

MINUTES

HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY

April 21, 2021

The Higher Education Student Assistance Authority (HESAA) Board held a remote teleconference meeting on April 21, 2021 at 10:00 am via GoTo Meeting.

PRESENT: HESAA Board Members: Ms. Stephanie Berdugo-Hernandez; Dr. Brian Bridges, Secretary of Higher Education; Ms. Nelly Celi; Ms. Beatrice Daggett; Ms. Dara Giannotti; Dr. Jon Larson; Ms. Jean McDonald Rash; Mr. Scott Salmon; Mr. Robert Shaughnessy, Treasurer's Designee; Mr. David Socolow; Ms. Maria Torres; and Ms. Christy Van Horn, chair.

ABSENT: None

CALL TO ORDER

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

Ms. Van Horn welcomed the Board members and advised that since this meeting is being held remotely, Roseann Sorrentino would conduct a roll call for the resolutions.

Ms. Van Horn welcomed Joy Johnson, Associate Counsel from the Governor's Authorities Unit; Erin Herlihy, Deputy Attorney General from the New Jersey Division of Law; Tim Webb, Hilltop Securities, Financial Advisor; Leah Sandbank and Kevin M. Fenstemaker, McManimon Scotland & Bauman, LLC, Bond Counsel; Jeff Wagner, Paul Sheldon, Brian Kares, Hing Loi, Director and Tyler Walsh, RBC Capital Markets, LLC, Underwriter; Aimee Manocchio Nason and Susan Wilkerson, Deputies Attorney General from the New Jersey Division of Law, Issuer's Counsel.

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

CONSIDERATION OF THE MINUTES OF THE JANUARY 27, 2021 MEETING

A motion to approve the minutes of the January 27, 2021 meeting was made by Jon Larson and seconded by Stephanie Berdugo-Hernandez. The minutes were approved unanimously.

CHAIR TO ANNOUNCE NOMINATING COMMITTEE APPOINTMENTS

Christy Van Horn announced that Jean McDonald Rash has agreed to chair, and Scott Salmon and Stephanie Berdugo-Hernandez have agreed to serve on, the Nominating Committee. Ms. Van Horn advised that any members interested in serving on the Executive Committee should advise Roseann Sorrentino or the Nominating Committee Members of their intention by June 1st. She thanked the members for agreeing to be on the Committee.

RESOLUTION 03:21 ADOPTING A SCHEDULE OF MEETINGS FOR FISCAL YEAR 2022

Marnie Grodman presented Resolution 03:21 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 2022 the Board meetings be scheduled on Wednesday, July 21, 2021; Wednesday, October 20, 2021; Wednesday, January 26, 2022; and Wednesday, April 20, 2022. All of these meetings will take place at 10:00 am.

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

A motion to approve Resolution 03:21 was made by Robert Shaughnessy and seconded by Jon Larson.

The motion passed unanimously.

RESOLUTION 04:21 AUTHORIZING THE ISSUANCE AND SALE OF SENIOR AND SUBORDINATE STUDENT LOAN REVENUE BONDS AND APPROVING THE EXECUTION AND DELIVERY OF AN INDENTURE OF TRUST, A SUPPLEMENTAL INDENTURE, PRELIMINARY OFFICIAL STATEMENT, FINAL OFFICIAL STATEMENT, CONTINUING DISCLOSURE AGREEMENT, ACKNOWLEDGEMENT OF SERVICING, BOND PURCHASE AGREEMENT, AND OTHER MATTERS IN CONNECTION THEREWITH AND ACKNOWLEDGING A CHANGE IN INTEREST RATES FOR 2021 NJCLASS LOANS TO BE ORIGINATED USING PROCEEDS FROM 2020 BOND ISSUE

Jerry Traino presented Resolution 04:21 to the Board.

Good morning and thank you all for your attention to this resolution addressing the Series 2021 Bond Issue and related bond documents before you.

To summarize the comprehensive title, Resolution 4:21 authorizes a bond sale of Series 2021 bonds in an amount not to exceed \$175 million. The Series 2021 bonds will be issued under a new Master Indenture of Trust, the 2021 Indenture.

The proceeds of the bonds will be used to finance the Authority's NJCLASS program for the 2021-2022 academic year, to provide funds for the NJCLASS Consolidation and Refinance loan programs, and to refund all Series 2010-2 Student Loan Revenue Bonds, issued under the 2010-2 Indenture. As part of that refunding, a portion of loans originated with the proceeds of the 2010-2 Series will be transferred to the 2021 Indenture and pledged as payment of the 2021 Bonds. In addition, proceeds will be used to make deposits into the Capitalized Interest and Debt Service Reserve Funds.

Consistent with the finance structure used in the past several HESAA offerings, the 2021 Bonds will be comprised of Refunding Series bonds as well as Senior and Subordinate Series bonds.

As noted in the memorandum sent to the Board on April 14th the Authority anticipates the net equity from the 2010-2 Indenture loans being transferred to the 2021 Series will be adequate to meet all costs of issuance and no additional equity will need to be contributed by the Authority.

As in prior years, the NJCLASS program will utilize bond funds to finance standard NJCLASS Loans with its three repayment options: the 10-year Option 1; the 15-year Option 2; and the 20-year Option 3. Bond funds will also be used to finance NJCLASS Consolidation Loans, and the 10-year and 15-year loan options under the NJCLASS ReFi + program.

All NJCLASS loans originated from the 2021 bond proceeds will continue to follow the credit standards adopted by the Authority in 2012 and all loans will have a fixed flat interest rate for the life of the loan.

The Authority will continue to make available the enhanced Refinance loan products that were rolled out in 2019. This includes the refinancing of eligible borrowers' NJCLASS loans and federal Parent PLUS loans, as well as certain school-certified third-party education loans in either a 10-year or 15-year repayment term. Interest rates will continue to be based on a borrower's credit score.

A new enhancement to the refinance product HESAA seeks to implement this year is the elimination of the debt-to-income, or DTI, review Refinance applicants currently undergo. HESAA currently does not utilize DTI in either its Standard NJCLASS or Consolidation loan programs. Such underwriting criteria was eliminated several years ago from those programs. Many of our applicants already have well-established payment histories with HESAA as borrowers under HESAA's Standard NJCLASS loan program. They also already meet both the income and credit score criteria. The added burden of passing certain DTI thresholds has resulted in otherwise eligible NJCLASS borrowers being denied approval for Refinance loans. Many of these borrowers subsequently refinance with for-profit lenders.

Through its Financial Advisor and Senior Underwriting Manager, HESAA has been working with rating agencies to determine if DTI review can be eliminated without changing the terms of the Refinance program. If such a favorable determination is made, and we believe it will be, then the documents to be approved by the Board today will be amended to reflect this change. More importantly, HESAA Refinance loans will be a more attractive option to our established borrowers.

Continuing HESAA's efforts to assist those families who suffer a material economic hardship for a period of time during the life of their loans, HESAA will again offer the Repayment Assistance Program (RAP) and Household Income Adjusted Repayment Plan (HIARP) to borrowers of the Standard NJCLASS loans originated during the 2021-2022 academic year and for all borrowers of 2010-2 loans transferred into the 2021 Indenture.

These programs are designed to avert defaults for those borrowers struggling to repay their loans. RAP was first offered to borrowers whose loans were originated with proceeds from the Series 2017 bonds and HIARP was first offered to borrowers of loans originated with Series 2018 bond proceeds. Both programs are subject to the availability of funds.

As you have noted on today's agenda, and as I will further elaborate upon when it is up for discussion, a separate resolution is before the Board approving the extension the RAP and HIARP benefits to all eligible loans originated prior to 2017 and 2018.

It is important to note that since the start of the State Health Emergency Declaration last March in response to the COVID-19 pandemic, HESAA has been working diligently to support New Jersey students and their families with funding, advice, and information about how to pay for higher education. Authority staff has continually been available to, as well as actively reaching out to, those borrowers directly impacted by COVID- 19 reminding them how they can apply for NJCLASS loan relief for temporary disability, unemployment, or financial hardship as they may encounter through the COVID-19 pandemic.

HESAA will continue to offer these relief options as part of the Series 2021 bond offerings as long as the State Health Emergency Declaration remains in place.

As noted in the memorandum, HESAA staff continues to assess market conditions at the time of the sale, scheduled to take place early next month, in collaboration with the underwriters and the advice of the Authority's financial advisor. HESAA's bond team will consider final sizing and structuring recommendations for the 2021 bonds based on market conditions at the time of marketing and sale of the bonds.

The bonds are being brought to market and sold to investors in a public sale. Given HESAA's long, established history we are hopeful that HESAA's bonds will again be well received, allowing HESAA to continue offering strong higher education financing options at competitive rates to NJ students and their families.

Available today to review with the Board the specific provisions of the Bond Resolution is Ms. Leah Sandbank and Mr. Kevin Fenstemaker, representing HESAA's bond counsel McManimon, Scotland and Baumann.

Also available to answer questions from Board Members is our Financial Advisor, Mr. Tim Webb of Hilltop Securities, as well as Mr. Jeff Wagner and his team, representing our Senior Managers at RBC Capital Markets.

Additionally, Deputy Attorneys General Aimee Manocchio Nason and Susan Wilkerson from Attorney General's Office are available.

A motion to approve Resolution 04:21 was made by Maria Torres and seconded by Brian Bridges.

Chairwoman Van Horn praised the fair options HESAA is able to provide for borrowers, including the elimination of DTI review. Ms. Van Horn commented on the positive impact of providing repayment options that take into account the health crisis in addition to providing RAP and HIARP.

The motion passed unanimously.

RESOLUTION 05:21 AUTHORIZING THE EXECUTION AND DELIVERY OF SUPPLEMENTAL INDENTURES AMENDING PRIOR SUPPLEMENTAL INDENTURES TO EXPAND THE REPAYMENT ASSISTANCE PROGRAM AND HOUSEHOLD INCOME AFFORDABLE REPAYMENT PLAN TO STUDENT LOANS ORIGINATED UNDER OR TRANSFERRED TO THE 2010-1, 2010-2, 2012, 2018 AND 2019 TRUST INDENTURES AND OTHER MATTERS IN CONNECTION THEREWITH

Jerry Traino presented Resolution 05:21 to the Board.

It is the Authority's intention to extend HESAA's borrower payment relief programs, the Repayment Assistance Program (RAP) and the Household Income Affordable Repayment Plan (HIARP), to all borrowers of Standard NJCLASS loans. This will provide access to RAP and HIARP to those borrowers whose Standard NJCLASS loans were originated prior to June 2017.

Resolution 05:21 authorizes the Authority to take the necessary steps to amend certain indentures to provide RAP and HIARP availability for borrowers whose loans are held in the 2010-1, 2010-2, and the 2012 Indentures. This includes Series 2011, 2012, 2013, 2014, 2015, and 2016; and for the HIARP extension Series 2017.

Currently, Standard NJCLASS loans applied for after June 1, 2017 that are used to attend school for academic terms that begin on or after August 1, 2017 are eligible for RAP. HIARP is available for Standard NJCLASS loans with applications that were received on or after June 1, 2018. Standard NJCLASS loans made prior to June 1, 2018 cannot currently participate in the HIARP program.

By way of background, RAP is designed to provide payment relief when all parties to the loan are facing financial hardship. Borrowers with eligible loans, Standard NJCLASS loans only, can enroll in RAP for up to two years (730 days).

During the RAP period, a borrower's monthly payment on eligible NJCLASS loans is reduced to an affordable amount based on the incomes of all parties to the loan but no less than \$5 per month per eligible loan. Interest that accrues during the RAP period is paid by HESAA. All payments received from the borrower during the RAP period are applied to reduce the principal balance of the loan.

To be eligible for RAP the loan must be in a repayment status, interest-only or principal and interest. Loans that are in a deferred status, both principal and interest payments, Consolidation loans, and Refinance loans are not eligible for RAP.

Loans that have reached default status are not eligible for either RAP or HIARP.

HIARP is designed to provide additional payment relief when all parties to the loan still continue to face financial hardship after exhausting of their two (2) years of RAP eligibility.

Through the HIARP program, monthly payments on eligible Standard NJCLASS loans is reduced to an affordable amount based on the incomes of all parties to the loan, but no less than \$25 per month. The repayment term for loans in the HIARP program will be extended to 25 years from the date of origination and any remaining balance at the end of the 25 years will be forgiven. During

the HIARP period interest continues to accrue on the loan. Payments received while in HIARP will be applied to directly to principal.

As noted earlier, enrollment in both RAP and HIARP is subject to the availability of funds.

At the time of implementation, HESAA lacked applicable historical data for the utilization of the payment assistance programs similar to RAP and HIARP to apply these to its entire outstanding portfolio of active loans. To do so would have required a substantial contribution, or over-collateralization, from the Authority. It was determined that initially RAP and HIARP would be implemented on a prospective basis only.

After reviewing the multiple years' actual utilization rates of these programs, and in consultation with its underwriter and financial advisor, HESAA has determined the loan portfolio will have the appropriate level of resources to extend these important relief programs to all eligible borrowers – particularly those more established borrowers who may be negatively impacted by the ongoing COVID-19 pandemic.

It is recommended that the Board provide approval to amend all prior indentures to provide that both RAP and HIARP shall be available to every outstanding Standard NJCLASS Loan originated with proceeds from, or transferred to all indentures.

A motion to approve Resolution 05:21 was made by Jean McDonald Rash and seconded by Stephanie Berdugo-Hernandez.

Chairwoman Van Horn expressed her pride in this resolution, and stated that HESAA should be proud as well. She added that this resolution gives borrowers an opportunity to correct payment problems and their credit.

The motion passed unanimously.

RESOLUTION 06:21 APPOINTING A FIRM TO SERVE AS HESAA'S INDEPENDENT AUDITOR PURSUANT TO EXECUTIVE ORDER 122 (2004)

Christie Van Horn presented Resolution 06:21 to the Board.

Executive Order 122 requires public authorities to create an Audit Committee and an Evaluation Committee. Under E.O. 122 (2004), the Evaluation Committee is responsible for issuing a Request for Proposals (RFP) for auditing services, evaluating responses to the RFP, and forwarding its recommendation to the Audit Committee.

The current members of the HESAA Board Audit Committee are Bea Daggett, Maria Torres, Robert Shaughnessy, and me. As Board chair, at our July 2020 meeting I appointed Jon Larson, Jean McDonald Rash, and Stephanie Berdugo-Hernandez to serve on the ad hoc Evaluation Committee. We would like to thank them. It was a lot of work and they did a good job.

As required by E.O. 122, the Evaluation Committee issued an RFP, evaluated the three proposals they received, and forwarded a recommendation to the Audit Committee.

Based on their review and determination, the Evaluation Committee provided a report to the Audit Committee recommending the selection of CliftonLarsonAllen LLP as the auditing firm for HESAA for the initial term of three years, beginning with the 2021 fiscal year, and subject to two one-year extensions at the option of HESAA. The Evaluation Committee found that CliftonLarsonAllen LLP's proposal was clear and comprehensive and demonstrated the highest level of experience, expertise and professionalism. CliftonLarsonAllen LLP has the experience to audit HESAA's complex financial statements. They are assigning senior staff members to HESAA's audit, and as a large nationwide firm, CliftonLarsonAllen LLP has depth in personnel as well as experts in a variety of areas that can be called upon if necessary. CliftonLarsonAllen LLP's attention to cybersecurity in the proposal was noteworthy due to the sensitivity of the information to be audited for HESAA.

The Evaluation Committee assured the Audit Committee that they discussed the fact that CliftonLarsonAllen LLP served as HESAA's independent auditor for the last ten years and confirmed with the Attorney General's office that there were not any conflicts with re-appointing the firm for another three-year term with two possible one-year extensions.

It is recommended that the Board approve the attached Resolution 06:21 – Appointing CliftonLarsonAllen as Independent Auditor, at a cost of \$84,350 for the first year, with a total cost of \$429,000 for a five year engagement.

A motion to approve Resolution 06:21 was made by Jon Larson and seconded by Maria Torres.

The motion passed unanimously.

RESOLUTION 07:21 APPROVING PROPOSED NEW RULES FOR ADMINISTERING THE COMMUNITY COLLEGE OPPORTUNITY GRANT PROGRAM

Marnie Grodman presented Resolution 07:21 to the Board.

On February 26, 2021, Governor Murphy signed the Community College Opportunity Grant (CCOG) Program Act into law. The purpose of the CCOG Program is to provide financial aid grants to eligible county college students to cover the costs of tuition and approved educational fees that are not already covered by any other State, federal, and institutional need-based grants or merit scholarships, and also to provide county colleges with Student Success Incentive funding for outreach and student success initiatives. Section 6 of the Act authorizes HESAA to adopt the rules and regulations necessary to implement the sections of the Act pertaining to the student grant awards.

The rules staff drafted are divided into the following nine sections:

- Purpose and Scope, providing background on the CCOG program;
- Definitions, defining terms used in the rules that could otherwise be construed as ambiguous;
- General Provisions, listing which of the general provisions contained in subchapter 2 of the regulations pertain to the CCOG program;

- Eligibility Requirements, explaining in detail the requirements students must meet to receive a CCOG award;
- Verification of enrollment and academic performance, explaining how institutions ensure that students meet the eligibility requirements;
- Amount of grant award, explaining how the award amounts are based on the in-county tuition and fees charges at the institution the student attends;
- Payments, specifying the maximum number of payments for which a student is eligible, based on full-time and part-time enrollment;
- Student notification, explaining how students will learn they are eligible for CCOG, as well as the award amounts for which they are eligible; and
- Appeals, which explains how students can appeal HESAA's determination of eligibility if the student disagrees with that determination.

The complete rule proposal, as well as a summary of each rule, are included in the materials. Upon the Board's approval, the rule proposal will be published in the June 7th New Jersey Register allowing for public comment until August 6th.

A motion to approve Resolution 07:21 was made by Jon Larson and seconded by Robert Shaughnessy.

Jon Larson complimented everyone's effort to get legislation enacted. On behalf of the Community College sector, he stated they are proud of the Governor, the Legislator, Secretary Bridges and the New Jersey Council of County Colleges, especially Aaron Fichtner, for implementing this important program.

The motion passed unanimously.

RESOLUTION 08:21 APPROVING THE ADOPTION OF PROPOSED AMENDMENTS TO THE REGULATIONS GOVERNING THE NJBEST SCHOLARSHIP

Marnie Grodman presented Resolution 08:21 to the Board.

At its October 21, 2020 meeting the HESAA Board approved proposed regulatory amendments to: (1) implement new legislation amending the NJBEST statute by deleting the requirement that previously limited the availability of the NJBEST Scholarship to the beneficiary's initial attendance or enrollment in a higher education institution; and (2) increase the NJBEST scholarship amount.

