

MINUTES

HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY

April 26, 2012

The Higher Education Student Assistance Authority (HESAA) Board held a meeting on April 26, 2012 at 10:00 a.m. at the HESAA offices in Hamilton.

PRESENT: Mr. James Allen; Fr. Michael Braden; Ms. Gabrielle Charette, Esq.; Ms. Liscet Duran (teleconference); Mr. Anthony Falcone; Dr. Glenn Lang, Secretary Of Higher Education Designee; Mr. George Garcia, Esq.; Mr. Richard Garcia (teleconference); Dr. Harvey Kesselman (teleconference); Ms. Jean McDonald Rash; Mr. Christopher McDonough, Treasurer's Designee; Ms. Maria Torres; Ms. Christy Van Horn and Mr. Wilmot Wilson (teleconference), Members.

ABSENT: Mr. Julio Marengo and Ms. Elaine Pappas-Varas.

Also participating were Melissa Dutton, DAG; Aimee Manocchio Nason, DAG; John Cascarono, Esq., Governor's Authorities Unit; Dr. Jon Larson, President, Ocean County College; Leah Sandbank, McManimon and Scotland, Bond Counsel; Joseph Santoro, Bank of America/Merrill Lynch, Senior Manager; and Steven Kantor, First Southwest, Financial Advisor.

CALL TO ORDER

Christy Van Horn called the meeting to order at 10:02 am. Gabrielle Charette stated that the meeting had been noticed in compliance with the requirements of the Open Public Meetings Act.

Ms. Van Horn led those present in the Pledge of Allegiance.

Ms. Van Horn welcomed the Board members and advised that because some members are participating via teleconference, Roseann Sorrentino will conduct a roll call for the resolutions.

Ms. Van Horn welcomed Melissa Dutton, DAG; Aimee Manocchio Nason, DAG; Dr. Jon Larson, President, Ocean County College; Leah Sandbank of McManimon and Scotland, Bond Counsel; Joseph Santoro, Bank of America/Merrill Lynch, Senior Manager; and Steven Kantor, Financial Advisor, First SouthWest.

Ms. Van Horn introduced John Cascarano, Esq., Assistant Counsel from the Governor's Authorities Unit.

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

Ms. Van Horn asked Roseann Sorrentino to call the roll.

CONSIDERATION OF THE MINUTES OF THE JANUARY 24, 2012 MEETING:

A motion to approve the minutes of the January 24, 2012 meeting was made by Mr. James Allen and seconded by Mr. George Garcia. The minutes were approved unanimously with three abstentions, Dr. Glenn Lang, Secretary of Higher Education Designee; Mr. Richard Garcia, and Mr. Wilmot Wilson, who did not participate in the January 24, 2012 meeting.

CONSIDERATION OF THE MINUTES OF THE FEBRUARY 24, 2012 MEETING:

A motion to approve the minutes of the February 24, 2012 meeting was made by Mr. James Allen and seconded by Mr. George Garcia. The minutes were approved unanimously with 5 abstentions; Ms. Liscet Duran; Dr. Glenn Lang, Secretary of Higher Education Designee; Ms. Jean McDonald Rash; Ms. Maria Torres and Mr. Wilmot Wilson who did not participate in the February 24, 2012 meeting.

RESOLUTION 06:12 - ADOPTING A SCHEDULE OF MEETINGS FOR FISCAL YEAR 2013

Marnie Grodman, Esq., presented Resolution 06:12 to the Board.

At the last Board meeting of the fiscal year HESAA sets the meeting schedule for the next fiscal year in order to provide notice to the public. After polling the board members regarding their availability it is recommended that for fiscal year 2013 the board meetings be scheduled on Wednesday July 25, 2012; Thursday October 25, 2012; Wednesday January 23, 2013 and Wednesday April 24, 2013.

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

A motion to approve Resolution 06:12 was made by Ms. Maria Torres and seconded by Mr. Richard Garcia. The FY 2013 meeting schedule was approved unanimously.

RESOLUTION 07:12: AUTHORIZING THE ISSUANCE AND SALE OF STUDENT LOAN REVENUE BONDS AND AUTHORIZING AND APPROVING THE EXECUTION AND DELIVERY OF A SUPPLEMENTAL INDENTURE, FINAL OFFICIAL STATEMENT, CONTINUING DISCLOSURE AGREEMENT, BOND PURCHASE AGREEMENT AND OTHER MATTERS IN CONNECTION THEREWITH

Gene Hutchins made the following presentation of this item to the Board:

Enclosed is the proposed resolution relating to the 2012-1 Bond Issue together with drafts of the various bond documents referenced in the resolution. The resolution authorizes a total bond sale not to exceed \$300.0 million in fixed rate bonds with a final maturity not later than June 1, 2046. These bonds will be issued under a new 2012-1 Master Indenture of Trust. The proceeds of the bonds (net of funds required for bond reserves) will be used to finance fixed rate standard

NJCLASS loans, including the Ten Year Option 1 Loan program, graduate/professional NJCLASS Loans, and NJCLASS Consolidation Loans.

Before reviewing the details of the Bond Issue, Mr. Hutchins asked Financial Advisor, Steven Kantor of FirstSouthwest to present the various factors that have required the Authority to modify the NJCLASS program for the upcoming academic year.

Steve Kantor presented the information in the attached document to the Board. He concluded by stating that the NJCLASS program as modified will enable HESAA to issue investment grade bonds and offer attractive interest rates to New Jersey Students and families.

At the conclusion of Mr. Kantor's presentation Anthony Falcone asked why HESAA is reducing the percentage of loan funds available for option 3 loans instead of eliminating Option 3. Mr. Kantor explained that while elimination had been considered, Option 3 is very popular with the public. Accordingly, HESAA has been compromising by reducing the funds available for Option 3 each year.

Christy Van Horn questioned whether HESAA counsels borrowers, to which Gabrielle Charette explained that HESAA engages in extensive counseling for all options, particularly option 3. She explained that when the borrower chooses option 3 they are informed that they are choosing the most expensive option and given the opportunity to change the selection. They are also shown a screen that demonstrates the savings with a different option.

Tera Gervasio, Director of Student Loan Programs, added that HESAA reaches out to the borrowers who are in a deferred repayment status; every year to alert them of the amount of interest that is accruing on their loans and to counsel them that they can make payments in any amount to help reduce their debt. She further explained that for many families this is the only option available for them to send their children to school which is why HESAA is slowly reducing the Option 3 pool to persuade those families to take a more affordable option.

Chris McDonough asked if we have default statistics for option 3 versus other options. Gene Hutchins responded that option 3 loans default at a factor of 10 times the rate of immediate repayment loans. He explained that historically lower FICO score borrowers choose Option 3 thinking their child will get a job when finished with school and be able to pay for their loan. Families will over-borrow then over time the interest capitalizes, gets added to the principal and then they are paying interest on interest.

James Allen asked what the effect of eliminating Option 3 over a year's time would be on the ratings. Mr. Kantor explained that this would provide more conservative assumptions providing more flexibility in structuring the program. HESAA would have more ability to create more or less in the reserves.

