MINUTES

HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY

January 28, 2016

The Higher Education Student Assistance Authority (HESAA) Board held a meeting on January 28, 2016 at 2:00 pm at the Mid Jersey Chamber of Commerce offices in Hamilton.

PRESENT: Mr. James Allen; Fr. Michael Braden; Ms. Audrey Bennerson, Secretary of Higher Education Designee; Ms. Gabrielle Charette, Esq.; Mr. Anthony Falcone; Dr. Jon Larson; Mr. Corey Amon, Treasurer’s Designee; Ms. Jean McDonald Rash; Mr. Shyam Sharma; Ms. Maria Torres and Ms. Christy Van Horn (teleconference), Members.

ABSENT: Mr. George Garcia, Esq.; Mr. Luis Padilla; and Mr. Bader Qarmout.

CALL TO ORDER

Anthony Falcone called the meeting to order at 2:02 pm. 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 Chris Howard, Esq., 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 22, 2015 MEETING

A motion to approve the minutes of the October 22, 2015 meeting was made by Mr. Corey Amon and seconded by Ms. Audrey Bennerson. The minutes were approved unanimously.

RESOLUTION 01:16 APPROVING THE APPOINTMENT OF AN INDEPENDENT AUDITOR

Anthony Falcone presented Resolution 01:16 to the Board.

Executive Order 122 requires public authorities to create an Audit Committee. Under E.O. 122, an Audit Evaluation Committee is responsible for issuing a Request for Proposal (RFP) for
auditing services, evaluating responses to the RFP, and forwarding its recommendation to the Audit Committee.

The current members of the HESAA Board Audit Committee are Christy Van Horn, James Allen, Corey Amon and me. As Board Chair, at our July 2015 meeting I appointed Michael Braden, Jon Larson and Bader Qarmout to serve on the ad hoc Audit Evaluation Committee. We would like to thank them for their time and effort serving. Staff at HESAA developed an RFP and upon the Evaluation Committee’s approval the RFP was issued on November 2, 2015. The RFP was mailed to 14 auditing firms, posted on HESAA’s website and advertised in the Trenton Times, Star Ledger, Courier News, and Home News.

Three firms provided responsive proposals to the RFP and one sent in a non-responsive proposal and was therefore not considered.

The Audit Evaluation Committee met on December 15, 2015 by teleconference to evaluate the responsive proposals using the criteria contained in Section 8.2 of the RFP as the primary guidance in its selection process.

Based on their review and determination, the Audit Evaluation Committee provided a report to the Audit Committee recommending the selection of CliftonLarsonAllen as the auditing firm for HESAA for the initial term of three years, beginning with the 2016 fiscal year, and subject to two one-year extensions at the option of HESAA. The Committee gave the highest score to the incumbent firm CliftonLarsonAllen which had an overall superior technical approach to the job that was well framed in their proposal. They also demonstrated the required expertise on bond fund audits as well as a focus on privacy protections. The firm proposed a fair price based on an accurate assessment of the audit services to be performed. For their previous engagement CliftonLarsonAllen charged a fee of $75,000 for the first year, and increased the fee each year. Last year, the fifth and final year, they charged $84,350. In their current proposal, they will be keeping the fee at $84,350 for the first three years and will increase the fee by less than $3,500 for each of the possible extension years.

The Audit Committee met on January 5, 2016 and, based upon the written report, agreed with the Audit Evaluation Committee’s recommendation. While Mercadien provided the lowest bid, of $77,800 for the first year with a total of $393,668 for the full five year engagement, the Audit Committee agreed with the Audit Evaluation Committee’s assessment that CliftonLarsonAllen is the most qualified firm, with the most reasonable estimate of the amount of time required to complete the work. The Audit Committee noted that Mercadien estimated the hours of work needed to complete the audits at 380 compared to the 630 hours estimated by CliftonLarsonAllen. As a result CliftonLarsonAllen’s hourly rate was actually lower than Mercadien’s. The cost for the engagement is $84,350 for the first year, with a total cost of $429,000 for the full five year engagement.

It is recommended that the Board approve the attached Resolution 01:16 – Appointing CliftonLarsonAllen as Independent Auditor, at a cost of $84,350 for the first year, with a total cost of $429,000 for a five year engagement.
A motion to approve Resolution 01:16 was made by Fr. Michael Braden and seconded by Ms. Jean McDonald Rash.

Maria Torres asked for confirmation that CliftonLarsonAllen is HESAA's current auditors and questioned what the total length of their term would be upon appointment. Anthony Falcone confirmed that they are the current auditors and that upon approval their terms would be for 8 to 10 years.

Mr. James Allen advised for the record that he has no relation to the Allen in CliftonLarsonAllen.

The motion passed unanimously.

**RESOLUTION 02:16 APPROVING THE EXTENSION OF THE CONTRACT WITH EVERIFI, INC. TO PROVIDE FINANCIAL LITERACY SOFTWARE**

Andre Maglione presented the attached PowerPoint to the Board to demonstrate why staff recommends extending the contract.

Following the PowerPoint presentation Dr. Larson questioned why the program is only available in eleven counties and Ms. Torres questioned how the program could be expanded to Atlantic and Cape May counties. Mr. Maglione explained that the HESAA initially entered the contract with EverFi pursuant to funding from the College Access Challenge Grant (CACG), which required outreach to four specific counties. He further explained that the program is no longer funded through the grant but rather through HESAA general funds which has allowed for expansion to additional counties. He explained that the program is continuing to expand but that the purpose of the program is to supplement the work of the classroom teachers.

Cory Amon questioned to what extent HESAA would like to see this program expand. Gabrielle Charette advised that ideally it would be available in every high school in New Jersey but that just is not possible without the CACG funds or an unlimited HESAA budget.

Dr. Larson asked for clarifications as to why some schools are inactive, to which Mr. Maglione explained that some schools teach economics throughout the school year while others limit the subject to specific quarters.

Audrey Bennerson questioned whether the program was only available in public schools to which Mr. Maglione advised that it is currently offered in charter school as well.