Upon adoption the minimum scholarship amount will be doubled from \$500.00 to \$1,000, the incremental additional scholarship amount for every two additional years of savings in an NJBEST account will double from \$250.00 to \$500.00, and the maximum scholarship amount will double from \$1,500 to \$3,000.

The proposed amendments, were published in the December 7, 2020 New Jersey Register, posted on the HESAA website and sent to the Statehouse News Media and secondary notice was emailed to interested parties and a press release was distributed to the news media. The 60-day legislative review period for this rule expired on January 5, 2021 with no comments received and the public

comment period for this rule expired on February 5, 2021 with no comments received. Therefore, the amendments can be adopted as proposed.

A copy of the proposal is included in the materials. Upon the Board's approval, the adoption notice will be published in the June 7, 2021 New Jersey Register, thereby making the adoption effective on June 7, 2021. Thank you.

A motion to approve Resolution 08:21 was made by Bea Daggett and seconded by Stephanie Berdugo-Hernandez.

Chairwoman Van Horn expressed her appreciation of the staff for working to make it easier for people to go to college and raising the scholarship amount.

The motion passed unanimously.

RESOLUTION 09:21 APPROVING THE HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY 2020 ANNUAL REPORT PURSUANT TO EXECUTIVE ORDER 37 (2006)

Margo Chaly presented Resolution 09:21 to the Board.

In accordance with Executive Order 37 from 2006, all independent state authorities, including HESAA, are required to produce an annual report to reflect a comprehensive overview of the work of the Authority and explain how that work promotes the state's overall economic growth strategies.

Included in your materials is a copy of HESAA's proposed 2020 Annual Report. It is a useful resource describing all the funding, support, and guidance that HESAA provides to the students and families of New Jersey.

HESAA works to advance Governor Murphy's vision to enable all New Jersey students to succeed, regardless of their life circumstances. By making a postsecondary education more affordable and accessible, we are building a stronger and fairer New Jersey. And 2020 was no different, despite the hurdles and heartbreak faced by students and staff at institutions of higher education, and the members of our own HESAA team as a result of the pandemic.

Personally, as a new addition to the HESAA team, I had the incredible opportunity to meet my colleagues by compiling and editing the 2020 Annual Report. Every individual who moves forward the mission of HESAA made herculean efforts to support the students of New Jersey. Our team conducted financial aid workshops virtually, addressed constituent inquiries through hundreds of thousands of emails, awarded aid and processed loans without interruption. And indirectly, although of equal and critical importance, our internal information systems team worked tirelessly to maintain the technical infrastructure that allowed HESAA to remain accessible to New Jersey students and their families. The commitment of all HESAA team members is inspiring and evident throughout the pages of the Annual Report.

With your approval today, this final report will be posted to our website and submitted to the Governor's office as required by the Executive Order.

We recommend that the Board approve Resolution 09:21.

A motion to approve Resolution 09:21 was made by Brian Bridges and seconded by Maria Torres.

Chairwoman Van Horn and Secretary Bridges commented that this is a stellar report.

The motion passed unanimously.

REPORT OF THE PROGRAM REVIEW AND QUALITY CONTROL COMMITTEE

Ms. Van Horn invited Jill Schmid, Director of Audits and Quality Assurance, to provide the following report:

Good morning, thank you Chairwoman Van Horn and members of the Board.

HESAA's Audits and Quality Assurance department met with the Program Review and Quality Control Committee on April 12th to discuss its accomplishments and progress in 2020, as well as the proposed review schedule for the upcoming year. While this past year has certainly required many adjustments for everyone, I am happy to report that the Audits and Quality Assurance department has been very successful and is on target to perform the number of reviews that were presented in the 2020-2021 schedule.

This past year has presented a number of challenges. The staff resources of our department were reduced as one team member worked closely with the Grants department for the majority of last year, one team member was not available to work remotely, and one team member was part time during the first 6 months of the pandemic. Additionally, the financial aid offices at the schools were also limited in resources and their efforts were often focused on adjusting to remote work as well as the ever increasing needs of their students. Even with these constraints, we have had a busy year working on over a dozen reviews, closing some from last year and initiating more throughout the year.

Some of the points from our meeting are as follows:

- The Audits and Quality Assurance department conducts institutional reviews to ensure state grant and scholarship programs are administered in accordance with all relevant federal and state statutes, regulations, policies, and procedures. This past year seven reviews were initiated – four of which were full scale and three of which were limited. These were in addition to another five reviews being brought to close that were still open from the previous cycle. Refunds to the state from these reviews total over \$60,000 so far.
- We continue to review New Jersey institutions' single audit reports annually. This process helps us identify potential issues that may impact state programs and we are responsible for updating Treasury's Grantee Single Audit System with our review results. This year's Single Audit reviews resulted in one mini review based on a single audit finding from one school that may have had an impact on the school's CCOG procedures. Only one student was identified as an exception during the analysis and a refund of \$160 was processed by the school.

- Two special council reviews were in progress last March and put on hold given the situation of the pandemic. We recently started working on these reviews again and both are close to closing. We will continue to review attorneys, alternating the firms annually.
- HESAA completed the 2020 annual internal control self-assessment as required by OMB and submitted its certified internal control assessment report, without utilizing the optional extension, in June 2020. No significant weaknesses were identified during this process and the 2021 internal control assessment is currently in progress.
- One enhancement that came out of the past year is that we now utilize a consistent, secure transfer protocol for all of the documents we receive from the schools. Previously, we offered this as an option, but often received documents in paper form, zip files, or through other secure transmission methods. Working with the IS group, we now have a formal, consistent, secure method we request the schools to use. This streamlines the process of sending and receiving documents, is easy to use, and allows for more flexibility throughout the course of the entire review. The schools have been extremely receptive and we have had no issues switching to this process. Many thanks to Adam Grossman in HESAA's IS group for helping with this implementation and ongoing support.

While this past year presented a lot of change, it continued to be a busy one. Even without visiting schools in person, we were successfully able to perform full scale reviews, work effectively with the financial aid officers, and accomplish our review goals. The proposed schedule that has been provided as part of your board materials maintains the pace of reviews we have been performing in the past, while still allowing flexibility for ad-hoc reviews and adjustments as needed.

The proposed review schedule was approved by the Program Review and Quality Control committee on April 12th and it is requested that the board approves the schedule today. Thank you.

A motion to accept the Program Review and Quality Control Report and the review schedule for FY 2022 was made by Stephanie Berdugo-Hernandez and seconded by Brian Bridges.

Chairwoman Van Horn complimented the team for implementing the secure transfer and thanked Adam Grossman for his work in this initiative.

The motion passed unanimously.

EXECUTIVE DIRECTOR'S REPORT

Executive Director David Socolow presented the attached PowerPoint summarizing the report below, which he also provided to the Board in written form:

Thank you Chairwoman Van Horn and members of the Board for taking action on today's important agenda items, which will advance the Authority's initiatives to help students reach their postsecondary education goals. I appreciate the opportunity to discuss HESAA's work, as well as several recent developments affecting State and federal financial aid policies.

Governor Murphy’s Fiscal Year 2022 Budget Recommendations

At the end of February, Governor Murphy released his Fiscal Year 2022 Budget, which includes key investments to build a stronger and fairer New Jersey and move the state forward in recovery from the pandemic. Higher Education Secretary Brian Bridges and I recently testified before the Senate Budget and Appropriations Committee about the Higher Education funding recommendations in this budget. From now until June we will continue the dialogue with our partners in the Legislature about these funding priorities and next Monday Secretary Bridges and I will testify before the Assembly Budget Committee.

As I testified last week, HESAA’s work to support New Jersey’s students is a core element of the Governor’s plans to build a stronger economy. Advancing individuals’ educational and career aspirations expands the knowledge-based workforce that is the engine for New Jersey’s prosperity. The State’s investments in the financial aid programs HESAA administers are essential to achieving the Higher Education State Plan’s “65x25” goal: having 65% of the state’s adult, working-age population attain a high-quality postsecondary degree or credential by 2025.

The proposed Fiscal Year 2022 Budget builds on Governor Murphy’s previous college affordability efforts by establishing the Garden State Guarantee, which will enable all eligible New Jersey residents to attend any public college in the state tuition-free for at least two years. Approximately 45% of all first-time, full-time undergraduates enrolled at New Jersey public colleges and universities are from families in the income range for the tuition-free guarantee: those with adjusted gross incomes (AGIs) of \$65,000 or less.

By delivering a statewide “college promise” of affordable net costs before students apply for admission or financial aid, the Garden State Guarantee will mitigate the deterrent impact of published tuition prices that all too often cause “sticker shock,” leading low-income and first-generation students and their families to erroneously conclude that they cannot afford postsecondary education. Starting in fall 2022, this program will offer a statewide, tuition-free four-year pathway to a bachelor’s degree for eligible students who complete their first two years at a community college tuition-free through the Community College Opportunity Grant, and then transfer to a Senior Public Institution to complete two more years of tuition-free education. The program also requires the public four-year institutions to offer a sliding scale of net tuition discounts that will phase out gradually as family income increases, in order to avoid the eligibility “cliff” that would result from making college tuition-free for students with AGIs up to \$65,000 and then charging full tuition and fees to students from families with AGIs just above that threshold. Furthermore, all students at every income level will receive a transparent and predictable price guarantee for the duration of their academic programs of study, ensuring that they know what their total net cost will be before they start college. For the first phase of the Garden State Guarantee, the FY 2022 budget provides \$45 million to Senior Public Institutions through their Outcomes-Based Allocations, and an additional \$5 million for implementation by the Office of the Secretary of Higher Education (OSHE).

The FY 2022 budget provides \$437.9 million for the Tuition Aid Grant (TAG) program, equal to FY 2021 funding, which will sustain current TAG award values at each level of financial need for

all full-time eligible students in Academic Year 2021-2022. This year, TAG is helping pay college costs for more than 83,000 low- and moderate-income students, benefitting approximately 36% of all full-time undergraduates at New Jersey colleges and universities. The TAG program is nationally recognized for its significant commitment to students and its positive effect on boosting graduation rates. The latest survey of state-funded financial aid programs by the National Association of State Student Grant and Aid Programs once again ranked New Jersey number one in the nation in awarding need-based aid dollars per undergraduate student enrolled. And as noted at our last Board meeting, a recent independent RAND Corporation study found that students who received larger TAG award amounts achieved significantly higher on-time graduation rates, compared with the college outcomes of similarly situated students who had almost identical incomes and assets but received smaller TAG award amounts.

The budget also recommends \$27 million for the Community College Opportunity Grant program next year, a \$7 million increase. This funding level would match the projected expenditures in the current 2021 fiscal year, providing last-dollar grants for more than 13,000 students at county colleges across the state. Now in its third year, the Community College Opportunity Grants is reaching more students with a “college promise” message of free tuition, and 34 percent more students are receiving awards this year than in the prior academic year.

In addition, the Fiscal Year 2022 Budget also recommends continued funding at FY 2021 levels for each of the following: the NJ STARS & NJ STARS II programs; TAG for Part-Time County College Students and Part-Time EOF Participants; the Governor’s Urban Scholarship program; and the Loan Redemption programs for Primary Care Practitioners and Nursing Faculty.

Finally, the budget provides \$10 million for the New Jersey Department of Labor and Workforce Development (DOL) to implement the recommendations of the Governor’s Future of Work Task Force. This initiative will include a pilot program of Lifelong Learning Accounts (LiLAs), which are portable tax-advantaged savings accounts for adult residents to use for education, skills training, and associated expenses to engage in upskilling. In this pilot, State funding will be contributed into individual accounts for low-income individuals. By using the existing infrastructure of HESAA’s New Jersey Better Education Savings Trust (NJBEST) program to open and maintain the new LiLAs as tax-advantaged savings accounts, HESAA will provide a seamless process for DOL to fund the accounts and allow for both optional employer matching and individual contributions. We look forward to partnering with the Governor’s Office of Innovation and the Labor Department to launch this new project.

Statutory Authorization of the Community College Opportunity Grant program

On February 26, 2021, it was my great honor to represent the dedicated men and women of HESAA at a ceremony where Governor Murphy signed Public Law 2021, chapter 26, which codifies our tuition-free community college initiative into permanent law. From the initial plans on the drawing board more than three years ago, to today’s fully operational financial aid program, these Community College Opportunity Grants demonstrate the value of delivering a tuition-free “college promise”: both attracting adult learners to return and complete their degrees and supporting recent high school graduates as they begin their academic journey.

I salute the HESAA team for making this concept a reality and continuously improving it through updated policies, procedures, and automated systems; dialogue with county college financial aid officers, legislators, and other stakeholders; effective financial and process controls; and ongoing assistance to students and families navigating their options. Today, the Board took the next step by approving proposed regulations for administering the Community College Opportunity Grant program in conformance with the newly enacted statute.

As our state works to recover from the pandemic, this new law will enable more students to learn about New Jersey's affordable opportunity to earn a quality, tuition-free postsecondary education credential. Offering more of our fellow New Jerseyans an on-ramp to this crucial pathway to success will not only aid individual students – it will also help build a well-educated workforce that will boost the state's economy.

Increased Award Amounts for NJBEST Scholarships

Today we celebrate another milestone with the Board's approval of final regulations to enhance the value of NJBEST Scholarships as an incentive for students to attend a postsecondary institution in the Garden State. These regulations implement the law Governor Murphy signed last fall, making NJBEST Scholarships available in any term that a student enrolls at a New Jersey higher education institution.

In addition, the regulations adopted today will increase the amounts of the NJBEST Scholarship awards for the first time in more than two decades. We are doubling the value of these awards to at least \$1,000, up to a maximum of \$3,000. A student beneficiary of a NJBEST 529 savings account that has been open for at least four years, and has had contributions of at least \$1,200, can receive one of these scholarships if they attend a school in our state. The dollar value of the scholarship award increases incrementally as the account is kept open for additional years and incremental additional contributions are made to the account. Last year, more than 500 students received NJBEST Scholarships, and these changes will enable the program to offer greater support. As a reminder, this program is funded entirely through the proceeds from investors' NJBEST account fees, with no State appropriations provided to pay for NJBEST Scholarships.

Student Loan Update

I want to briefly add my thanks to the Board for your approval of today's two agenda items related to the NJCLASS program. As Jerry Traino noted, over the next several weeks we expect to successfully close on a bond series to finance Academic Year 2021-2022 NJCLASS Loans. I also want to underscore the significance of today's Board approval of the indenture amendments that will expand eligibility for income-driven affordable repayment programs to NJCLASS loans. While more than 95% of NJCLASS borrowers are now current on their monthly payments, by making RAP and HIARP available to more borrowers we can provide an important option to avert defaults in cases where all the parties to the loan suffer significant financial reversals. When Governor Murphy signed the law to establish these programs in April 2019, the nature of HESAA's bonds required RAP and HIARP to be offered prospectively for new loans only; now, after several years' experience, we can extend this option to earlier loans.

Next, I wish to call the Board's attention to an important amendment to the federal income tax code, which was included in the American Rescue Plan Act signed into law by President Biden on March 11, 2021. For the next five years through December 31, 2025, any amount of a student loan balance that is forgiven or cancelled will be exempt from the borrower's liability for federal income tax (forgiven loan balances were already not counted as income for New Jersey tax purposes). This provision, sponsored by New Jersey's own U.S. Senator Robert Menendez, applies to all student loans, not only federal loans but also State and private education loans.

While much of the news coverage of this policy change has focused on how it could facilitate future federal student loan debt cancellation, borrowers of NJCLASS loans may also realize a tax benefit. On occasion, HESAA's student loan revenue bonds experience stronger-than-expected performance that exceeds certain yield thresholds under federal law. In such instances, HESAA has the option of using excess yield funds to reduce the balances of borrowers' NJCLASS loans. Because these funds are limited, HESAA's policy is to spread the impact across as many loans as possible, with a typical balance reduction of a few hundred dollars per account for thousands of affected borrowers. Under this new law, for the next five years any amount of partial forgiveness for NJCLASS loan balances will be tax-free to borrowers.

HESAA Staff Updates

I am pleased to announce that the three top managers of the Authority's Grants and Scholarships unit have taken on new tasks. As noted on page 18 of the Annual Report the Board approved today, Jean Hathaway was promoted to Director of Grants and Scholarships, filling the vacancy left when Kathryn Safran retired. I am delighted that Jean is now directing this team, which calls on both her deep financial aid expertise and her leadership abilities. To further promote strong talent from within the organization, Kristina Fripps is now filling Jean's former role as Associate Director of Grants and Scholarships, and Assistant Director Pat Johnson has stepped up to expanded responsibilities after joining Grants and Scholarships a year ago.

Next, it is my pleasure to welcome Shilpa Agrawal who joined HESAA just last week, serving as our new Program Specialist-Data Analyst. Shilpa brings strong data mining skills to the Authority, and her impressive past experience in designing data queries will be invaluable to monitoring trends, analyzing and comparing policy options, and evaluating solutions.

Finally, I'm pleased to announce the promotion of Aurea Thomas to Program Officer, Student Loan Servicing & Legal, filling the position vacated when Janice Seitz retired last year. Aurea brings to this critical role more than 20 years of supervisory experience, as well as strong relationships with our partner law firms, and a keen eye for detail in reviewing all legal filings for accuracy and completeness.

Please join me in congratulating each of these HESAA employees and thanking them for devoting their skills and efforts to their new roles.

Conclusion

Once again, many thanks to each of you on the Board, and to our remarkable colleagues on the HESAA staff. Together, we're making a positive difference in the lives of tens of thousands of New Jersey students as they pursue a college education and launch their careers.

Jon Larson congratulated the administration and the entire staff of HESAA for all of the achievements reflected in this meeting. He praised the work of the staff and Executive Director David Socolow.

Bea Daggett seconded Dr. Larson's remarks.

NEW BUSINESS

David Socolow announced, as per Executive Order No. 2 (Murphy), the Financial Disclosure Statements and Conflict of Interest Forms filing deadline is May 15, 2021.

ADJOURNMENT

Ms. Van Horn advised that the next regularly scheduled Board meeting is Wednesday, July 20, 2021.

A motion to adjourn was made by Maria Torres and seconded by Christy Van Horn. The motion passed unanimously.

The meeting adjourned at 11:09 am.