Mr. Hutchins explained the primary reason to start a new trust estate with a new pool of loans with new criteria that are expected to perform much better will insulate this trust from the effect of loans made in past years that aren't performing as we would like.

Christy Van Horn question how many borrowers are served by option 3 and whether they would have other loan options. She also questioned how the Authority had determined that 15% of the

available funds should be used for Option 3. Ms. Charette responded that one third of the 25,000 borrowers use Option 3. Mr. Kantor explained that the federal program is an option for borrowers who are unable to qualify for an NJCLASS loan, and Mr. Hutchins explained that the reductions in available funding have been reduced by 15% each year, from 45% to 30% to 15%.

Mr. Hutchins then went on to explain the bond transaction as follows:

The Authority anticipates continuing the structure of last year's bond transaction of fixed rate serial and term bonds. The steepness of the bond market yield curve has lead the Authority to continue the replacement of its 20-year fixed rate standard loan with a 15-year loan which will result in a lower interest rate charged to borrowers, a minimal increase in borrowers' monthly payments, and allow the loans to be paid off sooner and at a lower total cost to the borrower.

The 2012-1 Bonds may also include subordinated bonds as part of the overall bond structure. These subordinated bonds would be the last bonds retired in the bond issue, and the bondholders would have subordinated payment rights and subordinated credit rights in the unlikely event of a bond trust default. In return, these bonds carry a higher rate of interest and appeal to investors willing to take higher risk in exchange for a higher yield. This structure was widely used in the student loan industry prior to 2008 and the senior manager believes there is renewed investor interest in these bonds as they seek higher yields in the current low interest rate environment. The use of subordinated bonds in the bond structure would reduce the amount of equity that HESAA will be required to contribute to the 2012-1 bond trust as outlined below.

The 2012-1 bond issue will require HESAA to contribute up to \$13.0 million in equity as overcollateralization for meeting rating agency requirements. However, this amount is expected to be around \$8.0 million if we are successful in marketing subordinated bonds as part of the bond structure. These funds will be drawn from HESAA reserves in Guaranty Agency Operating Fund, the NJCLASS Life of Loan Servicing Reserves and NJBEST Scholarship reserves. These funds are not required for current program purposes, are currently earning only 0.12% in the State's Cash Management Fund and will earn significantly more interest invested through the NJCLASS Trust. Excess revenues in the NJCLASS 2012-1 Trust will be eligible for release from the NJCLASS 2012-1 Trust over the next 5 to 10 years and will be used to replenish the reserves.

The 2012-1 bonds will not use bond insurance since it continues to be uneconomical as outlined in the memo. In addition, HESAA's FY 2012 bonds will once again be subject to the AMT and will result in marginally higher costs of capital.

Mr. Hutchins indicated that in his presentation, Mr. Kantor had outlined the changes to eligibility criteria in his presentation but it should be noted that borrowers who no longer qualify for the NJCLASS loans will have the choice of obtaining a credit-worthy co-signer or be counseled to apply for the federal Parental Loan for Undergraduate Students (PLUS) where they are able to obtain more flexible repayment terms than can be funded through the bond issues for NJCLASS.

Total NJCLASS loan volume for academic year 2010-11 is expected to be close to \$275 million, although until interest rates on our loans can be better estimated, total sizing of the bond issue will not be finalized. This is a slight decrease in volume from academic year 2010-2011 and

results from tightening of credit standards as has been outlined, offset by the potential freezes or reductions of federal grant aid (PELL and SEOG) and ongoing tuition increases.

Leah Sandbank of McManimon and Scotland, Bond Counsel then reviewed the Bond Resolution with the Board.

Resolution 07:12 sets forth the authorizations for (i) a transaction to finance the Authority's loan origination needs for the upcoming academic year and (ii) to change the loan rates for loans originated with unexpended 2011-1 bond proceeds to the same as the loan rates for the 2012-1 bonds issue.

First, the resolution sets forth the customary authorizations for a new issue of Student Loan Revenue Bonds, Series 2012-1. The 2011-1 Bonds are fixed rate bonds authorized in an amount not to exceed \$300,000,000, for the purpose of (i) originating new student loans, (ii) making the necessary deposits to the capitalized interest and debt service reserve funds and (iii) paying costs of issuance of the Bonds. The Bonds shall have a final maturity not later than June 1, 2046, have a call price not exceeding 103% and a stated interest rate not exceeding 8% per annum. The Underwriter appointed for the 2012-1 Bonds is Bank of America Merrill Lynch acting through Merrill Lynch Pierce Fenner & Smith for an underwriter's fee of \$6.25/1,000 of the principal amount thereof pursuant to a bond purchase contract, the form of which is authorized therein.

This resolution further authorizes the Authority to enter into a new master indenture of trust and a first supplemental indenture with Wells Fargo Bank serving as trustee, as well as a preliminary and final official statement, servicing certificate, and continuing disclosure agreement in the forms attached to the resolution, which are all customary forms. Authorization is given to the Chairperson, Vice Chair, Secretary-Treasurer, Executive Director and Chief Financial Officer to execute documents and take actions necessary to effect the sale and issuance of the 2012-1 Bonds.

Second, the resolution authorizes an amendment to the 2011-1 bond documents to provide that student loans funded with unexpended 2011-1 bond proceeds shall bear the same loan rates as those authorized under the 2012-1 supplemental indenture. That amendment will be reflected in a Third Supplemental Indenture to the 2010-2 Master Indenture.

Motion to approve Resolution 07:12 was made by Mr. James Allen and seconded by Mr. George Garcia.

The motion was passed unanimously.

RESOLUTION 08:12: APPROVING VENDORS TO PROVIDE FINANCE, ACCOUNTING AND COLLECTOR EMPLOYMENT SERVICES

Marnie Grodman, Esq., presented this resolution to the Board.

At the October 26, 2011 meeting, the Board approved awards to various firms to provide employment services for administrative, office/clerical and information technology services. While three firms were granted contracts to fill finance, accounting and collector positions none

of the contracted firms specialized in these areas. As such they have not been able to meet HESAA's needs for these positions in a timely or consistent manner.

In order to meet HESAA's needs, a new RFP was issued on March 23, 2012 seeking proposals from agencies that specialize in the placement of financial and accounting professionals.

HESAA mailed the RFP to six vendors, posted the RFP on HESAA's website and advertised in the Trenton Times, Star Ledger, Courier News, and Home News.

HESAA received proposals from four different firms, two of which were deemed responsive, Accounting Principals and Robert Half Accountemps.

An evaluation committee made up of representatives from HESAA's Human Resources, Legal & Governmental Affairs, Servicing and Collections and Finance units reviewed both of the responsive proposals focusing on the following selection criteria enumerated in the RFP.

The evaluation committee agreed that the two agencies were evenly matched with regards to the selection criteria and therefore determined that the primary and secondary awards should be based on cost. As Accounting Principals provided a range of rates for each position, the committee used an average of the range for the cost comparisons.

