

MINUTES

HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY

April 19, 2017

The Higher Education Student Assistance Authority (HESAA) Board held a meeting on April 19, 2017 at 10:00 am at the HESAA offices in Hamilton.

PRESENT: Fr. Michael Braden (teleconference); Mr. Hasani Carter, Secretary of Higher Education Designee; Ms. Gabrielle Charette, Esq.; Ms. Ester Calderon (teleconference); Mr. Anthony Falcone; Dr. Jon Larson; Mr. Bader Qarmout (teleconference); Mr. Shyam Sharma; Ms. Maria Torres and Ms. Christy Van Horn, Members.

ABSENT: Mr. George Garcia Esq.; Ms. Jean McDonald Rash and Mr. Christopher McDonough, Treasurer's Designee.

CALL TO ORDER

Anthony Falcone called the meeting to order at 10:01 am. Mr. Falcone stated that the meeting had been noticed in compliance with the requirements of the Open Public Meetings Act.

Mr. Falcone led those present in the Pledge of Allegiance.

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

Mr. Falcone welcomed Geoffrey Stark, Esq., Deputy Attorney General, Labinot Berlajolli, Esq., Assistant Counsel, Governor's Authorities Unit, Cliff Rones, Esq., Office of the Attorney General, Joseph Santoro of Bank of America Merrill Lynch, Tim Webb of Hilltop Securities, and Leah Sandbank, Esq., McManimon, Scotland & Baumann, LLC.

Mr. Falcone advised that no members of the public registered to speak.

Mr. Falcone asked Roseann Sorrentino to call the roll.

CONSIDERATION OF THE MINUTES OF THE JANUARY 25, 2017 MEETING

A motion to approve the minutes of the January 25, 2017 meeting was made by Ms. Maria Torres and seconded by Ms. Christy Van Horn. The minutes were approved unanimously with two abstentions, Mr. Hasani Carter and Mr. Bader Qarmout, who did not participate in the January 25, 2017 meeting.

CHAIR TO ANNOUNCE NOMINATING COMMITTEE APPOINTMENTS

Anthony Falcone announced that Maria Torres has agreed to chair, and Jean McDonald Rash and Shyam Sharma have agreed to serve on, the Nominating Committee. Mr. Falcone thanked them for agreeing to be on the Committee.

RESOLUTION 04:17 ADOPTING A SCHEDULE OF MEETINGS FOR FISCAL YEAR 2018

Marnie Grodman, Esq., presented Resolution 04:17 to the Board.

At the last Board meeting of the fiscal year HESAA sets the meeting schedule for the next fiscal year in order to provide notice to the public. After polling the board members regarding their availability it is recommended that for fiscal year 2018 the board meetings be scheduled on Wednesday July 26, 2017; Wednesday October 25, 2017; Wednesday January 24, 2018 and Wednesday April 18, 2018. All of the meetings will take place at 10:00 am.

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

A motion to approve Resolution 04:17 was made by Dr. Jon Larson and seconded by Mr. Hasani Carter.

The motion passed unanimously.

RESOLUTION 05:17 AUTHORIZING THE ISSUANCE AND SALE OF ADDITIONAL SERIES OF SENIOR STUDENT LOAN REVENUE BONDS AND SUBORDINATE OBLIGATIONS AND APPROVING THE EXECUTION AND DELIVERY OF A SUPPLEMENTAL INDENTURE, PRELIMINARY OFFICIAL STATEMENT, FINAL OFFICIAL STATEMENT, CONTINUING DISCLOSURE AGREEMENT, ACKNOWLEDGEMENT OF SERVICING, BOND PURCHASE AGREEMENT, AND OTHER MATTERS IN CONNECTION THEREWITH AND ACKNOWLEDGING A CHANGE IN LOAN RATES FOR 2016-1 NJCLASS LOANS AND CERTAIN AMENDMENTS TO THE 2010-1 INDENTURE

Gene Hutchins presented Resolution 05:17 to the Board.

Resolution 05:17 authorizes a total bond sale not to exceed \$265.0 million with a final maturity date not later than June 1, 2052. These bonds will be issued under the existing 2010-1 Master Trust Indenture. The 2017-1 bond issue will be comprised of up to \$86.9 million in refunding bonds, which will retire the remainder of the 1998 failed auction rate certificate (ARC) bonds, and approximately \$178.1 million of new issuance including approximately \$22.0 million of subordinate obligations.

The proceeds of the bonds (net of funds required to retire the remaining ARC bonds, to fund bond reserves, and to pay a portion of the costs of issuance, to the extent possible) and cash transferred from the 1998 Trust Estate will all be used to finance standard NJCLASS loans including loans to parent-only borrowers, NJCLASS Consolidation Loans, NJCLASS Refinance Loans, and Graduate/Professional NJCLASS Loans.

The resolution makes technical amendments to the definition of “Eligible Student Loans” in the 2010-1 Indenture to include student loans made to refinance certain Federal, private, and NJCLASS loans used to finance post-secondary education.

Credit market conditions make it advantageous for the Authority to continue to utilize the same capital structure used in the sale of last year’s bonds, that is fixed rate serial and term bonds and continue offering the various loan types including the 10–year immediate repayment loan, the 15-year interest only and immediate repayment loans and the 20-year fully deferred loan, as well as the Consolidation and Refinance loans.

The 2017-1 Bonds will include a series of subordinated bonds as part of the overall bond structure, which has been used successfully since 2012 and reduces the amount of collateral that HESAA is required to pledge as part of the transaction.

The 2017-1 Bond Issue may require HESAA to contribute an amount not to exceed \$8.0 million in equity to satisfy the rating agencies’ cash flow stress cases. The equity contribution will be drawn from a combination of cash released and transferred from the retired 1998 Trust and other HESAA reserves, including the Guaranty Agency Operating Fund, the NJCLASS Life of Loan Servicing Reserves and the NJBEST Scholarship Administrative reserves. These funds will be repaid into the source funds as other funds are released from NJCLASS trusts.

All NJCLASS loans originated from the 2017-1 bond proceeds will continue to follow the revised credit standards adopted by the Authority in 2012 as detailed below:

- Minimum Income of \$40,000.
- Revised Credit Score Criteria
 - 670-699 FICO Band – all applicants credit reports reviewed for derogatories.
 - 700+ FICO Bands – application auto approved.

Loan funds available for Option 3 loans will not exceed \$32.0 million.

Refinance Loans – in addition to meeting the credit criteria outlined above, borrowers applying for a NJCLASS Refinance loan will be subject to a debt-to-income ratio test. The borrower’s debt to income ratio, inclusive of payments on the new refinance loan, cannot exceed 40%.

These tighter credit standards, in combination with an improving economy, have resulted in a decrease in loan defaults over the last five years, with only 1.3% of loans originated since 2012 having defaulted.

However, in order to better assist those families who suffer a material loss of income for a period of time during the life of their loans, beginning in 2017 HESAA is initiating a Repayment Assistance Program (RAP) for borrowers who take out loans in academic year 2017-2018 and beyond. A borrower is eligible to participate in the program for a period of two years. Monthly payments due from the borrower are reduced to a level that is affordable after taking into account

the resources of all parties on the loan. During the period a borrower is in the RAP program, HESAA pays the interest on the loan and the payments received are all applied to the reduction of the principal balance of the loan. At the end of the RAP period, the regular monthly payment amount is recalculated based on the remaining principal balance of the loan and we expect that the repayment amount will be lower than when they entered RAP. This program will be subject to the availability of funds, which will be limited within the 2017-1 bond issue. HESAA believes the RAP reserve has been sized to cover expected utilization. This is an innovative program we are happy to offer to help families who suffer unexpected changes in their circumstances.

Mr. Hutchins introduced Leah Sandbank to review the Bond Resolution with the Board:

There are two resolutions before you today for adoption: Resolution 05:17 sets forth the authorizations for (i) a transaction to finance the Authority's loan origination needs for the upcoming academic year and cause a refinancing of the Authority's outstanding auction rate bonds issued in years 2002-2007 under the 1998 Master Trust, (ii) the transfer of certain reserves to meet rating agency parity requirements, (iii) an acknowledgement of the change in loan rates made with remaining proceeds of the 2016 bond transaction, (iv) certain amendments to the 2010-1 Master Trust to permit the pilot refinance loan program, to provide that the Authority's policies regarding forgiveness or deferment of loans in the case of permanent or temporary total disability or death shall be set forth in the applicable servicing agreements and to incorporate certain Trustee provisions and (v) certain amendments to the First Supplemental Indenture issued under the 2010-1 Master Trust.

First, the resolution sets forth the customary authorizations for a new issue of Student Loan Revenue Bonds, Series 2017-1. The 2017 bonds are authorized in a principal amount not to exceed \$265 million, are made up of three series, a senior new money series, a senior refunding series and a subordinate new money series and are authorized to be sold to Merrill Lynch as the underwriter representative. The parameters for the Bonds include a final maturity date not later than June 1, 2052, not to exceed redemption price of 103%, a 10 year call protection and a not to exceed bond interest rate of 7.0% for the senior series of bonds and a not to exceed bond interest rate of 8.5% on the subordinate series. The expected terms of the 2017 bonds and the loans that can be originated with proceeds of the 2017 Bonds are further described in the Fourth Supplemental Indenture before you.

In connection with such approvals, the resolution authorizes the Chairperson, Vice Chair, Secretary-Treasurer, Executive Director or Chief Financial Officer to execute and deliver the customary bond documents, including a Bond Purchase Contract, a Fourth Supplemental Indenture, a Continuing Disclosure Agreement, an Acknowledgement of Servicing and a Preliminary Official Statement, the forms of each of such operative documents is before you today.

In addition to the above authorizations, the resolution authorizes the use of reserves in an amount not to exceed \$8 million, of which approximately \$4 million will come from funds transferred from the 1998 Indenture upon the refinancing of the outstanding bonds issued thereunder, which is required by the rating agencies to meet their cash flow stress tests and so that the Authority can achieve the initial parity requirement necessary to obtaining the desired rating from the rating agencies.

The loan parameters for the 2017 loans are substantially the same as in last year's transaction, including continuing the pilot refinance loan program, and with the addition of the offer of the temporary Repayment Assistance Program to certain qualifying borrowers.

The resolution also authorizes several amendments to the 2010 Master Trust and the First Supplemental Indenture authorizing the issuance of 2010-1 Bonds to, among other things, permit the pilot refinance loan program, incorporate the death and disability deferment and forgiveness programs into the applicable Acknowledgements of Servicing, to incorporate certain Trustee requirements, to amend the definition of Parity Percentage Requirement to be more consistent with the last few years of rating agency modeling, and to clarify that with respect to electronically signed promissory notes, the authoritative notes will be held by the Authority, with copies provided to the Trustee at their request. The Resolution further acknowledges, per the 2016 bond documents (as amended by the Sixth Supplemental Indenture), that from and after the date the 2017 bonds are issued, any 2016 loans originated with remaining proceeds of the 2016 bonds will be originated at the loan rates established for the 2017 Bonds. All of the amendments described herein and in the resolution are set forth in the Fourth Supplemental Indenture.

A motion to approve Resolution 05:17 was made by Ms. Christy Van Horn and seconded by Ms. Maria Torres.

Christy Van Horn stated that RAP is a good step to adjust the financial burden. Maria Torres questioned whether this is still a family loan when it is for graduate students. Gabrielle Charette explained that graduate students are no longer dependents and can take their own loans. Marnie Grodman added that the NJCLASS Graduate loan does not require cosigners; however, some graduate students take the Standard NJCLASS loans with a cosigner.

Bader Qarmout questioned whether the interest is deferred or waived, how hardship is determined, and how many families are anticipated to be eligible. Additionally he questioned how this is being financed.

Gene Hutchins explained that the Authority will be paying the interest so that all payments made by the borrowers will go to the principal. He further explained that the family resources of all parties to the loan will be aggregated and 150% of the federal poverty level for the borrower's family size will be protected; they will be expected to pay 10% of the remaining disposable income. As for the number of eligible families that number is unknown. Going into the program all of the families have sufficient resources to take the loan so this plan is meant to help in the event of catastrophic changes in circumstances. He explained that the expense of \$30,000 a month is within the trust estate and is expected to fund RAP for over 200 families at a time. Staff believes this funding is adequate because the program is taking into consideration the resources of the whole family.

Mr. Qarmout also asked why the interest is being paid by HESAA instead of deferred. Mr. Hutchins explained that there are many programs nationally that defer the interest and when people exit those programs they are worse off due to higher loan balances from the accrued but unpaid interest. HESAA determined that is the opposite of what an assistance program should do.

Mr. Qarmout also asked how HESAA determines eligibility and how families will know about this program. Gabrielle Charette responded that the program will be posted on HESAA's website and the NJCLASS portal. She explained that HESAA is developing an application for RAP and will require documentation, including W-2s and tax returns.

The motion passed unanimously.

RESOLUTION 06:17 APPROVING THE EXECUTION AND DELIVERY OF SUPPLEMENTAL INDENTURES AMENDING PRIOR INDENTURES AND AMENDMENTS TO ACKNOWLEDGMENTS OF SERVICING TO PERMIT CERTAIN LOAN FORGIVENESS OR DEFERMENT IN EVENT OF DEATH OR DISABILITY FOR 2008, 2009, 2010-2, 2011 AND 2012-2016 STUDENT LOANS, AUTHORIZING CERTAIN AMENDMENTS TO THE FIFTH SUPPLEMENTAL INDENTURE AUTHORIZING 2016-1 LOANS TO PERMIT A CHANGE IN LOAN RATES AND REPAYMENT ASSISTANCE PROGRAM BENEFITS FOR UNEXPENDED 2016-1 BOND PROCEEDS AND OTHER MATTERS IN CONNECTION THEREWITH

Gene Hutchins presented Resolution 06:17 to the Board.

Resolution 06:17 authorizes amendments to prior NJCLASS trust estates and associated servicing agreements to implement the new statutory requirements of P.L. 2016 c. 71, as well as the regulatory amendments the Board will be considering for final adoption pursuant to Resolution 07:17. The amendments pertain to deferment of interest during a period where the student borrower has suffered Total Temporary Disability that is not currently covered under the indentures or servicing agreements, as well as the discharge of NJCLASS loans in the event of the death or total and permanent disability of the student borrower or student beneficiary.

Resolution 06:17 also authorizes additional amendments to the original 2012 Indenture to provide for the new borrower assistance available for loans funded with remaining proceeds of the 2016-1 bonds after the issuance of the 2017-1 bonds.

Mr. Hutchins requested Leah Sandbank to review the Bond Resolution with the Board:

Resolution 06:17 authorizes execution and delivery of various supplemental indentures to each master trust indenture (except for the 1998 indenture, which is being refunded) to incorporate the death and disability deferment and forgiveness programs into each applicable Acknowledgement of Servicing for all loans originated under the 2008, 2009, 2010-2 and 2012 indentures, respectively. The Resolution also specifically attaches the Sixth Supplemental Indenture, which is supplemental to the 2012 Indenture, to (i) set forth the specific language incorporating the death and disability deferment and forgiveness programs for the loans originated under the 2012 indenture, which language will be substantially the same in each supplemental indenture authorized under the Resolution (ii) and provides for certain amendments to the Fifth Supplemental Indenture which authorized the 2016 Bonds to (a) permit loans originated with unexpended proceeds of the 2016 bonds to be originated at 2017 loan rates, (b) to add a provision offering the Repayment Assistance Program to qualifying borrowers of loans originated with unexpended proceeds of the 2016 bonds at 2017 loan rates, (c) to extend the origination period to October 1, 2018 and (d) to clarify that any unexpended funds in the refinance loan account may be transferred to the ten year fixed rate account to originate ten year

option 1 loans. Under this Resolution as well, the Chairperson, Vice Chair, Secretary-Treasurer, Executive Director or Chief Financial Officer are authorized to execute and deliver the various supplementals, which execution and delivery is subject to the receipt by the Authority of a RAC from each applicable rating agency.

A motion to approve Resolution 06:17 was made by Dr. Jon Larson and seconded by Ms. Christy Van Horn.

The motion passed unanimously.

RESOLUTION 07:17 ADOPTION OF AMENDMENTS TO REGULATIONS GOVERNING DISCHARGE OF NEW JERSEY COLLEGE LOANS TO ASSIST STATE STUDENTS (NJCLASS), N.J.A.C 9A:10 -6.17

Marnie Grodman presented Resolution 07:17 to the Board.

At its October 26, 2016 meeting the HESAA Board approved a proposed rule amendment that would discharge the loan obligation for all parties to the loan in the event of the death or total and permanent disability of the student beneficiary. Additionally, the amendment would allow those who applied for forgiveness in the past to reapply on or after June 1, 2017, and receive forgiveness of any remaining balances.

The proposal was published in the December 5, 2016 New Jersey Register, posted on the HESAA website and sent to the Statehouse News Media. In addition, secondary notice was emailed to interested parties and a press release was distributed to the news media. The 60-day legislative review period for this rule expired on December 27, 2016, with no comments received and the public comment period for this rule expired on February 3, 2017. HESAA received two comments; both were in support of the proposed amendments. As such, it is recommended that the Board approve the adoption of this amendment.

A motion to approve Resolution 07:17 was made by Ms. Maria Torres and seconded by Mr. Hasani Carter.

The motion passed unanimously.

RESOLUTION 08:17 APPROVING A WAIVER OF BID ADVERTISING FOR CREDIT REPORTING PRODUCTS AND SERVICES

Lorraine Staley presented Resolution 08:17 to the Board.

