

**NEW JERSEY HIGHER EDUCATION
STUDENT ASSISTANCE AUTHORITY**

**NJCLASS/FFELP LOAN PROGRAMS
FINANCIAL STATEMENTS**

June 30, 2010 and 2009

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY

NJCLASS/FFELP LOAN PROGRAMS

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INDEPENDENT AUDITORS' REPORT

To the Board Members of
New Jersey Higher Education Student Assistance Authority

We have audited the accompanying financial statements of the business-type activities of the New Jersey College Loans to Assist State Students ("NJCLASS") and Federal Family Education Loan Programs ("FFELP") (the "Programs") of the New Jersey Higher Education Student Assistance Authority (the "Authority") as of and for the years ended June 30, 2010 and 2009. These financial statements are the responsibility of the Programs' management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Program's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Programs at June 30, 2010 and 2009, and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

- AN INDEPENDENTLY OWNED MEMBER OF THE RSM MCGGLADREY NETWORK
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INDEPENDENT AUDITORS' REPORT (CONTINUED)

The financial statements present only the business-type activities of the NJCLASS and FFELP Loan Programs of the Authority and do not purport to, and do not present the financial position of the Authority as of June 30, 2010 and 2009, and its changes in financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2010 on our consideration of the Programs' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary schedules on pages 40-43 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The management's discussion and analysis on pages 3-9 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Mercaderes, P.C.
Certified Public Accountants

October 7, 2010

**NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
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MANAGEMENT'S DISCUSSION AND ANALYSIS

As financial management of the New Jersey Higher Education Student Assistance Authority's (the "Authority") New Jersey College Loans to Assist State Students ("NJCLASS") Loan Program and the Federal Family Education Loan Program ("FFELP") (collectively, the "Programs"), we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Programs for the fiscal year ended June 30, 2010. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented herein in conjunction with the financial statements taken as a whole. A comparative analysis of key elements of the financial statements is provided in this overview.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Programs' financial statements, which are comprised of the basic financial statements and the notes to financial statements. Since the Programs are comprised of a single enterprise fund, no fund-level financial statements are shown. This report also contains other supplementary information concerning the financial position and results of operations broken down by bond issues included in the Programs.

Basic financial statements. The basic financial statements are designed to provide readers with a broad overview of the Programs' finances, in a manner similar to a private-sector business.

The statements of net assets present information on all of the Programs' assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Programs is improving or deteriorating. Net assets increase when revenues exceed expenses. Increases to assets without corresponding increases to liabilities result in increased net assets, which indicate an improved financial position.

The statements of revenues, expenses and changes in net assets present information showing how net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *supplementary information* concerning the financial position and results of operations of each bond issue included in the Programs, as well as the auditors' report on internal control over financial reporting and on compliance and other matters.

Financial Highlights and Analysis

The Programs' net assets, referring to the difference between assets and liabilities, increased by \$103,979,742 from the prior fiscal year. The term "Net Assets" is used in accordance with rules promulgated under Governmental Accounting Standards Board ("GASB") Statement No. 34, as amended.

As of June 30, 2010, assets of the Programs exceeded liabilities by \$143,930,328.

Changes in Student Loans Receivable Balances

The largest portion of the Programs' assets consisted of loans receivable from participating borrowers. Total student loans receivable under both the NJCLASS and FFELP loan programs amounted to \$1,799,674,501 and \$1,519,264,177 at June 30, 2010 and 2009 respectively, an increase of \$280,410,324, due to loan originations during the year, reduced by loan principal repayments.

Changes in Cash & Investments Balances

The second major asset component was cash and investments, which together totaled \$542,375,090 at June 30, 2010, versus \$656,436,937 at the prior year end. The cash and investment balances represent the amounts dedicated to student loan origination and acquisition, funding of reserves required by bond covenants, payment of future Program expenses, and future retirements of bonds.

The decrease in Cash and Investments was partially due to bond principal redemptions during the fiscal year, as described below in **Changes in Liabilities – Bonds Payable**.

- Cash and investments balances were replenished from principal repayments and interest income from NJCLASS and FFELP borrowers, amounting to \$187,553,279 during the fiscal year. In addition, NJCLASS application/administrative fee income was \$7,011,324, and \$1,081,330 in interest was earned on investments.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Changes in Liabilities – Bonds Payable

The main liability of the Programs is the related debt used to originate or acquire these loans. Bonds payable increased from the prior year by \$55,135,000, due to the aforementioned issuance of new debt, reduced by bond principal redemptions, which utilized a total of \$922,042,125 in cash. Of the amount retired:

- \$32,575,000 was through Special Redemptions of portions of the Authority's auction rate bond issues at 85.00% of par, resulting in total gains on retirements of \$4,886,250.
- \$1,044,450,000 was through Purchases in Lieu of Redemption of portions of the Authority's auction rate bond issues resulting from tenders, at prices ranging from 84.25% to 85.50% of par, resulting in total gains on retirement of \$155,936,625.
- \$5,840,000 in retirements was due to scheduled bond maturities.

The following is a summary of new bond issuance activity during the 2010 and 2009 fiscal years:

- A total of \$1,138,000,000 par amount of NJCLASS/FFELP Bonds were issued during the 2010 fiscal year. Of the total bond proceeds, approximately \$939,479,000, was used in connection with retirements and refundings of \$1,077,025,000 of failed auction rate debt issued between 2001 and 2007, as well as to provide for required reserves and issuance costs. A majority of the collateral for these bond issues was provided by the transfer of \$1,004,031,382 of student loans and accrued interest from bond issues within the 1998 Indenture of Trust. Another major use of the proceeds was to provide funding for origination of \$198,521,147 of NJCLASS and NJCLASS Consolidation loans for the 2010-11 Academic Year. These issuances included payments of net bond premiums totalling \$22,081,304.
- A total of \$800,000,000 par amount in NJCLASS/FFELP Bonds were issued during the 2009 fiscal year, including \$350,000,000 of 2008 Series A Bonds and \$450,000,000 of 2009 Series A Bonds. These bonds provided a total of \$760,242,650 to fund NJCLASS loan originations, as well as provide for required reserves. In order to achieve the required starting parity ratios, both issues were structured to include capital contributions and issuance cost funding from sources outside the 2008 and 2009 Indentures, in the form of cash and loan assets from closed bond issues, as well as HESAA reserves. The 2009 Bond Issue included payments of net bond premiums of \$3,974,537. For cumulative information on bond premiums and discounts, as well as detailed information on capital contributions, See NOTES TO FINANCIAL STATEMENTS - E. BONDS PAYABLE.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The following tables contain condensed comparative financial information derived from the June 30, 2010 and 2009, financial statements of the NJCLASS/FFELP Loan Programs:

	June 30,		Change
	2010	2009	
Net Assets			
Current Assets	\$ 646,734,163	\$ 741,719,130	\$ (94,984,967)
Non-Current Assets	1,774,715,028	1,534,818,220	239,896,808
Total Assets	<u>2,421,449,191</u>	<u>2,276,537,350</u>	<u>144,911,841</u>
Current Liabilities	33,068,508	14,697,341	18,371,167
Non-Current Liabilities	2,244,450,355	2,221,889,423	22,560,932
Total Liabilities	<u>2,277,518,863</u>	<u>2,236,586,764</u>	<u>40,932,099</u>
Net Assets, Restricted	143,930,328	39,950,586	103,979,742
Total Liabilities and Net Assets	<u>\$ 2,421,449,191</u>	<u>\$ 2,276,537,350</u>	<u>\$ 144,911,841</u>

	Year Ended June 30,		Change
	2010	2009	
Changes in Net Assets			
Operating Revenues	\$ 123,625,728	\$ 98,496,908	\$ 25,128,820
Operating Expenses	116,533,552	113,854,378	2,679,174
Operating Gain (Loss)	<u>7,092,176</u>	<u>(15,357,470)</u>	<u>22,449,646</u>
Non-Operating Revenues (Expenses)			
Income on Investments	1,081,330	8,362,359	(7,281,029)
NJCLASS/FFELP Program Funding	-	15,097,854	(15,097,854)
Gain on Bond Retirements	160,822,875	27,221,500	133,601,375
Interest Rate Swap Termination Fees	(58,706,000)	-	(58,706,000)
Miscellaneous Expense	(3,431)	(188,650)	185,219
Amortization of Bond Issuance Costs	(6,135,665)	(528,956)	(5,606,709)
Amortization of Financial Instrument Issuance Costs	(171,543)	(101,843)	(69,700)
Arbitrage Expense	-	(99,632)	99,632
Net Non-Operating Revenues	<u>96,887,566</u>	<u>49,762,632</u>	<u>47,124,934</u>
Change in Net Assets	103,979,742	34,405,162	69,574,580
Net Assets, beginning of year	39,950,586	5,545,424	34,405,162
Net Assets, end of year	<u>\$ 143,930,328</u>	<u>\$ 39,950,586</u>	<u>\$ 103,979,742</u>

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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Explanation of Changes in Financial Performance

Changes in the financial results of the Programs were due to the following major factors:

Operating Revenues

- Interest income on NJCLASS student loans increased by \$23,620,442, or 28%, due to the approximately \$710 million in NJCLASS originations during the 2010 and 2009 fiscal years.
- NJCLASS application/administration fee income for the 2010 fiscal year decreased by \$500,036, due to a decrease in new loan volume compared to the previous year.
- Interest income on FFELP loans decreased slightly, by \$971,483, primarily due to the reduction in the 91 day T-bill rate used to determine the annual reset of interest rates on many of the seasoned loans contained in the Program's portfolio of FFELP loans from 1.78% to 0.18%, effective July 1, 2009, while FFELP portfolio assets increased slightly, to \$143,960,977.

Operating Expenses

Bond Interest Expense

- Bond interest expense increased slightly, by \$1,542,211, primarily due to the following:
 - Three new bond issues, with a total par amount of \$1,138,000,000 were added during the second half of the 2010 fiscal year. These included two fixed rate issues totalling \$993,000,000, with fixed interest rates ranging from 2.00% to 5.40%, as well as a Tax Exempt Floating Rate Libor Issue of \$145,000,000.
 - Bond retirements during the 2010 fiscal year of \$1,082,865,000, including \$1,077,025,000 of variable rate Auction Rate Certificate Bonds (ARCs), resulting from tenders and special redemptions, as well as \$5,840,000 of scheduled maturities.
 - During fiscal years 2010 and 2009, interest rates on HESAA's ARCs have remained at historically low rates, consistently below 1%, although all auctions of these bonds have continued to fail since February 13, 2008 and the penalty rate of the index rate multiplied by 175% has been applied to these bonds.
 - The NJCLASS/FFELP Program reduced its positions in interest rate swap agreements that fix the interest rates on variable rate Authority bonds from notional amounts of \$1,038,285,000 on June 30, 2009 to \$328,180,822 at June 30, 2010. Interest paid on these swaps is a component of bond interest expense. These swap agreements are designed to fix the cost of capital used to finance fixed-rate NJCLASS student loans.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Operating Expenses (Continued)

Bad Debt Expense

- In fiscal year 2010, an additional \$8,677,183 in bad debt expense was recognized, versus \$3,997,353 in 2009, due to an increase in defaults of NJCLASS loans. The increase in defaults is partly a result of the significant increases in the NJCLASS loan portfolio during the 2010 and 2009 fiscal years, as described below in **Significant Events**. Bad debt expense is recorded when increases to the Allowance for Doubtful Accounts recorded against amounts due from the Loan Reserve Fund to pay default claims become necessary. For a full description of the Allowance for Doubtful Accounts, see NOTES TO FINANCIAL STATEMENTS - C. STUDENT LOANS RECEIVABLE – Loan Defaults.

Program Expenses

- Loan reserve fund fees decreased by \$278,906 from the prior year. This was caused by a decrease of 7.2% in loan reserve fee expense, which is a 1% fee paid by the NJCLASS Program to the separate Loan Reserve Fund at the time loans are disbursed. This percentage decrease mirrors the slight decline in NJCLASS loan volume compared to the previous year.
- Transaction fees decreased by \$1,725,782, primarily due to the retirements of ARCs during the year, which require payment of broker dealer and auction agent fees on each auction date.

Non-Operating Revenues (Expenses)

- Investment interest income decreased significantly, amounting to \$1,081,330, compared to \$8,362,359 in the prior year, due to the extremely low market interest rates on the variable rate securities which comprise most of the Program's investment portfolio. Also, during the 2010 fiscal year, balances in cash and investments were generally lower, due to the use of available funds for bond tenders and retirements.
- As part of its ongoing efforts to refund its failed ARC bonds, \$1,044,450,000 of the Authority's auction rate bonds were repurchased and retired through several public tenders at prices ranging from 84.25% to 85.50% of par.
- One of its broker/dealer firms, which was a holder of ARCs, made an offer to HESAA to sell back a portion of its holdings at below par. As a result, the Authority repurchased and retired \$32,575,000 its ARCs through Special Redemptions, as permitted under the indentures, at 85% of par.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Non-Operating Revenues (Expenses) (Continued)

- The total gains on retirement of ARCs as a result of tenders and the Special Redemption during the 2010 fiscal year was \$160,822,875.
- During fiscal year 2010, swap termination fees of \$58,706,000 were paid to amend or terminate HESAA's interest rate swap agreements ("swaps"). Swap termination fees are the amounts charged by counterparties in exchange for the complete or partial termination (amendment) of existing swaps, which had resulted in periodic payments to the counterparty. HESAA terminated or reduced its swaps positions due to the movement of a comparable amount of the hedged assets, fixed rate NJCLASS student loans, to new fixed rate bond issues. This was done in connection with a reduction in the amount of ARCs outstanding, whose interest rates were converted to a fixed rate by these swaps, in order to create an asset/liability match with the loans. No terminations of HESAA's swaps had occurred prior to 2010. This expense was entirely funded from the gains on retirement of ARC's (see above) and did not require any HESAA or State General Fund financial resources.
- Fiscal year 2010 expense for amortization of bond issuance costs was \$6,135,665, an increase of \$5,606,709 over 2009. This was a result of the aforementioned bond retirements during the year. Bond retirements require the immediate full amortization of the remaining balance of Capitalized Bond Issuance Costs at the time of retirement.