Anthony Falcone and Cory Amon asked whether every student is required to take this course. Mr. Maglione explained that every student is required to take a financial literacy course and while the schools provide the course, they are not always taught by economists. As such, the EverFi program supplements what is being taught in the classroom.

Mr. Falcone questioned whether it is possible to measure the success of the EverFi program. Mr. Maglione advised that staff has been working with EverFi to incorporate additional tracking features such as whether students went on to college or if they filed a FAFSA.
At the conclusion of the discussion, Andre Maglione presented Resolution 02:16 to the Board recommending approval to exercise the first one year extension with EverFi at a cost of $65,000 for the first 35 institutions and $2,500 for each additional institution.

A motion to approve Resolution 02:16 was made by Ms. Jean McDonald Rash and seconded by Ms. Audrey Bennerson.

The motion passed unanimously.

CONGRESSIONAL UPDATE AND NCHER STUDENT ADVOCACY EFFORTS PRESENTED BY JAMES BERGERON, PRESIDENT, OF NCHER

Gene Hutchins introduced James Bergeron, President of the National Council of Higher Education Resources (NCHER). NCHER represents a nationwide network of lenders, secondary markets, guaranty agencies, loan servicers, private collection agencies, schools, and others that assist students, borrowers, parents, and families’ access, manage, and pay for the costs of postsecondary education.

Prior to joining NCHER, James worked as the Director of Education and Human Services Policy for the House Committee on Education and the Workforce. Before joining the Committee in 2006, Mr. Bergeron served as Legislative Director in California Rep. Buck McKeon’s congressional office. He authored important legislative initiatives on college affordability and financial aid simplification. Mr. Bergeron began his Capitol Hill service almost 20 years ago as a Legislative Assistant to former Louisiana Rep. Bob Livingston, who chaired the House Appropriations Committee. Mr. Bergeron also served as Vice President of MARC Associates (now part of Holland & Knight), a government relations firm where he consulted for a number of elementary and secondary education and higher education organizations.

Mr. Bergeron presented the attached PowerPoint presentation to the Board.

CHIEF COMPLIANCE OFFICER’S REPORT

Michael J. McCulley, Esq., Chief Compliance Officer presented the attached PowerPoint presentation to the Board.

EXECUTIVE DIRECTOR’S REPORT

Executive Director Gabrielle Charette gave the following report:

Since this Board last met, a great deal has occurred at HESAA. Chief of Staff Greg Myer was recruited by the Commissioner of the New Jersey Department of Health to become her Chief of Staff. While bittersweet, Greg felt a new challenge was an opportunity he had to seize, and he left the Authority in early November.

Marcia Karrow joined HESAA later in the month as Chief of Staff. Marcia received her undergraduate degree from Smith College, a Master's degree from the University of Michigan
and a Master's in Business Administration from Baruch College. Marcia has an extensive background in both the legislative and executive branches of state government. She served as a member of the General Assembly and State Senate, and as head of the New Jersey Meadowlands Commission. Earlier in her career, she was the Assistant Director of the New Jersey Department of the Treasury Division of Property Management and Construction. This background has enabled Marcia to immediately jump into the renovation and moving project that Greg had been spearheading.

On that subject, I am pleased to report that renovations and relocations are well underway. In fact, the reason we are holding today's meeting at the Mid Jersey Chamber of Commerce is because Building Two, where our conference room is located, has been completely gutted and is being remodeled. At our last meeting we took you on a hard hat tour of our new space in Building One. Today, hard hats are no longer needed as Building One work is complete, and staff is occupying the new space. We have some before and after pictures for you, but you are also invited to take a walk over and see the space for yourselves following this meeting.

While Marcia is taking the lead on overseeing the renovations and the office moves, she has been receiving great support from a number of members of the HESAA team. In particular, Ron Castor, Manager of Tech Services, and Adam Grossman, Distributed Infrastructure Manager, deserve commendation.

A 34-year veteran of HESAA, Ron has been scheduling weekly project status meetings, ensuring strict adherence to timelines, and managing the satisfactory completion of punch lists. He is also coordinating with HESAA staff to ensure the business needs of each unit are met during this process.

Adam Grossman has coordinated the removal of all computer equipment and devices from employee desks and the reinstallation of same. Although we are not moving the data center, Adam did take this opportunity to reconfigure it to create a more efficient tech services hub within the existing space.

While renovations and relocations have certainly commanded a great deal of our attention of late, please know we have not allowed ourselves to be distracted from our core mission of serving students and administering our programs. Our Client Services Unit has been especially busy. During the last quarter of 2015, customer care line counselors fielded over 32,900 in bound calls and outreach counselors participated in over 240 financial aid and financial literacy events across the State.

Client Services staff also distributed 7,800 State and federal financial aid booklets, 6,600 student loan guides to New Jersey high schools across the state, and provided all high schools with an electronic link to the e booklet versions of these publications.

Client Services also sent letters to the 36,824 New Jersey high school seniors who have taken the SATs outlining all the various financial aid programs available to New Jersey residents.

The Loan Unit has also been busy. Between the end of December and the beginning of January they mailed over 78,000 privacy notices to our borrowers as required by federal privacy laws.
Speaking of loans, planning is already afoot for our upcoming NJCLASS bond sale. We held a kick off meeting in December with our underwriter and financial advisor. And we have also engaged bond counsel to provide us with advice on new guidance issued in November by the US Department of Treasury on qualified student loan bonds under section 144 (b) of the code. Prior guidance, in the form of a private letter ruling to the Rhode Island Student Loan Authority from the IRS, had seemed to indicate that tax-exempt financing could not be used to support a refinancing program for student loan borrowers. This new guidance is positive and decisively states that tax-exempt financing can be used for refinancing programs. Hence, we anticipate that the bond resolution that we bring to you in April will, for the first time, include a refinancing component within the overall bond deal. The guidance also affirmatively permits us to restart our Consolidation Loan program as well as parent-only loans taken out to finance their children’s higher education.