Robert Half Accountemps proposed lower rates than Accounting Principals for all positions, except Collector (day). Accordingly, the evaluation committee is recommending that the Board approve Resolution 08:12 Appointing Vendors to Provide Finance, Accounting and Collector Employment Services, with Robert Half Accountemps receiving the primary award and Accounting Principals the secondary award for all positions, except collector (day), for which Account Principals would receive the primary award and Robert Half Accountemps the secondary award at the rates provided on Attachment 1.

A motion to approve Resolution 08:12 was made by Ms. Maria Torres and seconded by Mr. James Allen.

The motion was passed unanimously.

RESOLUTION 09:12 APPROVING A WAIVER OF BID ADVERTISING FOR CREDIT REPORTING PRODUCTS AND SERVICES

Marnie Grodman, Esq., presented this resolution to the Board.

Pursuant to HESAA's pre-set procurement policy, the Board is permitted to authorize a waiver of bid advertising under specific circumstances as defined by statute. Specifically, N.J.S.A. 52:34-10(c), permits a bid waiver when a vendor is the sole source of supply, and N.J.S.A. 52:34-10(d) permits a bid waiver when more favorable terms can be obtained from a primary source of supply.

Staff is recommending that the board authorize a bid waiver permitting HESAA to contract with Equifax to continue as HESAA's provider of credit bureau services, which include, credit scores,

credit history reports, background reports, fraud warnings, Office of Foreign Assets Control (OFAC) checks, identity theft Red Flag alerts and e-signature identity authentication.

Equifax is the sole source of supply for the credit scores HESAA relies on for approving NJCLASS loans and marketing HESAA's bonds. Each of the three credit bureaus use their own proprietary model for determining credit scores, as well as their own model for preparing credit reports. HESAA relies on the credit scores to determine whether a borrower is credit worthy for a NJCLASS loan. In preparing the bond indentures to fund the NJCLASS program, HESAA researches the history of borrowers' ability to repay the loans. In order to receive favorable ratings, HESAA presents the rating agencies with time series data over a decade which shows how borrowers in respective FICO bands, as determined by the Equifax credit scores, have performed in terms of repaying their loans. This data is used by the rating agencies to develop their stress delinquency and default assumptions. If the FICO scores of HESAA's borrowers presented to the rating agencies were to materially shift due to a change in the source of the scores, the ratings agencies would perceive this as additional risk and increase their stress assumptions to compensate for this discontinuity in the data. The increased stress assumptions would force HESAA to charge higher interest rates for the NJCLASS loans. Not only would higher interest rates cost New Jersey borrowers tens of millions of dollars over the life of the loans, they would also put the future existence of the program at risk in a competitive student loan market. Equifax is the only source that can provide HESAA with credit scores consistent with the data previously reviewed by the credit rating agencies.

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

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

In order to change HESAA's source of supply for the credit bureau services HESAA would need to make changes to the web process, database, business processes on the Mainframe and online. These changes would include building support for the new communication protocols and programming to establish communication, obtain credit reports, apply HESAA's business rules and display /print credit reports for the borrowers. HESAA staff has estimated that in order to

change this source of supply it would take the full-time equivalent of twelve and half months work at a cost of \$162,000.

Included in the Board materials is a copy of a description of the services that Equifax will provide for HESAA, as well as the cost for each of these services.

Based on previous usage, as well as projected usage in the future, the total cost for the five year contract with Equifax would not exceed \$1,485,837.78.

A motion to approve Resolution 09:12 was made by Ms. Jean McDonald Rash and seconded by Fr. Michael Braden.

Mr. Allen questioned whether the dollar amount stays the same for the five year term. Ms. Grodman responded yes, Equifax provided a five year proposal.

Chris McDonough questioned whether the prices from Equifax were competitive. Ms. Grodman explained that most of the pricing had not changed from HESAA's current contract with Equifax.

The motion was passed unanimously.

REPORT OF THE PROGRAM REVIEW AND QUALITY CONTROL COMMITTEE

Christy Van Horn reported that the Program Review and Quality Control Committee met on April 17, 2012 at HESAA's Quakerbridge Plaza Office. Participating via teleconference was: Richard Garcia, Anthony Falcone and myself. Participating on behalf of HESAA were Gabrielle Charette, Joel Mayer, Gene Hutchins, Gena Carapezza and Marnie Grodman. Ms. Van Horn introduced Gena Carapezza to give the Program Review and Quality Control report.

Gena Carapezza, Director of Audits and Quality Assurance reported to the Board the information that was discussed at last week's Program Review and Quality Control Committee meeting. The 2012 Program Review schedule was approved by the Committee. Additionally we discussed our past year's performance as well as our outlook for the coming year which I will summarize at this time.

HESAA's Audits & Quality Assurance unit is responsible for ensuring the authorities programs are in compliance with federal and state statutes, regulations, policies and procedures. To do this we conduct FFELP reviews of lenders and schools, Institutional Management Reviews focusing on State Grant & Scholarship Programs, Special Counsel Reviews, Internal Control Evaluations, and Quality Assurance Reviews of HESAA's programs.

Federally Mandated Reviews

With regards to the federally mandated reviews, we conduct biennial reviews of HESAA's ten largest lenders for outstanding FFELP loans. These reviews are conducted jointly by 31 Guaranty Agencies under the Common Review Initiative (CRI), a program approved by the U.S. Department of Education.

We perform these reviews to ensure that the loans HESAA has guaranteed are being serviced in accordance with regulations. If the loans are not being serviced properly this may ultimately delay or otherwise hinder recovery of the loans funds. These reviews thus give us the opportunity to discover any issues before they can have a negative impact on recovering those funds.

During the 2010-2011 biennium HESAA's ten largest lenders were administered by seven servicers, all of which fell within the parameters of CRI. Of these reviews:

- Two reviews were closed in 2010
- Two reviews were closed in 2011
- Three reviews are near completion

Review findings were not out of the ordinary and servicer management provided sufficient details of corrective actions taken to remediate any issues.

Due to lender/servicer consolidations HESAA will only require 4 reviews for the 2012-2013 biennium. Three reviews will be conducted in 2012 and one review is scheduled for 2013.

HESAA staff participated as desk reviewers for three reviews during the 2010-11 biennium. HESAA staff are also scheduled to participate in two desk reviews this year and one on-site review next year

For the 2012 – 2013 biennium, CRI has developed and implemented a new cost share structure to compensate Guaranty Agencies for labor costs incurred by staff who participate in on-site reviews and as desk reviewers. HESAA's participation in these reviews will reduce the Authority's share of the cost to complete the reviews to near zero for the biennium.

HESAA Initiated Reviews

Institutional Management Reviews

Moving on to HESAA initiated reviews; Our Institutional Management Reviews are performed to ensure that institutions administer State Grant & Scholarship programs in accordance with all applicable federal and state statutes, regulations, policies and procedures. These management reviews are also designed to provide institutions with recommendations on how to improve the operations of their Business Offices (Financial Aid, Admissions, Registrar, Bursar, and Accounting office's) to ensure compliance with state and federal statutes and regulations.

We perform these management reviews not only to recover funds that were inappropriately distributed but also to ensure that the institutions are administering the program correctly and continue to do so in the future.

