

MINUTES

HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY

October 21, 2020

The Higher Education Student Assistance Authority (HESAA) Board held a remote teleconference meeting on October 21, 2020 at 10:00 am via GoTo Meeting.

PRESENT: HESAA Board Members Ms. Stephanie Berdugo-Hernandez; Ms. Beatrice Daggett; Ms. Dara Giannotti; Diana Gonzalez, Acting Secretary of Higher Education; Dr. Jon Larson; Mr. Bader Qarmout; Ms. Jean McDonald Rash; Mr. David Moore, Treasurer's Designee; Mr. David Socolow; Ms. Maria Torres; and Ms. Christy Van Horn, chair.

ABSENT:

CALL TO ORDER

Christy Van Horn called the meeting to order at 10:05 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 Erin Herlihy, Deputy Attorney General from the New Jersey Division of Law and Joy Johnson, Associate Counsel from the Governor's Authorities Unit.

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

CONSIDERATION OF THE MINUTES OF THE JULY 22, 2020 MEETING

A motion to approve the minutes of the July 22, 2020 meeting was made by Ms. Maria Torres and seconded by Dr. Jon Larson. The minutes were approved unanimously with two abstentions, Mr. Bader Qarmout and Mr. David Moore, who did not attend the July 22, 2020 Board meeting.

Chairwoman Van Horn thanked Ms. Torres for her previous service as Vice-Chair and welcomed Ms. Daggett to the Executive Committee as Vice-Chair.

REPORT OF THE AUDIT COMMITTEE AND RESOLUTION 13:20 ACCEPTING AND ADOPTING THE FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORTS FOR FISCAL YEAR 2020

Maria Torres reported that on October 14, 2020 the members of the Board Audit Committee met with HESAA's independent Auditors to review and discuss the audited financial statements. Ms. Torres introduced Andrew Lee from Clifton Larson Allen to present their findings to the Board.

Andrew Lee presented the attached slides summarizing CLA's findings. He explained the scope of the audit and advised that HESAA received an unqualified opinion, which is the best result an organization can receive.

A motion to approve Resolution 13:20 was made by Bader Qarmout and seconded by Jean McDonald Rash.

Dr. Larson commended management on a very clear, complete, and concise management letter. Mr. Lee echoed the commendation and stated that Jerry Traino and Art Quaranta's finance and accounting teams did a very thorough job of providing the materials in this remote environment.

Chairwoman Van Horn thanked Andy Lee and Gina Beyer for their work on the audit. She stated what an accomplishment it was to complete this audit so seamlessly while working remotely. She commented on the cooperative working relationship between HESAA's staff and the independent auditors.

The motion passed unanimously.

REPORT OF THE BUDGET COMMITTEE AND RESOLUTION 14:20 ADOPTING A BOARD BUDGET POLICY STATEMENT FOR FISCAL YEAR 2021

Dr. Jon Larson reported that on October 5, 2020 the members of the Board Budget Committee reviewed and discussed with HESAA staff the proposed Fiscal Year 2022 Board Budget Policy Statement, which is attached to Resolution 14:20. Dr. Larson introduced Kathryn Safran, HESAA's Director of Grants and Scholarships, to present the committee's proposed budget policy statement to the Board.

Kathryn Safran noted that the Budget Committee reviewed prior year spending for each grant and scholarship program and projections for Academic Year 2020-2021 in order to draft a FY 2022 budget policy statement for consideration by the full Board. The policy statement includes the following:

General Policy Recommendations

- The Board supports, as its funding priority, ensuring protection of the State's historic commitment to all eligible full-time students under the need-based TAG Program. The Board also supports continued funding of the Part-Time TAG Program for County College Students. As required by statute, Part-time TAG for County Colleges is a separate line item in the State budget and funding is considered separately from those for full-time TAG.
- The Board supports full funding of the Community College Opportunity Grant Program in FY22.
- The Board supports continued funding for the Governor's Urban Scholarship program and encourages expansion of the list of municipalities where residents may be eligible for these awards.

- The Board supports continued funding of New Jersey Dreamers to apply for state-funded financial assistance to attend college here in their home state, where they attended and graduated from high school, so they may pursue postsecondary education and continue to make important contributions to our state and local communities.

FY22 Funding Policy Recommendations

Tuition Aid Grants (TAG) for Full-Time Students

- To fund awards to all eligible students who apply by the application deadlines and provide for a contingency mechanism that ensures sufficient reserves to cover increases in program costs not anticipated in the budget.
- The Board supports increasing TAG funding in FY22 to support targeted improvements to eligibility rules to align with the State’s policy goals of re-engaging working adults in postsecondary education and reducing barriers to access for low-income and first-generation students. The Board also supports funding in FY22 to increase the dollar value of individual students’ TAG awards in each need category, as these amounts have remained at the same level since FY19. Accordingly, the Board recommends applying any available increase in TAG funding in FY22 to the following policy priorities:
 - Stop counting federal Earned Income Tax Credits (EITC) as income in the calculation of students’ need for TAG, to align the TAG eligibility rules with the methodology for calculating need for federal aid (e.g., Pell Grants). To reduce the fiscal impact of changing this eligibility policy all at once, the Board supports a phased-out approach whereby each year a declining fraction of EITC would be counted as income, until consideration of EITC can be completely eliminated from the TAG need calculation after several years.
 - Increase New Jersey’s income protection allowance so as to provide higher TAG award amounts to low-income working independent students.
 - Increase by at least 1% the dollar values of all TAG award amounts for students in each need category in every sector of higher education.

Part-Time Tuition Aid Grant Program for County College Students

Based on anticipated part-time enrollment increases resulting from the economic conditions following the pandemic and the effects of the Board’s recommended TAG eligibility expansions and increased value of full-time TAG award amounts, the Board recommends an increase in FY22 funding to ensure this line item is sufficient to continue providing part-time TAG awards to all eligible county college students who apply by the application deadlines at one-half or three-quarters of the dollar value of full-time awards.

Part-Time Tuition Aid Grants for EOF Students

The Board recommends FY22 funding for the Part-Time TAG for EOF Students Program at a level sufficient to maintain the current program.

Community College Opportunity Grant (CCOG) Program

The Board recommends full funding of the Community College Opportunity Grant Program for students attending all 18 community colleges to meet projections for the CCOG program to reach all eligible students in FY22.

NJ Student Tuition Assistance Reward Scholarship/NJ Student Tuition Assistance Reward Scholarship II Programs (NJ STARS/NJ STARS II)

Based on enrollment trends and annual tuition increases, the Board recommends an increase in FY22 funding to support all students who meet the eligibility requirements of the NJ STARS and NJ STARS II Programs.

Governor's Urban Scholarship (GUS) Program

The Governor's Urban Scholarship Program, created in 2012, provides aid to New Jersey high school students who reside in 14 high-need communities. For FY22, the Board recommends continued funding of \$1,000 renewable scholarship awards for New Jersey high school graduates who rank in the top 5% of their class with a GPA of 3.0 or higher and demonstrate financial need, no matter whether they attend a public or non-public high school. In addition, a persistency award of \$500 should continue to be provided to students in their final term of the scholarship upon completion of their associate or baccalaureate degree.

In addition to continued funding to support GUS recipients under the program's current parameters, the Board supports additional funding to expand the program to students residing in other high-need municipalities.

World Trade Center (WTC) Scholarship Program

The Board recommends continuation of level funding to support WTC Scholarship recipients.

Primary Care Practitioner Loan Redemption Program and Nursing Faculty Loan Redemption Program

The Board recommends continued level funding for these two loan redemption programs, which support partial redemption of student loans for primary care practitioners who commit to serving in medically underserved areas across the State, as well as student loan redemption for nurses who commit to teach at schools of nursing in order to address the shortage of nurses and nursing faculty.

New Jersey STEM Loan Redemption Program

Although funding will not be necessary in FY22, the Board notes that in December 2022

HESAA will begin accepting applications from individuals seeking loan redemption in exchange for an eligible employee's commitment to full-time employment in a designated high-growth STEM occupation at an employer in New Jersey, under the terms of this program. The first expenditures for the STEM Loan Redemption program will commence no later than FY24, and the Board recommends starting now to plan for future appropriations.

HESAA Revenue and Fee-Supported Programs Not Funded by State Line-Item Appropriations

Although the following services and activities are not funded through HESAA's State line-item appropriations, the Board recognize that they are key elements of the Authority's overall mission:

- Law Enforcement Officers Memorial Scholarship program
- Survivor Tuition Benefits (STB) program
- New Jersey Governor's Industry Vocations Scholarship for Women and Minorities (NJ GIVS)
- NJBEST Scholarship program
- New Jersey Better Education Savings Trust (NJBEST) college savings program
- New Jersey College Loans to Assist State Students (NJCLASS) loan programs

A motion to approve Resolution 14:20 was made by Jon Larson and seconded by Stephanie Berdugo-Hernandez.

Chairwoman Van Horn noted that while this Budget Policy Statement does not guarantee that HESAA's programs will receive the suggested appropriations, it is a useful summary of the Board's recommendations for targeting any available additional funding to assist the State's students in the most effective and equitable way.

The motion passed unanimously.

RESOLUTION 15:20 APPOINTING A VENDOR TO PROVIDE DEPOSITORY BANKING SERVICES

David Moffett presented Resolution 15:20 to the Board.

HESAA engages a bank to receive the payments made on NJCLASS loans. Payments are made through the selected bank via electronic payments from multiple sources, checks processed through lockbox, and check payments received directly by the Authority. HESAA's current contract with Wells Fargo National Bank was scheduled to expire on June 30, 2020, and then due to the COVID-19 pandemic the contract was extended to expire December 31, 2020.

On March 4, 2020, HESAA issued a Request for Proposals for Depository Banking Services to all commercial banks doing business in New Jersey using a list of contacts at 90 banks.

The RFP contained an original due date of March 30, 2020. However, due to the extenuating circumstances caused by the pandemic and multiple requests for extension from potential bidders, HESAA pushed the due date for proposals until September 10, 2020.

Ultimately, three banks responded to the RFP with proposals: Bank of America, J.P. Morgan, and Wells Fargo National Bank.

An evaluation committee consisting of the Assistant Controller, the Assistant Director of Finance, and the Assistant Director of Servicing and Collections reviewed the proposals and cost data provided by the banks.

As a result of the committee's evaluation process, Wells Fargo National Bank earned the highest score.

The committee conducted a cost analysis of the fees proposed by all three bidders as applied to the volume of services used by HESAA. Wells Fargo had the lowest proposed cost. The cost proposed by J.P Morgan was slightly higher than Wells Fargo and the cost for Bank of America's proposal was nearly double that of Wells Fargo.

In addition, Wells Fargo's proposal exhibited the greatest understanding of the student loan servicing business. This bank made additional recommendations to enhance HESAA's business, such as for fraud control that is a valuable tool for a student loan servicer.

The committee notes that as part of its services Wells Fargo provides a Business Process Review, whereby the bank inspects the Authority's current system and workflows and helps HESAA evaluate impacts in order to streamline processes and gain efficiencies from new technologies.

Based on the factors cited above, it is recommended that the Board approve Resolution 15:20 Appointing Wells Fargo National Bank to provide Depository Banking Services for a term of three years with two possible one-year extensions.

A motion to approve Resolution 15:20 was made by Jean Rash and seconded by Maria Torres.

Bader Qarmout asked how long Wells Fargo has been handling this service. Mr. Moffett advised that staff will review records and advise the Board as to how long Wells Fargo has been providing this service to HESAA. Marnie Grodman advised that Well Fargo is the Authority's current service provider and has been providing depository banking services to HESAA for at least five years.