Of course all these endeavors would not or could not be possible without a skilled and dedicated workforce. And I am pleased to report that we continue to invest in our human resources. In December, we welcomed Sean Smith to our Information Services unit as an Information Technology Specialist. Sean is a graduate of the County College of Morris and Mercy College. And earlier this week, Jean Hathaway joined HESAA as Assistant Director for Grants and Scholarship Accounting. Jean is a graduate of Raritan Valley Community College and Rider University. She comes to us from Rutgers University’s financial aid office where she worked for over 16 years.

Lastly, during the end of 2015, a project that is near and dear to my heart came to full fruition. November 16th was the due date for all institutions to report their TAG graduation rates. This was the first year of this annual requirement. I have to compliment all 56 institutions of higher education that participate in the TAG program for their cooperation. HESAA received 100% cooperation and compliance. Those interested in reviewing the reports can access them on the HESAA website’s Grants and Scholarships page.

Speaking of graduation and in closing, earlier this month I had the honor of attending Union County College’s Winter Commencement at the Union County Performing Arts Center. The pride of those graduates, many of whom were TAG and NJ STARS students, reverberated throughout the auditorium and once again reaffirmed for me the immense importance of the work we do here.

Thank you.

NEW BUSINESS

Chair Falcone reminded the Board members to complete their State Ethics Outside Employment Questionnaire.

ADJOURNMENT

Mr. Falcone announced that the next regularly scheduled Board meeting is Tuesday April 19, 2016 at 10:00 am. Motion to adjourn was made by Mr. James Allen and seconded by Ms. Maria Torres. The meeting adjourned at 3:15 pm.
MEMORANDUM

TO: Members, Higher Education Student Assistance Authority

FROM: Anthony Falcone
Audit Committee

SUBJECT: Resolution 01:16 – Appointing CliftonLarsonAllen LLP as Independent Auditor

DATE: January 28, 2016

Background

Executive Order (E.O.) 122 (McGreevey) requires public authorities, agencies and commissions to create an Audit Committee. Among other duties, the Audit Committee is charged with recommending to the Board the appointment of an independent auditor to conduct an audit of the Authority's financial statements. Under E.O. 122, an Audit Evaluation Committee is responsible for issuing a Request for Proposal (RFP) for auditing services, evaluating responses to the RFP, and forwarding its recommendation to the Audit Committee. After reviewing and accepting the Audit Evaluation Committee recommendation, the Audit Committee forwards the recommendation to the full HESAA Board for approval.

Summary

The current members of the HESAA Board Audit Committee are Christy Van Horn, James Allen, Corey Amon and I. As Board chair, at our July 2015 meeting I appointed Michael Braden, Jon Larson and Bader Qarmout to serve on the ad hoc Audit Evaluation Committee. At the request of the Audit Evaluation Committee, staff at HESAA developed an RFP for E.O. 122 auditing services for review and approval by the Evaluation Committee. Following the Committee’s approval, the RFP was issued on November 2, 2015. HESAA mailed the RFP to 14 auditing firms, posted the RFP on HESAA’s website and advertised the RFP in the Trenton Times, Star Ledger, Courier News, and Home News.
Three firms, CliftonLarsonAllen, Grant Thornton and Mercadien, PC, provided responsive proposals to the RFP. One firm sent in a non-responsive proposal and was therefore not considered.

The Audit Evaluation Committee met on December 15, 2015 by teleconference to evaluate the responsive proposals using the criteria contained in Section 8.2 of the RFP as the primary guidance in its selection process.

Based on their review and determination, the Audit Evaluation Committee provided a report to the Audit Committee recommending the selection of CliftonLarsonAllen as the auditing firm for HESAA for the initial term of three years, beginning with the 2016 fiscal year, and subject to two one-year extensions at the option of HESAA. The Committee gave the highest score to the incumbent firm CliftonLarsonAllen which had an overall superior technical approach to the job that was well framed in their proposal. This firm’s wealth of experience also stood out to the Audit Evaluation Committee. Based on their proposal and past experience, the Committee feels that they are credible, efficient and effective. They have the required experience in evaluation of systems of internal control, financial transaction testing and fraud testing. This firm demonstrates the required expertise on bond fund audits as well as a focus on privacy protections. CliftonLarsonAllen assigns an appropriately sized team to HESAA, who in the past have proven to be responsive. The committee agreed that the firm proposed a fair price based on an accurate assessment of the audit services to be performed. For their previous engagement CliftonLarsonAllen charged a fee of $75,000 for the first year, and increased the fee each year. In the final year they charged $84,350. In their current proposal, CliftonLarsonAllen will be keeping the fee at $84,350 for the first three years and will increase the fee by less than $3,500 for each of the possible extension years.

The Audit Committee met on January 5, 2016 and based upon the written report agreed with the Audit Evaluation Committee’s recommendation. While Mercadien provided the lowest bid of $77,800 for the first year with a total of $393,668 for the full five year engagement, the Audit Committee agreed with the Audit Evaluation Committee’s assessment that CliftonLarsonAllen is the most qualified firm, with the most reasonable estimate of the amount of time required to complete the work. The Audit Committee noted that Mercadien estimated the hours of work needed to complete the audits at 380 compared to the 630 hours estimated by CliftonLarsonAllen. As such CliftonLarsonAllen’s hourly rate was actually lower than Mercadien’s. The cost for this engagement is $84,350 for the first year, with a total cost of $429,000 for the full five year engagement.

**Recommendation**

It is recommended that the Board approve the attached Resolution 01:16 – Appointing CliftonLarsonAllen as Independent Auditor, at a cost of $84,350 for the first year, with a total cost of $429,000 for a five year engagement.