PHILIP D. MURPHY
Governor


SHEILA Y. OLIVER
Lt. Governor


State of New Jersey
HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
4 QUAKERBRIDGE PLAZA
PO BOX 545
TRENTON, NJ 08625-0545
1-800-792-8670
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DAVID J. SOCOLOW
Executive Director

MEMORANDUM

TO: Members, Higher Education Student Assistance Authority Board

THROUGH: David J. Socolow
Executive Director 

FROM: Marnie B. Grodman, Esq. 
Director, Legal and Governmental Affairs

SUBJECT: Resolution 03:21 - Adopting a Schedule of Meetings for Fiscal Year 2022

DATE: April 21, 2021

Attached for your review is Resolution 03:21 recommending dates for the Fiscal Year (“FY”) 2022 HESAA Board meetings. The following dates were chosen after polling each member regarding his or her availability.

Wednesday, July 21, 2021
Wednesday October 20, 2021
Wednesday January 26, 2022
Wednesday April 20, 2022

All regular Board meetings will take place at 10:00 a.m. at HESAA offices, 4 Quakerbridge Plaza, Building 2, Mercerville, New Jersey. HESAA may call additional meetings, including telephone conference call meetings, at its discretion.

The HESAA Board adopts a regular meeting schedule so that HESAA may notify Board members and the public of future meeting dates. Specific notice of each meeting will be provided to the public in a timely fashion in accordance with the provisions of the Open Public Meetings Act.

Recommendation

It is recommended that the Board approve the attached Resolution 03:21 – Adopting a Schedule of Meetings for Fiscal Year 2022.

Attachment

RESOLUTION 03:21

**ADOPTING A SCHEDULE OF MEETINGS
FOR FISCAL YEAR 2022**

Moved By: Mr. Robert Shaughnessy
Seconded By: Dr. Jon Larson

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 2022 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 2022:

Wednesday July 21, 2021
Wednesday October 20, 2021
Wednesday January 26, 2022
Wednesday April 20, 2022

April 21, 2021



PHILIP D. MURPHY
Governor


SHEILA Y. OLIVER
Lt. Governor


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DAVID J. SOCOLOW
Executive Director

MEMORANDUM

TO: Members, Higher Education Student Assistance Authority

THROUGH: David J. Socolow 
Executive Director

FROM: Jerry Traino 
Chief Financial Officer

SUBJECT: NJCLASS: Student Loan Revenue Bonds, Series 2021, Resolution 04:21 Authorizing the Issuance and Sale of Senior and Subordinate Student Loan Revenue Bonds and Approving the Execution and Delivery of an Indenture of Trust, a Supplemental Indenture, Preliminary Official Statement, Final Official Statement, Continuing Disclosure Agreement, Acknowledgement of Servicing, Bond Purchase Agreement, and Other Matters in Connection Therewith and Acknowledging a Change in Interest Rates For 2021 NJCLASS Loans to be Originated Using Proceeds from 2020 Bond Issue

DATE: April 21, 2021

Summary

Resolution 04:21 authorizes the issuance of Series 2021 Bonds issued as Student Loan Revenue Bonds in an amount not to exceed \$175,000,000. Final maturity on the bonds shall not extend past December 1, 2051. The Series 2021 bonds will be issued under a new Master Indenture of Trust dated as of May 1, 2021.

The Series 2021 bonds will consist of Senior Refunding Series 2021 A bonds, Senior Series 2021 B bonds, and Subordinate Series 2021 C bonds. The structure currently contemplates total issuance of \$108,385,000 consisting of \$11.5 million Senior Refunding Series 2021 A bonds, \$84 million Senior Series 2020 B bonds, and \$13 million Subordinate Series 2021 C bonds. Tranche sizes may change at pricing, but in no event will total issuance exceed \$175 million.

The Series 2021 Bonds are being issued to provide funds for the Higher Education Student Assistance Authority's (HESAA) New Jersey College Loans to Assist State Students ("NJCLASS") program for the 2021-2022 academic year, to provide funds for NJCLASS Consolidation and Refinance loans, and to refund all of HESAA's Student Loan Revenue Bonds, Series 2010-2 bonds (the "2010-2 Bonds"), which 2010-2 Bonds were issued under the 2010-2 Indenture. In connection with the refunding, HESAA will transfer certain of the Series 2010-2 loans, with accrued interest thereon, to the Series 2021 Bonds. These transferred loans will be pledged to the payment of the 2021 Bonds. In addition, proceeds of the 2021 Bonds shall be used to make deposits into the Capitalized Interest and Debt Service Reserve Funds. It is anticipated that all costs of issuance will be paid with HESAA funds and not from the proceeds of the Series 2021 bonds. No free cash from Authority funds will be used to meet rating agency required over-collateralization levels.

The proceeds of the Series 2021 bonds will be used to originate loans as follows:

- | | |
|-----------------|---|
| Standard Loans: | 10-year Option 1 (immediate payment of principal and interest),
15-year Option 2 (immediate payment of interest only), and
20-year Option 3 (deferred payment of principal and interest); |
| Consolidation: | 25- and 30-year repayment options; and |
| Refinance: | 10-year and 15-year repayment options. |

For the 2021-2022 Academic Year, Standard NJCLASS loans originated with Series 2021 proceeds will be offered at fixed interest rates with no interest rate step-up.

Continued loan demand makes it possible for the Authority to again offer its 10-year Option 1 Loan to families who choose to begin making payments of principal and interest immediately rather than deferring principal (Option 2) or deferring both principal and interest (Option 3) while the student is enrolled in school. It is anticipated that the 10-year Option 1 loan will carry a lower interest rate than the 15-year Option 2 NJCLASS loan, the 20-year Option 3 NJCLASS loan, or the federal Direct Parent Loan for Undergraduate Students (PLUS).

As noted above, the Series 2021 bonds will include a series of subordinated bonds, Subordinate Series 2021 C, as part of the overall bond structure. The Subordinate Series 2021 C bonds will be structured with the longest maturity date. Interest on the Senior Series 2021 bonds is payable prior to the payment of interest or principal on the Subordinate Series 2021 C bonds. Payment of principal on the Subordinate Series 2021 C bonds is payable after all principal payments on the Senior Series 2021 bonds have been paid. The Subordinate Series 2021C bonds are expected to carry a higher rate of interest than the Senior Series 2021 bonds and will appeal to investors willing to accept a subordinated bond payment in exchange for a higher yield. This structure has been successfully used in each of the Authority's issuances since 2012. The inclusion of subordinate bonds in the bond structure reduces the amount of equity the Authority is required to contribute to the Series 2021 bonds. The Subordinate Series 2021 C bonds are expected to carry an investment

grade rating of at least BBB, and the Senior Series 2021 bonds are expected to be rated AA. The Series 2021 bonds will be rated by Standard and Poor's (S & P).

It is anticipated that the performing loans in the 2010-2 Indenture being transferred to the Series 2021 trust will be adequate to meet certain parity levels to satisfy rating agency stress case cash flows. No additional equity will be contributed by the Authority.

NJCLASS loan demand for Academic Year 2021-22 is anticipated to reach \$160 million. To meet this demand, HESAA expects to use approximately \$27 million of unexpended Series 2020 proceeds and available recycled funds from the 2020 bond issue, in combination with the proceeds of the Series 2021 bonds. Loans originated for Academic Year 2021-22 using unexpended Series 2020 bond proceeds and 2020 recycled funds will be originated at the same loan interest rates as those for loans that will be originated using proceeds of the Series 2021 bonds.

NJCLASS Program Parameters

For the 2021-2022 Academic Year HESAA will continue to offer its Standard NJCLASS loans with three (3) repayment options, its Consolidation loan, and its NJCLASS Pilot Refinance Loan Program (Refinance loan).

Since its inception the Refinance loan has allowed borrowers to refinance NJCLASS loans and federal Parent PLUS loans. Beginning with loans offered under the 2019-1 Indenture, HESAA expanded the Refinance loan to include school-certified third-party student loans. All of the underlying student loans requested for refinancing must have a New Jersey nexus and must be school-certified as not exceeding the total cost of attendance at a qualified institution of higher education less all other amounts of financial aid for which the student was eligible at the time of attendance. Borrowers utilizing HESAA's Refinance loan funded with 2021 proceeds will continue to have the option of a 10-year or 15-year repayment term. HESAA's Refinance loan allows borrowers to reduce the interest rates on their existing loans. To qualify for a Refinance loan, borrowers must meet HESAA's established credit criteria for the program.

Loan Limitations

It is anticipated that the following loan origination limitations will apply for loans originated with proceeds of the Series 2021 Bonds, however the dollar amounts may vary as a function of bond pricing:

- No more than \$15 million in Option 1, 10-year Standard NJCLASS loans, with an additional \$5 million in amounts transferred from the Refinance loan funds if necessary;
- No more than \$25 million in Option 3, 20-year Standard NJCLASS loans;
- No more than \$27 million in Refinance loans, with no more than 20% of all Refinance loans originated to borrowers having a credit score of less than 720; and
- No more than \$6 million in NJCLASS Consolidations loans

All NJCLASS loans originated from the series 2021 bond proceeds will continue to follow the credit standards adopted by the Authority in 2012 as detailed below:

- Minimum Income of \$40,000.
- Credit Score Criteria for Standard and Consolidation loans:
 - 670-699 FICO Band – all applicants’ credit reports reviewed for derogatories.
 - 700+ FICO Bands – application auto-approved.
- Credit Score Criteria for Refinance Loans:
 - Interest rates for the refinance loans will be tiered based on a borrower’s credit score. Borrowers with credit scores 780 or higher are offered the lowest rate, those with credit scores from 720 to 779 a slightly higher rate, and those with credit scores from 670-719 the highest rate. Borrowers in each of these tiers are expected to realize savings when compared to the interest payments on the underlying loans being refinanced.
 - Currently, applicants seeking to refinance their existing NJCLASS Standard and Consolidation loans, federal Parent Plus or other eligible certifiable private lender student loans are subject to a debt-to-income (DTI) review in addition to qualifying for one of the three credit-based tiers referenced above. HESAA’s underwriting criteria does not utilize DTI in either its Standard NJCLASS or Consolidation loan programs. A majority of prospective Refinance loan borrowers have well-established payment histories with HESAA as borrowers under HESAA’s Standard NJCLASS loan program and already meet both the income and credit score criteria. The added burden of passing certain DTI thresholds has resulted in otherwise eligible NJCLASS borrowers being denied approval for Refinance loans. Many of these borrowers subsequently refinance with for-profit lenders. Therefore, HESAA is currently working with the Financial Advisor, Underwriter, and rating agency to determine if DTI review can be eliminated without changing the terms of the Refinance loans. If the DTI review can be eliminated, the documents the Board is approving today will be amended to reflect this change.

Borrowers who do not qualify for the NJCLASS loans on their own will have the choice of obtaining a credit-worthy co-signer or will be counseled to apply for the federal Parent PLUS loan. Although federal Parent PLUS loans carry higher interest rates and higher origination fees than Standard NJCLASS loans, PLUS loans offer less stringent credit standards than do Standard NJCLASS loans. The NJCLASS program is funded through the issuance of rated tax-exempt debt. Were HESAA to offer loans with similar credit criteria as federal PLUS loans (essentially no credit requirements), NJCLASS loans would need to carry significantly higher interest rates to meet bond rating stress analyses, thus disadvantaging borrowers.

HESAA continues to counsel families to strongly consider Option 1 or Option 2 for Standard NJCLASS loans rather than Option 3 since these options require some level of payment during the in-school period and thus mitigate the impact of interest capitalization. HESAA focuses particular attention to explaining these options to lower FICO-score borrowers who often end up facing monthly payments they cannot afford, which is detrimental to student borrowers, their family members who co-sign their loans, and to the NJCLASS program.

RAP and HIARP

Continuing HESAA's efforts to assist those families who suffer a material economic hardship for a period of time during the life of their loans, HESAA will again offer the Repayment Assistance Program (RAP) and Household Income Adjusted Repayment Plan (HIARP) to borrowers of Standard NJCLASS loans originated during the 2021-2022 academic year and for all borrowers of 2010-2 loans transferred to the 2021 Indenture. These programs were designed to avert defaults for those borrowers struggling to repay their loans. RAP was first offered to borrowers whose loans were originated with proceeds from the Series 2017 bonds. HIARP was first offered to borrowers of loans originated with Series 2018 bond proceeds.

Once a borrower qualifies for RAP, his/her monthly payments are reduced. One hundred percent of the reduced borrower payment is applied to the principal balance of the loan. During RAP, HESAA makes all the borrower's interest payments. Eligibility for RAP may not exceed two (2) years.

HIARP is a longer-term assistance program, available to those who have exhausted their RAP eligibility period. Monthly payments in HIARP are reduced to a level that is deemed affordable and the loan term is extended to 25 years from the date of loan origination. Any loan balance remaining after 25 years will be forgiven. While in HIARP, loan interest continues to accrue on the outstanding balance and will be capitalized once the borrower is no longer eligible for reduced payments. Annually, the borrowers must meet HIARP eligibility requirements, including certification of the incomes of all the parties to the loan. If the borrower no longer qualifies for reduced payments, the payment amount reverts to the Standard Loan Payment but the repayment term remains 25 years.

Both RAP and HIARP are subject to the availability of funds. Based on cash flow analysis HESAA believes the funds allocated for RAP and HIARP will cover the potential number of borrowers who may experience economic difficulty in the upcoming repayment year thereby helping them before a default occurs.

HESAA's Ongoing Response to COVID-19

As the State continues to address the challenge of the COVID-19 pandemic and recognizing the financial impact of this crisis on individuals and their families, HESAA has been supporting New Jersey students with funding, advice, and information about how to pay for higher education. HESAA has updated its website to remind borrowers directly impacted by COVID-19 how they can apply for NJCLASS loan relief for temporary disability, unemployment, or financial hardship.

HESAA will continue to offer these relief options as part of the Series 2021 bond offerings as long as the State Health Emergency Declaration remains in place.

In recognition of the short-term negative impact COVID-19 may have on borrowers' employment, HESAA has amended its income verification process. During this period HESAA utilizes a 90-day look back instead of the usual 30-day look back. However, in order to ensure the lowest

possible interest rates for borrowers, HESAA has not adjusted minimum income or credit scoring, both of which have been in place since 2012.

Sale of Bonds and Associated Documents

The underwriters, RBC Capital Markets, in coordination with HESAA and its financial advisor, Hilltop Securities, will assess market conditions at the time of sale. The underwriters will make final sizing and structuring recommendations for the marketing and optimal sale of the Series 2021 bonds based on market demand and rating agency requirements and satisfying HESAA's expected demand for NJCLASS Loans. It is anticipated that the sale of the Series 2021 bonds will take place in early May.

This resolution delegates to the Chairperson, Vice Chairperson, Secretary–Treasurer/Executive Director, Chief Financial Officer or other authorized representative or designee of the Authority the power to modify and approve the final structure and interest costs of the Series 2021 bonds.

In conformance with New Jersey Executive Order 26 (1994), the bonds are being issued through a negotiated sale. Because of the complexity of the underlying credit (non-federal private student loans), the size of the issue, and complex bond structure (structured asset-backed issuance), a negotiated sale should result in better pricing for the bonds than would be obtained from a competitive sale.

The bond documents are enclosed after the resolution in the following order:

- Attachment A – Indenture of Trust
- Attachment B – Preliminary Official Statement
- Attachment C – First Supplemental Indenture
- Attachment D – Acknowledgement of Servicing
- Attachment E – Bond Purchase Agreement
- Attachment F – Continuing Disclosure Agreement

Leah Sandbank and Kevin Fenstermaker, representing McManimon, Scotland and Baumann, LLC, the Authority's Bond Counsel, are available to the Board to review the bond resolution and accompanying documents.

Tim Webb of Hilltop Securities and a representative from the State Attorney General's Office are also available to the Board to answer any questions they may have.

It is recommended that the Board approve the attached Resolution 04:21.

Attachments

RESOLUTION 04:21

RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF SENIOR AND SUBORDINATE STUDENT LOAN REVENUE BONDS AND APPROVING THE EXECUTION AND DELIVERY OF AN INDENTURE OF TRUST, A SUPPLEMENTAL INDENTURE, PRELIMINARY OFFICIAL STATEMENT, FINAL OFFICIAL STATEMENT, CONTINUING DISCLOSURE AGREEMENT, ACKNOWLEDGEMENT OF SERVICING, BOND PURCHASE AGREEMENT, AND OTHER MATTERS IN CONNECTION THEREWITH AND ACKNOWLEDGING A CHANGE IN LOAN RATES FOR 2020 NJCLASS LOANS

Moved: Ms. Maria Torres

Seconded: Dr. Brian Bridges

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: Pursuant to the Act and the Indenture of Trust, dated as June 1, 2019, between the Authority and Wells Fargo Bank, National Association (the "Trustee"), as amended and supplemented (the "2019 Indenture"), the Authority has issued \$247,440,000 in aggregate principal amount of its Student Loan Revenue Bonds, Series 2020 (the "Series 2020 Bonds"), consisting of \$99,800,000 Senior Student Loan Revenue Refunding Bonds, Series 2020A, \$120,640,000 Senior Student Loan Revenue Bonds, Series 2020B and \$27,000,000 Subordinate Student Loan Revenue Bonds, Series 2020C, as authorized by the Third Supplemental Indenture, dated as of June 1, 2020 (the "2019 Third Supplemental Indenture") between the Authority and Trustee; and

WHEREAS: The Authority desires to acknowledge the change in the loan rates for the 2020 NJCLASS Loans (as defined in the 2019 Third Supplemental Indenture) originated (i) with proceeds of the Series 2020 Bonds from and after the date of issuance of the hereinafter defined Series 2021 Bonds and (ii) from Recoveries of Principal during the Recycling Period set forth in the 2019 Third Supplemental Indenture at the respective Loan Rates set forth in the hereinafter defined First Supplemental Indenture from and after the issuance of the Series 2021 Bonds, as contemplated by the definition of 'Loan Rate' as defined in the 2019 Third Supplemental Indenture; and

WHEREAS: In order to accomplish the purposes of the Act and (a) provide Student Loans (as defined in the hereinafter defined 2021 Indenture) commencing with the 2021-2022 school year and (b) provide for the refunding of certain outstanding obligations issued under the Indenture of Trust dated June 1, 2010 (as amended, the "2010-2 Indenture"), between the Authority and the

Trustee, the Authority wishes to (i) provide for the issuance and sale of a series of senior student loan revenue refunding bonds, senior student loan revenue bonds and subordinate student loan revenue bonds pursuant to an Indenture of Trust to be entered into between the Authority and Trustee (the "2021 Indenture") and (ii) authorize the transfer of funds from 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 2021 Bonds (as defined herein) would best serve the requirements of this financing; and

WHEREAS: An Underwriter for the Series 2021 Bonds, RBC Capital Markets, LLC; a Financial Advisor, Hilltop Securities, Inc.; and a Bond Counsel, McManimon, Scotland & Baumann, LLC, 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 2021 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 ("Rule 15c2-12"); and

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 and as defined in the 2021 Indenture, and the refinancing of all outstanding Student Loan Revenue Bonds, Series 2010-2 issued under the 2010-2 Indenture (the "Prior Bonds"), the Authority hereby authorizes the issuance of its Series 2021 Bonds issued as Student Loan Revenue Bonds, Series 2021, in the aggregate principal amount not to exceed \$175,000,000 in one or more senior and subordinate Series, issued as fixed rate bonds. The Authority presently contemplates issuing the Series 2021 Bonds as (i) Senior Student Loan Revenue Refunding Bonds, Series 2021A (the "Series 2021A Bonds"), (ii) Senior Student Loan Revenue Bonds, Series 2021B (the "Series 2021B Bonds"; and together with the Series 2021A Bonds, the "Series 2021 Senior Bonds") and (iii) Subordinate Student Loan Revenue Bonds, Series 2021C (the "Series 2021 Subordinate Bonds" and together with the Series 2021 Senior Bonds, the "Series 2021 Bonds") but may alter the Series designations as may be approved by the hereinafter defined Authorized Authority Official and reflected in the First Supplemental Indenture.