The motion passed unanimously.

RESOLUTION 16:20 APPOINTING A SENIOR MANAGER FOR AUTHORITY BOND ISSUES

Jerry Traino presented Resolution 16:20 to the Board.

Good morning and thank you all for your attention to Resolution 16:20 addressing the appointment of a Senior Managing Underwriter for the Authority for calendar years 2021 and 2022.

As it relates to HESAA's annual issuance of Student Loan Revenue Bonds for our NJCLASS program, the Senior Managing Underwriter is responsible for developing a financing structure to meet HESAA's loan financing needs. These responsibilities include the production of management and rating agency cash flows, communication with the investor public, and ultimately the marketing and initial sale of the Authority's bonds.

On August 11, 2020 the RFP was sent to 20 nationally recognized bond underwriting firms, firms with experience underwriting complex asset-backed revenue bond transactions as senior managing underwriter.

HESAA received three proposals from underwriting firms: Bank of America Securities (B of A); RBC Capital Markets (RBC), and Siebert Williams Shank & Co. LLC (SWS). As part of the selection process an evaluation committee made up of HESAA's Chief Financial Officer; Controller; and Mr. Tim Webb, a representative from the Authority's Financial Advisor, Hilltop Securities, reviewed the three proposals.

The evaluation committee notes that while SWS is a registered broker-dealer they do not have the required experience in student loan bonds, nor currently the technological capacity, to meet HESAA's needs as the Senior Manager.

Of the other two bidders, both B of A and RBC outlined a set of services that closely matches the Authority's needs. Both firms are highly regarded in the student loan financing sector and both firms have a proven track records in bringing bond issues effectively and efficiently to market. The committee found that both firms present an experienced project lead staff and competent support staff but gave an edge to RBC due to the deep bench of practical experience on both the banking and quantitative sides.

Additionally, when viewed in comparison, the proposal submitted by RBC provided:

- a more detailed and innovative response;
- a willingness to work with the Authority on a holistic level, not just on a transactional basis; and
- critical, detailed explanations for the various financing options presented.

Additionally, RBC's expressed a willingness to perform an enterprise cash flow analysis on all of the Authority's trusts which would provide HESAA with a greater understanding of how the trusts will perform going forward; the Authority would be in a better position to manage its finances based on that study.

Based on these factors, the Evaluation Committee determined that RBC Capital Markets' approach to developing the Authority's bond financings and the scope of services more closely aligns with the current needs of the Authority.

It is recommended that the Board approve the attached Resolution 16:20 Approving the Appointment of RBC Capital Markets as the Authority's Senior Managing Underwriter for 2021 and 2022.

A motion to approve Resolution 16:20 was made by Jean Rash and seconded by Jon Larson.

The motion passed unanimously.

RESOLUTION 17:20 APPOINTING A FINANCIAL ADVISOR FOR AUTHORITY BOND ISSUES

Arthur Quaranta presented Resolution 17:20 to the Board.

Good morning and thank you for your attention to Resolution 17:20 addressing the appointment of a Financial Advisor for the Authority for calendar years 2021, 2022, and 2023.

The Financial Advisor, which serves as the Independent Registered Municipal Advisor, represents the Authority's interests in the development of a bond issue. Its services include the review of proposed financing structures, cash flow analysis, and providing fiduciary advice during the calendar year. The Financial Advisor and Senior Manager work jointly to answer any issues raised by rating agencies, liquidity providers, bond counsel, or the bond trustee.

On August 11, 2020, the Higher Education Student Assistance Authority (HESAA) issued a Request for Proposals (RFP) to 15 financial advisory firms to serve as its Financial Advisor for bonds issued through negotiated sales.

Three proposals were submitted by: Hilltop Securities, NW Financial Group, and SL Capital Strategies LLC.

As part of the selection process an evaluation committee made up of HESAA's Chief Financial Officer, Controller, and Director of Legal & Governmental Affairs reviewed and scored the three proposals based on selection criteria detailed in the Board Memo before you today.

After a thorough review of the three proposals, the evaluation committee recommends re-appointing HESAA's current financial advisor, Hilltop Securities.

While the proposal from NW Financial Group LLC demonstrated general financial advisory experience, the firm had no prior student loan experience.

Both Hilltop Securities and SL Capital Strategies LLC demonstrated relevant experience with loan programs comparable to NJCLASS and strong analytical capabilities. The firms differ in that Hilltop Securities is also a broker-dealer while SL Capital Strategies is not. As a broker-dealer Hilltop's underwriting desk is able to provide additional valuable insight on market conditions when HESAA's bonds are going to market. Additionally, SL Capital Strategies is not a registered swap advisor, which means that SL Capital Strategies would need to engage a subcontractor if it is in HESAA's best interest to engage in derivative deals.

The maximum proposed fee by Hilltop Securities for financial advisory services is \$137,500 per transaction, plus expenses. In response to requested quotes for related services that were included in the RFP, Hilltop Securities has proposed a fee of \$10,000 per Series of bonds for cash flows, regardless of the number of scenarios run for each series; a fee of two basis points, with a maximum fee of \$34,000 for guaranteed investment contract bid management; and a fee of one basis point, with a maximum fee of \$125,000 for financial instrument related services.

Hilltop Securities continues to demonstrate a depth of expertise and relevant experience to meet all of HESAA's needs. They provide all services required by HESAA, including any possible derivative deals. Additionally, as they are also a broker/dealer they are subject to additional oversight by bodies such as the SEC and MSRB.

It is recommended that the Board approve the attached Resolution 17:20 approving the appointment of Hilltop Securities as the Authority's Financial Advisor for the years 2021, 2022 and 2023.

A motion to approve Resolution 17:20 was made by Jean Rash and seconded by Stephanie Berdugo-Hernandez.

Chairwoman Van Horn commented that this resolution and the previous resolution provide the back bench of service providers who support the work done by the Authority. She commended the staff on their analysis of the proposals in selecting these firms.

The motion passed unanimously.

RESOLUTION 18:20 APPOINTING SPECIAL COUNSEL TO A LIST OF ATTORNEYS TO ASSIGN EDUCATIONAL RECEIVABLE FILES

Greg Foster presented Resolution 18:20 to the Board.

As stated in the memorandum provided for Resolution 18:20, HESAA contracts with qualified law firms to act as outside counsel to which HESAA can assign defaulted student loans and other educational receivables for collection or representation in bankruptcy proceedings. HESAA's current contracts are scheduled to expire on December 31, 2020.

On August 10, 2020, HESAA issued a Request for Qualifications (RFQ) seeking proposals from qualified law firms to create a list of outside counsel to which HESAA can assign defaulted student loans and other educational receivables for collection.

HESAA emailed the RFQ to the law firms currently providing these services for HESAA and other entities that reached out to HESAA, posted the RFQ on HESAA's website, and advertised the RFQ in the State's NJ Advance Media and Gannett newspapers.

HESAA received proposals from six law firms.

On September 30th an evaluation committee made up of HESAA's Chief Compliance Officer, Assistant Controller, Associate Director of Servicing & Collections, and Servicing & Collections Program Officer met and reviewed each of the responsive proposals.

Based on the reviews of the evaluation committee, three of the firms met the minimum threshold for appointment: The Grogan Law Group LLC, Portnoy Schneck LLC, and Solomon and Solomon PC. HESAA currently engages all three of these firms and has been satisfied with their performance. Therefore, the evaluation committee recommends that the Board approve the appointment of these three firms to the list of outside counsel to which HESAA can assign defaulted student loans and other educational receivables for collection for a two-year term.

Based on the factors cited above, it is recommended that the Board approve Resolution 18:20 Appointing The Grogan Law Group LLC, Portnoy Schneck LLC, and Solomon and Solomon PC to a List of Attorneys to Assign Educational Receivables Files.

A motion to approve Resolution 18:20 was made by Jon Larson and seconded by Bader Qarmout.

Chairwoman Van Horn asked about the protocols the firms have are required to follow on HESAA's behalf regarding when working with defaulted borrowers. Mr. Foster explained that this has been a major focus of the Authority in the past few years. The evaluation committee paid particular attention to how the firms work with borrowers and have reduced the number of firms being selected for these services to ensure that they follow HESAA's requirements to work with struggling borrowers.

David Socolow announced that after over 28 years of service to HESAA one of the members of the evaluation committee, Janice Seitz, will be retiring this month. Mr. Socolow thanked Ms. Seitz for her service and recognized her wealth of experience.

The motion passed unanimously.

RESOLUTION 19:20 APPROVING PROPOSED AMENDMENTS TO THE REGULATIONS GOVERNING THE NJBEST SCHOLARSHIP

Marnie Grodman presented Resolution 19:20 to the Board.

The NJBEST 529 College Savings Plan Program provides beneficiaries with a one-time scholarship if they attend a postsecondary education institution in New Jersey. Since the program's inception students were only eligible for the scholarship in their first semester of attendance. On September 14, 2020, Governor Murphy signed Public Law 2020, chapter 81 into law which allows students to use their one-time scholarship for any semester of attendance.

Resolution 19:20 proposes amendments to the NJBEST Scholarship regulations to implement this change. Additionally, the resolution proposes amendments to the regulations to increase the scholarship amount. The statute provides the minimum scholarship amounts, but grants the HESAA Board the authority to increase those amounts. Since there have not previously been any increases in the awards, the resolution proposes increasing the minimum scholarship from \$500 to \$1,000, increasing the incremental additional scholarship amount for every two additional years of savings in an NJBEST account from \$250.00 to \$500.00, and increasing the scholarship cap from \$1,500.00 to \$3,000.00.

The proposed regulatory amendments are included in the materials, and it is recommended that the Board approve Resolution 19:20 so that the proposed regulations can be published in the *New Jersey Register*.

A motion to approve Resolution 19:20 was made by Maria Torres and seconded by Jon Larson.

Chairwoman Van Horn asked Ms. Grodman to explain the significance of this resolution. Ms. Grodman explained that in the past students might not have needed their scholarship during their first semester of attendance or might not have realized they were eligible for the scholarship during

their first semester and would then lose all eligibility. She stated that often students receive small scholarships upon high school graduation that they can use during their first semester, but then need additional funds for later semesters.

Ms. Van Horn also commented on the importance of increasing the scholarship amount in light of the increased costs of tuition since the scholarship amounts were first established. Ms. Grodman explained that the scholarships are funded by the NJBEST administrative fees, not State appropriations, and that HESAA staff has verified that the available funding from fees is sufficient to cover the increased scholarship amounts.

The motion passed unanimously.

EXECUTIVE DIRECTOR'S REPORT

Executive Director David Socolow gave the following report:

Thank you Chairwoman Van Horn and members of the Board for your thoughtful advice and productive engagement in this morning's meeting. The actions the Board took today will advance key elements of HESAA's mission to help students and families pay for college. It is now my pleasure to provide a brief update about HESAA's activities over the past few months.

Fiscal Year 2021 Appropriations

I am pleased to report that the final Fiscal Year 2021 Appropriations Act took effect on October 1, 2020 and it provides level funding for HESAA's State-funded financial aid programs throughout the current Academic Year 2020-2021.

As noted in today's discussion of the Board's Budget Policy Statement, we are grateful that during an exceedingly challenging year, the Governor proposed and the Legislature agreed to maintain line-item appropriations at last year's levels for full-time Tuition Aid Grants (TAG), part-time TAG for county college students and for EOF students, Community College Opportunity Grants, New Jersey Student Tuition Assistance Reward Scholarships (NJ STARS and NJ STARS II), Governor's Urban Scholarships, and New Jersey World Trade Center Scholarships. Also, the combined line item for the Primary Care Practitioners Loan Redemption Program and the Nursing Faculty Loan Redemption Program was restored in FY21 to the \$1.5 million level at which it was funded in FY19, after having been scaled back in FY20.

