

## **MINUTES**

### **HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY**

July 16, 2008

The Higher Education Student Assistance Authority (HESAA) Board held a meeting on July 16, 2008 at 10:00 a.m. at the HESAA offices in Hamilton.

**PRESENT:** Mr. Michael Angulo, Esquire; Mr. James Avery; Sister Paula Marie Buley (teleconference); Mr. Richard Garcia; Ms. Wilma Harris; Mr. Tony Hubbard; Ms. Tabatha Ialacci; Dr. Harvey Kesselman; Ms. Rossy Matos; Ms. Jean McDonald Rash; Ms. Nancy Style, Treasurer's Designee; and Ms. Maria I. Torres (teleconference), members.

**ABSENT:** Mr. Kevin Collins; Dr. Joann LaPerla-Morales and Warren Smith, Esquire.

#### **CALL TO ORDER**

Vice Chairwoman Matos called the meeting to order at 10:03 am and stated that the meeting had been noticed in compliance with the requirements of the Open Public Meetings Act.

Ms. Matos welcomed the Board members, Deputy Attorney General Melissa Hager, Esquire and Sonia Frontera, Esquire from the Governor's Authorities Unit.

She advised that no members of the public had registered to speak.

Deputy Attorney General Melissa Hager swore-in new Board member Tony Hubbard.

Ms. Matos asked Ms. Merci Powell to call the roll.

#### **CONSIDERATION OF THE MINUTES OF THE MAY 15, 2008 MEETING:**

A motion to approve the minutes of the May 15, 2008 meeting was made by James Avery and seconded by Wilma Harris. The minutes were approved unanimously with four recusals, Dr. Harvey Kesselman; Ms. Jean McDonald Rash; Ms. Rossy Matos and Tony Hubbard, because they did not participate in the May 15th meeting.

#### **CONSIDERATION OF THE MINUTES OF THE MAY 28, 2008 MEETING:**

A motion to approve the minutes of the May 28, 2008 meeting was made by Tabatha Ialacci and seconded by Richard Garcia. The minutes were approved unanimously with one recusal, Tony Hubbard, because he did not participate in the May 28<sup>th</sup> meeting.

**REPORT OF THE NOMINATING COMMITTEE AND ELECTION OF OFFICERS AND MEMBERS OF THE EXECUTIVE COMMITTEE (RESOLUTION 05:08 ELECTING A CHAIRPERSON, VICE CHAIRPERSON AND TWO MEMBERS OF THE EXECUTIVE COMMITTEE)**

Dr. Harvey Kesselman made the following presentation to the Board.

In accordance with Article V of the Bylaws of the Higher Education Student Assistance Authority, the Chairperson appointed Warren Smith, James Avery and myself 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; and

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 has met and we recommend electing **Maria Torres**, as Chairperson, **Rosy 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 2009.

A motion to approve Resolution 05:08 was made by Wilma Harris and seconded by James Avery. The motion was passed unanimously.

**RESOLUTION 06:08 ADOPTING A TUITION AID GRANT AWARD TABLE FOR ACADEMIC YEAR 2008-2009**

Ms. Sherry Fox presented this item to the Board.

Resolution 06:08 establishes a table of full-time Tuition Aid Grant award values for the 2008-09 academic year, in accordance with the provisions of the Fiscal Year (FY) 2009 Appropriations Act.

The FY 2009 appropriation for the Full-Time TAG Program is \$250,490,000, an increase of \$20,260,000 over FY 2008. As specified in the Appropriations Act, awards for students attending both public and independent institutions who demonstrate the highest financial need have been increased based on 2007-08 tuition levels, while awards for all other TAG recipients are based on 2005-06 tuition levels.

As shown in Attachment B, budgeted FY 2009 full-time TAG resources also include a State appropriation for part-time students receiving TAG through the EOF Part-Time Program, as well as federal matching funds received under the LEAP/SLEAP Programs.

