The Higher Education Student Assistance Authority (HESAA) Board held a meeting on July 21, 2009 at 10:00 a.m. at the HESAA offices in Hamilton.

**PRESENT:** Mr. Michael Angulo, Esquire; Ms. Wilma Harris; Dr. Harvey Kesselman; Ms. Rossy Matos; Mr. Jonathan Nycz; Mr. Ron Subramaniam; Ms. Nancy Style, Treasurer’s Designee; Ms. Maria I. Torres and members.

**TELECONFERENCE:** Mr. Edward Graham; and Mr. Warren Smith, Esq.

**ABSENT:** Richard Garcia; Dr. Joann LaPerla-Morales; and Ms. Jean McDonald Rash

**CALL TO ORDER**

Chairwoman Torres called the meeting to order at 10:05 a.m. and stated that the meeting had been noticed in compliance with the requirements of the Open Public Meetings Act.

Ms. Torres led those present in the Pledge of Allegiance.

Ms. Torres welcomed the Board members including those participating on the phone, Marguerite Beardsley, CHE and Cheryl Clarke, DAG;

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

Deputy Attorney General Cheryl Clarke swore-in new SAC Board members Ron Subramaniam, Chair and Jonathan Nycz, Vice Chair.

Ms. Torres asked Ms. Nancy Reffner to call the roll.

**CONSIDERATION OF THE MINUTES OF THE APRIL 22, 2009 MEETING:**

A motion to approve the minutes of the April 22, 2009 meeting was made by Warren Smith and seconded by Dr. Harvey Kesselman. The minutes were approved unanimously with two recusals, Jonathan Nycz and Ron Subramaniam because they did not participate in the April 22, 2009 meeting.

**CONSIDERATION OF THE MINUTES OF THE MAY 20, 2009 MEETING:**

A motion to approve the minutes of the May 20, 2009 meeting was made by Wilma Harris and seconded by Nancy Style. The minutes were approved unanimously with five recusals, Edward Graham, Dr. Harvey Kesselman, Rossy Matos, Jonathan Nycz and Ron Subramaniam because they did not participate in the May 20, 2009 meeting.

Wilma M. Harris 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 Harvey Kesselman, Warren Smith 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, Rossy Matos-Miranda as Vice Chairperson, Richard Garcia as a member of the Executive Committee representing public members and Dr. Harvey Kesselman as a member of the Executive Committee representing institutional members, for fiscal year 2009.

A motion to approve Resolution 10:09 was made by Warren Smith and seconded by Jonathan Nycz. The motion was passed unanimously.

RESOLUTION 11:09 ADOPTING A TUITION AID GRANT AWARD TABLE FOR ACADEMIC YEAR 2009-2010

Ms. Sherry Fox presented this item to the Board.

Resolution 11:09 establishes a table of full-time Tuition Aid Grant award values for the 2009-2010 academic year, in accordance with the provisions of the Fiscal Year (FY) 2010 Appropriations Act.

As of mid-July, more than 349,000 applications had been received, 210,000 (59.7%) of which listed a TAG-participating institution as the applicant’s first choice. Compared to this time last year, the number of applications has increased by almost 16%. The largest growth has occurred in the county college sector, where there has been a 24% increase in the number of students listing a county college as their first choice. The number of students listing a state college is 15% higher, while there has been a 9% increase at the independent sector and nearly a 13% increase at Rutgers/NJIT/UMDNJ.
To date, the number of students qualifying for a Tuition Aid Grant has increased by 10% compared to this time last year. TAG-participating institutions will certify fall enrollment by the end of October, so by mid-November we will have an understanding of the number of students who are enrolling full-time and are eligible to receive payment.

Resolution 11:09 will establish a table of full-time Tuition Aid Grant award values for the 2009-10 academic year, in accordance with the provisions of the Fiscal Year (FY) 2010 Appropriations Act.

The FY 2010 appropriation for the Full-Time TAG Program is $283,281,000, an increase of $32,728,000 (13.1% increase) over FY 2009. 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 2008-09 tuition levels, a one-year lag, while awards for all other TAG recipients are based on 2006-07 tuition levels, a three-year lag. Pursuant to budgetary footnote language, awards for TAG-eligible students attending a postsecondary, for-profit institution are equivalent to the corresponding average award amount at the State college sector.

As shown in Attachment B, budgeted FY 2010 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 are 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, 2009, as well as refunds recognized after July 31, 2009. 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 2009-10 academic year shown in Attachment A.

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

RESOLUTION 12:09 ADOPTING A PART-TIME TUITION AID GRANT AWARD TABLE FOR COUNTY COLLEGES FOR ACADEMIC YEAR 2009-2010

Ms. Sherry Fox presented this item to the Board.

Resolution 12:09 establishes a table of part-time Tuition Aid Grant award values for the 2009-2010 academic year, in accordance with the provisions of the Fiscal Year (FY) 2010 Appropriations Act.
In 2008-09, the Part-Time TAG for County Colleges Program experienced unprecedented growth, with nearly 9,900 students receiving almost $6.474 million. In light of the 24% increase in the number of applicant’s selecting a county college as their first choice for the 2009-10 academic year, it is anticipated that demand for part-time TAG awards will continue to grow.

