

MINUTES

HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY

January 25, 2017

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

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

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

CALL TO ORDER

Anthony Falcone called the meeting to order at 10:04 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, and Labinot Berlajolli, Esq., Assistant Counsel, Governor's Authorities Unit.

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 OCTOBER 26, 2016 MEETING

A motion to approve the minutes of the October 26, 2016 meeting was made by Ms. Audrey Bennerson and seconded by Fr. Michael Braden. The minutes were approved unanimously with two abstentions Ms. Audrey Bennerson and Ms. Esther Calderon who did not participate in the October 26, 2016 meeting.

RESOLUTION 01:17 APPROVING THE EXTENSION OF THE CONTRACT WITH EVERFI, INC. TO PROVIDE FINANCIAL LITERACY SOFTWARE

Andre Maglione presented Resolution 01:17 to the Board.

One of the Higher Education Student Assistance Authority's (HESAA) programmatic responsibilities is to provide students and families with individualized financial aid information and assistance. One way HESAA provides this education is through an interactive online financial literacy program supplied by EverFi, Inc. HESAA initially engaged EverFi, Inc. with funding from the Federal College Access Challenge Grant. The initial engagement resulted from a Request for Proposals (RFP) issued on March 14, 2013 for a term of three years with two possible one-year extensions. At the end of the initial three-year term, the Board approved the initial one-year extension, which expires at the end of the current academic year.

Based on the importance of providing financial literacy to our New Jersey students, as well as the successful implementation of the EverFi program, staff recommends exercising the second one-year extension option. EverFi's online financial literacy program contains 10 modules in topics such as banking, credit score and financing higher education. To date over 36 high schools are participating in the program and approximately 9,014 students have completed all ten modules. In addition, HESAA staff has found the EverFi staff to be highly responsive in providing continued support to the schools by way of training and implementation and by generating monthly reports to HESAA demonstrating the successful implementation of the online interactive program.

Although HESAA no longer receives funds from the College Access Challenge Grant, there are funds available through HESAA's general operating budget to support this program. The cost remains at \$65,000 for the first 35 institutions and \$2500 for each additional institution.

Mr. Maglione shared the following testimonials from students regarding their experiences with EverFi:

"I liked the different ways the materials were all presented. It wasn't just a ton of information on a paper to absorb in; it was also both visual and auditory mixed with some questions to help me retain it." Student, Lakeland Regional High School

"I like how the answers to the final quizzes are reasonable. The course makes it easy to retain and remember the information for the final test." Student, Delsea Regional High School

"I like the fact that it teaches you ways to save money and what it will be like when you are an adult and start considering these things." Student, William L. Dickinson High School

Shyam Sharma arrived at this time.

A motion to approve Resolution 01:17 was made by Dr. Jon Larson and seconded by Ms. Christy Van Horn.

Christy Van Horn questioned whether schools that are not sponsored by HESAA use EverFi and if schools could pay through HESAA to use this program. Ms. Charette explained that while we only fund 36 schools at a time, the schools cycle in and cycle out as some may cover the curriculum every other year. Mr. Maglione added that some schools have contracted with EverFi on their own or have been sponsored by local banks. Ms. Van Horn asked for a list from EverFi of all the schools that use their program whether through HESAA or on their own.

The motion passed unanimously.

RESOLUTION 02:17 APPROVING THE EXTENSION OF THE CONTRACT WITH THE NAUTILUS PUBLISHING COMPANY FOR ONE YEAR AS PUBLISHER OF *GOING TO COLLEGE IN NEW JERSEY*

Andre Maglione presented Resolution 02:17 to the Board.

The Higher Education Student Assistance Authority (HESAA) annually distributes two publications to college-bound students, *Going to College in New Jersey* and *Life 101*. *Going to College in New Jersey* is an 80 page publication that we have been providing for numerous years, promotes awareness of higher learning opportunities in the State of New Jersey as well as State and federal financial aid programs. *Life 101* is an 8 page publication that promotes awareness of higher education, student aid, career and life-skills for college-bound students in the 11th and 12th grades throughout New Jersey.

On December 2, 2013, HESAA issued a Request for Proposals (RFP) to write, edit, design, print, produce, and distribute the two publications and the Board appointed Nautilus Publishing Company as the publisher of both publications for a three-year contract with two possible one-year extensions. The initial three-year term expires on March 27, 2017.