Attachments
RESOLUTION 01:16

APPOINTING CLIFTONLARSONALLEN AS INDEPENDENT AUDITOR

Moved By: Fr. Michael Braden
Seconded By: Ms. Jean McDonald Rash

WHEREAS: Executive Order (E.O.) 122 requires the Higher Education Student Assistance Authority (HESAA) to appoint an Independent Auditor; and

WHEREAS: At the request of the Audit Evaluation Committee, a Request for Proposal (RFP) for E.O. 122 auditing services was issued on November 2, 2015. HESAA mailed the RFP to 14 auditing firms, posted the RFP on HESAA’s website and advertised the RFP in the Trenton Times, Star Ledger, Courier News, and Home News; and

WHEREAS: Three firms, CliftonLarsonAllen, Grant Thornton and Mercadien, PC, provided responsive proposals to the RFP; and

WHEREAS: HESAA’s Audit Evaluation Committee met on December 15, 2015 by teleconference to evaluate these proposals using the criteria contained in Section 8.2 of the RFP as the primary guidance in its selection process; and

WHEREAS: The Audit Evaluation Committee determined that CliftonLarsonAllen would provide superior services; and

WHEREAS: The Audit Evaluation Committee provided the Audit Committee with a written report recommending the selection of CliftonLarsonAllen as the auditing firm for HESAA for the initial term of three years subject to two one-year extensions at the option of HESAA; and

WHEREAS: The Audit Committee met on January 5, 2016 to review the report and agreed with the Audit Evaluation Committee’s recommendation that CliftonLarsonAllen is the most qualified firm to serve as HESAA’s Independent Auditor.

NOW, THEREFORE, LET IT BE:

RESOLVED: That the Higher Education Student Assistance Authority appoints CliftonLarsonAllen as its auditing firm for an initial term of three years with two possible one-year extensions at the option of the Higher Education Student Assistance Authority at a cost of $84,350 for the first year, with a total cost of $429,000 for a five year engagement.

January 28, 2016
### EVALUATION SCORE SHEET

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</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2748</td>
</tr>
</tbody>
</table>
Evaluation Committee Teleconference Meeting  
December 15, 2015

Attendees:
Evaluation Committee
  Dr. Jon Larson
  Fr. Michael Braden
  Bader Qarmout

HESAA Staff
  Gabrielle Charette, Esq., Executive Director
  Gene Hutchins, Chief Financial Officer
  Marnie Grodman, Esq., Director of Legal and Governmental Affairs

Responses to the RFP for Auditing Services were forwarded to the Evaluation Committee for review on December 7, 2015.

The Evaluation Committee met on December 15, 2015 by teleconference to evaluate these proposals using the following criteria:

- The quality of response to RFP package including the firm's general and technical approach and plans to meet the requirements of the RFP
- The demonstrated ability and qualifications to conduct governmental audits and the firm’s demonstration of the ability and qualifications to conduct audits for the volume of borrowers and complexity of the HESAA investment portfolio
- The quality of relevant service to the governmental entities in previous transactions
- The firm's familiarity with federal laws, rules and regulations relevant to governmental audits
- The qualifications and experience of the assigned staffing providing the auditing services
- The assurance of the availability and timely performance of the staff assigned to the Authority's audit engagement
- The proposed fee for services.

The Committee agreed that the demonstrated ability and qualifications to conduct government audits and the proposed fee for services criteria are the most significant criteria when scoring. As such, they agreed to weigh the scores for these criteria at 20 percent and the scores for the remaining criteria at 12 percent.

**CliftonLarsonAllen LLP**

CliftonLarsonAllen is the incumbent and has been the auditor for five years. Based on their proposal and past experience they are credible, efficient and effective. They have the required experience in financial transaction testing and fraud testing. This firm demonstrates the required expertise on bond fund
audits as well as a focus on privacy. CliftonLarsonAllen assigns a generous sized team to HESAA, who in the past have proven to be responsive. The committee agreed that the firm proposed a fair price.

**Grant Thornton**

Pursuant to their proposal, Grant Thornton does not have New Jersey experience. In addition, their experience with bond funds is limited. Their proposal demonstrates experience in higher education working with colleges, but does not demonstrate experience with government bonds in general or student loan bonds specifically. Additionally, Grant Thornton proposed a very high fee.

**Mercadien**

Mercadien is a local firm who served as HESAA's independent auditor for the fifteen years prior to CliftonLarsonAllen's appointment. They have strong experience with State government. They understand the work that needs to be done at HESAA and in the past completed the work in a timely and effective manner. While the fee proposed is slightly lower than CliftonLarsonAllen, there is some concern about the estimated staffing plan as the proposal estimates 380 hours of work compared to the 630 hours CliftonLarsonAllen estimates.

The scoresheets for each firm is attached to this report. The final score for each firm was:

- CliftonLarsonAllen 2868
- Grant Thornton 1636
- Mercadien 2748

The Evaluation Committee discussed the fact that CliftonLarsonAllen has served as HESAA's independent auditor for the last five years and did not feel there was any conflict with re-appointing the firm for another three year term with two possible one-year extensions. As such the Evaluation Committee is recommending that the Audit Committee recommend the appointment of CliftonLarsonAllen to the full Board.
MEMORANDUM

TO: Members, Higher Education Student Assistance Authority

THROUGH: Gabrielle Charette, Esq.
Executive Director

FROM: André Maglione
Acting Director, Client Services

SUBJECT: Resolution 02:16 - Approving the Extension of the Contract with EverFi, Inc. to Provide Financial Literacy Software

DATE: January 28, 2016

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. The initial three year 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 first 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 almost 3,000 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 $2,500 for each additional institution.

**Recommendation**

It is recommended that the Board approve Resolution 02:16 Approving the Extension of the Contract with EverFi, Inc. to Provide Financial Literacy Software for academic year 2016-17 at a cost of $65,000 for 35 institutions and $2,500 for each additional institution.

Attachment
RESOLUTION 02:16

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

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

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 three years of the engagement expire at the end of the 2015-16 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 first one year extension of the contract with EverFi, Inc. to provide financial literacy software for academic year 2016-17 at a cost of $65,000 for 35 institutions and $2500 for each additional institution.

January 28, 2016
New Jersey Financial Scholars Program

Prepared for the State of New Jersey Higher Education Student Assistance Authority

January 21, 2016
Mission and Goals

Position NJHESAA as a supporter of innovation in schools in New Jersey by sponsoring a digital platform for financial literacy.

Implement the program in high schools in 11 counties this academic year.

