MINUTES
HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY

February 23, 2009

The Higher Education Student Assistance Authority (HESAA) Board held a meeting by conference call on February 23, 2009 at 10:00 a.m. from the HESAA offices in Hamilton.

PRESENT: Mr. Michael Angulo, Esq.; Sr. Paula Marie Buley; Mr. Edward Graham; Ms. M. Wilma Harris; Ms. Tabatha Ialacci; Dr. Harvey Kesselman; Ms. Rossy Matos-Miranda; Mr. Warren Smith; Ms. Nancy Style, Treasurer’s Designee; and Ms. Maria Torres; members.

Also participating via teleconference were Sonia Frontera, Esq., Assistant Counsel, Governor’s Authorities Unit;

Participating in person was Cheryl Clark, Deputy Attorney General.

Members of the Public: Marguerite Beardsley, CHE

ABSENT: Mr. Richard Garcia; Mr. Tony Hubbard; Dr. Joann LaPerla-Morales; Ms. Jean McDonald Rash

CALL TO ORDER

Chairwoman Torres called the meeting to order at 10:00 am and stated that the meeting had been noticed in compliance with the requirements of the Open Public Meetings Act.

Ms. Torres welcomed the Board members.

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

Ms. Torres asked the Board Secretary to call the roll.

Nancy Reffner called the roll.

RESOLUTION 01:09 – APPOINTMENT OF A FINANCIAL ADVISOR AND SENIOR MANAGER FOR AUTHORITY BOND ISSUES

Mr. Robert Clark, Controller, presented the report and recommendations of the RFP evaluation committee for appointments of a Financial Advisor and Senior Manager for the Authority’s Bond issues, and Resolution 01:09 making these appointments.

In addition to the Chief Financial Officer who, under the Authority’s procedures, chairs the RFP Evaluation Committee, the Executive Director designated the Director of Legal & Governmental Affairs, the Assistant Director of Legal & Governmental Affairs and the Controller to participate
in this review process. As Controller, Mr. Clark coordinated this process. The recommendation is made under the established Authority procedures for the selection of Financial Advisors and Senior Managers. These procedures are fully described in Section A of the memo accompanying Resolution 01:09.

Concerning selection of the Financial Advisor, eight proposals were submitted, and the evaluation committee interviewed all eight firms. Of these, the proposal of Scott Balice Strategies most closely matched the Authority’s needs. An item of particular interest in this firm’s proposal was its expertise in the modeling of student loan cash flows, a service not previously performed by Financial Advisors working on behalf of the Authority. Cash flow analysis performed by the Financial Advisor will produce an independent second opinion on the financing proposals of the underwriter, possibly resulting in terms more favorable to the Authority. The proposed fee for Scott Balice’s financial advisory services is $130,000, inclusive of cash flow modeling and other expenses. Scott Balice has also proposed a fee of $12,500 for their support in the bidding, evaluation and award of the Guaranteed Investment Contracts in which bond proceeds are invested.

Concerning selection of the Senior Manager, nine proposals were submitted by underwriting firms. The evaluation committee interviewed all nine firms. Of these firms, Bank of America’s proposal outlined a set of services that most closely matches the Authority’s needs. Bank of America proposed to work closely with Authority staff in the continued development of financing structures tailored to match program delivery objectives. Additionally, of all the bidders, the Bank of America proposal and presentation best illustrated the depth of experience of assigned staff and the firm’s strong commitment to help the Authority obtain the best possible financing structure in the current volatile market conditions, as well as strong support of the Authority’s after bond sale needs, including evaluation of alternatives in resolving issues involving the Authority’s auction rate bonds, those issued between 2001 and 2007, which are currently in a failed auction mode due to the financial crisis.

An additional advantage of the Bank of America selection is its recent merger with Merrill Lynch, Inc. With this combination, HESAA will have the advantage of the size and financial strength of Bank of America, and the municipal securities expertise of each firm, along with the strong retail brokerage presence enjoyed by Merrill Lynch, particularly within the State of New Jersey, to help ensure successful marketing of our bonds.