The Series 2021 Senior Bonds shall constitute "Senior Bonds" for all purposes of the 2021 Indenture and shall be issued on a parity basis with all other Outstanding Series of Senior Bonds to be issued under the 2021 Indenture. The Series 2021 Subordinate Bonds shall constitute "Subordinate Bonds" for all purposes of the 2021 Indenture, except as specifically set forth in the First Supplemental Indenture with respect to certain redemptions, the Principal Installments of which shall be payable on a subordinate basis to payment of all Principal Installments on the Outstanding Series 2021 Senior Bonds in accordance with the requirements of the First Supplemental Indenture. Any Series of Series 2021 Bonds may be issued as Federally Taxable

Obligations or Tax-Exempt Obligations under the 2021 Indenture, as determined by an Authorized Authority Official and reflected in the First Supplemental Indenture.

The Series 2021 Bonds shall be sold to RBC Capital Markets, LLC, 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 (excluding Underwriter’s Counsel) in accordance with the proposal submitted by the Underwriter to the Authority on September 18, 2020, but in any event not to exceed \$7.54/\$1,000 of Series 2021 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” and, collectively, the “Authorized Authority Officials”) are each hereby authorized to execute the Bond Purchase Agreement. The Series 2021 Bonds shall be dated, shall bear interest at the respective fixed rates, shall be payable as to principal, redemption premium, if any, and interest, shall be issued in the respective forms, shall be in the respective 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 2021 Indenture, as amended and supplemented by a First Supplemental Indenture to be dated as of the first date of the month the Series 2021 Bonds are issued (the “First Supplemental Indenture”), by and between the Authority and the Trustee; provided, however, an Authorized Authority Official may modify the stated interest rate(s) of the Series 2021 Bonds, the maturity date(s) of any of the Series 2021 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 2021 Bonds subject to the following: (i) the final maturity of the Series 2021 Bonds shall not be after June 1, 2056; (ii) the optional redemption price for any Series 2021 Bond shall not exceed 103% of the principal amount thereof, and the initial call protection for any Series 2021 Bond shall not exceed 10 years, and (iii) the stated interest rate on the Series 2021 Senior Bonds shall not exceed 7.0% per annum and the stated interest rate on the Series 2021 Subordinate Bonds shall not exceed 8.5% per annum.

Capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the 2021 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 2021 Bonds with The Depository Trust Company, New York, New York, as book-entry obligations.

Section 2. The Series 2021 Bonds shall be limited obligations of the Authority, and shall be payable solely out of the Trust Estate as set forth in the 2021 Indenture, subject to the application thereof to the purposes and on the conditions permitted by the 2021 Indenture. The payment of the principal, redemption premium, if any, and interest on the Series 2021 Bonds shall be secured by a pledge and assignment of the Trust Estate as provided in the First Supplemental Indenture. Neither the State nor the Authority shall be obligated to pay the Series 2021 Bonds or the interest thereon except as so provided in the 2021 Indenture.

Section 3. No covenant, stipulation, obligation, or agreement herein contained or contained in the Bond Purchase Agreement, the 2021 Indenture (including the 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 2021 Bonds issued pursuant to this resolution and the Act, nor any officer nor employee of the Authority shall be liable personally on the Series 2021 Bonds by reason of the issuance or execution thereof. The Series 2021 Bonds shall not be in any way a debt or liability of the State or any political subdivision thereof (except the Authority to the limited extent of the Trust Estate), either legal, moral or otherwise, and neither the faith and credit nor the taxing power of the State or any political subdivision thereof (except the Authority to the limited extent of the Trust Estate) shall be pledged to the payment of the principal, redemption premium, if any, or interest thereon. The issuance of the Series 2021 Bonds shall not directly or indirectly or contingently obligate the State or any political subdivision thereof to levy or pledge any form of taxation whatsoever therefor.

Section 4. In order to satisfy the initial Parity Percentage Requirement set forth by the Rating Agency rating the Series 2021 Bonds, the Authority hereby authorizes the transfer of available amounts from the 2010-2 Indenture in connection with the refunding of the Prior Bonds, without the use of any Authority funds from reserves. These amounts transferred to the 2021 Indenture shall be applied to originate Student Loans thereunder.

Section 5. The Bond Purchase Agreement, the Continuing Disclosure Agreement, 2021 Indenture, the First Supplemental Indenture and the Series 2021 Bonds, substantially in the respective 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 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 5.

Section 6. The Acknowledgement of Servicing to be entered into by and between the Authority and the Trustee regarding the servicing of 2021 Student Loans (as defined in the 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 document 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 6.

Section 7. The Series 2021 Bonds shall be executed in the manner provided in the 2021 Indenture, and the same shall be delivered to the Trustee for proper authentication and delivery to the Underwriter upon instructions to that effect. The 2021 Indenture shall provide the terms and conditions, covenants, rights, obligations, duties and agreements of the Holders of the Series 2021 Bonds, the Authority and the Trustee.

Section 8. 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 2021 Indenture (including the First Supplemental Indenture) and the Acknowledgement of Servicing 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 2021 Indenture (including the First Supplemental Indenture), and the Acknowledgement of Servicing 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 2021 Indenture (including the First Supplemental Indenture), or the Acknowledgement of Servicing 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 2021 Bonds shall be liable personally thereon or be subject to any personal liability or accountability by reason of the issuance thereof.

Section 9. The proper officers of the Authority are hereby further directed to cause the proceeds of the Series 2021 Bonds, together with other available Authority funds, if any, to be initially deposited and disbursed as provided in the 2021 Indenture (including the First Supplemental Indenture). To the extent the Authority pays any or all of the costs of issuance from other available funds of the Authority, the Authority may reimburse the expenditure of those funds from available funds on deposit in the Trust Estate, provided that said reimbursement complies with the requirements of the Internal Revenue Code of 1986, as amended, and court decisions interpreting the same and existing regulations, rulings, and other publications promulgated or released thereunder.

Section 10. In order to secure payment of principal of (on the scheduled maturity dates and/or sinking fund maturity dates) and interest on the Series 2021 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 2021 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 11. 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 2021 Indenture to satisfy the 2021 Reserve Requirement (as defined in the First Supplemental Indenture) for the Series 2021 Bonds, if any, each constituting a Funding Instrument within the meaning of the 2021 Indenture, with respect to any or all of the Series 2021 Bonds (the "Funding Instrument(s)"). Such Funding Instrument, if any, shall be issued in an amount not exceeding the 2021 Reserve Requirement for the Series 2021 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 2021 Bonds or other available funds of the Authority to fund all or a portion of the 2021 Reserve Requirement for the Series 2021 Bonds.

Section 12. Wells Fargo Bank, National Association is hereby appointed (a) Trustee, Paying Agent, Registrar, and Authenticating Agent for the Series 2021 Bonds and (b) dissemination agent for the Series 2021 Bonds pursuant to the Continuing Disclosure Agreement.

Section 13. All actions of the Authority and its staff which have previously been taken with regard to the issuance of the Series 2021 Bonds and the NJCLASS Loan Program in respect of the Series 2021 Bonds are hereby ratified and approved.

Section 14. 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 2021 Indenture (including the First Supplemental Indenture), the Acknowledgement of Servicing, and the issuance of the Series 2021 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 and in the First Supplemental Indenture.

Section 15. The Preliminary Official Statement relating to the offering of the Series 2021 Bonds (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 electronically posted and/or printed and 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 relating to the Series 2021 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 15.

Section 16. Hilltop Securities, Inc., in its role as Financial Advisor, is hereby authorized to select, pursuant to a competitive solicitation process, (i) the printer for the Preliminary Official Statement and final Official Statement, and (ii) the verification agent for the refunding of the Prior Bonds.

Section 17. The Trustee is authorized to invest funds held under the 2021 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 ten (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 21, 2021



PHILIP D. MURPHY
Governor

SHEILA Y. OLIVER
Lt. Governor

State of New Jersey
HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
4 QUAKERBRIDGE PLAZA
PO BOX 545
TRENTON, NJ 08625-0545
1-800-792-8670
www.hesaa.org

DAVID J. SOCOLOW
Executive Director

MEMORANDUM

TO: Members, Higher Education Student Assistance Authority

THROUGH: David J. Socolow
Executive Director

DJS

FROM: Jerry Traino
Chief Financial Officer

JT

SUBJECT: Resolution 05:21 Authorizing the Execution and Delivery of Supplemental Indentures Amending Prior Supplemental Indentures to Expand the Repayment Assistance Program (RAP) and Household Income Affordable Repayment Plan (HIARP) to Student Loans Originated Under or Transferred to The 2010-1, 2010-2, 2012, 2018 and 2019 Trust Indentures and Other Matters in Connection Therewith

DATE: April 21, 2021

Summary

The Higher Education Student Assistance Authority (“HESAA” or the “Authority”) offers two repayment relief programs for Standard NJCLASS loans. As explained in detail below, due to funding constraints neither of these programs is currently available for Standard NJCLASS loans originated prior to 2017. Therefore, HESAA seeks Board approval to amend the affected indentures to enable the Authority to offer these repayment options to all Standard NJCLASS loan borrowers, regardless of which Bond Indenture funded their loan.

Background

The Repayment Assistance Program (RAP) is designed to provide payment relief when all parties to the loan are facing financial hardship. Borrowers with eligible loans - Standard NJCLASS loans only - can enroll in RAP for up to two years (730 days).

During the RAP period, a monthly payment on eligible Standard NJCLASS loans shall be reduced to no less than 10% of the total of the incomes of all of the parties to the loan that exceeds 150% of the federal poverty level for a family size equivalent to the number of individual parties to the loan, with a minimum monthly payment of \$5 per eligible loan. Interest that accrues during the RAP period is paid by HESAA. All payments received from the borrower(s) during the RAP period are applied to reduce the principal balance of the loan.

Eligible loans include Standard NJCLASS loans in interest-only repayment, or loans in principal and interest repayment. Loans that are deferred for both principal and interest payments, Consolidation loans, and Refinance loans are not eligible for RAP. Loans that have reached default status are also not eligible for this program.

The Household Income Affordable Repayment Plan (HIARP) is designed to provide additional payment relief when all parties to the loan still continue to face financial hardship after exhausting two (2) years of RAP eligibility.

Through the HIARP program, monthly payments on eligible Standard NJCLASS loans shall be reduced to 15% of the total incomes of all of the parties to the loan that exceeds 150% of the federal poverty level for a family size equivalent to the number of individual parties to the loan, with a minimum monthly payment of \$25 (“Reduced Payments”). The repayment term for loans in the HIARP program is extended to 25 years from the date of origination and any remaining balance at the end of 25 years is forgiven. During the HIARP period interest continues to accrue on the loan. Payments received while in HIARP are applied directly to principal.

Enrollment in both RAP and HIARP is subject to the availability of funds and both programs were implemented prospectively. RAP and HIARP are available to loans originated in 2017-2021 (RAP) or 2018-2021 (HIARP). Certain loans that were originated in a prior indenture, and were subsequently transferred into more recent bond indentures that included RAP and HIARP, are also eligible for these repayment programs.

Due to the lack of applicable historical data from which to estimate the cost and future demand for payment assistance programs similar to RAP and HIARP, RAP and HIARP were implemented on a prospective basis in 2017 and 2018, respectively. Loans originated before the 2017 or 2018 Series were not eligible for RAP or HIARP.

After several years’ experience with implementing RAP and HIARP, HESAA can now take the next step to expand eligibility for these repayment assistance options to more established borrowers experiencing financial hardship, including those impacted by the COVID-19 pandemic. To achieve this goal, HESAA seeks Board approval to amend all prior indentures to provide that, subject to availability of funds, both RAP and HIARP shall be available to every outstanding Standard NJCLASS Loan (excluding Refinance Loans or Consolidation Loans) originated with proceeds from, or transferred to, all indentures.

Resolution 05:21 authorizes the Authority to amend the affected indentures to provide that both RAP and HIARP will be available for every outstanding Standard NJCLASS Loan either originated in, or transferred to, Trust Indenture 2010-1 (with respect to the 2017 Bonds and any transferred loans); Trust Indenture 2010-2 (with respect to the 2011 Bonds and any transferred loans); Trust Indenture 2012 (with respect to the 2012, 2013, 2014, 2015, and 2016 Bonds and any transferred loans); Trust Indenture 2018 (with respect to 2018 Bonds and transferred loans); and Trust Indenture 2019 (with respect to 2019 and 2020 Bonds and transferred loans).

Recommendation

It is recommended that the Board approve the attached Resolution 05:21.

Attachment

RESOLUTION 05:21

RESOLUTION AUTHORIZING THE EXECUTION AND DELIVERY OF SUPPLEMENTAL INDENTURES AMENDING PRIOR SUPPLEMENTAL INDENTURES TO EXPAND THE REPAYMENT ASSISTANCE PROGRAM AND HOUSEHOLD INCOME AFFORDABLE REPAYMENT PLAN TO STUDENT LOANS ORIGINATED UNDER OR TRANSFERRED TO THE 2010-1, 2010-2, 2012, 2018 AND 2019 TRUST INDENTURES AND OTHER MATTERS IN CONNECTION THEREWITH

Moved: Ms. Jean McDonald Rash
Seconded: Ms. Stephanie Berdugo-Hernandez

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 has issued \$280,000,000 of its Student Loan Revenue Bonds, Series 2010-2 (the "2010-2 Bonds") pursuant to an Indenture of Trust dated as of June 1, 2010 between the Authority and the Trustee (as amended and supplemented, the "2010-2 Indenture"), as amended and supplemented, including by the First Supplemental Indenture dated as of June 1, 2010 between the Authority and the Trustee (the "2010-2 First Supplemental Indenture"); and

WHEREAS: The Authority has issued \$326,500,000 of its Student Loan Revenue Bonds, Series 2011-1 (the "2011-1 Bonds") pursuant to the 2010-2 Indenture, as amended and supplemented, including by the Second Supplemental Indenture dated as of July 1, 2011 between the Authority and the Trustee (the "2010-2 Second Supplemental Indenture"); and

WHEREAS: The Authority has issued \$259,300,000 of its Student Loan Revenue Bonds, Series 2012-1, consisting of \$248,300,000 Senior Student Loan Revenue Bonds, Series 2012-1A and \$11,000,000 Subordinate Student Loan Revenue Bonds, Series 2012-1B (collectively, the "2012-1 Bonds"), pursuant to an Indenture of Trust dated as of June 1, 2012 between the Authority and the Trustee (as amended and supplemented, the "2012 Indenture"), as amended and supplemented, including by a First Supplemental Indenture dated as of June 1, 2012 between the Authority and the Trustee (the "2012 First Supplemental Indenture"); and

WHEREAS: The Authority has issued \$200,000,000 of its Student Loan Revenue Bonds, Series 2013-1, consisting of \$180,000,000 Senior Student Loan Revenue Bonds, Series 2013-1A and Subordinate Student Loan Revenue Bonds, Series 2013-1B (collectively, the "2013-1 Bonds"), pursuant to the 2012 Indenture, as amended and supplemented, including by a Second

Supplemental Indenture dated as of June 1, 2013 between the Authority and the Trustee (the “2012 Second Supplemental Indenture”); and

WHEREAS: The Authority has issued \$220,000,000 of its Student Loan Revenue Bonds, Series 2014-1, consisting of \$182,000,000 Senior Student Loan Revenue Bonds, Series 2014-1A-1, \$25,000,000 Senior Student Loan Revenue Bonds, Series 2014-1A-2 (LIBOR Floating Rate Bonds) and \$13,000,000 Subordinate Student Loan Revenue Bonds, Series 2014-1B (collectively, the “2014-1 Bonds”) pursuant to the 2012 Indenture, as amended and supplemented, including by a Third Supplemental Indenture dated as of June 1, 2014 between the Authority and the Trustee (the “2012 Third Supplemental Indenture”); and

WHEREAS: The Authority has issued \$180,000,000 of its Student Loan Revenue Bonds, Series 2015-1, consisting of \$170,000,000 Senior Student Loan Revenue Bonds, Series 2015-1A and \$10,000,000 Subordinate Student Loan Revenue Bonds, Series 2015-1B (collectively, the “2015-1 Bonds”) pursuant to the 2012 Indenture, as amended and supplemented, including by a Fourth Supplemental Indenture dated as of June 1, 2015 between the Authority and the Trustee (the “2012 Fourth Supplemental Indenture”); and

WHEREAS: The Authority issued \$190,000,000 of its Student Loan Revenue Bonds, Series 2016-1, consisting of \$180,000,000 Senior Student Loan Revenue Bonds, Series 2016-1A and \$10,000,000 Subordinate Student Loan Revenue Bonds, Series 2016-1B (collectively, the “2016-1 Bonds”; together with the 2012-1 Bonds, 2013-1 Bonds, 2014-1 Bonds, 2015-1 Bonds and 2016-1 Bonds, the “2012 Indenture Bonds”) pursuant to the 2012 Indenture, as amended and supplemented, including by a Fifth Supplemental Indenture dated as of June 1, 2016 between the Authority and the Trustee (the “2012 Fifth Supplemental Indenture”); and

WHEREAS: The Authority has issued \$250,000,000 of its Student Loan Revenue Bonds, Series 2017-1, consisting of \$141,100,000 Senior Student Loan Revenue Bonds, Series 2017-1A, \$86,900,000 Senior Student Loan Revenue Refunding Bonds, Series 2017-1B and \$22,000,000 Subordinate Student Loan Revenue Bonds, Series 2017-1C (collectively, the “2017-1 Bonds”) pursuant to an Indenture of Trust dated as of January 1, 2010 between the Authority and the Trustee (as amended and supplemented, the “2010-1 Indenture”), as amended and supplemented, including by the Fourth Supplemental Indenture dated as of June 1, 2017 between the Authority and the Trustee (“2010-1 Fourth Supplemental Indenture”); and