Staff recommends exercising the one year extension for Nautilus to continue publishing *Going to College in New Jersey*. *Going to College in New Jersey* is distributed to all New Jersey high schools, in both paper and electronic formats, and is used to promote New Jersey institutions of higher education. It contains information on all of the schools as well as a college major chart that identifies which schools provide each course of study. This magazine guides families through the entire college application process by assisting students in selecting the school that is right for them, explaining how to apply to that school, and how to apply for financial aid. HESAA has been very satisfied with how Nautilus designs, prints and distributes this magazine.

Staff further recommends that HESAA discontinues publishing *Life 101*. Staff consulted with high school guidance counselors across the State who advised that they do not see the value of this publication. Some of the content is redundant to the *Going to College in New Jersey* magazine and as *Life 101* is only published in a paper format, it is not gaining students' attention in the same way as electronic publications. Instead of publishing *Life 101* electronically, HESAA can reach out to students more efficiently using social media, such as Facebook and YouTube.

The total cost for publishing *Going to College in New Jersey*, including Spanish translations, will be \$70,550.00, which is the same as the previous three-years. This cost includes the e-book version of *Going to College in New Jersey*, compatible with both major e-book readers, iTunes and Android.

Nautilus published both *Going to College in New Jersey* and *Life 101* to HESAA's specifications and has met all expectations for the last eight years. Accordingly, staff recommends approving the first one-year extension of the contract with Nautilus to publish *Going to College in New Jersey*.

It is recommended that the Board approve Resolution 02:17, approving the extension of the contract with Nautilus Publishing Company for one year as publisher of *Going to College in New Jersey*, at a cost of no more than \$70,550.00.

A motion to approve Resolution 02:17 was made by Ms. Audrey Bennerson and seconded by Fr. Michael Braden.

In response to a question from Chairman Falcone, Mr. Maglione advised that *Going to College in New Jersey* is published once a year. In addition Mr. Falcone questioned what the cost was to publish *Life 101*. Mr. Maglione responded it was approximately \$30,000.

Fr. Braden asked whether there were any publications aimed for parents. Dr. Larson advised that the schools provide information directly to parents to which Mr. Maglione added that *Going to College in NJ* provides information on all of the schools. Ms. Charette further stated that parents have advised her that they find *Going to College in New Jersey* informative.

The motion passed unanimously.

RESOLUTION 03:17 PROPOSED AMENDMENTS TO REGULATIONS GOVERNING OF NEW JERSEY COLLEGE LOANS TO ASSIST STATE STUDENTS (NJCLASS) N.J.A.C. 9a:10-6.3, 6.12, 6.13 AND 6.17

Marnie Grodman presented Resolution 03:17 to the Board.

On December 5, 2016, Governor Christie signed P.L. 2016 c 71, providing forgiveness of NJCLASS loans upon the death or total and permanent disability of student borrowers. The new law also provides for a full deferment of both principal and interest for the temporary total disability of the student borrower, with no accrual of interest during the deferment.

While there are currently amendments pending to the regulations, further amendments are necessary to effectuate these additional changes to the NJCLASS program.

In addition to implementing the new law, additional amendments are recommended to ensure that the NJCLASS parent only loans meet the federal requirements for financing through qualified student loan bonds, as well as to ensure that the eligibility requirements for all NJCLASS loans are applicable for NJCLASS Consolidation loans. The regulations pertaining to consolidation loans are also being amended to provide greater flexibility, ensuring that borrowers receive the greatest benefits from favorable market conditions.

The full proposed amendments are included in the materials.

A motion to approve Resolution 03:17 was made by Fr. Michael Braden and seconded by Ms. Maria Torres.

In response to questions from Christy Van Horn, Ms. Grodman explained that a temporary total disability is when someone cannot work or go to school due to a disability that is expected to last for a temporary duration and that a disability is total and permanent when a person is not expected to heal or get better and are never expected to go back to work or school.

Ms. Van Horn asked about the process for reviewing these requests. Ms. Grodman responded that HESAA has a form doctors fill out certifying the diagnosis. She explained that the doctors answer questions showing how a person can function. The doctors also have to provide their license to number to verify that they are licensed as prescribed by statute.

Ms. Van Horn further questioned whether HESAA based its form on another form such as social security disability or invented its own due to different standards. Ms. Grodman responded that HESAA based its form on the federal student loan program's form for how to determine disability.

The motion passed unanimously.

PRESENTATION BY EDUCATION FINANCE COUNCIL (EFC) PRESIDENT DR. DEBRA CHROMY ON EFC'S FEDERAL AND NATIONAL INITIATIVES IMPACTING HIGHER EDUCATION FINANCING

Gene Hutchins provided the following introduction for Dr. Debra Chromy.

