

MINUTES

HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY

October 26, 2016

The Higher Education Student Assistance Authority (HESAA) Board held a meeting on October 26, 2016 at 10:00 am at the HESAA offices in Hamilton.

PRESENT: Fr. Michael Braden; Dr. Hasani Carter, Secretary of Higher Education Designee; Ms. Gabrielle Charette, Esq.; Mr. Anthony Falcone; Dr. Jon Larson; Mr. Corey Amon, Treasurer's Designee; Ms. Jean McDonald Rash; Mr. Shyam Sharma; Ms. Maria Torres and Ms. Christy Van Horn, Members.

ABSENT: Ms. Ester Calderon; Mr. George Garcia, Esq. and Mr. Bader Qarmout.

CALL TO ORDER

Anthony Falcone called the meeting to order at 10:06 am. Mr. Falcone stated that the meeting had been noticed in compliance with the requirements of the Open Public Meetings Act.

Mr. Falcone led those present in the Pledge of Allegiance.

Mr. Falcone welcomed the Board members and advised that because some members were participating via teleconference, Roseann Sorrentino would conduct a roll call for the resolutions.

Mr. Falcone welcomed Geoffrey Stark, Esq., Deputy Attorney General, and Michael Collins, Esq., Governor's Authorities Unit.

Mr. Falcone advised that no members of the public registered to speak.

Mr. Falcone asked Roseann Sorrentino to call the roll.

CONSIDERATION OF THE MINUTES OF THE JULY 26, 2016 MEETING

A motion to approve the minutes of the July 26, 2016 meeting was made by Ms. Maria Torres and seconded by Dr. Jon Larson. The minutes were approved unanimously with three abstentions, Mr. Corey Amon, Dr. Hasani Carter and Ms. Jean McDonald Rash, who did not participate in the July 26, 2016 meeting.

REPORT OF THE AUDIT COMMITTEE AND RESOLUTION 17:16 ACCEPTING AND ADOPTING THE FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORTS FOR FISCAL YEAR 2016

Anthony Falcone reported the audit committee met with the independent auditors on October 18, 2016 for a review of the audit report. He introduced Nancy Gunza, Engagement Principal, and Andrew Lee, Engagement Manager, of CliftonLarsonAllen (CLA), to report on the audit. Christy Van Horn arrived at the start of this presentation.

Nancy Gunza expressed her appreciation for the opportunity to be here today to present the results of their audit. She advised that CLA was once again engaged to audit three different entities of the Authority, the NJCLASS/FFELP Programs; the other HESAA Fiduciary Funds and Programs, and the New Jersey World Trade Center Scholarship Fund. She advised that CLA completed the audits for all three of those entities and met with the Audit Committee to review the results of the audit. In all cases CLA issued unmodified audit opinions which are the best type of auditor's opinion an auditor can provide. Ms. Gunza stated that there were no material weaknesses in internal control in any of the reports, so all and all it was a very positive and good audit result for this year. She confirmed that CLA reviewed everything in detail with the Audit Committee and presented the full Board with the final reports for each of those entities. In addition to the reports, they provided a government communication letter related to each of the audits which explains the various other communications that are required under the auditing standards.

Ms. Gunza added that they appreciate all the effort received from everyone at HESAA.

A motion to approve Resolution 17:16 was made by Ms. Jean McDonald Rash and seconded by Fr. Michael Braden.

The motion passed unanimously.

Mr. Falcone added that it has been a pleasure working with CLA the last five years and commended HESAA staff for their communication in order to complete this audit.

REPORT OF THE BUDGET COMMITTEE AND RESOLUTION 18:16 ADOPTING A BOARD BUDGET POLICY STATEMENT FOR FISCAL YEAR 2018

Dr. Jon Larson made the following presentation to the Board:

I am pleased to report that the budget committee of the HESAA Board met on September 29, 2016 to review the FY 2018 Full-Time Tuition Aid Grant models reflecting various award parameters, as well as anticipated funding requirements for all other State-supported programs administered by HESAA.

I would like to begin by expressing the Board's gratitude to Governor Christie and the Legislature for their continued support of New Jersey's State grant and scholarship programs during these difficult economic times. Moreover, the Board, on behalf of the students and families served, would also like to express appreciation for this on-going commitment. During

the 2016-17 academic year, the State's financial aid programs will provide more than 87,000 awards to State residents to pursue a postsecondary education, ultimately benefitting New Jersey's economy.