These resources will be sufficient to fund the Full-Time TAG Award Table shown in Attachment B. Budgetary footnote language in the Appropriations Act allows the Authority to retain the unexpended balance in the TAG account as of June 30, 2008, as well as refunds recognized after July 31, 2008. These reappropriated 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 TAG Award Table for the 2008-09 academic year shown in Attachment A.

A motion to approve this resolution was made by Nancy Style and seconded by Harvey Kesselman. There was discussion regarding the historical rates for TAG. The motion passed unanimously.

**RESOLUTION 07:08 ADOPTING A PART-TIME TUITION AID GRANT AWARD TABLE FOR COUNTY COLLEGES FOR ACADEMIC YEAR 2008-2009**

Ms. Sherry Fox presented this item to the Board.

Resolution 07:08 establishes a table of part-time Tuition Aid Grant award values for the 2008-09 academic year, in accordance with the provisions of the Fiscal Year (FY) 2009 Appropriations Act.

The FY 2009 appropriation for the Part-Time TAG for County Colleges Program is \$5,970,000, an increase of \$476,000 over FY 2008. *(8.7% increase)* This appropriation is sufficient to increase part-time award values as well as allow for an increase in the number of awards.

The Part-Time TAG for County Colleges award table shown in Attachment A is based on the same parameters as the 2008-09 full-time TAG award table. Accordingly, awards for students demonstrating the highest need are based on 2007-08 tuition levels, while all other awards are based on 2005-06 tuition.

Award values for students who enroll for 6-8 credits were set at 50% of the full-time award value, while awards for students who enroll for 9-11 credits were set at 75% of full-time values. These awards were then proportionately reduced to remain within the appropriation.

Budgetary footnote language in the Appropriations Act allows the Authority to retain the unexpended balance in the part-time TAG for county colleges account as of June 30, 2008, as well as refunds recognized after July 31, 2008. These reappropriated balances are to be held as a contingency for unanticipated increases in the number of applicants qualifying for part-time awards or to fund shifts in the distribution of awards that result in an increase in total program costs.

It is recommended that the Board approve the Part-Time TAG Award Table for the 2008-09 academic year shown in Attachment A.

A motion to approve this resolution was made by Richard Garcia and seconded by Tony Hubbard. Dr. Kesselman thanked the Governor and Legislature on behalf of the Senior Public Community for the increased appropriations during these difficult fiscal times and stated he appreciates their commitment to the TAG program. The motion passed unanimously.

**RESOLUTION 08:08 CONSIDERATION OF PROPOSED READOPTION WITH AMENDMENTS OF REGULATIONS GOVERNING STUDENT LOAN AND COLLEGE SAVINGS PROGRAMS, N.J.A.C. 9A:10**

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

N.J.A.C. 9A:10 is the chapter that pertains to the Federal and State loan programs, as well as the College Savings plan, that HESAA administers. This chapter is set to sunset on November 3, 2008. HESAA staff reviewed the chapter and determined that the rules are necessary and reasonable. Through review, staff also determined that some amendments are necessary.

Subchapter 1 sets forth the Federal Family Education Loan (FFEL) Program rules and regulations. As documented in the memo that you each received, staff has amended this chapter to reflect federal statutory and regulatory amendments to the FFEL Program. We have also made amendments to better conform to the definitions found in the Common Manual. This subchapter also contains amendments reflecting the approval of the Common Review Initiative, which allows HESAA to work with other guarantors in conducting federally mandated lender reviews.

Subchapter 2 sets forth the rules and regulations for the Social Services Student Loan Redemption Program (SSSLRP). HESAA staff has amended this subchapter to reflect the operations of the agency by replacing financial aid services with student loan office as the HESAA unit charged with administering this program. In response to questions received by recipients, we have also amended this subchapter by clarifying that SSSLRP payments are not excluded from gross income for Federal Tax purposes.