Pursuant to HESAA's pre-set procurement policy, the Board is permitted to authorize a waiver of bid advertising under specific circumstances as defined by statute. Specifically, N.J.S.A. 52:34-10(c), permits a bid waiver when a vendor is the sole source of supply. At its April 2012 meeting the Board approved a waiver of bid advertising permitting HESAA to enter into a five-year contract with Equifax to provide the needed services. At its April 23, 2015 meeting, the Board approved the first one-year extension, and the second one year extension was approved at the April 19, 2016 board meeting.

As explained more completely in the Board documents, Equifax is the sole source of supply for the credit scores HESAA relies on for approving NJCLASS loans and marketing HESAA's bonds. Equifax is the sole source that can provide HESAA with the credit scores consistent with the data previously reviewed by the credit agencies.

Additionally, as Equifax was the only credit-reporting agency to respond to HESAA's previous Request for Proposals, Equifax has been HESAA's primary source of supply for credit services since the inception of the FICO based loan eligibility determination process and functions. As such, HESAA built interfaces to embed Equifax's platform into the processing functions. Included but not limited to these processing functions are credit scores, credit histories, fraud warnings, Office of Foreign Asset Control (OFAC) checks, Identity Scanned Red Flag alerts, and our e-signature identity authentication known as Equifax eIDverifier. More recently HESAA has added Equifax's MLS Covered Borrower Status service to ensure compliance with the Military Lending Act changes that went into effect on October 3, 2016. Also information supplied by Equifax is used by the rating agencies to assist in developing stress models for our upcoming Bond Sale.

In order to change HESAA's source of supply for the credit bureau services HESAA would need to make changes to the web process, database, and business processes on our Mainframe and online. These changes would include building support for new protocols and programming to establish communication to obtain these credit reports, credit histories, identity authentication information, and compliance information for the Patriot Act, Military Lending Act and Identity Theft Red Flag Rules. HESAA staff has estimated that in order to change this source of supply it would take the full-time equivalent of fifteen months work at a minimum cost of \$225,000.

Recently, Equifax has provided HESAA with a five-year pricing proposal with a price per transaction cost for each product. Based on previous usage, as well as projected usage in the future the total cost for the five-year contract would not exceed \$1.5 million dollars. It is recommended that the Board approve Resolution 08:17 Approving a Waiver of Bid Advertising for Credit Reporting Products and Services, thereby permitting HESAA to enter a five-year contract with Equifax for a total amount not to exceed \$1.5 million.

A motion to approve Resolution 08:17 was made by Mr. Bader Qarmout and seconded by Ms. Christy Van Horn.

Chairman Falcone asked whether the \$1.5 million cap was from Equifax or from HESAA's projections. Ms. Staley explained those were HESAA's projections based on past usage. Mr. Falcone questioned whether HESAA will always be using Equifax. Mr. Hutchins explained that the first question the rating agencies ask is whether HESAA has changed their data source for credit scores because it is critical for them to use the same data. A change in data source would lead to additional stresses which would lead to higher interest rates for the borrowers. Gabrielle Charette added that Equifax has not increased their prices. If they were to increase their prices we would have to reevaluate.

Maria Torres questioned whether the \$1.5 million cost was per year or for the five-year term. Ms. Staley clarified that the \$1.5 million cap is for the five-year term.

The motion passed unanimously.

RESOLUTION 09:17 CONSIDERATION AND APPROVAL OF THE HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY 2016 ANNUAL REPORT PURSUANT TO EXECUTIVE ORDER 37 (CORZINE)

Jennifer Azzarano presented Resolution 09:17 to the Board.

Executive Order 37 requires independent State authorities such as the Higher Education Student Assistance Authority to publish annual reports detailing the work of the Authority and explaining how that work promotes the State's overall economic growth strategies.

Before you is a copy of HESAA's proposed 2016 annual report. The report contains a great deal of data about appropriations, award levels, the number of awards and expenditures. While the data is important, we hope everyone will take a moment to read about the students featured in the report whose higher educational aspirations were made possible because of HESAA's programs and funding.

We recommend that the Board approve Resolution 09:17.

A motion to approve Resolution 09:17 was made by Mr. Hasani Carter and seconded by Mr. Bader Qarmout.

The motion passed unanimously.

REPORT OF THE PROGRAM REVIEW AND QUALITY CONTROL COMMITTEE

Anthony Falcone reported that the Program Review and Quality Control Committee met on April 5, 2017 via teleconference. He advised that he, Christy Van Horn and Maria Torres participated in the call. Also included, on behalf of HESAA were Gabrielle Charette, Jill Schmid, Gena Carapezza, Greg Foster, Gene Hutchins and Marnie Grodman.

Mr. Falcone invited HESAA's new Director of Audits and Quality Assurance to provide the following report:

HESAA's Audits & Quality Assurance department met with the Program Review and Quality Control committee on April 5, 2017 to discuss its performance results of the past year as well as the proposed review schedule for the coming year.

I would like to take this opportunity to provide a short summary of the Audits & Quality Assurance department's performance over the last year as discussed with the Committee. Our full report was provided as item 8 in the Board materials. To highlight a few of our accomplishments:

- The department performed and closed one full scale management review which focused on institutional compliance with State grant & scholarship award distribution regulations, policies and procedures; and

- Also performed and closed four limited management reviews and closed two additional limited reviews that had commenced in 2015;
- The team worked on reviews for four of HESAA's attorneys who perform collection activities on delinquent loans; and
- Also completed HESAA's 2016 Internal Controls Assessment required by the State, reporting no significant weaknesses. The 2017 Internal Controls Assessment process is currently underway.

Reviews worked on last year resulted in the return of over \$230,000 in grant funds back to the State. The majority of these funds resulted from two institutions not properly identifying all students who dropped from full-time to part-time status prior to award disbursement, thus making them ineligible to receive awards. The findings were due to errors in manual processing. New procedures have been implemented at the institutions to prevent similar errors from occurring in the future.

The review schedule planned for the coming year was approved by the Program Review and Quality Control Committee on April 5, 2017 and is also included as item 8 in the board materials. The first full scale review scheduled for 2017 commenced in March.

Ms. Maria Torres made a motion to approve the Program Review and Quality Control Report and the review schedule for FY 2018. Ms. Christy Van Horn seconded the motion. The motion passed unanimously.

EXECUTIVE DIRECTOR'S REPORT

Thank you Chairman Falcone, members of the Board and guests.

Since this Board last met, Governor Christie delivered his proposed Fiscal Year 2018 budget to a joint session of the Legislature. This is the Governor's final budget proposal. Once again, the Governor has demonstrated his commitment to New Jersey's premiere need based aid program the Tuition Aid Grant (TAG) program. The proposed FY 18 budget includes a \$15.712 million increase to the TAG program. If approved, there will be \$419 million available for TAG awards in academic year 2017-2018. This funding should allow this Board in July to adopt a TAG table that increases all awards, in all eligibility indexes, at all institutions, by an amount not to exceed 2.0%.

Speaking of academic year 2017-2018, last year at the April meeting, the Board adopted a new state grant and aid filing deadlines for the coming academic year. At our last meeting, I updated you on the extensive outreach efforts Andre Maglione, Kathryn Safran and their respective staff members were undertaking to ensure that all renewal students were aware of the April 15 deadline. While these efforts have proven fruitful and FAFSA renewals have been received across all sectors at a steady pace, last month the Internal Revenue Service (IRS) announced the suspension of the Data Retrieval Tool (DRT). This is a key tool for FAFSA filers. Initially it seemed that the suspension would be for a brief period. Later, however, the IRS announced that the suspension would persist for several weeks and most recently the agency advised that

students and families should plan for the tool to be offline until the start of the next FAFSA season. In light of these announcements and the fact that this is the first year the new deadlines were scheduled to be implemented, HESAA and EOF decided to grant a one-time filing extension for renewal students from April 15 to June 1, 2017. The deadline for new students remains September 15. HESAA posted the extension on its website, in its student portal and sent an email to all renewal students who had not filed their FAFSA. Secretary Hendricks sent a letter to all the college and university presidents and EOF central notified all institutional EOF offices. I would like to thank Audrey Bennerson and her Deputy Hasani Carter, and the EOF staff for their support and responsiveness. While HESAA and EOF have always had a good relationship, I think it is fair to say we have never had a better relationship.

While funding levels and deadlines are certainly necessary to adequately and efficiently administer the TAG program and the other grants and scholarship programs, technology and a state-of-the-art system are just as important. At the April 2015 Board meeting you approved the Authority entering into a contract with Gold Bridge Partners Inc. to provide a new grants and scholarships application processing system. After two years of painstaking integration and hundreds of hours of testing, the New Jersey Financial Aid Management System – NJFAMS – will be in production by the end of this month. HESAA hosted two webinars for the institutional financial aid officers. Over 70 financial aid officers from 52 institutions availed themselves of the training. The feedback was exceptionally positive because the system operates in a real time environment - there is no more waiting for overnight updates and it is a plain language system so the financial aid officers can finally throw away their HESAA code dictionaries. I would like to thank CIO Ruth Odom, Associate Director of Grants and Scholarships Jason Chavez and Associate Director of New Systems Implementation Larry Sharp for their tenacity in seeing this project all the way through from conception to implementation.

On the loans side of the Authority, another major, multi month project came to fruition recently. Last month, we launched our pilot Refi + program. This program provides NJCLASS borrowers who are now out of school and have older, higher interest rate loans the opportunity to refinance those loans at a lower rate. This program helps borrowers pay off their debt faster and at a lower cost. The program went live on Friday morning March 31 and the first application was received, processed and pre-approved before noon. This borrower had two NJCLASS loans one from 2011 and one from 2012 totaling slightly over \$29,700. The loans were at 7.35% and 7.05%. This borrower now has one loan at 4.9%. There are so many HESAA staff who contributed to this project I simply can't name them all. But, there are 3 who truly went above and beyond. Raju Konduru, Senior Systems Architect, Karen Grant, Business Systems Analyst and Laura Shueh, Data Base Analyst.

While grants scholarships and loans are all important for financing a higher education, I think the best advice we can give families is to start saving early and consistently through our State's 529 college savings plan. Apparently this advice is penetrating. During the first quarter of 2017, our state's 529 college savings plan, NJBEST, celebrated a major milestone. For the first time, in the program's history, assets under management surpassed the \$5.0 billion mark. This is particularly noteworthy because this milestone follows on the heels of a year where over \$450 million in distributions were taken from NJBEST accounts.

Finally, as I know you realize everything we do at HESAA is dependent on a knowledgeable and dedicated staff of professionals. Therefore, I am very pleased to report that since this Board last met HESAA has welcomed a number of new staff members to the team.

Greg Foster is our new Chief Compliance Officer. He earned his Bachelor of Arts degree from LaSalle University and his Juris Doctor from Widener University School of Law. Greg is well versed in regulatory compliance having served as the head of compliance for American Water Resources and having worked in compliance for AMG Financial Services, LLC.

Heidi Hunt is our new Assistant Director, Budgets and Financial Analysis. She comes to us from Bank of America Merrill Lynch. Heidi earned her baccalaureate and MBA degrees from Rider University.

Finally, you already met Jill Schmid our new Director of Audits and Quality Assurance. Prior to joining HESAA, Jill was a business systems analyst with AIG and Prudential. She holds a Master's degree in Information Systems Management from Stevens Institute of Technology and a Bachelor's degree in Communications and Business Management from Cornell University.

Thank you.

NEW BUSINESS

Chairman Falcone reminded the Board that Financial Disclosure Statements must be filed by May 15, 2017 and that there is a \$50 per day fine if filed late. He advised that anyone with questions about the financial disclosure could contact Greg Foster.

ADJOURNMENT

Mr. Falcone advised that the next regularly scheduled Board meeting is Wednesday July 26, 2017 at 10:00 am.

A motion to adjourn was made by Dr. Jon Larson and seconded by Ms. Christy Van Horn. The motion passed unanimously.

The meeting adjourned at 10:58 am.



State of New Jersey

HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY

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CHRIS CHRISTIE
Governor


KIM GUADAGNO
Lt. Governor

GABRIELLE CHARETTE, ESQ.
Executive Director

MEMORANDUM

TO: Members, Higher Education Student Assistance Authority Board

THROUGH: Gabrielle Charette, Esq. 
Executive Director

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

SUBJECT: Resolution 04:17 - Adopting a Schedule of Meetings for Fiscal Year 2018

DATE: April 19, 2017

Attached for your review is Resolution 04:17 recommending dates for the Fiscal Year (“FY”) 2018 HESAA Board meetings. The following dates were chosen after polling each member regarding his or her availability.

Wednesday July 26, 2017
Wednesday October 25, 2017
Wednesday January 24, 2018
Wednesday April 18, 2018

All regular Board meetings will take place at 10:00 a.m. at HESAA offices, 4 Quakerbridge Plaza, Building 2, Mercerville, New Jersey. HESAA may call additional meetings, including telephone conference call meetings, at its discretion.

The HESAA Board adopts a regular meeting schedule so that HESAA may notify Board members and the public of future meeting dates. Specific notice of each meeting will be provided to the public in a timely fashion in accordance with the provisions of the Open Public Meetings Act.

Recommendation

It is recommended that the Board approve the attached Resolution 04:17– Adopting a Schedule of Meetings for Fiscal Year 2018.

Attachment

RESOLUTION 04:17

**ADOPTING A SCHEDULE OF MEETINGS
FOR FISCAL YEAR 2018**

Moved By: Dr. Jon Larson
Seconded By: Mr. Hasani Carter

WHEREAS: Adopting a regular meeting schedule provides general notice to Board members and to the public of meetings of the Higher Education Student Assistance Authority Board; and

WHEREAS: The dates for the regular meetings for Fiscal Year 2018 were chosen after polling the Board members regarding their availability; and

WHEREAS: The Higher Education Student Assistance Authority may call additional meetings, including telephone conference call meetings; and

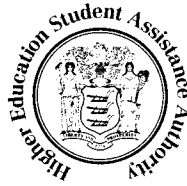
WHEREAS: Specific notice of each meeting will be provided to the public in accordance with the provisions of the Open Public Meetings Act.

NOW, THEREFORE, LET IT BE:

RESOLVED: That the Higher Education Student Assistance Authority hereby adopts the following schedule of meetings for Fiscal Year 2018:

Wednesday July 26, 2017
Wednesday October 25, 2017
Wednesday January 24, 2018
Wednesday April 18, 2018

April 19, 2017



State of New Jersey

HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY

4 QUAKERBRIDGE PLAZA

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CHRIS CHRISTIE
Governor


KIM GUADAGNO
Lt. Governor

GABRIELLE CHARETTE, ESQ.
Executive Director

MEMORANDUM

TO: Members, Higher Education Student Assistance Authority

THROUGH: Gabrielle Charette, Esq. 
Executive Director

FROM: Eugene Hutchins 
Chief Financial Officer

SUBJECT: NJCLASS Bond Issue 2017-1 Resolution 05:17 Authorizing the Issuance and Sale of Additional Series of Student Loan Revenue Bonds and Subordinate Obligations and Approving the Execution and Delivery of a Supplemental Indenture, Preliminary Official Statement, Final Official Statement, Continuing Disclosure Agreement, Acknowledgement of Servicing, Bond Purchase Agreement, and Other Matters in Connection Therewith and Acknowledging a Change in Loan Rates for 2016-1 NJCLASS Loans and Certain Amendments to the 2010-1 Indenture

DATE: April 19, 2017

Summary

Resolution 05:17 authorizes a total bond sale not to exceed \$265.0 million with a final maturity not later than June 1, 2052. These bonds will be issued under the existing 2010-1 Master Indenture of Trust. The 2017-1 bond issue will be comprised of up to \$86.9 million in refunding bonds, which will retire the remainder of the 1998 failed auction rate certificate (ARC) bonds, and approximately \$178.1 million in new bonds, including approximately \$22.0 million of subordinate obligations.

The proceeds of the bonds (net of funds required to retire the remaining ARC bonds, to fund bond reserves, and to pay a portion of the costs of issuance, to the extent possible) and cash transferred from the 1998 Trust Estate will be used to finance standard NJCLASS loans including loans to parent-only borrowers, NJCLASS Consolidation Loans, NJCLASS Refinance Loans, and Graduate/Professional NJCLASS Loans.

The resolution makes technical amendments to the definition of “Eligible Student Loans” in the 2010-1 Indenture to include student loans made to refinance certain Federal, private, and NJCLASS loans used to finance post-secondary education. The resolution also makes changes to the loan rates offered from unexpended proceeds of the Series 2016-1 Bond issue. Loans from unexpended proceeds of 2016-1 shall be offered at the same rates as those offered from proceeds of the 2017-1 Bond Issue.

Credit market conditions make it most advantageous for the Authority to continue utilization of the capital structure used in the sale of last year’s bonds, fixed rate serial and term bonds. The steepness of the tax-exempt bond market yield curve and success in marketing the 15-year loans for options 1 and 2 makes it beneficial to continue with the replacement of the Authority’s 20-year fixed rate standard loan. By doing so HESAA reduces its average cost of capital. This allows HESAA to lower the interest rate charged to borrowers and minimize increases in borrowers’ monthly payments, while allowing loans to be paid off sooner at a lower total cost to the borrower.