The FY 2018 Board Budget Policy Statement reflects the Board's fundamental principles of promoting access and affordability to postsecondary education for New Jersey's residents through need-based student financial aid, merit-based scholarships and loan redemption programs. In developing this budget policy statement and its funding recommendations, the committee was mindful of the on-going fiscal challenges facing the State of New Jersey. While the committee affirmed its commitment to advocate on behalf of students to achieve full funding of the full-time TAG Program in future years, its recommended funding levels reflect the State's ongoing fiscal constraints.

The budget committee's funding recommendations are as follows:

Full-Time TAG Program

When the Board met in July 2016, the Full-Time TAG Award Table that was adopted set awards using a base-year percentage increase structure for the third year. This structure ensures all awards, in all eligibility indexes at all institutions are increased by a percentage that is fixed annually.

At its September 29th meeting, the budget committee reviewed the following FY 2018 Full-Time TAG models. In light of continuing strong demand for TAG, all of the models included funding for an additional 2,000 awards, for a total of 68,128 full-year equivalent awards using the base-year percentage structure.

Model 1

- To provide funds to all eligible students with no TAG award increases would require an increased appropriation of nearly \$12.250 million over FY 2017 for a total cost of \$416.455 million.

Model 2

- To increase awards by 2% as well as fund all eligible students would require an estimated increased appropriation of \$20.544 million over FY 2017 for a total cost of \$424.749 million.

Model 3

- To increase awards by 2.5% as well as fund all eligible students would require an increase of nearly \$22.624 million over FY 2017 for a total cost of \$426.829 million.

Model 4

- To increase awards by 3.0% as well as fund all eligible students would require an increase of more than \$24.708 million for a total cost of \$428.913 million.

In recognition of the continuing fiscal challenges facing the State, the committee is recommending that the Board support a request to increase funding for all students in all sectors by 2% over the 2016-17 TAG awards.

Accordingly, the committee recommends that HESAA's Executive Director, Gabrielle Charette, request the funding required for the Full-Time TAG Program to achieve the following:

- Maintain the current base-plus percentage increase structure of the TAG table;
- Increase awards by 2% over current 2016-17 TAG awards;
- Recognize a likely increase in the number of eligible recipients to include 2,000 additional new awards.

The projected cost to fund these award increases and provide for 2,000 additional new awards at these levels is \$424.749 million, an increase of \$20.544 million over FY 2017 resources. This represents an overall increase of 5.08% over the FY 2017 appropriation.

Part-Time TAG Program for County College Students

The committee recommends \$7.644 million in funding for the Part-Time Tuition Aid Grant Program for County College Students. At this funding level, awards would be set following the same parameters as the full-time TAG table. There is no anticipated program growth in the number of awards for this year. The projection model does not require an increase over the FY 2017 appropriation.

Governor's Urban Scholarship Program

FY 2018 represents the sixth year of funding this program. The committee is recommending funding of \$665,000 to fund all eligible students as well as 130 graduating students who will receive a persistency award of \$500.

NJ STARS Program/NJ STAR II Program

Based on the current programs' parameters, HESAA staff projected the cost of the NJ STARS and NJ STARS II Program will be \$7.107 million in FY 2018. An increase of \$200,660 over the FY 2017 appropriation to recognize anticipated county college tuition increases.

The merit-based NJ STARS Program covers the cost of tuition for up to 18 college-level credits each term, less other State and federal grants and scholarships.

NJ STARS II annual award values are \$2,500. To qualify for NJ STARS II, total family income must be less than \$250,000.

All Other HESAA Programs Funded through State Appropriations

The Board recommends funding the following programs accordingly:

- **Survivor Tuition Benefits Program**
Projected program balances will be sufficient to funds FY 2018 awards.
- **World Trade Center Scholarship Program**
Continue level funding of \$202,000 to fund this program.
- **Primary Care Practitioner/Nursing Faculty Loan Redemption Program**
Continue level funding of \$1.5 million for this program.

A motion to approve Resolution 18:16 was made by Ms. Maria Torres and seconded by Fr. Michael Braden.

The motion passed unanimously.

RESOLUTION 19:16 APPOINTING A FINANCIAL ADVISOR FOR AUTHORITY BOND ISSUES

Gene Hutchins presented Resolution 19:16 to the Board.

On August 29, 2016 the Authority issued a Request for Proposals (RFP) seeking proposals from firms interested to serve as Financial Advisor to HESAA for bonds issued through negotiated sales.

The Financial Advisor, which serves as the Authority's 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 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 will serve for calendar years 2017 and 2018.

HESAA sent the RFP to 18 financial advisory firms, posted the RFP on HESAA's website and advertised the RFP in the Trenton Times, Star Ledger, Courier News, and Home News.