Develop and deepen working relationships between NJHESAA and educators through engagement opportunities in both northern and southern New Jersey.
Learning Modules

1. Saving
2. Banking
3. Payment Types
4. Credit Score
5. Financing Higher Education
6. Renting vs. Owning
7. Taxes and Insurance
8. Consumer Fraud
9. Investing

Course Highlights

- Easy-to-Use, Co-Curricular Resource: Equips students with the skill set necessary to be financially responsible adults. Content can be leveraged as a stand alone resource, or work alongside existing curriculum.

- Assessments: Diagnostic surveys, along with pre and post assessments provide insight into student knowledge gain, along with attitude and behavior change.

- Tablet Compatible: Students can access the modules on tablets, including iPads, along with desktop computers.
Partnership Overview

Cutting-edge, interactive, digital learning technology private-labeled to NJHESAA

Expert local implementation with team of former teachers to engage, train and support teachers and students across all of New Jersey

Community engagement opportunities with students and teachers

Marketing support to tell the story of the program and student impact

Comprehensive reporting and data highlighting technology adoption and impact across New Jersey schools
“It really got me thinking about the future, how I’m going to get there, and what I need to do once I’m there.”

– Arthur P. Schalick High School student
After taking your course in 2014-2015, New Jersey students increased their scores on assessment tests by an average of 81%. NJHESAA students showed the most gain in Financing Higher Education and Renting vs. Owning.
Student and School Engagement

In 2015, NJHESAA visited Memorial High School in Millville and Dickinson High School in Jersey City to recognize students for their accomplishments in financial education and play financial literacy jeopardy.

“I liked how it showed examples of real life and used terms I can understand.”
– Memorial High School student
## County by County

<table>
<thead>
<tr>
<th>County Name</th>
<th># of Schools in Program</th>
<th># of Schools Active</th>
<th>Students Reached in SY 15-16 to Date</th>
<th>Modules Completed in SY 15-16 to Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bergen County</td>
<td>3</td>
<td>1</td>
<td>48</td>
<td>59</td>
</tr>
<tr>
<td>Burlington County</td>
<td>1</td>
<td>1</td>
<td>129</td>
<td>1,099</td>
</tr>
<tr>
<td>Cumberland County</td>
<td>6</td>
<td>2</td>
<td>57</td>
<td>350</td>
</tr>
<tr>
<td>Gloucester County</td>
<td>2</td>
<td>1</td>
<td>169</td>
<td>1,042</td>
</tr>
<tr>
<td>Hudson County</td>
<td>4</td>
<td>4</td>
<td>193</td>
<td>836</td>
</tr>
<tr>
<td>Mercer County</td>
<td>1</td>
<td>1</td>
<td>147</td>
<td>819</td>
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<tr>
<td>Middlesex County</td>
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<td>298</td>
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<td>Passaic County</td>
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<td>1</td>
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<tr>
<td>Salem County</td>
<td>7</td>
<td>4</td>
<td>189</td>
<td>1,100</td>
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<tr>
<td>Sussex County</td>
<td>5</td>
<td>2</td>
<td>90</td>
<td>293</td>
</tr>
<tr>
<td>Warren County</td>
<td>5</td>
<td>2</td>
<td>97</td>
<td>647</td>
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</table>
NCHER Federal Update

New Jersey Higher Education Student Assistance Authority Board of Directors

January 28, 2016
Background on NCHER

✓ Nonprofit, 501(c)3 trade association founded in 1967

✓ Represents states/state-affiliated, nonprofit organizations that provide a comprehensive menu of higher education financing services to students, borrowers, parents, and families

✓ Lenders, servicers, secondary markets, guaranty agencies, and financial lit. providers active in federal and private loan programs

✓ Must be state/nonprofit to be a voting member and serve on the Board of Directors
NCHER’s Mission Statement

✓ Enhance member organization’s abilities to help families and students develop, pay for, and attain their educational goals so they can pursue meaningful and rewarding work and become contributing members of society
# Snapshot of Financial Aid