Debra Chromy is the President of Education Finance Council (EFC), the national association representing nonprofit and state-agency student loan organizations. At EFC, Dr. Chromy leads EFC's advocacy efforts on regulatory and legislative issues related to student loans and higher education. She collaborates with all EFC members, EFC's Board of Directors, staff, the Administration, Congress, and other industry groups, facilitating and promoting EFC's goals and initiatives. In addition, Dr. Chromy works to develop and implement member services and operational and communications strategies.

Dr. Chromy has worked in the student loan industry her entire career, for a student loan lender of both private and federal loans, a student loan servicer, and a federal loan guarantor. Prior to EFC, Dr. Chromy served as Vice President of Strategic Partnerships for American Student Assistance (ASA), where she was a leader in ASA's corporate strategic planning process and managed ASA's external relationships and partnerships, including federal and state governments, colleges and universities, higher education associations, and other student loan industry organizations.

Dr. Chromy received an A.B. in economics from Smith College, an M.B.A from Boston University, and an Ed.D. in Higher Education Management from the University of Pennsylvania. Dr. Chromy currently volunteers as a member of the Board of Directors of the Smith College Club of Washington, DC; a member of the University of Pennsylvania Graduate School of Education Executive Doctorate Alumni Advisory Board; Chair of the Legislative Task Force for the Municipal Bonds for America Coalition; and is President of the College Club of Boston Scholarship Fund, Inc.

Dr. Chromy provided the attached presentation.

There was a brief discussion following the presentation regarding how HESAA's phone calls show up on borrower's customer IDs.

EXECUTIVE DIRECTOR'S REPORT

Executive Director Gabrielle Charette gave the following report:

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

Since this Board last met, the deadline passed for institutions participating in the Tuition Aid Grant (TAG) program to submit their graduation rate reports. Although the program has been in existence since 1978, this is only the second year institutions are required to submit these reports. I am pleased to inform the Board that, once again, all institutions complied with the requirement. The reports are posted on the HESAA home page for anyone who wishes to view them. A detailed analysis of these reports and a comparison to last year's reports reveal what hopefully will be a trend as we continue to collect this data. Specifically, in each sector there were some institutions that reported their TAG population outperformed their general population. And, where institutions reported that their TAG students did not perform as well as their general population, the differential was often statistically insignificant.

Also since this Board last met, Governor Christie signed S-743 on December 5. This new law provides for forgiveness of all outstanding NJCLASS loans in the event of a student borrower's death or total and permanent disability where the cosigners are the student borrower's parent or guardian and provides that interest does not accrue during periods of deferment for temporary total disability. Since the statute was effective immediately upon signing by the Governor, HESAA quickly posted an announcement about the new law with links to the text of the statute to our website, on the NJCLASS page, and in the borrower portal. All NJCLASS disclosures, marketing materials, and other literature were updated accordingly. Finally, to ensure that all borrowers and cosigners are aware of the new law, I personally sent a letter with a contract addendum enclosed to all 127,000 current NJCLASS borrowers and cosigners.

While I may be a tad biased, I believe our implementation of the new law was flawless because all HESAA units worked together to make certain no stone was unturned. HESAA's Legal, Servicing and Collections, Information Services, Client Services and Communications units and the mailroom staff all contributed and worked together in a timely and efficient manner. While many deserve credit for the implementation, I would like to acknowledge Russ Archer, Assistant Director of Servicing and Collections. Russ is the point person fielding calls of this nature from family members. He follows up, follows through, and does it with both efficiency and compassion.

As you know from the last Board meeting, you unanimously approved a regulation which compliments this new law. Our regulation has been published in the New Jersey Register and the comment period ends Friday, February 3. We anticipate bringing this regulation back to the Board for final adoption at the next meeting in April.

As we move into the new year and start to approach the new state grant filing deadlines, we continue our outreach efforts particularly to TAG renewal students but now with an added sense of urgency. In October and November we were encouraging students to take advantage of the early FAFSA availability; we have now shifted our message to alert these students that time is running out. While it is still early as renewal students have until April 15 to file, we are carefully tracking filings. During October, November and December when the FAFSA first became

available for academic year 2017-2018 HESAA received 147,002 applications. I would like to thank Andre Maglione and Mindy Tsai respectively for their diligence in executing our outreach efforts and in tracking the results.