One proposal was received from HESAA's current Financial Advisor, First Southwest, A Division of Hilltop Securities.

The evaluation committee which included HESAA's Chief Financial Officer, Controller and Director of Legal & Governmental Affairs reviewed First Southwest's proposal and found that it meets HESAA's requirements. In addition, First Southwest demonstrates a depth and breadth of financial advisory services they are able to provide to HESAA, as well as in their experience with a number of student loan issuers from across the United States.

The maximum fee proposed by First Southwest for financial advisory services is \$125,000 per transaction, plus expenses.

In response to requested quotes for related services that were included in the RFP, First Southwest has proposed a swap advisory fee of \$2 per \$1000 of notional amount for swap termination services.

They have also proposed a fee of 2 basis points on the invested balances, with a maximum of \$34,000, for their support in the bidding, evaluation and award of the Guaranteed Investment Contracts. However, in current market conditions with the lack of spread out there available, it is not anticipated that we will be seeking a GIC as part of the 2017 transaction.

It is recommended that First Southwest be appointed as the Authority's Financial Advisor for the years 2017 and 2018.

A motion to approve Resolution 19:16 was made by Dr. Jon Larson and seconded by Ms. Jean McDonald Rash.

Ms. Van Horn clarified with Mr. Hutchins that First Southwest has acted as Financial Advisor since 2011.

Anthony Falcone questioned why there was only one response. Mr. Hutchins explained that it could be due to the intense regulatory environment for these types of firms. One of the standards that they are required to meet is a fiduciary standard with a demonstrated expertise in the advice that they are providing. Mr. Hutchins explained that a lot of the general financial advisor firms that deal mainly with municipal type bond issues can't make that representation to HESAA due to the type of bonds that we issue.

Ms. Van Horn clarified with Mr. Hutchins that other firms are unable to make these representations because they do not have the in-house expertise to serve in a fiduciary roll.

Corey Amon asked what the fee was prior to \$125,000 in the current proposal.

Mr. Hutchins responded that since 2011 it has been \$100,000. He advised that staff questioned why there was an increase and First Southwest explained that the Financial Industry Regulatory Authority (FINRA) and Municipal Securities Rulemaking Board (MSRB) requires them to engage in additional training certifications. They also have an increased record keeping and post audit exposure with regard to the services they are performing for the Authority. This regulatory overhead is driving cost increases.

Christy Van Horn asked how many staff they devote to HESAA.

Gene Hutchins explained that the primary interface is with Steve Kantor who is located in New York and that the primary interface from the student loan team is with Tim Webb. He further explained all of the back office support provided by additional First Southwest staff.

Anthony Falcone confirmed with Mr. Hutchins that the \$25,000 increase is within HESAA's budget.

Maria Torres and Cory Amon asked about how the RFP was advertised and distributed.

Marnie Grodman explained that HESAA advertises all RFPs in the largest newspapers in New Jersey, looking for New Jersey firms. She further explained that HESAA sends the RFP to firms nationwide. Mr. Hutchins advised that HESAA receives a list of firms from the Office of Public Finance and Ms. Grodman explained that the list is a starting point to which HESAA adds any other firms of which they are aware.

The motion passed unanimously.

RESOLUTION 20:16 APPOINTING SPECIAL COUNSEL TO A LIST OF ATTORNEYS TO ASSIGN EDUCATION RECEIVABLE FILES

Dave Gillespie presented Resolution 20:16 to the Board.

On September 27, 2016 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 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 Trenton Times, Star Ledger, Courier News, and Home News.

HESAA received proposals from five law firms, all of which currently represent HESAA.

An evaluation committee made up of HESAA's Executive Director, Controller, Associate Director of Servicing and Collections, Servicing and Collections Program Officer and Director of Audits and Quality Assurance met and reviewed each of the responsive proposals.

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

- Knowledge and experience of attorneys and firm in educational receivables collections, bankruptcy, and Administrative hearings and appellate work;
- The firm's recovery performance;
- Average time it takes the firm to liquidate a debt;
- Resources of the firm;
- Approach to communication with HESAA; and
- Past experience with HESAA and the firm and/or attorneys.

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 four firms.

Based on the reviews, all of the firms met the minimum threshold for appointment. As such, the committee recommends that Fein, Such, Kahn & Shephard, P.C., Russell Goldman PC, The Law Offices of Richard W. Krieg LLC and Schachter Portnoy LLC be placed on the list.

Once firms are placed on the list, HESAA staff will assign files to the firms based on the following criteria, as 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 a 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 offices.