<table>
<thead>
<tr>
<th>Academic Year</th>
<th>04-05</th>
<th>05-06</th>
<th>06-07</th>
<th>07-08</th>
<th>08-09</th>
<th>09-10</th>
<th>10-11</th>
<th>11-12</th>
<th>12-13</th>
<th>13-14</th>
<th>Preliminary 14-15</th>
<th>10 Year % Change</th>
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<tbody>
<tr>
<td><strong>Federal Aid</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Grants</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Pell Grants</td>
<td>$16,542</td>
<td>$15,477</td>
<td>$15,006</td>
<td>$16,737</td>
<td>$18,812</td>
<td>$33,192</td>
<td>$38,989</td>
<td>$35,457</td>
<td>$33,041</td>
<td>$32,104</td>
<td>$30,203</td>
<td>83%</td>
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<tr>
<td>FSEOG</td>
<td>$889</td>
<td>$949</td>
<td>$902</td>
<td>$882</td>
<td>$820</td>
<td>$814</td>
<td>$828</td>
<td>$775</td>
<td>$752</td>
<td>$747</td>
<td>$728</td>
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<td>LEAP</td>
<td>$93</td>
<td>$79</td>
<td>$75</td>
<td>$74</td>
<td>$69</td>
<td>$70</td>
<td>$67</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Academic Competitiveness Grants</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>$283</td>
<td>$353</td>
<td>$368</td>
<td>$538</td>
<td>$605</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>SMART Grants</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>$240</td>
<td>$234</td>
<td>$216</td>
<td>$397</td>
<td>$473</td>
<td>—</td>
<td>—</td>
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<td>—</td>
</tr>
<tr>
<td>Veterans and Military Aid</td>
<td>$4,424</td>
<td>$4,403</td>
<td>$4,557</td>
<td>$4,686</td>
<td>$5,156</td>
<td>$5,942</td>
<td>$12,118</td>
<td>$11,904</td>
<td>$13,481</td>
<td>$13,530</td>
<td>$15,160</td>
<td>243%</td>
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<tr>
<td><strong>Total Federal Grants</strong></td>
<td>$22,017</td>
<td>$20,998</td>
<td>$21,064</td>
<td>$23,016</td>
<td>$26,442</td>
<td>$44,935</td>
<td>$53,079</td>
<td>$48,087</td>
<td>$47,584</td>
<td>$46,382</td>
<td>$46,180</td>
<td>110%</td>
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<tr>
<td><strong>Loans</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Perkins Loans</td>
<td>$2,078</td>
<td>$1,943</td>
<td>$1,895</td>
<td>$1,582</td>
<td>$1,041</td>
<td>$905</td>
<td>$936</td>
<td>$1,000</td>
<td>$1,051</td>
<td>$1,195</td>
<td>$1,215</td>
<td>-42%</td>
</tr>
<tr>
<td>Subsidized Stafford</td>
<td>$29,971</td>
<td>$29,799</td>
<td>$29,235</td>
<td>$33,282</td>
<td>$35,774</td>
<td>$42,118</td>
<td>$44,382</td>
<td>$42,789</td>
<td>$42,991</td>
<td>$26,970</td>
<td>$24,674</td>
<td>-16%</td>
</tr>
<tr>
<td>Unsubsidized Stafford</td>
<td>$27,479</td>
<td>$28,760</td>
<td>$28,507</td>
<td>$31,328</td>
<td>$43,785</td>
<td>$51,519</td>
<td>$51,561</td>
<td>$49,920</td>
<td>$58,749</td>
<td>$56,431</td>
<td>$51,737</td>
<td>88%</td>
</tr>
<tr>
<td>Parent PLUS</td>
<td>$9,252</td>
<td>$9,978</td>
<td>$9,519</td>
<td>$8,801</td>
<td>$8,327</td>
<td>$8,849</td>
<td>$11,575</td>
<td>$11,681</td>
<td>$10,213</td>
<td>$10,488</td>
<td>$10,564</td>
<td>14%</td>
</tr>
<tr>
<td>Grad PLUS</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>$2,488</td>
<td>$3,522</td>
<td>$4,896</td>
<td>$6,298</td>
<td>$7,605</td>
<td>$7,889</td>
<td>$7,907</td>
<td>$6,263</td>
<td>$7,768</td>
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<tr>
<td><strong>Total Federal Loans</strong></td>
<td>$68,790</td>
<td>$70,507</td>
<td>$71,653</td>
<td>$78,515</td>
<td>$93,614</td>
<td>$110,681</td>
<td>$116,089</td>
<td>$112,877</td>
<td>$106,831</td>
<td>$103,353</td>
<td>$95,559</td>
<td>39%</td>
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<tr>
<td><strong>Federal Work-Study</strong></td>
<td>$1,250</td>
<td>$1,200</td>
<td>$1,140</td>
<td>$1,114</td>
<td>$1,055</td>
<td>$1,076</td>
<td>$1,056</td>
<td>$1,056</td>
<td>$1,054</td>
<td>$1,000</td>
<td>$560</td>
<td>-23%</td>
</tr>
<tr>
<td><strong>Education Tax Benefits</strong></td>
<td>$7,711</td>
<td>$7,800</td>
<td>$7,708</td>
<td>$7,637</td>
<td>$11,603</td>
<td>$18,161</td>
<td>$21,652</td>
<td>$30,505</td>
<td>$18,404</td>
<td>$18,950</td>
<td>$18,215</td>
<td>138%</td>
</tr>
<tr>
<td><strong>Total Federal Aid</strong></td>
<td>$89,761</td>
<td>$100,505</td>
<td>$101,566</td>
<td>$110,282</td>
<td>$132,714</td>
<td>$174,852</td>
<td>$191,965</td>
<td>$162,498</td>
<td>$173,822</td>
<td>$169,240</td>
<td>$161,314</td>
<td>62%</td>
</tr>
<tr>
<td><strong>State Grants</strong></td>
<td>$8,408</td>
<td>$8,588</td>
<td>$8,948</td>
<td>$9,205</td>
<td>$9,172</td>
<td>$9,818</td>
<td>$10,100</td>
<td>$9,912</td>
<td>$9,974</td>
<td>$10,136</td>
<td>$10,136</td>
<td>21%</td>
</tr>
<tr>
<td><strong>Institutional Grants</strong></td>
<td>$27,209</td>
<td>$29,031</td>
<td>$30,627</td>
<td>$32,644</td>
<td>$34,314</td>
<td>$38,777</td>
<td>$41,888</td>
<td>$43,933</td>
<td>$46,369</td>
<td>$48,559</td>
<td>$50,660</td>
<td>86%</td>
</tr>
<tr>
<td><strong>Private and Employer Grants</strong></td>
<td>$10,717</td>
<td>$11,498</td>
<td>$12,223</td>
<td>$13,176</td>
<td>$13,463</td>
<td>$13,753</td>
<td>$14,524</td>
<td>$14,859</td>
<td>$15,162</td>
<td>$16,370</td>
<td>$16,800</td>
<td>57%</td>
</tr>
<tr>
<td><strong>Total Federal, State, Institutional, and Other Aid</strong></td>
<td>$146,103</td>
<td>$149,622</td>
<td>$163,364</td>
<td>$165,307</td>
<td>$189,663</td>
<td>$237,209</td>
<td>$258,367</td>
<td>$261,202</td>
<td>$245,318</td>
<td>$244,304</td>
<td>$238,910</td>
<td>64%</td>
</tr>
<tr>
<td><strong>Nonfederal Loans</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>State and Institution-Sponsored</strong></td>
<td>$17,674</td>
<td>$17,288</td>
<td>$23,645</td>
<td>$25,564</td>
<td>$12,532</td>
<td>$8,951</td>
<td>$7,934</td>
<td>$7,973</td>
<td>$8,453</td>
<td>$8,710</td>
<td>$10,120</td>
<td>-43%</td>
</tr>
<tr>
<td><strong>Private Sector</strong></td>
<td>$14,383</td>
<td>$13,609</td>
<td>$22,244</td>
<td>$24,134</td>
<td>$14,116</td>
<td>$7,523</td>
<td>$6,590</td>
<td>$6,697</td>
<td>$6,827</td>
<td>$6,547</td>
<td>$5,800</td>
<td>-45%</td>
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<tr>
<td><strong>Total Student Aid and Nonfederal Loans</strong></td>
<td>$163,776</td>
<td>$170,460</td>
<td>$177,048</td>
<td>$190,871</td>
<td>$202,195</td>
<td>$246,171</td>
<td>$266,301</td>
<td>$259,175</td>
<td>$254,771</td>
<td>$254,014</td>
<td>$248,030</td>
<td>52%</td>
</tr>
</tbody>
</table>

*Source: College Board*
Snapshot of Financial Aid

The Student Loan Market: Outstanding Balances

The private student loan market is 7.2% of the $1.27 trillion student loan market.