As soon as the Governor signed the Fiscal Year 2021 Appropriations Act three weeks ago, we updated the NJFAMS system to advise students that State aid awards now have secure full-year funding. Protecting these vital programs required difficult choices as the State dealt with the devastating effects of the COVID-19 pandemic. This investment will pay dividends for our state's future economy and society by helping students pay for college and advance their careers at a time when so many individual family finances are under enormous strain.

HESAA's Remote Operations and Public Outreach during the Pandemic

HESAA's staff continues to perform admirably in delivering services to the public through largely remote operations. I want to thank our staff for their patience and good cheer in dealing with the inconveniences and unusual work processes required to adhere to social distancing guidelines and help slow the spread of the pandemic.

The Authority's outreach efforts have also moved online, and we are finding new ways without holding in-person public events to help students and families and convey crucial information to stakeholders. Over the past few weeks, we have successfully trained several hundred secondary school counselors in financial aid workshops delivered through a webinar format, and more remote school counselor training sessions are scheduled throughout the fall. In coordination with guidance staff at high schools across the state, we have also given more than 40 online presentations to parents and students as a replacement for the on-site financial aid nights that are traditionally hosted at high schools. We have also used virtual formats to conduct workshops on how to complete financial aid applications, to present our "Real Money 101" financial literacy curriculum, and to offer HESAA University webinars that provide professional development and exchanges of practical financial aid information to staff at colleges and universities across the state.

Completion of Financial Aid Applications

The final results for the high school graduating class of 2020 show that in New Jersey, 71.7 percent of last year's high school seniors completed a Free Application for Federal Student Aid (FAFSA) by mid-September 2020, the beginning of the first year of college for many of them. This ranks New Jersey fourth among all states in the nation, not far behind the 79 percent FAFSA completion rate achieved in top-ranked Tennessee and Louisiana. In addition to the FAFSA, more than 2,500 New Jersey Dreamers completed HESAA's Alternative Application for Financial Aid by the mid-September deadline for Academic Year 2020-2021. One of HESAA's core missions is to encourage as many students as possible to apply for financial aid, so they can maximize their chances of getting help paying for college from federal, State, and other sources. There is still more to do, especially given this year's extraordinary conditions, since the Academic Year 2021-2022 FAFSA and New Jersey Dreamers' Alternative Application both started accepting submissions on October 1, 2020, at a time when students and families need additional help completing these forms from remote locations. In collaboration with schools and community-based organizations, over the next 11 months we will expand our web-based workshops on financial aid application completion.

Grants and Scholarships Programs in Academic Year 2020-2021

Please join me now in saluting the superb efforts of the members of our grants and scholarships and client services teams, who have served the public with dedication and professionalism during a significant workload spike over the summer that is continuing now into the fall. As discussed in the past two Board meetings, we took several steps to respond to the pandemic crisis, including extending deadlines to provide additional time for students and families to complete financial aid forms, and suspending award cancelations when students took longer to respond to our requests for documentation. While these policies provided flexibility to support students and families coping with the upheaval on college campuses and the economic crisis, they also generated additional work for HESAA employees. As a result, the teams are continuing to work on processing backlogs of student eligibility verification and reevaluations for the current term, while

responding to a surge in the volume of phone calls, emails, and documents submitted by students. Everyone on these teams is playing an essential part to ensure that eligible students receive the proper amount of State financial aid as soon as possible, consistent with HEAA's duties to be a good steward of State funds and preserve program integrity.

I also would like to thank the Board for the action you took today to enhance the NJ BEST Scholarship. We look forward to this proposed regulation taking effect, as it will help more students receive financial aid to attend a New Jersey institution of higher education, provide a larger award amount to those students who qualify for this scholarship, and ultimately offer a stronger incentive for families to save for college using an NJBEST 529 account.

In-School NJCLASS Loans and NJCLASS Refinancing Loans

The pandemic has also impacted the volume of NJCLASS loan applications. While HESAA now offers historically low interest rates for families to finance the costs of college in Academic Year 2020-2021, we have experienced reduced demand for in-school loans this fall compared with the same point in prior years. This appears to track the overall decline in college enrollment, which we anticipated last spring by reducing the size of HESAA's 2020 bond transaction.

Another atypical pattern has also developed in applications this year: a far greater number of families have borrowed NJCLASS loans for only the fall semester, rather than for the full academic year. Many of these borrowers have indicated that they chose a one-semester loan to hedge their bets in the face of uncertainty about how student housing might change in the spring semester in comparison to their institution's remote arrangements this fall. We project that additional demand will emerge when these families seek a spring-only NJCLASS loan.

While fewer families have borrowed in-school NJCLASS loans so far this fall, HESAA's refinancing loans for post-college borrowers have strong potential to help many others. Our ReFi+ rates are lower than ever before. New Jersey borrowers can refinance their existing federal Parent PLUS loans, NJCLASS loans, or other school-certified private education loans at Annual Percentage Rates of 4.15%, 4.89%, or 5.99% for a 10-year repayment schedule or 4.45%, 5.19%, or 6.49% for our 15-year ReFi+ loans (these interest rates depend on borrowers' credit scores). Borrowers can reduce those rates by a further 0.25% if they opt for recurring automatic monthly payments. For many borrowers who are paying off loans from prior years when interest rates were much higher, today's low interest rates are a great money-saving opportunity.

Finally, we are continuing to provide relief to NJCLASS borrowers struggling during this pandemic to repay their loans due to lack of work, illness, or other impacts on their finances. Since the public health emergency began in March, HESAA's loan servicing staff have responded to more than 2,500 applications for repayment assistance submitted by NJCLASS borrowers facing unemployment, temporary disability, or financial hardship. In addition, our suspension of collection activities remains in effect. The loan servicing team has worked diligently to help these borrowers as quickly as possible and eliminate backlogs; over the summer, the servicing call center resumed a daily schedule of taking in-bound telephone calls from borrowers from 8:30 a.m. to 5:00 p.m. Monday through Friday. While the volume of new borrower inquiries slowed to a crawl

over the summer after having risen rapidly in the first few months of the crisis, we stand ready to help all NJCLASS borrowers who reach out to HESAA.

Conclusion

Once again, many thanks to the Board for approving the important items on today's agenda, and for your ongoing commitment to helping New Jersey's students and families get the financial resources they need to pursue postsecondary education and success.

ADJOURNMENT

Ms. Van Horn advised that the next regularly scheduled Board meeting is Wednesday, January 27, 2021 at 10:00 AM.

A motion to adjourn was made by Jon Larson and seconded by Bader Qarmout. The motion passed unanimously.

The meeting adjourned at 11:10 am.



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

FROM: HESAA Board Audit Committee

SUBJECT: Report of the Audit Committee and Resolution 13:20 Accepting and Adopting the Financial Statements and Independent Auditors' Reports for Fiscal Year 2020

DATE: October 21, 2020

Summary

Attached for review, comment and approval is Resolution 13:20 Accepting and Adopting the Financial Statements and Independent Auditors' Reports for Fiscal Year 2020.

Background

The Higher Education Student Assistance Authority (HESAA) Audit Committee is comprised of Christy Van Horn, Chair; Beatrice Daggett, Vice-Chair; Maria Torres, Public Member; and Treasurer's Designee, Robert Shaughnessy as the member of the Board having accounting or related financial experience.

The Committee met with representatives of CliftonLarsonAllen on October 14, 2020 to review and discuss the 2020 Financial Statements and CliftonLarsonAllen's unmodified reports.

Recommendations

The Audit Committee recommends that the HESAA Board accept and adopt the Financial Statements and Independent Auditors' Reports for Fiscal Year 2020.

Attachment

RESOLUTION 13:20

ACCEPTING AND ADOPTING THE FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORTS FOR FISCAL YEAR 2020

Moved by: Mr. Baer Qarmout
Seconded by: Ms. Jean McDonald Rash

WHEREAS: The Higher Education Student Assistance Authority (HESAA) prepared three separate financial statements for Fiscal Year 2020 ("2020 Financial Statements") which were audited by the independent auditor CliftonLarsonAllen LLP; and

WHEREAS: The members of the Board Audit Committee met with CliftonLarsonAllen LLP on July 22, 2020, prior to the commencement of the audit; and

WHEREAS: The members of the Board Audit Committee have received and reviewed the Financial Statements and the unmodified reports of CliftonLarsonAllen LLP dated for the year ending June 30, 2020; and

WHEREAS: The members of the Board Audit Committee met with representatives of CliftonLarsonAllen LLP on October 14, 2020 to discuss the 2020 Financial Statements and CliftonLarsonAllen's unmodified reports; and

WHEREAS: The members of the Board Audit Committee recommend that the HESAA Board accept and adopt the Financial Statements and Independent Auditors' Reports for Fiscal Year 2020.

NOW THEREFORE, BE IT:

RESOLVED: That the HESAA Board accepts and adopts the Fiscal Year 2020 Financial Statements and Independent Auditor's Reports as attached hereto; and be it further

RESOLVED: That the attached Fiscal Year 2020 Financial Statements and Independent Auditor's Reports shall be posted on HESAA's website at www.HESAA.org, and submitted to the State Treasurer and the Governor's Authorities Unit.

October 21, 2020



PHILIP D. MURPHY
Governor


SHEILA Y. OLIVER
Lt. Governor


State of New Jersey
HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
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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: Kathryn Safran 
Director, Grants and Scholarships

SUBJECT: Report of the Budget Committee and Resolution 14:20 Adopting a Board Budget Policy Statement for Fiscal Year 2022

DATE: October 21, 2020

Summary

Attached for review, comment, and approval is Resolution 14:20 Adopting a Board Budget Policy Statement for Fiscal Year 2022. Kathryn Safran will summarize the Policy Statement drafted based on the Budget Committee's discussion.

Background

The members of the Budget Committee of the Authority are Christy Van Horn, Maria Torres, Beatrice Daggett, Jon Larson and David Socolow.

The Committee met with HESAA staff on October 5, 2020 to develop the attached Board Budget Policy Statement for Fiscal Year 2022.

Recommendations

The Budget Committee recommends adoption of Resolution 14:20 and the attached Budget Policy Statement.

Attachments

RESOLUTION 14:20
ADOPTING A BOARD BUDGET POLICY STATEMENT FOR
STATE FISCAL YEAR 2022

Moved by: Dr. Jon Larson

Seconded by: Ms. Stephanie Berdugo-Hernandez

WHEREAS: The Higher Education Student Assistance Authority (HESAA) Board is responsible for recommending budget policies in support of New Jersey's student financial aid programs; and

WHEREAS: On October 5, 2020 the Board's Budget Committee met with staff to review background information and to draft a FY 2022 budget policy statement for consideration by the full Board.

NOW THEREFORE, LET IT BE:

RESOLVED: That the HESAA Board strongly affirms the importance of preserving education access and affordability for all residents of the State of New Jersey and recognizing academic achievement; and be it further

RESOLVED: That the Board hereby adopts the budget policy statement for FY 2022 as advanced by the budget committee and described in the attachment to this resolution; and be it further

RESOLVED: That HESAA shall endeavor to maximize FY 2022 resources available for State-funded student assistance programs in keeping with the attached budget policy statement, subject to refinement of underlying projections.