Market conditions have also made it possible for the Authority to continue offering its 10-year Option 1 Loan to families who can afford higher monthly repayment amounts. The 10-year Option 1 loan carries a significantly lower interest rate than either the 15-year NJCLASS loan or the federal Direct Parent Loan for Undergraduate Students (PLUS).

As noted above, the 2017-1 Bonds will include a series of subordinated bonds as part of the overall bond structure. These subordinate bonds will have the longest maturity and will be the last bonds retired. Payment of both principal and interest on these bonds will be subordinate to the senior bonds. In return, the subordinate bonds carry a higher rate of interest and appeal to investors willing to accept a higher degree of risk in exchange for a higher yield. This structure has been successfully used in all NJCLASS bond series since 2012. The use of subordinate bonds in the bond structure reduces the amount of equity HESAA is required to contribute to the 2017-1 bond transaction as outlined below. It should be noted that although subordinate, these bonds are expected to carry an investment grade rating of A2/A from Moody’s and Standard and Poor’s, respectively.

The 2017-1 bonds will not use bond insurance. Since the downgrade of all municipal bond insurers during the financial crisis, investor appetite for insured bonds remains low. The lack of demand for insured bonds, combined with the higher premiums currently charged, and the program and structure constraints imposed by the remaining investment grade rated insurers, makes the use of bond insurance uneconomical.

The 2017-1 Bond Issue may require HESAA to contribute an amount not to exceed \$8.0 million in equity to satisfy the rating agencies’ cash flow stresses. The equity contribution will be drawn from a combination of cash released and transferred from the retired 1998 Trust and other HESAA reserves from the Guaranty Agency Operating Fund, the NJCLASS Life of Loan Servicing Reserves and NJBEST Scholarship Administrative reserves. These funds are not required for current program purposes, are currently earning only 0.58% in the State’s Cash Management Fund, and will earn significantly more while invested in the NJCLASS Trust. Excess revenues will be

eligible for release from various NJCLASS trusts, over the next 10 years. These releases of excess revenues will be used to replenish the reserves.

Total NJCLASS loan volume for academic year 2017-18 is expected to approach \$240 million. HESAA anticipates using residual unexpended 2016-1 proceeds to meet this demand. However, until interest rates on the remaining 2016-1 and the 2017-1 loans can be better estimated, total sizing of the bond issue will not be finalized.

NJCLASS Program Parameters

Based upon guidance received from the US Department of Treasury in November 2015, HESAA will continue both consolidation loans and parent-only loans as part of the 2017-1 bond issue. The guidance also provided an expanded definition of state-nexus for newly allowed refinancing loans to include both current residents of the State as well as those who were residents of the State or attending school in the State at the time the original loans were taken out, as long as the amount of the original loans did not exceed the amount of unmet financial need at the time they were originated.

Once fully implemented, the NJCLASS Refinance Loan Pilot Program will refinance NJCLASS loans, federal PLUS loans, and other private loans where the borrower can provide school certification of the original loan amount. All of the underlying student loans requested for refinancing must also have a New Jersey nexus as outlined above. The refinance loan will allow borrowers to significantly reduce the interest rates on their existing loans, provided they can meet the HESAA's established credit criteria for the program.

All NJCLASS loans originated from the 2017-1 bond proceeds will continue to follow the revised credit standards adopted by the Authority in 2012 as detailed below:

- Minimum Income of \$40,000.
- Revised Credit Score Criteria
 - 670-699 FICO Band – all applicants credit reports reviewed for derogatories.
 - 700+ FICO Bands – application auto approved.
- Administrative fee of 3% for all option types (except for consolidation loans which carry a 1% origination fee and refinance loans with a zero origination fee) to provide additional collateralization for the Bonds.
- Loan funds available for Option 3 loans not to exceed \$32.0 million and interest rate set at its true cost.
- Consolidation Loans – maintain the credit and the minimum income standards with those of the standard undergraduate loan.

- Refinance Loans – in addition to meeting the credit criteria outlined above, borrowers applying for a NJCLASS Refinance loan will be subject to a debt to income ratio test. The borrower’s debt to income ratio, inclusive of payments on the new refinance loan, cannot exceed 40%. Interest rates for the refinance loans will be tiered based on borrower credit scores. Borrowers with credit scores 780 or higher are offered the best rate, those with credit scores from 720 to 779 a slightly higher rate and those with credit scores from 670-719 the highest rate. These rates are tied to the default loss assumptions utilized by the rating agencies in their rating process. Borrowers in each of these tiers are expected to realize significant cost savings in comparison to their current loans.

Borrowers who do not qualify for the NJCLASS loans will have the choice of obtaining a credit-worthy co-signer or will be counseled to apply for the federal PLUS loan where they are able to obtain more flexible repayment terms and less stringent credit standards than can be funded through the bond issues for NJCLASS.

HESAA continues to counsel families to borrow under those options where some level of payment is made during the in-school period as a means of avoiding the capitalization of interest. Particular focus is placed on lower FICO-score borrowers who often end up facing monthly payments they cannot afford, which is detrimental to both the borrower and the NJCLASS program.

These tighter credit standards in combination with an improving economy has resulted in a decrease in loan defaults over the last five years with only 1.3% of loans originated since 2012 having defaulted.

However, in order to better assist those families who suffer a material loss of income for a period of time during the life of their loans, HESAA is initiating a Repayment Assistance Program (RAP) for borrowers who take out loans in academic year 2017-2018 and beyond. A borrower is eligible to participate in the program for a period of two years. Monthly payments due from the borrower are reduced to a level that is affordable after taking into account the resources of all parties on the loan. During the period a borrower is in the RAP program, HESAA pays the interest on the loan and the payments received are all applied to the reduction of the principal balance of the loan. At the end of the RAP period, the regular monthly payment amount is recalculated based on the remaining principal balance of the loan. This program will be subject to the availability of funds, which will be limited within the 2017-1 bond issue. HESAA believes the RAP reserve has been sized to cover expected utilization.

Sale of Bonds and Associated Documents

The senior manager will assess market conditions at the time of sale and, in coordination with HESAA and its financial advisor, will make final sizing and structuring decisions for the initial sale. The sale of the 2017 bonds is expected to take place in early May.

This resolution delegates to the Chairperson, Vice Chairperson, Secretary–Treasurer, Executive Director, Chief Financial Officer or other authorized representative or designee

of the Authority the power to modify and approve the final structure and interest costs of the bonds.

In conformance with Executive Order 26 (Whitman), the bonds are being issued through a negotiated sale. Because of the complexity of the underlying credit (student loans) which secure the bonds, the size of the issue, and difficult market conditions, a negotiated sale should result in better pricing for the bonds than would be obtained from a competitive sale.

The bond documents are enclosed after the resolution in the following order with blue headers:

Attachment A – 2017-1 Fourth Supplemental Indenture

Attachment B – 2017-1 Preliminary Official Statement

Attachment C – 2017-1 Continuing Disclosure Agreement

Attachment D – 2017-1 Acknowledgement of Servicing

Attachment E – 2017-1 Bond Purchase Agreement

The staff of the Authority will continue to work with First Southwest, a Division of Hilltop Securities, the Financial Advisor, and Bank of America Merrill Lynch, the Senior Manager, to develop an optimum strategy for marketing and pricing the bonds so that sufficient funds will be available to satisfy the demand for NJCLASS Loans while at the same time answering any questions the rating agencies and potential bondholders may have regarding the 2017-1 Bond Issue.

Ms. Leah Sandbank representing McManimon, Scotland and Baumann, LLC, Bond Counsel, will review the bond resolution with the Board.

Mr. Joseph Santoro of Bank of America Merrill Lynch, Mr. Steven Kantor of Hilltop Securities, and Mr. Clifford Rones, Deputy Attorney General, will also be available at the Authority meeting to answer any questions from members of the Board.

It is recommended that the Board approve the attached Resolution 05:16.

Attachments

RESOLUTION 5:17

RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF ADDITIONAL SERIES OF SENIOR STUDENT LOAN REVENUE BONDS AND SUBORDINATE OBLIGATIONS AND APPROVING THE EXECUTION AND DELIVERY OF A SUPPLEMENTAL INDENTURE, PRELIMINARY OFFICIAL STATEMENT, FINAL OFFICIAL STATEMENT, CONTINUING DISCLOSURE AGREEMENT, ACKNOWLEDGEMENT OF SERVICING, BOND PURCHASE AGREEMENT, AND OTHER MATTERS IN CONNECTION THEREWITH AND ACKNOWLEDGING A CHANGE IN LOAN RATES FOR 2010-1 NJCLASS LOANS AND CERTAIN AMENDMENTS TO THE 2010-1 INDENTURE

Moved: Ms. Christy Van Horn
Seconded: Ms. Maria Torres

WHEREAS: The Higher Education Student Assistance Authority (the "Authority") is a body corporate and politic constituting an instrumentality of the State of New Jersey (the "State") established and created under and by virtue of the provisions of the Higher Education Student Assistance Authority Law, constituting Chapter 46 of the Pamphlet Laws of 1999 of the State of New Jersey, as amended and supplemented and any successor legislation (the "Act"); and

WHEREAS: Pursuant to the Act and the Indenture of Trust, dated as of January 1, 2010, between the Authority and Trustee, as amended and supplemented (the "2010-1 Indenture"), the Authority has issued \$713,000,000 in aggregate principal amount of its Student Loan Revenue Bonds, 2010-1 (the "2010-1 Bonds"), consisting of \$677,120,000 Student Loan Revenue Refunding Bonds, Series 2010-1A and \$35,880,000 Student Loan Revenue Bonds, Series 2010-1B, as authorized by the First Supplemental Indenture, dated as of January 1, 2010 (the "First Supplemental Indenture") between the Authority and Trustee; and

WHEREAS: Pursuant to a resolution adopted May 18, 2010, the Authority and Trustee entered into a Second Supplemental Indenture dated June 1, 2010 (the "Second Supplemental Indenture") to increase the Loan Rate calculated with respect to 2010-1 Consolidation Loans; and

WHEREAS: Pursuant to a resolution adopted February 24, 2011, the Authority and Trustee entered into a Third Supplemental Indenture dated February 24, 2011 (the "Third Supplemental Indenture") to extend the origination period for 2010-1 Consolidation Loans and provide for Recoveries of Principal to originate new Student Loans; and

WHEREAS: The Authority wishes to make amendments to the 2010-1 Indenture to (i) clarify that Student Loans (as defined in the 2010-1 Indenture) made to refinance post-secondary education may be considered "Eligible Student Loans" (as defined therein) and (ii) provide that the Authority's procedures

relating to deferment or discharge of payment on a Student Loan in the event of the death or disability of a party to such Student Loan or the student for whom such Student Loan was obtained shall be as set forth in that certain Acknowledgement of Servicing dated January 26, 2010, by and between the Authority and Trustee (the "2010-1 Acknowledgement of Servicing"); and

WHEREAS:

The Authority wishes to make amendments to the First Supplemental Indenture to provide that (i) the Trustee shall hold the original wet copies of promissory notes and the Authority shall hold the authoritative electronic copies of such promissory notes and shall provide such authoritative electronic copies to the Trustee upon their request, (ii) to amend the definition of Parity Percentage Requirement to extend the release date and (iii) to amend the Excess Revenue redemption provisions to exclude 2010-1 Bonds maturing through the Release End Date, all as further described herein; and

WHEREAS:

The Authority wishes to make an amendment to the 2010-1 Acknowledgement of Servicing to provide that the Authority's procedures relating to deferment or discharge of payment on a Student Loan (as defined in the 2010-1 Indenture) in the event of the death or disability of a party to such Student Loan or the student for whom such Student Loan was obtained shall be as follows (collectively, the "Forgiveness Conditions"): (i) if a Student Loan has a single eligible borrower and such eligible borrower dies or becomes totally and permanently disabled, the Authority shall cancel such Student Loan and discharge any obligation to make further payments on Student Loan in accordance with the terms and provisions of the Program Documentation; (ii) if the student for whom a Student Loan was obtained (a "Student") dies or becomes totally and permanently disabled, the Authority shall cancel such Student Loan and discharge any obligation of all parties to make further payments on such Student Loan in accordance with the terms and provisions of the Program Documentation; (iii) if a Student Loan has one or more borrowers, co-borrowers or co-signers and a non-Student borrower, co-borrower or co-signer dies or becomes totally and permanently disabled (a "Discharged Co-Party") then, in accordance with the terms and provisions of the Program Documentation, (1) the Authority shall discharge any obligation of the Discharged Co-Party to make further payments on such Student Loan, and (2) any such borrower, co-borrower or co-signer who is not a Discharged Co-Party shall remain responsible to repay such Student Loan; (iv) if a Student Loan has one or more non-Student borrowers, co-borrowers or co-signers and a non-Student borrower, co-borrower or co-signer becomes temporarily totally disabled (a "Temporarily Disabled Co-Party") then, in accordance with the terms and provisions of the Program Documentation, the Authority may defer the obligation to make payments of principal on such Student Loan by such Temporarily Disabled Co-Party for the duration of such temporary total disability; provided, however, such Temporarily Disabled Co-Party shall at all times remain obligated to make payments of interest on such Student Loan; and (v) if a Student Loan has an eligible student borrower and such eligible student borrower becomes temporarily totally disabled then, in accordance with the terms and provisions of the

Program Documentation, the Authority shall defer any obligation to make payments of principal or interest on such Student Loan by any party to such Student Loan for the duration of such eligible student borrower's temporary total disability and interest will not accrue for the duration of such eligible student borrower's temporary total disability; and

WHEREAS: Pursuant to Section 8.1(15) of the 2010-1 Indenture, a Supplemental Indenture not requiring the consent of Bondholders may be executed and delivered by the Authority and the Trustee to make any change which in the judgment of the Trustee, acting in reliance on an opinion of counsel, to the extent the Trustee deems such opinion desirable, does not adversely affect the interest of any Bondholder; and

WHEREAS: Pursuant to the Act and the Indenture of Trust, dated as of June 1, 2012, between the Authority and Trustee, as amended and supplemented (the "2012 Indenture"), the Authority has issued \$190,000,000 in aggregate principal amount of its Student Loan Revenue Bonds, Series 2016-1 (the "2016-1 Bonds"), consisting of \$180,000,000 Student Loan Revenue Bonds, Series 2016-1A and \$10,000,000 Subordinate Student Loan Revenue Bonds, Series 2016-1B, as authorized by the Fifth Supplemental Indenture, dated as of June 1, 2016 (the "2012 Fifth Supplemental Indenture") between the Authority and Trustee; and

WHEREAS: The Authority desires to acknowledge the change in the loan rates for the 2016-1 NJCLASS Loans (as defined in the 2012 Fifth Supplemental Indenture) originated (i) with proceeds of the Series 2016-1 Bonds from and after the date of issuance of the Series 2017-1 Bonds and (ii) from Recoveries of Principal during the Recycling Period set forth in the 2012 Fifth Supplemental Indenture at the respective Loan Rates set forth in the Fourth Supplemental Indenture from and after the issuance of the Series 2017-1 Bonds, as contemplated by the definition of 'Loan Rate' as defined in the 2012 Fifth Supplemental Indenture, as amended by the Sixth Supplemental Indenture to the 2012 Indenture to be entered into between the Authority and the Trustee; and

WHEREAS: In order to accomplish the purposes of the Act and (a) provide Student Loans (as defined in the 2010-1 Indenture) commencing with the 2017-2018 school year and (b) provide for the refunding of all outstanding obligations issued under the Indenture of Trust dated June 1, 1998, as amended (the "1998 Indenture") between the Authority and the Trustee, as successor trustee, the Authority wishes to (i) provide for the issuance and sale of additional series of senior student loan revenue bonds, senior student loan revenue refunding bonds and subordinate obligations (collectively, the "Series 2017-1 Bonds") pursuant to the 2010-1 Indenture and (ii) authorize the transfer of funds from its reserves; and

WHEREAS: In accordance with the requirements of Executive Order No. 26 (Whitman 1994), the Authority hereby determines that because of the complexity and size of the financing structure as hereinafter described, and volatile market conditions, a negotiated sale of such Series 2017-1 Bonds would best serve the requirements of this financing; and

WHEREAS: An Underwriter for the Series 2017-1 Bonds, Merrill Lynch, Pierce, Fenner & Smith, Incorporated; a Financial Advisor, FirstSouthwest, a Division of Hilltop Securities; and Bond Counsel, McManimon, Scotland & Baumann, LLC, have been selected in accordance with the requirements of Executive Order No. 26; and

WHEREAS: In connection with the issuance and sale of the Series 2017-1 Bonds, the Authority intends to enter into a Continuing Disclosure Agreement (the "Continuing Disclosure Agreement") with the Trustee, acting as dissemination agent, in accordance with Rule 15c2-12 under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"); and

NOW, THEREFORE, BE IT RESOLVED BY THE MEMBERS OF THE HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY (not less than a majority of a quorum thereof affirmatively concurring) **AS FOLLOWS:**

Section 1. To accomplish the purposes and objectives of the Act, including the purchase and origination of Student Loans as authorized by the Act and as defined in the 2010-1 Indenture, and the refinancing of all outstanding Student Loan Revenue Bonds of the Authority issued under the 1998 Indenture, consisting of Student Loan Revenue Bonds, 2002 Series A, Student Loan Revenue Bonds, 2002 Series D (collectively, the "2002 Series Bonds"), Student Loan Revenue Bonds, 2003 Series A, Student Loan Revenue Bonds, 2003 Series C, and Student Loan Revenue Bonds, 2003 Series D (collectively, the "2003 Series Bonds") Student Loan Revenue Bonds, 2004 Series A, and Student Loan Revenue Bonds, 2004 Series D (collectively, the "2004 Series Bonds"), Student Loan Revenue Bonds, 2005 Series A, Student Loan Revenue Bonds, 2005 Series B, Student Loan Revenue Bonds, 2005 Series C, (collectively, the "2005 Series Bonds"), Student Loan Revenue Bonds, 2006 Series A, Student Loan Revenue Bonds, 2006 Series B and Student Loan Revenue Bonds, 2006 Series D (collectively, the "2006 Series Bonds") and Student Loan Revenue Bonds, 2007 Series B, and Student Loan Revenue Bonds, 2007 Series D (collectively, the "2007 Series Bonds" and together with the 2002 Series Bonds, 2003 Series Bonds, 2004 Series Bonds, 2005 Series Bonds and 2006 Series Bonds, the "Prior Bonds"), the Authority hereby authorizes the issuance of its Series 2017-1 Bonds issued as Student Loan Revenue Bonds, Series 2017-1, in the aggregate principal amount not to exceed \$265,000,000 in one or more senior and subordinate Series, issued as fixed rate bonds. The Authority presently contemplates issuing the Series 2017-1 Bonds as (i) Senior Student Loan Revenue Bonds, Series 2017-1A (the "Series 2017 Senior Bonds"), (ii) Senior Student Loan Revenue Refunding Bonds, Series 2017-1B (the "Series 2017 Refunding Bonds") and (ii) Subordinate Student Loan Revenue Bonds, Series 2017-1C (the "Series 2017 Subordinate Bonds" and together with the Series 2017 Senior Bonds and the Series 2017 Refunding Bonds, the "Series 2017-1 Bonds") but may alter the Series designations as may be approved by the hereinafter defined Authorized Authority Official and reflected in the Fourth Supplemental Indenture.