Finally, in the past, I have periodically updated you on our efforts to comply with the Federal Information Security Management Act also known as FISMA which establishes best practices for the management and maintenance of the physical infrastructure and information systems that support the operations and assets of the Authority. Given the recent barrage of news reports concerning such topics as cyber hacking and data espionage, I thought it timely to once again update you on our work with the United State Department of Education (USDE) to be FISMA ready. We continue to meet target goals for the development of FISMA related policies and procedures, and submit regular status reports to the Department. While the Department is most interested in our FISMA efforts in relationship to our role as a FFELP guarantor, HESAA is committed to FISMA compliance on a much broader scale as we see the overarching benefits to not only the FFELP portfolio but also to the NJCLASS program and the various grant and scholarship programs. I would like to thank Ruth Odom for keeping this critical and expansive project on track.

Thank you.

NEW BUSINESS

Chairman Falcone started a discussion regarding what else HESAA can do to educate parents regarding financial information. He praised HESAA's current efforts using both the website and financial aid nights and questioned what more can be done.

Mr. Maglione shared that in addition to the parents of juniors, some freshman and sophomore parents do come to the financial aid presentations, however, it would be helpful if there was financial literacy for parents starting when their children are born. NJBEST does market early so that families can start saving early.

Mr. Hutchins added that over one billion dollars a year is being taken out of 529 savings for college which is one billion dollars families do not have to borrow.

Dr. Larson added the schools are constantly counseling families so they don't over borrow however there is a problem with many people that all of their debt will be forgiven.

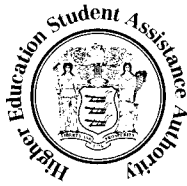
Mr. Falcone concluded that they more people we can reach the better off society will be.

ADJOURNMENT

Mr. Falcone advised that the next regularly scheduled Board meeting is Wednesday April 19, 2017 at 10:00 am.

A motion to adjourn was made by Fr. Michael Braden and seconded by Ms. Audrey Bennerson. The motion passed unanimously.

The meeting adjourned at 11:02 am.



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. *GC*
Executive Director

FROM: André Maglione *AM*
Acting Director, Client Services

SUBJECT: Resolution 01:17 - Approving the Extension of the Contract with EverFi, Inc. to Provide Financial Literacy Software

DATE: January 25, 2017

Background

One of the Higher Education Student Assistance Authority's (HESAA) programmatic responsibilities is to provide students and families with individualized financial aid information and assistance. One way HESAA provides this education is through an interactive online financial literacy program supplied by EverFi, Inc. HESAA initially engaged EverFi, Inc. with funding from the Federal College Access Challenge Grant. The initial engagement resulted from a Request for Proposals (RFP) issued on March 14, 2013 for a term of three years with two possible one-year extensions. At the end of the initial three-year term, the Board approved the initial one-year extension, which expires at the end of the current academic year.

Based on the importance of providing financial literacy to New Jersey students, as well as the successful implementation of the EverFi program, staff recommends exercising the second one-year extension option. EverFi's online financial literacy program contains 10 modules in topics such as banking, credit score and financing higher education. To date over 36 high schools are participating in the program and approximately 9,014 students have completed all ten modules. In addition, HESAA staff has found the EverFi staff to be highly responsive in providing continued support to the schools by way of training and implementation and by generating monthly reports to HESAA demonstrating the successful implementation of the program.

Although HESAA no longer receives funds from the College Access Challenge Grant, there are funds available through HESAA's general operating budget to support this program. The cost remains at \$65,000 for the first 35 institutions and \$2500 for each additional institution.

Recommendation

It is recommended that the Board approve Resolution 01:17 Approving the Extension of the Contract with EverFi, Inc. to Provide Financial Literacy Software for academic year 2017-18 at a cost of \$65,000 for 35 institutions and \$2500 for each additional institution.

Attachment

RESOLUTION 01:17

**APPROVING THE EXTENSION OF THE CONTRACT WITH EVERFI, INC. TO
PROVIDE FINANCIAL LITERACY SOFTWARE**

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

WHEREAS: The Higher Education Student Assistance Authority (HESAA) is charged with providing students and families with individualized financial aid information and assistance; and

WHEREAS: One way HESAA provides this assistance is through an interactive on-line financial literacy program; and

WHEREAS: At its April 24, 2013 meeting the Board approved the procurement of a financial literacy program hosted by EverFi, Inc. for a term of three years with two possible one year extensions; and

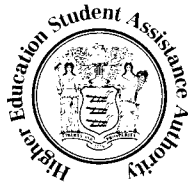
WHEREAS: The first one-year extension, which the Board approved at its January 2016 meeting, is scheduled to expire at the end of the 2016-17 academic year; and

WHEREAS: The program has been successfully providing financial literacy to over 36 schools and the EverFi staff has been highly responsive in providing continued support to the schools by way of training and implementation and by generating monthly reports to HESAA demonstrating the successful implementation of the program.