Some examples of the items we test during these management reviews include:

- A review of institutional verification files to ensure the institution properly verified the information reported on the student's FAFSA's and that they are thus entitled to all calculated award funds.
- We also verify the institution properly reconciled its own records to HESAA's records in terms of the value of award funds disbursed, and that any overpayments received by the institution were returned to HESAA and in a timely manner.

In the past these reviews were conducted jointly with several staff from HESAA's Grants & Scholarships department. However, due to the previous loss of several staff in Grants & Scholarships, recent reviews have been completed mainly by Audits & Quality Assurance staff. We viewed this as a positive opportunity which allowed for an objective and independent review. However this reduction in the size of the review team coupled with the increased number of programs being reviewed currently presents challenges regarding our goal of completing four reviews per year, but we are certainly making every effort to accomplish that goal. With the recent addition of several new staff to the Grants & Scholarships department, they will be able to provide assistance with the reviews again later this year.

To summarize our recent activity:

Current Year (2012) Reviews

One review commenced this year; The Final Report will be issued later this week. Monetary findings totaled \$3,800.

It is expected that two additional reviews will commence during the 2012 calendar year.

2011 Reviews

One review was performed in the Fall of 2011. The Final report was issued earlier this month, and monetary findings totaled over \$17,000.

2010 Reviews

As you were advised last year, due to the resignation of the previous Director of Audits & Quality Assurance and the Director of Financial Aid Services the Authority was unable to perform management reviews during 2010. We have since been back on track completing reviews in 2011 and 2012 as previously mentioned.

2008-9 Reviews

When I came on board last year there were three open reviews which I have worked to finalize.

- One review from 2009 was closed last year which had monetary findings totaling over \$25,000.
- One review from 2008 was also closed last year resulting in the recovery just under \$14,000.
- A draft report was issued earlier this year for one review remaining open from 2008. Over \$400,000 of award funds were recovered during this review and it is expected that this review will be closed by July 2012.

Special Counsel Reviews

HESAA also conducts Special Counsel Reviews. HESAA contracts with Special Counsels to perform collection activities on delinquent FFELP and NJCLASS loans. The reviews are performed to verify compliance with regulations for administering defaulted loans.

We perform these reviews to ensure the collection attorneys are making every effort to recover the defaulted loan amounts on HESAA's behalf. During the reviews we look to ensure collection activities are performed in a timely manner, and also review the accuracy of the records maintained by the attorneys.

The last round of reviews commenced in 2009 when reviews were opened on all (seven) Special Counsels. Three of these reviews were closed during 2011, two were closed in 2010, and draft reports have been issued for the remaining two reviews; we are currently awaiting responses from the attorneys to issue those final reports.

The review findings were not out of the ordinary and the attorneys have taken steps to remediate the issues and prevent futures issues of a similar nature.

The next round of special counsel reviews will begin this summer (2012) and continue into 2013.

Annual Internal Control Evaluation

The State Office of Management & Budget (OMB) requires all executive branch agencies to conduct an annual self-assessment of their internal controls. The Authority participates in this process through a series of evaluations and discussions that are conducted by Audits & QA each year between April and June; The results of which are provided to HESAA's Executive Staff in a memorandum which includes details of any weaknesses identified along with recommendations for remediation.

In June of last year, HESAA's Executive Director and Chief Financial Officer sent a letter to the Director of OMB confirming that HESAA performed the 2011 Internal Control Evaluation as required and that HESAA's system of internal accounting and administrative controls complies with the standards prescribed by the State of New Jersey. One major weakness was observed which pertained to a continual decline in workforce. At that time resignations/ retirements coupled with the State's hiring freeze caused significant staffing shortages. We are happy to report that since that letter was issued last year HESAA's Executive Director has obtained hiring approval from the State for certain mission critical positions, most of which have already been filled. As such it is not expected that staffing will surface again as a major weakness during the 2012 review.

We are currently in the process of completing this years assessment. A kick-off meeting was recently held in March and evaluations are currently being completed.

Quality Assurance/ Other

In addition to the required reviews previously mentioned, A&QA has also taken on several self-initiated projects. The main goals of these projects are to review, update, and improve the department's policies and procedures.

The Annual Internal Controls Assessment was successfully migrated from a paper based operation to an electronic process and all written policies and procedures were updated accordingly. The change was well received and it helped facilitate a more efficient and meaningful review.

Policies and procedures were also updated for our Management Reviews. Electronic workpapers and databases have been created, and since utilized, for these reviews which:

- contain a step-by-step guide developed by A&QA, as well as reference documents to assist in completing the reviews,
- provide a means of documenting all important details of the review which are organized in one single location and can be accessed simultaneously by all members of the review team,
- significantly decreases the amount of paper files/ printed PII,
- allows for a more efficient review and timely completion, and
- upon completion serves as an excellent reference guide to assist in dealing with common findings which may surface in future management reviews.

Currently a similar task is underway to create electronic workpapers and databases for both the Special Counsel and School reviews.

We also assisted the Grants & Scholarships department in drafting an updated Policies and Procedures manual. As this manual is issued to the Institutions, our input in its development will greatly assist us in successfully completing our management reviews.

CHAIR TO ANNOUNCE NOMINATING COMMITTEE APPOINTMENTS

Ms. Van Horn announced Anthony Falcone has agreed to fill the vacant position on the Executive Committee until the new Committee is elected in July. Ms. Van Horn thanked Mr. Falcone for agreeing to fill this position.

Ms. Van Horn further announced that Maria Torres has agreed to chair the Nominating Committee and Jean McDonald Rash and James Allen have agreed to be on the Nominating Committee. Ms. Van Horn thanked them for agreeing to be on this committee. The Nominating Committee will meet in June to select the Chair, Co-Chair and Executive Committee for the HESAA Board, which will be announced at the July meeting.

EXECUTIVE DIRECTOR'S REPORT

Executive Director Gabrielle Charette gave the following report:

Last October, this Board adopted a budget policy statement that I then submitted to the Governor for his consideration in crafting his FY 13 budget. I am proud to report that almost everything

this body recommended was incorporated into the budget the Governor presented to the Legislature in February. Some might argue that this was merely a coincidence: I would not. I would suggest that the work of this board and this agency is highly regarded and our recommendations are given the consideration they merit.

Highlights in the Governor's proposed budget for student aid include:

- Full-time TAG expenditures of \$331.6 million, which represents a total increase of 12.5%
- Part-time TAG for county college students expenditures of \$10.36 million, which represents a total increase of 7.8% over FY 12; and
- NJ STARS and NJ STARS II proposed funding of \$13.8 million

Finally, the Governor proposed a new Governor's Urban Scholarship Program, which calls for \$1 million in funding. The new program would assist students who hail from one of 14 economically challenged areas, who are in the top 5% of their class and have a grade point average of 3.0 or higher. Unlike the Urban Scholars program under the Coordinated Garden State Scholarship program, this new program will not base eligibility on attending a public school in a particular area, but rather will be open to students who attend both public and private schools across New Jersey, provided they reside in one of the challenged areas listed on the screen.