It is recommended that the Board approve Resolution 20:16 Appointing Fein, Such, Kahn & Shephard, P.C., Russell Goldman PC, The Law Offices of Richard W. Krieg LLC and Schachter Portnoy LLC to a List of Attorneys to Assign Educational Receivables Files.

A motion to approve Resolution 20:16 was made by Ms. Jean McDonald Rash and seconded by Ms. Christy Van Horn.

Christy Van Horn asked how location effects placement.

Mr. Gillespie responded that in-state accounts are generally assigned based on the county in which the firms are located and that out of state accounts are divided up to balance the workload to the firms.

Mr. Falcone asked how many of the firms are in New Jersey to which Mr. Gillespie responded that they all are in New Jersey.

The motion passed unanimously.

RESOLUTION 21:16 APPROVING THE EXTENSION OF THE CONTRACT WITH THE HIGHER EDUCATION LOAN AUTHORITY OF MISSOURI (MOHELA) AS HESAA'S REMOTE SITE, THIRD PARTY DIRECT LENDING SERVICING PARTNER FOR TWO YEARS

Gene Hutchins presented Resolution 21:16 to the Board.

Pursuant to the Health Care and Education Reconciliation Act of 2010, which was Public Law 111-152 ("HCERA"), the Federal Family Education Loan Program ("FFELP") was effectively

abolished and all new federal student loans are now, since 2010, being originated through the Federal Direct Loan Program (“DL”).

Section 2212 of the Act provided that the Secretary of the USDE contract with not-for-profit servicers (“NFP”) to service certain federally owned student loans originated through the DL program.

Following an analysis of our opportunity to serve as a servicer under guidelines issued by the USDE, it was determined that it would be in the Authority’s best interests to enter into a “Teaming Arrangement” as permitted by USDE with an Eligible NFP Servicer that had already made the necessary investments, including but not limited to Federal Information Systems Management Act (“FISMA”) compliance.

Based on that determination, HESAA issued an RFP for a Direct Loan Servicing Platform on November 1, 2011, and that RFP solicited responses from Eligible NFP Servicers interested in providing comprehensive remote site, third party DL servicing capability.

Of the four responses received at that time, MOHELA (Higher Education Loan Authority of Missouri) already had received an Authority to Operate (“ATO”) from the USDE and their proposal was the most financially beneficial to HESAA both in terms of total revenue, that we would realize over the course of the contract and in terms of structure, meaning that a large portion of the revenue generated by the contract came to us upfront. At its December 20, 2011 meeting the Board approved entering a contract with MOHELA for a term of five years with two possible one-year extensions.

Based on the success of the agreement and the willingness of MOHELA to extend the contract, it is recommended that the Board approve Resolution 21:16, extending the Teaming Arrangement contract with MOHELA as HESAA’s remote site, third party Direct Loan Servicing Partner for the first of two potential one-year contract extension periods through December 31, 2017.

A motion to approve Resolution 21:16 was made by Dr. Jon Larson and seconded by Ms. Maria Torres.

The motion passed unanimously.

RESOLUTION 22:16 READOPTION WITH AMENDMENTS OF REGULATIONS GOVERNING STUDENT LOAN AND COLLEGE SAVING PROGRAMS, N.J.A.C. 9A:10

Marnie Grodman presented this item to the Board.

The rules governing student loan and college savings programs were scheduled to sunset on May 1, 2016. At its April 19, 2016 meeting the HESAA Board approved the proposed readoption with amendments of the chapter, which extended the sunset date 180 days.

The proposal was published in the June 6, 2016 New Jersey Register and on the HESAA website, sent to the Statehouse News Media and Secondary notice was emailed to interested parties. No comments were received during the legislative review period.

HESAA received a number of comments from the public, which are summarized in the materials, along with HESAA's responses to each of those comments.

The majority of the commenters provided the same recommendations for how to assist borrowers in repayment. Staff reviewed each of the recommendations, and has been speaking with other states' agencies, bond counsel and our financial advisors to learn about existing programs and to determine what programs HESAA will be able to administer and finance. When a feasible program is determined, it will require a new regulatory proposal to implement, HESAA cannot make changes to a program upon adoption of regulations.

One commenter requested that HESAA extend its loan forgiveness policy. While it cannot be done upon adoption, staff is proposing a regulatory amendment to implement this request which will be later during this meeting.

