

MINUTES

HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY

July 25, 2007

The Higher Education Student Assistance Authority (HESAA) Board held a meeting on July 25, 2007 at 10:00 a.m. at the HESAA offices in Hamilton.

PRESENT: Mr. Michael Angulo, Esquire; Mr. James Avery; Mr. Raymond Castor; Mr. Kevin Collins (teleconference); Ms. Wilma Harris; Dr. Harvey Kesselman; Ms. Rossy Matos-Miranda (teleconference); Dr. Joann LaPerla-Morales; Mr. Warren Smith, Esquire; Ms. Nancy Style, Treasurer's Designee; and Ms. Maria I. Torres, members.

ABSENT: Ms. Jean McDonald Rash

CALL TO ORDER

Chairman Smith called the meeting to order at 10:00 a.m. and stated that the meeting had been noticed in compliance with the requirements of the Open Public Meetings Act.

Mr. Smith welcomed the Board members.

He advised members of the public who wished to speak to register with Ms. Mercedes Powell.

Deputy Attorney General Melissa Hager swore-in new Board member Tabatha Ialacci, SAC.

Mr. Smith asked DAG Melissa Hager to speak about voting for the new members. DAG Hager stated that a vote on the approval of minutes is a vote on the actions taken at the meeting in questions. If one were not at the meeting for which approval of minutes is sought, one cannot verify the actions/discussion that took place. In those situations, a Board member may recuse oneself from the vote on acceptance of the minutes.

Mr. Smith asked Ms. Merci Powell to call the roll.

MINUTES

A motion to approve the minutes of the May 10, 2007 meeting was made by James Avery and seconded by Raymond Castor. The minutes were approved unanimously with two recusals, M. Wilma Harris and Tabatha Ialacci because they did not participate in the May meeting.

RESOLUTION 05:07: ELECTING A CHAIRPERSON, VICE CHAIRPERSON AND TWO MEMBERS OF THE EXECUTIVE COMMITTEE

Dr. Harvey Kesselman presented this item to the Board.

In accordance with Article V of the Bylaws of the Higher Education Student Assistance Authority, the Chairperson appointed Warren Smith, Rossy Matos-Miranda and Harvey Kesselman to the Nominating Committee to nominate a Chairperson and Vice Chairperson from among the public members of the Authority Board and two additional members of the Executive Committee, one from among the public members of the Board and one from among the institutional members of the Board.

The bylaws include the State Treasurer or designee and the Executive Director as members of the Executive Committee, with the Executive Director serving as Secretary Treasurer. Accordingly, Nancy Styles, as Treasurer's Designee is a member of the Executive Committee, and Executive Director Michael Angulo will serve as Secretary/Treasurer of the Executive Committee.

The Nominating Committee met and recommended electing Maria Torres, as Chairperson, Rossy Matos-Miranda as Vice Chairperson, Warren Smith as a member of the Executive Committee representing public members and Harvey Kesselman as a member of the Executive Committee representing institutional members, for fiscal year 2008.

A motion to approve this resolution was made by Dr. Harvey Kesselman and seconded by M. Wilma Harris. The motion passed unanimously.

RESOLUTION 06:07: ADOPTING A TUITION AID GRANT AWARD TABLE FOR ACADEMIC YEAR 2007-2008:

Ms. Sherry Fox presented this item to the Board.

Resolution 06:07 will establish a table of full-time Tuition Aid Grant award values for the 2007-08 academic year, in accordance with the provisions of the Fiscal Year (FY) 2008 Appropriations Act.

The FY2008 Full-Time TAG appropriation of \$230,230,000 represents an increase of \$15.5 million over last year's appropriation. In keeping with the intent of the Appropriations Act, awards for students attending both public and independent institutions who demonstrate the highest need (the first NJEI cell of the TAG Table) have been increased based on 2006-07 tuition levels. Award increases for all other TAG recipients are based on 2004-05 tuition levels.

As shown in Attachment B, budgeted FY2008 TAG resources also include a state appropriation for part-time students eligible to receive TAG awards under the Part-Time TAG for EOF Students Program, as well as federal matching funds received under the Leveraging Educational Assistance Partnership and Supplemental Leveraging Educational Assistance Partnership Programs.

