff and visitors and a location in the same general vicinity as the current location; and be it further

RESOLVED: That the Board authorizes HESAA's Executive Director, Chief of Staff and Chief Financial Officer to negotiate and execute a lease on HESAA's behalf for an amount not to exceed \$12 million over eleven years.

October 23, 2014