Total Student Loan Market Outstanding Balance (Billion $)

- Federal: $1,174.4B (92.8%)
- Private: $91.0B (7.2%)

Private Student Loans Outstanding Balance (Billion $)

- Six Participants: $65.0B (71.4%)
- Other Securitized Private (Publicly Reported): $15.5B (17.0%)
- Other Private Lenders: $10.6B (11.6%)

Source: Measure One
Snapshot of Private Lending

Delinquencies (% of Outstanding Balance in Repayment)

- 30-89 (% of Repay)
- 90+ (% of Repay)

Repayment (% of Total Outstanding Balance)

Source: Measure One
Higher Ed Financing Landscape

✓ Major debates around the importance of a highly-educated workforce have raised the profile of postsecondary education at the national level:

- How do you promote college access AND completion (i.e. continue to support federal financial aid programs but limit timeframes and eligibility, and provide additional aid to students that matriculate quicker)

- How do you improve institutional quality (i.e. accreditation reform, gainful employment, state authorization, ‘risk-sharing’, etc.)

- How do you make college more affordable (simplify the federal financial aid system and repayment plans that are too complicated, make it easier to avoid delinquency and default, etc.)
Growing consensus that, at the least, students, borrowers, and families must have access to more financial education and debt management services to help them understand their postsecondary ed options.

Growing interest in private refinancing programs that lower student loan interest rates for millions of borrowers.

Shared Goal: State-based and state-affiliated nonprofit higher education service agencies can help solve problems in the federal student loan program.
But challenges remain on overall student debt-related issues with both Republicans and Democrats:

- Most Republicans remain skittish from the 2010 fights and are reluctant to pair back federal student loans because of budget costs (the feds make money on student loans, but Fair Value Accounting should help)

- Growing conservative caucus is not happy with the current direction (reluctant to codify 100% Direct Lending)

- Most Democrats continue to focus on interest rates for FFELP loans (proposals to allow borrowers to “refinance” their loans under the Federal Direct Loan Program)

- Growing progressive caucus is not happy with the current direction
Why should HESAA care about what happens at the federal level?

- Because higher education financing policy is set at the national level (little to no state role)

- Because federal policy impacts legacy portfolios, new initiatives, and future opportunities

- One quick example: Senate Republican bill creating a single federal student loan program (by repealing Perkins and Subsidized Stafford Loans) significantly raises loan limits, that will dramatically impact the private loan market
What legislation/regulatory efforts should HESAA care about?

- Pretty much everything involving higher education financing!
- Higher Education Act of 1965
- Internal Revenue Code of 1986
- Truth in Lending Act of 1968
- Telecommunications Act of 1934/
  Telephone Consumer Protection Act of 1991
- Budget Reconciliation and Appropriations Packages (since most major higher education proposals have made it into law through this process – page 17)
- Department of Education/CFPB Requests for Information on federal student loan servicing (since these may lead to federal standards)
What is Happening in Washington TODAY?

- After a year of a Republican Congress and a Democratic Administration, Washington is still dysfunctional.
- Leaders in Congress do not really communicate with the Administration – and it will get worse later in 2016.
- Congressional dysfunction ensures that Administration’s regulatory agenda sets the terms of debate.
- Question for everyone: Do they want to govern or score political points?
How is the Next Year Going to Play Out – U.S. House

- New leadership team on the Republican side - Speaker Ryan, Leader McCarthy, and Whip Scalise - are still skittish after Boehner and Cantor defeat
- More conservative members than even 2011, feel empowered
- Continued focused on budget/reconciliation
- Will need to figure out how to lead a unified Congress with their fractured caucus
How is Next Year Going to Play Out – U.S. House

House HEA Reauthorization Process

- Completed hearing process (15 hearings)
- Introduced a series of ‘small-borne bills’ that are bipartisan, may move separately outside of reauthorization process to highlight in election
- Major work takes place this year and in 115th Congress with new members
- Wildcard: Will Republicans own Direct Lending?
How is Next Year Going to Play Out – U.S. Senate

- Major change with shift in party control took place in 2015, but not as much as you may think

- Not more conservative, but less liberal

- Eye on the election already (2016 – tough for Republicans, 2018 – tough for Democrats)
How is Next Year Going to Play Out – U.S. Senate

- Senate HEA Reauthorization Process
  - Almost completed hearing process
  - Republicans are following a piece-meal approach focused on simplification and deregulation (i.e. preferred lender list requirements) while Democrats released comprehensive bill (ED, CFPB, fed, private, etc.)
  - Wildcard: Will Democrats, including Sen. Elizabeth Warren, fight or work together?
Advocacy Priorities

- Last year, Congress had to tackle the “perfect storm” - Raise the nation’s debt ceiling and the caps placed on federal discretionary spending. Through this budget/appropriations process, NCHER and the industry had huge wins:

  - Increased from 95 to 100 percent reinsurance payments on default claims paid by guaranty agencies to lenders; will allow agencies to continue to support college access and success programs instead of moving money into the Federal Fund.

  - Allocate loan volume to federal student loan servicers on performance; levels the playing field for the state and nonprofit servicers who provide high-quality services to student and parent borrowers.