Significant Events

- At fiscal year end, the Programs had \$2,217,145,000 in bonds outstanding, compared to \$2,162,010,000 in the prior fiscal year – an increase of 2.5%. This is due to the aforementioned fiscal year 2010 issuances, netted against \$1,082,865,000 in retirements.
- During the year, the Authority experienced a slight decrease in NJCLASS student loan volume, with cash disbursements of \$347,312,068 for new loans, compared to \$370,990,389 during fiscal year 2009, a decrease of 6.3%.

Cash Flows Summary:

	<u>Year Ended June 30,</u>	
	<u>2010</u>	<u>2009</u>
Net cash used in operating activities	\$ (280,950,192)	\$ (356,760,314)
Net cash flows provided by financing activities	165,995,924	663,141,171
Net cash flows provided by investing activities	66,895,151	116,322,736
Net increase (decrease) in cash and cash equivalents	<u>\$ (48,059,117)</u>	<u>\$ 422,703,593</u>

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STATEMENTS OF NET ASSETS

ASSETS	June 30,	
	2010	2009*
Current Assets		
Cash and Cash Equivalents	\$ 448,130,565	\$ 496,189,682
Investments	94,244,525	160,247,255
NJCLASS Student Loans Receivable	54,796,283	40,129,042
FFELP Student Loans Receivable	11,418,753	13,580,739
Interest Receivable		
Investments	19,878	45,806
NJCLASS Student Loans	26,449,475	21,988,237
FFELP Student Loans	1,503,467	1,491,488
Due from the Loan Reserve Fund, net of Allowance for Doubtful Accounts of \$17,997,530 and \$9,320,347 in 2010 and 2009, respectively	9,929,630	7,839,430
Default Collections Receivable	7,775	6,489
Due from the State General Fund	-	816
Due from Loan Servicing Agents	233,812	194,716
Other Receivables	-	5,430
Total Current Assets	646,734,163	741,719,130
Non-Current Assets		
NJCLASS Student Loans Receivable	1,600,917,241	1,336,445,705
FFELP Student Loans Receivable	132,542,224	129,108,691
Bond Issuance Costs - Unamortized	15,005,421	7,059,797
Financial Instrument Issuance Costs - Unamortized	321,079	445,405
Deferred Outflow - Interest Rate Swap	25,929,063	61,758,622
Total Non-Current Assets	1,774,715,028	1,534,818,220
Total Assets	\$2,421,449,191	\$2,276,537,350
LIABILITIES AND NET ASSETS		
Current Liabilities		
Bonds Payable	\$ 22,597,500	\$ 5,840,000
Accrued Interest Payable - Bonds	8,202,874	6,605,022
Fees Payable	1,709,929	1,391,940
Arbitrage Payable	-	214,837
Due to the Loan Reserve Fund	558,205	645,542
Total Current Liabilities	33,068,508	14,697,341
Non-Current Liabilities		
Bonds Payable	2,194,547,500	2,156,170,000
Premium on Bonds Payable, Net	23,973,792	3,960,801
Derivative Instrument Liability-Interest Rate Swaps	25,929,063	61,758,622
Total Non-Current Liabilities	2,244,450,355	2,221,889,423
Total Liabilities	2,277,518,863	2,236,586,764
Net Assets		
Restricted	143,930,328	39,950,586
Total Liabilities and Net Assets	\$2,421,449,191	\$2,276,537,350

*Restated

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STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	Year Ended June 30,	
	2010	2009
Operating Revenues		
Interest Income		
NJCLASS Student Loans	\$107,804,560	\$ 84,184,118
FFELP Student Loans	5,828,580	6,800,063
Application/Administrative Fee Income	7,011,324	7,511,360
Loan Reserve Fee Income	2,802,126	1,367
Default Income	179,138	-
Total Operating Revenues	123,625,728	98,496,908
Operating Expenses		
Loan Servicing Fees		
NJCLASS Student Loans	8,824,299	10,678,431
FFELP Student Loans	2,915,265	2,754,521
Total Loan Servicing Fees	11,739,564	13,432,952
Program Expenses		
Annual Insurance Expense	1,000,489	1,304,425
Transaction Fees	549,787	2,275,569
Bad Debt Expense	8,677,183	3,997,353
Default Expense	466,136	6,991
Loan Reserve Fund Fees	3,573,484	3,852,390
Total Program Expenses	14,267,079	11,436,728
Bond Interest Expense	90,526,909	88,984,698
Total Operating Expenses	116,533,552	113,854,378
Operating Income (Loss)	7,092,176	(15,357,470)
Non-Operating Revenues (Expenses)		
Income on Investments	1,081,330	8,362,359
NJCLASS/FFELP Program Funding	-	15,097,854
Gain on Bond Retirements	160,822,875	27,221,500
Interest Rate Swap Termination Fees	(58,706,000)	-
Miscellaneous Expense	(3,431)	(188,650)
Amortization of Bond Issuance Costs	(6,135,665)	(528,956)
Amortization of Financial Instrument Issuance Costs	(171,543)	(101,843)
Arbitrage Expense	-	(99,632)
Net Non-Operating Revenues	96,887,566	49,762,632
Change in Net Assets	103,979,742	34,405,162
Net Assets, beginning of year	39,950,586	5,545,424
Net Assets, end of year	\$143,930,328	\$ 39,950,586

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STATEMENTS OF CASH FLOWS

	Year Ended June 30,	
	2010	2009
Cash Flows from Operating Activities		
Interest Receipts		
NJCLASS Student Loans	\$ 62,687,475	\$ 48,023,563
FFELP Student Loans	4,848,887	5,677,327
Principal Receipts		
NJCLASS Student Loans	100,223,012	83,189,149
FFELP Student Loans	19,793,905	17,460,640
Reimbursements from Loan Reserve Fund	4,550,358	5,334,543
NJCLASS Student Loan Disbursements	(347,312,068)	(370,990,389)
FFELP Student Loan Purchases	(19,536,848)	(29,814,083)
Annual Insurance Expense	(1,000,489)	(1,304,425)
Transaction Fees	(1,021,050)	(1,973,522)
Loan Servicing Fees	(11,724,095)	(13,447,711)
Payments to Loan Reserve Fund	(848,645)	(3,845,378)
Repayment of Government Interest related to FFELP Loans	(613,264)	-
Interest Paid on Bonds	(90,997,370)	(95,070,028)
Net Cash Used in Operating Activities	<u>(280,950,192)</u>	<u>(356,760,314)</u>
Cash Flows from Financing Activities		
Principal Paid on Bonds	(922,042,125)	(155,903,500)
Bond Proceeds	1,151,491,125	803,974,537
Interest Rate Swap Termination Fees	(58,706,000)	-
NJCLASS Program Funding	-	15,123,329
Miscellaneous (Expense) Income	(3,431)	-
Bond Issuance Costs	(4,696,428)	-
Financial Instrument Issuance Costs	(47,217)	(53,195)
Net Cash Flows Provided by Financing Activities	<u>165,995,924</u>	<u>663,141,171</u>
Cash Flows from Investing Activities		
Investment Purchases, Sales Proceeds and Maturities, Net	66,002,730	107,917,381
GIC Termination Fee	-	(245,000)
Arbitrage Payments	(214,837)	-
Interest on Investments	1,107,258	8,650,355
Net Cash Flows Provided by Investing Activities	<u>66,895,151</u>	<u>116,322,736</u>
Net (Decrease) Increase in Cash	(48,059,117)	422,703,593
Cash and Cash Equivalents at Beginning of Year	496,189,682	73,486,089
Cash and Cash Equivalents at End of Year	<u>\$ 448,130,565</u>	<u>\$ 496,189,682</u>

**NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
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STATEMENTS OF CASH FLOWS (CONTINUED)

	Year Ended June 30,	
	2010	2009*
Reconciliation of Operating Income (Loss) to Net Cash used in Operating Activities		
Operating income (loss)	\$ 7,092,176	\$ (15,357,470)
Adjustments to reconcile operating income (loss) to net cash used in operating activities		
Bad Debt Expense	8,677,183	3,997,353
Net change in assets and liabilities		
NJCLASS Student Loans Receivable	(279,138,777)	(312,221,892)
FFELP Student Loans Receivable	(1,271,547)	(13,727,653)
Interest Receivable		
NJCLASS Student Loans	(4,461,238)	(6,392,526)
FFELP Student Loans	(11,979)	234,250
Due from Loan Reserve Fund	(10,767,383)	(7,924,720)
Default Collections Receivable	(1,286)	(6,489)
Due from General Fund	816	5,917
Due from Loan Servicing Agents	(39,096)	7,501
Other receivables	5,430	(5,430)
Accrued Interest Payable - Bonds	(470,461)	(6,085,330)
Fees Payable	(476,693)	302,047
Due to Loan Reserve Fund	(87,337)	414,128
Net cash used in operating activities	\$ (280,950,192)	\$ (356,760,314)
Non-Cash Financing Activities		
Amortization - Bond Issuance Costs	\$ 6,135,665	\$ 528,956
Amortization - Financial Instrument Issuance Costs	171,543	101,843
Amortization - Premium on Bonds Payable	(2,068,313)	(13,736)
Discount on acquisition of bonds	160,822,875	27,221,500
Gain on Bond Retirement	(160,822,875)	(27,221,500)
Total Non-Cash Financing Activities	\$ 4,238,895	\$ 617,063

*Restated

**NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Authority

The New Jersey Higher Education Student Assistance Authority (the “Authority” or “HESAA”) is a public body corporate and politic that is in, but not of, the Department of State of the State of New Jersey (the “State”) and is an instrumentality of the State.

The Authority was established by State legislation in 1999 to provide students and families with the financial and informational resources for students to pursue their education beyond high school. Prior to the act, the New Jersey Higher Education Assistance Authority, created by legislation in 1959, served as lender and guarantor of federally guaranteed student loans for New Jersey students. References herein to the Authority include the predecessor Authority where the context so requires.

Reporting Entity

The reporting entity is comprised of the New Jersey College Loans to Assist State Students (“NJCLASS”) Loan Program and the Federal Family Education Loan Program (“FFELP”) (collectively, the “Programs”). These financial statements present only the business-type activities of the NJCLASS and FFELP Loan Programs of the Authority and do not purport to, and do not present the financial position of the Authority as of June 30, 2010 and 2009, and its changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

NJCLASS Program

The NJCLASS Loan Program is a supplemental loan program initiated by the Authority in September 1991. The NJCLASS Loan Program offers an alternative source of financial support to students and their parents, spouses, legal guardians, or other relatives in meeting the costs of the student’s education at a degree-granting college or university. Since 1991, the Authority has issued bonds to fund student loans through this Program.

FFELP Loan Program

In 2001, the Authority expanded its use of debt financing by issuing bonds, with a portion of the proceeds allocated to purchase a portfolio of existing loans with a New Jersey nexus issued through the Federal Family Education Loan Program (“FFELP”). Using a portion of the proceeds of its 2001 through 2004 Bond Issues, the Authority has purchased portfolios of New Jersey nexus FFELP loans or FFELP Consolidation loans from other FFELP loan origination/servicing entities. The Authority is not the servicer on any of the FFELP loans acquired with NJCLASS/FFELP Bond proceeds but is the guarantor on a portion of its FFELP portfolio. The NJCLASS/FFELP Loan Program has also used bond proceeds to purchase portfolios of rehabilitated FFELP student loans from the portfolio of previously defaulted FFELP student loans held by the Authority as the New Jersey state guaranty agency, and to originate a small portfolio of FFELP loans for low income borrowers using a portion of the 2005 Bond proceeds.

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NJCLASS/FFELP LOAN PROGRAMS**

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FFELP Loan Program (Continued)

Title II of the Health Care and Education Reconciliation Act of 2010 (Pub. L. 111-152) signed into law by President Barack Obama on March 30, 2010, contains various student loan reforms, including the termination of the process of the federal government paying set yields to private banks to originate federally insured loans and, instead, the loans will be administered directly by the U.S. Department of Education, effective July 1, 2010. As a result, the Authority will no longer originate or acquire FFELP Loans.

On May 7, 2010, the Authority transferred its entire portfolio of FFELP loans from the 2001, 2002, 2003, 2004 and 2005 issues to the 2010-FFELP issue.

Basis of Accounting

The Programs prepare their financial statements using the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when incurred. The Governmental Accounting Standards Board is the accepted standards-setting body for establishing government accounting and financial reporting principles. GASB's Codification of Governmental Accounting and Financial Reporting Standards recognizes the following hierarchy; GASB Statements and Interpretations; GASB Technical Bulletins; American Institute of Certified Public Accountants ("AICPA") Industry Audit and Accounting Guides and AICPA Statements of Position, if applicable and cleared by GASB; AICPA Practice Bulletins, if applicable and cleared by GASB; Implementation Guides published by the GASB; AICPA pronouncements that are not specifically applicable to state and governmental entities; Financial Accounting Standard Board ("FASB") Statements and Interpretations; and Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure (issued on or before November 30, 1989). The Authority has elected not to follow FASB pronouncements issued after November 30, 1989. The Authority follows the hierarchy in determining accounting treatment. The Programs have elected to follow GASB pronouncements exclusively.

Operating Revenues and Expenses

The Programs' operating revenues consist of application/administrative fees for student loan originations as well as interest income earned on student loans. Operating expenses consist of loan service and transaction fees, bond interest and other expenses related to NJCLASS and FFELP loans. All other revenues and expenses are reported as non-operating revenues and expenses.

Cash and Cash Equivalents

Cash and cash equivalents include time deposits, certificates of deposit and highly liquid debt instruments with original maturities of three months or less.

**NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS**

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Investments

Investments are reflected at fair value. In accordance with the provisions of the bond indentures, the Authority is generally required to invest available monies in qualified investments. The bond indentures define qualified investments as:

- (1) Government obligations and any obligations of any state or political subdivision of a state (collectively, the "Municipal Bonds").
- (2) U.S. Government and certain other governmental agencies' obligations.
- (3) Insured certificates of deposit.
- (4) Other investments acceptable by the State of New Jersey and rated accordingly by either Standard and Poor's ("S&P"), Moody's or A.M. Best, including annuity contracts and repurchase agreements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Federal Income Taxes

The Authority is deemed to be an essential governmental function of the State and, as such, is exempt from federal income taxes. Accordingly, no provision for federal income taxes has been made in the accompanying financial statements.

Bond Issuance Costs

All costs associated with the issuance of bonds are amortized on a straight-line basis over the life of the bonds, which approximates the effective interest method. For the 2008 and 2009 Bond Issues, issuance costs were paid from outside sources and consequently, are not reflected in these Financial Statements.

Bond Premiums and Discounts

Bond premiums are reported as deferred revenues (liabilities), and bond discounts are reported as deferred expense (assets). Bond premiums and discounts are amortized over the term of the related debt. The unamortized amount of premium and discount is shown as a net amount in the Liabilities section on the Statement of Net Assets. Amortization revenue and expense is recorded as bond interest expense, in the Statement of Revenues, Expenses and Changes in Net Assets.

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NOTES TO FINANCIAL STATEMENTS

B. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Financial Instrument Issuance Costs

All separately identifiable costs associated with the issuance of financial instruments are amortized on a straight-line basis over the life of the financial instruments, which approximates the effective interest method.

Restricted Net Assets

In accordance with the terms of the various bond resolutions, the excess of assets over liabilities under such bond resolutions is classified as restricted net assets to be used for the purpose specified in the bond resolutions.

Cash and Cash Equivalents

The NJCLASS/FFELP Loan Programs maintain their cash and cash equivalents balances primarily in trust accounts at one financial institution. As trust account balances, these funds are not available to the institution to meet its general financial obligations and are restricted under the terms of the Authority's bond resolutions for the payment of bond principal and interest expense, student loan disbursements and Program expenses. These funds are invested in a AAA-rated money market fund secured by U.S. government obligations.

Additionally, the Programs utilize lockbox accounts to clear cash receipts. Amounts on deposit in the NJCLASS lockbox accounts at Wachovia National Bank are collateralized by direct obligations of or obligations guaranteed by the United States or the State of New Jersey in accordance with New Jersey Statute 52:18-16 and New Jersey Department of Treasury policy.

The amounts on deposit in these cash accounts were as follows:

	June 30,	
	2010	2009
Lockbox Cash (Wachovia Bank)	\$ 3,479,111	\$ 2,419,383
Trust Accounts invested in		
Wells Fargo Advantage Heritage Money	444,651,454	493,770,299
Market Fund	\$ 448,130,565	\$ 496,189,682

Investments

The Programs' investments consist of annuity contracts, money market funds, and pooled cash management funds.

Investment policies are defined in NOTES TO FINANCIAL STATEMENTS A. - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Basis of Investments.

The debt service reserve accounts are restricted by the bond indentures for the payment of principal and/or interest on the bonds, to the extent other available monies held under the indentures are insufficient to pay the interest on the bonds or to meet any sinking fund requirements. The amounts in the debt service reserve accounts for the various bond issues, which are included in investments at June 30, 2010 and 2009, were \$39,447,800 and \$40,424,600, respectively.

The fair value of these investments approximates cost.

**NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS**

NOTES TO FINANCIAL STATEMENTS

B. CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Investments - Custodial Credit Risk

The Authority invests a portion of its bond proceeds through guaranteed investment contracts with investment providers having a rating of A-1 or A (or the equivalent or better). These contracts have guaranteed rates of return; however, they are uninsured and uncollateralized. All companies in which Authority funds are invested are required by their contracts to notify the trustee in the event that their highest rating is withdrawn by a rating agency. The investment contract provider has the option of posting collateral for the invested funds with a third party until such time as its rating is restored or returning the investment with full accrual of interest and without penalty to the trustee for rebidding.

As of June 30, 2010 and 2009, the credit rating of MBIA, Inc., parent company of MBIA Investments, Inc., provider of the guaranteed investment contract for the HESAA 2000 Bonds, was rated A-2 by Moody's, Inc., and AA- by Standard & Poors, Inc. Under the terms of this investment agreement, MBIA posted collateral for the downgrade.

The amounts held in guaranteed investment contracts and the New Jersey Cash Management Fund at June 30, 2010 and 2009, respectively, are summarized below:

	June 30,	
	2010	2009
Guaranteed Investment Contracts	\$ 91,406,834	\$ 160,221,780
New Jersey Cash Management Fund	2,837,691	25,475
Total	\$ 94,244,525	\$ 160,247,255

Investments - Concentration of Credit Risk

"Concentration of Credit Risk" is the risk that relates to the amount of investment at any one entity. The disclosure requirement of this risk factor is limited to investments in excess of 5% of the total. Guaranteed investment contracts are the only category held by NJCLASS/FFELP subject to concentration of credit risk disclosure. Of all amounts invested in guaranteed investment contracts, the balances held by the following investment providers exceed this threshold as follows:

Bayern LB	21.58%
NATIXIS Funding Corp.	48.84%
Rabobank	5.51%
RBC Capital Markets	13.48%
MBIA Inc.	5.90%

These risks are mitigated by the collateral provisions of the guaranteed investment contracts that govern these investments.

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NOTES TO FINANCIAL STATEMENTS

B. CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Investments - Interest Rate Risk

NJCLASS/FFELP investment policies, as described in NOTES TO FINANCIAL STATEMENTS A. - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Basis of Investments, require balances to be maintained in high quality, low-risk investment options. All investment vehicles used by the Authority seek to maintain a stable price of \$1.00 per share. In these types of investments, it is highly unlikely that normal fluctuations in interest earnings on the underlying securities would cause a loss of principal. Consequently, NJCLASS/FFELP investments are not subject to interest rate risk.

C. STUDENT LOANS RECEIVABLE

The terms and conditions of the FFELP loans held by the Authority are governed by the federal rules and regulations of FFELP and various benefit programs extended by the original lender of these purchased loans.

NJCLASS loans originated by the Authority to eligible borrowers, as defined in the bond indentures and NJCLASS Program regulations, have the following repayment options:

- (1) To pay principal and interest monthly, beginning within 60 days of disbursement;
- (2) To pay only interest, quarterly, while the student is in school and thereafter to pay principal and interest monthly. (Beginning with loans originated in the 2010-11 Academic Year, this option is modified to require monthly, rather than quarterly interest payments while the student is in school); or
- (3) To defer principal and interest payments while the student is in school and thereafter to pay principal and interest monthly.

Under Options (1) and (2) as defined above, the NJCLASS loans originated from 1991 through 2010 generally bear interest at rates ranging from 5.25% to 8.95%.

Under Option (3), deferred interest payments on loans funded from the 1991 through 1996 Bond Issues are added to the original loan balance on a quarterly basis. Deferred interest on loans funded from the 1997 through 2010 Issues is added to the original loan balance on an annual basis. Under this option, rates range from 5.55% to 9.25%.

Loans originally funded from the 1997 Series B and 1999 Series B Bonds that have been refunded by the 2003 Series E Bonds, as well as new loans funded from 2003 Series E Bonds, allowed for the issuance of non-credit-based variable rate loans to qualifying graduate students. Any loans funded from these issues that were disbursed on June 1, 2001, or later are subject to an interest rate cap of 9%. This program was discontinued in 2006.

**NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS**

NOTES TO FINANCIAL STATEMENTS

C. STUDENT LOANS RECEIVABLE (CONTINUED)

For NJCLASS loans approved between June 1, 2001 and August 7, 2008, borrowers who chose Options (1) and (2), and have entered full repayment have the option to receive a .50 % interest rate reduction in exchange for making Automated Clearing House payments. This interest rate reduction was discontinued for all loans made after August 7, 2008.

In June 2005, HESAA initiated an NJCLASS Consolidation Loan Program that allows existing NJCLASS borrowers who are out of school or withdrawn to consolidate their existing NJCLASS loans. The NJCLASS Consolidation Loan offers terms of either 25 or 30 years, depending on the dollar amount. The interest rate is a blended rate derived from the rates on the underlying loans being consolidated. Beginning with loans consolidated after June 1, 2010, an additional .25% is added to the blended rate on consolidation loans.

In order to better meet the needs of student loan borrowers, effective June 1, 2006, HESAA made several changes to the NJCLASS Loan program, beginning during the 2006-2007 Academic Year. The repayment term for its Fixed Rate Standard NJCLASS Loans was increased from 15 years to 20 years, the application fee for Fixed Rate Standard NJCLASS Loans and Graduate/Professional NJCLASS Loans was reduced from 3% to 2%, and new Graduate/Professional NJCLASS Loans were originated at a fixed interest rate, as opposed to the variable rate subject to annual reset that was applied to loans originated in previous years.

For the 2010-11 Academic Year, NJCLASS loans originated under repayment Option (3) will require the payment of an additional 1% into the Loan Reserve Fund at the time of disbursement. This additional fee will be paid from Authority reserves outside the Loan Programs, not by the borrower.

Concurrent with the issuance of the 2009 Series A Bonds, the Authority introduced the Med/NJ pilot program, an NJCLASS loan for students working toward a MD, DO, DDS or DMD degree. This program offers a 25-year repayment term and a special 3-year residency deferment. For borrowers choosing deferment of principal and interest while in school, interest is capitalized at graduation and at the end of the residency period. For the 2010-11 Academic Year, these loans will bear a fixed interest rate of 8.17% for borrowers who initially choose either to make monthly repayment of principal and interest or make quarterly interest payments while in school. Loans for borrowers who defer payment of principal and interest will carry a rate of 8.47%.

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NJCLASS/FFELP LOAN PROGRAMS**

NOTES TO FINANCIAL STATEMENTS

C. STUDENT LOANS RECEIVABLE (CONTINUED)

Concurrent with the issuance of the 2010-2 Bonds, the Authority introduced the 10-year fixed rate NJCLASS Student Loan pilot program, in an aggregate amount not-to-exceed \$25,000,000. These student loans (known as Ten Year Option (1) Loans) will offer only Option (1) repayment (immediate payment of principal and interest) following disbursement. Only limited deferment or forbearance options will be permitted under the terms of the Ten Year Option (1) Loans. For the 2010-11 Academic Year, these loans will offer an initial interest rate of 5.9%.

Loan Servicing

In conjunction with the Authority's servicing of the student loans, the NJCLASS Loan Program remits to the Authority certain fees for Program administration, which are paid from Program revenues. For the years ended June 30, 2010 and 2009, \$8,824,299 and \$10,678,431 of servicing fees, respectively, were included in loan servicing fees charged to the NJCLASS Loan Program. In connection with the purchases of portfolios of existing loans, FFELP pays certain fees for Program administration, which are payable from Program revenues. For the years ended June 30, 2010 and 2009, the fees include administrative expenses of \$722,991 and \$671,495, respectively, paid to the Authority and fees paid to servicing agents of 894,731 and \$840,490, respectively. In addition, for the years ended June 30, 2010 and 2009, loan consolidation rebate fees of \$1,064,497 and \$986,650, respectively, were paid to the United States Department of Education. Premium expense on purchases of FFELP loans for the years ended June 30, 2010 and 2009, amounted to \$162,015 and \$242,119, respectively.

Loan Defaults/Loan Reserve Fund

Under the NJCLASS Loan Program, when a student loan payable in monthly installments reaches 180 days of delinquency or when a student loan payable in installments less frequent than monthly reaches 240 days of delinquency, the Authority will declare the respective loan "in default."

The Authority has established loan default reserve funds to stabilize the impact of loan defaults in the NJCLASS Loan Program. These are funded from sources other than the proceeds of the bonds in the dollar amounts or percentage of original loan principal specified by the appropriate master indenture.

The Loan Reserve Fund is a separate fund established by the Authority to protect the interests of NJCLASS bondholders by reimbursing the various HESAA bond issues when loans default. Amounts subsequently received relative to defaulted student loans are used to replenish the Loan Reserve Fund to the extent of 70% of recoveries. The Authority retains the remaining 30% as a collection fee.

For the 1998 and 2008 Master Indentures, this fund is not part of the NJCLASS Loan Program, thus it is not included in the accompanying financial statements. For the 2009, 2010-1 and 2010-2 Indentures, the loan reserve funds are part of these respective indentures. Consequently, loan reserve activity for these bond issues is shown in the Combining Statements presented in the Supplementary Information section.

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NJCLASS/FFELP LOAN PROGRAMS**

NOTES TO FINANCIAL STATEMENTS

C. STUDENT LOANS RECEIVABLE (CONTINUED)

Loan Defaults/Loan Reserve Fund (Continued)

During fiscal years ended 2010 and 2009, claims paid by the loan reserve funds totalled \$4,848,692 and \$4,944,804, respectively. As of June 30, 2010 and 2009, the balances due from the Loan Reserve Fund to cover defaulted loans totalled \$27,927,160 and \$17,159,776, respectively.

The Authority considers most of the amount due from its NJCLASS Loan Reserve Fund to be collectible. However, because the ability to pay claims from the Loan Reserve Fund is partially dependent on collections on defaulted loans, management continually evaluates the cash flows of the Loan Reserve Fund to determine its ability to reimburse the bond issues on a timely basis. During the fiscal years 2010 and 2009, based on past collections experience and an analysis of the current receivable from the Loan Reserve Fund, management recorded allowances for doubtful accounts in the amount of \$17,997,530 and \$9,320,347, respectively, against the June 30, 2010 and 2009, amounts due from the Loan Reserve Fund.

In addition, the Loan Reserve Fund receives 1% of the loans disbursed from the 2% application fee paid by the borrower. During the years ended June 30, 2010 and 2009, amounts of \$3,573,484 and \$3,852,390, respectively, were paid to the Loan Reserve Fund maintained by the Authority from loan application fees. As of June 30, 2010 and 2009, the balances due to the Loan Reserve Fund from loan application fees and default collections totalled \$558,205 and \$645,542, respectively.