In addition, one request that all of the commenters made was for HESAA to withdraw its proposal to amend N.J.A.C. 9A:10-6.16(b), which relates to the attorney fees. HESAA proposed that amendment to ensure that borrowers are cognizant of the total amount that they will owe if they default on an NJCLASS loan. Based on the comments received, staff understands that the proposed language may cause confusion. As such, staff agrees that it is best to not to adopt the amendment at this time and to continue reviewing the regulation to determine language that will provide more clarity.

To ensure that the regulations do not expire, staff recommends that the Board approve Resolution 22:16 Approving the Readoption with Amendments of Regulations Governing Student Loan and College Savings Programs.

A motion to approve Resolution 22:16 was made by Ms. Maria Torres and seconded by Fr. Michael Braden.

Corey Amon asked whether the simultaneous proposal referenced in the memo was part of this resolution. Ms. Grodman explained that the proposal was under a separate resolution.

Ms. Rash asked about the proposed amendment that was not going to be adopted.

Ms. Grodman explained that the regulation has always provided for attorney fees upon default. She advised that some borrowers have had concerns when attorney's fees are included in the demand letters because the fees are not earned until the money is collected. She explained that the intent of the amendment was to make it very clear that this is something borrowers owe and that is why it is in those collection letters. Some of the commenters thought the amendment was trying to do more than that. In order to alleviate any sort of confusion Ms. Grodman explained that staff did not want to adopt the amendment at this time, and will continue to look at other ways to fix the language so that its 100% clear. In the interim HESAA continues to ensure that counsel is making their letters to borrowers clear about the total they owe and what the collection costs are.

The motion passed unanimously.

RESOLUTION 23:16 PROPOSED AMENDMENTS TO REGULATIONS GOVERNING DISCHARGE OF NEW JERSEY COLLEGE LOANS TO ASSIST STATE STUDENTS (NJCLASS), N.J.A.C. 9A:10-6.17

Marnie Grodman presented this item to the Board.

The Legislature recently passed legislation that would forgive NJCLASS loans in the event of death or disability of the student. HESAA has drafted a proposed regulation for your consideration today which is consistent with the pending legislation.

Specifically, the regulation provides for cosigner forgiveness of the remaining balance on the loan, through the bond trust estates, any time a student borrower or beneficiary dies or becomes totally and permanently disabled.

A motion to approve Resolution 23:16 was made by Dr. Jon Larson and seconded by Ms. Maria Torres.

Christy Van Horn asked for an explanation of the amendment.

Ms. Grodman advised that the exact changes were in the materials and explained that the current regulation only provides for forgiveness if all of the parties to the loan are deceased. Otherwise if one party to the loan is deceased or permanently disabled, just that person is taken off of the loan. She explained that pursuant to the proposed regulation, if the student dies, all of the parties are released from the loan, and the entire loan is forgiven.

Corey Amon questioned whether there would be costs associated with this amendment. Ms. Grodman advised that while there will be costs, staff consulted with Bond Counsel and the Financial Advisors and they will be built it into the Bond Trust Estates. They will make amendments to the bond documents to allow for forgiveness of loans that were made from existing indentures and they will also build it in for the future.

Maria Torres asked when this will become policy if it is approved.

Ms. Grodman explained that in order for the regulation to go through the adoption process and for the bonds to close, the regulation provides forgiveness for applications received on or after June 1, 2017. Gabrielle Charette added that if the pending legislation is signed into law prior to the effective date of the regulation, then HESAA will follow the law immediately, as always.

The motion passed unanimously.

PRESENTATIONS

Servicing and Loan Repayment Outreach

Tera Gervasio and Dave Gillespie provided the attached presentation on Servicing and Loan repayment Outreach.

Christy Van Horn commented that the presentation was great, and helps provide an understanding of the process.

Maria Torres agreed and asked how we can share this understanding with the general public. Gabrielle Charette advised that this will be an assignment for HESAA's new Director of Communications.

Attorney Oversight Process

Gena Carapezza provided the attached presentation on the Attorney Oversight Process.

Christy Van Horn asked about what happens when borrowers are not paying the attorneys. Ms. Carapezza explained that the attorneys are required to continue their collection activity. Dave Gillespie further explained that if there is a judgment in place, there is a lot of power behind it and there are a wide range of collection activities attorneys are permitted to take. He further advised that if a customer does not have a judgment and has stopped making payments, the attorneys will initiate the process to obtain a judgment.

Forman Acton Foundation Collaboration with NJBEST

Beth Bordowitz, Vice President, Forman Scholars Organization provided the attached presentation on the Forman Acton Foundation Collaboration with NJBEST.

Anthony Falcone asked whether families will be able to add money to the NJBEST accounts started for them through the Foundation. Ms. Bordowitz explained that this is a new program and they are hoping that this will be available in the future.