Subchapter 3 sets forth the OB/GYN Student Loan Expense Reimbursement Program rules and regulations. Like SSSLRP, this program is also administered by the student loan office so these regulations have been amended to reflect this fact.

Subchapters 4 and 5 of N.J.A.C. 9A:10 are reserved for future programs and Subchapter 6 sets forth the rules and regulations for the New Jersey College Loans to Assist State Students (NJCLASS) Program. As described in detail in the Board memo, the proposed amendments to this subchapter are intended to better clarify the administration of this Loan program. As this Board adopted amendments to this subchapter at its October 2006 meeting there were not many amendments necessary.

Finally, subchapter 7 sets forth the rules and regulations for the New Jersey Better Educational Savings Trust (NJBEST) Program. The only proposed amendment to this subchapter adds the definition for "NJBEST" to clarify that, for purposes of this subchapter, this term includes both the NJBEST 529 College Savings Plan and the national 529 College Savings Plan offered by the Authority.

We have also made additional amendments throughout the chapter for punctuation and stylistic purposes. Based on staff's intensive review, It is recommended that the Board approve Resolution 08:08 Consideration of Proposed Readoption with Amendments of Regulations Governing Student Loan and College Savings Programs, N.J.A.C. 9A:10, so that the proposed readoption can be published in the New Jersey Register.

A motion to approve this resolution was made by James Avery and seconded by Wilma Harris. Nancy Style asked if they will be voting on adopting the regulations at the October meeting. Ms. Grodman explained that the proposal will be published in the New Jersey Register and that after the 60 day legislative and public review periods the regulations will be brought to the Board to vote on the readoption. The sunset period is extended by 6 months by proposing the readoption. The motion passed unanimously.

## **REPORT OF THE STUDENT ADVISORY COMMITTEE**

Gloria Green presented this item to the Board.

The first meeting of the 2008-2009 Student Advisory Committee (SAC) was held on June, 27, 2008 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 2007-2008 SAC.

Ms. Tabatha Ialacci was elected to serve as Chair of the 2008-2009 SAC. Ms. Ialacci earned her Associate Degree in Aviation Flight Technologies from Mercer County College in May 2008. While attending Mercer as a full time student, Ms. Ialacci also earned her private pilot's license. In Fall 2008, Ms. Ialacci will be attending Edison State College.

Mr. Tony Hubbard was elected to serve as Vice Chair of the 2008-2009 SAC. Mr. Hubbard graduated from Burlington County College in May 2008 with a degree in Psychology. Mr. Hubbard will be continuing his education at Rutgers University – Camden as a Psychology major with a minor in Resource Management.

## **EXECUTIVE DIRECTOR'S REPORT**

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

As you know, the FY 2009 State budget was passed by the Legislature and signed on June 30<sup>th</sup> by Governor Corzine. This budget demonstrates the Governor's and Legislature's strong support of both the TAG and NJSTARS Programs. I am pleased to report that, as a result of additional funding provided for the full-time TAG program, the proposed cap on award values for first-time students at independent institutions will not be implemented. Additionally, a proposed income limit for initial NJ STARS recipients will not be instituted for the upcoming academic year. However, recognizing the considerable growth of this program, NJSTARS will be evaluated by a task force of stakeholders, the Governor's office, and HESAA. Concurrently, HESAA will be completing a statutorily required study of the NJSTARS II program, due in September.

The State Budget also included an Early Retirement Incentive Program (ERI) under which HESAA employees who participate in the PERS retirement system are eligible to participate. The program has a number of categories that employees may fall into, but the minimum age for the program begins at 58. Of the nineteen (19) HESAA employees qualified for ERI, we are relieved that only 8 have elected to take early retirement. Nevertheless, these individuals contribute in a significant way to our operations. We will work closely with the Governor's office and the Treasurer to ensure that HESAA's high level of service is not adversely impacted.