The Series 2017 Senior Bonds and Series 2017 Refunding Bonds shall constitute "Bonds" for all purposes of the 2010-1 Indenture and shall be issued on a parity basis with all other Outstanding Series of Bonds issued under the 2010-1 Indenture. The Series 2017 Subordinate Bonds shall constitute "Subordinate Obligations" for all purposes of the 2010-1 Indenture, the Principal Installments of which shall be payable on a subordinate basis to payment of all Principal Installments on the Outstanding Series 2017 Senior Bonds and Series 2017 Refunding Bonds in accordance with the requirements of the Fourth Supplemental

Indenture and without regard to whether Bonds of any other Series remain Outstanding in accordance with paragraph (ix) of Section 5.5(A)(1) of the 2010-1 Indenture.

The Series 2017-1 Bonds shall be sold to Merrill Lynch, Pierce, Fenner & Smith Incorporated, New York, New York, acting as representative of the group of underwriters, if any (the "Underwriter"), pursuant to the terms of one or more Bond Purchase Agreement(s) to be entered into by and between the Authority and the Underwriter (collectively, the "Bond Purchase Agreement") with an Underwriter's fee (excluding Underwriter's Counsel) not to exceed \$7.54/\$1,000 of Series 2017-1 Bonds issued. The Chairperson, Vice Chairperson, Secretary-Treasurer, Executive Director and Chief Financial Officer or other authorized representative or designee (each an "Authorized Authority Official" and, collectively, the "Authorized Authority Officials") are each hereby authorized to execute the Bond Purchase Agreement. The Series 2017-1 Bonds shall be dated, shall bear interest at the respective fixed rates, shall be payable as to principal, redemption premium, if any, and interest, shall be issued in the respective forms, shall be in the respective Authorized Denominations, shall be signed, authenticated and numbered, shall mature, shall be subject to redemption prior to maturity, and shall have such other details and provisions as set forth in the 2010-1 Indenture, as heretofore amended and supplemented and as further amended and supplemented by a Fourth Supplemental Indenture to be dated as of the first date of the month the Series 2017-1 Bonds are issued (the "Fourth Supplemental Indenture"), by and between the Authority and the Trustee; provided, however, an Authorized Authority Official may modify the stated interest rate(s) of the Series 2017-1 Bonds, the maturity date(s) of any of the Series 2017-1 Bonds (including, without limitation, creating serial and term bonds, if any, and providing for cumulative and/or mandatory sinking fund payments on term bonds), and the redemption provisions of the Series 2017-1 Bonds subject to the following: (i) the final maturity of the Series 2017-1 Bonds shall not be after June 1, 2052; (ii) the optional redemption price for any Series 2017-1 Bond shall not exceed 103% of the principal amount thereof, and the initial call protection for any Series 2017-1 Bond shall not exceed 10 years, and (iii) the stated interest rate on the Series 2017 Senior Bonds and Series 2017 Refunding Bonds shall not exceed 7.0% per annum and the stated interest rate on the Series 2017 Subordinate Bonds shall not exceed 8.5% per annum.

Capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the 2010-1 Indenture.

The Authority is authorized, together with the Trustee, to the extent necessary or appropriate, to take such actions and execute such documents as may be necessary or appropriate to qualify the Series 2017-1 Bonds with The Depository Trust Company, New York, New York, as book-entry obligations.

Section 2. The Series 2017-1 Bonds shall be limited obligations of the Authority, and shall be payable solely out of the Trust Estate as set forth in the 2010-1 Indenture, subject to the application thereof to the purposes and on the conditions permitted by the 2010-1 Indenture. The payment of the principal, redemption premium, if any, and interest on the Series 2017-1 Bonds shall be secured by a pledge and assignment of the Trust Estate as provided in the Fourth Supplemental Indenture. Neither the State nor the Authority shall be obligated to pay the Series 2017-1 Bonds or the interest thereon except as so provided in the 2010-1 Indenture.

Section 3. No covenant, stipulation, obligation, or agreement herein contained or contained in the Bond Purchase Agreement, the 2010-1 Indenture (including the Fourth Supplemental Indenture) or the Continuing Disclosure Agreement, shall be deemed to be a covenant, stipulation, obligation or agreement of any member, officer, agent or employee of the

Authority or of the State in an individual capacity. Neither the members of the Authority, nor any person executing the Series 2017-1 Bonds issued pursuant to this resolution and the Act, nor any officer nor employee of the Authority shall be liable personally on the Series 2017-1 Bonds by reason of the issuance or execution thereof. The Series 2017-1 Bonds shall not be in any way a debt or liability of the State or any political subdivision thereof (except the Authority to the limited extent of the Trust Estate), either legal, moral or otherwise, and neither the faith and credit nor the taxing power of the State or any political subdivision thereof (except the Authority to the limited extent of the Trust Estate) shall be pledged to the payment of the principal, redemption premium, if any, or interest thereon. The issuance of the Series 2017-1 Bonds shall not directly or indirectly or contingently obligate the State or any political subdivision thereof to levy or pledge any form of taxation whatsoever therefor.

Section 4. In order to satisfy the initial Parity Percentage Requirement set forth by the Rating Agencies rating the Series 2017-1 Bonds, the Authority hereby authorizes the transfer of an amount to be determined by an Authorized Authority Official as necessary to satisfy such requirement from its reserves, which aggregate amount shall not exceed \$8,000,000, some or all of which shall consist of amounts transferred from the 1998 Indenture in connection with the refunding of the Prior Bonds, and any or all of the NJCLASS Life of Loan Servicing Reserves, the Guaranty Agency Operating Fund, the Direct Loan Servicing Fund or the NJBEST Scholarship Administrative Reserves. These amounts transferred to the 2010-1 Indenture shall be applied to originate Student Loans thereunder. The Authority shall replenish such reserves from Revenues and Recoveries of Principal on the Student Loans as provided under the 2010-1 Indenture.

Section 5. Effective upon the execution and delivery of the Fourth Supplemental Indenture, the Authority hereby authorizes each of the amendments set forth in Sections 5.1, 5.2, 5.3 and 5.4 therein. The authorization of such amendments is subject to delivery to the Trustee of an opinion of counsel that the Fourth Supplemental Indenture has been duly and lawfully entered into in accordance with the provisions of Section 8.1(15) of the 2010-1 Indenture, is authorized or permitted by the 2010-1 Indenture and is valid and binding upon the Authority. In order to maintain the current ratings on the 2010-1 Bonds, the Authority hereby authorizes the transfer of an amount to be determined by an Authorized Authority Official as necessary to satisfy such requirement which aggregate amount shall not exceed [\$4,000,000, including any amounts authorized under Resolution 6:17 adopted simultaneously herewith], from reserves, excess revenues released from the pledge of the 2010-1 Indenture, excess amounts transferred from the 1998 Indenture in connection with the refunding of the Prior Bonds, or any or all of the NJCLASS Life of Loan Servicing Reserves, the Guaranty Agency Operating Fund, the Direct Loan Servicing Fund or the NJBEST Scholarship Administrative Reserves. The Authority shall replenish such reserves from revenues and recoveries of principal on the Student Loans as provided under the 2010-1 Indenture.

Section 6. The Bond Purchase Agreement, the Continuing Disclosure Agreement, the Fourth Supplemental Indenture and the Series 2017-1 Bonds, substantially in the respective forms submitted to the Authority and made a part of this resolution as though set forth in full herein, are hereby approved. An Authorized Authority Official is hereby authorized to execute, acknowledge and deliver such documents with any changes, insertions and omissions (including, without limitation, insertion of the Loan Rates or the method of determination thereof in the Fourth Supplemental Indenture) as may be approved by said Authorized Authority Official and the Secretary-Treasurer of the Authority is hereby authorized to affix the seal of the Authority on such documents and attest the same. The execution of any of such documents by

said Authorized Authority Official shall be conclusive evidence of any approval of such document in final form as authorized by this Section 6.

Section 7. The Acknowledgement of Servicing to be entered into by and between the Authority and the Trustee regarding the servicing of 2017-1 Student Loans (as defined in the Fourth Supplemental Indenture), substantially in the form submitted to the Authority and made a part of this resolution as though set forth in full herein, is hereby approved. The Authorized Authority Officials are hereby authorized to execute, acknowledge and deliver such document with any changes, insertions and omissions as may be approved by said Authorized Authority Official and the Secretary-Treasurer of the Authority is hereby authorized to affix the seal of the Authority on such document and attest the same. The execution of such document by said Authorized Authority Official shall be conclusive evidence of any approval of such document in final form as authorized by this Section 7.

Section 8. The Series 2017-1 Bonds shall be executed in the manner provided in the 2010-1 Indenture, and the same shall be delivered to the Trustee for proper authentication and delivery to the Underwriter upon instructions to that effect. The 2010-1 Indenture shall provide the terms and conditions, covenants, rights, obligations, duties and agreements of the Holders of the Series 2017-1 Bonds, the Authority and the Trustee.

Section 9. All covenants, stipulations, obligations and agreements of the Authority contained in this resolution and contained in the Bond Purchase Agreement, the Continuing Disclosure Agreement, the 2010-1 Indenture (including the Fourth Supplemental Indenture) and the Acknowledgement of Servicing shall be deemed to be the covenants, stipulations, obligations and agreements of the Authority to the full extent authorized or permitted by law, and such covenants, stipulations, obligations and agreements shall be binding upon the Authority and its successors from time to time and upon any board or body to which any powers or duties affecting such covenants, stipulations, obligations and agreements shall be transferred by or in accordance with law. Except as otherwise provided in this resolution, all rights, powers and privileges conferred, and duties and liabilities imposed, upon the Authority or the members thereof by the provisions of this resolution, the Bond Purchase Agreement, the Continuing Disclosure Agreement, the 2010-1 Indenture (including the Fourth Supplemental Indenture), and the Acknowledgement of Servicing shall be exercised or performed by the Authority or by such members, officers, board or body as may be required by law to exercise such powers and to perform such duties.

No covenant, stipulation, obligation or agreement herein contained or contained in the Bond Purchase Agreement, the Continuing Disclosure Agreement, the 2010-1 Indenture (including the Fourth Supplemental Indenture), or the Acknowledgement of Servicing shall be deemed to be a covenant, stipulation, obligation or agreement of any member, officer, agent or employee of the Authority or of the State in his or her individual capacity, and neither the members of the Authority nor any officer executing the Series 2017-1 Bonds shall be liable personally thereon or be subject to any personal liability or accountability by reason of the issuance thereof.

Section 10. The proper officers of the Authority are hereby further directed to cause the proceeds of the Series 2017-1 Bonds, together with other available Authority funds, if any, to be initially deposited and disbursed as provided in the 2010-1 Indenture (including the Fourth Supplemental Indenture). To the extent the Authority pays any or all of the costs of issuance from other available funds of the Authority, the Authority may reimburse the expenditure of those funds from available funds on deposit in the Trust Estate, provided that said

reimbursement complies with the requirements of the Internal Revenue Code of 1986, as amended, and court decisions interpreting the same and existing regulations, rulings, and other publications promulgated or released thereunder.

Section 11. In order to secure payment of principal of (on the scheduled maturity dates and/or sinking fund maturity dates) and interest on the Series 2017-1 Bonds (on the dates due) the Authority is hereby authorized to obtain one or more municipal bond insurance policies and to enter into commitments and agreements with respect thereto. The Authorized Authority Officials are each hereby authorized to enter into an agreement with the issuer(s) of such municipal bond insurance policy in customary form, and to make such revisions to the forms of documents submitted to this meeting as may be necessary or appropriate in connection with such policy. The Authority is hereby further authorized to use proceeds of the Series 2017-1 Bonds or other available funds of the Authority to fund all or a portion of the premium payable to the issuer of the municipal bond insurance policy for such policy.

Section 12. The Authority, in consultation with the Treasurer of the State of New Jersey (the "Treasurer") and the Attorney General of the State of New Jersey (the "Attorney General"), is hereby authorized to purchase one or more financial guaranty insurance policies or surety bonds for deposit to the Debt Service Reserve Fund established under the 2010-1 Indenture to satisfy the 2017-1 Reserve Requirement (as defined in the Fourth Supplemental Indenture) for the Series 2017-1 Bonds, if any, each constituting a Funding Instrument within the meaning of the 2010-1 Indenture, with respect to any or all of the Series 2017-1 Bonds (the "Funding Instrument(s)"). Such Funding Instrument, if any, shall be issued in an amount not exceeding the 2017-1 Reserve Requirement for the Series 2017-1 Bonds, if an Authorized Authority Official, in consultation with the Treasurer and the Attorney General, determines that such Funding Instrument(s) can be obtained upon terms and conditions consistent with the Act and reasonably acceptable to the Authority. The Authorized Authority Officials are each hereby authorized to enter into an agreement with the issuer(s) of such Funding Instrument(s), in customary form, and to make such revisions to the forms of documents submitted to this meeting as may be necessary or appropriate in connection with such Funding Instruments). Together with, or in lieu of, a Funding Instrument, the Authority is hereby further authorized to use proceeds of the Series 2017-1 Bonds or other available funds of the Authority to fund all or a portion of the 2017-1 Reserve Requirement for the Series 2017-1 Bonds.

Section 13. Wells Fargo Bank, National Association is hereby appointed (a) Trustee, Paying Agent, Registrar, and Authenticating Agent for the Series 2017-1 Bonds and (b) dissemination agent for the Series 2017-1 Bonds pursuant to the Continuing Disclosure Agreement.

Section 14. All actions of the Authority and its staff which have previously been taken with regard to the issuance of the Series 2017-1 Bonds and the NJCLASS Loan Program in respect of the Series 2017-1 Bonds are hereby ratified and approved, including the selection, pursuant to a competitive solicitation process, of ImageMaster as printer for the Preliminary Official Statement and final Official Statement (as such terms are defined in Section 17 hereof) and the selection, pursuant to a competitive solicitation process, of Bingham as verification agent for the refunding of the Prior Bonds.

Section 15. The Authorized Authority Officials are hereby designated to be the authorized representatives of the Authority, and each of them and other authorized representatives and designees are hereby authorized and directed to execute and deliver any and all papers, instruments, opinions, certificates, affidavits and other documents and to do and

cause to be done any and all acts and things necessary or proper for carrying out this resolution, the Bond Purchase Agreement, the Continuing Disclosure Agreement, the 2010-1 Indenture (including the Fourth Supplemental Indenture), the Acknowledgement of Servicing, and the issuance of the Series 2017-1 Bonds, including, without limitation, the substitution and approval of documents other than those approved and authorized to be executed by this resolution in order to conform the same to the purposes of the Act and the intentions of the Authority as expressed herein and in the Fourth Supplemental Indenture.

Section 16. The Preliminary Official Statement relating to the offering of the Series 2017-1 Bonds (the "Preliminary Official Statement"), substantially in the form presented to this meeting, is hereby approved, with any changes, insertions and omissions as may be approved by an Authorized Authority Official. The Authorized Authority Officials are each authorized to execute such documents as shall be necessary or desirable to evidence that the final Preliminary Official Statement in the form to be electronically posted and/or printed and distributed, is "deemed final" within the meaning of (and with the exception of certain information permitted to be omitted by) Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended. The Authorized Authority Officials are each authorized to execute and deliver a final Official Statement relating to the Series 2017-1 Bonds (the "final Official Statement"), substantially in the form of the Preliminary Official Statement, with any changes, insertions and omissions as may be approved by said Authorized Authority Official. The execution of the final Official Statement by said Authorized Authority Official shall be conclusive evidence of any approval of such Official Statement in final form as authorized by this Section 17.