These resources will be sufficient to fund the TAG Table shown in Attachment B, which includes 872 new awards, for a total of 51,226 awards.

It should be noted that budgetary footnote language in the Appropriations Act allows the Authority to retain the unexpended balance in the TAG account as of June 30, 2007, as well as

refunds recognized after July 31, 2007. These re-appropriated balances are to be held as a contingency for unanticipated increases in the number of applicants qualifying for full-time TAG awards, to fund shifts in the distribution of awards that result in an increase in total program costs, or to offset any shortfalls in the federal LEAP/SLEAP Programs. Supplemental appropriations are available should these resources be insufficient to cover program costs.

It is recommended that the Board approve the Full-Time FY2008 TAG Award Table displayed in Attachment A.

We will be happy to respond to your questions.

Dr. Kesselman questioned why there was an increase in the number of awards in the first cell. Sherry Fox responded that we believe there was a shift in the first cell because there was a change in the need analysis. To be automatically eligible for an award in the first cell, maximum family income for eligible students increased from \$16,000 to \$20,000. Additionally there are more low-income student enrolling. Dr. Kesselman asked given the generous appropriation from the Governor and the Legislature, will we be able to cover the first cell this year. Ms. Fox responded that along with the Office of Management and Budget, we will ensure coverage. Mr. Avery stated that it was encouraging to hear that more low-income students are going to college.

A motion to approve this resolution was made by M. Wilma Harris and seconded by Dr. Harvey Kesselman. The motion passed unanimously.

RESOLUTION 07:07: ADOPTING A PART-TIME TUITION AID GRANT AWARD TABLE FOR COUNTY COLLEGES FOR ACADEMIC YEAR 2007-2008

Ms. Sherry Fox presented this item to the Board

Resolution 07:07 establishes a table of Part-Time TAG award values for the 2007-08 academic year, in accordance with the provisions of the Fiscal Year 2008 Appropriations Act.

The FY2008 Part-Time TAG for County Colleges appropriation of \$5.494 million is \$553,000 higher than last year's appropriation and is sufficient to increase part-time award values, while allowing for an increase in the number of award recipients. Budgetary footnote language specifies that the unexpended balance in the Part-Time TAG for County Colleges account, including refunds recognized after July 31, 2007, are appropriated and are to be held as a contingency for unanticipated increases in the number of applicants qualifying for Part-Time TAG for County Colleges or to fund shifts in the distribution of awards that result in an increase in total program costs.

The Part-Time TAG for County Colleges Award Table shown in Attachment A was developed following the parameters used to develop the 2007-08 Full-Time TAG Table. That is, awards for students demonstrating the highest need were based on 2006-07 tuition levels, while all other awards were based on 2004-05 tuition levels.

Award values for students enrolling for 6 – 8 credits were set at 50% of the value of full-time TAG awards, while awards for students enrolling for 9 – 11 credits were set at 75% of the full-

time TAG awards. These part-time award values were then proportionately reduced to remain within the available appropriation.

Ms. Fox recommended that the Board approve the Part-Time TAG for County Colleges Award Table for the 2007-08 academic year shown in Attachment A.

Dr. Kesselman discussed how in the past we had made a policy assertion to shorten the three-year lag time, and asked if that is going to be possible. Mr. Smith asked Ms. Fox if she could explain to the new members what a lag is. Ms. Fox explained that the awards are set based on tuition levels and that for the neediest students there is a one year lag, meaning that for 2007-2008 the award is based on 2006-2007 tuition levels and that for those in other cells there is a three-year lag. Mr. Angulo explained that there currently is not enough funding to make the lag current on a long-term basis. Nancy Style stated that the Authority makes a very good case each year to decrease the lag, however, there is not enough funding to make that a permanent decrease and we do not want it to be a one-time decrease. Dr. LaPerla-Morales commented that as aid decreases tuition increases an average of five percent a year. Wilma Harris asked if it is possible to get data on how many part time TAG recipients receive an Associates Degree. Ms. Fox said that HESAA is planning to conduct a study. Since the Program is currently entering its fifth year, sufficient data will be available at the end of the 2007-2008 academic year, and the study will be conducted at that time.