As part of the budget process, I gave testimony yesterday before the Assembly Budget Committee and earlier this month before the Senate Budget committee, along with Higher Education Secretary Rochelle Hendricks and our colleagues from the Educational Facilities Authority. As you know, the legislature must pass a budget bill and the Governor must sign the bill into law before the aforementioned proposals can take effect. I hope to report good news on this front at our July Board Meeting, so you may adopt a TAG award structure that both increases the number and dollar amounts of the awards.

You will recall that last October this Board passed a resolution directing HESAA to conduct a persistency and graduation study of NJ STARS and NJ STARS II scholars. I am pleased to report that HESAA has collected and analyzed a significant amount of data. NJ STARS II was launched in 2006 and to best gauge whether the potential for receiving additional aid through STARS II motivated students to accept and persist, we chose as cohorts 2006 and 2007 high school graduates, who would have been aware of STARS II upon initial enrollment in STARS.

NJ STARS II students have four semesters to complete their course of study under the program. Also, students are permitted to take a semester off between county college graduation and full-time enrollment as STARS II student. Hence, some NJ STARS II students, particularly those in the class of 2007, are still pursuing their baccalaureate degree and may not graduate before May 2012 or later. Given the importance of having the most complete graduation data possible, HESAA is reluctant to issue a report that may not provide an accurate assessment of the program's success. Therefore, with your consent, I would like to postpone completion of the study until the end of September, when 2012 graduation data will be available.

As you know, despite the statewide hiring freeze, Governor Christie's office recognized our need to backfill certain mission-critical positions and allowed us to post and conduct interviews for

those positions. I am pleased to announce that since this Board last met, we have welcomed a number of new members to the HESAA team.

Kenneth T. Jones is our new Director of Grants and Scholarships. Some of you may recall Ken, who served as HESAA's Director of Audits and Quality Assurance before departing the Authority for a brief hiatus at the FDIC. I am pleased to welcome Ken back into the fold at HESAA.

Working with Ken in Grants and Scholarships is

- Jason Chavez, our new Associate Director of Grants and Scholarships; and
- Pilar Sanchez, our new Assistant Director Grants and Scholarships.

Jason comes to us from Kean University. Our thanks go to Board Member Jean Rash, who helped facilitate our hiring of Pilar, who came to HESAA from Rutgers University.

Last but not least, Larry Sharp is our new Associate Director Preclaims/Default Aversion. Larry is in charge of transitioning this unit from focusing solely on FFELP default aversions to a broader mission of both FFELP and NJ CLASS default aversions and debt management training and counseling.

On the outreach front I have a couple of items to update you about. First, CFO Hutchins and I were invited to give a presentation before the Governor's Higher Education Council at Richard Stockton University. I would like to thank the Secretary of Higher Education for facilitating this invitation. While I may be a tad biased, I believe our presentation was well received and I think the Council was quite impressed with our mission, business model and the absolutely essential role we play in the delivery of higher education in this state.

Also at our last meeting I advised you that once again HESAA was cosponsoring College Goal Sunday, a nationwide annual event in February to encourage FAFSA completion among targeted populations. We recently received our performance report from the national College Goal Sunday program and I think we can definitely state that our event was a success. I would just like to share with you some of the statistical data regarding our event. Ninety percent of students participating in the event were from the targeted populations. A total of 53.6 percent had parents without a college education, 33.7 percent were from families with household incomes of \$20,000 or less, and 97.4 percent of students said the event was worth attending. Finally, 58.8 percent of students who attended said that one-on-one counseling was the most helpful aspect of the program.

With regard to federal contracting and our ongoing relationship with the USDE, you will recall that last December at a special meeting this Board approved HESAA entering into a contract with the Missouri Higher Education Loan Authority to provide full service remote site maintenance and collections of HESAA's allocation of 100,000 accounts under the federal Direct Lending program. I am pleased to report that the contract was executed between Missouri and HESAA. We have already received our first allocation of 3,900 accounts and by May 10th of this year, the remaining 96,100 accounts will be assigned and their associated revenue flowing to HESAA. With respect to the possibility of entering into a voluntary flexible agreement with the USDE - an issue that I have been reporting to you on for some - unfortunately we remain at an impasse. The Department has not responded to date to any of the concerns expressed by the

guaranty agencies with regard to providing debt management and counseling services to Direct Loan borrowers and providing services to individuals who previously defaulted on a federal student loan.

Since we have so many new Board members, we thought it apropos to update our handbook. In the past, we provided Board members with a massive three-inch binder. Now we have a streamlined handbook that provides what you need without having to weed through a lot of information that you don't. I hope you find it useful.

Finally, I would like to introduce John Cascarano our new Authorities counsel. John has taken over for David Reiner who has accepted a position in the Governor's policy office. As you know, we had an excellent working relationship with David and are looking forward to working with John in the same spirit.

NEW BUSINESS

Ethics Update

Ms. Van Horn reminded the Board that their Financial Disclosure Statements must be filed by May 15, 2012 and that all Ethics Forms and EEO Policy and Procedure Receipts should be completed.

ADJOURNMENT

After adjourning this Board Meeting the Board will enter a closed session, pursuant to the Open Public Meetings Act, to discuss pending litigation and security matters. This will be a closed session pursuant to N.J.S.A. 10:4-12b(6) discussing security upgrades and N.J.S.A. 4-12b(7), matters that fall under the attorney-client privilege. Details of the discussion that takes place in the closed session regarding security cannot be disclosed to the public. Details of the discussion regarding litigation cannot be disclosed to the public until the conclusion of the litigation. A motion to adjourn and go to closed session was made by Mr. James Allen and seconded by Ms. Jean McDonald Rash.

The motion to adjourn passed unanimously.

The meeting adjourned at 11:25 am.

Ms. Van Horn announced that the next Board meeting is scheduled for Wednesday July 25, 2012.

RESOLUTION 06:12

**ADOPTING A SCHEDULE OF MEETINGS
FOR FISCAL YEAR 2013**

Moved By: Maria Torres
Seconded By: Richard Garcia

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

WHEREAS: The dates for the regular meetings for Fiscal Year 2013 were chosen after polling the Board members regarding their availability; and

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

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

NOW, THEREFORE, LET IT BE:

RESOLVED: That the Higher Education Student Assistance Authority hereby adopts the following schedule of meetings for Fiscal Year 2013:

Wednesday July 25, 2012
Thursday October 25, 2012
Wednesday January 23, 2013
Wednesday April 24, 2013

April 26, 2012

RESOLUTION 7:12

RESOLUTION AUTHORIZING AMENDMENTS TO PRIOR SUPPLEMENTAL INDENTURES AND AUTHORIZING AND APPROVING THE EXECUTION AND DELIVERY OF A THIRD SUPPLEMENTAL INDENTURE TO THE 2010-2 INDENTURE AUTHORIZING THE ISSUANCE AND SALE OF STUDENT LOAN REVENUE BONDS AND APPROVING THE EXECUTION AND DELIVERY OF AN INDENTURE OF TRUST BY AND BETWEEN THE HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY AND WELLS FARGO BANK, NATIONAL ASSOCIATION, AS TRUSTEE, FIRST SUPPLEMENTAL INDENTURE, PRELIMINARY OFFICIAL STATEMENT, FINAL OFFICIAL STATEMENT, CONTINUING DISCLOSURE AGREEMENT, BOND PURCHASE AGREEMENT, AND OTHER MATTERS IN CONNECTION THEREWITH