D. USE OF FINANCIAL INSTRUMENTS

The Authority has entered into financial instrument Swap and Cap Agreements (the "Agreements") with various counterparties in connection with its Tax Exempt Variable Rate Bonds, also known as Auction Rate Certificates ("ARCs"), issued between 2001 and 2007 to support its NJCLASS loan program.

Under the terms of the Agreements, the Authority pays a fixed rate of interest on pre-established notional amounts. In return, the Authority receives the USD-SIFMA Index rate as calculated weekly, which historically has closely tracked the variable interest rates generated in the ARC market. The purpose of the Agreements are to provide an asset/liability match for the Authority's fixed-rate NJCLASS loans being funded through the proceeds of the variable rate ARC bonds.

The purpose of the interest rate Cap agreements is to allow the Authority to cap the variable rate of interest on NJCLASS variable rate loans funded at 9%, a benefit comparable with maximum rates of the federal PLUS program. The Cap agreements initiated on May 29, 2001, provides for payment to the Authority if market interest rates, as determined by the floating index, which is 65% of the 12-Month LIBOR, increase above 6.40%. The Cap agreements initiated on May 27, 2003, provides for payment to the Authority if market interest rates, as determined by the floating index, which is 72% of USD LIBOR, increase above 6.15%.

**NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS**

NOTES TO FINANCIAL STATEMENTS

D. USE OF FINANCIAL INSTRUMENTS (CONTINUED)

As governed by the amortization schedules contained in each of these Agreements, the notional amount of each Swap or Cap increases to a maximum, then amortizes to a minimum value before a fixed termination date, to match the anticipated changes in the outstanding balances of the related student loans.

The interest rates, notional amounts, provider (or counterparty), fair values and termination dates for each ARC bond issue and financial instrument agreement at June 30, 2010 and 2009, are detailed in the following schedules.

The Swap agreements for certain bond years contain a feature that gives HESAA the option to terminate either a single or all Swaps related to that issue on or after a predetermined date. This financial instrument is classified as a “Swaption.” The fair values of these Swaptions are separately listed on the following schedules if separately reported by the swap provider; otherwise, they are included in the fair market value of the Swap and reported as an asset and liability on the Statement of Net Assets.

Values as of June 30, 2010

Transaction Type	Bond Issue	Fixed Rate	Notional Amount (2)	Fair Value (1)(2)	Provider	Settlement Occur	Termination Date	Amortized to
Swap	2001	4.6830%	\$ 32,745,000	\$ 3,611,244	UBS AG	Semi-annually	06/01/16	\$ 3,995,000
Swap		4.0175%	29,280,000	2,577,136	UBS AG	Semi-annually	06/01/16	3,565,000
Total			62,025,000	6,188,380				
Swap	2002	4.2005%	43,100,000	4,338,525	J.P. Morgan	Semi-annually	06/01/17	5,100,000
Swap		3.2970%	26,260,000	1,734,125	J.P. Morgan	Semi-annually	06/01/17	2,760,000
Total			69,360,000	6,072,651				
Swap	2003	3.1710%	49,000,000	2,925,537	UBS AG	Semi-annually	12/01/18	3,000,000
Swap		3.1710%	49,000,000	2,804,314	Citigroup	Semi-annually	12/01/18	3,000,000
Cap		0.3930%	11,850,000	164,154	UBS AG	Annually	06/01/28	-
Cap		6.4000%	4,650,000	(9,978)	UBS AG	05/19/01	06/01/19	1,300,000
Total			114,500,000	5,884,026				
Swap	2004	4.1480%	15,895,809	1,626,368	Citigroup	Semi-annually	12/01/19	3,250,000
Swaption			-	(310,332)	Citigroup		12/01/09	
Total			15,895,809	1,316,036				
Swap	2006	4.4750%	15,450,000	2,410,144	Citigroup	Semi-annually	06/01/31	1,000,000
Swaption			-	(467,068)	Citigroup		06/01/31	
Total			15,450,000	1,943,076				
Swap	2007	4.0970%	26,895,000	3,301,763	Citigroup	Semi-annually	06/01/36	135,000
Swap			24,055,013	3,037,669	UBS AG		06/01/36	595,000
Swaption			-	(960,837)	Citigroup		06/01/36	
Swaption			-	(853,701)	UBS AG		06/01/36	
Total			50,950,013	4,524,894				
Grand Total			\$ 328,180,822	\$ 25,929,063				

(1) All fair values that result in a positive value to the swap provider are shown as positive amounts. All fair values that result in a positive value to HESAA are shown as negative amounts.

(2) The Swaps for the 2007 Bond Issue are partially allocated to the 2001, 2003, 2004, and 2005 Bond Issues.

**NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS**

NOTES TO FINANCIAL STATEMENTS

D. USE OF FINANCIAL INSTRUMENTS (CONTINUED)

Values as of June 30, 2009

Transaction Type	Bond Issue	Fixed Rate	Notional Amount (2)	Fair Value (1)(2)	Provider	Settlement Occur	Termination Date	Amortized to
Swap	2001	4.6830%	\$ 37,935,000	\$ 3,531,350	UBS AG	Semi-annually	06/01/16	\$ 3,995,000
Swap		4.0175%	33,925,000	2,311,701	UBS AG	Semi-annually	06/01/16	3,565,000
Cap		6.4000%	4,650,000	(5,900)	UBS AG	05/19/01	06/01/19	1,300,000
		Total	<u>76,510,000</u>	<u>5,837,150</u>				
Swap	2002	4.2005%	48,100,000	3,745,800	J.P. Morgan	Semi-annually	06/01/17	5,100,000
Swap		3.2970%	29,575,000	1,166,261	J.P. Morgan	Semi-annually	06/01/17	2,760,000
		Total	<u>77,675,000</u>	<u>4,912,061</u>				
Swap	2003	3.1710%	54,750,000	1,661,719	UBS AG	Semi-annually	12/01/18	3,000,000
Swap		3.1710%	54,750,000	1,665,080	Citigroup	Semi-annually	12/01/18	3,000,000
Cap		0.3930%	11,850,000	254,866	UBS AG	Annually	06/01/28	-
		Total	<u>121,350,000</u>	<u>3,581,665</u>				
Swap	2004	4.1480%	66,375,000	5,055,094	UBS AG	Semi-annually	12/01/19	3,250,000
Swap		4.1480%	66,375,000	5,063,118	Citigroup	Semi-annually	12/01/19	3,250,000
Swaption			-	(723,832)	UBS AG		06/01/19	
Swaption			-	(867,074)	Citigroup		12/01/09	
		Total	<u>132,750,000</u>	<u>8,527,306</u>				
Swap	2005	4.0100%	67,500,000	4,747,227	UBS AG	Semi-annually	06/01/21	3,000,000
Swap		4.0100%	67,500,000	4,755,574	Citigroup	Semi-annually	06/01/21	3,000,000
Swaption			-	(747,906)	UBS AG		06/01/21	
Swaption			-	(773,358)	Citigroup		06/01/21	
		Total	<u>135,000,000</u>	<u>7,981,537</u>				
Swap	2006	4.4750%	72,500,000	8,254,991	UBS AG	Semi-annually	06/01/31	1,000,000
Swap		4.4750%	72,500,000	8,243,051	Citigroup	Semi-annually	06/01/31	1,000,000
Swaption			-	(1,696,618)	UBS AG		06/01/31	
Swaption			-	(1,710,784)	Citigroup		06/01/31	
		Total	<u>145,000,000</u>	<u>13,090,640</u>				
Swap	2007	4.0970%	46,665,000	3,701,139	Citigroup	Semi-annually	06/01/36	135,000
Swap		4.0970%	46,665,000	2,264,256	Goldman Sachs	Semi-annually	06/01/36	135,000
Swap		4.0970%	46,665,000	2,455,131	MSCS	Semi-annually	06/01/36	135,000
Swap		4.0970%	210,005,000	16,661,948	UBS AG	Semi-annually	06/01/36	595,000
Swaption			-	(1,318,678)	Citigroup		06/01/36	
Swaption			-	(5,935,533)	UBS AG		06/01/36	
		Total	<u>350,000,000</u>	<u>17,828,263</u>				
		Grand Total	<u>\$ 1,038,285,000</u>	<u>\$ 61,758,622</u>				

(1) All fair values that result in a positive value to the swap provider are shown as positive amounts. All fair values that result in a positive value to HESAA are shown as negative amounts.

(2) The Swaps for the 2007 Bond Issue are partially allocated to the 2001, 2003, 2004, and 2005 Bond Issues.

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NOTES TO FINANCIAL STATEMENTS

E. BONDS PAYABLE

The Authority has issued bonds to support its loan programs. All bonds described herein are limited obligations of the Authority, payable solely from the assets of the NJCLASS/FFELP Trust Estate (“Trust Estate”), as described in the official statement of each bond issue. In addition to the assets or funds of the Trust Estate, all bonds issued from 1998 through 2008 are covered by municipal bond insurance policies guaranteeing payment of principal and interest in the event of default by the Authority. None of the Authority’s assets or funds (other than the Trust Estate) is pledged as security for the bonds.

Bonds Outstanding

The following schedules present summarized information relating to the interest rates and future maturities of the bonds outstanding as of June 30, 2010 and 2009:

**NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS**

NOTES TO FINANCIAL STATEMENTS

E. BONDS PAYABLE (CONTINUED)

Bonds Outstanding (Continued)

Bond Title Issue Year/Series	Bond Outstanding June 30, 2010		Bonds Outstanding June 30, 2010			Bonds Outstanding (in thousands) June 30, 2010	Amounts Due within One Year
	Interest Rate Range as of June 30, 2010	Maturity Dates	Bonds Outstanding (in thousands) June 30, 2009	Additions	Reductions		
1998, Series A Serial Student Loan Revenue Bonds	5.05%-5.30%	6/1/11-6/1/17	\$ 21,890	\$ -	\$ (2,135)	\$ 19,755	\$ 2,245
1999, Series A Student Loan Revenue Bonds	5.00%-5.25%	6/1/11-6/1/18	16,980	-	(1,420)	15,560	1,510
2000, Series A Student Loan Revenue Bonds	5.90%-6.15%	6/1/11-6/1/19	24,340	-	(2,285)	22,055	2,285
2001, Series A through D Student Loan Revenue Bonds (1)	0.70%-0.805% (ARCs)	6/1/2036	129,150	-	(126,150)	3,000	3,000
2002, Series A through D Student Loan Revenue Bonds (1)	0.665%-0.753% (ARCs)	6/1/2037	105,500	-	(101,300)	4,200	-
2003, Series A through D Student Loan Revenue Bonds (1)	0.718%-0.788% (ARCs)	5/28/2038	157,600	-	(71,300)	86,300	-
2004, Series A through D Student Loan Revenue Bonds (1)	0.158%-0.805% (ARCs)	4/1/2039	200,000	-	(125,950)	74,050	-
2005, Series A through D Student Loan Revenue Bonds (1)	0.700%-0.805% (ARCs)	5/1/2040	219,550	-	(178,200)	41,350	-
2006, Series A through D Student Loan Revenue Bonds (1)	0.700%-0.805% (ARCs)	12/1/2040	219,050	-	(211,900)	7,150	-
2007, Series A through D Student Loan Revenue Bonds (1)	0.224%-0.525% (ARCs)	12/1/2041	267,950	-	(262,225)	5,725	-
2008, Series A Student Loan Revenue Bonds	5.875%-6.125%	6/1/2021, 6/1/2030	350,000	-	-	350,000	-
2009, Series A Student Loan Revenue Bonds	3.625%-5.625%	6/1/2013-6/1/2030	450,000	-	-	450,000	-
2010, Series 1 A&B Student Loan Revenue Bonds	2.00%-5.40%	12/1/2011-12/1/2037		713,000		713,000	-
2010, Series FFELP Student Loan Revenue Bonds (4)	0.686715%-1.336715%	6/1/2020-6/1/2036		145,000		145,000	13,558
2010, Series 2 Student Loan Revenue Bonds	2.50%-5.00%	12/1/2012-12/1/2036		280,000		280,000	-
Totals			\$ 2,162,010	\$ 1,138,000	\$ (1,082,865)	\$ 2,217,145	\$ 22,598

**NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS**

NOTES TO FINANCIAL STATEMENTS

E. BONDS PAYABLE (CONTINUED)

Bonds Outstanding (Continued)

Bond Title Issue Year/Series	Bond Outstanding June 30, 2009		Bonds Outstanding (in thousands)			Bonds Outstanding (in thousands)		Amounts Due within One Year
	Interest Rate Range as of June 30, 2009	Maturity Dates	June 30, 2008	Additions	Reductions	June 30, 2009		
1993, Series A Student Loan Revenue Bonds	See (1)	7/1/2010	\$ -	\$ -	\$ -	\$ -	\$ -	
1995, Series A Student Loan Revenue Bonds	See (1)	7/1/07-7/1/12	-	-	-	-	-	
1996, Series A Student Loan Revenue Bonds	See (1)	7/1/07-7/1/15	3,170	-	(3,170)	-	-	
1997, Series A Student Loan Revenue Bonds	See (1)	12/1/07-6/1/16	5,145	-	(5,145)	-	-	
1998, Series A Serial Student Loan Revenue Bonds	0.77%-0.95%	6/1/08-6/1/17	23,890	-	(2,000)	21,890	2,135	
1999, Series A Student Loan Revenue Bonds	0.82%-0.86%	6/1/08-6/1/18	18,305	-	(1,325)	16,980	1,420	
2000, Series A Student Loan Revenue Bonds	0.77%-0.88%	6/1/08-6/1/19	26,625	-	(2,285)	24,340	2,285	
2001, Series A through D Student Loan Revenue Bonds (2)	0.77%-0.86% (ARCs)	6/1/2036	190,000	-	(60,850)	129,150	-	
2002, Series A through D Student Loan Revenue Bonds (2)	0.77%-0.91% (ARCs)	6/1/2037	166,000	-	(60,500)	105,500	-	
2003, Series A through E Student Loan Revenue Bonds (2) (3)	0.82%-0.91% (ARCs)	5/28/2038	187,000	-	(29,400)	157,600	-	
2004, Series A through D Student Loan Revenue Bonds (2)	0.51%-0.60% (ARCs)	4/1/2039	200,000	-	-	200,000	-	
2005, Series A through D Student Loan Revenue Bonds (2)	2.94%-14.00% (ARCs)	5/1/2040	225,000	-	(5,450)	219,550	-	
2006, Series A through D Student Loan Revenue Bonds (2)	2.888%-14.00% (ARCs)	12/1/2040	225,000	-	(5,950)	219,050	-	
2007, Series A through D Student Loan Revenue Bonds (2)	2.695%-2.853% (ARCs)	12/1/2041	275,000	-	(7,050)	267,950	-	
2008, Series A Student Loan Revenue Bonds	5.875%-6.125%	6/1/2021, 6/1/2030	-	350,000	-	350,000	-	
2009, Series A Student Loan Revenue Bonds	3.625%-5.625%	6/1/2013-6/1/2030	-	450,000	-	450,000	-	
Totals			\$ 1,545,135	\$ 800,000	\$ (183,125)	\$ 2,162,010	\$ 5,840	