WHEREAS: The Authority has issued \$215,850,000 of its Student Loan Revenue Bonds, Series 2018, consisting of \$91,500,000 Senior Student Loan Revenue Bonds, Series 2018A, \$107,350,000 Senior Student Loan Revenue Refunding Bonds, Series 2018B and \$17,000,000 Subordinate Student Loan Revenue Bonds, Series 2018C (collectively, the “2018 Bonds”), pursuant to an Indenture of Trust dated as of May 1, 2018 between the Authority and the Trustee (as amended and supplemented, the “2018 Indenture”), as amended and supplemented, including by a First Supplemental Indenture dated as of

May 1, 2018 between the Authority and the Trustee (the “2018 First Supplemental Indenture”); and

WHEREAS: The Authority has issued \$285,550,000 of its Student Loan Revenue Bonds, Series 2019, consisting of \$143,865,000 Senior Student Loan Revenue Refunding Bonds, Series 2019A, \$114,685,000 Senior Student Loan Revenue Bonds, Series 2019B and \$27,000,000 Subordinate Student Loan Revenue Bonds, Series 2019C (collectively, the “2019 Bonds”), pursuant to an Indenture of Trust dated as of June 1, 2019 between the Authority and the Trustee (as amended and supplemented, the “2019 Indenture”), as amended and supplemented, including by a First Supplemental Indenture dated as of June 1, 2019 between the Authority and the Trustee (the “2019 First Supplemental Indenture”); and

WHEREAS: On the date hereof and in connection with the issuance of the a new series of Student Loan Revenue Bonds, consisting of Senior Student Loan Revenue Bonds, Senior Student Loan Revenue Refunding Bonds and Subordinate Student Loan Revenue Bonds (collectively, the “2021 Bonds”), the Authority authorized the execution and delivery of that certain Indenture of Trust by and between the Authority and Trustee (as amended and supplemented the “2021 Indenture”) and, as a supplement thereto, that certain First Supplemental Indenture by and between the Authority and Trustee (the “2021 First Supplemental Indenture”); and

WHEREAS: The Authority expects and intends that a portion of the proceeds of the 2021 Bonds will be used to refund the outstanding 2010-2 Bonds and, in connection with such refunding and in order to finance the expanded availability of certain borrower benefits contemplated herein, certain Student Loans originated under or transferred to the 2010-2 Indenture that are not needed to secure the 2011-1 Bonds will be transferred to the 2010-1 Indenture, 2012 Indenture, 2018 Indenture, 2019 Indenture and/or 2021 Indenture; and

WHEREAS: The Authority currently offers a temporary loan deferment known as the Repayment Assistance Program (“RAP”) and/or a household income-based repayment program known as the Household Income Affordable Repayment Plan (“HIARP”) to borrowers of Student Loans (other than Refinance Loans or Consolidation Loans) originated under or transferred to certain trust indentures of the Authority, but RAP is not offered to borrowers of Student Loans originated under or transferred to the 2010-2 Indenture or 2012 Indenture (other than with respect to borrowers of Student Loans originated with the previously unexpended proceeds of 2016-1 Bonds after the issuance of 2017-1 Bonds) or to borrowers of Student Loans transferred to the 2018 Indenture or 2019 Indenture and HIARP is not offered to borrowers of Student Loans originated under or transferred to the 2010-1 Indenture, 2010-2 Indenture or 2012 Indenture or to borrowers of Student Loans transferred to the 2018 Indenture or 2019 Indenture and additional borrower benefits are not contemplated under the 2010-1 Indenture, 2010-2 Indenture, 2012 Indenture, 2018 Indenture or 2019 Indenture; and

WHEREAS: The Authority wishes to offer both RAP and HIARP to all borrowers of Student Loans (other than Refinance Loans and Consolidation Loans) originated under or transferred to the 2010-1 Indenture, the 2010-2 Indenture, the 2012 Indenture, the 2018 Indenture and the 2019 Indenture; and

WHEREAS: To provide that both RAP and HIARP shall be available to every outstanding Student Loan (other than Refinance Loans or Consolidation Loans) originated with proceeds of the 2017-1 Bonds or transferred to the 2010-1 Indenture, subject to the limitations set forth in the hereinafter defined 2010-1 Fifth Supplemental Indenture, and to make such other amendments to the 2010-1 Indenture and/or the 2010-1 Fourth Supplemental Indenture deemed reasonable and necessary by the Authority to obtain the RAC described in Section 9 herein, and to provide for the costs and expenses of the RAP and HIARP programs, the Authority wishes to authorize the execution and delivery of a Fifth Supplemental Indenture between the Authority and the Trustee (the “2010-1 Fifth Supplemental Indenture”); and

WHEREAS: To provide that both RAP and HIARP shall be available to every outstanding Student Loan (other than Refinance Loans or Consolidation Loans) originated with proceeds of the 2011-1 Bonds or transferred to the 2010-2 Indenture, subject to the limitations set forth in the hereinafter defined 2010-2 Fifth Supplemental Indenture, and to make such other amendments to the 2010-2 Indenture and/or the 2010-2 Second Supplemental Indenture deemed reasonable and necessary by the Authority to obtain the RAC described in Section 9 herein, and to provide for the costs and expenses of the RAP and HIARP programs, the Authority wishes to authorize the execution and delivery of a Fifth Supplemental Indenture between the Authority and the Trustee (the “2010-2 Fifth Supplemental Indenture”); and

WHEREAS: To provide that RAP and HIARP shall be available to every outstanding Student Loan (other than Refinance Loans or Consolidation Loans) originated with proceeds of the 2012 Indenture Bonds or transferred to the 2012 Indenture, subject to the limitations set forth in the hereinafter defined 2012 Seventh Supplemental Indenture, and to make such other amendments to the 2012 Indenture, the 2012 First Supplemental Indenture, the 2012 Second Supplemental Indenture, the 2012 Third Supplemental Indenture, the 2012 Fourth Supplemental Indenture and/or the 2012 Fifth Supplemental Indenture deemed reasonable and necessary by the Authority to obtain the RAC described in Section 9 herein, and to provide for the costs and expenses of the RAP and HIARP programs, the Authority wishes to authorize the execution and delivery of a Seventh Supplemental Indenture between the Authority and the Trustee (the “2012 Seventh Supplemental Indenture”); and

WHEREAS: To provide that both RAP and HIARP shall be available to every outstanding Student Loan (other than Refinance Loans or Consolidation Loans) transferred to the 2018 Indenture, subject to the limitations set forth in the hereinafter defined 2018 Second Supplemental Indenture, and to make such other amendments to the 2018 Indenture and/or the 2018 First Supplemental Indenture deemed reasonable and necessary by the Authority to obtain the RAC described in Section 9 herein, and to provide for the costs and expenses

of the RAP and HIARP programs, the Authority wishes to authorize the execution and delivery of a Second Supplemental Indenture between the Authority and the Trustee (the “2018 Second Supplemental Indenture”); and

WHEREAS: To provide that both RAP and HIARP shall be available to every outstanding Student Loan (other than Refinance Loans or Consolidation Loans) transferred to the 2019 Indenture, subject to the limitations set forth in the hereinafter defined 2019 Fourth Supplemental Indenture, and to make such other amendments to the 2019 Indenture and/or the 2019 First Supplemental Indenture deemed reasonable and necessary by the Authority to obtain the RAC described in Section 9 herein, and to provide for the costs and expenses of the RAP and HIARP programs, the Authority wishes to authorize the execution and delivery of a Fourth Supplemental Indenture between the Authority and the Trustee (the “2019 Fourth Supplemental Indenture”); and

WHEREAS: Pursuant to Section 8.1(15) of each of the 2010-1 Indenture, the 2010-2 Indenture, the 2012 Indenture and the 2018 Indenture and Section 8.1(O) of the 2019 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 a Counsel’s Opinion, which may be a Bond Counsel’s Opinion, to the extent the Trustee deems such opinion desirable, does not adversely affect the interest of any Bondholder; and

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. The recitals set forth above are incorporated herein as if set forth at length.

Section 2. The Authority hereby authorizes the execution and delivery of the 2010-1 Fifth Supplemental Indenture, to offer both RAP and HIARP to borrowers of Student Loans (other than Refinance Loans and Consolidation Loans) (as such terms are defined in the 2010-1 Indenture) issued under or transferred to the 2010-1 Indenture and to make such other amendments to the 2010-1 Indenture and/or the 2010-1 Fourth Supplemental Indenture deemed reasonable and necessary by an Authorized Authority Official (as defined herein) to obtain the RAC described in Section 9 herein.

Section 3. The Authority hereby authorizes the execution and delivery of the 2010-2 Fifth Supplemental Indenture, to offer both RAP and HIARP to borrowers of Student Loans (other than Refinance Loans and Consolidation Loans) (as such terms are defined in the 2010-2 Indenture) issued under or transferred to the 2010-2 Indenture and to make such other amendments to the 2010-2 Indenture and/or the 2010-2 Second Supplemental Indenture deemed reasonable and necessary by an Authorized Authority Official (as defined herein) to obtain the RAC described in Section 9 herein.

Section 4. The Authority hereby authorizes the execution and delivery of the 2012 Seventh Supplemental Indenture, to offer both RAP and HIARP to borrowers of Student Loans (other than Refinance Loans and Consolidation Loans) (as such terms are defined in the 2012 Indenture) issued under or transferred to the 2012 Indenture and to make such other amendments to the 2012 Indenture, the 2012 First Supplemental Indenture, the 2012 Second Supplemental Indenture, the 2012 Third Supplemental Indenture, the 2012 Fourth Supplemental Indenture

and/or the 2012 Fifth Supplemental Indenture deemed reasonable and necessary by an Authorized Authority Official (as defined herein) to obtain the RAC described in Section 9 herein.

Section 5. The Authority hereby authorizes the execution and delivery of the 2018 Second Supplemental Indenture, to offer both RAP and HIARP to borrowers of Student Loans (other than Refinance Loans and Consolidation Loans) (as such terms are defined in the 2018 Indenture) transferred to the 2018 Indenture and to make such other amendments to the 2018 Indenture and/or the 2018 First Supplemental Indenture deemed reasonable and necessary by an Authorized Authority Official (as defined herein) to obtain the RAC described in Section 9 herein.

Section 6. The Authority hereby authorizes the execution and delivery of the 2019 Fourth Supplemental Indenture, to offer both RAP and HIARP to borrowers of Student Loans (other than Refinance Loans and Consolidation Loans) (as such terms are defined in the 2019 Indenture) transferred to the 2019 Indenture and to make such other amendments to the 2019 Indenture and/or the 2019 First Supplemental Indenture deemed reasonable and necessary by an Authorized Authority Official (as defined herein) to obtain the RAC described in Section 9 herein.

Section 7. The Chairperson, Vice Chairperson, Secretary-Treasurer, Executive Director and Chief Financial Officer or other authorized representative or designee of the Authority (each an “Authorized Authority Official” and, collectively, the “Authorized Authority Officials”), are each hereby authorized to execute, acknowledge and deliver the 2010-1 Fifth Supplemental Indenture, 2010-2 Fifth Supplemental Indenture, 2012 Seventh Supplemental Indenture, 2018 Second Supplemental Indenture and 2019 Fourth Supplemental Indenture in such form as an Authorized Authority Official, in consultation with Bond Counsel, shall determine. The execution of each of the 2010-1 Fifth Supplemental Indenture, 2010-2 Fifth Supplemental Indenture, 2012 Seventh Supplemental Indenture, 2018 Second Supplemental Indenture and 2019 Fourth Supplemental Indenture by an Authorized Authority Official shall be conclusive evidence of the approval of the form thereof as authorized by this Section.

Section 8. All actions authorized pursuant to this resolution are subject to receipt by the Authority of a determination by the Trustee that, in the judgment of the Trustee, acting in reliance upon a Counsel’s Opinion, which may be a Bond Counsel’s Opinion, to the extent the Trustee deems such opinion desirable, such actions do not adversely affect the interest of any Bondholder.

Section 9. All actions authorized pursuant to this resolution are subject to: (i) receipt by the Authority of a Rating Agency Condition (“RAC”) from Moody’s Investors Service, Inc. stating that the execution and delivery of the 2010-1 Fifth Supplemental Indenture, 2010-2 Fifth Supplemental Indenture, 2012 Seventh Supplemental Indenture, 2018 Second Supplemental Indenture and 2019 Fourth Supplemental Indenture and the amendments contained therein will not result in a reduction, qualification or withdrawal of the then-current rating of any of the 2011-1 Bonds, 2012 Indenture Bonds, 2017-1 Bonds, 2018 Bonds or 2019 Bonds; (ii) with respect to the actions related to the 2011-1 Bonds, delivery by the Authority of written notice thereof to Fitch Ratings at least ten (10) days prior to the execution and delivery of the 2010-2 Fifth Supplemental Indenture; and (iii) with respect to the actions related to the 2012 Indenture Bonds, the 2017-1 Bonds and the 2018 Bonds, delivery by the Authority of written notice thereof to S&P Global Ratings at least twenty (20) days prior to the execution and delivery of each of the 2010-1 Fifth Supplemental Indenture, the 2012 Seventh Supplemental Indenture and the 2018 Second Supplemental Indenture. In order to maintain the current ratings on the 2012 Indenture Bonds,

2017-1 Bonds, 2018 Bonds or 2019 Bonds the Authority hereby authorizes the transfer of certain Student Loans to be determined by an Authorized Authority Official that are released from the pledge of the 2010-2 Indenture in connection with the refunding of outstanding 2010-2 Bonds to provide a source of revenue or collateral to offset the costs of the RAP and/or HIARP programs.

Section 10. Capitalized terms used but not defined in this resolution shall have the meanings given to them in the 2010-1 Indenture, 2010-2 Indenture, 2012 Indenture, 2018 Indenture or 2019 Indenture, as applicable.

Section 11. This resolution shall take effect immediately, but no action authorized herein shall have force and effect until ten (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 21, 2021



PHILIP D. MURPHY
Governor

SHEILA Y. OLIVER
Lt. Governor

State of New Jersey
HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
4 QUAKERBRIDGE PLAZA
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DAVID J. SOCOLOW
Executive Director

MEMORANDUM

TO: Members, Higher Education Student Assistance Authority

FROM: Christy Van Horn *CVH*
Audit Committee

SUBJECT: Resolution 06:21 – Appointing a Firm to serve as HESAA’s Independent Auditor Pursuant to Executive Order 122 (2004)

DATE: April 21, 2021

Background

Executive Order (E.O.) 122 (2004) requires public authorities, agencies and commissions to create an Audit Committee. Among other duties, the Audit Committee is charged with recommending to the Board the appointment of an independent auditor to conduct an audit of the Authority's financial statements. Under E.O. 122, an Evaluation Committee is responsible for issuing a Request for Proposal (RFP) for auditing services, evaluating responses to the RFP, and forwarding its recommendation to the Audit Committee. After reviewing and accepting the Evaluation Committee recommendation, the Audit Committee forwards the recommendation to the full HESAA Board for approval.

Summary

The current members of the HESAA Board Audit Committee are Bea Daggett, Maria Torres, Robert Shaughnessy, and me. As Board chair, at our July 2020 meeting I appointed Jon Larson, Jean McDonald Rash and Stephanie Berdugo-Hernandez to serve on the ad hoc Evaluation Committee. Based on criteria discussed with the Audit Committee, and at the request of the Evaluation Committee, staff at HESAA developed an RFP for E.O. 122 auditing services for review and approval by the Evaluation Committee. In addition, in addition to auditing services, the RFP requested bidders to submit their fees to provide the Agreed Upon Procedure (AUP) review for HESAA’s annual bond transaction if needed. Following the Evaluation Committee’s

approval, the RFP was issued on January 11, 2021. HESAA mailed the RFP to thirty (30) auditing firms, posted the RFP on HESAA's website and advertised the State's NJ Advance Media and Gannett newspapers.

Pursuant to the RFP, three (3) firms submitted responsive proposals: CliftonLarsonAllen LLP, Mercadien P.C., and Mitchell Titus.

The Evaluation Committee met on March 3, 2021 by teleconference to evaluate the responsive proposals using the criteria contained in Section 8.2 of the RFP as the primary guidance in its selection process.

Based on their review and determination, the Evaluation Committee provided a report to the Audit Committee recommending the selection of CliftonLarsonAllen LLP as the auditing firm for HESAA for the initial term of three years, beginning with the 2021 fiscal year, and subject to two one-year extensions at the option of HESAA. While all three firms demonstrated their capability to provide the requested services, the Evaluation Committee found that CliftonLarsonAllen LLP's proposal was clear and comprehensive and demonstrated the highest level of experience, expertise and professionalism. CliftonLarsonAllen LLP has the experience to audit HESAA's complex financial statements. They are assigning senior staff members to HESAA's audit, and as a large nationwide firm, CliftonLarsonAllen LLP has depth in personnel as well as experts in a variety of areas that can be called upon if necessary. CliftonLarsonAllen LLP's attention to cybersecurity in the proposal was noteworthy due to the sensitivity of the information to be audited for HESAA.

The Evaluation Committee discussed the fact that CliftonLarsonAllen LLP served as HESAA's independent auditor for the last ten years and confirmed with the Attorney General's office that there were not any conflicts with re-appointing the firm for another three-year term with two possible one-year extensions.

The Audit Committee met on March 19, 2021 and based upon the written report from the Evaluation Committee, as well as a presentation from Jon Larson, agreed with the Evaluation Committee's recommendation. The Audit Committee noted that while CliftonLarsonAllen LLP has previous experience with HESAA, they are also adding new people to the team so there will be fresh perspectives added to the audit.

The Audit Committee also requested that HESAA request a Best and Final Offer from CliftonLarsonAllen LLP as permitted by section 8.5 of the RFP. In response, CliftonLarsonAllen LLP lowered the fees originally proposed for auditing services by approximately 3 percent.

Recommendation

It is recommended that the Board approve the attached Resolution 06:21 – Appointing CliftonLarsonAllen LLP as Independent Auditor, at a cost of \$80,000 for auditing services for the first year, a total cost of \$406,700 for a five-year engagement for auditing services, and an additional \$24,500 per year if an Agreed Upon Procedures review is requested.