Moved: James Allen
Seconded: George Garcia

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

WHEREAS: The Authority issued \$326,500,000 of Student Loan Revenue Bonds (the "2011-1 Bonds") pursuant to an Indenture of Trust (the "2010-2 Indenture") dated as of June 1, 2010 by and between the Authority and Wells Fargo Bank, National Association, as trustee (the "Trustee") as amended and supplemented, including by the Second Supplemental Indenture dated as of July 1, 2011 (the "2011-1 Supplemental Indenture") by and between the Authority and the Trustee; and

WHEREAS: The Authority wishes to provide for amendments to the 2011-1 Supplemental Indenture pursuant to a Third Supplemental Indenture to be entered into by and between the Authority and the Trustee (the "2012 Third Supplemental Indenture") in order to, among other things, change the Loan Rates (as defined in the 2011-1 Supplemental Indenture) for student loans to be Originated on and after [June 1, 2012] with proceeds of the 2011-1 Bonds, all as more particularly provided below; and

WHEREAS: Pursuant to Section 8.1(15) of the 2010-2 Indenture, a Supplemental Indenture not requiring the consent of Bondholders may be executed and delivered by the Authority and the Trustee to make any change which in the judgment of the Trustee, acting in reliance upon an opinion of counsel, to the extent the Trustee deems such opinion desirable, is not to the prejudice of the Trustee or the Bond Owners, or any Credit Facility Provider; and

WHEREAS: In order to accomplish the purposes of the Act and provide student loans commencing with the 2012-2013 school year, the Authority wishes to (i) provide for the issuance and sale of student loan revenue bonds (the "Series 2012-1 Bonds") pursuant to a new Indenture of Trust (the "2012-1 Indenture") to be entered into by and between the Authority and the Trustee and (ii) authorize the transfer of funds in its reserves; and

WHEREAS: In accordance with the requirements of Executive Order No. 26 (Whitman 1994), the Authority hereby determines that because of the complexity and size of the financing structure as hereinafter described, and volatile market conditions, a negotiated sale of such Series 2012-1 Bonds would best serve the requirements of this financing; and

WHEREAS: An Underwriter, Merrill Lynch, Pierce, Fenner & Smith, Incorporated, a Financial Advisor, First Southwest Company and Bond Counsel, McManimon & Scotland, L.L.C., have been selected in accordance with the requirements of Executive Order No. 26; and

WHEREAS: In connection with the issuance and sale of the Series 2012-1 Bonds, the Authority intends to enter into a Continuing Disclosure Agreement (the "Continuing Disclosure Agreement") with the Trustee, acting as dissemination agent, in accordance with Rule 15c2-12 under the Securities Exchange Act of 1934, as amended.

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

Section 1. To accomplish the purposes and objectives of the Act, including the purchase and origination of student loans as authorized by the Act, the Authority hereby authorizes the issuance of its Series 2012-1 Bonds issued as Student Loan Revenue Bonds, Series 2012-1, in the aggregate principal amount not to exceed \$300,000,000 in one or more Series. The Series 2012-1 Bonds shall be sold to Merrill Lynch, Pierce, Fenner & Smith Incorporated, New York, New York, acting as representative of the group of underwriters, if any (the "Underwriter"), pursuant to the terms of one or more Bond Purchase Agreement(s) to be entered into by and between the Authority and the Underwriter (collectively, the "Bond Purchase Agreement") with an underwriter's fee not to exceed \$6.25/1,000 of Series 2012-1 Bonds issued. The Chairperson, Vice Chairperson, Secretary-Treasurer, Executive Director and Chief Financial Officer or other authorized representative or designee (each an "Authorized Authority Official") are each hereby authorized to execute the Bond Purchase Agreement. The Series 2012-1 Bonds shall be dated, shall bear interest at the fixed rate or rates, shall be payable as to principal, redemption premium, if any, and interest, shall be issued in the form, shall be in such Authorized Denominations, shall be signed, authenticated and numbered, shall mature, shall be subject to redemption prior to maturity, and shall have such other details and provisions as set forth in the 2012-1 Indenture, as amended and supplemented by a First Supplemental Indenture to be dated as of the date of the 2012-1 Indenture, by and between the Authority and the Trustee (the "2012-1 First Supplemental Indenture"); provided, however, an Authorized Authority Official may modify the stated interest rates of the Series 2012-1 Bonds, the maturity date(s) of the Series 2012-1 Bonds (including, without limitation, creating serial and term bonds, if any, and providing for cumulative and/or mandatory sinking fund payments on term bonds),

and the redemption provisions of the Series 2012-1 Bonds subject to the following: (i) the final maturity of the Series 2012-1 Bonds shall not be after June 1, 2046; (ii) the optional redemption price for any Series 2012-1 Bond shall not exceed 103% of the principal amount thereof, and the initial call protection for any Series 2012-1 Bond shall not exceed 10 years, and (iii) the stated interest rate of the Series 2012-1 Bonds shall not exceed 8.0% per annum.

Capitalized terms used but not defined herein shall have the meaning ascribed to such terms in the 2012-1 Indenture and the 2012-1 First Supplemental Indenture.

The Authority is authorized, together with the Trustee, to the extent necessary or appropriate, to take such actions and execute such documents as may be necessary or appropriate to qualify the Series 2012-1 Bonds with The Depository Trust Company, New York, New York, as book-entry obligations.

Section 2. The Series 2012-1 Bonds shall be special obligations of the Authority, and shall be payable solely out of the Trust Estate as set forth in the 2012-1 Indenture. The payment of the principal, redemption premium, if any, and interest on the Series 2012-1 Bonds shall be secured by a pledge and assignment of the Trust Estate as provided in the Indenture. Neither the State nor the Authority shall be obligated to pay the Series 2012-1 Bonds or the interest thereon except as so provided in the 2012-1 Indenture.

Section 3. No covenant, stipulation, obligation, or agreement herein contained or contained in the Bond Purchase Agreement, the 2012-1 Indenture, the 2012-1 First Supplemental Indenture or the Continuing Disclosure Agreement, shall be deemed to be a covenant, stipulation, obligation or agreement of any member, officer, agent or employee of the Authority or of the State in an individual capacity. Neither the members of the Authority nor any person executing the Series 2012-1 Bonds issued pursuant to this resolution and the Act nor any officer or employee of the Authority shall be liable personally on the Series 2012-1 Bonds by reason of the issuance or execution thereof. The Series 2012-1 Bonds shall not be in any way a debt or liability of the State of New Jersey or any political subdivision thereof, either legal, moral or otherwise, and neither the faith and credit nor the taxing power of the State or any political subdivision thereof shall be pledged to the payment of the principal, redemption premium, if any, or interest thereon. The issuance of the Series 2012-1 Bonds shall not directly or indirectly or contingently obligate the State or any political subdivision thereof to levy or pledge any form of taxation whatever therefor.