NOW, THEREFORE, LET IT BE:

RESOLVED: The Board approves the second one-year extension of the contract with EverFi, Inc. to provide financial literacy software for academic year 2017-18 at a cost of \$65,000 for 35 institutions and \$2500 for each additional institution.

January 25, 2017



State of New Jersey

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CHRIS CHRISTIE
Governor


KIM GUADAGNO
Lt. Governor

GABRIELLE CHARETTE, ESQ.
Executive Director

MEMORANDUM

TO: Members, Higher Education Student Assistance Authority

THROUGH: Gabrielle Charette, Esq. 
Executive Director

FROM: André Maglione 
Acting Director, Client Services

SUBJECT: Resolution 02:17 – Approving the Extension of the Contract with The Nautilus Publishing Company for One Year as Publisher of *Going to College in New Jersey*

DATE: January 25, 2017

Background

The Higher Education Student Assistance Authority (HESAA) annually distributes two publications to college-bound students, *Going to College in New Jersey* and *Life 101*. *Going to College in New Jersey* is an 80 page publication that promotes awareness of higher learning opportunities in the State of New Jersey as well as State and federal financial aid programs. *Life 101* is an 8 page publication that promotes awareness of higher education, student aid, career and life-skills for college-bound students in the 11th and 12th grades throughout New Jersey.

On December 2, 2013, HESAA issued a Request for Proposals (RFP) to write, edit, design, print, produce, and distribute the two publications and the Board appointed Nautilus Publishing Company as the publisher of both publications for a three-year contract with two possible one-year extensions. The initial three-year term expires on March 27, 2017.

Staff recommends exercising the first-one year extension for Nautilus to continue publishing *Going to College in New Jersey*. *Going to College in New Jersey* is distributed to all New Jersey high schools, in both paper and electronic formats, and is used to promote New Jersey institutions of higher education. It contains information on

all of the schools as well as a college major chart that identifies which schools provide each course of study. This magazine guides families through the entire college application process by assisting students in selecting the school that is right for them, explaining how to apply to that school, and how to apply for financial aid. HESAA has been satisfied with how Nautilus designs, prints and distributes this magazine.

Staff further recommends that HESAA discontinues publishing *Life 101*. Staff consulted with high school guidance counselors who advised that they do not see the value of this publication. Some of the content is redundant to the *Going to College in New Jersey* magazine and as *Life 101* is only published in a paper format, it is not gaining students' attention in the same way as electronic publications. Instead of publishing *Life 101* electronically, HESAA can reach out to students more efficiently using social media, such as Facebook and YouTube.

The total cost for publishing *Going to College in New Jersey*, including Spanish translations, will be \$70,550.00, which is the same as the previous three-years. This cost includes the e-book version of *Going to College in New Jersey*, compatible with both major e-book readers, iTunes and Android.

Nautilus published both *Going to College in New Jersey* and *Life 101* to HESAA's specifications and has met all expectations for the last eight years. Accordingly, staff recommends approving the first one-year extension of the contract with Nautilus to publish *Going to College in New Jersey*.

Recommendation

It is recommended that the Board approve Resolution 02:17, approving the extension of the contract with Nautilus Publishing Company for one year as publisher of *Going to College in New Jersey*, at a cost of no more than \$70,550.00.

Attachment

RESOLUTION 02:17

RESOLUTION APPROVING THE EXTENSION OF THE CONTRACT WITH THE NAUTILUS PUBLISHING COMPANY FOR PUBLICATION OF *GOING TO COLLEGE IN NEW JERSEY* FOR ONE YEAR

Moved: Ms. Audrey Bennerson
Seconded: Fr. Michael Braden

WHEREAS: The Higher Education Student Assistance Authority (HESAA) entered into a three year initial contract with The Nautilus Publishing Company for publication of *Going to College in New Jersey* and *Life 101* on March 27, 2014, with two optional one year extensions; and

WHEREAS: The initial contract term is set to expire on March 27, 2017; and

WHEREAS: *Going to College in New Jersey* continues to be a relevant publication for guiding families through the process of choosing a New Jersey school and applying for both admission and financial aid; and

WHEREAS: It is no longer necessary to publish *Life 101* as HESAA utilizes social media to reach out to students; and

WHEREAS: Nautilus published both *Going to College in New Jersey* and *Life 101* to HESAA's specifications and has met all expectations.