Attachments

EVALUATION SCORE SHEET	HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY (Independent Auditor)	
BIDDER CliftonLarsonAllen LLP	DATE	3/3/2021

SUMMARY OF EVALUATION TEAM'S COMMENTS:

This firm's proposal was clear and comprehensive. CLA has the experience to audit HESAA's complex financial statements. They are assigning senior staff members to HESAA's audit, and as a large nationwide firm, CLA has depth in personnel as well as experts in a variety of areas that can be called upon if necessary. CLA's attention to cybersecurity in the proposal was noteworthy due to the sensitivity of the information that they audit for HESAA. The quoted fees, while reasonable, were higher than the other bidders.

Scoring 9-10 = Excellent 7-8 = Very Good 5-6 = Good 3-4 = Fair 1-2 = Poor 0 = No Response

CRITERIA	Score 1	Score 2	Score 3	WEIGHT	TOTAL
The proposed fee for services	8	9	9	20	520
The quality of response to the RFP package including the firm's general and technical approach and plans to meet the requirements of the RFP	10	10	9	12	348
The demonstrated ability and qualifications to conduct governmental audits and the firm's demonstration of the ability and qualifications to conduct audits for the volume of borrowers and complexity of the HESAA investment portfolio	10	10	9	20	580
The quality of relevant service to the governmental entities in previous transactions	10	10	9	12	348
The firm's familiarity with federal laws, rules and regulations relevant to governmental audits	10	10	9	12	348
The qualifications and experience of the assigned staffing providing the auditing services	10	10	9	12	348
The assurance of the availability and timely performance of the staff assigned to the Authority's audit engagement	10	10	9	12	348
Total	68	69	63	100	2840

EVALUATION SCORE SHEET	HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY (Independent Auditor)	
BIDDER Mercadien, P.C.	DATE	3/3/2021

SUMMARY OF EVALUATION TEAM'S COMMENTS:

Mercadien was HESAA's auditor in the past. This proposal was professional and demonstrated that the firm has significant experience, specifically in New Jersey. However, the personnel to be assigned to HESAA had a bit less experience than the staff from other firms. Of note the proposal did not include how many years of experience each of the assigned professionals have with the firm. As a smaller, local firm the depth of professionals and experts was not as broad as the other firms that submitted proposals.

Scoring 9-10 = Excellent 7-8 = Very Good 5-6 = Good 3-4 = Fair 1-2 = Poor 0 = No Response

CRITERIA	Score 1	Score 2	Score 3	WEIGHT	TOTAL
The proposed fee for services	9	9	9	20	540
The quality of response to the RFP package including the firm's general and technical approach and plans to meet the requirements of the RFP	10	9	8	12	324
The demonstrated ability and qualifications to conduct governmental audits and the firm's demonstration of the ability and qualifications to conduct audits for the volume of borrowers and complexity of the HESAA investment portfolio	10	9	8	20	540
The quality of relevant service to the governmental entities in previous transactions	10	9	8	12	324
The firm's familiarity with federal laws, rules and regulations relevant to governmental audits	10	9	8	12	324
The qualifications and experience of the assigned staffing providing the auditing services	9	9	8	12	312
The assurance of the availability and timely performance of the staff assigned to the Authority's audit engagement	10	9	8	12	324
Total	68	63	57	100	2688

EVALUATION SCORE SHEET	HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY (Independent Auditor)	
BIDDER Mitchell Titus	DATE	3/3/2021

SUMMARY OF EVALUATION TEAM'S COMMENTS:

This proposal did not demonstrate the same breadth and depth of experience as the other proposals. While the proposed fees were lower than the other proposals, this raised a red flag. Another concern was that this firm proposed to begin the audit before the end of the fiscal year.

Scoring 9-10 = Excellent 7-8 = Very Good 5-6 = Good 3-4 = Fair 1-2 = Poor 0 = No Response					
CRITERIA	Score 1	Score 2	Score 3	WEIGHT	TOTAL
The proposed fee for services	10	10	9	20	580
The quality of response to the RFP package including the firm's general and technical approach and plans to meet the requirements of the RFP	7	8	7	12	264
The demonstrated ability and qualifications to conduct governmental audits and the firm's demonstration of the ability and qualifications to conduct audits for the volume of borrowers and complexity of the HESAA investment portfolio	7	8	8	20	460
The quality of relevant service to the governmental entities in previous transactions	6	8	7	12	252
The firm's familiarity with federal laws, rules and regulations relevant to governmental audits	9	6	8	12	276
The qualifications and experience of the assigned staffing providing the auditing services	9	7	7	12	276
The assurance of the availability and timely performance of the staff assigned to the Authority's audit engagement	8	8	7	12	276
Total	56	55	53	100	2384

Firm	Score	Rank
CliftonLarsonAllen LLP	2840	1
Mercadien, P.C.	2688	2
Mitchell Titus	2384	3

RESOLUTION 06:21

APPOINTING A FIRM TO SERVE AS HESAA's INDEPENDENT AUDITOR PURSUANT TO EXECUTIVE ORDER 122 (2004)

Moved By: Dr. Jon Larson
Seconded By: Ms. Maria Torres

WHEREAS: Executive Order (E.O.) 122 (2004) requires the Higher Education Student Assistance Authority (HESAA) to appoint an Independent Auditor; and

WHEREAS: At the request of the Evaluation Committee, a Request for Proposal (RFP) for E.O. 122 auditing services was issued on January 11, 2021. HESAA mailed the RFP to thirty (30) auditing firms, posted the RFP on HESAA's website and advertised the State's NJ Advance Media and Gannett newspapers; and

WHEREAS: Three (3) firms, CliftonLarsonAllen LLP, Mercadien P.C., and Mitchell Titus, submitted responsive proposals to the RFP; and

WHEREAS: HESAA's Evaluation Committee met on March 3, 2021 by teleconference to evaluate these proposals using the criteria contained in Section 8.2 of the RFP as the primary guidance in its selection process; and

WHEREAS: The Evaluation Committee determined that CliftonLarsonAllen LLP would best meet the needs of HESAA; and

WHEREAS: The Evaluation Committee provided the Audit Committee with a written report recommending the selection of CliftonLarsonAllen LLP as the auditing firm for HESAA for the initial term of three years, subject to two one-year extensions at the option of HESAA; and

WHEREAS: The Audit Committee met on March 19, 2021 to review the report and agreed with the Evaluation Committee's recommendation that CliftonLarsonAllen LLP is the most qualified firm to serve as HESAA's Independent Auditor.

NOW, THEREFORE, LET IT BE:

RESOLVED: That the Higher Education Student Assistance Authority appoints CliftonLarsonAllen LLP as its auditing firm for an initial term of three years with two possible one-year extensions at the option of the Higher Education Student Assistance Authority at a cost of \$80,000 for auditing services for the first year, a total cost of \$406,700 for a five-year engagement for auditing services, and an additional \$24,500 per year if an Agreed Upon Procedures review is requested.

April 21, 2021



PHILIP D. MURPHY
Governor


SHEILA Y. OLIVER
Lt. Governor


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DAVID J. SOLOW
Executive Director

MEMORANDUM

TO: Members, Higher Education Student Assistance Authority

THROUGH: David J. Socolow
Executive Director 

FROM: Marnie Grodman, Esq. 
Director, Legal & Governmental Affairs
Administrative Practice Officer

SUBJECT: Resolution 07:21 Approving Proposed New Rules Administering the Community College Opportunity Grant Program

DATE: April 21, 2021

Background

On February 26, 2021, Governor Murphy signed the Community College Opportunity Grant (CCOG) Program Act P.L. 2021, c. 26 (the Act) into law. The purpose of the CCOG Program is to provide financial aid grants to eligible county college students to cover the costs of tuition and approved educational fees that are not already covered by any other State, federal, and institutional need-based grants or merit scholarships, and also to provide county colleges with Student Success Incentive funding for outreach and student success initiatives. Section 6 of the Act authorizes the Higher Education Student Assistance Authority (HESAA) to adopt the rules and regulations necessary to implement Sections 1 through 4, the CCOG student grant provisions, of the Act, and separately authorizes the Office of the Secretary of Higher Education to adopt the rules and regulations necessary to implement Section 5, the Student Success Incentive provisions of the Act.

The proposed new rules are attached hereto and summarized below:

Summary

The proposed subchapter heading establishes the name of the program for which these proposed new rules will be promulgated as the Community College Opportunity Grant (CCOG) Program.

Pursuant to the Act, proposed new rule N.J.A.C. 9A:9-9.1 provides that the purpose of the rules established by this subchapter is to provide policies and procedures for students and institutions to participate in CCOG and that the purpose of CCOG is to increase the total number of students obtaining a high-quality postsecondary education credential statewide by removing financial barriers to attendance.

Proposed new rule N.J.A.C. 9A:9-9.2 provides the definitions for words and terms as used within this subchapter, which include “AGI,” “Approved educational fees,” “Authority,” “CCOG,” “County College,” “In-county tuition,” “Minimum level of academic success,” and “Three plus one degree program.”

Additionally, proposed new rule N.J.A.C. 9A:9-9.2 defines a “Bridge Year Student,” pursuant to P.L. 2020, c. 41, which establishes a three-year “Bridge Year Pilot Program,” under which each school district with a high school shall offer students in the graduating class of 2021 and the graduating class of 2022 the opportunity to pursue a bridge year during the year immediately following their senior year of high school. P.L. 2020, c. 41 section 2, provides that students pursuing a bridge year are eligible for financial aid provided through the CCOG Program.

Proposed new rule N.J.A.C. 9A:9-9.3 defines the existing general provisions for the Tuition Aid Grant and Garden State Scholarship Programs which are also in effect for CCOG. These rules pertain to undergraduate enrollment and eligible institutions, residency, noncitizens and resident aliens, eligibility and repayments, dependent/independent student, verification of family income, award adjustments, refunds and collections, student’s obligation, check endorsements, and accounting and auditing standards.

Proposed new rule N.J.A.C. 9A:9-9.4 establishes the eligibility requirements a student must meet to in order to qualify for a CCOG award.

Pursuant to section 3a.(6) of the Act, proposed paragraph (a)1. requires students to apply for all other available forms of State, federal, and institutional need-based aid and merit scholarships to determine each student’s unmet need.

To administer section 3a.(2) of the Act, proposed paragraph (a)2. requires students to enroll for a minimum of 6 credits per semester.

Pursuant to section 3a.(8) of the Act, proposed paragraph (a)3. requires students to achieve a minimum level of academic success.

To administer sections 3a.(4) and (5) of the Act, proposed paragraph (a)4. limits CCOG awards to students whose families have an Adjusted Gross Income (AGI) of no less than \$0 and no more \$65,000.

Proposed N.J.A.C. 9A:9-9.4(b) ensures that the county colleges do not impose any additional eligibility requirements on students for them to be eligible for a CCOG award pursuant to section 3a of the Act.

In accordance with P.L. 2020, c. 41, which establishes a three-year “Bridge Year Pilot Program,” proposed N.J.A.C. 9A:9-4(c) provides that, subject to appropriations, students pursuing a bridge year are eligible for CCOG if the student meets all other eligibility requirements.

Proposed new rule N.J.A.C. 9A:9-9.5 provides the requirements for colleges to verify a student’s eligibility for CCOG to ensure CCOG awards are only awarded to students who meet the eligibility requirements in proposed N.J.A.C. 9A:9-9. Proposed subsection (a) provides that the college must have evidence that students have registered for a minimum of six (6) credits per semester and that students have achieved the minimum level of academic success. Proposed subsection (b) requires colleges to share any material findings or audit exceptions with the Authority.

Pursuant to sections 2, 3a.(b), and 4b. of the Act, proposed new rule N.J.A.C. 9A:9-9.6 sets the CCOG award at an amount up to the combined cost of in-county tuition and approved educational fees for up to 18 credit hours per semester. Pursuant to section 4c. of the Act, the proposed section also specifies that the Authority shall annually establish a maximum CCOG award amount for students at each institution based on available appropriations and provides that the maximum CCOG award amount for individual students at each county college shall not increase by more than three percent over the prior year.

Pursuant to section 2 of the Act proposed new rule N.J.A.C. 9A:9-9.6(a) requires the full amount of state, federal, institutional, and community grants and scholarship aid received by the student for tuition and approved educational fees to be applied to the tuition and approved educational fee charges first to reduce the amount of the CCOG award.

Pursuant to section 4b. of the Act, where an eligible student enrolled in at least six credits but less than 12 credits the CCOG award shall be pro-rated from the full-time approved tuition and approved educational fees based on the number of credits for which that student is enrolled. Proposed new rule N.J.A.C. 9A:9-9.6(b) sets the prorated CCOG award amounts for students enrolled less than full-time. To align the prorated amounts with the calculation of part-time Tuition Aid Grant awards for county college students, paragraph 1. provides that students enrolled for 9-11 credits shall be eligible for 75% of the full CCOG award and paragraph 2 provides that students enrolled for 6-8 credits shall be eligible for 50% of the full CCOG award.

Pursuant to section 3.a(3)(b) of the Act, proposed new rule N.J.A.C. 9A:9-9.6(c) provides that a student enrolled at an out-of-county college shall be eligible for a CCOG award calculated based on the in-district rate of tuition and approved educational fees for the county college at which the student is enrolled, provided that the amount of a grant provided to a student under this subparagraph does not exceed the amount of tuition and approved educational fees actually charged to the student.

Pursuant to section 3c. of the Act proposed new rule N.J.A.C. 9A:9-9.7 establishes five as the maximum number of semester award payments that a student may receive, unless the student is enrolled in a three plus one degree program or in a program regularly requiring at least six semesters for completion, in which case the maximum number of semester payment awards that a student may receive is six. In order to administer section 3c. of the Act, the proposed new rule further provides that the semesters for which a student is enrolled in at least six credits but less than 12 credits shall be counted as one-half of one semester of eligibility and that CCOG payments are made for fall and spring semesters only.

Pursuant to section 3f. of the Act, proposed new rule N.J.A.C. 9A:9-9.8 requires the college that the student is attending to notify the student of eligibility for CCOG and the amount of the student's CCOG award.

Pursuant to section 3e. of the Act, proposed new rule N.J.A.C. 9A:9-9.9 sets forth the appeals process for CCOG. Students, families and institutions are provided 60 days to file an appeal with the Authority's Director of Grants and Scholarships if they feel that the application of the policies results in an unfair determination of eligibility. The proposed rules further require the Director of Grants and Scholarship to respond with the Authority's final determination of the appeal within 30 days of the Authority's receipt of the appeal.

Recommendation

It is recommended that the Board approves Resolution 07:21 Approving Proposed New Rules Administering the Community College Opportunity Grant Program so that the proposed new rules can be published in the New Jersey Register.

Attachment

SUBCHAPTER 9. Community College Opportunity Grant (CCOG)

9A:9-1 Purpose and Scope

The rules established by this subchapter provide the policies and procedures for participation in the Community College Opportunity Grant (CCOG) program administered by the Higher Education Student Assistance Authority. These grants shall be awarded to eligible students who are enrolled for a minimum of six credits per semester at a New Jersey county college and who have not already earned a post-secondary degree. The purpose of these grants is to increase the total number of students obtaining a high-quality postsecondary education credential statewide by removing the financial barriers to attendance.

9A:9-2 Definitions

The following words and terms, when used in this document, shall have the following meanings, unless the context clearly indicates otherwise:

“AGI” means adjusted gross income reported to the United States Internal Revenue Service on an income tax return.

1. For a dependent student, AGI refers to parental AGI as reported on the financial aid application.
2. For an independent student, AGI refers to the AGI reported on the financial aid application for the student and, if applicable, the student’s spouse.

“Approved educational fees” means general education fees, registration fees, facility fees, technology fees, laboratory fees, student service and activity fees, and program and course fees, including fees associated with coursework in nursing, culinary, and other career and technical education programs, as determined annually by the Authority in consultation with the Office of the Secretary of Higher Education, subject to the limit of funds appropriated or otherwise made available for the program, and published on the Authority’s website.

"Authority" means the Higher Education Student Assistance Authority established pursuant to N.J.S.A. 18A:71A-3.

“Bridge Year Student” means a student in the graduating class of 2021 or the graduating class of 2022 who has met all applicable New Jersey high school graduation requirements by the end of the senior year of high school and defers graduation from high school to pursue a bridge year pursuant to P.L. 2020, c. 41.

“CCOG” means the Community College Opportunity Grant established by P.L. 2021, c. 26.

“County college” means a New Jersey county college established pursuant to N.J.S.A. 18A:64A-1 et seq.

“In-county tuition” means the amount of tuition charged to students for whom an institution is the county college that serves the student’s county of residence.

“Minimum Level of Academic Success” means either:

1. That a student meets the standards for academic performance and satisfactory academic progress that an institution adopts to determine eligibility for Federal student aid programs under Title IV of the Higher Education Act of 1965, as amended, and its implementing regulations and rules; or
2. To provide an opportunity for returning students to re-engage in postsecondary education, that a student earns a minimum grade point average of 1.8 in the semester immediately prior to receiving an award.

“Three plus one degree program” means a baccalaureate degree program created pursuant to section 1 of P.L. 2018, c. 144.

9A:9-9.3 General Provisions

General provisions for the Tuition Aid Grant and Garden State Scholarship Programs that pertain to undergraduate enrollment and eligible institutions set forth in N.J.A.C.9A:9-2.1, residency set forth in N.J.A.C. 9A:9-2.2, noncitizens and resident aliens set forth in N.J.A.C. 9A:9-2.3, eligibility and repayments set forth in N.J.A.C. 9A:9-2.4, dependent/independent student set forth in N.J.A.C. 9A:9-2.6, verification of family income set forth in N.J.A.C. 9A:9-2.7, renewal eligibility and filing set forth in N.J.A.C. 9A:9-2.8, award adjustments, refunds and collections set forth in N.J.A.C. 9A:9-2.12, Student’s obligation set forth in 9A:9-2.13, check endorsements set forth in N.J.A.C. 9A:9-2.14, and accounting and auditing standards set forth in N.J.A.C. 9A:9-2.16 shall be in effect for CCOG.

9A:9-9.4 Eligibility Requirements

(a) In order to qualify for a CCOG award a student must meet the following eligibility requirements:

1. Apply for all other available forms of State, federal, and institutional need-based grants and merit scholarships by annually filing a financial aid application, as approved by the Authority, within established State deadlines in order to apply for all other available forms of Federal and State need-based grants and merit scholarships and satisfying all requirements of the application process within established state deadlines;
2. Enroll in a county college for a minimum of six (6) credits per semester;
3. Achieve the Minimum Level of Academic Success; and
4. Have an AGI of no less than \$0 and no more than \$65,000.

(b) County colleges participating in the CCOG program may not impose additional eligibility requirements, other than the requirements set forth in this section, for students to receive CCOG awards.

(c) Notwithstanding any requirements to be enrolled in a course of study or a curriculum leading to a degree or certificate, and subject to the availability of funds in the annual appropriations act, a student pursuing a bridge year shall be eligible for a financial aid grant under CCOG if the student meets all other applicable eligibility requirements.