The proposed fee to Bank of America inclusive of management fees, expenses, and ‘takedown’ (which is the commission rate paid to the bond salespeople) is $6.95 per thousand for fixed rate bonds, which is an increase of 13 cents ($0.13) per thousand from the fees paid to Morgan Stanley, Inc., in connection with the Authority’s 2008 Bond Issue. The proposed fees are based on an estimated $400.0 to $450.0 million Authority bond sale.

It was recommended that the Board approve the attached resolution, which approves the appointment of Scott Balice Strategies as the Authority’s Financial Advisor, and Bank of America as the Authority’s Senior Manager.
Motion to approve the resolution was made by Dr. Harvey Kesselman and seconded by Ms. Wilma Harris. There was discussion regarding Bank of America’s current ability to market the HESAA Bonds, and Michael Angulo informed the Board that the Evaluation committee discussed the current market situation with all bidders.

The motion was adopted unanimously by roll call.

RESOLUTION 03:09 – ENDORSING THE ELIMINATION OF THE FFELP STAFFORD LOAN ORIGINATION FEE FOR ACADEMIC YEAR 2009-2010 TUITION AID GRANT AND EDUCATIONAL OPPORTUNITY FUND RECIPIENTS

Eugene Hutchins, Chief Financial Officer, presented to the Board for consideration Resolution 03:09 which endorses the one-year elimination of the .50 percent Federal Family Education Loan program (FFELP) Stafford Loan origination fee for Academic Year 2009-2010 for all students receiving awards under the New Jersey Tuition Aid Grant (TAG) and/or Educational Opportunity Fund (EOF) Programs whose FFELP loans are administered through the Authority.

When students borrow funds through the FFEL program, they are required to pay a federal origination fee. As of July 1, 2009 the origination fee will be .50 percent of the loan amount. Due to the current economic downturn and the impact on students, HESAA is proposing to pay the origination fee to the federal government on behalf all students who receive need based aid through either the TAG or EOF programs for the 2009-2010 academic year. This will result in an immediate savings to student borrowers of approximately $600,000 and a total savings over the life of their loans of $11.2 million.

Providing the highest levels of assistance possible to the neediest sector of New Jersey’s students is an important component of HESAA’s mission. HESAA’s proposed program to pay the origination fees for New Jersey’s TAG and EOF recipients for the 2009-2010 academic year will assist these students in persisting through the completion of their degrees, while at the same time reducing their life of loan borrowing costs. This benefit is in addition to HESAA’s existing payment of the one percent default fee for all New Jersey FFELP borrowers. HESAA’s payment of the default fee has saved New Jersey students and their families over $44 million over the last nine years.

As the proposed program for HESAA to pay the origination fee to the lenders on behalf of New Jersey’s TAG and EOF students for the 2009-2010 academic year furthers HESAA’s mission, and is in compliance with State and Federal statutes and regulations, it is recommended that the Board approve Resolution 03:09.

Motion to approve the resolution was made by Dr. Harvey Kesselman and seconded by Mr. Warren Smith. There was discussion regarding marketing of this program and ensuring that students are aware of this borrower benefit. There was also discussion regarding any similar programs in the Direct Loan program. Mr. Hutchins explained that the Direct Loan Program will have a total origination fee of 1.5% next year, of which 1% will be waived; however any student that is unable to make twelve on time payments will have to repay the 1% initial waiver.
HESAA’s payment of the origination fee and associated default fee totaling 1.5% of the loan amount will be irrevocable.

The motion was adopted unanimously by roll call.

ADJOURNMENT

Chairwoman Torres announced the next HESAA Board meeting will be held on Wednesday, April 22, 2009 at 10:00 am. A motion to adjourn was made by Ms. Wilma Harris and seconded by Ms. Tabatha Ialacci.

The meeting adjourned at 10:22 a.m.