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NOTES TO FINANCIAL STATEMENTS

E. BONDS PAYABLE (CONTINUED)

Bonds Outstanding (Continued)

- (1) Bond Issue is Fully Retired
- (2) All 2001, 2002, 2003, 2004, 2005, 2006 and 2007 Series A through D Student Loan Revenue Bonds are Auction Rate Certificates (“ARCs”). These Bonds carry floating interest rates. After a uniform initial rate and varying durations by series were set at the issue date, rates are reset every 35 days at a separate auction for each series. The interest rate ranges stated in the table are as of June 30, 2010. Because of the ongoing ARC market failures that began in February 2008, the 2007 bonds are being remarketed every seven days in accordance with the provisions of Auction Rate Procedures contained in the Tenth Supplemental Indenture that governs these bonds.
- (3) All 2003 Series E Student Loan Revenue Bonds were Auction Rate Certificates. After the initial rate was set, rates were reset annually. The 2003 Series E Bonds were fully retired through Special Redemption on June 2, 2008.
- (4) The 2010-FFELP Bonds are Tax Exempt LIBOR Floating Rate Bonds, consisting of Class A-1 & Class A-2 Bonds. The interest rate on the Class A-1 Bonds is 100% of 3 Month LIBOR plus .30%, and the rate on the Class A-2 Bonds is 100% of 3 Month LIBOR plus .95%. Interest is paid quarterly.

Redemption Provisions

The supplemental indentures for each bond issue define the terms under which bond redemptions are to occur. Specific information and requirements governing each type of redemption are defined in the sections on redemption provisions below. These sections are followed by a cumulative schedule of bonds issued, bonds accreted, redemptions by type and bond issue since the inception of the NJCLASS Program in 1991, as well as bonds outstanding at June 30, 2010.

Extraordinary Redemptions

Provisions governing the extraordinary redemption of bonds prior to maturity are included in the redemption provisions sections of the indentures for all bonds issued during the years 1991 through 2000, and 2008 and 2009. Where applicable, these early redemptions are permitted under the Extraordinary Redemption from Unexpended Proceeds, the Special Redemption, Extraordinary Redemption from Excess Revenues, Special Optional Redemption from Excess revenues and Special Mandatory Redemption from Excess Revenues sections of the indentures or supplemental indentures. All bonds retired under the Extraordinary Redemption provisions are redeemable at par.

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NOTES TO FINANCIAL STATEMENTS

E. BONDS PAYABLE (CONTINUED)

Optional Redemption

Each indenture also contains provisions for the optional redemptions of NJCLASS fixed rate bonds. For the 1998 through 2000 Bond Issues, the Authority is precluded from doing optional redemptions for the first ten years of each issue. From the eleventh to thirteenth years, the prices for optional redemptions by the Authority range from 102% to 100% (par) of the face amount, with the premium amounts decreasing to par in annual decrements over this two-year period.

All 2001, 2002, 2003, 2004, 2005, 2006 and 2007 Bonds are eligible for redemption prior to maturity at any time upon ten days' notice at par plus accrued interest, as long as they remain outstanding as ARCs or are converted to variable rate bonds. If they are converted to a fixed rate, they can be redeemed at any time following the tenth anniversary date of conversion to a fixed rate upon not less than 30 days' notice. If redeemed in the eleventh and twelfth years at the fixed rate, redemption prices include premium amounts of 102% and 101%, respectively, decreasing to par after twelve years.

The 2008 and 2009 Series A Bonds maturing prior to June 1, 2019 and June 1 2020, respectively, shall not be subject to optional redemption prior to maturity. The 2008 and 2009 Series A Bonds maturing after the aforementioned dates are subject to redemption, at the option of the Authority, on any date on or after June 1, 2018 and June 1, 2019, respectively, at 100% of the principal amount plus accrued interest.

The 2010-1A Bonds maturing prior to December 1, 2020, are not subject to optional redemption prior to maturity. The Series 2010-1A Bonds maturing on or after December 1, 2020, are subject to redemption prior to their respective maturities, at the option of the Authority after December 1, 2019 at par, plus accrued interest.

The 2010-2 Bonds maturing prior to December 1, 2021, are not subject to optional redemption prior to maturity. The Series 2010-1A Bonds maturing on or after December 1, 2021, are subject to redemption prior to their respective maturities, at the option of the Authority after December 1, 2020, at par, plus accrued interest.

Scheduled Maturities

Since the inception of the NJCLASS/FFELP Programs in 1991, the supplemental indentures applicable to each bond issue have included schedules containing the maturity dates of the various CUSIPs within each bond issue.

As governed by the indenture for each issue and series for the years 1996 through 2000, mandatory sinking fund redemptions prior to maturity, in part, by lot are required. The amounts of sinking fund redemptions for the fiscal years 2009 through 2013 and thereafter are included in the maturity schedule shown on pages 26 and 27.

Cumulative Redemptions

The following schedule presents summarized information by bond issue relating to all types of bond redemptions from the inception of the NJCLASS/FFELP Program in 1991 to the financial statement date.

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NOTES TO FINANCIAL STATEMENTS

E. BONDS PAYABLE (CONTINUED)

Cumulative Schedule of Bond Redemptions at June 30, 2010

Bond Issue	Original Principal	Semi-Annual Accretion	Scheduled Maturity	Excess Revenue Redemption	Unexpended Proceeds Redemption	Optional Redemption	Special Redemption	Bond Tender (1)	Refunded	Current Principal Outstanding at June 30, 2010
1991	\$ 24,996,064	\$ 3,562,871	\$ (5,910,000)	\$ (20,468,935)	\$ (2,180,000)	\$ -	\$ -	\$ -	\$ -	\$ -
1992	35,000,000	-	(12,730,000)	(22,270,000)	-	-	-	-	-	-
1993	20,000,000	-	(6,105,000)	(13,475,000)	(420,000)	-	-	-	-	-
1995	15,000,000	-	(4,025,000)	(10,975,000)	-	-	-	-	-	-
1996	18,000,000	-	(4,450,000)	(11,015,000)	-	(2,535,000)	-	-	-	-
1997A	25,000,000	-	(4,500,000)	(17,350,000)	-	(3,150,000)	-	-	-	-
1997B	12,000,000	-	-	-	-	-	-	-	(12,000,000)	-
1998	80,000,000	-	(7,200,000)	(53,045,000)	-	-	-	-	-	19,755,000
1999A	50,000,000	-	(3,510,000)	(25,830,000)	-	-	(5,100,000)	-	-	15,560,000
1999B	12,000,000	-	-	-	-	-	-	-	(12,000,000)	-
2000	70,000,000	-	(10,650,000)	(29,530,000)	-	-	(7,765,000)	-	-	22,055,000
2001	190,000,000	-	-	-	-	-	(60,850,000)	(126,150,000)	-	3,000,000
2002	166,000,000	-	-	-	-	-	(60,500,000)	(101,300,000)	-	4,200,000
2003	212,000,000	-	-	-	-	-	(54,400,000)	(71,300,000)	-	86,300,000
2004	200,000,000	-	-	-	-	-	-	(125,950,000)	-	74,050,000
2005	225,000,000	-	-	-	-	-	(5,500,000)	(178,150,000)	-	41,350,000
2006	225,000,000	-	-	-	-	-	(29,300,000)	(188,550,000)	-	7,150,000
2007	275,000,000	-	-	-	-	-	(16,225,000)	(253,050,000)	-	5,725,000
2008	350,000,000	-	-	-	-	-	-	-	-	350,000,000
2009	450,000,000	-	-	-	-	-	-	-	-	450,000,000
2010-1	713,000,000	-	-	-	-	-	-	-	-	713,000,000
2010-FFELP	145,000,000	-	-	-	-	-	-	-	-	145,000,000
2010-2	280,000,000	-	-	-	-	-	-	-	-	280,000,000
Totals	\$ 3,792,996,064	\$ 3,562,871	\$ (59,080,000)	\$ (203,958,935)	\$ (2,600,000)	\$ (5,685,000)	\$ (239,640,000)	\$ (1,044,450,000)	\$ (24,000,000)	\$ 2,217,145,000

(1) Bond Tenders are purchases in Lieu of Redemption resulting in bond retirements.

**NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS**

NOTES TO FINANCIAL STATEMENTS

E. BONDS PAYABLE (CONTINUED)

Cumulative Schedule of Bond Redemptions at June 30, 2009

Bond Issue	Original Principal	Semi-Annual Accretion	Scheduled Maturity	Excess Revenue Redemption	Unexpended Proceeds Redemption	Optional Redemption	Special Redemption	Bond Tender (1)	Refunded	Current Principal Outstanding at June 30, 2009
1991	\$ 24,996,064	\$ 3,562,871	\$ (5,910,000)	\$ (20,468,935)	\$ (2,180,000)	\$ -	\$ -	\$ -	\$ -	\$ -
1992	35,000,000	-	(12,730,000)	(22,270,000)	-	-	-	-	-	-
1993	20,000,000	-	(6,105,000)	(13,475,000)	(420,000)	-	-	-	-	-
1995	15,000,000	-	(4,025,000)	(10,975,000)	-	-	-	-	-	-
1996	18,000,000	-	(4,450,000)	(11,015,000)	-	(2,535,000)	-	-	-	-
1997A	25,000,000	-	(4,500,000)	(17,350,000)	-	(3,150,000)	-	-	-	-
1997B	12,000,000	-	-	-	-	-	-	-	(12,000,000)	-
1998	80,000,000	-	(5,065,000)	(53,045,000)	-	-	-	-	-	21,890,000
1999A	50,000,000	-	(2,090,000)	(25,830,000)	-	-	(5,100,000)	-	-	16,980,000
1999B	12,000,000	-	-	-	-	-	-	-	(12,000,000)	-
2000	70,000,000	-	(8,365,000)	(29,530,000)	-	-	(7,765,000)	-	-	24,340,000
2001	190,000,000	-	-	-	-	-	(60,850,000)	-	-	129,150,000
2002	166,000,000	-	-	-	-	-	(60,500,000)	-	-	105,500,000
2003	212,000,000	-	-	-	-	-	(21,825,000)	-	-	190,175,000
2004	200,000,000	-	-	-	-	-	-	-	-	200,000,000
2005	225,000,000	-	-	-	-	-	(5,500,000)	-	-	219,500,000
2006	225,000,000	-	-	-	-	-	(29,300,000)	-	-	195,700,000
2007	275,000,000	-	-	-	-	-	(16,225,000)	-	-	258,775,000
2008	350,000,000	-	-	-	-	-	-	-	-	350,000,000
2009	450,000,000	-	-	-	-	-	-	-	-	450,000,000
Totals	\$ 2,654,996,064	\$ 3,562,871	\$ (53,240,000)	\$ (203,958,935)	\$ (2,600,000)	\$ (5,685,000)	\$ (207,065,000)	\$ -	\$ (24,000,000)	\$ 2,162,010,000

(1) Bond Tenders are purchases in Lieu of Redemption resulting in bond retirements.

**NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS**

NOTES TO FINANCIAL STATEMENTS

E. BONDS PAYABLE (CONTINUED)

Conversion of 2001, 2002, 2003, 2004, 2005, 2006 and 2007 Bonds – Auction Rate Certificates - to Fixed Interest Rate or Variable Interest Rate

As required by the Fourth (for 2001), Fifth (for 2002), Sixth (for 2003), Seventh (for 2004), Eighth (for 2005), Ninth (for 2006) or Tenth (for 2007) Supplemental Indentures, the ARCs may be converted to fixed rate or variable rate bonds prior to their final maturities. More than one fixed rate may be established to apply to the 2001, 2002, 2003, 2004, 2005, 2006 and/or 2007 Bonds, taking into account the scheduled maturity dates. The fixed rate selected must cause the converted bonds to sell at par. For conversions to a variable rate, the interest rate period must be one year or less.

Any 2001, 2002, 2003, 2004, 2005, 2006 and/or 2007 Bonds to be converted to fixed rate or variable rate bonds shall be subject to mandatory tender for purchase on the fixed or variable rate conversion date, at par plus accrued interest.

The Fourth, Fifth, Sixth, Seventh, Eighth, Ninth and/or Tenth Supplemental Indentures may be amended by supplemental indentures to modify the provisions for optional redemption of the 2001, 2002, 2003, 2004, 2005, 2006 and/or 2007 Bonds.