9A:9-9.5 Verification of enrollment and academic performance

- (a) Before payment may be made to an eligible student, the institution shall have satisfactory evidence that the student is eligible for state grant and/or scholarship assistance, that the student has registered for a minimum of six (6) credits per semester, and that the student has achieved the minimum level of academic success.
- (b) The institution shall share with the Authority any material findings or audit exceptions related to the determination of academic progress at any time they are revealed in the course of an audit or program review.

9A:9-9.6 Amount of grant award

A CCOG award shall cover up to the combined cost of in-county tuition and approved educational fees for up to 18 credit hours per semester for the county college at which the student is enrolled. The maximum CCOG award amount for individual students at each county college shall be calculated annually by the Authority subject to available appropriations. The maximum CCOG award amount for individual students at each county college shall not increase by more than three percent over the prior year.

- (a) The full amount of State, federal, and institutional grants and scholarship aid received by the student for the purpose of paying tuition and approved educational fees shall be applied to the tuition and approved educational fee charges first to reduce the amount of the CCOG award.
- (b) A student enrolled in fewer than 12 credits per semester shall be eligible for a maximum CCOG award amount that is pro-rated from the full-time CCOG award amount based on the number of credits for which that student is enrolled.
 - 1. Students enrolled for 9-11 credits shall be eligible for 75% of the full CCOG award; and
 - 2. Students enrolled for 6-8 credits shall be eligible for 50% of the full CCOG award.
- (c) A student enrolled at an out-of-county college shall be eligible for a CCOG award calculated based on the in-district rate of tuition and approved educational fees for the county college at which the student is enrolled, provided that the amount of a grant provided to a student under this subparagraph does not exceed the amount of tuition and approved educational fees actually charged to the student.

9A:9-9.7 Payments

- (a) The maximum number of semester award payments that a student may receive is five, unless the student is enrolled in a three plus one degree program or in a program regularly requiring at least six semesters for completion, in which case the maximum number of semester payment awards that a student may receive is six.
- (b) Semesters for which a student is enrolled in at least six credits but less than 12 credits shall be counted as one-half of one semester of eligibility.

(c) CCOG payments are made for fall and spring semesters only.

9A:9-8 Student notification

The New Jersey county college the student attends shall notify the student of eligibility. Such notification by the county college shall include the amount of the CCOG award.

9A:9-9 Appeals

If for any reason a student, his or her family, or an institution feels that the application of these policies results in an unfair determination of eligibility, an appeal shall be filed with the Authority within 60 days of initial notification of eligibility or ineligibility for the CCOG award. All appeals shall be in writing, and if appropriate shall include any supporting documentation. Appeals shall be addressed to the Director of Grants and Scholarships in the Authority, PO Box 540, Trenton, New Jersey 08625-0540 or submitted electronically, and shall contain the student's full name, NJHESAA ID number, college of attendance, and a description of the basis for the appeal. The Director of Grants and Scholarship shall respond in writing with the Authority's final determination of the appeal within 30 days of the Authority's receipt of the appeal.

RESOLUTION 07:21

APPROVING PROPOSED NEW RULES ADMINISTERING THE COMMUNITY COLLEGE OPPORTUNITY GRANT PROGRAM

Moved by: Dr. Jon Larson
Seconded by: Mr. Robert Shaughnessy

WHEREAS: On February 26, 2021, Governor Murphy signed the Community College Opportunity Grant (CCOG) Program Act P.L. 2021, c. 26 (the Act) into law; and

WHEREAS: One of the purposes of the CCOG Program is to provide financial aid grants to eligible county college students to cover the costs of tuition and approved educational fees that are not already covered by any other State, federal, and institutional need-based grants or merit scholarships; and

WHEREAS: Section 6 of the Act authorizes the Higher Education Student Assistance Authority (HESAA) to adopt the rules and regulations necessary to implement Sections 1 through 4, the CCOG student grant provisions, of the Act; and

WHEREAS: The Act first applies to the 2021-2022 Academic Year.

NOW, THEREFORE, LET IT BE:

RESOLVED: That the Board approves and authorizes publishing the Proposed New Rules Administering the Community College Opportunity Grant Program in the New Jersey Register.

April 21, 2021



PHILIP D. MURPHY
Governor


SHEILA Y. OLIVER
Lt. Governor


State of New Jersey
HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
4 QUAKERBRIDGE PLAZA
PO BOX 545
TRENTON, NJ 08625-0545
1-800-792-8670
www.hesaa.org

DAVID J. SOCOLOW
Executive Director

MEMORANDUM

TO: Members, Higher Education Student Assistance Authority

THROUGH: David J. Socolow
Executive Director 

FROM: Marnie B. Grodman, Esq. 
Director, Legal & Governmental Affairs
Administrative Practice Officer

SUBJECT: Resolution 08:21 Approving the Adoption of Proposed Amendments to the Regulations Governing the NJBEST Scholarship, N.J.A.C. 9A:10-7.15

DATE: April 21, 2021

Background

The Higher Education Student Assistance Authority (Authority) is statutorily responsible for the administration of the State's higher education savings program, the New Jersey Better Educational Savings Trust (NJBEST) Program, and for the promulgation of all rules to that effect, pursuant to N.J.S.A. 18A:71B-35 et seq. NJBEST is administered in accordance with section 529 of the Federal Internal Revenue Code of 1986, 26 U.S.C. § 529.

At its October 21, 2020 meeting the HESAA Board approved proposed regulatory amendments to: (1) implement new legislation amending the NJBEST statute by deleting the requirement that previously limited the availability of the NJBEST Scholarship to the beneficiary's initial attendance or enrollment in a higher education institution; and (2) increase the NJBEST scholarship amount.

The proposed amendments, PRN 2020-1123, were published in the December 7, 2020 New Jersey Register at 52 N.J.R. 2091, posted on the HESAA website at HESAA.org and sent to the Statehouse News Media and secondary notice was emailed to interested parties and a press release was distributed to the news media. The 60-day legislative review period for this rule expired on

January 5, 2021 with no comments received and the public comment period for this rule expired on February 5, 2021 with no comments received. Therefore, the amendment can be adopted as proposed.

Recommendation

It is recommended that the Board approve Resolution 08:21 Approving the Adoption of the Proposed Amendments to the Regulations Governing the NJBEST Scholarship, N.J.A.C. 9A:10-7.15.

Attachment

RULE PROPOSALS

INTERESTED PERSONS

Interested persons may submit comments, information or arguments concerning any of the rule proposals in this issue until the date indicated in the proposal. Submissions and any inquiries about submissions should be addressed to the agency officer specified for a particular proposal.

The required minimum period for comment concerning a proposal is 30 days. A proposing agency may extend the 30-day comment period to accommodate public hearings or to elicit greater public response to a proposed new rule or amendment. Most notices of proposal include a 60-day comment period, in order to qualify the notice for an exception to the rulemaking calendar requirements of N.J.S.A. 52:14B-3. An extended comment deadline will be noted in the heading of a proposal or appear in subsequent notice in the Register.

At the close of the period for comments, the proposing agency may thereafter adopt a proposal, without change, or with changes not in violation of the rulemaking procedures at N.J.A.C. 1:30-6.3. The adoption becomes effective upon publication in the Register of a notice of adoption, unless otherwise indicated in the adoption notice. Promulgation in the New Jersey Register establishes a new or amended rule as an official part of the New Jersey Administrative Code.

HIGHER EDUCATION

(a)

HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY

Student Loan and College Savings Programs Policy Governing New Jersey Better Educational Savings Trust (NJBEST) Program

Proposed Amendment: N.J.A.C. 9A:10-7.15

Authorized By: Higher Education Student Assistance Authority, Christy Van Horn, Chairperson.

Authority: N.J.S.A. 18A:71A-1 et seq., and 18A:71C-35 et seq.; and P.L. 2020, c. 81.

Calendar Reference: See Summary below for explanation of exception to calendar requirement.

Proposal Number: PRN 2020-113.

Submit written comments by February 5, 2021, to:

Marnie B. Grodman, Esquire
Administrative Practice Officer
Higher Education Student Assistance Authority
PO Box 545
Trenton, NJ 08625-0545
Email: Regulations@hesaa.org

The agency proposal follows:

Summary

The Higher Education Student Assistance Authority (Authority) is statutorily responsible for the administration of the State's higher education savings program, the New Jersey Better Educational Savings Trust (NJBEST) Program, and for the promulgation of all rules to that effect, pursuant to N.J.S.A. 18A:71B-35 et seq. NJBEST is administered in accordance with section 529 of the Federal Internal Revenue Code of 1986, 26 U.S.C. § 529.

Through the NJBEST Program, money saved by parents, grandparents, or others is invested for a designated beneficiary. When the designated beneficiary is ready to attend college, the account holder may withdraw the principal and interest earned from the account, and provided that these funds are used for qualified higher education expenses, the distributed investment earnings are not subject to either Federal income tax pursuant to section 529 of the Federal Internal Revenue Code of 1986, 26 U.S.C. § 529, or New Jersey gross income tax pursuant to N.J.S.A. 54A:6-25.

At N.J.S.A. 18A:71B-35.c, the Legislature declared that, "[i]ncentives are needed to encourage families to save for college education." In addition to the tax-favored status of earnings on investments in an NJBEST account, the NJBEST program establishes an additional incentive to families to save for college by offering an NJBEST

Scholarship if the designated beneficiary attends an eligible higher education institution in New Jersey.

On September 14, 2020, Governor Murphy signed P.L. 2020, c. 81, which was effective immediately. This law amended the NJBEST statute by deleting the requirement that previously limited the availability of the NJBEST Scholarship to the beneficiary's initial attendance or enrollment in a higher education institution. The Authority is proposing amendments to align the rules to P.L. 2020, c. 81.

The Authority also has determined to make three other proposed amendments to the existing rules. First, it proposes increasing the minimum scholarship from \$500.00 to \$1,000. Second, it proposes increasing the incremental additional scholarship amount for every two additional years of savings in an NJBEST account from \$250.00 to \$500.00, and third, it proposes increasing the scholarship cap from \$1,500 to \$3,000. Additionally, in light of the fact that the NJBEST Scholarships have been fully funded by the administrative fees assessed on NJBEST accounts since fiscal year 2006 without any State appropriations, the Authority is proposing amendments to clarify that while the scholarships are subject to available funding from NJBEST administrative fees, they are not currently funded through annual State budget appropriations.

The proposed amendment at N.J.A.C. 9A:10-7.15(a) increases the minimum scholarship amount from \$500.00 to \$1,000. The proposed amendment also replaces the word "appropriation" with the word "funding."

N.J.A.C. 9A:10-7.15(a)1iv defines first-time enrollment for purposes of determining the scholarship amount and for determining whether a student meets the first-time enrollment requirement. In accordance with P.L. 2020, c. 81, the proposed amendment narrows the definition so that first-time enrollment is solely defined for purposes of determining the scholarship amount.

N.J.A.C. 9A:10-7.15(a)2 requires students to demonstrate undergraduate attendance or enrollment in a higher education institution in this State by submitting a certification by the higher education institution. The proposed amendment deletes the requirement that this certification is applicable only to the time of the student's initial attendance or enrollment, in accordance with the statutory changes at P.L. 2020, c. 81.

The proposed amendments at N.J.A.C. 9A:10-7.15(b) increase the additional incremental scholarship amount for every two additional years of savings in an NJBEST account from \$250.00 to \$500.00 and increase the scholarship cap from \$1,500 to \$3,000. The proposed amendment also replaces the word "appropriation" with the word "funding."

The proposed amendments at N.J.A.C. 9A:10-7.15(d) align the regulation with the statutory changes at P.L. 2020, c. 81, providing that a beneficiary may receive a one-time NJBEST scholarship in any term of enrollment at an eligible institution of post-secondary education in New Jersey.

As the Authority has provided a 60-day comment period on this notice of proposal, this notice is excepted from the rulemaking calendar requirement pursuant to N.J.A.C. 1:30-3.3(a)5.

Social Impact

The proposed amendments will have a positive effect on families by providing an additional incentive to save for college and encourage long-term savings.

Economic Impact

The proposed amendments will have a positive economic impact on families that either already have, or choose to open, NJBEST accounts, as they increase the scholarship amount for designated beneficiaries who attend New Jersey institutions. In academic year 2017-2018, 37 applicants were denied NJBEST scholarships solely due to failing to meet the eligibility criterion then in effect that restricted NJBEST scholarships to the student's initial college attendance or enrollment. Due to this restriction, 68 students were denied NJBEST scholarships in academic year 2018-2019 and 48 were denied in academic year 2019-2020. Each of these applicants represents a student who would benefit from the proposed amendments by receiving a scholarship instead of having to take on an additional amount of loans to fund their education.

The availability of the scholarship in any semester and the increased scholarship amount will not have any impact on the State budget as the program has been solely financed by the administrative fees assessed on NJBEST accounts since fiscal year 2006. The proposed amendments will not lead to increased administrative fees as current administrative fees are sufficient to fund the increased scholarship amounts.

Federal Standards Statement

A Federal standards analysis is not required because the proposed amendments are not intended to exceed the statutory requirements for a state college savings program to receive favorable Federal tax treatment under section 529 of the Federal Internal Revenue Code of 1986, 26 U.S.C. § 529, and are consistent with administrative guidance from the Internal Revenue Service.

Jobs Impact

The proposed amendments allowing the NJBEST scholarship to be used in any semester and increasing the NJBEST scholarship will provide incentives for saving for college, which promotes access to economic development through higher education. The proposed amendments will not result in the loss or generation of jobs, but do offer an additional incentive to save for college, thereby adding to the skilled workforce to meet employer needs.

Agriculture Industry Impact

The proposed amendments will have no impact on the agriculture industry.

Regulatory Flexibility Statement

A regulatory flexibility analysis is not required because the proposed amendments do not impose reporting, recordkeeping, or other compliance requirements on small businesses as defined by the Regulatory Flexibility Act, N.J.S.A. 52:14B-16 et seq. The participants in this program are individuals, not businesses.

Housing Affordability Impact Analysis

The proposed amendments will have an insignificant impact on the affordability of housing in New Jersey. There is an extreme unlikelihood that the proposed amendments would evoke a change in the average costs associated with housing because the proposed amendments concern higher education savings plans, which have no impact on housing.

Smart Growth Development Impact Analysis

The proposed amendments will have an insignificant impact on smart growth and there is an extreme unlikelihood that the proposed amendments would evoke a change in housing production in Planning Areas 1 or 2, or within designated centers, under the State Development and Redevelopment Plan in New Jersey. The proposed amendments concern higher education savings plans, which have no impact on housing.

Racial and Ethnic Community Criminal Justice and Public Safety Impact

The proposed amendments will not have an impact on pretrial detention, sentencing, probation, or parole policies concerning adults and juveniles in the State. Accordingly, no further analysis is required.

Full text of the proposal follows (additions indicated in boldface **thus**; deletions indicated in brackets [thus]):

SUBCHAPTER 7. POLICY GOVERNING NEW JERSEY BETTER EDUCATIONAL SAVINGS TRUST (NJBEST) PROGRAM

9A:10-7.15 Eligibility for NJBEST scholarship

(a) An additional amount of [\$500.00] **\$1,000**, subject to [appropriations] **funding** available therefor, shall be credited toward the qualified higher education expenses of a designated beneficiary at the time of a qualified withdrawal provided:

1. The contributor demonstrates to the satisfaction of the Authority that the contributor participated in the program by making and not withdrawing a qualifying minimum initial deposit of \$1,200 or that qualifying minimum annual contributions of \$300.00 for a designated beneficiary were made by persons based on the time periods for crediting these contributions in (a) i [through], **ii, and** iii below. In all cases involving the eligibility of a designated beneficiary for an NJBEST scholarship, the Authority reserves the right to make the final determination as to whether contributions have met the time periods as stated in this paragraph for participation in the NJBEST Program.

i.-iii. (No change.)

iv. First time enrollment is defined as the first time a student enrolls on either a full- or half-time basis at any institution of post-secondary education. [Students who have previously attended another institution of post-secondary education are not first time students.] For semester schools, if a student's first term of enrollment is for the summer or winter term, [the scholarship is awarded for] the succeeding fall or spring semester **will be considered the student's first term of enrollment.**

2. The designated beneficiary in (a) above demonstrates his or her undergraduate attendance or enrollment in a higher education institution in this State by submitting a certification by the higher education institution [at the time of initial attendance or enrollment];

i. (No change.)

3. (No change.)

(b) For every two additional years in which the minimum annual contribution of \$300.00 is deposited in the account of a designated beneficiary, an additional amount of [\$250.00] **\$500.00**, up to a maximum scholarship of [\$1,500] **\$3,000**, subject to [appropriations] **funding** available therefor, shall be credited toward the qualified higher education expenses of a designated beneficiary at the time of a qualified withdrawal provided the requirements of (a) 2 and 3 above are met.

(c) (No change.)

(d) A designated beneficiary satisfying the requirements of (a) or (a) and (b) above shall **be eligible to receive a scholarship in any term of enrollment at an eligible institution of post-secondary education in New Jersey, but shall** not be eligible to receive more than one such additional amount provided under (a) or (a) and (b) above.

(e) (No change.)

RESOLUTION 08:21

APPROVING THE ADOPTION OF PROPOSED AMENDMENTS TO THE REGULATIONS GOVERNING THE NJBEST SCHOLARSHIP, N.J.A.C. 9A:10-7.15

Moved by: Ms. Beatrice Daggett
Seconded by: Ms. Stephanie Berdugo-Hernandez

WHEREAS: HESAA is responsible for the administration of the State's higher education savings program, the New Jersey Better Educational Savings Trust (NJBEST) Program, and for the promulgation of all rules to that effect, pursuant to N.J.S.A. 18A:71B-35 et seq.; and

WHEREAS: At its October 21, 2020 meeting the HESAA Board approved proposed regulatory amendments to implement new legislation and to increase the NJBEST scholarship amount; and

WHEREAS: The proposed new amendment, PRN 2020-1123, were published in the December 7, 2020 New Jersey Register at 52 N.J.R. 2091, posted on the HESAA website at HESAA.org and sent to the Statehouse News Media and secondary notice was emailed to interested parties and a press release was distributed to the news media; and

WHEREAS: The 60-day legislative review period for this rule expired on January 5, 2021, with no comments received; and

WHEREAS: The public comment period for this rule expired on February 5, 2021 with no comments received.

NOW, THEREFORE, LET IT BE:

RESOLVED: That the Board approves the Adoption of Amendments to Regulations Governing the New Jersey Better Educational Savings Trust Program, N.J.A.C 9A:10-7.17.