I'd like to next provide an update on REAL Choice, our new loan comparison, selection, and application site. To date, over 1,000 applications have been received and processed. Two institutions are now sending files to us regularly with student loan certification data and another 15 institutions are set up to use the borrower initiated process. Through the borrower initiated process, students are directed to a link on the college's page or directly to the REAL Choice application to complete their loan applications. As fall approaches, and the number of institutions that sign on increases, the volume of applications will increase dramatically. We are also receiving strong interest from out of state schools. A couple of week ago, our client services team introduced REAL Choice to hundreds of institutions at the NASFAA conference. As intended, REAL Choice is bolstering our revenue generating operations.

Part of the REAL Choice application allows students to electronically sign their applications. We are very close to fully implementing e-signatures for NJCLASS, and eventually our other financial aid products. Reducing paperwork is not only convenient to the borrower, but also reduces the workload for those at HESAA involved in processing, mailing, filing, and archiving hardcopies.

A substantial challenge we've been confronting this year has been student loan liquidity and the credit market crisis. These are major concerns for FFELP and private or secondary loan lenders this year. As a result of the mortgage credit crisis, and as I reported at our last Board meeting, auction bond remarketing for all asset backed securities, including student loans, have been failing since February and this has spilled over into the general bond markets. However, we are beginning to see some relief. A couple of weeks ago, Nelnet, SLM Student Loan Trust, and SLC Student Loan Trust successfully went to market bond offerings. We are in the process of preparing to go to market for the NJ CLASS loan. We expect that it will be successful and that we will be able to announce a competitive rate for the 2008-09 year by the beginning of August. New Jersey will be one of maybe three states in the country able to issue bonds to support a supplemental loan program. Endless hours have been dedicated to this bond offering to ensure that it is successful. Given the credit marketplace, none of this would have been possible if not for the consistently effective work of HESAA staff towards maintaining a remarkably low NJCLASS default rate, strong recovery rate, and diligent underwriting process.

We continue to work on improving HESAA's brand recognition. The initial step toward that goal was our Design a Logo contest. The contest is now concluded. From across the state we had over 100 entries from 40+ schools. The winner of the contest was a senior from Marlboro High School. Dana Silverstein received her certificate at an awards ceremony last month and her school received a \$2,500 check. The proceeds of the award have been used to purchase digital cameras for the arts and graphic classes. We are pleased to present this first official unveiling of our new logo here today. We feel that this better represents our motto of, "Students Are at the

Center of All We Do” and better depicts what we do, that is, to help students to achieve their educational dreams. It will be phased in over the next few months as we replenish our printed material and have it positioned on our website.

Finally, our Annual Report is now available. Each of you should have received your copies, as have all college Presidents, our Legislators and other related Association members.

Over the next few weeks, with our NJCLASS bond issuance, ramping up of REAL Choice, and routine financial aid administration for college enrollment, we will, without question, be extremely busy. There is no summer break for financial aid processing. It is a testament to HESAA employees’ professionalism, resourcefulness, and effectiveness, that we are continuously able to meet our responsibilities, while facing challenges like the state-wide hiring freeze, loss of employees to early retirement, and facility limitations. The entire HESAA staff is to be commended for their extraordinary efforts.

Thank you for your continued support of, and commitment to, the Authority.

Following Mr. Angulo’s report, there was discussion regarding the Bond transaction and the federal TEACH Grant. On behalf of the Independent Institutions, Sister Buley thanked the Governor and Legislature for their support of the TAG program.

## **NEW BUSINESS**

Ms. Matos 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.

At this time, Ms. Matos thanked Merci Powell for her years of service to the HESAA Board as she will be retiring at the end of this month.

## **ADJOURNMENT**

Ms. Matos announced that the next Board meeting is scheduled for October 21, 2008 at 10:00 am.

A motion to adjourn was made by Wilma Harris and seconded by Richard Garcia. The motion passed unanimously.

The meeting adjourned at 10:56 a.m.