Future Maturities and Sinking Fund Requirements

Future maturities of bonds payable, including interest, are as follows:

Year Ending June 30,	Principal	Interest	Total
2011	\$ 22,597,500	\$ 104,671,834	\$ 127,269,334
2012	26,380,000	104,168,685	130,548,685
2013	58,061,250	103,039,238	161,100,488
2014	76,401,250	100,616,656	177,017,906
2015	100,016,250	97,263,949	197,280,199
2016-2020	506,337,500	416,950,747	923,288,247
2021-2025	445,728,750	296,840,913	742,569,663
2026-2030	628,792,500	205,730,662	834,523,162
2031-2035	20,835,000	48,476,667	69,311,667
2036-2040	319,445,000	32,028,424	351,473,424
2041-2045	12,550,000	466,994	13,016,994
Total	<u>\$ 2,217,145,000</u>	<u>\$ 1,510,254,769</u>	3,727,399,769
Less amount representing interest			<u>1,510,254,769</u>
Net minimum principal payments			<u>\$ 2,217,145,000</u>

**NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS**

NOTES TO FINANCIAL STATEMENTS

E. BONDS PAYABLE (CONTINUED)

Future Maturities and Sinking Fund Requirements (Continued)

HESAA bonds issued between 2001 and 2007 are ARCs, subject to periodic interest rate reset. Interest expense in future years as reflected on this schedule is estimated, based on rates in effect at June 30, 2010.

Bond Premium and Discount

Bond premium and discount amounts have been recorded in connection with the issuance of the Authority's 2009 Series A Bonds, 2010-1 Bonds and 2010-2 Bonds. Bond premiums are reported as deferred revenues (liabilities), and bond discounts are reported as deferred expense (assets). Bond premiums and discounts are amortized over the term of the related debt. The unamortized amount of premium and discount is shown as a net amount in the Liabilities section on the Statement of Net Assets, and amortization revenue and expense is credited or charged to bond interest expense in the Statement of Revenues, Expenses and Changes in Net Assets. Related amounts as of June 30, 2010 are as follows:

Bond premium	\$ 30,264,622
Accumulated amortization	(2,212,572)
Total unamortized bond premium	<u>\$ 28,052,050</u>
Amortization revenue	<u>\$ 2,197,507</u>
Bond discount	\$ 4,208,781
Accumulated amortization	(130,523)
Total unamortized bond discount	<u>\$ 4,078,258</u>
Amortization expense	<u>\$ 129,194</u>
Net	<u>\$ 23,973,792</u>

Risk of Bond Interest Rate Fluctuations

All Authority 2001 through 2007 Bonds are ARCs, and thus are subject to periodic rate reset, resulting in a risk that the cost of debt service on these bonds, which is the largest expenditure of the program, will exceed revenues earned from principal and interest payments on the fixed rate student loans, its largest revenue source. Disruptions in the bond market since the latter half of the 2008 fiscal year have resulted in failed auctions of these bonds. When an auction fails, all bond holders prior to the auction are required to hold them for the next auction period, at the "All Hold" rate, which is the lesser of the maximum rate permitted under the supplemental indenture, or an index rate that is based on either the After Tax Equivalent Rate or the Kenny index, multiplied by an "Applicable Percentage," as defined in the supplemental indenture of each bond issue.

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NJCLASS/FFELP LOAN PROGRAMS**

NOTES TO FINANCIAL STATEMENTS

E. BONDS PAYABLE (CONTINUED)

Risk of Bond Interest Rate Fluctuations (Continued)

As a result, the variable interest rates experienced during the 2008 fiscal year exceeded historical norms, and, consequently, the debt service payments on these bonds exceeded revenues from all sources and caused a decline in the Net Assets of the program for that year. During the 2009 fiscal year, these rates became extremely low, a condition that has continued throughout the 2010 fiscal year.

As long as the 2001 through 2007 Bonds remain outstanding as Auction Rate Certificates, there is a risk that auctions resulting in interest rates in excess of program revenues will continue to occur. These include those as a result of Failed Auctions, resulting in the imposition of the All Hold rate, as well as fluctuations in the ARC rates resulting from possible future successful auctions.

In the event that losses caused by excessive bond interest expense result in insufficient cash within the NJCLASS/FFELP Trust to meet its debt service obligations, the Authority's legislation provides for draws on the Debt Service Reserve funds established under the supplemental indentures of each bond issue. The following paragraph describes the degree to which security for the bonds issued under the 1998 indenture is provided through this and other funding sources.

The HESAA NJCLASS/FFELP ARC Bonds, which are all those issued between 2001 and 2007, are secured on a parity basis with all of the other Series of Bonds previously issued under the 1998 Indenture and are payable from, subject to the terms of the Indenture: (i) Student Loans; (ii) all Revenues and Recoveries of Principal (including, without limitation, payments of principal of and interest on Student Loans); (iii) the Debt Service Reserve Fund; and (iv) the monies and securities in the various other funds established under the Indenture (except the Rebate Fund, the Excess Yield Fund and the Loan Reserve Fund). The amount deposited in the Debt Service Reserve Fund is less than the maximum amount of principal and interest on the bonds in certain future Bond Years. Pursuant to a provision in the Authority's enabling Act, the Legislature of the State may pay monies into the Debt Service Reserve Fund, subject to and dependent upon annual appropriations by the Legislature, to restore such account to the Debt Service Reserve Fund Requirement. However, because the Debt Service Reserve Fund Requirement is less than the maximum annual debt service on the bonds, even in the event that the Legislature makes all appropriations contemplated by the Act, such appropriations may be insufficient to pay debt service on the bonds as the same becomes due and payable. Such provision does not constitute a legally enforceable obligation on the part of the State or create a debt or liability on behalf of the State enforceable against the State.

As of June 30, 2010, amounts available in the debt service reserve funds for each bond issue within the 1998 NJCLASS/FFELP Indenture of Trust, which contains all HESAA ARC bonds, totalled \$9,137,800, included in cash and cash equivalents and investments.

**NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS**

NOTES TO FINANCIAL STATEMENTS

E. BONDS PAYABLE (CONTINUED)

Gains on Bond Retirements

During 2010 and 2009, due to market conditions in which investments in ARC bonds could not be resold at par through the auction process, two broker/dealer firms, which were holders of these bonds made offers to HESAA to sell back portions of their holdings at below par.

As a result, the Authority repurchased and retired \$1,077,025,000 of its ARC bonds through Special Redemptions and public tenders, as permitted under the indentures, at prices ranging from 84.25% to 85.50% of par, resulting in total gains on retirement of \$160,822,875 during the year ended June 30, 2010. During the year ended June 30, 2009, the Authority repurchased and retired \$169,200,000 of its ARC bonds through Special Redemptions, as permitted under the indentures, at prices ranging from 82.00% to 85.00% of par, resulting in total gains on retirement of \$27,221,500.

NJCLASS Program Funding-Capital Contributions

During the 2009 fiscal year, a total of approximately \$800,000,000 in NJCLASS/FFELP Bonds were issued, due to the delay in issuance of the 2008 Bonds until August 7, 2008, combined with the issuance of the Authority's 2009 Series A Bonds on June 23, 2009. In addition to the par amounts, these issues received capital contributions totalling \$27,372,172, including cash contributions from HESAA sources outside the NJCLASS/FFELP Trusts (namely the NJCLASS Life of Loan Servicing Reserve Fund) of \$15,097,854, and transfers in of residual assets of fully retired HESAA Bond issues, consisting of NJCLASS loans and accrued interest valued at \$4,204,059, as well as cash and investments of \$8,070,259. As noted above, the Program also received a net original issue premium of \$3,974,537 on the 2009 Series A Bonds. The balances in the Authority's Life of Loan Servicing Reserve Fund will be replenished over time through origination, administrative and servicing fees, collected from the NJCLASS program.

No capital contributions from sources outside the NJCLASS/FFELP Trusts were made in connection with the issuance of HESAA bonds during the 2010 fiscal year.

F. ARBITRAGE REBATES

Pursuant to current federal income tax law and in accordance with the bond indentures, certain income earned on non-purpose investments (investments other than student loans) attributable to the Authority's outstanding tax-exempt bonds is subject to payment to the U.S. Treasury as arbitrage rebates.

**NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS**

NOTES TO FINANCIAL STATEMENTS

F. ARBITRAGE REBATES (CONTINUED)

The arbitrage rebates are determined and calculated annually based upon the percentage of yield realized on the non-purpose investments compared to the percentage of yield on the tax-exempt bonds and is cumulative over the lives and terms of the applicable bond series. Accordingly, the determined amount for any one-year could be reduced in subsequent years based on changes in yield differentials. Arbitrage profits subject to rebate at June 30, 2010 were not yet determined, as no arbitrage calculations resulting in liability were completed during the 2010 fiscal year. At June 30, 2009, arbitrage profits subject to rebate and included in arbitrage payable on the NJCLASS/FFELP program financial statements amounted to \$214,837.

G. CONCENTRATION OF CREDIT RISK

Financial Instruments

As disclosed in NOTE A, SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, the Authority's loan programs use financial instruments. These Agreements are structured to enable variable rate bond proceeds to meet specific needs of the student loan market by reducing the risk associated with changes in interest rates.

As of June 30, 2010 and 2009, the liability associated with financial instruments specified in Note A was \$708,031 and \$3,147,031, respectively. This amount is included in accrued interest payable.

In order to enhance the security of these financial instruments, the Authority has included provisions in the contracts that govern these agreements requiring the counterparty to post collateral in the form of negotiable debt obligations of the U.S. Treasury if its long-term senior unsecured debt rating from S&P is withdrawn, suspended or falls to or below "A+"; if its rating from Moody's is withdrawn, suspended or falls to or below "A1"; or if its rating from Fitch is withdrawn, suspended or falls to or below "A+".

As an additional safeguard, the Authority has the option to terminate the agreements regarding these financial instruments at any time, subject to the settlement of market value amounts due to the issuer or HESAA at the time of termination. As of June 30, 2010 the Authority terminated several agreements resulting in a swap termination fee expense of \$58,706,000.

Student Loans Receivable

The Authority provides student loans to New Jersey residents and out-of-state residents attending college in New Jersey, who use the proceeds for the purpose of pursuing higher education. The Authority assesses eligibility of loan applicants using criteria equal to the established guidelines for comparable loans in the banking industry. Management performs ongoing evaluations of its loan recipients and maintains an insurance fund, separate from the bond issues, which is capitalized by a fee charged at disbursement and partially replenished by

**NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS**

NOTES TO FINANCIAL STATEMENTS

G. CONCENTRATION OF CREDIT RISK (CONTINUED)

Student Loans Receivable (Continued)

collections on defaulted loans, to reimburse the bond issues when defaults occur. This policy is in conformity with the reserve amount requirements of the trust indentures between the Authority and Wells Fargo Bank. As a means of ensuring that cash flows generated from NJCLASS Student Loans will be sufficient to cover and protect the interests of the bondholders, management considers the insurance fund cash flows adequate in light of actual loan default experience.

H. RESTATEMENT

Certain prior year information on the statements of net assets was restated to conform with current year presentation.

I. SUBSEQUENT EVENTS

Subsequent Events

On July 23, 2010, \$62,025,000 of outstanding notional amount of interest rate swap transactions executed in connection with the 2001 Bonds was terminated in exchange for a fee of \$6,490,000 paid to the counterparty, UBS.

On July 26, 2010, the remaining \$3,000,000 of bonds outstanding from the Authority's 2001 Student Loan Revenue Bonds were retired through Optional Redemption at par, plus accrued interest.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS***

To the Board Members of
New Jersey Higher Education Student Assistance Authority

We have audited the financial statements of the NJCLASS/FFELP Loan Programs (the "Programs") of the New Jersey Higher Education Student Assistance Authority as of and for the year ended June 30, 2010, and have issued our report thereon dated October 7, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Programs' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Programs' internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

- AN INDEPENDENTLY OWNED MEMBER OF THE RSM MCGLADREY NETWORK
- AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
- NEW JERSEY SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS
- NEW YORK SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS
- PENNSYLVANIA INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
- AICPA'S PRIVATE COMPANIES PRACTICE SECTION
- AICPA'S CENTER FOR AUDIT QUALITY
- REGISTERED WITH THE PCAOB

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS (CONTINUED)***

Internal Control over Financial Reporting (Continued)

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Programs' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, the Authority's board members, management and the State of New Jersey and is not intended to be and should not be used by anyone other than those specified parties.