A motion to approve this Resolution was made by Raymond Castor and seconded by Tabatha Ialacci. The motion passed unanimously.

RESOLUTION 08:07 READOPTING WITH AMENDMENTS THE REGULATIONS GOVERNING THE GRANT AND SCHOLARSHIP PROGRAMS, N.J.A.C. 9A:9

Marnie B. Grodman, Esquire presented this item to the Board.

At its February 7, 2007 meeting the HESAA Board voted to propose readopting with amendments N.J.A.C. 9A:9, the regulations governing the grant and scholarship programs which were set to expire August 2, 2007. The Proposed Rule No. PRN 2007-123, was published in the April 16, 2007 New Jersey Register at 39 N.J.R. 1375(a), on the HESAA website at HESAA.org, sent to the Statehouse News Media and Secondary notice was mailed to interested parties. The 60-day legislative review period for this rule expired on May 18, 2007, with no comments received. The public comment period for this rule expired on June 15, 2007.

HESAA received comments from two parties, James E. Pegg, Director of Financial Aid for Sussex County Community College and Richard J. Van Wagner of Stearns & Weinroth on behalf of DeVry University.

Mr. Pegg questioned whether eligible non-citizens can be members of the Student Advisory Committee which the proposed regulations do continue to allow.

He also asked whether the TAG table will continue to be utilized in determining TAG awards and part-time TAG awards. The amount of the student's TAG award will continue to be based on the student's financial need as well as the tuition charges at the institutions s/he attends.

HESAA will continue to provide institution specific TAG award tables to all 2- and 4-year public colleges and universities.

Finally, Mr. Pegg requested clarification regarding the eligibility requirements for renewal Garden State Scholarships pursuant to N.J.A.C. 9A:9-4.8(a). HESAA responded that in order to remain eligible for the Garden State Scholarship Program, students must renew the award annually, receive at least one semester of payment each academic year, and be enrolled full-time for each semester the student receives payment.

On behalf of DeVry University, Mr. Van Wagner requested confirmation that DeVry University, as a proprietary school, would remain an eligible institution.

Consistent with N.J.S.A. 18A:71B-1, N.J.A.C. 9A:9-2.1(c) specifically includes all degree granting proprietary institutions licensed by the New Jersey Commission on Higher Education in the definition of eligible institutions, regardless of whether they have been licensed as “out-of-state”. Accordingly, HESAA was able to reassure Mr. Van Wagner that DeVry University remains an eligible institution.

All of the comments HESAA received requested clarifications and do not require amendments to the proposed readoption. Accordingly, it was recommend that the Board approve Resolution 08:07, Readopting With Amendments the Regulations Governing the Grant and Scholarship Programs, N.J.A.C. 9A:9.

Dr. Kesselman asked why OSRP wasn’t mentioned and Ms. Grodman responded that these changes did not pertain to OSRP.

A motion to approve this Resolution was made by M. Wilma Harris and seconded by James Avery. The motion passed unanimously.

REPORT OF THE STUDENT ADVISORY COMMITTEE

Gloria Green presented this item to the Board.

The first meeting of the 2007-2008 Student Advisory Committee (SAC) was held on July 17, 2007 at 2 Quakerbridge Plaza. Following the welcome and introductions, staff from the Higher Education Student Assistance Authority (HESAA) provided a comprehensive overview of HESAA programs, products, and services. In addition, the role and responsibilities of the SAC were also discussed.

This year’s Chair and Vice Chair were members of the 2006-2007 SAC.

Mr. Raymond Castor was elected to serve as Chair of the 2007-2008 SAC. Mr. Castor graduated with honors from Burlington County College in May of 2007 and will be attending Rutgers University in the fall. Mr. Castor’s achievements have resulted in his inclusion in the “Who’s Who Among Students In American Junior Colleges.” He serves as a youth ambassador for the Friends of the Italian Language of Burlington New Jersey and intends to teach Italian and Spanish upon graduation.