Maria Torres asked what happens if a student moves out of Salem. Ms. Bordowitz explained that the accounts were available for all students who either live in Salem or attend Salem High School. She explained that if a family moves, the student would keep the existing account, the foundation just would not add to it.

Shayam Sharma asked whether the account could be used to attend a trade school and Ms. Bordowitz advised that the account could be used for any 529 qualified higher education expense.

EXECUTIVE DIRECTOR'S REPORT

Executive Director Gabrielle Charette gave the following report:

Thank you Chairman Falcone, members of the Board and guests.

Much has occurred since the last Board meeting and this is proving to be a very busy quarter.

For the first time ever, the FAFSA became available on October 1 as part of the Presidential Early FAFSA initiative. As you know, previously the application for the coming academic year was not available until January 1. While it is still early, initial reports indicate that we are receiving more FAFSAs with the first month of filing; availability being in October as opposed to January. During the first 19 days of October, we received 31,017 FAFSAs as compared to the first 19 days of this past January where we received 27,985 FAFSAs.

We credit this positive response to both HESAA's multi-faceted outreach campaign to potential TAG renewal students and the outreach that is taking place on college campuses throughout the State. We also believe the ability to use prior-prior year income information when completing the application is facilitating early filing.

In addition to increased FAFSA filings, we are also tracking a significant increase in completion rates of the New Jersey specific questions at the time of initial FAFSA filing. Answers to the New Jersey specific questions are a critical component of determining student eligibility for TAG. Hence, we encourage students to respond to those questions at the time of the initial filing to avoid both delays in processing and additional follow up requests. When the New Jersey questions were first introduced, the response rate at the time of FAFSA filing was only 12.0%, today it is tracking at 28.0%.

The early FAFSA, prior-prior year income, and the importance of the NEW JERSEY questions make HESAA's annual Secondary School Counselor Training Institute a particularly important event this year. I am pleased to report that we have nine sessions scheduled across the state; 6 have already occurred and 3 more are upcoming. To date, over 860+ high school guidance counselors have registered.

A number of changes to the federal Military Lending Act recently became effective. Specifically, the Act was expanded to include additional types of loans not previously covered including, for the first time, student loans. Additionally, the Act had required the covered member to self-identify their military status to the lender. The Act now requires that lenders verify against a Department of Defense database to ensure all military applicants have a covered member status.

Because the Act now covers student loans, HESAA has implemented policies and procedures to verify the covered status of all applicants anytime a credit report is obtained for an NJCLASS loan. These borrowers will be identified in our system as covered borrowers. HESAA staff reads the Military Lending Act statement and specific sections of the loan disclosures to those covered members when they call the Authority during the application cycle and prior to disbursement of the funds. In addition, language has been added to our Loan Application Disclosure, the Loan Offer Disclosure and the Pre-Disbursement Disclosure to comply with the Act.

To make certain that all staff who interact with borrowers are well trained and versed on the new legal requirements, Lorraine Staley, Associate Director of Loan Originations and Karen Grant, Business Systems Analyst conducted 6 training sessions for 53 HESAA staff members.

Of course, prior to any new program implementation, a tremendous amount of systems work needed to be accomplished. That is why HESAA was pleased to accept Equifax's offer to be a beta testing site. During a 5-week cycle, HESAA worked with Equifax to test the new MLA procedure and reported errors which were then corrected. This collaboration and due diligence allowed HESAA to meet the compliance date of October 3, 2016. I would like to acknowledge Raju Konduru, Senior Systems Architect, Marianne Morris, Software Development Specialist and Jaya Kelachankuttu, IS Programmer for their hard work.

Finally, since our last Board meeting we welcomed two new staff members to the HESAA team and had one promotion. Jennifer Azzarano is our new Communications Director. Jennifer has a background in higher education communications having worked for both Burlington County College and Bryn Athyn College. Leslie Flanagan-Bryant just joined HESAA on Monday as my new Executive Assistant and Kathryn Safran has been promoted to the position of Director of Grants & Scholarships.

Thank you.

ADJOURNMENT

Mr. Falcone announced that after adjourning this Board Meeting the Board would enter a closed session, pursuant to the Open Public Meetings Act, to review dispositions of applications for loan forgiveness due to death or total and permanent disability. He advised that it would be a closed session pursuant to N.J.S.A. 10:4-12b(1) discussing private information protected by federal and state law.

A motion to adjourn and go to closed session was made by Ms. Maria Torres and seconded by Dr. Hasani Carter. The motion passed unanimously.