Section 17. The Trustee is authorized to invest funds held under the 2010-1 Indenture in Investment Securities at the direction of an Authorized Authority Officer.

Section 18. With respect to any Interest Rate Exchange Agreement entered into in connection with any Student Loan Revenue Bonds issued under the 1998 Trust (each, a "Prior Swap Agreement" and together, the "Prior Swap Agreements"), each of the Chairperson, Vice Chairperson, Secretary-Treasurer, Executive Director, Chief Financial Officer and other authorized representative or designee are each hereby authorized to amend any or all Prior Swap Agreements, in whole or in part and for the remaining term of such Prior Swap Agreements or for such shorter time period as the Chairperson, Vice Chairperson, Secretary-Treasurer, Executive Director, Chief Financial Officer or other authorized representative or designee may determine, or terminate any or all Prior Swap Agreements, in whole or in part, if the Chairperson, Vice Chairperson, Secretary-Treasurer, Executive Director, Chief Financial Officer or other authorized representative or designee determines that such termination or amendment is necessary or desirable, provided that such amendment shall not extend the final maturity date of the Prior Swap Agreements beyond the final maturity date of the Series of Prior Bonds to which it relates.

Each of the Chairperson, Vice Chairperson, Secretary-Treasurer, Executive Director, Chief Financial Officer and other authorized representative or designee is further authorized to assign any Prior Swap Agreement or enter into additional Interest Rate Exchange Agreements with respect to the Prior Bonds in accordance with the terms of this Section 19.

Each of the Chairperson, Vice Chairperson, Secretary-Treasurer, Executive Director, Chief Financial Officer and other authorized representative or designee is hereby authorized to negotiate the terms of and to execute and deliver such documents and instruments as may be necessary or appropriate, and to provide for the payment of any swap termination payments, if

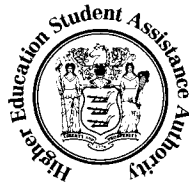
required, in connection with the termination of or amendments to the Prior Swap Agreements authorized pursuant to this Section 19 including, without limitation, any agreements and amended and restated confirmations.

FirstSouthwest, a Division of Hilltop Securities is authorized to act as swap advisor in connection with any amendment or termination of any Interest Rate Exchange Agreement related to the Prior Bonds, upon such terms and provisions as the Chief Financial Officer shall agree upon, consistent with the terms of FirstSouthwest's response to Request for Proposals for Financial Advisory Services dated January 25, 2011.

Any actions taken by the Chairperson, Vice Chairperson, Secretary-Treasurer, Executive Director, Chief Financial Officer or other authorized representative or designee prior to the date hereof with respect to termination of a Prior Swap Agreement is hereby ratified, approved and confirmed in all respects.

Section 19. This resolution shall take effect immediately, but no action authorized herein shall have force and effect until ten (10) days after a copy of the minutes of the Authority meeting at which this resolution was adopted has been delivered to the Governor of the State for his approval, unless during such 10-day period the Governor shall approve the same, in which case such action shall become effective upon such approval, as provided by the Act.

April 19, 2017



State of New Jersey

HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY

4 QUAKERBRIDGE PLAZA

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CHRIS CHRISTIE
Governor


KIM GUADAGNO
Lt. Governor

GABRIELLE CHARETTE, ESQ.
Executive Director

MEMORANDUM

TO: Members, Higher Education Student Assistance Authority

THROUGH: Gabrielle Charette, Esq.
Executive Director 

FROM: Eugene Hutchins 
Chief Financial Officer

SUBJECT: Resolution 06:17 Approving the Execution and Delivery of Supplemental Indentures Amending Prior Indentures and Amendments to Acknowledgements of Servicing to Permit Certain Loan Forgiveness or Deferment in Event of Death or Disability for 2008, 2009, 2010-2, 2011 and 2012-2016 Student Loans, Authorizing Certain Amendments to the Fifth Supplemental Indenture Authorizing 2016-1 Loans to Permit a Change in Loan Rates and Repayment Assistance Program Benefits for Unexpended 2016-1 Bond Proceeds and Other Matters in Connection Therewith

DATE: April 19, 2017

Summary

Resolution 06:17 authorizes amendments to prior NJCLASS trust estates and associated servicing agreements to implement the new statutory requirements of P.L. 2016 c. 71, as well as the regulatory amendments the Board will be considering for final adoption pursuant to Resolution 07:17. The amendments pertain to deferment of interest during a period where the student borrower has suffered Total Temporary Disability that is not currently covered under the indentures or servicing agreements as well as the discharge of NJCLASS loans in the event of the death or total and permanent disability of the student beneficiary.

Background

At its meeting on October 26, 2016, the HESAA Board approved proposed regulatory amendments to the NJCLASS program that provide for the discharge of NJCLASS repayment

responsibility for all parties on the loan in the event of the death or total and permanent disability of the student beneficiary.

Additionally, on December 5, 2016, Governor Christie signed into law PL 2016 c. 71 which also requires HESAA to suspend accrual of interest on NJCLASS loans during periods of total temporary disability of an eligible student borrower.

In order to effectuate these administrative changes to existing NJCLASS loans it is necessary to amend the indentures and servicing agreements for the bonds that financed the issuance of such loans.

A form of these amendments to the indentures which will require amendment of the servicing agreements is attached to the memorandum. This form will be replicated for each of the indentures and servicing agreements covered by this resolution.

Resolution 06:17 also authorizes additional amendments to the original 2012 Indenture to provide for new borrower benefits available for loans funded with remaining proceeds of the 2016-1 bonds after the issuance of the 2017-1 bonds.

The cost of these amendments relative to the size of the NJCLASS portfolio is expected to be minimal. Staff has discussed these changes with the Rating Agencies and has requested a confirmation of ratings for these indentures as part this bond issuance cycle.

Recommendation

It is recommended that the Board approves Resolution 06:17 permitting amendments to previous bond indentures and servicing agreements to implement recent statutory and regulatory changes.

Attachment

RESOLUTION 6:17

RESOLUTION APPROVING THE EXECUTION AND DELIVERY OF SUPPLEMENTAL INDENTURES AMENDING PRIOR INDENTURES AND ACKNOWLEDGEMENTS OF SERVICING TO PERMIT CERTAIN LOAN FORGIVENESS OR DEFERMENT IN EVENT OF DEATH OR DISABILITY FOR 2008, 2009, 2010-2, 2011 AND 2012-2016 STUDENT LOANS, AUTHORIZING CERTAIN AMENDMENTS TO THE FIFTH SUPPLEMENTAL INDENTURE AUTHORIZING 2016-1 LOANS TO PERMIT A CHANGE IN LOAN RATES AND REPAYMENT ASSISTANCE PROGRAM BENEFITS FOR UNEXPENDED 2016-1 BOND PROCEEDS AND OTHER MATTERS IN CONNECTION THEREWITH

Moved: Dr. Jon Larson
Seconded: Ms. Christy Van Horn

WHEREAS: The Higher Education Student Assistance Authority (the "Authority") is a body corporate and politic constituting an instrumentality of the State of New Jersey (the "State") established and created under and by virtue of the provisions of the Higher Education Student Assistance Authority Law, constituting Chapter 46 of the Pamphlet Laws of 1999 of the State of New Jersey, as amended and supplemented and any successor legislation (the "Act"); and

WHEREAS: The Authority issued \$350,000,000 Student Loan Revenue Bonds, 2008 Series A (the "2008 Bonds") pursuant to an Indenture of Trust dated as of August 1, 2008 between the Authority and the Trustee ("2008 Indenture"), as amended and supplemented by the First Supplemental Indenture dated as of August 1, 2008 between the Authority and the Trustee ("2008 First Supplemental Indenture,");

WHEREAS: The Authority issued \$450,000,000 Student Loan Revenue Bonds, 2009 Series A (the "2009 Bonds") pursuant to an Indenture of Trust dated as of June 1, 2009 between the Authority and the Trustee ("2009 Indenture"), as amended and supplemented by the First Supplemental Indenture dated as of June 1, 2009 between the Authority and the Trustee ("2009 First Supplemental Indenture,");

WHEREAS: The Authority issued \$280,000,000 Student Loan Revenue Bonds, Series 2010-2 (the "2010-2 Bonds") pursuant to an Indenture of Trust dated as of June 1, 2010 between the Authority and the Trustee ("Original 2010-2 Indenture"), as amended and supplemented by the First Supplemental Indenture dated as of June 1, 2010 between the Authority and the Trustee ("2010-2 First Supplemental Indenture");

WHEREAS: The Authority issued \$326,500,000 Student Loan Revenue Bonds, Series 2011-1 (the "2011-1 Bonds"; together with the 2010-2 Bonds, the "2010-2 Indenture Bonds") pursuant to the Original 2010-2 Indenture, as amended and supplemented, including as amended and supplemented by the

Second Supplemental Indenture dated as of July 1, 2011 between the Authority and the Trustee ("2010-2 Second Supplemental Indenture"; together with the 2010-2 First Supplemental Indenture, the "2010-2 Indenture");

WHEREAS: The Authority issued \$259,300,000 Student Loan Revenue Bonds, Series 2012-1 (the "2012-1 Bonds") consisting of \$248,300,000 Senior Student Loan Revenue Bonds, Series 2012-1A and \$11,000,000 Subordinate Student Loan Revenue Bonds, Series 2012-1B pursuant to an Indenture of Trust dated as of June 1, 2012 between the Authority and the Trustee ("Original 2012 Indenture"), as amended and supplemented by the First Supplemental Indenture dated as of June 1, 2012 between the Authority and the Trustee ("2012 First Supplemental Indenture");

WHEREAS: The Authority issued \$200,000,000 of its Student Loan Revenue Bonds (the "2013-1 Bonds") pursuant to the Original 2012 Indenture, as amended and supplemented, and the Second Supplemental Indenture dated as of June 1, 2013 between the Authority and the Trustee (the "2012 Second Supplemental Indenture");

WHEREAS: The Authority issued \$220,000,000 Student Loan Revenue Bonds, Series 2014-1 of the Authority, consisting of \$182,000,000 Senior Student Loan Revenue Bonds, Series 2014-1A-1, \$25,000,000 Senior Student Loan Revenue Bonds, Series 2014-1A-B and \$13,000,000 Subordinate Student Loan Revenue Bonds, Series 2014-1B (collectively, the "2014-1 Bonds") pursuant to the Original 2012 Indenture, as amended and supplemented, including by a Third Supplemental Indenture dated as of June 1, 2014 between the Authority and the Trustee (the "2012 Third Supplemental Indenture");

WHEREAS: The Authority issued \$180,000,000 Student Loan Revenue Bonds, Series 2015-1 of the Authority, consisting of \$170,000,000 Senior Student Loan Revenue Bonds, Series 2015-1A and \$10,000,000 Subordinate Student Loan Revenue Bonds, Series 2015-1B (collectively, the "2015-1 Bonds") pursuant to the Original 2012 Indenture, as amended and supplemented, including by a Fourth Supplemental Indenture dated as of June 1, 2015 between the Authority and the Trustee (the "2012 Fourth Supplemental Indenture");

WHEREAS: The Authority issued \$190,000,000 Student Loan Revenue Bonds, Series 2016-1 of the Authority, consisting of \$180,000,000 Senior Student Loan Revenue Bonds, Series 2016-1A and \$10,000,000 Subordinate Student Loan Revenue Bonds, Series 2016-1B (collectively, the "2016-1 Bonds"; together with the 2012-1 Bonds, 2013-1 Bonds, 2014-1 Bonds, 2015-1 Bonds and 2016-1 Bonds, the "2012 Indenture Bonds") pursuant to the Original 2012 Indenture, as amended and supplemented, including by a Fifth Supplemental Indenture dated as of June 1, 2016 between the Authority and the Trustee (the "2012 Fifth Supplemental Indenture") (the Original 2012 Indenture, as amended and supplemented, including as amended and supplemented by the 2012 First Supplemental Indenture, 2012 Second Supplemental Indenture, 2012 Third Supplemental Indenture,

2012 Fourth Supplemental Indenture, 2012 Fifth Supplemental Indenture and the 2012 Sixth Supplemental Indenture, as defined herein, the "2012 Indenture"); and

WHEREAS:

The Authority wishes to implement the following policies and procedures to govern how it will administer a Student Loan originated under the 2008 Indenture, 2009 Indenture, 2010-2 Indenture or 2012 Indenture upon the death, total and permanent disability or total temporary disability of a borrower, co-signer, co-borrower or student for whom such Student Loan was obtained (collectively, the "Forgiveness Conditions"): (i) if a Student Loan has a single eligible borrower and such eligible borrower dies or becomes totally and permanently disabled, the Authority shall cancel such Student Loan and discharge any obligation to make further payments on Student Loan in accordance with the terms and provisions of the Program Documentation; (ii) if the student for whom a Student Loan was obtained (a "Student") dies or becomes totally and permanently disabled, the Authority shall cancel such Student Loan and discharge any obligation of all parties to make further payments on such Student Loan in accordance with the terms and provisions of the Program Documentation; (iii) if a Student Loan has one or more borrowers, co-borrowers or co-signers and a non-Student borrower, co-borrower or co-signer dies or becomes totally and permanently disabled (a "Discharged Co-Party") then, in accordance with the terms and provisions of the Program Documentation, (1) the Authority shall discharge any obligation of the Discharged Co-Party to make further payments on such Student Loan, and (2) any such borrower, co-borrower or co-signer who is not a Discharged Co-Party shall remain responsible to repay such Student Loan; (iv) if a Student Loan has one or more non-Student borrowers, co-borrowers or co-signers and a non-Student borrower, co-borrower or co-signer becomes temporarily totally disabled (a "Temporarily Disabled Co-Party") then, in accordance with the terms and provisions of the Program Documentation, the Authority may defer the obligation to make payments of principal on such Student Loan by such Temporarily Disabled Co-Party for the duration of such temporary total disability; provided, however, such Temporarily Disabled Co-Party shall at all times remain obligated to make payments of interest on such Student Loan; and (v) if a Student Loan has an eligible student borrower and such eligible student borrower becomes temporarily totally disabled then, in accordance with the terms and provisions of the Program Documentation, the Authority shall defer any obligation to make payments of principal or interest on such Student Loan by any party to such Student Loan for the duration of such eligible student borrower's temporary total disability and interest will not accrue for the duration of such eligible student borrower's temporary total disability; and

WHEREAS:

To provide that the Forgiveness Conditions shall apply to every outstanding Student Loan originated with proceeds of the 2008 Bonds, and to make such other amendments to the 2008 Indenture deemed reasonable and necessary by the Authority to obtain the RAC described in Section 8 herein, the Authority wishes to authorize the execution and delivery of a Second Supplemental Indenture between the Authority and the Trustee (the "2008 Second Supplemental Indenture") to amend (i) the 2008 Indenture and (ii) that certain Acknowledgement of Servicing by and between the Authority

and Trustee regarding the servicing of Student Loans originated with the proceeds of the 2008 Bonds (the "2008 Acknowledgement of Servicing"); and

WHEREAS: To provide that the Forgiveness Conditions shall apply to every outstanding Student Loan originated with proceeds of the 2009 Bonds, and to make such other amendments to the 2009 Indenture deemed reasonable and necessary by the Authority to obtain the RAC described in Section 8 herein, the Authority wishes to authorize the execution and delivery of a Second Supplemental Indenture between the Authority and the Trustee (the "2009 Second Supplemental Indenture") to amend (i) the 2009 Indenture and (ii) that certain Acknowledgement of Servicing by and between the Authority and Trustee regarding the servicing of Student Loans originated with the proceeds of the 2009 Bonds (the "2009 Acknowledgement of Servicing"); and

WHEREAS: To provide that the Forgiveness Conditions shall apply to every outstanding Student Loan originated with proceeds of the 2010-2 Bonds, and to make such other amendments to the 2010-2 Original Indenture deemed reasonable and necessary by the Authority to obtain the RAC described in Section 8 herein the Authority wishes to authorize the execution and delivery of a Fourth Supplemental Indenture between the Authority and the Trustee (the "2010-2 Fourth Supplemental Indenture") to amend (i) the 2010-2 Indenture and (ii) each of those certain Acknowledgements of Servicing by and between the Authority and Trustee regarding the servicing of Student Loans originated with the proceeds of the 2010-2 Indenture Bonds (the "2010-2 Acknowledgements of Servicing"); and

WHEREAS: The Authority wishes to authorize the execution and delivery of a Sixth Supplemental Indenture between the Authority and the Trustee (the "2012 Sixth Supplemental Indenture") to (i) provide that the Forgiveness Conditions shall apply to every outstanding Student Loan originated with proceeds of the 2012 Bonds by amending (a) the 2012 Indenture and (b) each of those certain Acknowledgements of Servicing by and between the Authority and Trustee regarding the servicing of Student Loans originated with the proceeds of the 2012 Indenture Bonds (the "2012 Acknowledgements of Servicing"), (ii) make such other amendments to the 2012 Indenture deemed reasonable and necessary by the Authority to obtain the RAC described in Section 8 herein and (iii) amend the 2012 Fifth Supplemental Indenture to (w) provide for a change in loan rates of 2016-1 NJCLASS Loans originated with unexpended proceeds of the Series 2016-1 Bonds after the issue date of the Authority's student loan revenue bonds, Series 2017-1 to match the 2017-1 NJCLASS Loan (as defined in the hereinafter defined 2017-1 Fourth Supplemental Indenture) rates, (x) offer a temporary loan deferment called the repayment assistance program ("RAP") for certain eligible borrowers of 2016-1 NJCLASS Loans (other than Consolidation Loans and Refinance Loans) originated with unexpended proceeds of the 2016-1 Bonds after the issuance of the Series 2017-1 Bonds (as defined in the hereinafter defined 2017-1 Fourth Supplemental Indenture) as further provided herein, (y) extend the Origination Period and (z) increase the loan limitation on 2016-1 Ten Year

Option 1 Loans to include any amounts transferred from the 2016-1 Refinance Loan Account to the 2016-1 NJCLASS Ten Year Fixed Rate Student Loan Account (as each such capitalized term is defined in the 2012 Fifth Supplemental Indenture); and

WHEREAS: On the date hereof and in connection with the issuance of the Series 2017-1 Bonds, the Authority authorized the execution and delivery of that certain Fourth Supplemental by and between the Authority and Trustee (the "2017-1 Fourth Supplemental Indenture"), which 2017-1 Fourth Supplemental Indenture supplements that certain Indenture of Trust dated as of January 1, 2010 (the "Original 2010-1 Indenture") by and between the Authority and Trustee (the Original 2010-1 Indenture, as amended and supplemented, including as amended and supplemented by the 2017-1 Fourth Supplemental Indenture, the "2010-1 Indenture"); and

WHEREAS: Pursuant to Section 8.1(15) of each of the 2008 Indenture, the 2009 Indenture, the 2010-2 Indenture and the Original 2012 Indenture, a Supplemental Indenture not requiring the consent of Bondholders may be executed and delivered by the Authority and the Trustee to make any change which, in the judgment of the Trustee acting in reliance upon a Counsel's Opinion, which may be a Bond Counsel's Opinion, to the extent the Trustee deems such opinion desirable, does not adversely affect the interest of any Bondholder; and

NOW, THEREFORE, BE IT RESOLVED BY THE MEMBERS OF THE HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY (not less than a majority of a quorum thereof affirmatively concurring) **AS FOLLOWS:**

Section 1. The recitals set forth above are incorporated herein as if set forth at length.