Ms. Tabatha Ialacci was elected to serve as Vice Chair of the 2007-2008 SAC. Ms. Ialacci entered Mercer County College in the fall of 2005 as a NJ STARS student. She is currently a sophomore majoring in Aviation Flight Technologies. While attending Mercer as a full time student, Ms. Ialacci earned her private pilot's license.

EXECUTIVE DIRECTOR'S REPORT

Executive Director Michael Angulo made the following report to the Board:

Let me begin by updating you on our dealings with the U.S. Senate Higher Education, Labor and Pensions Committee, a/k/a the HELP Committee, and the New Jersey Attorney General's Office. As you know, several months back, we received a letter of inquiry from the HELP Committee through its Chair, Sen. Edward Kennedy. Shortly thereafter, as part of an investigation into the financial aid sector, the New Jersey Attorney General served subpoenas upon a number of higher education institutions and HESAA. HESAA has been cooperating fully with both inquiries, and we are hopeful that the matters will approach a positive conclusion in the near future. Responding to the HELP Committee and the NJ Attorney General has been an additional challenge on top of our usual heavy workload. I am grateful to my staff for pulling together and taking on this additional work during what is our busiest time of the year.

I want to stress that HESAA supports the efforts to implement constructive change in the financial aid sector. As always, HESAA is committed to strict compliance with regulatory authority, and operational integrity. To remain in step with, if not ahead of, the fast evolving financial aid landscape, HESAA has developed a comprehensive plan including, among others, a Code of Conduct and Best Practices Guidelines.

Without question, the student loan industry's transformation is ongoing. The bottom line is that students should be offered the best options to decide which financial aid products best serve their needs.

I look forward to again focusing solely on HESAA's many student-friendly initiatives such as providing one of the most favorable supplemental loans in the nation to assist New Jersey students, securing strong borrower benefits to save our students millions of dollars each year, and administering New Jersey's many excellent grant/scholarship, and loan redemption programs.

Among the critical programs HESAA administers is the Tuition Aid Grant program. With your earlier adoption of the FY 2007-08 full time TAG and part-time TAG award tables, the Authority will be notifying students and institutions of TAG award values prior to the payment of fall tuition bills. Since the purpose of these programs is to reduce or eliminate the tuition component of the cost of attending college, this information is essential for finalizing students' college enrollment plans.

The \$230.230 million appropriation for full-time TAG, represents an increase of \$15.5 million over last year, and will assist over 62,630 New Jersey students who have demonstrated financial need.

The Part-time TAG for County College Students Program appropriation of \$5.494 million, represents an increase of \$553,000, which will increase the size as well as the number of awards.

Overall, we have seen a 4% increase in grant and scholarship applications over last year with more applications yet to come.

We are grateful to the Governor and the Legislature for their continued support of financial aid programs, like the TAG and part-time TAG programs.

The incredible success of our NJCLASS program continues. The NJCLASS fixed loan rate for this upcoming academic year are as low as 5.75% for borrowers who make automatic payments through their checking accounts. The tremendous interest in NJCLASS is reflected by the over 3,636 NJCLASS applications HESAA staff processed over the past week alone. That is more than twice the amount processed during the same time last year. We recently set a single day best of approving over \$2.4 million in NJCLASS loans. As higher education costs continue to outpace inflation and grant assistance, NJCLASS has met the needs of New Jersey students and their families. I am grateful for our staff's hard work towards meeting the rapidly growing needs of this program.

New Jersey's college savings plan, NJBEST, has also experienced remarkable growth. NJBEST provides one of the best investments New Jersey families can make in saving towards the cost of their children's higher education. As of June 30, 2007 total assets under management eclipsed \$1.9 billion, compared to \$149 million in March of 2003. We now have over 140,455 accounts in place. The average annual returns on investments for families in the age-based plan have ranged from 18.8% for the new born through 8-year old age group to 7.8% for the 17+ age group. This age-based investment strategy allows for adjustments in risk tolerance depending on the child's age. The cumulative returns for the youngest age group have totaled 108.8% since March 2003.

As you may know, NJBEST also provides up to a \$1,500 scholarship to eligible students pursuing higher education in New Jersey. To date, a total of 363 NJBEST scholarships, valued at \$193,250, have been awarded to eligible New Jersey students.