Mr. Falcone advised that the next regularly scheduled Board meeting is Wednesday January 25, 2017 at 10:00 am.

The meeting adjourned at 11:38 pm.



State of New Jersey

HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY

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GABRIELLE CHARETTE, ESQ.
Executive Director

MEMORANDUM

TO: Members, Higher Education Student Assistance Authority

FROM: HESAA Board Audit Committee

SUBJECT: Report of the Audit Committee and Resolution 17:16 Accepting and Adopting the Financial Statements and Independent Auditors' Reports for Fiscal Year 2016

DATE: October 26, 2016

Summary

Attached for your review, comment and adoption is Resolution 17:16 Accepting and Adopting the Financial Statements and Independent Auditors' Reports for Fiscal Year 2016.

Background

The Audit Committee of the Authority is comprised of the Chair, Vice-Chair and one public member of the Board, as well as a member of the Board having accounting or related financial experience, which includes Anthony Falcone, Christy Van Horn, Maria Torres and Corey Amon.

The Committee met with representatives of CliftonLarsonAllen on October 18, 2016 to review and discuss the 2016 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 2016.

Attachment

RESOLUTION 17:16

**ACCEPTING AND ADOPTING THE FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORTS FOR FISCAL YEAR 2016**

Moved by: Ms. Jean McDonald Rash

Seconded by: Fr. Michael Braden

WHEREAS: The Higher Education Student Assistance Authority (HESAA) prepared three separate financial statements for Fiscal Year 2016 ("2016 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 26, 2016, 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, 2016; and

WHEREAS: The members of the Board Audit Committee met with representatives of CliftonLarsonAllen LLP on October 18, 2016 to discuss the 2016 Financial Statements and CliftonLarsonAllen's unmodified reports; and

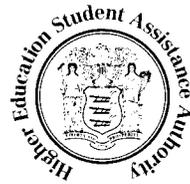
WHEREAS: The members of the Board Audit Committee recommend that the HESAA Board accept and adopt the Financial Statements and Independent Auditors' Reports for Fiscal Year 2016.

NOW THEREFORE, BE IT:

RESOLVED: That the HESAA Board accepts and adopts the Fiscal Year 2016 Financial Statements and Independent Auditor's Reports as attached hereto; and be it further

RESOLVED: That the attached Fiscal Year 2016 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 26, 2016



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

CHRIS CHRISTIE
Governor

KIM GUADAGNO
Lt. Governor

GABRIELLE CHARETTE, ESQ.
Executive Director

MEMORANDUM

TO: Members, Higher Education Student Assistance Authority

FROM: Gabrielle Charette, Esq. 
Executive Director

SUBJECT: Report of the Budget Committee and Resolution 18:16 Adopting a Board Budget Policy Statement for Fiscal Year 2018

DATE: October 26, 2016

Summary

Attached for your review, comment and adoption is Resolution 18:16 Adopting a Board Budget Policy Statement for Fiscal Year 2018. Dr. Jon Larson will report the results of the Budget Committee's meeting.

In general, the Committee's recommendation for FY 2018 continues support for those policies advanced in Fiscal Year 2017.

Background

The Budget Committee of the Authority is comprised of the Executive Committee of the Board, which includes Gabrielle Charette, Anthony Falcone, Christy Van Horn, Maria Torres and Jon Larson.

The Committee met on September 29, 2016 with HESAA staff to develop a Board Budget Policy Statement for Fiscal Year 2018.

Recommendations

The Budget Committee recommends adoption of the attached policy statement and Resolution 18:16.

Attachments (2)

RESOLUTION 18:16
ADOPTING A BOARD BUDGET POLICY STATEMENT FOR
STATE FISCAL YEAR 2018

Moved by: Ms. Maria Torres
Seconded by: Fr. Michael Braden

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 September 29, 2016 the Board's Budget Committee met with staff to review background information and to draft a FY 2018 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 2018 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 2018 resources available for State-funded student assistance programs in keeping with the attached budget policy statement, subject to refinement of underlying projections.

October 26, 2016

FY 2018 BUDGET POLICY STATEMENT FOR 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 programs administered by the Authority. These recommendations are submitted to the Executive Director for review and submission to the Division of Budget and Accounting.

The Board would like to take this opportunity to thank Governor Christie and the Legislature for their sustained support of New Jersey's State grant and scholarship programs during these challenging fiscal times. Moreover, the Board, on behalf of the students and families served, would also like to express its appreciation for this on-going commitment. During the 2016-2017 academic year, the State's financial aid programs will provide approximately 87,000 awards to State residents to pursue a postsecondary education, ultimately benefitting New Jersey's economy.