October 21, 2020

FISCAL YEAR 2022 BUDGET POLICY STATEMENT OF THE HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY BOARD

Pursuant to N.J.S.A. 18A:71A-9f., the Higher Education Student Assistance Authority (HESAA) is the lead State agency in determining policy on student assistance issues. Consequently, the HESAA Board is charged with developing budget recommendations for all postsecondary financial aid programs administered by the Authority. These recommendations are submitted to the Executive Director for review and submission to the Office of Management and Budget.

The Board, on behalf of the students and families served, would like to thank Governor Murphy and the Legislature for their sustained support of New Jersey's State grant and scholarship programs during these challenging fiscal times. During the 2020-2021 academic year, the State's financial aid programs are projected to provide more than 94,000 awards to State residents to pursue a postsecondary education, contributing to these students' individual success and strengthening New Jersey's economy and society.

The Fiscal Year 2022 (FY22) Budget Policy Statement reflects the Board's fundamental principles of promoting access to and affordability of postsecondary education for New Jersey residents through need-based student financial aid and merit-based scholarship programs. Over the course of the budget process, and subject to available funding, the Board urges HESAA's staff to advance the Board's funding recommendations and priorities expressed in this policy statement.

The Board is mindful of its role as an advocate for students, while also recognizing the fiscal challenges facing the State of New Jersey. The Board is cognizant of the fiscal impact the global COVID-19 pandemic has had on the State, and has developed the recommendations below balancing these limitations with the increased need of students due to the pandemic. In developing these recommendations, the Board considered several options for funding and policy changes for the Tuition Aid Grant (TAG) program, as well as options for other State aid programs. While the Board continues to reaffirm its long-standing commitment to achieving full funding of the full-time TAG Program and thus promoting affordability, access, and choice for all students, the Board agrees that the funding recommendations outlined below are the most reasonable in light of the financial challenges the State is facing.

General Policy Recommendations

The role of the HESAA Board in the budget process is to advocate policies that advance higher education access, choice, affordability, and academic achievement for New Jersey residents.

- The Board supports, as its funding priority, ensuring protection of the State's historic commitment to all eligible full-time students under the need-based TAG Program.
- The Board supports full funding of the Community College Opportunity Grant Program in FY22.
- The Board supports continued funding of the Part-Time TAG Program for County College Students. Future award values, funding, and expenditures for the Part-Time TAG Program for County College Students, are considered separately from those for full-time TAG, because full-time TAG and part-time TAG are required by statute to be separate line items in the State budget.
- The Board supports continued support for the Governor's Urban Scholarship program and encourages expansion of the list of municipalities where residents may be eligible for these awards.

- The Board supports continued funding of State aid awards pursuant to P.L. 2018 c. 12, which enables qualifying New Jersey Dreamers to apply for state-funded financial assistance to attend college here in their home state, where they attended and graduated from high school, so they may pursue postsecondary education and continue to make important contributions to our state and local communities. Since these students were first eligible to receive State aid in FY19, they are included in all current funding projections.

To provide higher education access and affordability for New Jersey families, it is important to maintain the predictability and stability of State grant programs for financially needy students and their families. With this goal in mind, we present the following specific funding policy recommendations:

FY22 Funding Policy Recommendations

Tuition Aid Grants (TAG) for Full-Time Students

The HESAA Board recommends the following funding policies for the full-time TAG program:

- Fund awards to all eligible students who apply by the application deadlines.
- Provide for a contingency mechanism that ensures sufficient reserves to cover increases in program costs not anticipated in the budget.
- The Board supports increasing TAG funding in FY22 to support targeted improvements to eligibility rules to align with the State’s policy goals of re-engaging working adults in postsecondary education and reducing barriers to access for low-income and first-generation students. The Board notes that more than two-thirds of today’s students work in outside employment for significant hours in addition to attending college, with an increasing share of students working full-time. The Board also supports funding in FY22 to increase the dollar value of individual students’ TAG awards in each need category, as these amounts have remained at the same level since FY19. Accordingly, the Board recommends applying any available increase in TAG funding in FY22 to the following policy priorities:
 - Stop counting federal Earned Income Tax Credits (EITC) as income in the calculation of students’ need for TAG, to align the TAG eligibility rules with the methodology for calculating need for federal aid (e.g., Pell Grants). The Board applauds the elimination of the burdensome requirement for New Jersey State aid applicants to answer state-specific questions after completing the Free Application for Federal Student Aid (FAFSA). However, TAG applicants’ EITC information continues to be ascertained using alternate sources, and is still counted as income in the need calculation. The Board recommends providing additional funding to enable affected students to qualify for higher TAG awards once EITC is no longer treated as income. To reduce the fiscal impact of changing this eligibility policy all at once, the Board supports a phased-out approach whereby each year a declining fraction of EITC would be counted as income, until consideration of EITC can be completely eliminated from the TAG need calculation after several years.
 - Increase New Jersey’s income protection allowance so as to provide higher TAG award amounts to low-income working independent students.
 - Increase by at least 1% the dollar values of all TAG award amounts for students in each need category in every sector of higher education.

Community College Opportunity Grant (CCOG) Program

The Board recommends full funding of the Community College Opportunity Grant Program for students attending all 18 community colleges to meet projections for the CCOG program to reach all eligible students in FY22.

Part-Time Tuition Aid Grant Program for County College Students

The Part-Time Tuition Aid Grant Program for County College Students has received level funding over the last several years. In FY20 this appropriation fell short of actual expenditures, and in order to fully fund all eligible students HESAA transferred modest levels of unexpended balances from other State financial aid accounts. Based on anticipated part-time enrollment increases resulting from the economic conditions following the pandemic and the effects of the Board's recommended TAG eligibility expansions and increased value of full-time TAG award amounts, the Board recommends an increase in FY22 funding to ensure this line item is sufficient to continue providing part-time TAG awards to all eligible county college students who apply by the application deadlines at one-half or three-quarters of the dollar value of full-time awards.

Part-Time Tuition Aid Grants for EOF Students

The Board recommends FY22 funding for the Part-Time TAG for EOF Students Program at a level sufficient to maintain the current program.

NJ Student Tuition Assistance Reward Scholarship/NJ Student Tuition Assistance Reward Scholarship II Programs (NJ STARS/NJ STARS II)

Funding for the NJ STARS and NJ STARS II Programs has been level over the last several years. In FY20 this appropriation fell short of actual expenditures, and in order to fully fund all eligible students HESAA transferred modest levels of unexpended balances from other State financial aid accounts. Based on enrollment trends and annual tuition increases, the Board recommends an increase in FY22 funding to support all students who meet the eligibility requirements of the NJ STARS and NJ STARS II Programs.

Governor's Urban Scholarship (GUS) Program

The Governor's Urban Scholarship Program, created in 2012, provides aid to New Jersey high school students who reside in 14 high-need communities. For FY22, the Board recommends continued funding of \$1,000 renewable scholarship awards for New Jersey high school graduates who rank in the top 5% of their class with a GPA of 3.0 or higher and demonstrate financial need, no matter whether they attend a public or non-public high school. In addition, a persistency award of \$500 should continue to be provided to students in their final term of the scholarship upon completion of their associate or baccalaureate degree. In addition to continued funding to support GUS recipients under the program's current parameters, the Board supports additional funding to expand the program to students residing in other high-need municipalities.

World Trade Center (WTC) Scholarship Program

Recognizing that the WTC program is committed to funding the majority of the students through 2024, the Board recommends continuation of level funding to support WTC Scholarship recipients. The Board also notes the existence of other revenue sources for the WTC Scholarship Program, including public and private donations.

Primary Care Practitioner Loan Redemption Program and Nursing Faculty Loan Redemption Program

The Board recommends continued level funding for these two loan redemption programs, which support partial redemption of student loans for primary care practitioners who commit to serving in medically underserved areas across the State, as well as student loan redemption for nurses who commit to teach at schools of nursing in order to address the shortage of nurses and nursing faculty.

New Jersey STEM Loan Redemption Program

Although funding will not be necessary in FY22, the Board notes that in December 2022 HESAA will begin accepting applications from individuals seeking loan redemption exchange for an eligible employee's commitment to full-time employment in a designated high-growth STEM occupation at an employer in New Jersey, under the terms of this program. The first expenditures for the STEM Loan Redemption program will commence no later than FY24, and the Board recommends starting now to plan projections for future appropriations.

HESAA Revenue and Fee-Supported Programs Not Funded by State Line-Item Appropriations

The Board notes that although the following services and activities are not funded through HESAA's State line-item appropriations, they are key elements of the Authority's overall mission:

- Law Enforcement Officers Memorial Scholarship program
- Survivor Tuition Benefits (STB) program
- New Jersey Governor's Industry Vocations Scholarship for Women and Minorities (NJ GIVS)
- NJBEST Scholarship program
- New Jersey Better Education Savings Trust (NJBEST) college savings program
- New Jersey College Loans to Assist State Students (NJCLASS) loan programs



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 *DJS*

FROM: David Moffett
Assistant Controller *DM*

SUBJECT: Resolution 15:20 Appointing a Vendor to Provide Depository Banking Services

DATE: October 21, 2020

Introduction

The Higher Education Student Assistance Authority (HESAA) engages a bank to receive the payments made on NJCLASS loans. Payments are made through the selected bank via electronic payments from multiple sources, checks processed through lockbox, and check payments received directly by the Authority. HESAA's current contract with Wells Fargo National Bank was scheduled to expire on June 30, 2020. As explained in further detail below, due to the COVID-19 pandemic the contract was extended to expire December 31, 2020.

Background

A. Selection Process

On March 4, 2020, HESAA issued a Request for Proposals for Depository Banking Services (the "RFP"). The RFP was posted on the HESAA website and distributed to all commercial banks doing business in New Jersey using a list of contacts at 90 banks. The

link to the RFP was also published in State's NJ Advance Media and Gannett newspapers.

Following Governor Murphy's guidelines for mitigation of the spread of the COVID-19 virus, HESAA's staff began working remotely starting March 16, 2020, as did many potential bidders. As the original due date for proposals was March 30, 2020, multiple potential bidders asked if the due date could be extended due to the extenuating circumstances caused by the virus. HESAA was able to extend the due date for proposals until September 10, 2020 after Wells Fargo agreed to a six-month extension of the current contract under the same terms. HESAA issued the addendums extending to the contract in the same manner that the Authority issued the initial RFP, by posting the addendum on the HESAA website, distributing the link to the RFP to the same list of contacts that received the original RFP, and publishing the addendum in the State's NJ Advance Media and Gannett newspapers

An evaluation committee consisting of the Assistant Controller, the Assistant Director of Finance, and the Assistant Director of Servicing and Collections, reviewed the proposals based on the following criteria:

1. The bidder's overall ability to provide all of the depository banking services required by the Authority in an efficient manner and with minimal disruption to current workflow;
2. Prior experience with similar services;
3. Adequacy of security measures and contingency plans;
4. Customer service capabilities;
5. Financial condition and ratings;
6. Completeness of required reports and documents;
7. Web based inquiry/communication capabilities; and
8. The vendor's understanding and acceptance of the Terms and Conditions, Other Mandatory Provisions, Payment Method and Terms.

To determine the relative merits of each bidder in terms of its pricing proposal, cost data provided by the banks was also analyzed.

Three banks responded to the RFP with proposals: Bank of America, J.P. Morgan, and Wells Fargo National Bank.

As a result of the committee's evaluation process, Wells Fargo National Bank earned the highest score.