The number of NJBEST scholarships is expected to grow as more plan participants enter college. We project that, by FY 2011, the number of NJBEST scholarships awarded annually will increase to 2,400 valued at close to \$2.5 million.

In terms of services HESAA provides, over the past few months, we received a large number of requests to conduct workshops, especially for students attending Educational Opportunity Fund Summer programs. The workshops include sessions on Default Aversion, Real Money 101, and identity theft. The Real Money 101 presentations provide students with information on personal finance, money and debt management, credit awareness, and default prevention. They were designed to promote financial literacy, the importance of paying student loans on time, and avoiding overextending one's financial obligations, thereby encouraging future financial independence and responsibility.

In June, more than 23,000 calls came into our toll-free Call Center, raising the total number of

calls received in the first six months of this year to well over 115,000. Our mailroom processed nearly 310,000 pieces of mail last month -- 32,000 more than the staff processed in June of 2006.

I will next provide an update on the federal front. Congressional activity concerning financial aid has been robust. Yesterday, the Senate unanimously approved (by a vote of 95-0) S. 1642, the Higher Education Amendments of 2007. The bill provides for reauthorization of the Higher Education Act (HEA), a process that has not been completed by Congress since 1998. Companion legislation has not yet been introduced in the House. Last month, Congress approved a one-month extension of programs under the HEA, through July 31, 2007. If final legislation is not enacted before the expiration at the end of this month, Congress will need to provide for an additional extension while the reauthorization can be completed. Such an extension was just introduced in the House as H.R. 3122.

There have also been numerous federal initiatives to reform student lending practices, namely, the Student Loan Sunshine Act, a College Cost Reduction Act of 2007, and a Notice of Proposed Rulemaking for the U.S. Department of Education. In addition, following similar action in the U.S. House of Representatives, the Senate recently passed S. 1762, the Higher Education Access Act, calling for, among others, a cut of \$19 billion from the FFELP program primarily to fund increases in Pell Grants. While HESAA applauds increases in need-based grants such as the Pell Grant Program, we are concerned that increases to one program at the expense of another will not help serve students' best interests. As the House and Senate come together to develop a final legislative proposal, HESAA will continue to advocate on behalf of students for effective student loan programs that can continue to provide vital benefits and services.

The New Jersey Legislature has also taken action. On June 21, the State Senate passed S. 2729. This bill prohibits certain interactions and arrangements between student lending institutions and institutions of higher education. Among its provisions is a requirement that higher education institutions inform borrowers of all available Title IV federal student loans -- or any loans under state law that are more favorable to the borrower -- before a student lending institution can provide a private loan. This provision, if enacted, will positively impact the volume of NJCLASS loans since they offer lower interest rates than private sector loans and the federal PLUS loan. The Assembly companion bill has been referred to the Assembly Higher Education committee for consideration.

These are interesting and dynamic times. However, despite the differing opinions and intense politics surrounding our industry, there is no disputing the critical role financial aid plays in higher education. As the administrator of the State's financial aid programs and the federally designated guaranty agency for New Jersey, HESAA's reach is extensive and our impact considerable. We are meeting our challenge head on -- by changing the status quo, addressing operational weaknesses, and proactively implementing federal, state, and industry standards. In the end, I have no doubt that our sector, and the students and families we serve, will be better off.

Thank you.

NEW BUSINESS

Warren reminded the Board that the members of the Audit Committee were convening a meeting immediately following lunch. The members of the audit committee are Maria Torres – Chairperson, Rossy-Matos-Miranda, Vice Chairperson, and Wilma Harris and pursuant to Executive Order 122, Nancy Style- the Treasurer’s Designee to the Higher Education Student Assistance Authority Board.

Mr. Avery stated that Warren Smith had done an outstanding job as Chair with everyone agreeing.

ADJOURNMENT

Ms. Smith said the next meeting would be on October 24, 2007.

A motion to adjourn was made by Dr. Harvey Kesselman and seconded by Raymond Castor. The motion passed unanimously.

The meeting adjourned at 10:45 a.m.