NOW THEREFORE, LET IT BE:

RESOLVED: The Higher Education Student Assistance Authority hereby approves the extension of the contract with The Nautilus Publishing Company for publication of *Going to College in New Jersey* for one year, at a cost of \$70,550.00.

January 25, 2017



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

THROUGH: Gabrielle Charette, Esq. 
Executive Director

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

SUBJECT: Resolution 03:17 Proposed Amendments to Regulations Governing New Jersey College Loans to Assist State Students (NJCLASS), N.J.A.C. 9A:10-6.3, 6.12, 6.13 and 6.17

DATE: January 25, 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 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.

The proposed amendments are summarized below:

Guidance issued by the U.S. Department of Treasury in November 2015 clarified that parent only loans are eligible to be financed by qualified student loan bonds. To ensure that the parent only NJCLASS loan meets all federal eligibility requirements, it is

proposed that the definition of parent borrower in N.J.A.C. 9A:10-6.3 be amended to mirror the federal definition for parent borrower.

P.L. 2016 c. 71, which was signed into law on December 5, 2016, defines temporary total disability for a student borrower to include student borrowers who continue 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. It is proposed that the definition of temporarily totally disabled in N.J.A.C. 9A:10-6.3 be amended to reflect the statutory change.

P.L. 2016 c. 71 defines total and permanent disability for a student borrower to include student borrowers who continue 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. It is proposed that the definition of totally and permanently disabled in N.J.A.C. 9A:10-6.3 be amended to reflect the statutory change.

Pursuant to P.L. 2016 c. 71, interest shall no longer accrue during periods of deferment due to the student borrower's temporary total disability. As such, an amendment is proposed to N.J.A.C. 9A:10-6.12(a) to reflect this change.

An amendment to N.J.A.C. 9A:10-6.12(a)6. is proposed pursuant to P.L. 2016 c. 71 to provide that if the student borrower qualifies for the temporary total disability deferment, it will be granted regardless of whether the other parties to the loan qualify for a deferment.

Pursuant to P.L. 2016 c. 71 it is proposed that N.J.A.C. 9A:10-6.12(b) be amended to add total temporary disability to the list of deferments permitted for NJCLASS Loan Program loans with a 10-year repayment term.

An amendment is proposed to N.J.A.C. 9A:10-6.13(f) to clarify that to be eligible for an NJCLASS Consolidation Loans cosigners are required to meet both the minimum income and credit requirements.

N.J.A.C. 9A:10-6.13(i) currently defines a specific application/administrative fee for NJCLASS Consolidation Loan. In order to provide more flexibility to lower fees if market conditions permit, an amendment is proposed to N.J.A.C. 9A:10-6.13(i) to provide that the administrative fee will be prescribed by the bond indentures.

N.J.A.C. 9A:10-6.13(j) provides a specific interest rate for NJCLASS Consolidation Loans. Market conditions may permit the Authority to offer interest rates for the NJCLASS Consolidation Loans that are lower than those currently prescribed by regulation. As such, an amendment to N.J.A.C. 9A:10-6.13(j) is proposed to permit the bond indentures to define the interest rates in order to provide the flexibility to lower rates as the market allows.

As Federal regulations pertaining to FFELP are being deleted, N.J.A.C. 9A:10-6.13(m) is proposed for amendment to delete cross references to the Federal regulation. The term “economic hardship” is replaced with “financial hardship” to reflect the term of art currently used in these situations and to add a definition of the terms.

Further amendments are proposed to N.J.A.C. 9A:10-6.13(m) pursuant to P.L. 2016 c. 71 to provide a deferment in the repayment of NJCLASS Consolidation loans in the event of the total temporary disability of the student borrower.

Proposed amendments to N.J.A.C. 9A:10-6.17 are pending as PRN 2016-194, as published in the December 5, 2017 New Jersey Register at 48 N.J.R. 2573. In addition to the pending amendments, it is further proposed that N.J.A.C. 9A:10-6.17(c) be amended to reflect the statutory change made by P.L. 2016 c. 71, which defines total and permanent disability for a student borrower to include student borrowers who continue 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.

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

9A:10-6.3 Definitions

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

...

“Parent borrower” means a **student’s biological or adoptive mother or father or the student’s stepparent, if the biological or adoptive parent has remarried at the time of application** [parent(s), spouse, legal guardian, or other relative of a dependent undergraduate or graduate student] who applies for and receives an NJCLASS Loan Program loan.