Section 2. The Authority hereby authorizes the execution and delivery of the 2008 Second Supplemental Indenture, inclusive of the amendment to the 2008 Acknowledgement of Servicing, to implement the Forgiveness Conditions for all outstanding Student Loans (as defined in the 2008 Indenture).

Section 3. The Authority hereby authorizes the execution and delivery of the 2009 Second Supplemental Indenture, inclusive of the amendment to the 2009 Acknowledgement of Servicing, to implement the Forgiveness Conditions for all outstanding Student Loans (as defined in the 2009 Indenture).

Section 4. The Authority hereby authorizes the execution and delivery of the 2010-2 Fourth Supplemental Indenture, inclusive of the amendments to the 2010-2 Acknowledgements of Servicing, to implement the Forgiveness Conditions for all outstanding Student Loans (as defined in the 2010-2 Indenture).

Section 5. The Authority hereby authorizes the execution and delivery of the 2012 Sixth Supplemental Indenture, inclusive of the amendments to the 2012 Acknowledgements of Servicing, for the purposes of:

- (a) implementing the Forgiveness Conditions for all outstanding Student Loans (as defined in the 2012 Indenture); and
- (b) amending the 2012 Fifth Supplemental Indenture to
 - (i) amend the definition of “Loan Rate” as specifically set forth in Section 3(a) of the 2012 Sixth Supplemental Indenture to amend the proviso such that the Loan Rates on 2016-1 NJCLASS Loans originated after the issuance of Additional Bonds or Subordinate Obligations under the 2012 Indenture shall also extend to 2016-1 NJCLASS Loans originated after issuance of additional student loan revenue bonds issued under any indenture of trust between the Authority and Trustee, subject to the same terms and conditions as originally implemented in the 2012 Fifth Supplemental Indenture; and
 - (ii) add a provision to offer the Repayment Assistance Program (as such term is defined in the Program Documentation) to certain qualifying borrowers for 2016-1 NJCLASS Loans (other than Consolidation Loans and Refinance Loans) Originated with unexpended proceeds of the Series 2016-1 Bonds from and after the issue date of the Series 2017-1 Bonds; and
 - (iii) extend the third Origination Period (as defined in the 2012 Fifth Supplemental Indenture) to October 1, 2018 from October 1, 2017, as permitted therein; and
 - (iv) increase the loan limitation for Ten Year Option 1 Loans to include amounts transferred from the 2016-1 Refinance Loan Account to the 2016-1 NJCLASS Ten Year Fixed Rate Student Loan Account; and
- (c) making such other amendments to the 2012 Indenture deemed reasonable and necessary by the Authority to obtain the RAC described in Section 8 herein.

Section 6. The Chairperson, Vice Chairperson, Secretary-Treasurer, Executive Director and Chief Financial Officer or other authorized representative or designee of the Authority (each an “Authorized Authority Official” and, collectively, the “Authorized Authority Officials”), are each hereby authorized to execute, acknowledge and deliver the 2008 Second Supplemental Indenture, 2009 Second Supplemental Indenture, 2010-2 Fourth Supplemental Indenture and 2012 Sixth Supplemental Indenture in such form as an Authorized Authority Official, in consultation with Bond Counsel, shall determine. The execution of each of the 2008 Second Supplemental Indenture, 2009 Second Supplemental Indenture, 2010-2 Fourth Supplemental Indenture and 2012 Sixth Supplemental Indenture by an Authorized Authority Official shall be conclusive evidence of the approval of the form thereof as authorized by this Section.

Section 7. All actions authorized pursuant to this resolution are subject to receipt by the Authority of a determination by the Trustee that, in the judgment of the Trustee, acting in reliance upon a Counsel’s Opinion, which may be a Bond Counsel’s Opinion, to the extent the Trustee deems such opinion desirable, such actions do not adversely affect the interest of any Bondholder.

Section 8. All actions authorized pursuant to this resolution are subject to receipt by the Authority of a Rating Agency Condition (“RAC”) from each Rating Agency stating that the execution and delivery of the 2008 Amendment Documents, 2009 Amendment Documents, 2010-2 Amendment Documents and 2012 Amendment Documents and the amendments contained therein will not result in a reduction, qualification or withdrawal of the then-current rating of any of the 2008 Bonds, 2009 Bonds, 2010-2 Indenture Bonds or 2012 Indenture Bonds. In order to maintain the current ratings on the 2008 Bonds, 2009 Bonds, 2010-2 Indenture Bonds or 2012 Indenture Bonds, the Authority hereby authorizes the transfer of an amount to be determined by an Authorized Authority Official as necessary to satisfy such requirement which aggregate amount shall not exceed [\$4,000,000], from reserves, excess revenues released from the pledge of the 2008 Indenture, 2009 Indenture, 2010-2 Indenture or 2012 Indenture, respectively excess amounts transferred from the 1998 Indenture in connection with the refunding of outstanding bonds authorized therein, or any or all of the NJCLASS Life of Loan Servicing Reserves, the Guaranty Agency Operating Fund, the Direct Loan Servicing Fund or the NJBEST Scholarship Administrative Reserves. The Authority shall replenish such reserves from revenues and recoveries of principal on the Student Loans as provided under the 2008 Indenture, 2009 Indenture, 2010-2 Indenture or 2012 Indenture, respectively.

Section 9. Capitalized terms used but not defined in this resolution shall have the meanings given to them in the 2008 Indenture, 2009 Indenture, 2010-1 Indenture, 2010-2 Indenture or 2012 Indenture, as applicable.

Section 10. This resolution shall take effect immediately, but no action authorized herein shall have force and effect until ten (10) days after a copy of the minutes of the Authority meeting at which this resolution was adopted has been delivered to the Governor of the State for his approval, unless during such 10-day period the Governor shall approve the same, in which case such action shall become effective upon such approval, as provided by the Act.

April 19, 2017



State of New Jersey

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CHRIS CHRISTIE
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
KIM GUADAGNO
Lt. Governor

GABRIELLE CHARETTE, ESQ.
Executive Director

MEMORANDUM

TO: Members, Higher Education Student Assistance Authority Board

THROUGH: Gabrielle Charette, Esq. 
Executive Director

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

SUBJECT: Resolution 07:17 Adoption of Amendments to Regulations Governing Discharge of New Jersey College Loans to Assist State Students (NJCLASS), N.J.A.C. 9A:10-6.17

DATE: April 19, 2017

Background

HESAA is responsible for the administration of the NJCLASS Program pursuant to N.J.S.A. 18A:71C-21 et seq. NJCLASS ensures that loans are available to, or for the benefit of, eligible students who are not eligible for, or have additional financial need beyond, Federal student loans.

NJCLASS loans are funded by the sale of bonds. The interest rate on the NJCLASS loans is a pass through rate of the bond interest rate, associated costs of sale and other costs determined by the bond sale. In addition to the regulations, HESAA is required to administer NJCLASS pursuant to the indentures for the bonds that finance the loans.

At its October 26, 2016 meeting the HESAA Board approved a proposed rule amendment that would discharge the loan obligation for all parties to the loan in the event of the death or total and permanent disability of the student beneficiary. Additionally, the rule would allow those who applied for forgiveness in the past to reapply on or after June 1, 2017, and receive forgiveness prospectively.

The Proposed Rule Number, PRN 2016-194, was published in the December 5, 2016 New Jersey Register at 48 N.J.R. 2573, on the HESAA website at HESAA.org and sent to the Statehouse

News Media. In addition, secondary notice was emailed to interested parties and a press release was distributed to the news media. The 60-day legislative review period for this rule expired on December 27, 2016, with no comments received and the public comment period for this rule expired on February 3, 2017. HESAA received two comments in support of the proposed amendments. F. Shawn O’Neill, Director of Financial Aid, Ramapo College of New Jersey stated that he “loves that families will be able to have the loan forgiven due to the untimely death of a student,” and Ronald and Patricia Kane commented that they are in full support of the proposed amendment because it “is an important step for families who have suffered such a loss to regain some financial footing.”

Recommendation

It is recommended that the Board approve Resolution 06:17 Adoption of Amendments to Regulations Governing Discharge of New Jersey College Loans to Assist State Students (NJCLASS), N.J.A.C. 9A:10-6.17.

Attachments

SUBCHAPTER 4. FOLLOW-UP OF LEAD SCREENING RESULTS

8:51A-4.1 Reporting of lead screening results

(a) Each physician, registered professional nurse, as appropriate, or health care facility that screens a child for **elevated blood lead [poisoning] levels** shall provide the parent or legal guardian with the results of the blood lead test and an explanation of the significance of the results.

(b) For each child who has a blood lead test, on a venous blood sample, **greater than or equal to [10] five micrograms per deciliter**, the physician, registered professional nurse, as appropriate, or health care facility shall notify in writing, the child's parent or guardian of the test results and provide the parent or guardian with an explanation in plain language of the significance of the results.

8:51A-4.2 Medical follow-up of lead screening results

(a) Each physician, registered professional nurse, as appropriate, or health care facility that screens a child for **elevated blood lead [poisoning] levels** shall provide or make reasonable efforts to ensure the provision of risk reduction education and nutritional counseling for each child with a blood lead level equal to or greater than [10 micrograms per deciliter (15 µg/dL)] of whole blood.

(b) The physician, registered professional nurse, as appropriate, or health care facility shall obtain, or make reasonable efforts to obtain, a venous confirmatory blood lead test whenever a capillary blood lead screening sample produces a result greater than or equal to [10 micrograms per deciliter (15 µg/dL)].

(c) For each child who has a blood lead level of [10 micrograms per deciliter (15 µg/dL)] or greater on a test performed with a venous blood sample, the physician, registered professional nurse, as appropriate, or health care facility shall provide, or make reasonable efforts to ensure, the provision of diagnostic evaluation, medical treatment, and follow-up blood lead testing in accordance with currently accepted medical guidelines.

(d) (No change.)

(e) When a physician, registered professional nurse, as appropriate, or health care facility performs lead screening on a child and receives a result of [10 micrograms per deciliter (15 µg/dL)] or greater on a test performed with a venous blood sample, the physician, registered professional nurse, as appropriate, or health care facility shall perform lead screening of all siblings or other members of the same household who are [between] **at least six months and [six years] less than 72 months** of age, if these children have not been screened previously, or are at high risk for lead exposure, as determined by a PEA performed in accordance with N.J.A.C. 8:51A-2.1.

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

The agency proposal follows:

Summary

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

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

NJCLASS loans are funded by the sale of bonds that are repaid solely through the repayment of the NJCLASS loans. The interest rate on the NJCLASS loans is a pass through rate of the bond interest rate, associated costs of sale, cost of servicing the loans, and other costs determined by the bond sale. In addition to the rules, HESAA is required to administer NJCLASS pursuant to the indentures for the bonds that finance the loans. In order to provide full forgiveness to all parties of the loan in the event that the student for whom the loan was obtained dies or becomes permanently disabled, it is necessary to amend the rules to include additional borrower benefits and protections.

HESAA's current policy provides for loan forgiveness in the event of student death and total and permanent disability, if the student death occurs during the in-school period, or subsequent to the in-school period if the other parties on the loan can demonstrate severe financial hardship. The amended rule would allow the loan to be discharged regardless of whether or not the student was enrolled in school at the time of the death and the rule would apply to all cosigners regardless of their financial situation. Additionally, the rule would allow those who applied for forgiveness in the past to reapply on or after June 1, 2017, and receive forgiveness prospectively.

Staff confirmed with bond counsel and the financial advisor that there are sufficient resources within the existing trusts to fund the expected increase in forgiveness of loans funded from prior year bond issuances. In addition, bond counsel has ensured that the existing indentures can be amended to allow for this regulatory change. For loans that have yet to be made, the cost of the forgiveness will be built into the annual bond deal. It is anticipated that this benefit will result in a modest increase in rates on all borrowers of approximately five basis points.

The proposed amendments are summarized below:

N.J.A.C. 9A:10-6.17(a), (b), and (c) are amended to permit full forgiveness to all parties of the loan in the event that the student for whom the loan was obtained dies or becomes permanently disabled. The words "student" and "or students" are added to N.J.A.C. 9A:10-6.17(b) and (c) to expand applicability of these sections in the event the student for whom the loan was obtained dies or becomes permanently disabled.

HESAA has determined that the comment period for this notice of proposal shall be 60 days; therefore, pursuant to N.J.A.C. 1:30-3.3(a)5, this notice is excepted from the rulemaking calendar requirement.

Social Impact

The NJCLASS Program serves as this State's supplemental student loan program to help families fund their expected family contribution not met by other sources. While the NJCLASS Program offers one of the lowest fixed rate supplemental loans in the nation, the Authority continuously seeks to maintain and improve service to applicants and borrowers.

It is anticipated that the loan forgiveness upon the death or total and permanent disability of the student will provide families with comfort and closure.

Economic Impact

The proposed amendments implement changes to the State supplemental student loan program, which make postsecondary education accessible and affordable to thousands of New Jersey students

HIGHER EDUCATION

(a)

HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY

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

Discharges

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

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

Authority: N.J.S.A. 18A:71A-1 et seq., and 18A:71C-21 et seq.

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

Proposal Number: PRN 2016-194.

Submit written comments by February 3, 2017, to:

and families. For the State's NJCLASS Loan Program, more than \$200 million was made available last year alone in affordable NJCLASS loans. The entire cost of the program is self-funded through bond financing of NJCLASS loans. As such, the proposed amendments will have no impact on the State budget.

To finance the proposed loan forgiveness, there are currently sufficient resources within the existing NJCLASS trust estates to fund the forgiveness of existing loans, subject to amendments to the bond indentures permitting such funding. Prospectively, the forgiveness will need to be funded through a small increase in interest rates charged to all future borrowers. It is anticipated that this increase will be limited to five basis points.

Federal Standards Statement

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

Jobs Impact

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

Agriculture Industry Impact

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

Regulatory Flexibility Statement

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

Housing Affordability Impact Analysis

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

Smart Growth Development Impact Analysis

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

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

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

9A:10-6.17 Discharge

(a) Rules governing the discharge of loans based on filing for relief in bankruptcy, and discharge of loans due to death or total and permanent disability are set forth in this section. If an NJCLASS Loan Program loan was obtained by two borrowers as co-makers or by a borrower and one or more cosigners, and only one of the borrowers dies, becomes

totally and permanently disabled, has collection of his or her loan obligation stayed by a bankruptcy filing, or has that obligation discharged in bankruptcy, the other borrower or cosigner remains obligated to repay the loan, beginning with NJCLASS Loan Program loans using promissory notes dated 1994 or later. **If the student for whom the loan was obtained dies or becomes permanently disabled, the obligation of all parties to the loan to make any further payments on the loan is discharged, beginning with requests for discharge received on or after June 1, 2017.**

(b) If an individual borrower dies, the obligation of the borrower to make any further payments on the loan is discharged. A discharge of a loan based on the death of the borrower or student must be based on an original or certified copy of the death certificate, or an accurate and complete photocopy of the original or certified copy of the death certificate.

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

(d) (No change.)

HUMAN SERVICES

(a)

DIVISION OF MEDICAL ASSISTANCE AND HEALTH SERVICES

Vision Care Services Manual

Proposed Readoption with Amendments: N.J.A.C. 10:62

Proposed Repeals: N.J.A.C. 10:62-1.6, 1.10, and 3.3

Authorized By: Elizabeth Connolly, Acting Commissioner, Department of Human Services.