Resolution 12:09 will establish a table of part-time Tuition Aid Grant award values for the 2009-10 academic year, in accordance with the provisions of the Fiscal Year (FY) 2010 Appropriations Act.

The FY 2010 appropriation for the Part-Time TAG for County Colleges Program is $7,115,000, an increase of $1,115,000 over FY 2009. (19.2% increase) This appropriation is sufficient to increase award values and fund approximately 600 additional students.

The Part-Time TAG for County Colleges award table shown in Attachment A is based on the same parameters as the 2009-10 full-time TAG award table. Awards for students demonstrating the highest need are based on 2008-09 tuition levels, a one-year lag, while all other awards are based on 2006-07 tuition, a three-year lag.

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

As with full-time TAG, 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, 2009, as well as refunds recognized after July 31, 2009. 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 2009-10 academic year shown in Attachment A.

A motion to approve this resolution was made by and seconded by Dr. Kesselman commended Governor Corzine and the Legislature for their outstanding commitment to the TAG Program. Wilma Harris recommended using methods besides the Board’s minutes to relay the Board’s appreciation to the Governor and Legislature. The motion passed unanimously.

**REPORT OF THE STUDENT ADVISORY COMMITTEE**

Gloria Green presented this item to the Board.

The first meeting of the 2009-2010 Student Advisory Committee (SAC) was held on July 10, 2009 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.
EXECUTIVE DIRECTOR’S REPORT

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

I would like to open by welcoming two new members of the Board representing the Student Advisory Committee. Ron Subramaniam, who will be a senior at Bergen County College, is the Committee President and Jonathan Nycz, who will be a junior at Rutgers, is the new Vice Chair. We welcome you and look forward to your participation on the board.

In April, I reported on the status of the proposed federal and state budgets. As an update, on June 29, 2009, Governor Corzine’s proposed $323.4 million for State financial aid programs was approved. Of this, $34 million will come from Federal State Fiscal Stabilization Funds. In a year when the overall State budget has been cut by $3.4 billion, we are pleased at the continued strong support by this Board, the Legislature, and the Governor. The TAG tables you approved today provide an additional $32.7 million for the full-time TAG program, and an increase of $1.1 million for the Part-time TAG program. The NJSTARS & STARS II programs have been increased by $3.1 million and the World Trade Center Scholarship Fund received a $200,000 increase. I note that the World Trade Center Scholarship Board met last Thursday to approve the funding level for the World Trade Center Scholarship for the 2009-10 year. With the increase in the funding, the scholarship amount will continue to be offered up to $6,500.

All other State programs will receive level funding except OSRP which has been reduced to reflect the declining cohort of eligible students who remain in the program.

As part of the cost savings measures necessary to balance the budget, state employees are required to take a total of 10 furlough days. One day was already taken in May of this year. Two other planned days will be the day after Thanksgiving and Lincoln’s Birthday. The remaining seven days, to be taken by June 30, 2010, will be scheduled between the employees and their managers. During these difficult economic times, we are relieved that the furloughs were limited, and layoffs were not necessary – unlike other states, like California, where state workers must take 3 furlough days a month for at least the next 12 months. We anticipate with good planning there will not be any disruption to our operation.

On the federal front, this past July 15, 2009, a bill was introduced by House Education Chairman George Miller called the Student Aid and Fiscal Responsibility Act of 2009. The bill proposes a number of significant changes to the federal financial aid landscape. Among its notable provisions are:

- Increasing Pell Grants, the federal government’s largest need based grant program, to $5,550 in 2010, and to $6,900 by 2019. Beginning in 2010, Pell Grants will be adjusted annually by the Consumer Price Index +1%.

- A provision of $600 million to improve student outcomes and for the development of data reporting systems.

- Under this provision, grants would be awarded to non-profit agencies, like HESAA, to improve student success, completion and post completion employment goals and to fund
innovative projects that increase the number of individuals with postsecondary degrees or certificates.

- Funding of $1.2 billion for Historically Black Colleges and Universities; and,
- Beginning in July of 2011, the bill would impose eliminating need-based aid for families with assets in excess of $150,000.

The provision in the bill that has a direct impact on HESAA operations is the proposal to eliminate the Federal Family Education Loan Program in favor of the Direct Lending Program beginning July 1, 2010. The proposal follows President Obama’s budget proposals presented earlier this year. However, the Student Aid and Fiscal Responsibility Act includes opportunities for HESAA to participate in the servicing of Direct Loans either individually or as part of a consortium. The bill is scheduled for mark-up beginning today and there has yet to be a companion bill introduced in the Senate. Once the Senate passes its version of the budget bill, both bills will need to be reconciled before anything is signed into law. We are working with our Congressional Delegation, the Governor’s Office, and Legislature, along with our industry colleagues to ensure that our students will continue to receive the critical services and outreach, including default aversion, financial literacy, and financial aid awareness that HESAA effectively provides. By preserving a role for the Authority in the restructured federal student loan landscape, New Jersey’s students and institutions will continue to receive comprehensive assistance. We are confident that there will be a role for HESAA and other non-profits in the areas of loan servicing, collections, public outreach, and financial literacy programs. Moreover, we are pursuing business opportunities with the vendors selected by the U.S. Department of Education to service the Direct Loan program. We will continue to provide updates on federal activities as that process progresses.