After conducting a cost analysis of the fees proposed by all three bidders as applied to the volume of services used by HESAA, Wells Fargo had the lowest proposed cost. The cost proposed by J.P Morgan was slightly higher than Wells Fargo and the cost of the Bank of America proposal was nearly double that of Wells Fargo.

In addition, Wells Fargo's proposal exhibited the greatest understanding of the student loan servicing business. This bank made additional recommendations to enhance HESAA's business, such as for fraud control that is a valuable tool for a student loan servicer. By comparison, J.P. Morgan's proposal focused on a number of tools that are not pertinent to HESAA's needs, such as remote capture.

Wells Fargo provided an in-depth description of their workflow. The proposal is very clear as to the number of pick-ups from the lockbox as well as the efficient processing times. Additionally, as part of its services Wells Fargo provides a Business Process Review, whereby the bank inspects the Authority's current system and workflows, gains an understanding of the Authority's processes, and helps HESAA evaluate impacts in order to streamline processes and gain efficiencies from new technologies.

Recommendation

Based on the factors cited above, it is recommended that the Board approve Resolution 15:20 Appointing Wells Fargo National Bank to provide Depository Banking Services for a term of three years with two possible one-year extensions, for the prices contained in the attached Cost Schedule.

Attachments

EVALUATION SCORE SHEET	HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY (Depository Banking Services)				
BIDDER: Bank of America	DATE _____ 9/22/2020				
SUMMARY OF EVALUATION TEAM'S COMMENTS:					
Lockbox services being done by a subcontractor which HESAA does not prefer. This bank only picks up mail twice a day, once at 5:00 am and once at noon while other bidders stated they pick-up multiple times. Pricing is a lot higher than the other two bidders. Based on the estimated volume HESAA provided it is almost double. This bank did not provide as much detail regarding its lockbox process.					
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
Bidder's overall response to the questions in SECTION 5.1	5	5	5	40	600
Prior experience with similar services	6	6	6	7.5	135
References	5	5	5	2.5	37.5
Adequacy of the security measures and contingency plans	6	6	5	10	170
Commitment to provide adequate physical and personnel resources	6	6	5	5	85
Customer service capabilities	6	6	5	5	85
Proposed limitations of bidder liability that are in addition to existing laws and regulations	5	5	5	5	75
Financial condition and ratings	6	6	6	15	270
Completeness of required reports and documents	6	6	5	5	85
Web Based Inquiry/Communication capabilities	5	5	5	5	75
Total	56	56	52	100	1617.5

EVALUATION SCORE SHEET	HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY (Depository Banking Services)	
BIDDER: JP Morgan	DATE	9/22/2020

SUMMARY OF EVALUATION TEAM'S COMMENTS:

This bank provided a thorough response, however the proposal focused on products that were not pertinent to HESAA's business, such as remote capture. While this bank is within the distance of required by the RFP, it does not have a lot of branches. The proposal was not clear as to the proposed lockbox location and therefore it is not clear how many times a day the payments will be picked up. While this bank has impressive lockbox experience, references were not similar to HESAA's business and not necessarily the same scale. Security was adequate.

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
Bidder's overall response to the questions in SECTION 5.1	7	6	6	40	760
Prior experience with similar services	7	7	7	7.5	157.5
References	7	6	6	2.5	47.5
Adequacy of the security measures and contingency plans	5	5	5	10	150
Commitment to provide adequate physical and personnel resources	5	5	5	5	75
Customer service capabilities	6	5	6	5	85
Proposed limitations of bidder liability that are in addition to existing laws and regulations	5	5	5	5	75
Financial condition and ratings	7	7	7	15	315
Completeness of required reports and documents	7	6	6	5	95
Web Based Inquiry/Communication capabilities	6	6	6	5	90
Total	62	58	59	100	1850

EVALUATION SCORE SHEET	HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY (Depository Banking Services)	
BIDDER: Wells Fargo	DATE	9/22/2020
SUMMARY OF EVALUATION TEAM'S COMMENTS:		

This bank went over and above in making additional recommendations to enhance HESAA's business. These recommendations demonstrated an understanding of HESAA's needs as a student loan servicer. Solid financial standing as fourth largest bank in the US. In comparing the costs Wells and JP were similar but Wells was slightly less.

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
Bidder's overall response to the questions in SECTION 5.1	8	7	7	40	880
Prior experience with similar services	8	7	7	7.5	165
References	7	6	6	2.5	47.5
Adequacy of the security measures and contingency plans	5	5	6	10	160
Commitment to provide adequate physical and personnel resources	6	5	6	5	85
Customer service capabilities	6	5	6	5	85
Proposed limitations of bidder liability that are in addition to existing laws and regulations	5	5	5	5	75
Financial condition and ratings	7	7	7	15	315
Completeness of required reports and documents	7	7	6	5	100
Web Based Inquiry/Communication capabilities	7	7	6	5	100
Total	66	61	62	100	2012.5

Bank of America	1617.5
J.P. Morgan	1850
Wells Fargo	2012.5

Depository Banking Costs

	Wells Fargo	JP Morgan	BoA
BALANCE AND COMPENSATION	-	-	620.93
DEPOSITORY SERVICES	701.75	353.90	1,091.83
EDI PAYMENT SERVICES	60.00	-	200.00
GENERAL ACCOUNT SERVICES	31.20	30.00	89.00
GENERAL ACH SERVICES	1,702.15	1,085.25	4,142.75
INFORMATION SERVICES	259.25	39.05	221.40
INTERNATIONAL SERVICES	-	-	-
LOCKBOX SERVICES	5,192.96	6,643.02	15,704.85
PAPER DISBURSEMENT RECON SERVICES	-	-	-
PAPER DISBURSEMENT SERVICES	21.35	21.00	0.35
UNDEFINED SERVICES	28.00	-	-
WIRE & OTHER FUNDS TRANSFER SERVICE	272.00	223.00	343.00
Grand Total	8,268.66	8,395.22	22,414.10

RESOLUTION 15:20
APPOINTING A VENDOR TO PROVIDE DEPOSITORY BANKING SERVICES

Moved by: Ms. Jean McDonald Rash
Seconded by: Ms. Maria Torres

WHEREAS: The Higher Education Student Assistance Authority (HESAA) engages a bank to perform depository banking services, which include receiving all loan payments made on HESAA loan programs, including NJCLASS, made via ACH payments from multiple sources, checks processed through lockbox, and check payments received directly by HESAA; and

WHEREAS: On March 4, 2020 HESAA issued a Request for Proposals for Depository Banking Services by posting the RFP on HESAA's website, distributing the link to the RFP to all commercial banks doing business in New Jersey using a list of contacts at 90 banks, and publishing the link to the RFP in the State's NJ Advance Media and Gannett newspapers; and

WHEREAS: An evaluation committee consisting of HESAA's Assistant Controller, Assistant Director of Finance, and Assistant Director of Servicing and Collections reviewed and scored proposals received.

NOW, THEREFORE, LET IT BE:

RESOLVED: That the Board approves the appointment of Wells Fargo National Bank to provide Depository Banking Services for a term of three years with two possible one-year extensions, for the prices contained in the attached Cost Schedule.

October 21, 2020



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: Resolution 16:20 Appointing a Senior Managing Underwriter for Authority Bond Issues

DATE: October 21, 2020

Introduction

The Higher Education Student Assistance Authority (“HESAA” or the “Authority”) engages a Senior Managing Underwriter (the “Underwriter”) in connection with the issuance of HESAA’s Student Loan Revenue Bonds (the “Bonds”). In a negotiated sale the Underwriter, with input from the Authority staff and other professional advisors, is responsible for developing a financing structure to meet HESAA’s financing needs, working with the relevant professionals to obtain the appropriate rating on the Bonds, including the production of management and rating agency cash flows, communication with the investor public, and ultimately the marketing and initial sale of the Authority’s Bonds. The Underwriter works with HESAA’s financial advisor to resolve issues raised by bond counsel, the bond trustee, rating agencies, and potential investors.

Background

A. Selection Process

Authority procedures call for Request for Proposal (“RFP”) documents to be developed and circulated to prospective underwriting firms by Authority staff. On August 11, 2020 the RFP was sent to twenty nationally recognized bond underwriting firms, firms with experience underwriting complex asset-backed revenue bond transactions as senior managing underwriter. The RFP was posted on HESAA’s website, and was advertised in the State’s NJ Advance Media and Gannett newspapers. An evaluation team consisting of the Chief Financial Officer, Controller and a representative from HESAA’s Financial Advisor, Hilltop Securities, reviewed the proposals based on the following criteria:

1. The experience of the firm in advising on tax-exempt student loan revenue bond offerings;
2. The relevant experience of the staff assigned to the Authority;
3. The quality of the response to the RFP, including but not limited to, the level of detail of the response;
4. The ability to meet the needs of the Authority; and
5. Proposed fees.

HESAA received three proposals from underwriting firms, Bank of America Securities (B of A); RBC Capital Markets (RBC), and Siebert Williams Shank & Co. LLC (SWS).

While SWS is a registered broker-dealer they do not have the required experience in student loan bonds to meet HESAA’s needs as the Senior Manager. SWS does not currently own the industry standard DBC software to run cash flow analyses. Its proposal stated that they would be willing to buy the software, but they do not have the same experience running the software as the other bidders. SWS expressed their desire to serve as co-manager if they are not selected as Senior Manager. As co-managers are selected through an RFP issued by the Financial Advisor later in the bond process, HESAA will ensure that SWS is invited to bid on that RFP when it is issued.

Of the other two bidders, both B of A and RBC outlined a set of services that closely matches the Authority’s needs. Both firms are highly regarded in the student loan financing sector and both firms have proven track records in bringing student loan revenue bond issues to market in an effective, efficient, and timely manner. The committee found that both firms present an experienced project lead staff and competent support staff. The committee’s evaluations gave an edge to RBC due to its deeper bench of practical experience on both the banking and quantitative sides. Additionally, when viewed in comparison, the proposal submitted by RBC offers more detailed and innovative responses.

The evaluation committee found that RBC’s proposal demonstrated a willingness to work with the Authority on a holistic level, not just on a transactional basis. RBC’s proposal provided in-depth explanations for the approaches that it suggested. For example, while both B of A and RBC discussed the possible use of consent solicitations, RBC’s proposal explained what a consent solicitation is, why it has to occur, and explained the process for a consent solicitation. B of A did not provide the same level of detail.

Additionally, RBC’s proposal included additional services to perform an enterprise cash flow analysis on all of the Authority’s trusts, which will provide HESAA with a greater understanding

of how its trusts will perform going forward. This added effort will put HESAA in a better position to manage the finances of the Authority.

In order to compare the fees of the bidders, the attached Excel spreadsheet applies the respondents' takedown proposals to the recent structure of HESAA's Series 2020 bonds. This analysis includes both Management Fees and Takedown. As shown in this attached comparison, the cost difference between B of A and RBC is minimal.

The RFP Evaluation Committee recommends that the Board select RBC Capital Markets as its approach to developing the Authority's bond financings and the scope of services it proposed are more closely aligned with the current needs of the Authority.

Recommendation

It is recommended that the Board approve the attached Resolution 16:20 Approving the Appointment of RBC Capital Markets as the Authority's Senior Managing Underwriter for 2021 and 2022.

Attachments

EVALUATION SCORE SHEET	HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY (Senior Manager Proposal Evaluation)	
BIDDER Bank of America Securities	DATE	10/2/2020
SUMMARY OF EVALUATION TEAM'S COMMENTS: This bank does more work behind the scenes as opposed to sharing the non-proprietary information and processes with HESAA. For previous procurements this bank's proposals showed more of a desire to work with HESAA to present the best product not just to complete the transaction. Performs its own in-house compliance review.		