Authority: N.J.S.A. 30:4D-1 et seq. and 30:4J-8 et seq.

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

Agency Control Number: 16-P-06.

Proposal Number: PRN 2016-191.

Submit comments by February 3, 2017, to:

Margaret M. Rose ATTN: 16-P-06
 Division of Medical Assistance and Health Services
 Office of Legal and Regulatory Affairs
 Mail Code #26
 PO Box 712
 Trenton, NJ 08625-0712
 Fax: (609) 588-7343
 E-mail: Margaret.Rose@dhs.state.nj.us
 Hand Delivery: 6 Quakerbridge Plaza
 Mercerville, NJ 08619

The agency proposal follows:

RESOLUTION 07:17

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

Moved By: Ms. Maria Torres
Seconded By: Mr. Hasani Carter

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

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

WHEREAS: In order to permit full forgiveness to all parties of the loan in the event that the student for whom the loan was obtained dies or becomes permanently disabled it is necessary to amend the regulations.

WHEREAS: At its October 26 2016 meeting the HESAA Board approved the proposed amendments to N.J.A.C. 9A:10-6.17; and

WHEREAS: The Proposed Rule No. PRN 2016-194, was published in the December 5, 2016 New Jersey Register at 48 N.J.R. 2573, posted on the HESAA website at HESAA.org and sent to the Statehouse News Media and secondary notice was emailed to interested parties and a press release was distributed to the news media; and

WHEREAS: The 60-day legislative review period for this rule expired on December 26, 2016, with no comments received; and

WHEREAS: The public comment period for this rule expired on February 3, 2017 with two comments received in support of the proposed amendments.

NOW, THEREFORE, LET IT BE:

RESOLVED: That the Board approves the Adoption of Amendments to the New Jersey College Loans To Assist State Students (NJCLASS) Program, N.J.A.C. 9A:10-6.17.

April 19, 2017



State of New Jersey

HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
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PO BOX 545
TRENTON, NJ 08625-0545
1-800-792-8670
www.hesaa.org


CHRIS CHRISTIE
Governor


KIM GUADAGNO
Lt. Governor

GABRIELLE CHARETTE, ESQ.
Executive Director

MEMORANDUM

TO: Members, Higher Education Student Assistance Authority

THROUGH: Gabrielle Charette, Esq. 
Executive Director

FROM: Lorraine Staley 
Associate Director, Student Loan Programs

SUBJECT: Resolution 08:17 Approving a Waiver of Bid Advertising for Credit Reporting Products and Services

DATE: April 19, 2017

Background

In 2004, the Higher Education Student Assistance Authority (HESAA) issued a Request for Proposals for a Credit Reporting Agency (RFP). Although the RFP was sent to all of the three nationwide credit bureaus, Equifax was the only agency that submitted a proposal. HESAA and Equifax entered a five year contract in 2007. In 2012 the HESAA Board approved a waiver of bid advertising permitting HESAA to enter into a subsequent five year contract with Equifax to provide credit scores, credit history reports, background reports, fraud warnings, Office of Foreign Assets Control (OFAC) checks, identity theft Red Flag alerts, e-signature identity authentication, Military Lending Act status checks and additional credit reporting services as they arise. That contract is scheduled to expire June 4, 2017.

Staff is again recommending that the Board authorize a bid waiver allowing HESAA to enter into a new contract with Equifax for the agency to continue providing credit reporting services. The bid waiver is being requested pursuant to N.J.S.A. 52:34-10(c), as the sole source of supply.

Each of the three major credit reporting agencies uses their own proprietary model for determining credit scores, as well as their own model for preparing credit reports. HESAA relies on the credit scores to determine whether a borrower is credit worthy for a NJCLASS loan. In preparing the bond indentures to fund the NJCLASS program, HESAA researches the history of borrowers' ability to repay the loans. In order to receive favorable ratings, HESAA presents the rating agencies with time series data which shows how borrowers in respective credit bands, as determined by the Equifax credit scores, have performed in terms of repaying their loans. This

data is used by the rating agencies to develop their stress delinquency and default assumptions. If the credit scores of HESAA's borrowers presented to the rating agencies were to materially shift due to a change in the source of the scores, the ratings agencies would perceive this as additional risk and increase their stress assumptions to compensate for this discontinuity in the data. The increased stress assumptions would force HESAA to charge higher interest rates for the NJCLASS loans. Not only would higher interest rates cost New Jersey borrowers tens of millions of dollars over the life of the loans, they would also put the future existence of the program at risk in a competitive student loan market. Equifax is the only source that can provide HESAA with credit scores consistent with the data previously reviewed by the credit rating agencies.

In addition, Equifax has been HESAA's sole source of supply for credit services since the inception of the credit score based loan eligibility determination process. As such, HESAA built interfaces to embed Equifax's platform into the processing functions. Accordingly, HESAA's systems are able to automatically retrieve Equifax's credit reports and then scan, analyze and apply HESAA's business rules to these credit reports without manual review. The automation provides for immediate processing of credit applications providing HESAA borrowers with the convenience of an instant credit eligibility determination 24 hours, 7 days a week.

As Equifax has always been the sole source of supply for credit services, it was necessary for HESAA to build its business processes for approving loans around the proprietary credit review information provided by Equifax. As discussed above, HESAA's systems are designed to base eligibility determinations on the Equifax credit score. Determinations are also based on HESAA system readings of the Identity Scanned, OFAC alerts, and fraud alerts. When a borrower applies for an NJCLASS loan online, HESAA's system interfaces with Equifax, which automatically checks the application for any discrepancies between the information the applicant entered and the information contained about the applicant by Equifax. HESAA also uses an Equifax product to authenticate the identity of borrowers and co-signers when they electronically sign a promissory note. To reduce claims of forgery and identity theft, it was necessary for HESAA to design its electronic signature ceremony around the proprietary Equifax eIDverifier product. Additionally, HESAA uses Equifax's MLA Covered Borrower Status service to ensure compliance with the Military Lending Act.

As Equifax is the sole source of credit reporting services compatible with HESAA's systems, in order to engage an alternate credit reporting agency, HESAA would need to make changes to the business computer processes and databases. These changes would include building support for new protocols and programming to establish communication to obtain: credit reports, identity authentication information, and compliance information for the Patriot Act, Military Lending Act and Identity Theft Red Flag Rules. HESAA staff has estimated that in order to change this source of supply it would take the full-time equivalent of fifteen months work at a minimum cost of \$225,000.

Product Information

Attached for the Board's review is a copy of a description of the services that Equifax currently provides for HESAA, as well as the cost for each of these services.

Based on previous usage, as well as projected usage in the future, the total cost for the five year contract with Equifax would not exceed \$1.5 million.

Recommendation

It is recommended that the Board approve Resolution 08:17 Approving a Waiver of Bid Advertising for Credit Reporting Products and Services, thereby permitting HESAA to enter a five year contract with Equifax for a total amount not to exceed \$1.5 million.

Attachments

RESOLUTION 08:17

APPROVING A WAIVER OF BID ADVERTISING FOR CREDIT REPORTING PRODUCTS AND SERVICES

Moved by: Mr. Bader Qarmout
Seconded by: Ms. Christy Van Horn

WHEREAS: HESAA's current contract for credit reporting services is expiring; and

WHEREAS: HESAA now needs to enter a new contract with a credit reporting agency to provide credit scores, credit history reports, background reports, fraud warnings, Office of Foreign Assets Control (OFAC) checks, identity theft Red Flag alerts, e-signature identity authentication Military Lending Act status checks and additional credit reporting services as they arise; and

WHEREAS: The HESAA Board can authorize a bid waiver when it is determined pursuant to N.J.S.A. 52:34-10(c) that there is a sole source of supply; and

WHEREAS: Equifax is the sole source of credit scores that HESAA:

1. relies on to determine the creditworthiness of borrowers; and
2. provides to the credit ratings agencies to determine stress delinquency and default assumptions; and

WHEREAS: Due to the proprietary products and systems used by credit reporting agencies, HESAA was required to develop systems for which Equifax is now the sole compatible source.

NOW, THEREFORE, LET IT BE:

RESOLVED: That the Board approves a waiver of bid advertising for credit reporting products and services, thereby permitting HESAA to enter a five year contract with Equifax for a total amount not to exceed \$1.5 million.

April 19, 2017



Pricing Proposal for NJ Higher Education Student Assistance Authority

March 15, 2017

Kio Thompson, Strategic Account Manager

Equifax— 1100 Abernethy Road, Suite 300, Atlanta, GA 30328

T: 800.310.7197 E: kio.thompson@equifax.com



January 25, 2017

NJ Higher Education Student Assistance Authority
PO Box 545
Trenton, NJ 08625

Ms. Staley:

Thank you for allowing Equifax the opportunity to provide information regarding Equifax products and services.

Equifax understands the competitive environment and we are prepared to meet the goals and objectives of the NJ Higher Education Student Assistance Authority (HESAA). Equifax considers HESAA to be a highly valued customer and a client of strategic importance. Our goal is to positively impact your bottom line through cost reduction and optimized processes. We believe you will find this proposal a demonstration of our commitment and dedication to continuing a very successful, long-term partnership with HESAA.

Sincerely,

Kip Thompson

Strategic Account Manager

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EXECUTIVE SUMMARY

Equifax is a global leader in consumer, commercial and workforce information solutions, providing businesses of all sizes and consumers with information they can trust. We organize and assimilate data on more than 500 million consumers and 81 million businesses worldwide and use advanced analytics and proprietary technology to create and deliver customized insights that enrich both the performance of businesses and the lives of consumers. Having a strong heritage of innovation and leadership, Equifax continuously delivers distinctive solutions with the highest integrity and reliability. Businesses—large and small—rely on us for consumer and business intelligence, portfolio management, fraud detection, decisioning technology, marketing tools and much more. We empower individual consumers to manage their personal credit information, protect their identities and maximize their financial well-being.

Headquartered in Atlanta, Georgia, Equifax operates or has investments in 17 countries and is a member of Standard & Poor's (S&P) 500® Index. Its common stock is traded on the New York Stock Exchange (NYSE) under the symbol EFX.

Equifax Government Services Group delivers government agencies the industry's most reliable and comprehensive data assets and analytical insights for greater transparency in the areas of waste, fraud and abuse. We provide a unique, 360-degree view of businesses and individuals' fiscal health to assist government agencies solve with confidence a number of key areas including workforce management, vendor/credit assessment, identity management, investigative services and loan modification. Using our proprietary and proven solutions, we can help government agencies drive greater transparency; mitigate risk across a number of key areas:

- *Workforce Management* – Equifax assists with on-boarding, background checking and ongoing monitoring for fraud, waste and other unfavorable attributes of your employees. We possess the largest database of employer-provided income and employment, with records on approximately 185 million consumers. Additionally, through our 260 million consumer credit records, 40 million employment and income records and a unique database with over \$12 trillion in consumer wealth and asset information, Equifax can construct a 360-degree view of fiscal activity.

- *Credit Assessment (Consumer)* – Equifax helps clients leverage the most relevant consumer information to gain unprecedented insight into your customer base. Understanding a consumer's credit capacity, character and collateral issues are vital to making sound risk decisions in today's economy.

- *Identity Management* – Equifax assists government organizations with fraud detection, user provisioning and federated identity or authentication of third parties to conduct business online by providing affordable and adaptive strong authentication, multi-factor authentication and identity management solutions.

- *Investigative Services* – Equifax utilizes powerful data assets and technology to create a 360-degree view of an individual or business entity. With this view, Equifax provides your agency with the insight to proactively identify and manage waste, fraud and abuse from those with whom you do business from the initial eligibility assessment, to ongoing risk profile monitoring, to loss recovery.

SOLUTION OVERVIEW

Based upon our knowledge and understanding of HESAA needs and objectives, Equifax is proposing the use of the following products:

ACROFILE PLUS is a consumer credit report that provides complete credit information in a clear, concise format. ACROFILE PLUS delivers current and comprehensive credit information by searching a national, online database of over 200 million consumer credit files. Straightforward reporting format with 24-month payment history and financial totals by trade-type provides complete credit-granting decision support that's easy to use. Continually updated information, advanced database search techniques.

Product content/output:

Consumer referral section: credit repository address and telephone number

Benefit / Purpose – must be used in adverse action or declination letters

Identification section: consumer name, current address, former address, previous former address, birth date, AKA (also known as) and former names, Social Security number

Benefit / Purpose – confirm application information; valuable for skip tracing

Employment section: consumer current employment information, former employment and previous former employment

Benefit / Purpose – confirm application information; valuable for skip tracing

Summary line: overview of report contents such as oldest date of information, number of accounts, range of high credit and delinquency history

Benefit / Purpose – quick reference for timely decisions

Public record section: public records such as bankruptcies, judgments, tax liens and garnishments from courthouses

Benefit / Purpose – easily spot consumers who have seriously delinquent financial obligations or who may have filed bankruptcy

Collection items section: collection accounts from collection agencies

Benefit / Purpose – separated from the public record section for quicker recognition; easily spot consumers who have seriously delinquent financial obligations

☐ **Trade section:** name and customer number of reporting company, tape trade indicator, date reported, date opened, high credit, terms, balance, past due amount, type of account, current status, months reviewed, ECOA indicator, account number, delinquency history, date of last activity and 24-month payment history (also known as a payment grid); accounts are grouped according to type – revolving, installment and open; totals for credit limit, high credit, balance, past due and terms are sub-totaled by type of account and summed in grand total columns

Benefit / Purpose – efficiently assess the financial stability, indebtedness and payment history of credit applicants; valuable information for skip tracing; payment grid makes it easier to spot delinquencies; grouped accounts and sub-totals are for faster decisioning and to calculate an applicant's balance to high credit ratio

☐ **Inquiries:** customer name, customer number and date of inquiry; may include an alert if three or more inquiries have occurred within 90 days

Benefit / Purpose – quickly identify consumers who are potentially at risk of becoming overextended with new accounts that have not reported yet; valuable for skip tracing

Bankruptcy Navigator Index 4.0 – the enhanced version of BNI '99 – predicts the likelihood of consumer bankruptcy within the next 24 months. It helps customers make timely decisions regarding acquisitions, credit limits, risk based pricing, credit line management, over-limit authorization, re-issuance and collection activity.

Product Content/Output:

☐ **Consumer Bankruptcy Score:** A score ranging from 1 - 600 (1 - 300 for calibrated)

Benefit/Purpose: Predicts the likelihood of a consumer filing bankruptcy within the next 24 months

☐ **Reason Codes/Adverse Action Codes:** Up to four reason codes can be returned.

Benefit/Purpose: The most influential characteristics contributing to the score. There are 183 reason codes.

BEACON 5.0 is a generic risk score that is co-developed with Fair, Isaac. It predicts the likelihood that an existing account or potential credit customer will become a serious credit risk within 24 months from scoring. BEACON identifies and predicts the full range of credit risks, including bankruptcies, charge-offs, repossessions, loan defaults, and severe delinquencies (90 days or worse).

Product Content/Output:

☐ **Score:** A three-digit score ranging from 300 to 850 without industry options and from 250 to 900 with industry options (auto, bankcard, finance and installment).

Benefit / Purpose: The higher the score, the lower the risk. Credit grantors use the score for credit decisions to determine product pricing, product offer, credit limits, terms and termination. Score cut-offs are set, determining the score at which the account is declined or manually reviewed.

☐ **Reason Codes:** Up to four reason codes are returned with each score.

Benefits / Purpose: Explains the most significant elements as to why the consumer's score is not higher. There are 40 two-digit reason codes available.

DTEC is a verification and location service, which uses a consumer's Social Security number to search the Equifax database to deliver identification information. DTEC is available in "Full" and "Limited" versions: Full DTEC returns all ID information available; Limited DTEC does not return age or employment.

Auto-DTEC automatically triggers a Limited DTEC transaction when the original ACROFILE, ACROFILE PLUS, ACROSELECT or FINDERS search results in a 'no record found' and the original inquiry contains a Social Security number [SSN]. Using the inquiry SSN, Auto-DTEC automatically transmits a Limited DTEC transaction – the customer does not re-enter a second request to access the DTEC.

Product Content/Output:

Full DTEC

☐ **Identification information:** consumer name, current address, former address, Social Security number, telephone number (if listed on report), date of birth and age and employment
Benefit/Purpose: for skip tracing and to confirm application information

☐ **Warning Messages**

Automatically includes the following Social Security number SAFESCAN warnings:

- o Social Security number has never been issued by the Social Security Administration
- o Social Security number is issued to a person who has been reported deceased
- o Social Security number has been reported misused
- o Social Security number has been issued by the Social Security Department within the last 5 years

Benefit/Purpose: alerts customers to potentially fraudulent information

OFAC Alert provides an automated, user-friendly information service designed to facilitate compliance with laws and regulations administered by, or whose administration is to be delegated to, the U.S. Treasury Department's Office of Foreign Assets Control (—OFAC). Available for either point-of-sale transactions, batch processing or off-line in prescreen and account management projects or as a stand-alone project, OFAC Alert compares new or existing account information to Compliance Data Center's (CDC) comprehensive database of SDNs (Specially Designated Nationals) and Blocked Persons. Consumers as well as businesses and charities can be screened using OFAC Alert.

Product Content/Output:**Online**

OFAC Alert indicates when a submitted name matches a name on a government list, but it provides additional information such as match codes, issue source, comment and problem code

Benefit/Purpose: The additional information is provided to assist in the manual review process

Output differs based on access/delivery method-returns hit no hit and error record or hit and message received record.