Adding to the significant milestone of this, our 50th Anniversary, this past month, HESAA successfully completed its $450 million tax exempt bond issue to support the NJCLASS loan program. This is the largest ever bond issue for a public supplemental loan program in the nation. The scope of the issue was necessary to meet the unprecedented demand for NJCLASS which has seen remarkable growth over the past few years due in large part to its low interest rates and favorable terms. For the upcoming academic year, the NJCLASS interest rate begins at 7.62% for undergraduate students and 8.02% for graduate/professional students. We are again offering the Option 3 repayment plan which allows borrowers to defer both principal and interest payments while in school. Moreover, recognizing that the economy continues to place many borrowers in difficult financial positions, we have expanded the amount of the bond dedicated for Option 3 from 50% to 55% of the total volume.

Additionally, in an effort to meet New Jersey’s growing demand for medical and dental professionals, I am proud to announce the creation a new loan program, MedNJ, “NJCLASS for Medical and Dental Students”. From the NJCLASS bond, we set aside $5 million for loans that will be made to students in medical and dental school who are enrolled in MD, DO, DDS, and DMD programs in New Jersey and New Jersey students attending at out of state medical and dental schools. These students will be able to borrow the full cost of tuition minus other state and federal aid at a fixed interest rate of 8.2% for those who select payment options 1 or 2, and at 8.5% for those who select option 3. Students will also be able to defer repayment until they have completed their 3 year residency period and they will have 25 years to repay the loan. This is
extremely attractive for medical students who might otherwise have to begin paying their combined undergraduate and graduate student loans while in their residency… which can be extremely difficult. Our marketing campaign has just begun and so far we have 13 applications.

At the conclusion of my report, Joseph Santoro, Principal, from Bank of America/Merrill Lynch will provide you with more detail on the NJCLASS bond issue, which is widely viewed as the model in the nation for a bond transaction of its type. Joe will provide some insights as to why NJCLASS is, in fact, ‘best in class’ in the alternative loan market.

Also related to our bond indentures, we are working with our underwriter and financial advisor to develop a plan to refinance the $1.3 billion in failed auction rate bonds that remain outstanding. This refinancing plan could involve a tender process through which the auction bonds are retired and refinanced through the issuance of additional fixed rate bonds. This plan will be brought back to you for approval after it has been more fully evaluated.

We have two initiatives that we are about to launch that will make processing for our students and our staff easier. Earlier this year, I mentioned that HESAA was working to further streamline the correction process for the TAG program. As a result of the Board’s approval of the TAG Award tables, later this month we will be sending out the final Student Eligibility Notices, “SENs”. In many instances, student applicant data must be corrected by the institutions based on the results of the verification process. Until now the institutions corrected state data through a HESAA process, and federal aid through the federal aid process. We will now be able to accept most of those changes from the same data feed the institutions send to the U.S. Department of Education’s This has taken almost a year to develop and we are extremely pleased to implement this process.

I am pleased to inform you that we have launched our newest NJCLASS feature, “manage your account.” NJCLASS borrowers are now able to access their loan information on the web, alleviating wait time on the phone and minimizing the time our “hotline” staff needs to provide general account information. Borrowers can view their loans’ outstanding balances, the monthly payments due, and the next payment due date. These address a large percentage of the phone calls we receive on a daily basis. Later this year, we will be extending our services to include information on payment history, origination data such as loan maturity date, name of parties to the loan, and functionality, such as e-billing. Customers will have the ability to manage all of their NJCLASS loans simply and efficiently.

On a final note, we have been reminded to ask Board members who have received questionnaires from the Governor’s Office of Appointments to complete and return them as soon as possible.

As you can see, there is a substantial amount of activity in the financial aid arena right now. We will continue to monitor the national and local landscape, as well as look for business opportunities for HESAA so that we can continue to effectively serve New Jersey’s students, families, and schools.

Thank you for your continued support.

At this time, Mr. Joe Santoro from Bank of America/Merrill Lynch presented the attached summary of the NJCLASS 2009 Financing.
NEW BUSINESS

Maria Torres read resolutions acknowledging and thanking the Student Advisory Committee members, Tabatha Ialacci and Tony Hubbard, for their service and dedication to the Higher Education Student Assistance Authority Board. A copy of the resolutions will be noted in all the official records of the Authority.

Marnie Grodman advised that HESAA will be conducting ethics training for HESAA Employees in a group setting commencing this fall. Additionally we will provide training at the next HESAA Board meeting. We will be providing the Board with updates as HESAA receives notice from the Authorities Unit and the State Ethics Commission regarding training requirements for Board members.

ADJOURNMENT

Ms. Torres reported that the next Board meeting has been scheduled Wednesday, October 21, 2009 at 10:00 am.

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

The meeting adjourned at 11:04 a.m.