  - Authorize the use of predictive dialer technology to collect a debt owed to or guaranteed by the United States so that we can effectively communicate with borrowers and help them get out of delinquency and default.
Advocacy Priorities

Promoting Student Success

- Providing pre-college, in-school, and post-college financial education, debt management, and default prevention services to students, borrowers, and families

- Strengthen existing entrance and exit counseling

- Promote the use of 529 plans
Advocacy Priorities

Simplifying and Improving Federal Student Aid

- Streamline the myriad of repayment plans to help students and family borrowers
- Simplify the FAFSA to reduce the number of questions and length of time required to complete the form
- Support the use of prior-prior year tax information so students have a better idea of their federal financial aid options
Advocacy Priorities

Assisting Struggling Borrowers

- Allow defaulted borrowers to rehab their student loans more than once

- Allow access to the National Directory of New Hires and the National Student Loan Data System so servicers and guaranty agencies can provide counseling and repayment options to borrowers
Advocacy Priorities

Reducing Burdensome Federal Regulations

- Repeal the preferred lender list restrictions
- Clarify third-party servicer requirements
- Allow state grant agencies to have access to the school list order (NJ Letter to Ted Mitchell)
- Provide authority to financial aid administrators to limit annual and aggregate student loan levels
Advocacy Priorities

Improving Program Administration

- Promote better loan servicing for students and families
- Continue oversight over the Department of Education’s development of the FFELP wind-down report to ensure the financial stability of guaranty agencies
Advocacy Priorities

Expanding Opportunities/Resources for Students

- Remove preferred lending list restrictions
- Mandate that borrowers receive accurate and fully transparent disclosures of the costs of their loans
- Permit private lenders to remove the default record upon the rehabilitation of a private loan
Thank you!

Any Questions?
Michael J. McCulley, Esq.
Chief Compliance Officer & Ombudsman
WHY IS A CRA IMPORTANT?

What is a “Consumer Risk Assessment” or CRA?
The purpose of a CRA is to evaluate the risk to consumers which may arise from HESAA’s activities.

Consumers may face the potential of risk, for example:
• Monetary loss
• Injury from violation of consumer protection laws or UDAAP

Three step process:
• Determine inherent risk (i.e. type of activity, regulations, customers)
• Determine residual risk by evaluating how effective HESAA’s policies, procedures and controls are at managing and mitigating the inherit risk.
• Determine the direction of risk (i.e. increasing, decreasing, or stable)
DIFFERENT THAN THE CFPB MOCK EXAM?

• Yes! The CFPB Mock Exam was designed to:
  • Identify acts or practices that materially increase the risk of violations of federal consumer financial law in connection with private education lending or student loan servicing.
  • To gather facts that help determine whether HESAA engages in acts or practices that are likely to violate federal consumer financial law in connection with private education lending or student loan servicing.

• The CRA is different because:
  • The CRA is *not* used to reach conclusions about whether HESAA has violated a particular law or regulation.
  • The CRA is used to evaluate on a consistent basis the extent of risk to *consumers* arising from HESAA’s activities and to identify the sources of that risk.
IS THIS DIFFERENT THAN ENTERPRISE RISK MANAGEMENT (ERM)?

- Yes! CRA is all about the consumer!
  - The CRA is designed to evaluate the risk HESAA's activities pose to the consumer (i.e. our student borrowers).
  - The ERM Framework is designed to evaluate the risks to HESAA.

- Let’s look at a fictitious example:
  - A regulation requires HESAA to mail a borrower a form within 10 days of making a new loan, but HESAA does not mail the form after making a loan.
  - Who faces risk here?
    - HESAA faces risks such as regulation sanctions, fines and reputational harm.
    - The Consumer faces different risks than HESAA, such as monetary loss or lack of important information due to them under the law.
INHERENT CONSUMER RISKS

CRA will look at the following factors to determine inherent risk:

• the nature and structure of the products that the company offers,
• the consumer segments to which such products are offered (e.g., whether the company markets products to certain populations that might be considered vulnerable),
• the methods of selling the products,
• the methods of managing the delivery of the products or services and the ongoing relationship with the consumer, and
• the complexity of the organization.

Each area has questions which need to be rated as Low, Moderate or High inherent risk.
CONTROLS AGAINST CONSUMER RISKS

• Quality of Risk Controls and Mitigation are rated and then used to determine the Overall Risk to Consumers:

*Overall Risk to Consumers:
The overall risk is the inherent risk identified in a particular business line or supervised entity, mitigated or amplified by the strength or weakness of the controls to address those risks. The following chart is a general guide to assessing the overall risk to consumers. Examiners must apply their judgment in making this determination; however, a risk controls conclusion of “Weak” should result in an overall risk conclusion that is no more favorable than “Moderate,” even if the degree of risk is concluded to be “Low.”

<table>
<thead>
<tr>
<th>Quality of Risk Controls</th>
<th>High</th>
<th>Moderate</th>
<th>Low</th>
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<tr>
<td>Strong</td>
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<tr>
<td>Adequate</td>
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<tr>
<td>Weak</td>
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<table>
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<tr>
<th>Inherent Risk</th>
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<tr>
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# CRA YEAR OVER YEAR “DIRECTION OF RISK”

## RISK ASSESSMENT CONCLUSIONS

### Risk Summary

Supervised entity or line of business reviewed:  

<table>
<thead>
<tr>
<th>Element</th>
<th>Current MM/DD/YYYY</th>
<th>Preceding MM/DD/YYYY</th>
</tr>
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<tbody>
<tr>
<td>Inherent Risk</td>
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<tr>
<td>Quality of Risk Controls and Mitigation</td>
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<tr>
<td>Overall Risk to Consumers*</td>
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</tbody>
</table>

### Expected Change/Direction of Risk

- Unexpected Change/Direction of Risk: 
  - Increasing/decreasing/stable

### Last Change in Direction

- Last Change in Direction: 
  - MM/DD/YYYY
  - Increasing/decreasing/stable

*Note: Inherent Risk and Overall Risk to Consumers will be filled in by the examiner and are not subject to change by the examiner.
CRA AT HESAA

- Assessment of consumer risk of HESAA’s NJCLASS program using CFPB template
- Performed by A&QA in conjunction with Compliance.
- Minimum disruption to operations due to many documents already gathered from prior review.
- Results will be presented to Board at the next meeting in closed session, as the results of the review will contain advisory, consultative and/or deliberative, confidential and privileged material and information not for public disclosure.
QUESTIONS?