...

"Temporarily totally disabled" means that an individual is unable to work and earn money or attend school during a period needed to recover from injury or illness. **Other than a student borrower, an individual shall not be considered temporarily totally 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.**

"Totally and permanently disabled" means the condition of any individual who is unable to work and earn money or attend school because of an injury or illness that is expected to continue indefinitely or result in death. **Other than a student borrower,** [An] **an** individual is not considered "totally and permanently disabled" if he or she

continues to receive an equal or greater amount of income from the source of income that was used to meet the minimum income requirements at the time the loan was approved.

...

(b) (No change.)

9A:10-6.12 Deferments and forbearance

(a) Under certain conditions, borrowers shall be permitted to defer payments of interest and/or loan principal for specified periods of time. Some deferments may only be granted if both the borrower and co-borrower qualify for the deferment. During periods of authorized deferment, borrowers remain responsible for the payment of the interest accruing on their loan(s), **except for during approved periods of temporary total disability of the eligible student borrower**. The following are available NJCLASS Loan Program deferments and their requirements:

1. – 5. (No change.)

6. Temporary total disability.

i. To qualify for this deferment, a borrower shall submit a request **in a form proscribed by the Authority**, and provide the Authority with a statement from a physician, who is a doctor of medicine or osteopathy and is legally authorized to practice, certifying that the borrower is temporarily totally disabled. **If an eligible student borrower qualifies for this deferment it will be granted regardless of whether the other parties to the loan qualify for a deferment.**

(b) The deferment begins on the date the borrower's qualifying status is certified to begin and ends on the date the borrower's qualifying status is certified to end. Maximum allowable time periods for all deferments except full-time and half-time study at an eligible institution, **temporary total disability of an eligible student borrower** and active duty in the armed forces shall not exceed six months for loans with a 10-year repayment term, 18 months for loans with a 15-year repayment term, 24 months for loans with a 20-year repayment term, 30 months for loans with a 25-year repayment term, and 36 months for loans with a 30-year repayment term for an unemployment deferment, and for each of the remaining deferments, as established by the Authority. Full-time and half-time study deferments are not available within 24 months of the loan maturity date. Deferments for NJCLASS Loan Program loans with a 10-year repayment term are limited to unemployment **and total temporary disability** deferments.

(c) – (d) (No change.)

9A:10-6.13 Consolidation Loan Program

(a) – (e) (No change.)

(f) An NJCLASS Consolidation loan borrower and/or co-borrower shall meet minimum income requirements and be determined creditworthy by the Authority in order to be eligible for an NJCLASS Consolidation loan. Cosigners shall be required to meet the minimum income **and** [or] creditworthy determination by the Authority if the borrower or co-borrower are unable to do so.

1. – 2. (No change.)

(g) - (h) (No change.)

(i) NJCLASS Consolidation Loan borrowers and/or co-borrowers **may** [will] be required to pay **an** [a one percent] application/administrative fee **as proscribed by the bond indentures**. This fee will be added to the sum of the outstanding principal and interest balance of each underlying NJCLASS Loan Program loan being consolidated at the time of approval. In addition, borrowers and/or co-borrowers may be required to pay a servicing fee for the NJCLASS Consolidation Loan if provided for by the promissory note.

(j) The interest rate on the NJCLASS Consolidation Loan will be a fixed rate based upon **a calculation or rate defined in the bond indentures** [the weighted average interest rate of all the underlying NJCLASS Loan Program loans being consolidated plus 25 basis points. The interest rate of the underlying NJCLASS Loan Program loan is calculated using a blending of the applicable initial and step-up interest rates disclosed to the borrower. If the interest rate of the underlying NJCLASS Loan Program loan currently reflects the step-up interest rate, the step-up interest rate will be used solely in the calculation. If a variable rate NJCLASS Loan Program loan or an NJCLASS Loan Program loan with a 10-year repayment term is being included in the NJCLASS Consolidation Loan, the rate used in the weighted average calculation will be the equivalent 15- or 20-year fixed rate interest rate for the immediate repayment of principal and interest in effect at the time of disbursement of the underlying NJCLASS Loan Program loan. Interest on an NJCLASS Consolidation Loan will begin to accrue at the time of the loan disbursement].

(k) – (l) (No change.)