Section 4. In order to satisfy the initial parity requirement set forth by the Rating Agencies rating the Series 2012-1 Bonds, the Authority hereby authorizes the transfer of an amount to be determined by an Authorized Authority Official as necessary to satisfy such requirement from its reserves, consisting of any or all of the NJCLASS Life of Loan Servicing Reserves, the Guaranty Agency Operating Fund or the NJBEST Scholarship Reserves; provided that such amount does not exceed \$13 million. Any amounts transferred to the 2012-1 Indenture from reserves shall be applied to originate Student Loans thereunder. The Authority shall replenish such reserves from Revenues and Recoveries of Principal on the 2012-1 Student Loans as provided under the 2012 Indenture.

Section 5. The Authority hereby authorizes the amendments to the 2011-1 Supplemental Indenture contained in the 2012 Third Supplemental Indenture in order to provide that student loans originated with an expenditure from certain accounts created under the 2011-1 Supplemental Indenture from and after the execution date of the 2012 Third Supplemental Indenture may have the same loan rates as student loans to be originated with proceeds of the

Series 2012-1 Bonds for the Authority's 2012/2013 academic year. The 2012 Third Supplemental Indenture, substantially in the form submitted to the Authority and made a part of this resolution as though set forth in full herein, is hereby approved. The 2012 Third Supplemental Indenture may contain such additional terms and provisions as an Authorized Authority Official, in consultation with Bond Counsel, shall determine are necessary or appropriate to effectuate the amendment as provided in this Resolution. An Authorized Authority Official is hereby authorized to execute, acknowledge and deliver the 2012 Third Supplemental Indenture with any changes, insertions and omissions as may be approved by said Authorized Authority Official and the Secretary-Treasurer of the Authority is hereby authorized to affix the seal of the Authority on such documents and attest the same. The execution of the 2012 Third Supplemental Indenture by said Authorized Authority Official shall be conclusive evidence of any approval of such document in final form as authorized by this Section 5. All actions authorized pursuant to this Section 5 are subject to receipt by the Authority and Trustee of (a) a Bond Counsel's Opinion that such amendments are authorized or permitted by the Act, the 2010-2 Indenture and the 2011-1 Supplemental Indenture and the amendments will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Series 2011-1 Bonds, (b) evidence that the execution and delivery of such Supplemental Indenture would not, in and of itself result in a withdrawal or decrease of any rating of the Series 2011-1 Bonds and (c) a Cash Flow Statement

Section 6. The Bond Purchase Agreement, the Continuing Disclosure Agreement, the 2012-1 Indenture, the 2012-1 First Supplemental Indenture and the Series 2012-1 Bonds, substantially in the forms submitted to the Authority and made a part of this resolution as though set forth in full herein, are hereby approved. An Authorized Authority Official is hereby authorized to execute, acknowledge and deliver such documents with any changes, insertions and omissions (including, without limitation, insertion of the Loan Rates or the method of determination thereof in the 2012-1 First Supplemental Indenture) as may be approved by said Authorized Authority Official and the Secretary-Treasurer of the Authority is hereby authorized to affix the seal of the Authority on such documents and attest the same. The execution of any of such documents by said Authorized Authority Official shall be conclusive evidence of any approval of such document in final form as authorized by this Section 6.

Section 7. The Acknowledgement of Servicing to be entered into by and between the Authority and the Trustee regarding the servicing of 2012-1 Student Loans (as defined in the 2012-1 First Supplemental Indenture), substantially in the form submitted to the Authority and made a part of this resolution as though set forth in full herein, is hereby approved. The Authorized Authority Officials are hereby authorized to execute, acknowledge and deliver such document with any changes, insertions and omissions as may be approved by said Authorized Authority Official and the Secretary-Treasurer of the Authority is hereby authorized to affix the seal of the Authority on such documents and attest the same. The execution of such document by said Authorized Authority Official shall be conclusive evidence of any approval of such document in final form as authorized by this Section 7.

Section 8. The Series 2012-1 Bonds shall be executed in the manner provided in the 2012-1 Indenture, and the same shall be delivered to the Trustee for proper authentication and delivery to the Underwriter, upon instructions to that effect. The 2012-1 Indenture shall provide the terms and conditions, covenants, rights, obligations, duties and agreements of the 2012-1 Bondholders, the Authority and the Trustee.

Section 9. All covenants, stipulations, obligations and agreements of the Authority contained in this resolution and contained in the Bond Purchase Agreement, the Continuing

Disclosure Agreement, the 2012-1 Indenture, the Acknowledgement of Servicing and the 2012-1 First Supplemental Indenture shall be deemed to be the covenants, stipulations, obligations and agreements of the Authority to the full extent authorized or permitted by law, and such covenants, stipulations, obligations and agreements shall be binding upon the Authority and its successors from time to time and upon any board or body to which any powers or duties affecting such covenants, stipulations, obligations and agreements shall be transferred by or in accordance with law. Except as otherwise provided in this resolution, all rights, powers and privileges conferred, and duties and liabilities imposed, upon the Authority or the members thereof by the provisions of this resolution, the Bond Purchase Agreement, the Continuing Disclosure Agreement, the 2012-1 Indenture, the Acknowledgement of Servicing and the 2012-1 First Supplemental Indenture shall be exercised or performed by the Authority or by such members, officers, board or body as may be required by law to exercise such powers and to perform such duties.

No covenant, stipulation, obligation or agreement herein contained or contained in the Bond Purchase Agreement, the Continuing Disclosure Agreement, the 2012-1 Indenture, the Acknowledgement of Servicing or the 2012-1 First Supplemental Indenture shall be deemed to be a covenant, stipulation, obligation or agreement of any member, officer, agent or employee of the Authority or of the State in his or her individual capacity, and neither the members of the Authority nor any officer executing the Series 2012-1 Bonds shall be liable personally thereon or be subject to any personal liability or accountability by reason of the issuance thereof.

Section 10. The proper officers of the Authority are hereby further directed to cause the proceeds of the Series 2012-1 Bonds to be initially deposited and disbursed as provided in the 2012-1 Indenture and the 2012-1 First Supplemental Indenture.

Section 11. In order to secure payment of principal, on the scheduled maturity dates and/or sinking fund maturity dates, and interest on the Series 2012-1 Bonds, on the dates due, the Authority is hereby authorized to obtain one or more municipal bond insurance policies and to enter into commitments and agreements with respect thereto. The Authorized Authority Officials are each hereby authorized to enter into an agreement with the issuer(s) of such municipal bond insurance policy in customary form, and to make such revisions to the forms of documents submitted to this meeting as may be necessary or appropriate in connection with such policy. The Authority is hereby further authorized to use proceeds of the Series 2011-2 Bonds or other available funds of the Authority to fund all or a portion of the premium payable to the issuer of the municipal bond insurance policy for such policy.