April 21, 2021



PHILIP D. MURPHY
Governor


SHEILA Y. OLIVER
Lt. Governor


State of New Jersey
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4 QUAKERBRIDGE PLAZA
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DAVID J. SOCOLOW
Executive Director

MEMORANDUM

TO: Members, Higher Education Student Assistance Authority

THROUGH: David J. Socolow
Executive Director 

FROM: Margo Chaly, Esq.
Chief of Staff 

SUBJECT: Resolution 09:21 - Approving the Higher Education Student Assistance Authority 2020 Annual Report Pursuant to Executive Order 37 (2006).

DATE: April 21, 2021

Background

Paragraph 2 of Executive Order 37 (2006) requires each State authority to prepare a comprehensive report concerning the authority's operations on an annual basis.

Executive Order 37 requires that the annual report set forth the significant actions of the authority from the previous year, including a discussion of the degree of success the authority had in promoting the State's economic growth strategies and other policies. The report is also required to include the authority's financial statements and to identify internal financial controls at the authority that govern expenditures, financial reporting, procurement, and other financial matters and transactions. Pursuant to Executive Order 37, the report shall also contain a certification by the appropriate senior staff member(s) that during the preceding year the authority has, to the best of their knowledge, followed all of the authority's standards, procedures, and internal controls, or, where such certification is not warranted, shall set forth the manner in which such controls were not followed and a description of the corrective action to be taken by the authority.

The Higher Education Student Assistance Authority (HESAA) has prepared the attached 2020 Annual Report in compliance with Executive Order 37.

Recommendation

It is recommended that the Board approve Resolution 09:21 Approving the Higher Education Student Assistance Authority 2020 Annual Report pursuant to Executive Order 37 (2006) and that the Board authorize staff to submit the 2020 Annual Report to the Governor's Authorities Unit and post it on HESAA's website.

Attachments

RESOLUTION 09:21

**APPROVING THE HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
2020 ANNUAL REPORT PURSUANT TO EXECUTIVE ORDER 37 (2006)**

Moved by: Dr. Brian Bridges

Seconded by: Ms. Maria Torres

WHEREAS: Paragraph 2 of Executive Order 37 (2006) requires each State authority to prepare a comprehensive report concerning the authority's operations on an annual basis; and

WHEREAS: Executive Order 37 requires that the annual report set forth the significant actions of the authority from the previous year, including a discussion of the degree of success the authority had in promoting the State's economic growth strategies and other policies; and

WHEREAS: The report is also required to include the authority's financial statements and to identify internal financial controls at the authority that govern expenditures, financial reporting, procurement, and other financial matters and transactions; and

WHEREAS: Pursuant to Executive Order 37 the report shall also contain a certification by the appropriate senior staff member(s) that during the preceding year the authority has, to the best of their knowledge, followed all of the authority's standards, procedures, and internal controls, or, where such certification is not warranted, shall set forth the manner in which such controls were not followed and a description of the corrective action to be taken by the authority; and

WHEREAS: The Higher Education Student Assistance Authority (HESAA) has prepared the attached 2020 Annual Report in compliance with Executive Order 37.

NOW THEREFORE, BE IT:

RESOLVED: That the Higher Education Student Assistance Authority Board approves the attached Higher Education Student Assistance Authority 2020 Annual Report; and be it further

RESOLVED: That the attached Higher Education Student Assistance Authority 2020 Annual Report shall be submitted to the Governor's Authorities Unit and posted on the HESAA website.

April 21, 2021

Audits and Quality Assurance 2021 Annual Report to the Program Review and Quality Control Committee

Introduction

To ensure HESAA's programs are in compliance with federal and state statutes, regulations, policies and procedures, the Audits & Quality Assurance unit (A&QA) is tasked with conducting institutional management reviews focusing on state grants and scholarship programs, special counsel reviews of HESAA's collection attorneys, internal control evaluations, reviews of New Jersey institutions' single audit reports, and quality assurance reviews of HESAA's programs.

Institutional Management Reviews

HESAA conducts institutional management reviews to verify that institutions administer state grant and scholarship programs in accordance with all applicable federal and state statutes, regulations, policies and procedures. The management reviews are also designed to provide institutions with recommendations on how to improve the operations of the business offices that have a part in the administration of their financial aid to ensure compliance with state and federal statutes and regulations. These include the Financial Aid, Admissions, Registrar, Bursar, and Accounting offices.

HESAA conducts two types of reviews. Limited reviews focus on areas with the greatest potential for error, such as reconciliations, certification of student eligibility, dependency overrides, and professional judgment cases. Full scale reviews have more in-depth testing and consist of the limited review components as well as adding a review of students selected for verification. Several variables are evaluated to determine if an institutional review is going to be limited or full scale. These variables include, but are not limited to, the total dollar amount of awards, length of time since the last review, recent news or changes at the institution, unexpected trends observed, and findings from single audit reviews.

During the past year, the COVID pandemic presented several challenges to HESAA and the institutions being reviewed. The A&QA team was impacted by one team member who stopped working on reviews for most of the past year and focused on assisting the Grants department with managing their workload during the transition to remote access and a loss of temporary staff. Additionally, one temporary staff member was not available as a resource for reviews while HESAA staff transitioned to working remotely. The demands on the schools during the pandemic have also impacted the review process as they dealt with limitations on their resources and access to required documents. Additionally, A&QA added an additional program to the reviews as the Community College Opportunity Grant program commenced in Spring 2019. Despite the above mentioned situations, overall A&QA was successful in meeting the goals set in the 2020-2021 review schedule.

A major improvement to the management review process, implemented in the past year, is the consistent utilization of a secure file transfer protocol. This protocol is now the standard for institutions to send HESAA the required documents to complete the reviews. This new process is easy for the institutions, enabled access to the documents online while the A&QA team is working remotely from home, and

eliminated the use of paper documents from the institutions. This further protects students' personally identifiable information and simultaneously has a positive impact on the environment.

The following provides a summary of the 2020-2021 scheduled reviews:

Full scale reviews: Four full scale reviews commenced this past year, in addition to three that had been in progress. Three full scale reviews are in the final closing phase with an expected refund in the amount of \$7,000. Two full scale reviews are in progress, and two have recently been announced, the schools have provided the documents, and analysis has begun.

Limited reviews: Three limited reviews commenced this past year, in addition to two that had been in progress. One closed with the school providing a refund in the amount of \$53,000. One is in the final reporting stage, two are in progress in the analysis phase and should close by the end of the quarter, and one was recently announced and is in the document gathering stage.

Special Counsel Reviews

HESAA contracts with special counsel to perform collection activities on defaulted NJCLASS loans. A&QA conducts reviews of these firms to verify compliance with regulations for administering defaulted loans.

Two special counsel reviews were in progress as of March 2020. These reviews were put on hold due to the pandemic and the unavailability of the dedicated resource. A&QA has re-assigned responsibility for this task and recently re-started work on these two open reviews. They are both in final stages and should be closed by the end of the second quarter. Once closed, a new attorney review will commence.

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. HESAA participates in this process through a series of evaluations and discussions that are conducted during the first and second quarters of each year by A&QA and HESAA's senior staff members. The results of the internal control evaluations are analyzed, summarized, and reported to HESAA's Executive Staff in a report detailing the review requirements, reviews conducted, and any weaknesses identified, along with recommendations for remediation.

On July 1, 2020, HESAA's Executive Director and Chief Financial Officer sent a letter to the Director of OMB confirming that HESAA performed the 2020 Internal Control Evaluation as required and that HESAA's system of internal accounting and administrative controls comply with the standards prescribed by the State of New Jersey. HESAA was pleased to report that no significant weaknesses were identified as a result of the review.

HESAA is currently in the process of completing the 2021 assessment, which is due to OMB by July 1, 2021.

New Jersey Institution Single Audit Report Reviews

As of academic year end 2016, HESAA has audit cognizance over New Jersey's institutions of higher education. In accordance with state policy, OMB Circular Letter 15-08, HESAA must obtain and review the annual single audit reports for institutions identified by New Jersey's Treasury department and update Treasury's Grantee Single Audit (GSA) system with the review results on an annual basis.

HESAA completed the review of all required single audit reports and updated the GSA in 2020 and is currently reviewing the institutions' most recent audit reports to update the GSA system by the 2021 deadline.

Additional Reviews

One mini review was performed based on a single audit finding that was identified in the A&QA ongoing review of New Jersey institutions' single audit reports. A total refund of \$160 was received from this review.

Conclusion

HESAA's A&QA team is on target to complete the reviews listed on the 2020-2021 review schedule, and plans to continue with a similar pace as proposed in the 2021-2022 review schedule. The proposed schedule has the flexibility to address additional needs as they arise and work with the institutions during this unprecedented time. The details of the 2021-2022 plan are listed in the attached review schedule.

Higher Education Student Assistance Authority Compliance and Audits & Quality Assurance Units

Proposed Review Schedule for 2021-2022

Type of Review	Auditee	Description	Review Date / Status Date
Annual Internal Control Evaluation	HESAA	Assessment of Internal Accounting and Administration Controls	February – June 2021
Full Review (20/21 – F2)	2020-2021 Community College Full Review #2	State Grants and Scholarship Program Review	In Progress
Collection Counsel Review	Attorney	Review of compliance with regulations for administering defaulted loans	Ongoing – Final Stages
Collection Counsel Review	Attorney	Review of compliance with regulations for administering defaulted loans	Ongoing – Final Stages
Full Review (20/21 – F3)	2020-2021 Senior Public Institution Full Review #3	State Grants and Scholarship Program Review	In Progress
Limited Review (20/21 – L4)	2020-2021 Senior Public Institution Limited Review #4	State Grants and Scholarship Program Review	In Progress
Full Review (20/21 – F4)	2020-2021 Senior Public Institution Full Review #4	State Grants and Scholarship Program Review	February - July 2021 Recently Announced

Higher Education Student Assistance Authority Compliance and Audits & Quality Assurance Units

Proposed Review Schedule for 2021-2022

Type of Review	Auditee	Description	Review Date / Status Date
Limited Review (20/21 – L5)	2020-2021 Senior Public Institution Limited Review #5	State Grants and Scholarship Program Review	February - July 2021 Recently Announced
Single Audit Reports	All institutions for which HESAA has audit cognizance	Review institutions' single audit reports and update Treasury's Grantee Single Audit System	Ongoing through September 2021
Full Review (20/21 – F5)	2020-2021 Independent Institution Full Review #5	State Grants and Scholarship Program Review	April – October 2021 Recently Announced
Limited Review (21/22 - L1)	2021-2022 Independent Institution Limited Review #1	State Grants and Scholarship Program Review	May – November 2021
Full Review (21/22 - F1)	2021-2022 Community College Full Review #1	State Grants and Scholarship Program Review	August 2021 – January 2022
Collection Counsel Review	Attorney	Review of compliance with regulations for administering defaulted loans	October 2021 – May 2022
Limited Review (21/22 - L2)	2021-2022 Independent Institution Limited Review #2	State Grants and Scholarship Program Review	November 2021 – March 2022

Higher Education Student Assistance Authority Compliance and Audits & Quality Assurance Units

Proposed Review Schedule for 2021-2022

Type of Review	Auditee	Description	Review Date / Status Date
Full Review (21/22 - F2)	2021-2022 Community College Full Review #2	State Grants and Scholarship Program Review	November 2021 – March 2022
Limited Review (21/22 - L3)	2021-2022 Independent Institution Limited Review #3	State Grants and Scholarship Program Review	December 2021 – April 2022
Limited Review (21/22 - L4)	2021-2022 Senior Public Institution Limited Review #4	State Grants and Scholarship Program Review	January –May 2022
Limited Review (21/22 - L5)	2021-2022 Independent Institution Limited Review #5	State Grants and Scholarship Program Review	February – June 2022
Full Review (21/22 - F3)	2021-2022 Senior Public Institution Full Review #3	State Grants and Scholarship Program Review	Mar – July 2022
Full Review (21/22 - F4)	2021-2022 Community College Full Review #4	State Grants and Scholarship Program Review	May – September 2022

Higher Education Student Assistance Authority Compliance and Audits & Quality Assurance Units

Proposed Review Schedule for 2021-2022

Type of Review	Auditee	Description	Review Date / Status Date
Annual Internal Control Evaluation	HESAA	Assessment of Internal Accounting and Administration Controls	February – June 2021
Full Review (20/21 – F2)	2020-2021 Community College Full Review #2	State Grants and Scholarship Program Review	In Progress
Collection Counsel Review	Attorney	Review of compliance with regulations for administering defaulted loans	Ongoing – Final Stages
Collection Counsel Review	Attorney	Review of compliance with regulations for administering defaulted loans	Ongoing – Final Stages
Full Review (20/21 – F3)	2020-2021 Public School Full Review #3	State Grants and Scholarship Program Review	In Progress
Limited Review (20/21 – L4)	2020-2021 Public School Limited Review #4	State Grants and Scholarship Program Review	In Progress
Full Review (20/21 – F4)	2020-2021 Public School Full Review #4	State Grants and Scholarship Program Review	February - July 2021 Recently Announced

Higher Education Student Assistance Authority Compliance and Audits & Quality Assurance Units

Proposed Review Schedule for 2021-2022

Type of Review	Auditee	Description	Review Date / Status Date
Limited Review (20/21 – L5)	2020-2021 Public School Limited Review #5	State Grants and Scholarship Program Review	February - July 2021 Recently Announced
Single Audit Reports	All institutions for which HESAA has audit cognizance	Review institutions' single audit reports and update Treasury's Grantee Single Audit System	Ongoing through September 2021
Full Review (20/21 – F5)	2020-2021 Private School Full Review #5	State Grants and Scholarship Program Review	April – October 2021 Recently Announced
Limited Review (21/22 - L1)	2021-2022 Private School Limited Review #1	State Grants and Scholarship Program Review	May – November 2021
Full Review (21/22 - F1)	2021-2022 Community College Full Review #1	State Grants and Scholarship Program Review	August 2021 – January 2022
Collection Counsel Review	Attorney	Review of compliance with regulations for administering defaulted loans	October 2021 – May 2022
Limited Review (21/22 - L2)	2021-2022 Private School Limited Review #2	State Grants and Scholarship Program Review	November 2021 – March 2022

Higher Education Student Assistance Authority Compliance and Audits & Quality Assurance Units

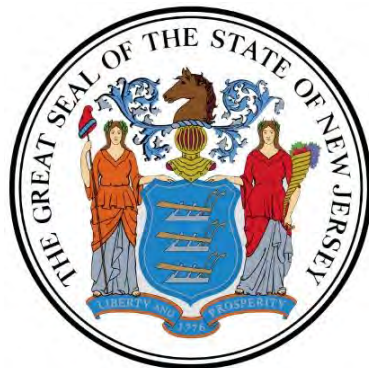
Proposed Review Schedule for 2021-2022

Type of Review	Auditee	Description	Review Date / Status Date
Full Review (21/22 - F2)	2021-2022 Community College Full Review #2	State Grants and Scholarship Program Review	November 2021 – March 2022
Limited Review (21/22 - L3)	2021-2022 Private School Limited Review #3	State Grants and Scholarship Program Review	December 2021 – April 2022
Limited Review (21/22 - L4)	2021-2022 Public School Limited Review #4	State Grants and Scholarship Program Review	January –May 2022
Limited Review (21/22 - L5)	2021-2022 Private School Limited Review #5	State Grants and Scholarship Program Review	February – June 2022
Full Review (21/22 - F3)	2021-2022 Public School Full Review #3	State Grants and Scholarship Program Review	Mar – July 2022
Full Review (21/22 - F4)	2021-2022 Community College Full Review #4	State Grants and Scholarship Program Review	May – September 2022

Report to the Board

April 21, 2021 HESAA Board Meeting

David J. Socolow, Executive Director



Report Topics

- I. Governor Murphy's FY 2022 Budget Recommendations
- II. Statutory Authorization for Community College Opportunity Grants
- III. NJBEST Scholarship: Increased Award Amounts
- IV. Student Loan Update
- V. HESAA Staff Update

Governor Murphy's FY 2022 Budget

Garden State Guarantee: \$45 million distributed to Senior Public Institutions via Outcomes-Based Allocation, plus \$5 million for implementation by OSHE

Tuition Aid Grants: \$437.9 million (equal to FY 2021 funding), sustaining current TAG award values at each level of financial need for all F-T eligible students in AY 2021-2022.

Community College Opportunity Grants: \$27 million recommended for FY 2022 (+\$7 million vs \$20 million FY21), to match FY 2021 projected costs (13,000+ students).

Other State appropriations for HESAA: FY 2022 recommendations equal to FY 2021 funding for NJ STARS & NJ STARS II; Part-Time TAG; GUS; Loan Redemption programs.

Lifelong Learning Accounts (LiLAs): \$10 million Department of Labor initiative to implement Future of Work Task Force recommendations (individual NJBEST accounts).

Statutory Authorization for Community College Opportunity Grants



Feb. 26, 2021: Governor Murphy signs P.L. 2021, c. 26, permanently establishing tuition- and fee-free community college program to help students and boost the economy



New Jersey
Community College
Opportunity Grant



NJBEST Scholarship: Increased Award Amounts

- Final regulations adopted today implement the law Governor Murphy signed last fall: NJBEST Scholarships available in any term at an institution in NJ
- Also updated NJBEST Scholarship amounts for student beneficiaries of NJBEST 529 Savings accounts open for at least 4 years with at least \$1,200
- New Scholarship amounts **doubled**: at least **\$1,000**, up to **\$3,000** (depending on how long account was open and amount of contributions over that time)
- More than 500 students receive NJBEST Scholarships each year
- No State appropriations are used to support NJBEST Scholarships

Student Loan Update

- Thanks to the Board for supporting today's NJCLASS bond issuance.
- Federal tax law provision in **American Rescue Plan** enacted March 11, 2021: Student loan balance amounts forgiven will be **exempt from income taxation** through 12/31/2025, including federal & private education loans.
- When HESAA's student loan revenue bonds have stronger-than-expected performance exceeding certain yield thresholds under federal law, HESAA can use excess yield to reduce small portions of borrowers' NJCLASS loan balances.
- For the next 5 years, any such partial forgiveness of NJCLASS loan balances will be **tax-free to borrowers**.

HESAA Staff Update

Congratulations to the following HESAA employees, one new hire and several in new roles

- **Jean Hathaway**, Director, Grants and Scholarships
- **Kristina Fripps**, Associate Director, Grants and Scholarships
- **Patricia Johnson**, Assistant Director, Grants and Scholarships
- **Shilpa Agrawal**, Program Specialist – Data Analyst
- **Aurea Thomas**, Program Officer, Student Loans Servicing & Legal

Thank you!

April 21, 2021