(m) The Authority may also, at its discretion, grant borrowers periods of **deferments or forbearance** in the repayment of the NJCLASS Consolidation Loan(s). Forbearance will only be granted if **the ability of** both the borrower and co-borrower [qualify for the forbearance pursuant to 34 CFR 682.211(a)(3)] **to make scheduled payments has been impaired based on the same or differing conditions**. Forbearance may be granted for situations including, but not limited to, **financial** [economic] hardship [(as these terms are defined for the FFEL Program, 34 CFR Part 682)], **which means situations where the overall financial circumstances of the individual seeking relief are such that he or**

she is unable to maintain a basic standard of living and still make NJCLASS Consolidation Loan debt payments. During periods of forbearance, the NJCLASS Consolidation Loan will revert to quarterly or monthly payments of interest only. The maximum allowable time period for **financial** [economic] hardship forbearance set forth in N.J.A.C. 9A:10-6.12(d) pertains to NJCLASS Consolidation Loans. **Deferments will be granted in the event of temporary total disability of an eligible student borrower. To qualify for this deferment, the student borrower shall submit a request in a form proscribed by the Authority and provide the Authority with a statement from a physician, who is a doctor of medicine or osteopathy and is legally authorized to practice, certifying that the student borrower is temporarily totally disabled. If an eligible student borrower qualifies for this deferment it will be granted regardless of whether the other parties to the loan qualify for a deferment.**

(n) (No change.)

§ 9A:10-6.17 Discharge

(a) – (b) (No change.)

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

(d) (No change.)

***It should be noted that upon adoption of the proposed amendments to N.J.A.C. 9A:10-6.17(c) that are pending as PRN 2016-194, as well as the amendments currently being proposed, N.J.A.C. 9A:10-6.17(c) will read as follows:

(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. Other than a student borrower, a borrower is not considered totally and permanently disabled if he or she continues to receive an equal or greater amount of income from the source of income that was used to meet the minimum income requirements at the time the loan was approved. After being notified by the borrower, student, or the borrower's, or student's representative, that the borrower claims to be totally and permanently disabled, the Authority shall request that the borrower, or the borrower's representative, submit the discharge application provided by the Authority. The application must contain a certification by a physician, who is a doctor of medicine or osteopathy and legally authorized to practice in a state, that the borrower or student is totally and permanently disabled as defined in N.J.A.C. 9A:10-6.3.

Recommendation

It is recommended that the Board approve Resolution 03:17 Proposed Amendments to Regulations Governing New Jersey College Loans to Assist State Students (NJCLASS), N.J.A.C. 9A:10-6.3, 6.12, 6.13 and 6.17 so that the proposed amendments can be published in the New Jersey Register.

Attachment

RESOLUTION 03:17

**PROPOSED AMENDMENTS TO REGULATIONS GOVERNING NEW JERSEY
COLLEGE LOANS TO ASSIST STATE STUDENTS (NJCLASS), N.J.A.C. 9A:10-6.3,
6.12, 6.13 AND 6.17**

Moved by: Fr. Michael Braden

Seconded by: Ms. Maria Torres

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 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; and

WHEREAS: 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; and

WHEREAS: In order to effectuate new legislation and provide additional clarifications it is necessary to amend the regulations.

NOW, THEREFORE, LET IT BE:

RESOLVED: That the Board approves and authorizes publishing the Proposed Amendments to Regulations Governing New Jersey College Loans to Assist State Students (NJCLASS), N.J.A.C. 9A:10-6.3, 6.12, 6.13 and 6.17 in the New Jersey Register.

January 25, 2017



THE LANDSCAPE OF FEDERAL HIGHER EDUCATION FINANCING

PRESENTATION TO NJHESAA'S BOARD
JANUARY 25, 2017



Introduction of Education Finance Council (EFC)

- EFC is the national trade association representing nonprofit and state-agency student loan organizations.
- As state-based, nonprofit entities, EFC Members are driven by public-purpose missions.
- EFC focus is to expand borrowers' financial knowledge, prevent over-borrowing and promote positive repayment behavior.
- EFC is celebrating its 25th Anniversary.

Introduction of Education Finance Council (EFC)

- EFC Brand – Differentiating Nonprofit Organizations from For-Profit Institutions
- EFC Guiding Principles for Nonprofit, State-Based, and State-Chartered Organizations Who Make Education Loans

Federal Landscape

- Legislative Branch (115th Congress)
 - Senate HELP Committee
 - House Education & Workforce Committee
 - Senate Finance Committee
 - House Ways & Means Committee
- Executive Branch: ?

Emerging/Current Initiatives on the Federal Landscape

- Alternative Education Loans
- Federal Regulations
- Student Success
- Possible New Loan Program(s)

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