Section 12. The Authority, in consultation with the Treasurer of the State of New Jersey (the "Treasurer") and the Attorney General of the State of New Jersey (the "Attorney General"), is hereby authorized to purchase one or more financial guaranty insurance policies or surety bonds for deposit to the Debt Service Reserve Fund established under the 2012-1 Indenture to satisfy the 2012-1 Reserve Requirement (as defined in the 2012-1 First Supplemental Indenture) for the Series 2012-1 Bonds, if any, each constituting a Funding Instrument within the meaning of the 2012-1 Indenture, with respect to any or all of the Series 2012-1 Bonds (the "Funding Instrument(s)"). Such Funding Instrument, if any, shall be issued in an amount not exceeding the 2012-1 Reserve Requirement for the Series 2012-1 Bonds, if an Authorized Authority Official, in consultation with the Treasurer and the Attorney General, determines that such Funding Instrument(s) can be obtained upon terms and conditions consistent with the Act and reasonably acceptable to the Authority. The Authorized Authority Officials are each hereby authorized to enter into an agreement with the issuer(s) of such Funding Instrument(s), in customary form, and to make such revisions to the forms of documents submitted to this

meeting as may be necessary or appropriate in connection with such Funding Instruments). Together with, or in lieu of, a Funding Instrument, the Authority is hereby further authorized to use proceeds of the Series 2012-1 Bonds or other available funds of the Authority to fund all or a portion of the 2012-1 Reserve Requirement for the Series 2012-1 Bonds.

Section 13. Wells Fargo Bank, National Association is hereby appointed Trustee, Paying Agent, Registrar, and Authenticating Agent for the Series 2012-1 Bonds in accordance with the Authority's Request for Proposals for Trustee Services dated as of November, 2006.

Section 14. All actions of the Authority and its staff which have previously been taken with regard to the issuance of the Series 2012-1 Bonds and the NJCLASS Loan Program in respect of the Series 2012-1 Bonds are hereby ratified and approved, [including the selection of McElwee & Quinn as printer] for the Preliminary Official Statement and final Official Statement (as such terms are defined in Section 16 hereof) pursuant to a competitive solicitation process.

Section 15. The Authorized Authority Officials are hereby designated to be the authorized representatives of the Authority, and each of them and other authorized representatives and designees are hereby authorized and directed to execute and deliver any and all papers, instruments, opinions, certificates, affidavits and other documents and to do and cause to be done any and all acts and things necessary or proper for carrying out this resolution, the Bond Purchase Agreement, the Continuing Disclosure Agreement, the 2012-1 Indenture, the 2012 Third Supplemental Indenture, the Acknowledgement of Servicing, the 2012-1 First Supplemental Indenture and the issuance of the Series 2012-1 Bonds, including, without limitation, the substitution and approval of documents other than those approved and authorized to be executed by this resolution in order to conform the same to the purposes of the Act and the intentions of the Authority as expressed herein.

Section 16. The Preliminary Official Statement (the "Preliminary Official Statement"), substantially in the form presented to this meeting, is hereby approved, with any changes, insertions and omissions as may be approved by an Authorized Authority Official. The Authorized Authority Officials are each authorized to execute such documents as shall be necessary or desirable to evidence that the final Preliminary Official Statement in the form to be distributed, is "deemed final" within the meaning of (and with the exception of certain information permitted to be omitted by) Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended. The Authorized Authority Officials are each authorized to execute and deliver a final Official Statement for the Series 2012-1 Bonds (the "final Official Statement"), substantially in the form of the Preliminary Official Statement, with any changes, insertions and omissions as may be approved by said Authorized Authority Official. The execution of the final Official Statement by said Authorized Authority Official shall be conclusive evidence of any approval of such Official Statement in final form as authorized by this Section 16.

Section 17. The Trustee is authorized to invest funds held under the 2012-1 Indenture in Investment Securities at the direction of an Authorized Authority Officer.

Section 18. This resolution shall take effect immediately, but no action authorized herein shall have force and effect until 10 days after a copy of the minutes of the Authority meeting at which this resolution was adopted has been delivered to the Governor of the State for his approval, unless during such 10-day period the Governor shall approve the same, in which case such action shall become effective upon such approval, as provided by the Act.

April 26, 2012

RESOLUTION 08:12

**APPOINTING VENDORS TO PROVIDE FINANCE, ACCOUNTING AND
COLLECTOR EMPLOYMENT SERVICES**

Moved by: Maria Torres
Seconded by: James Allen

WHEREAS: On March 23, 2012 the Higher Education Student Assistance Authority (HESAA) issued a “Request for Proposals for Temporary Employment Services: Finance, Accounting and Collector Positions” (RFP); and

WHEREAS: HESAA received two responsive proposals; and

WHEREAS: An evaluation committee made up of representatives from HESAA’s Human Resources, Legal and Governmental Affairs, Servicing & Collections and Finance units met and reviewed each of the proposals; and

WHEREAS: The evaluation committee determined the two agencies were evenly matched with regards to the selection criteria and therefore determined that the primary and secondary awards should be based on cost.

NOW, THEREFORE, LET IT BE:

RESOLVED: That the Board appoints Robert Half Accountemps as the primary agency and Accounting Principals as the secondary agency for all positions, except collector (day), for which Account Principals will be the primary agency and Robert Half Accountemps will be the secondary agency, at the hourly rates provided on Attachment 1.

April 26, 2012

Price Sheet

Job Title	Robert Half	Accounting Principals	
		Range	Average
Accountant	25.95	27.20-42.51	34.85
Bookkeeper	23.85	25.50-31.60	28.55
Budget & Financial Analysis Manager	57.50	65.38-89.89	77.63
Clerk – Accounting	19.45	22.11-25.51	23.81
Collections Supervisor	29.75	32.69-40.87	36.78
Collector (Day)	23.80	20.39-23.81	22.10
Collector (Bilingual Spanish)	24.30	20.39-28.91	24.65
Collector (2 nd Shift)	23.96	20.39-28.91	24.65
Collector (2 nd Shift Bilingual Spanish)	24.30	27.21-32.32	29.76
Collector (2 nd Shift Evening/Saturday Bilingual Spanish)	24.50	30.62-34.03	32.32
Collector (Evening/Saturday Bilingual Spanish)	24.50	30.62-34.03	32.32
Collector – Senior	27.45	30.62-34.03	32.32
Financial Analyst	35.50	42.52-57.22	49.87
Investigator/Claim Processor/Default Aversion Specialist	23.96	25.53-32.69	29.11
Tax Verification Expert	24.86	53.14-69.47	61.30

RESOLUTION 09:12

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

Moved by: Jean McDonald Rash

Seconded by: Fr. Michael Braden

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

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

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

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

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

WHEREAS: Equifax has been HESAA's primary source of supply for credit services since the inception of the FICO based loan eligibility determination process, requiring HESAA to develop systems and programs compatible with Equifax's proprietary products and systems.

NOW, THEREFORE, LET IT BE:

RESOLVED: That the Board approves a waiver of bid advertising for credit reporting products and services, thereby permitting HESAA to enter a five year contract with Equifax for a total amount not to exceed \$1,485,837.78.

April 26, 2012