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 experience of the firm in advising on tax-exempt student loan revenue bond offerings	10	9	9	20	560
The relevant experience of the staff assigned to the Authority	9	8	8	20	500
The quality of the response to the RFP, including but not limited to, the level of detail of the response	8	8	8	20	480
The ability to meet the needs of the Authority	7	8	6	20	420
The fee proposed	9	8	8	20	500
Total	43	41	39	100	2460

EVALUATION SCORE SHEET	HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY (Senior Manager Proposal Evaluation)	
BIDDER RBC Capital Markets LLC	DATE	10/2/2020
SUMMARY OF EVALUATION TEAM'S COMMENTS: Stated that the minimum management fee could be reduced if the transaction is smaller. RBC wants to be a partner with HESAA. Has a deep bench of qualified staff assigned to HESAA. Comprehensive proposal. Provides explanations for how cashflows are performed and data is analyzed. Uses an outside firm for compliance reviews.		

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 experience of the firm in advising on tax-exempt student loan revenue bond offerings	10	9	9	20	560
The relevant experience of the staff assigned to the Authority	9	10	9	20	560
The quality of the response to the RFP, including but not limited to, the level of detail of the response	10	10	9	20	580
The ability to meet the needs of the Authority	9	9	9	20	540
The fee proposed	7	8	8	20	460
Total	45	46	44	100	2700

EVALUATION SCORE SHEET	HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY (Senior Manager Proposal Evaluation)
BIDDER Siebert Williams Shank & Co LLC	DATE _____
SUMMARY OF EVALUATION TEAM'S COMMENTS: Registered broker-dealer. Does not demonstrate enough experience in student loans. Do not own cashflow software and would not be able to reach the same level of expertise other bidders already have. They want to stay as co-manager if do not get senior manager.	

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 experience of the firm in advising on tax-exempt student loan revenue bond offerings	6	7	4	20	340
The relevant experience of the staff assigned to the Authority	7	5	5	20	340
The quality of the response to the RFP, including but not limited to, the level of detail of the response	7	5	5	20	340
The ability to meet the needs of the Authority	6	5	3	20	280
The fee proposed	8	9	6	20	460
Total	34	31	23	100	1760

Bank of America Securities	2460
RBC Capita Markets LLC	2700
Siebert Williams Shank & Co LLC	1760

**NJHESAA:
Underwriters' Fee Proposals - RFP October 2020**

Management Fee (per Bond)		
BAML	\$	1.25 (1)
RBC	\$	1.25 (2)
Siebert	\$	0.95

(1) \$300,000 minimum
(2) \$1.25/bond between \$225mm and \$325mm. Adjust higher/lower

Total Takedown Based on HESAA Series 2020	
BAML	\$ 1,369,615.00
RBC	\$ 1,383,462.50
Siebert	\$ 1,226,570.00

Takedown Years	BAML			Difference (>=Aa3)	RBC (A3 to A1)	RBC (Baa3 to Baa1)	Siebert	2020 Bonds by Series and Maturity Date (Ratings Aa1 (sf)/A2(sf))				Takedown per Series 2020		
	Years	BAML	RBC (>=Aa3)					Year	2020A	2020B	2020C	BAML	RBC	Siebert
1	\$ 2.25	\$ 2.50	\$ (0.25)	\$ 3.75	\$ 3.75	\$ 2.00	2022	\$ 6,100,000	\$ 5,500,000	\$ -	\$ 26,100.00	\$ 43,500.00	\$ 37,700.00	
2	\$ 2.25	\$ 3.75	\$ (1.50)	\$ 3.75	\$ 5.00	\$ 3.25	2023	\$ 7,400,000	\$ 6,400,000	\$ -	\$ 31,050.00	\$ 51,750.00	\$ 44,850.00	
3	\$ 2.25	\$ 3.75	\$ (1.50)	\$ 3.75	\$ 5.00	\$ 3.25	2024	\$ 8,300,000	\$ 7,800,000	\$ -	\$ 36,225.00	\$ 60,375.00	\$ 72,450.00	
4	\$ 2.25	\$ 3.75	\$ (1.50)	\$ 3.75	\$ 5.00	\$ 4.50	2025	\$ 8,410,000	\$ 8,200,000	\$ -	\$ 58,135.00	\$ 62,287.50	\$ 74,745.00	
5	\$ 3.50	\$ 3.75	\$ (0.25)	\$ 3.75	\$ 5.00	\$ 4.50	2026	\$ 7,200,000	\$ 9,200,000	\$ -	\$ 57,400.00	\$ 82,000.00	\$ 73,800.00	
6	\$ 3.50	\$ 5.00	\$ (1.50)	\$ 5.00	\$ 6.25	\$ 4.50	2027	\$ 6,080,000	\$ 7,800,000	\$ -	\$ 48,580.00	\$ 69,400.00	\$ 62,460.00	
7	\$ 3.50	\$ 5.00	\$ (1.50)	\$ 5.00	\$ 6.25	\$ 4.50	2028	\$ 4,800,000	\$ 6,130,000	\$ -	\$ 38,255.00	\$ 54,650.00	\$ 49,185.00	
8	\$ 3.50	\$ 5.00	\$ (1.50)	\$ 5.00	\$ 6.25	\$ 4.50					\$ -	\$ -	\$ -	
9	\$ 3.50	\$ 5.00	\$ (1.50)	\$ 5.00	\$ 6.25	\$ 5.25					\$ -	\$ -	\$ -	
10	\$ 3.50	\$ 5.00	\$ (1.50)	\$ 5.00	\$ 6.25	\$ 5.25					\$ -	\$ -	\$ -	
11	\$ 6.25	\$ 5.00	\$ 1.25	\$ 5.00	\$ 6.25	\$ 5.25					\$ -	\$ -	\$ -	
12	\$ 6.25	\$ 5.00	\$ 1.25	\$ 5.00	\$ 6.25	\$ 5.25					\$ -	\$ -	\$ -	
13	\$ 6.25	\$ 5.00	\$ 1.25	\$ 5.00	\$ 6.25	\$ 5.25					\$ -	\$ -	\$ -	
14	\$ 6.25	\$ 5.00	\$ 1.25	\$ 5.00	\$ 6.25	\$ 5.25					\$ -	\$ -	\$ -	
15	\$ 6.25	\$ 5.00	\$ 1.25	\$ 5.00	\$ 6.25	\$ 5.25					\$ -	\$ -	\$ -	
16	\$ 6.25	\$ 6.25	\$ -	\$ 6.25	\$ 7.50	\$ 5.25					\$ -	\$ -	\$ -	
17	\$ 7.25	\$ 6.25	\$ 1.00	\$ 6.25	\$ 7.50	\$ 5.25					\$ -	\$ -	\$ -	
18	\$ 7.25	\$ 6.25	\$ 1.00	\$ 6.25	\$ 7.50	\$ 5.25					\$ -	\$ -	\$ -	
19	\$ 7.25	\$ 6.25	\$ 1.00	\$ 6.25	\$ 7.50	\$ 5.25	2039	\$ 51,510,000	\$ 69,610,000	\$ -	\$ 878,120.00	\$ 757,000.00	\$ 635,880.00	
20	\$ 7.25	\$ 6.25	\$ 1.00	\$ 6.25	\$ 7.50	\$ 5.75					\$ -	\$ -	\$ -	
21	\$ 7.25	\$ 6.25	\$ 1.00	\$ 6.25	\$ 7.50	\$ 5.75					\$ -	\$ -	\$ -	
22	\$ 7.25	\$ 6.25	\$ 1.00	\$ 6.25	\$ 7.50	\$ 5.75					\$ -	\$ -	\$ -	
23	\$ 7.25	\$ 6.25	\$ 1.00	\$ 6.25	\$ 7.50	\$ 5.75					\$ -	\$ -	\$ -	
24	\$ 7.25	\$ 6.25	\$ 1.00	\$ 6.25	\$ 7.50	\$ 5.75					\$ -	\$ -	\$ -	
25	\$ 7.25	\$ 6.25	\$ 1.00	\$ 6.25	\$ 7.50	\$ 5.75					\$ -	\$ -	\$ -	
26	\$ 7.25	\$ 6.25	\$ 1.00	\$ 6.25	\$ 7.50	\$ 6.50					\$ -	\$ -	\$ -	
27	\$ 7.25	\$ 6.25	\$ 1.00	\$ 6.25	\$ 7.50	\$ 6.50					\$ -	\$ -	\$ -	
28	\$ 7.25	\$ 6.25	\$ 1.00	\$ 6.25	\$ 7.50	\$ 6.50					\$ -	\$ -	\$ -	
29	\$ 7.25	\$ 6.25	\$ 1.00	\$ 6.25	\$ 7.50	\$ 6.50					\$ -	\$ -	\$ -	
30	\$ 7.25	\$ 6.25	\$ 1.00	\$ 6.25	\$ 7.50	\$ 6.50					\$ -	\$ -	\$ -	
Subordinate	\$ 7.25	\$ 7.50	\$ (0.25)	\$ 7.50	\$ 8.75	\$ 6.50	2050		\$ 27,000,000	\$ -	\$ 195,750.00	\$ 202,500.00	\$ 175,500.00	
								\$ 99,800,000	\$ 120,640,000	\$ 27,000,000	\$ 1,369,615	\$ 1,383,463	\$ 1,226,570	

RESOLUTION 16:20

APPOINTING A SENIOR MANAGER FOR AUTHORITY BOND ISSUES

Moved by: Ms. Jean McDonald Rash

Seconded by: Dr. Jon Larson

WHEREAS: There is a need for the Higher Education Student Assistance Authority (the “Authority”) to appoint a Senior Manager in connection with its Student Loan Revenue Bonds; and

WHEREAS: The Authority has established procedures for the methods of procurement of underwriting services related to the issuance of bonds; and

WHEREAS: Pursuant to these procedures on August 11, 2020 a Request for Proposals was sent to twenty nationally-recognized bond underwriting firms with experience underwriting complex asset-backed revenue bond transactions as senior managing underwriter, posted on HESAA’s website, and advertised in the State’s NJ Advance Media and Gannett newspapers; and

WHEREAS: The Authority received three proposals in response to the RFP; and

WHEREAS: An Evaluation Committee comprised of the Authority’s Chief Financial Officer, Controller, and a representative from HESAA’s Financial Advisor, Hilltop Securities, reviewed all of the proposals; and

WHEREAS: RPC Capital Markets received the highest score as a result of such evaluation.

NOW, THEREFORE, LET IT BE:

RESOLVED: That the Board approves a two-year appointment of RBC Capital Markets as the Senior Manager at a cost of \$6.94 per thousand for fixed rate bonds based on a \$275 Million bond issue.

October 21, 2020



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: Arthur Quaranta 
Controller

SUBJECT: Resolution 17:20 Appointing a Financial Advisor for Authority Bond Issues

DATE: October 21, 2020

Background

On August 11, 2020 the Higher Education Student Assistance Authority (HESAA) issued a Request for Proposals (RFP) seeking proposals from firms interested to serve as Financial Advisor to HESAA for bonds issued through negotiated sale. The Financial Advisor, which serves as the Independent Registered Municipal Advisor, has primary responsibilities including representing the Authority's interests in the development of bond issues and providing fiduciary advice throughout the year. Its services also include the review of proposed financing structures and the cash flow analysis. The Financial Advisor and Senior Manager work jointly to answer any issues raised by rating agencies, liquidity providers, bond counsel, or the bond trustee. The Financial Advisor selected through this RFP will serve for calendar years 2021, 2022, and 2023.