Mercaderes, P.C.
Certified Public Accountants

October 7, 2010

SUPPLEMENTARY INFORMATION

**NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS**

**COMBINING SCHEDULE OF NET ASSETS
JUNE 30, 2010**

	1998	1999-A	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009 Series A	2009 Indenture Loan Reserve	2010-1 Series A&B	2010-1 Indenture Loan Reserve	2010 FFELP	2010-2	2010-2 Indenture Loan Reserve	Total	
Assets																				
Current Assets																				
Cash	\$ 487,885	\$ 410,478	\$ 426,819	\$ 7,414,118	\$ 5,790,935	\$ 2,159,794	\$ 721,240	\$ 1,079,927	\$ 374,854	\$ 218,263	\$ 19,857,960	\$ 170,885,265	\$ -	\$ 47,485,780	\$ -	\$ 7,278,961	\$ 183,538,286	\$ -	\$ 448,130,565	
Investments	3,281,907	3,585,603	4,117,504	1,123,496	-	2,674,000	29,903,184	10,361,852	4,204,710	1,173,919	9,410,581	2,464,901	2,814,380	19,105,179	23,311	-	-	-	94,244,525	
NJCLASS Student Loans Receivable	3,749,052	2,195,136	2,487,082	2,785,701	1,432,769	5,492,451	1,352,771	678,411	399,315	171,731	3,013,791	4,091,736	-	18,526,994	-	-	8,419,343	-	54,796,283	
FFELP Student Loans Receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	11,418,753	-	-	11,418,753	
Interest Receivable - Investments	520	561	815	144	260	648	1,289	117	822	250	3,619	6,399	-	2,303	-	237	1,895	-	19,878	
Interest Receivable - NJCLASS Student Loans	86,141	51,893	88,089	332,299	104,798	969,132	250,212	337,395	158,358	76,050	6,924,687	6,707,286	-	9,191,139	-	-	1,171,996	-	26,449,475	
Interest Receivable - FFELP Student Loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,503,467	-	-	1,503,467	
Due From the General Fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Due from the Loan Reserve Fund	273,358	237,265	450,706	927,200	1,201,935	1,746,248	1,576,542	982,228	1,502,555	1,217,829	99,255	-	-	(267,863)	-	-	(17,628)	-	9,929,630	
Due from Other Bond Issue Funds	9,125,816	3,999,129	5,883,288	(18,972,881)	(8,415,064)	(3,099,907)	12,611,193	9,904,468	(5,924,849)	(5,111,193)	-	-	-	-	-	-	-	-	-	
Due from/to 2009 & 2010 Loan Reserve Funds	-	-	-	-	-	-	-	-	-	-	-	(57,252)	57,252	314,920	(314,920)	-	17,698	(17,698)	-	
Default Collections Receivable	-	-	-	-	-	-	-	-	-	-	-	-	6,842	-	864	-	-	-	7,775	
Due From Loan Servicing Agents	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	233,812	-	-	233,812	
Other Receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total Current Assets	17,004,679	10,480,066	13,454,302	(6,389,922)	115,632	9,942,365	46,416,431	23,344,397	715,765	(2,253,151)	39,309,892	184,098,335	2,878,474	94,358,452	(290,746)	20,435,230	193,131,590	(17,628)	646,734,163	
Non-Current Assets																				
NJCLASS Student Loans Receivable	7,496,354	6,682,969	10,575,966	25,767,610	8,389,416	81,306,983	16,728,942	20,948,086	10,612,242	4,689,650	323,229,064	273,790,418	-	695,615,085	-	-	115,084,455	-	1,600,917,241	
FFELP Student Loans Receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	132,542,234	-	-	132,542,224	
Bond Issuance Costs - unamortized	181,966	157,662	170,475	10,334	14,819	341,938	320,032	183,214	31,806	26,247	-	-	-	9,028,907	-	1,546,298	2,991,724	-	15,005,421	
Financial Instrument Issuance Costs - unamortized	-	-	-	-	147,494	162,277	11,308	-	-	-	-	-	-	-	-	-	-	-	-	321,079
Deferred Outflow - Interest Rate Swap	-	-	-	6,406,687	6,072,651	6,472,263	1,768,525	316,743	1,943,076	2,949,119	-	-	-	-	-	-	-	-	25,929,063	
Total Non-Current Assets	7,678,320	6,840,631	10,746,442	32,184,631	14,624,379	88,283,461	18,828,808	21,448,042	12,587,124	7,665,016	323,229,064	273,790,418	-	704,643,992	-	134,088,522	118,076,179	-	1,774,715,028	
Total Assets	\$ 24,682,999	\$ 17,320,697	\$ 24,200,744	\$ 25,794,708	\$ 14,740,011	\$ 98,225,826	\$ 65,245,239	\$ 44,792,440	\$ 13,302,889	\$ 5,411,865	\$ 362,538,956	\$ 457,888,753	\$ 2,878,474	\$ 799,002,444	\$ (290,746)	\$ 154,523,752	\$ 311,207,769	\$ (17,628)	\$ 2,421,449,191	
Liabilities																				
Current Liabilities																				
Bonds Payable	\$ 2,245,000	\$ 1,510,000	\$ 2,285,000	\$ 3,000,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,557,500	\$ -	\$ -	\$ 22,597,500	
Accrued Interest Payable - Bonds	86,245	67,076	110,899	9,741	208,810	309,795	114,475	36,937	58,384	107,731	1,764,545	1,957,878	-	2,813,406	-	234,922	322,029	-	8,202,874	
Fees Payable	51,740	14,921	17,796	29,151	26,815	86,146	38,901	22,793	10,288	7,538	110,177	128,398	-	357,953	78,811	211,603	516,900	-	1,709,930	
Arbitrage Payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Due to the Loan Reserve Fund	34,051	26,075	42,432	85,142	70,580	99,493	85,394	23,669	42,817	44,085	4,468	-	-	-	-	-	-	-	558,205	
Total Current Liabilities	2,417,035	1,618,072	2,456,127	3,124,034	306,205	495,434	238,770	83,399	111,488	159,354	1,879,190	2,086,276	-	3,171,359	78,811	14,004,025	838,929	-	33,068,509	
Non-current Liabilities																				
Bonds Payable	17,510,000	14,050,000	19,770,000	-	4,200,000	86,300,000	74,050,000	41,350,000	7,150,000	5,725,000	350,000,000	450,000,000	-	713,000,000	-	131,442,500	280,000,000	-	2,194,547,500	
Premium on Bonds Payable, Net	-	-	-	-	-	-	-	-	-	-	-	3,334,112	-	15,106,668	-	-	-	-	23,973,792	
Derivative Instrument Liability - Interest Rate Swap	-	-	-	6,406,687	6,072,651	6,472,263	1,768,525	316,743	1,943,076	2,949,119	-	-	-	-	-	-	-	-	25,929,063	
Total Non-current Liabilities	17,510,000	14,050,000	19,770,000	6,406,687	10,272,651	92,772,263	75,818,525	41,666,743	9,093,076	8,674,119	350,000,000	453,334,112	-	728,106,668	-	131,442,500	285,533,013	-	2,244,450,355	
Total Liabilities	19,927,035	15,668,072	22,226,127	9,530,721	10,578,855	93,267,697	76,057,295	41,750,141	9,204,564	8,833,474	351,879,190	455,420,388	-	731,278,026	78,811	145,446,525	286,371,942	-	2,277,518,864	
Net Assets (Deficit)																				
Restricted Net Assets (Deficit)	4,755,964	1,652,625	1,974,617	16,263,987	4,161,155	4,958,129	(10,812,056)	3,042,299	4,098,325	(3,421,608)	10,659,767	2,468,365	2,878,474	67,724,417	(369,557)	9,077,227	24,835,827	(17,628)	143,930,328	
Total Liabilities & Net Assets	\$ 24,682,999	\$ 17,320,697	\$ 24,200,744	\$ 25,794,708	\$ 14,740,011	\$ 98,225,826	\$ 65,245,239	\$ 44,792,440	\$ 13,302,889	\$ 5,411,865	\$ 362,538,956	\$ 457,888,753	\$ 2,878,474	\$ 799,002,444	\$ (290,746)	\$ 154,523,752	\$ 311,207,769	\$ (17,628)	\$ 2,421,449,191	

**NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS**

**COMBINING SCHEDULE OF NET ASSETS
JUNE 30, 2009**

	1991	1992 - 1995	1996	1997-A	1998	1999-A	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2009 Indenture Loan Reserve Fund	Combined
	Bond Issue	Bond Issues	Bond Issue	Bond Issue	Bond Issue	Bond Issue	Bond Issue	Bond Issue	Bond Issue	Bond Issue	Bond Issue	Bond Issue	Bond Issue	Bond Issue	Bond Issue	Bond Issue	Reserve Fund	Bond Issues
Assets																		
Current Assets																		
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -	\$ 728,734	\$ 530,270	\$ 416,186	\$ 1,103,404	\$ 10,260,840	\$ 5,726,270	\$ 1,618,713	\$ 2,163,657	\$ 1,850,332	\$ 1,799,070	\$ 6,787,604	\$ 463,204,602	\$ -	\$ 496,189,681
Investments	-	-	-	-	757,870	2,075,010	1,047,225	4,003,219	-	3,740,000	24,468,519	14,564,095	16,344,262	7,145,080	86,076,501	-	25,475	160,247,256
NJCLASS Student Loans Receivable	-	-	-	-	2,682,693	1,675,649	1,925,875	4,756,857	4,308,804	6,287,722	5,907,715	3,398,656	3,247,677	3,049,290	1,270,011	1,618,092	-	40,129,043
FFELP Student Loans Receivable	-	-	-	-	-	-	-	6,482,059	4,731,335	1,493,712	757,339	116,294	-	-	-	-	-	13,580,738
Interest Receivable - Investments	-	-	-	-	127	333	210	45	235	720	1,098	170	2,647	1,242	30,340	8,638	-	45,806
Interest Receivable - NJCLASS Student Loans	-	-	-	-	114,427	71,112	119,228	912,712	511,056	1,736,817	2,252,041	3,505,203	3,013,902	3,572,946	6,135,754	43,040	-	21,988,237
Interest Receivable - FFELP Student Loans	-	-	-	-	-	-	-	841,641	376,128	189,728	27,783	56,208	-	-	-	-	-	1,491,488
Due From the General Fund	-	-	-	-	-	-	-	816	-	-	-	-	-	-	-	-	-	816
Due from the Loan Reserve Fund, net of Allowance for Doubtful Accounts of \$5,322,994 for Doubtful Accounts of \$9,320,347	-	-	-	-	277,086	226,994	489,183	776,485	1,124,660	1,608,103	1,331,178	562,691	976,106	460,318	6,625	-	-	7,839,429
Due from Other Bond Issue Funds	-	-	-	-	10,125,816	4,499,129	8,383,288	(14,624,663)	(19,872,576)	(1,596,121)	9,000,000	(282)	5,479,619	(1,394,209)	-	-	-	-
Due from/to 2009 Bond Issue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(18,762)	18,762	-
Default Collections Receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,489	6,489
Due From Loan Servicing Agents	-	-	-	-	-	-	105,766	44,763	35,714	8,102	371	480	106	194	-	-	-	194,716
Other Receivables	-	-	-	-	-	-	(7,270)	16,131	(4,211)	-	-	-	-	-	-	-	-	5,430
Total Current Assets	-	-	-	-	14,686,753	9,078,497	12,381,195	4,351,071	1,501,375	19,218,455	45,372,488	24,367,544	30,914,650	14,633,930	100,306,835	464,855,610	50,726	741,719,129
Non-Current Assets																		
NJCLASS Student Loans Receivable	-	-	-	-	12,314,290	9,786,006	14,537,561	71,006,625	62,034,220	127,134,791	143,685,173	193,980,418	187,137,769	252,243,003	260,007,615	2,578,235	-	1,336,445,706
FFELP Student Loans Receivable	-	-	-	-	-	-	-	63,039,768	47,243,902	13,443,412	2,971,477	2,410,132	-	-	-	-	-	129,108,691
Bond Issuance Costs - unamortized	-	-	-	-	235,257	193,087	214,865	679,709	607,415	870,092	894,409	1,030,322	1,033,776	1,300,865	-	-	-	7,059,797
Financial Instrument Issuance Costs - unamortized	-	-	-	-	-	-	-	168,573	181,450	47,115	48,267	-	-	-	-	-	-	445,405
Deferred Outflow - Interest Rate Swap	-	-	-	-	-	-	-	5,837,150	4,912,061	3,581,665	8,527,306	7,981,537	13,090,640	17,828,263	-	-	-	61,758,622
Total Non-Current Assets	-	-	-	-	12,549,547	9,979,092	14,752,426	140,563,251	114,966,171	145,211,410	156,125,481	205,450,676	201,262,185	271,372,131	260,007,615	2,578,235	-	1,534,818,221
Total Assets	\$ -	\$ -	\$ -	\$ -	\$ 27,236,300	\$ 19,057,589	\$ 27,133,621	\$ 144,914,322	\$ 116,467,546	\$ 164,429,865	\$ 201,497,969	\$ 229,818,220	\$ 232,176,835	\$ 286,006,061	\$ 360,314,451	\$ 467,433,845	\$ 50,726	\$ 2,276,537,350
Liabilities																		
Current Liabilities																		
Bonds Payable	\$ -	\$ -	\$ -	\$ -	\$ 2,135,000	\$ 1,420,000	\$ 2,285,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,840,000
Accrued Interest Payable - Bonds	-	-	-	-	95,052	72,934	121,943	386,902	304,308	515,591	668,714	648,608	662,451	837,688	1,764,545	526,287	-	6,605,022
Fees Payable	-	-	-	-	61,137	19,235	21,384	168,035	161,094	144,636	121,359	126,438	94,886	119,986	290,982	62,768	-	1,391,940
Arbitrage Payable	-	-	-	-	-	-	211,079	-	-	-	-	-	-	-	-	3,758	-	214,837
Due to the Loan Reserve Fund	-	-	-	-	40,942	33,264	45,486	86,417	115,620	111,533	88,315	49,758	19,572	30,401	24,234	-	-	645,542
Total Current Liabilities	-	-	-	-	2,332,130	1,545,433	2,684,892	641,354	581,022	771,760	878,389	824,804	776,909	988,075	2,079,760	592,813	-	14,697,341
Non-current Liabilities																		
Bonds Payable	-	-	-	-	19,755,000	15,560,000	22,055,000	129,150,000	105,500,000	157,600,000	200,000,000	219,550,000	219,050,000	267,950,000	350,000,000	450,000,000	-	2,156,170,000
Premium on Bonds Payable, Net	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,960,801	-	3,960,801
Derivative Instrument Liability - Interest Rate Swap	-	-	-	-	-	-	5,837,150	4,912,061	3,581,665	8,527,306	7,981,537	13,090,640	17,828,263	-	-	-	-	61,758,622
Total Non-current Liabilities	-	-	-	-	19,755,000	15,560,000	22,055,000	129,150,000	105,500,000	157,600,000	200,000,000	219,550,000	219,050,000	267,950,000	350,000,000	453,960,801	-	2,221,889,423
Total Liabilities	-	-	-	-	22,087,130	17,105,433	24,739,892	129,791,354	106,081,022	158,371,760	200,878,389	220,374,804	219,826,909	268,938,075	352,079,760	454,553,614	50,726	2,236,586,764
Net Assets																		
Restricted	-	-	-	-	5,149,170	1,952,157	2,393,728	9,285,818	5,474,463	2,476,440	(7,907,726)	1,461,879	(740,714)	(760,277)	8,234,690	12,880,231	50,726	39,950,586
Total Liabilities & Net Assets	\$ -	\$ -	\$ -	\$ -	\$ 27,236,300	\$ 19,057,589	\$ 27,133,621	\$ 139,077,172	\$ 111,555,485	\$ 160,848,200	\$ 192,970,663	\$ 221,836,683	\$ 219,086,195	\$ 268,177,798	\$ 360,314,451	\$ 467,433,845	\$ 50,726	\$ 2,276,537,350

Note: Differences of \$1-2 are due to rounding.

**NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS**

**COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2010**

	1998	1999-A	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009 Series A	2009 Indenture	2010-1 Series A&B	2010-1 Indenture Loan Reserve	2010 FFELP	2010-2	2010-2 Indenture Loan Reserve	Total	
Operating Revenues																				
Interest Income																				
NJCLASS Student Loans	\$ 984,705	\$ 732,826	\$ 1,192,780	\$ 4,609,114	\$ 4,029,583	\$ 7,456,226	\$ 5,962,396	\$ 8,454,031	\$ 7,613,476	\$ 9,469,792	\$ 23,626,262	\$ 12,997,232	\$ -	\$ 20,501,483	\$ -	\$ -	\$ 174,654	\$ -	\$ 107,804,560	
FFELP Student Loans	-	-	-	2,494,451	1,584,761	647,877	95,436	39,067	-	-	-	-	-	-	-	966,988	-	-	5,828,580	
Total Interest Income	984,705	732,826	1,192,780	7,103,565	5,614,344	8,104,103	6,057,832	8,493,098	7,613,476	9,469,792	23,626,262	12,997,232	-	20,501,483	-	966,988	174,654	-	113,633,140	
Application/Administrative Fee Income	-	-	-	(194)	9,525	(100)	5,358	43,274	19,258	12,300	1,368,349	5,503,162	-	50,392	-	-	-	-	7,011,324	
Loan Reserve Fee Income	-	-	-	-	-	-	-	-	-	-	-	-	2,751,742	-	50,384	-	-	-	2,802,126	
Default Income	-	-	-	-	-	-	-	-	-	-	-	-	178,064	-	1,004	-	-	70	179,138	
Total Operating Revenues	984,705	732,826	1,192,780	7,103,371	5,623,869	8,104,003	6,063,190	8,536,372	7,632,734	9,482,092	24,994,611	18,500,394	2,929,806	20,551,875	51,388	966,988	174,654	70	123,625,728	
Operating Expenses																				
Loan Servicing Fees																				
NJCLASS Student Loans	192,090	138,799	144,534	377,721	308,329	622,069	351,908	396,371	392,159	485,654	430,317	3,511,087	-	1,418,479	-	-	54,782	-	8,824,299	
FFELP Student Loans	-	-	-	1,023,961	914,784	413,465	43,118	27,618	-	-	-	-	-	-	78,811	413,508	-	-	-	2,915,265
Total Loan Servicing Fees	192,090	138,799	144,534	1,401,682	1,223,113	1,035,534	395,026	423,989	392,159	485,654	430,317	3,511,087	-	1,418,479	78,811	413,508	54,782	-	11,739,564	
Default Expense	-	-	-	-	-	-	-	-	-	-	-	-	106,271	-	342,167	-	-	17,698	466,136	
Program Expenses																				
Annual Insurance Expense	15,804	12,000	16,000	22,848	29,284	108,432	99,343	91,316	87,343	95,786	422,333	-	-	-	-	-	-	-	1,000,489	
Transaction Fees	-	-	-	(9,815)	28,794	93,182	116,429	21,174	49,408	250,615	-	-	-	-	-	-	-	-	549,787	
Bad Debt Expense	148,917	145,330	207,064	699,501	766,241	1,144,035	1,176,409	1,050,248	1,469,369	1,584,578	-	-	-	267,863	-	-	17,628	-	8,677,183	
Other Program Expenses	-	-	-	(97)	9,535	(50)	2,679	42,634	20,033	12,410	684,214	2,751,742	-	50,384	-	-	-	-	3,573,484	
Total Program Expenses	164,721	157,330	223,064	712,437	833,854	1,345,599	1,394,860	1,205,372	1,626,153	1,943,389	1,106,547	2,751,742	-	318,247	-	-	17,628	-	13,800,943	
Bond Interest Expense	1,131,813	869,350	1,452,275	3,867,157	3,468,172	5,067,645	4,267,347	3,655,234	3,929,941	5,128,519	21,174,538	22,863,658	-	13,127,540	-	234,922	288,798	-	90,526,909	
Total Operating Expenses	1,488,624	1,165,479	1,819,873	5,981,276	5,525,139	7,448,778	6,057,233	5,284,595	5,948,253	7,557,562	22,711,402	29,126,487	106,271	14,864,266	420,978	648,430	361,208	17,698	116,533,552	
Operating Income (Loss)	(503,919)	(432,653)	(627,093)	1,122,095	98,730	655,225	5,957	3,251,777	1,684,481	1,924,530	2,283,209	(10,626,093)	2,823,535	5,687,609	(369,590)	318,558	(186,554)	(17,628)	7,092,176	
Non Operating Revenues (Expenses)																				
Income on Investments	164,004	168,546	252,371	12,722	5,080	9,162	44,749	22,570	21,794	13,373	141,867	214,227	4,213	4,441	34	282	1,895	-	1,081,330	
Miscellaneous Income/(Expense), Net	-	-	-	-	-	-	(3,431)	-	-	-	-	-	-	-	-	-	-	-	(3,431)	
Gain on Bond Retirements	-	-	-	18,291,750	14,688,500	10,343,875	18,937,500	27,175,375	31,932,875	39,453,000	-	-	-	-	-	-	-	-	160,822,875	
Gain (Loss) on Transfer	-	-	-	(11,399,810)	(15,491,942)	(6,910,229)	(19,036,921)	(27,423,728)	(27,178,142)	(37,654,828)	-	-	-	111,293,620	-	8,773,219	25,028,762	-	-	
Amortization of Financial Instrument Issuance Costs	-	-	-	-	(21,079)	(66,390)	(35,807)	(48,267)	-	-	-	-	-	-	-	-	-	-	(171,543)	
Swap Termination Fees	-	-	-	(379,211)	-	(1,021,800)	(2,242,000)	(550,200)	(620,000)	(5,122,789)	-	-	-	(48,770,000)	-	-	-	-	(58,706,000)	
Amortization of Bond Issuance Cost	(53,291)	(35,425)	(44,390)	(669,375)	(592,597)	(528,154)	(574,377)	(847,108)	(1,001,969)	(1,274,618)	-	-	-	(491,253)	-	(14,832)	(8,276)	-	(6,135,665)	
Arbitrage Expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non Operating Revenues (Expenses)	110,713	133,121	207,981	5,856,076	(1,412,038)	1,826,464	(2,910,287)	(1,671,358)	3,154,558	(4,585,862)	141,867	214,227	4,213	62,036,808	34	8,758,669	25,022,381	-	96,887,566	
Change in Net Assets	(393,206)	(299,532)	(419,112)	6,978,171	(1,313,308)	2,481,689	(2,904,330)	1,580,419	4,839,039	(2,661,332)	2,425,076	(10,411,866)	2,827,748	67,724,417	(369,556)	9,077,227	24,835,827	(17,628)	103,979,742	
Net Assets (Deficit, Beginning of Year)	5,149,171	1,952,157	2,393,728	9,285,818	5,474,463	2,476,440	(7,907,726)	1,461,879	(740,714)	(760,277)	8,234,690	12,880,231	50,726	-	-	-	-	-	39,950,586	
Net Assets (Deficit, End of Year)	\$ 4,755,965	\$ 1,652,625	\$ 1,974,616	\$ 16,263,989	\$ 4,161,155	\$ 4,958,129	\$ (10,812,056)	\$ 3,042,298	\$ 4,098,325	\$ (3,421,609)	\$ 10,659,766	\$ 2,468,365	\$ 2,878,474	\$ 67,724,417	\$ (369,556)	\$ 9,077,227	\$ 24,835,827	\$ (17,628)	\$ 143,930,328	

**NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS**

**COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2009**

	1991	1992 - 1995	1996	1997-A	1998	1999-A	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2009 Indenture Loan Reserve Fund	Combined Bond Issues
	Bond Issue	Bond Issues	Bond Issue	Bond Issue	Bond Issue	Bond Issue	Bond Issue	Bond Issue	Bond Issue	Bond Issue	Bond Issue	Bond Issue	Bond Issue	Bond Issue	Bond Issue	Bond Issue		
Operating Revenues																		
Interest Income																		
NJCLASS Student Loans	\$ 1,303	\$ 98,841	\$ 111,810	\$ 216,267	\$ 1,313,168	\$ 966,905	\$ 1,474,783	\$ 5,139,067	\$ 4,019,971	\$ 8,316,033	\$ 9,434,422	\$ 11,995,573	\$ 12,204,945	\$ 16,332,551	\$ 12,545,281	\$ 13,199	\$ -	\$ 84,184,118
FFELP Student Loans	-	-	-	-	-	-	-	3,608,969	2,057,750	823,458	224,451	85,434	-	-	-	-	-	6,800,063
Application/Administrative Fee Income	-	-	-	-	-	-	-	1,436	89,408	1,834	295,668	1,067,861	535,117	233,250	5,284,055	2,732	-	7,511,360
Loan Reserve Fee Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,366	1,366
Total Operating Revenues	1,303	98,841	111,810	216,267	1,313,168	966,905	1,474,783	8,749,472	6,167,129	9,141,325	9,954,541	13,148,868	12,740,062	16,565,801	17,829,337	15,931	1,366	98,496,908
Operating Expenses																		
Loan Servicing Fees																		
NJCLASS Student Loans	333	33,706	23,748	39,266	230,473	162,277	166,290	426,139	349,677	682,408	687,453	1,115,158	982,286	1,013,331	4,758,179	7,707	-	10,678,431
FFELP Student Loans	-	-	-	-	-	-	-	1,376,275	960,696	321,702	68,004	27,844	-	-	-	-	-	2,754,521
Total Fees Paid to Servicing Agents	333	33,706	23,748	39,266	230,473	162,277	166,290	1,802,414	1,310,372	1,004,110	755,457	1,143,002	982,286	1,013,331	4,758,179	7,707	-	13,432,952
Program Expenses																		
Annual Insurance Expense	-	-	-	-	17,512	13,000	18,000	83,948	68,577	138,845	145,000	155,593	157,168	191,783	315,000	-	-	1,304,425
Transaction Fees	-	-	-	-	-	-	-	282,032	235,932	291,293	320,000	356,197	357,959	432,156	-	-	-	2,275,569
Bad Debt Expense	-	-	-	-	61,248	96,444	201,008	401,961	464,047	446,045	527,081	348,303	905,013	546,203	-	-	-	3,997,353
Default Expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,991	6,991
Other Program Expenses	-	-	-	-	-	-	719	89,408	826	147,826	534,078	267,298	168,761	2,642,108	1,366	-	-	3,852,390
Total Program Expenses	-	-	-	-	78,760	109,444	219,008	768,659	857,964	877,009	1,139,907	1,394,171	1,687,438	1,338,903	2,957,108	1,366	6,991	11,436,727
Bond Interest Expense	-	-	153,750	222,737	1,222,615	930,511	1,574,994	7,705,371	6,116,677	7,886,332	10,549,764	10,203,598	10,374,339	12,474,376	19,057,084	512,551	-	88,984,698
Total Operating Expenses	333	33,706	177,498	262,002	1,531,848	1,202,233	1,960,291	10,276,445	8,285,013	9,767,451	12,445,128	12,740,771	13,044,064	14,826,610	26,772,370	521,624	6,991	113,854,377
Operating (Loss) Income	969	65,135	(65,688)	(45,736)	(218,680)	(235,327)	(485,509)	(1,526,973)	(2,117,884)	(626,126)	(2,490,588)	408,098	(304,002)	1,739,192	(8,943,034)	(505,693)	(5,625)	(15,357,470)
Non-Operating Revenues (Expenses)																		
Income on Investments	21,564	45,928	112,153	25,512	522,361	318,577	598,337	552,745	369,670	351,968	565,858	786,250	638,042	267,031	3,177,724	8,638	-	8,362,359
NJCLASS/FFELP Program Funding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	14,000,000	1,097,854	-	15,097,854
Gain on Bond Retirement	-	-	-	-	-	-	-	9,832,500	9,967,500	4,485,000	-	926,500	911,500	1,098,500	-	-	-	27,221,500
Miscellaneous Income (Expense)	-	(245,000)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	56,350	(188,650)
Amortization of Bond Issuance Cost	-	-	(43,403)	(121,883)	(59,635)	(39,750)	(50,837)	(25,231)	(21,742)	(30,071)	(30,041)	(33,390)	(32,877)	(40,096)	-	-	-	(528,956)
Amortization of Financial Instrument Issuance Costs	-	-	-	-	-	-	-	-	(21,079)	(72,191)	(4,523)	(4,050)	-	-	-	-	-	(101,842)
Arbitrage Expense	-	-	-	(3,758)	-	-	(95,875)	-	-	-	-	-	-	-	-	-	-	(99,632)
Total Non-Operating Revenues	21,564	(199,072)	68,749	(100,128)	462,726	278,828	451,626	10,360,014	10,294,349	4,734,705	531,294	1,675,310	1,516,666	1,325,435	17,177,724	1,106,492	56,350	49,762,632
Change in Net Assets	22,533	(133,937)	3,061	(145,864)	244,046	43,501	(33,883)	8,833,041	8,176,465	4,108,580	(1,959,294)	2,083,408	1,212,664	3,064,627	8,234,690	600,799	50,726	34,405,162
Net Assets (Deficit), beginning of year	2,720,165	7,338,217	983,155	1,492,102	4,905,124	1,908,656	2,427,611	452,777	(2,702,002)	(1,632,140)	(5,948,432)	(621,528)	(1,953,378)	(3,824,904)	-	-	-	5,545,424
Transfer to 2009 Bond Issue	(2,742,698)	(7,204,280)	(986,216)	(1,346,238)	-	-	-	-	-	-	-	-	-	-	-	12,279,432	-	-
Net Assets (Deficit), end of year	\$ -	\$ -	\$ -	\$ -	\$ 5,149,170	\$ 1,952,157	\$ 2,393,728	\$ 9,285,818	\$ 5,474,463	\$ 2,476,440	\$ (7,907,726)	\$ 1,461,879	\$ (740,714)	\$ (760,277)	\$ 8,234,690	\$ 12,880,231	\$ 50,726	\$ 39,950,586

Note: Differences of \$1-\$2 are due to rounding.