Off -line

Prescreen: OFAC Alert hits are suppressed from the final list returned to the customer
Customer Portfolio Review or Stand-Alone Project: An additional field (—O| for a _hit'and blank for a _no hit') will be added to the output – no additional information, such as source codes, will be returned for a hit. Only for consumer lists, no business lists.

The Recovery Index is designed to predict the likelihood of a payment on a charged- off account within 6 months of placement. It assists in prioritizing collections activities by identifying the most collectible accounts.

Product Content/Output:

Score: ranges from 1 – 300. The higher the score, the greater the likelihood of repayment.

Benefit / Purpose: quickly identifies customers who are likely to repay debt within 6 months of placement for collection.

Provides in-depth analysis of consumer payment history – giving more control of the management of collection activities

Assists in prioritizing collections activities by identifying the most collectible accounts

Allows strategy customization by using the Index and consumer balance information to maximize total dollars collected on a portfolio

Rank-orders delinquent accounts according to likelihood of repayment within six months.

It acts as an early recovery indicator, allowing the customer to keep resources focused on more profitable accounts.

Identity Scan leverages more than a dozen up-to-date public and proprietary database sources to effectively identify potential or known identity theft and application fraud, in real-time. Identity Scan quickly identifies fraud victim alerts, misused socials, hot addresses, suspicious phone numbers and other tracked potential risk factors. Customers need a comprehensive fraud solution and effective screening -- Identity Scan is an important first step in leveraging the Equifax Identity Suite to further interrogate and identify suspicious applications.

Identity Scan has 28 possible alerts, covering issues including, but not limited to: fraud alerts, active duty alerts, SSN issues, suspicious addresses, and suspicious telephone numbers.

eIDcompare, part of the Equifax Fraud Solutions, is an economical identity validation solution for lower-risk (or low-dollar value) Internet transactions. With just a few pieces of information, eIDcompare can validate that an identity, of itself, is legitimate or if the identity is associated with any potential fraudulent activities.

Product Content/Output:

- Warning indicators:** No warning, low-level warning, medium-level warning, high-level warning

Benefit/Purpose: Indicate potential suspicious attributes

- Reason codes:** 2-digit codes that highlight discrepancies between the consumer's application information and what is found in our data sources

Benefit/Purpose: Provide important details on suspicious attributes

- Data source of validation:** Identifies the data source from which eIDcompare was able to locate and validate an identity.

Benefit/Purpose: Provides real-time validation

- Pass/manual review recommendation:** eIDcompare's overall assessment of whether the identity is, of itself, legitimate or whether the applicant's information may contain suspicious attributes.

Benefit/Purpose: Provides real-time assessment, decisioning

- Risk Assessment Score:** A score ranging from 1- 8

Benefit/Purpose: A general - purpose Fraud Index delivered with eIDverifier and eIDcompare that determines the likelihood of a consumer application presenting a fraudulent identity.

eIDverifier, part of the Equifax Fraud Solutions, is a **patented**, online authentication process for Internet transactions that takes identification beyond fraud checks and data matching. eIDverifier presents multiple-choice questions based upon —shared secret information that should only be known by the actual consumer and Equifax. This patented interactive session binds the applicant to the identity information entered – providing the highest level of authentication available on the Internet.

Product Content/Output:

- Risk Assessment Score:** A score ranging from 1- 8 fraud index. Score based on identity validation and interactive query

Benefit/Purpose: A general - purpose Fraud Index delivered with eIDverifier and eIDcompare that determines the likelihood of a consumer application presenting a fraudulent identity

- Reason Codes:** 2-digit codes that highlight discrepancies between the consumer's application information and what is found in our data sources

Benefit/Purpose – Provide important details on potential suspicious attributes.

- **Features:** Patented process – goes beyond —wallet data by leveraging shared-secret information that should only be known by the actual consumer and Equifax
- o Pattern recognition feature detects repeated attempts to authenticate which may suggest suspicious activity
- o First to market – eIDverifier has made it possible for businesses to authenticate end-consumers in real time over the Internet since 1999
- o Proven product – has authenticated more than 9 million consumers to date
- o Provides complete customer support with experienced implementation and account management teams
- o Aborts the session (will not present the interactive query) when certain suspicious attributes are found

PROJECT INVESTMENT

Based on the products described, Equifax is offering the following pricing structure. The proposed pricing is based on a 5-year commitment between Equifax and NJ Higher Education Student Assistance Authority (HESAA). Equifax will review the actual quantity purchased on a quarterly basis and if it is determined that the quantity being purchased is significantly below or above the estimate, an adjustment to these rates may be necessary.

Acceptance of this proposal is subject to HESAA executing a signed Equifax Master Service/Pricing Agreement within 90 days of receipt. The initial term of the contract, options for renewal and termination rights will be determined during contract negotiations. The pricing structure can be finalized upon acceptance of an agreement and commitment between HESAA and Equifax.

Product	Price
Acrofile /Credit File	\$1.49 per search
DTEC/Location Service	\$1.46 per search
Fico Credit Score	\$0.12 per search
MLA/Military Lending Act	\$0.21 per search
Identity Scan	\$0.19 per search
OFAC Alert	\$0.29 per search
Regulatory Recovery Fee	\$0.11 per search
BNI/ Bankruptcy Navigator	\$0.33 per search



eIDverifier Transaction Fees: Client will pay to Equifax a Completed Fee for each completed eIDverifier transaction and an Incomplete Fee for each incomplete transaction, as set forth below:

Price Tier	Annualized Transaction Volume	Fees Per Transaction Completed	Fees Per Transaction Incomplete
1	0-25,000	\$1.75	\$0.30
2	25,001-50,000	\$1.50	\$0.30
3	50,001-150,000	\$1.25	\$0.30

eIDcompare Transaction Fees: Client will pay to Equifax a Completed Fee for each completed eIDcompare transaction and an Incomplete Fee for each incomplete transaction, as set forth below:

Price Tier	Annualized Transaction Volume	Fees Per Transaction Completed	Fees Per Transaction Incomplete
1	0-25,000	\$0.65	\$0.30
2	25,001-50,000	\$0.55	\$0.30
3	50,001-150,000	\$0.45	\$0.30

As a result of certain requirements set forth in the Fair and Accurate Credit Act of 2003, Equifax will impose a regulatory recovery fee applicable to online consumer report products, on a per report basis.

An additional surcharge of \$0.74 will apply to each request for Information Services ordered regarding a resident of the State of Colorado in order to satisfy the requirement of the Colorado Fair Credit Reporting Act.

Should you have any further questions, please feel free to contact me.

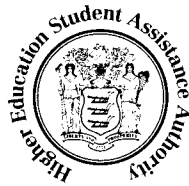
Thank you,

Kip Thompson

Account Manager, Government Services

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State of New Jersey

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CHRIS CHRISTIE
Governor

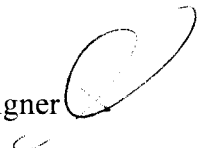
KIM GUADAGNO
Lt. Governor

GABRIELLE CHARETTE, ESQ.
Executive Director

MEMORANDUM

TO: Members, Higher Education Student Assistance Authority

THROUGH: Gabrielle Charette, Esq. 
Executive Director

FROM: Jules Cornelius, Graphic Designer 

SUBJECT: Resolution 09:17 - Consideration and Approval of the Higher Education Student Assistance Authority 2016 Annual Report Pursuant to Executive Order 37 (Corzine).

DATE: April 19, 2017

Summary

Please find attached for your review, comment and approval Resolution 09:17 - Consideration and Approval of the Higher Education Student Assistance Authority 2016 Annual Report Pursuant to Executive Order 37 (Corzine).

Background

Paragraph 2 of Executive Order 37 (Corzine) requires each State authority to prepare a comprehensive report concerning the authority's operations on an annual basis.

Executive Order 37 requires that the annual report set forth the significant actions of the authority from the previous year, including a discussion of the degree of success the authority had in promoting the State's economic growth strategies and other policies. The report is also required to include the authority's financial statements and to identify internal financial controls at the authority that govern expenditures, financial reporting, procurement, and other financial matters and transactions. Pursuant to Executive Order 37, the report shall also contain a certification by the appropriate senior staff member that during the preceding year the authority has, to the best of their knowledge, followed all of the authority's standards, procedures, and internal controls, or, where such certification is not warranted, shall set forth the manner in which such controls were not followed and a description of the corrective action to be taken by the authority.

The Higher Education Student Assistance Authority (HESAA) has prepared the attached 2016 Annual Report in compliance with Executive Order 37.

Recommendation

It is recommended that the Board approve Resolution 09:17, Consideration and Approval of the Higher Education Student Assistance Authority 2016 Annual Report pursuant to Executive Order 37 (Corzine) and authorize submittal of the 2016 Annual report to the Governor's Authorities Unit, and posting on HESAA's website.

Attachments

RESOLUTION 09:17

CONSIDERATION AND APPROVAL OF THE HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY 2016 ANNUAL REPORT PURSUANT TO EXECUTIVE ORDER 37 (CORZINE)

Moved by: Mr. Hasani Carter
Seconded by: Mr. Bader Qarmout

WHEREAS: Paragraph 2 of Executive Order 37 (Corzine) requires each State authority to prepare a comprehensive report concerning the authority's operations on an annual basis; and

WHEREAS: Executive Order 37 requires that the annual report set forth the significant actions of the authority from the previous year, including a discussion of the degree of success the authority had in promoting the State's economic growth strategies and other policies; and

WHEREAS: The report is also required to include the authority's financial statements and to identify internal financial controls at the authority that govern expenditures, financial reporting, procurement, and other financial matters and transactions; and

WHEREAS: Pursuant to Executive Order 37 the report shall also contain a certification by the appropriate senior staff member(s) that during the preceding year the authority has, to the best of their knowledge, followed all of the authority's standards, procedures, and internal controls, or, where such certification is not warranted, shall set forth the manner in which such controls were not followed and a description of the corrective action to be taken by the authority; and

WHEREAS: The Higher Education Student Assistance Authority (HESAA) has prepared the attached 2016 Annual Report in compliance with Executive Order 37.

NOW THEREFORE, BE IT:

RESOLVED: That the Higher Education Student Assistance Authority Board approves the attached Higher Education Student Assistance Authority 2016 Annual Report; and be it further

RESOLVED: That the attached Higher Education Student Assistance Authority 2016 Annual Report shall be submitted to the Governor's Authorities Unit and posted on the HESAA website.

April 19, 2017

Annual Report to the Program Review and Quality Control Committee

Introduction

To ensure HESAA's programs are in compliance with federal and state statutes, regulations, policies and procedures, the Audits & Quality Assurance unit (A&QA) is tasked with conducting Federal Family Education Loan Program (FFELP) reviews of lenders and servicers, Institutional Management Reviews focusing on State Grant & Scholarship Programs, Special Counsel Reviews of HESAA's collection attorneys, Internal Control Evaluations, and Quality Assurance Reviews of HESAA's programs.

Federally Mandated Reviews

Pursuant to Federal Regulation, Guaranty Agencies are responsible for taking all necessary measures to ensure the enforcement of all federal, state, and guaranty agency requirements. To ensure compliance with this requirement, HESAA's Audits & Quality Assurance unit is responsible for conducting biennial reviews of HESAA's ten largest lenders for outstanding FFELP loans. These reviews are conducted jointly by 28 Guaranty Agencies under the Common Review Initiative (CRI), a program approved by the U.S. Department of Education.

For the 2016-2017 biennium HESAA's ten largest lenders are administered by five servicers, all of which fall within the parameters of the CRI. Four of the reviews for this biennium are underway with the remaining review scheduled for later this year. HESAA participated as a desk reviewer for one review in 2016 and will also be assisting with the one remaining review commencing later this year.

HESAA Initiated Reviews

Institutional Management Reviews - HESAA conducts Institutional Management Reviews to verify that institutions administer State Grant & Scholarship programs in accordance with all applicable federal and state statutes, regulations, policies and procedures. These management reviews are also designed to provide institutions with recommendations on how to improve the operations of those business offices that touch upon the administration of financial aid (such as Financial Aid, Admissions, Registrar, Bursar, and Accounting offices) to ensure compliance with state and federal statutes and regulations.

HESAA conducts two types of reviews, limited reviews and full-scale reviews. Limited reviews focus on areas with the greatest potential for error such as reconciliations and certification of student eligibility. Full-scale reviews include more in-depth testing and are performed when the review was triggered by a high number of variables (including high dollar volume of awards, length of time since last review, recent news or changes, unexpected trends observed, findings from other reviews, etc.).

The following provides a summary of reviews performed during the past year:

Current Year (2017) Reviews – In Progress

One full-scale review recently commenced in March 2017; testing is underway.

2016 Reviews

One full scale review was performed and closed in the Spring of 2016, refunds due the State totaled \$5,094.

Four limited reviews were performed and closed during the last year resulting in the return of \$12,515.

2015 Reviews

Two reviews which commenced in 2015 were completed and closed in 2016 resulting in the return of \$205,509. Monetary findings were mainly due to the institutions not properly identifying all students who dropped from full-time to part-time status prior to award disbursement (thus making them ineligible to receive the award); the findings were due to errors in manual processing. New procedures have been put in place at the institutions including enhanced reporting and additional reviews.

Special Counsel Reviews - HESAA contracts with Special Counsel to perform collection activities on delinquent FFELP and NJCLASS loans. The Audits and Quality Assurance unit conducts reviews of these Special Counsel to verify compliance with regulations for administering defaulted loans.

As of December 31, 2016, HESAA is still utilizing the services of eight law firms to perform collection activities for approximately 16,000 defaulted FFELP and NJCLASS debtors. These law firms handle loan portfolios that range in size from 47 to 5,929 debtors. While performing the compliance review at the law firm handling the 47 accounts, the law firm agreed to return their remaining portfolio to HESAA for servicing. A&QA is currently working with the law firm to prepare these loans for reassignment back to HESAA.

During 2016, A&QA worked on 4 Special Counsel reviews. It is anticipated the draft reports for three of these reviews will be issued to the law firms in the second quarter of 2017, and the final report for the fourth review will be issued in the third quarter of 2017.

Annual Internal Control Evaluation

The State Office of Management & Budget (OMB) requires all executive branch agencies to conduct an annual self-assessment of their internal controls. The

Authority participates in this process through a series of evaluations and discussions that are conducted each year between March and June by the Audits & Quality Assurance unit with the assistance of HESAA's senior staff members. The results of the internal control evaluations are provided to HESAA's Executive Staff in a memorandum detailing the review requirements, reviews conducted, and any weaknesses identified along with recommendations for remediation.

On June 24, 2016, HESAA's Executive Director and Chief Financial Officer sent a letter to the Director of OMB confirming that HESAA performed the 2016 Internal Control Evaluation as required and that HESAA's system of internal accounting and administrative controls complies with the standards prescribed by the State of New Jersey. HESAA was happy to report that no significant weaknesses were identified as a result of the review.

HESAA is currently in the process of completing the 2017 assessment.

Other

In addition to her responsibilities as Director of Audits & Quality Assurance, Gena Carapezza assumed the role of HESAA's Acting Chief Compliance Officer from August 2016 through February 2017. With the appointment of a new CCO, Gena subsequently transitioned to a part-time role at HESAA and in March 2017 A&QA welcomed Jill Schmid as the new Director.

Conclusion

The department is pleased with the results of the past year and we look forward to another productive year, details of which are set forth in the attached review schedule.

Higher Education Student Assistance Authority Compliance and Audits & Quality Assurance Units

2017 Proposed Review Schedule

Type of Review	Auditee	Description	Review Date / Status Date
Collection Counsel Reviews	Attorneys 2015-1 & 2 Attorney 2016 - 2	Review testing and issue reports.	March –July 2017
Collection Counsel Review	Attorney 2016 - 1	Address responses to Draft Report and issue Final Report.	March - July 2017
Management Review	Institution 2017- 1 Sector: Community College	State Grants and Scholarship Program Review	March – July 2017
Annual Internal Control Evaluation	HESAA	Assessment of Internal Accounting and Administration Controls	March – June 2017
FFELP Lender Review	Nelnet	CRI Lender/Service Review – 1 Desk Reviewer	April 2017
Limited Management Review	Institution 2017-L1 Sector: Proprietary	State Grants and Scholarship Program Review	May– September 2017
Collection Counsel Review	Attorney 2017 – 1	Review of compliance with regulations for administering defaulted loans.	May - October 2017

Higher Education Student Assistance Authority Compliance and Audits & Quality Assurance Units

2017 Proposed Review Schedule

Type of Review	Auditee	Description	Review Date / Status Date
Limited Management Review	Institution 2017-L2 Sector: Independent	State Grants and Scholarship Program Review	June – October 2017
Collection Counsel Review	Attorney 2017 – 2	Review of compliance with regulations for administering defaulted loans.	July – December 2017
Limited Management Review	Institution 2017-L3 Sector: Community College	State Grants and Scholarship Program Review	August – December 2017
Management Review	Institution 2017-2 Sector: State	State Grants and Scholarship Program Review	September 2017 – January 2018
Limited Management Review	Institution 2017-L4 Sector: Independent	State Grants and Scholarship Program Review	November 2017 – March 2018
Management Review	Institution 2018-1 Sector: State	State Grants and Scholarship Program Review	December 2017 – April 2018