HESAA issued the RFP by sending it to 15 financial advisory firms, posting it on HESAA's website, and advertising it in the State's NJ Advance Media and Gannett newspapers.

Three proposals were received from Hilltop Securities, NW Financial Group, and SL Capital Strategies LLC.

Selection Process

An evaluation committee made up of HESAA's Chief Financial Officer, Controller, and Director of Legal & Governmental Affairs reviewed and scored the three proposals based on the following selection criteria:

1. The experience of the firm in advising on tax-exempt student loan revenue bond offerings;
2. The relevant experience of the staff assigned to the Authority;
3. The quality of the response to the RFP, including but not limited to the level of detail of the response;
4. The ability to meet the needs of the Authority as detailed in this RFP; and
5. The fee proposed.

Based on their review of the three proposals, the evaluation committee recommends re-appointing HESAA's current financial advisor, Hilltop Securities. While the proposal from NW Financial Group LLC demonstrated general financial advisory experience, the firm had no prior student loan experience.

Both Hilltop Securities and SL Capital Strategies LLC demonstrated relevant experience with postsecondary education loans comparable to the Authority's NJCLASS program and strong analytical capabilities. The firms differ in that Hilltop Securities is also a broker-dealer while SL Capital Strategies is not. Because it is a broker-dealer, Hilltop's underwriting desk is able to provide additional valuable insight on market conditions when HESAA's bonds are going to market. Additionally, SL Capital Strategies is not a registered swap advisor, which means that SL Capital Strategies would need to engage a subcontractor if it is in HESAA's best interest to engage in derivative deals.

Hilltop Securities continues to demonstrate a depth of expertise and relevant experience to meet all of HESAA's needs. The firm provides all services required by HESAA, including any possible derivative deals. Additionally, as it is also a broker-dealer, Hilltop Securities is subject to additional oversight by bodies such as the SEC and MSRB.

The maximum proposed fee by Hilltop Securities for financial advisory services is \$137,500 per transaction, plus expenses. In response to requested quotes for related services that were included in the RFP, Hilltop Securities has proposed a fee of \$10,000 per Series of bonds for cash flows, regardless of the number of scenarios run for each series (if new replines are required the fee will be adjusted by mutual agreement); a fee of two basis points, with a maximum fee of \$34,000, for guaranteed investment contract bid management; and a fee of one basis point, with a maximum fee of \$125,000, for financial instrument related services.

Recommendation

It is recommended that the Board approve the attached Resolution 17:20 approving the appointment of Hilltop Securities as the Authority's Financial Advisor for the years 2021, 2022, and 2023.

Attachments

EVALUATION SCORE SHEET	HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY (Financial Advisor Proposal Evaluation)
BIDDER Hilltop Securities	DATE _____
SUMMARY OF EVALUATION TEAM'S COMMENTS: This firm has a New Jersey presence. It is a broker-dealer with its own desk that works with the underwriter's desk when going to market.	

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 experience of the firm in advising on tax-exempt student loan revenue bond offerings	10	10	10	20	600
The relevant experience of the staff assigned to the Authority	9	9	10	20	560
The quality of the response to the RFP, including but not limited to the level of detail of the response	9	7	10	20	520
The ability to meet the needs of the Authority	10	9	10	20	580
The fee proposed	7	8	8	20	460
Total	45	43	48	100	2720

EVALUATION SCORE SHEET	HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY (Financial Advisor Proposal Evaluation)	
BIDDER NW Financial Group LLC	DATE	9/29/2020
SUMMARY OF EVALUATION TEAM'S COMMENTS: This firm has student loan experience. The proposal was provided generic qualifications not related to the services the RFP requests, such as the firm's experience with capital projects which is irrelevant to HESAA's needs. This firm did not provide its fees in the format requested.		

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 experience of the firm in advising on tax-exempt student loan revenue bond offerings	1	1	1	20	60
The relevant experience of the staff assigned to the Authority	4	4	4	20	240
The quality of the response to the RFP, including but not limited to the level of detail of the response	5	6	4	20	300
The ability to meet the needs of the Authority	3	4	3	20	200
The fee proposed	5	6	4	20	300
Total	18	21	16	100	1100

EVALUATION SCORE SHEET	HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY (Financial Advisor Proposal Evaluation)	
BIDDER SL Capital Strategies	DATE	9/29/2020
SUMMARY OF EVALUATION TEAM'S COMMENTS: This firm does not have a New Jersey presence. As this firm is not a registered swap advisor it will need to engage a subcontractor if it is in HESAA's best interest to use swaps in any of the bond deals over the next three years.		

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 experience of the firm in advising on tax-exempt student loan revenue bond offerings	9	10	9	20	560
The relevant experience of the staff assigned to the Authority	10	8	9	20	540
The quality of the response to the RFP, including but not limited to the level of detail of the response	7	7	9	20	460
The ability to meet the needs of the Authority	9	7	7	20	460
The fee proposed	8	9	9	20	520
Total	43	41	43	100	2540

Hilltop Securities	2720
SL Capital Strategies	2540
NW Finacial Group LLC	1100

RESOLUTION 17:20

APPOINTING A FINANCIAL ADVISOR FOR AUTHORITY BOND ISSUES

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

WHEREAS: The Higher Education Student Assistance Authority (HESAA) appoints a Financial Advisor to serve as the Independent Registered Municipal Advisor for all of its bond transactions; and

WHEREAS: On August 11, 2020 HESAA issued a Request for Proposals (RFP) seeking proposals from firms interested to serve as Financial Advisor to HESAA for bonds issued through negotiated sale for 2021, 2022 and 2023; and

WHEREAS: HESAA sent the RFP to 15 financial advisory firms, posted it on HESAA's website, and advertised it in the State's NJ Advance Media and Gannett newspapers; and

WHEREAS: HESAA received three proposals in response to the RFP; and

WHEREAS: An Evaluation Committee comprised of the Authority's Chief Financial Officer, Controller, and Director of Legal Affairs reviewed all of the proposals; and

WHEREAS: Hilltop Securities received the highest score as a result of such evaluation.

NOW, THEREFORE, LET IT BE:

RESOLVED: That the Board approves the appointment of Hilltop Securities, as Financial Advisor for 2021, 2022, and 2023 at a cost of \$137,500 per transaction, plus expenses; a fee of \$10,000 per Series of bonds for cash flows, regardless of the number of scenarios run for each series (if new replines are required the fee will be adjusted by mutual agreement); a fee of two basis points, with a maximum fee of \$34,000, for guaranteed investment contract bid management; and a fee of one basis point, with a maximum fee of \$125,000, for financial instrument related services.

October 21, 2020



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: Gregory Foster 
Chief Compliance Officer

SUBJECT: Resolution 18:20 Appointing Special Counsel to a List of Attorneys to Assign Educational Receivables Files

DATE: October 21, 2020

Background

On August 10, 2020 the Higher Education Student Assistance Authority (HESAA) issued a Request for Qualifications (RFQ) seeking proposals from qualified law firms to create a list of outside counsel to which HESAA can assign defaulted student loans and other educational receivables for collection. Additionally, the firms on the list will represent HESAA in contesting the dischargeability of a debtor from bankruptcy, in Administrative Wage Garnishment hearings, and in collection-related appellate work. The term of the appointment for the placement of new files will be two years.

HESAA emailed the RFQ to the law firms currently providing these services for HESAA and other entities that reached out to HESAA, posted the RFQ on HESAA's website, and advertised the RFQ in the state's NJ Advance Media and Gannett newspapers.

HESAA received proposals from six law firms.

Selection Process

An evaluation committee made up of HESAA's Chief Compliance Officer, Assistant Controller, Associate Director of Servicing & Collections, and Servicing & Collections Program Officer met and reviewed each of the responsive proposals.

The selection criteria for reviewing Collection Counsel proposals were as follows:

- Knowledge and experience of firm and attorneys in educational receivables, collections, bankruptcy, and Administrative hearings and appellate work;
- The firm's recovery performance;
- Average time it takes the firm to liquidate debt;
- Resources of the firm;
- Approach to communication with HESAA;
- Approach to, and effective results of, settlements with borrowers; and
- Past experience of HESAA with the firm and/or attorneys, including responsiveness to directives and timely and accurate reporting.

The committee determined that a firm must achieve a minimum score of 2500, meaning that it was deemed overall to be "good," to be recommended for placement on the list. Pursuant to the RFQ the list was limited to no more than four firms.

Based on the reviews of the evaluation committee, three of the firms met the minimum threshold for appointment: The Grogan Law Group LLC, Portnoy Schneck LLC, and Solomon and Solomon PC. HESAA currently engages all three of these firms and has been satisfied with their performance. Therefore, the evaluation committee recommends that the Board approve the appointment of these three firms to the list of outside counsel to which HESAA can assign defaulted student loans and other educational receivables for collection for a two-year term.

HESAA staff will assign files to the firms based on the following criteria, as was specified in the RFQ:

- The background, qualifications, skills, and experience of the firm and its staff with specific reference to educational receivables collections practice;
- The firm's degree of expertise in all facets of providing legal services relating to educational receivables collections;
- The Authority's prior experiences with the firm, if applicable;
- The firm's recovery performance;
- The average time it takes the firm to liquidate debt;
- The firm's handling of customer service issues;
- The firm's familiarity with the work, requirements, and systems of New Jersey State Authorities and those of the Higher Education Student Assistance Authority; and
- Geographical location of the firm's office.

Recommendation

It is recommended that the Board approve Resolution 18:20 Appointing The Grogan Law Group LLC, Portnoy Schneck LLC, and Solomon and Solomon PC to a List of Attorneys to Assign Educational Receivables Files.

Attachment

EVALUATION SCORE SHEET		HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY (Special Counsel: Student Loan Collections)				
BIDDER Eric M. Bernstein & Associates	DATE <u>September 30, 2020</u>					
SUMMARY OF EVALUATION TEAM'S COMMENTS:						
This proposal was not responsive to the information requested in the RFP. The firm did not provide any information on collections in their proposal. While they appear to be a successful litigation firm, they are not a collection firm.						
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	SCORE 4	WEIGHT	TOTAL
Knowledge and experience of firm and attorneys in educational receivables, collections, bankruptcy, and Administrative hearings and appellate work	0	2	2	0	15	60
The firm's recovery performance	0	0	2	0	15	30
Average time it takes the firm to liquidate debt	0	0	2	0	15	30
Resources of the firm	0	4	5	3	15	180
Approach to communication with HESAA	0	2	2	5	15	135
Approach to, and effective results of, settlements with borrowers	0	0	0	1	15	15
Past experience of HESAA with the firm and/or attorneys, including responsiveness to directives and timely and accurate reporting	0	0	2	0	10	20
Total	0	8	15	9	100	470

EVALUATION SCORE SHEET		HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY (Special Counsel: Student Loan Collections)				
BIDDER Fein Such Kahn & Shepard PC	DATE <u>September 30, 2020</u>					
SUMMARY OF EVALUATION TEAM'S COMMENTS:						
Based on past experience with this firm, while they work well with HESAA with regards to collection and bankruptcy they are not as cooperative with regards to settlement agreements. They do not always take HESAA's direction regarding settlements.						
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	SCORE 4	WEIGHT	TOTAL
Knowledge and experience of firm and attorneys in educational receivables, collections, bankruptcy, and Administrative hearings and appellate work	7	8	8	7	15	450
The firm's recovery performance	6	8	7	6	15	405
Average time it takes the firm to liquidate debt	5	7	6	5	15	345
Resources of the firm	6	8	8	6	15	420
Approach to communication with HESAA	6	6	8	2	15	330
Approach to, and effective results of, settlements with borrowers	5	4	7	1	15	255
Past experience of HESAA with the firm and/or attorneys, including responsiveness to directives and timely and accurate reporting	5	7	6	2	10	200
Total	40	48	50	29	100	2405

EVALUATION SCORE SHEET		HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY (Special Counsel: Student Loan Collections)				
BIDDER The Grogan Law Group LLC		DATE <u>September 30, 2020</u>				
SUMMARY OF EVALUATION TEAM'S COMMENTS:						
The firm has really stepped up their work over the last two years. They communicate really well with HESAA and have demonstrated sound practices, policies and procedures. They make training and compliance a priority.						
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	SCORE 4	WEIGHT	TOTAL
Knowledge and experience of firm and attorneys in educational receivables, collections, bankruptcy, and Administrative hearings and appellate work	7	8	8	8	15	465
The firm's recovery performance	6	6	6	8	15	390
Average time it takes the firm to liquidate debt	5	6	6	8	15	375
Resources of the firm	5	8	8	7	15	420
Approach to communication with HESAA	6	8	8	6	15	420
Approach to, and effective results of, settlements with borrowers	6	8	9	6	15	435
Past experience of HESAA with the firm and/or attorneys, including responsiveness to directives and timely and accurate reporting	7	8	9	7	10	310
Total	42	52	54	50	100	2815

EVALUATION SCORE SHEET	HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY (Special Counsel: Student Loan Collections)					
BIDDER Portnoy Schneck LLC	DATE	<u>September 30, 2020</u>				
SUMMARY OF EVALUATION TEAM'S COMMENTS:						
This firm has a sound system in place and positive compliance practices. While they lost some of their institutional experience when one of the attorneys left, the remaining team works well with HESAA.						
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	SCORE 4	WEIGHT	TOTAL
Knowledge and experience of firm and attorneys in educational receivables, collections, bankruptcy, and Administrative hearings and appellate work	7	8	8	9	15	480
The firm's recovery performance	6	6	6	8	15	390
Average time it takes the firm to liquidate debt	5	5	5	8	15	345
Resources of the firm	6	7	7	8	15	420
Approach to communication with HESAA	6	8	8	7	15	435
Approach to, and effective results of, settlements with borrowers	6	6	7	6	15	375
Past experience of HESAA with the firm and/or attorneys, including responsiveness to directives and timely and accurate reporting	7	8	8	7	10	300
Total	43	48	49	53	100	2745

EVALUATION SCORE SHEET		HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY (Special Counsel: Student Loan Collections)				
BIDDER Pressler Felt & Warshaw LLP	DATE <u>September 30, 2020</u>					
SUMMARY OF EVALUATION TEAM'S COMMENTS:						
While Howard Schachter, who has done exemplary work for HESAA, has moved to this firm, the firm raises some concerns. It was scrutinized by the CFPB for one and half years. The examination was concluded when the firm entered a large consent agreement with the CFPB in 2016. Additionally, in its references section the firm listed collection companies whose practices raise concerns. The collection system that the firm uses is a compliant system.						
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	SCORE 4	WEIGHT	TOTAL
Knowledge and experience of firm and attorneys in educational receivables, collections, bankruptcy, and Administrative hearings and appellate work	6	8	7	6	15	405
The firm's recovery performance	5	5	5	5	15	300
Average time it takes the firm to liquidate debt	5	5	5	4	15	285
Resources of the firm	6	8	7	6	15	405
Approach to communication with HESAA	5	6	7	5	15	345
Approach to, and effective results of, settlements with borrowers	5	5	5	6	15	315
Past experience of HESAA with the firm and/or attorneys, including responsiveness to directives and timely and accurate reporting	5	7	7	4	10	230
Total	37	44	43	36	100	2285

EVALUATION SCORE SHEET	HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY (Special Counsel: Student Loan Collections)					
BIDDER Solomon and Solomon PC	DATE	<u>September 30, 2020</u>				
SUMMARY OF EVALUATION TEAM'S COMMENTS:						
Under the leadership of Julie Solomon, this firm has greatly increased their responsiveness to HESAA over the last two years. This firm is very cooperative to work with and their staff manager is very competent.						
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	SCORE 4	WEIGHT	TOTAL
Knowledge and experience of firm and attorneys in educational receivables, collections, bankruptcy, and Administrative hearings and appellate work	7	8	8	9	15	480
The firm's recovery performance	6	7	7	8	15	420
Average time it takes the firm to liquidate debt	5	7	7	8	15	405
Resources of the firm	5	8	8	8	15	435
Approach to communication with HESAA	5	8	8	9	15	450
Approach to, and effective results of, settlements with borrowers	6	6	6	8	15	390
Past experience of HESAA with the firm and/or attorneys, including responsiveness to directives and timely and accurate reporting	7	8	8	9	10	320
Total	41	52	52	59	100	2900

Ranking

Solomon	2900
Grogan	2805
Portnoy	2745
Fein	2405
Pressler	2285
Bernstein	470

RESOLUTION 18:20

**APPOINTING SPECIAL COUNSEL TO A LIST OF ATTORNEYS TO ASSIGN
EDUCATIONAL RECEIVABLES FILES**

Moved by: Dr. Jon Larson
Seconded by: Mr. Bader Qarmout

WHEREAS: On August 10, 2020 the Higher Education Student Assistance Authority (HESAA) issued a Request for Qualifications (RFQ) seeking proposals from qualified law firms to create a list of no more than four outside counsel firms to which HESAA can assign defaulted student loans and other educational receivables for collection; and

WHEREAS: Six law firms provided proposals in response to the RFQ; and

WHEREAS: An evaluation committee made up of HESAA's Chief Compliance Officer, Assistant Controller, Associate Director of Servicing & Collections, and Servicing & Collections Program Officer met and reviewed each of the proposals; and

WHEREAS: Three of the proposals submitted in response to the RFQ were found by the evaluation committee to exceed the minimum score for placement on the list of attorneys to which HESAA assigns educational receivable files.

NOW, THEREFORE, LET IT BE:

RESOLVED: That the Board hereby appoints The Grogan Law Group LLC, Portnoy Schneck LLC, and Solomon and Solomon PC as Special Counsel to be placed on a List of Attorneys to Assign Educational Receivables Files for a two-year term.

October 21, 2020



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 19:20 Approving Proposed Amendments to the Regulations Governing the NJBEST Scholarship, N.J.A.C. 9A:10-7.15

DATE: October 21, 2020

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.

In 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 a 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 amends 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 regulations to P.L. 2020, c. 81.

The Authority also has determined to make three other amendments to the existing rules. First, it proposes increasing the minimum scholarship from \$500 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 \$1,500.00 to \$3,000.00. 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 these scholarships are subject to available funding from NJBEST administrative fees, they are not currently funded through annual State budget appropriations.

The proposed amendments are summarized below:

The proposed amendment to N.J.A.C. 9A:10-7.15(a) increases the minimum scholarship amount from \$500.00 to \$1,000.00. The proposed amendment also replaces the word "appropriation" with the word "funding."

N.J.A.C. 9A:10-7.15(a)1.iv. 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 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 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 in P.L. 2020, c. 81.

The proposed amendments to 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 \$1,500.00 to \$3,000.00. The proposed amendment also replaces the word "appropriation" with the word "funding."

The proposed amendments to N.J.A.C. 9A:10-7.15(d) align the regulations with the statutory changes in 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.

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] **\$1,000.00**, 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)1i through 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];

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] **\$3,000.00**, 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.)

Recommendation

It is recommended that the Board approve Resolution 19:20 Approving Proposed Amendments to the Regulations Governing the NJBEST Scholarship, N.J.A.C. 9A:10-7.15, so that the proposed amendments can be published in the New Jersey Register.

Attachment

RESOLUTION 19:20

PROPOSED AMENDMENTS TO REGULATIONS GOVERNING THE NJBEST SCHOLARSHIP

Moved by: Ms. Maria Torres

Seconded by: Dr. Jon Larson

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: 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; and

WHEREAS: 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 a NJBEST Scholarship if the designated beneficiary attends an eligible higher education institution in New Jersey; and

WHEREAS: In order to implement new legislation enacted this year that permits eligible students to receive a one-time NJBEST Scholarship at any point during their postsecondary program rather than solely at the student's initial time of enrollment, and also to increase the scholarship amount and provide additional clarifications, it is necessary to amend the regulations.

NOW, THEREFORE, LET IT BE:

RESOLVED: That the Board approves and authorizes publishing the Proposed Amendments to Regulations Governing the New Jersey Better Educational Savings Trust Program, N.J.A.C 9A:10-7.17 in the New Jersey Register.

October 21, 2020

New Jersey Higher Education Student Assistance Authority

Board Meeting
October 21, 2020

WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor



Create Opportunities

Agenda

- Audit Scope and Deliverables
- Audit Results
- Questions



Audit Scope and Deliverables

- Express an opinion on the following financial statements as of and for the year ended June 30, 2020
 - New Jersey Higher Education Student Assistance Authority NJCLASS/FFELP Loan Programs (the “Programs”)
 - New Jersey Higher Education Student Assistance Other HESAA Fiduciary Programs and Funds (the “Funds”)
 - New Jersey World Trade Center Scholarship Fund
- Issue an Auditor’s report on internal control over financial reporting and compliance in accordance with Government Auditing Standards
- Provide consent letters for the Student Loan Revenue Bonds, Series 2020-1, required by the underwriter including agreed-upon procedures over the loans



Audit Results

- Financial Statements
 - Independent Auditors' Report
 - ◇ Includes unmodified opinions for the Authority's NJCLASS, Other HESAA Programs and Funds, and the New Jersey World Trade Center Scholarship Fund
 - ◇ Affirm financial statements are presented fairly in all material respects
 - Reports on Internal Control over Financial Reporting, Compliance, and Other Matters
 - ◇ No material weakness in internal control noted
 - ◇ No other deficiencies in internal control noted
 - ◇ No noncompliance with laws and regulations noted
 - ◇ No other matters noted



Audit Results

Governance Communication

- Auditor's Responsibility
 - Audit performed in accordance with Generally Accepted Auditing Standards and Government Auditing Standards
- Accounting Policies
 - Management's significant accounting policies are described in Note 1
- Other Information in Documents Containing Audited Financial Statements
 - Required Supplementary Information – Management's Discussion and Analysis
 - NJCLASS/FFELP Loan Programs – Supplementary Information
 - Other HESAA Program and Funds – Supplementary Information



Audit Results

Governance Communication (continued)

- Significant Estimates
 - Allowance for Defaulted Student Loans
 - Allowance for Doubtful Accounts
 - We concluded that management has a reasonable basis for significant judgments and estimates that impact the financial statements
- Corrected and Uncorrected Misstatements
 - None
- Disagreements with management on accounting/auditing matters
 - None
- Consultations with other independent accountants
 - No use of third party accountant
- Management representations are provided in a separate letter that affirms representations made throughout the audit



Audit Results

Internal Control and Compliance

- We consider internal controls for the purpose of determining the nature, timing, and extent of audit procedures
- We gain an understanding through:
 - Inquiries of management and other Authority personnel
 - Walkthroughs of significant processes/cycles
- No *material weaknesses* identified
- We do not express an opinion on the effectiveness of the Authority's internal controls because it is not required under GAAS or GAGAS
- No matters to report over Compliance





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