The Fiscal Year 2018 Budget Policy Statement reflects the Board's fundamental principles of promoting access and affordability to postsecondary education for New Jersey residents through need-based student financial aid and merit-based scholarship programs. In formulating this budget policy recommendation, the Board remained mindful of its role as student advocate to achieve full funding of the full-time TAG Program, while recognizing the on-going fiscal challenges facing the State of New Jersey.

Funding requirements based on various TAG table parameters were reviewed. The Board feels that the funding recommendation outlined below is the most reasonable in light of the State's fiscal challenges and the needs of New Jersey students and families. However, it wishes to reaffirm its long-standing commitment to achieve full funding of the full-time TAG Program and affordability, access and choice for all students. The full-time TAG Program is one of the most important sources of aid available to low- and middle-income New Jersey students, who must cover ever-increasing postsecondary education expenses. Full funding of the TAG Program would help these students meet expenses and achieve their educational goals, ultimately benefitting New Jersey's economy.

The funding recommendations and priorities staff will advance over the course of the budget process will reflect the Board's position as expressed in this policy statement.

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 historical commitment to all eligible full-time students under the need-based TAG Program.
- 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, from year to year or within a year, must always be considered separately from

award values, funding and expenditures for the full-time TAG Program because TAG and Part-Time TAG are separate line items in the State budget.

- FY 2018 is the sixth year of the Governor's Urban Scholarship providing \$1,000 renewable scholarship awards to students 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. Students must reside in but not necessarily attend high school in one of 14 high-need communities identified by the NJ Department of Education and the NJ Department of Community Affairs.

Key to maintaining higher education access and affordability for New Jersey families is the ability of State grant programs to provide predictability and stability to financially needy students and their families and the institutions they seek to attend. With this goal in mind, we present the following funding recommendations:

Funding Policy Recommendations

Tuition Aid Grants for Full-Time Students

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

- Awards to all eligible students who apply by the application deadlines.
- Continue to provide full-time TAG awards using the base-year percentage increase structure. Beginning in FY 2015, full-time TAG awards were structured on a base-year percentage increase. The base-plus percentage structure ensures all awards, in all eligibility indexes at all institutions are increased by a percentage that is fixed annually.
- Recognize an increase in the number of eligible recipients to include 2,000 additional new awards.
- Provide for a contingency mechanism that ensures sufficient reserves to cover increases in program costs not anticipated in the budget.

Part-Time Tuition Aid Grants for EOF Students

The Board recommends funding for the Part-Time TAG for EOF Students Program at a level sufficient to maintain the current program and reflect any increases in TAG.

Part-Time Tuition Aid Grant Program for County College Students

In accordance with the Board's long-standing tenets for this program, provide awards to all eligible students who apply by the application deadlines at one-half or three-quarters of the dollar value of full-time awards, within available funding levels.

NJ Student Tuition Assistance Reward Scholarship/NJ Student Tuition Assistance Reward Scholarship II Programs

The Board recommends continued funding to support all students who meet the eligibility requirements of the NJ STARS and NJ STARS II Programs.

Governor's Urban Scholarship Program

The Governor's Urban Scholarship Program, created in 2012, provides New Jersey high school students who reside in 14 high-need communities identified by the Department of Education (DOE) and the Department of Community Affairs (DCA) the opportunity and resources they need to pursue higher education opportunities. For FY 2018 the sixth class of \$1,000 renewable scholarship awards will be made available to 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 is provided to students in their final term of the scholarship upon completion of their associate or baccalaureate degree. The Board recommends continued funding to support the Governor's Urban Scholarship recipients.

All Other HESAA Programs Funded through State Appropriations

The Board recommends funding the following programs as indicated below:

Survivor Tuition Benefits Program

To fund anticipated program participants, projected program balances will be sufficient to fund FY 2018 awards.

World Trade Center Scholarship Program

Recognizing that the program is committed to funding the majority of the students through 2024, the Board recommends continuation of level funding to support the World Trade Center Scholarship Program recipients.

Primary Care Practitioner/Nursing Faculty Loan Redemption Program

The Board recommends continuation of level funding for this program which provides funding for both redemption of student loans for practitioners in medically underserved areas across the State as well as funding for the Nursing Faculty Loan Redemption Program which is one mechanism for addressing the State's current critical shortage of both nurses and nursing faculty.

HESAA Revenue and Fee-Supported Programs

Federal Family Education Loan Program (FFELP)
Federal Direct Loan Servicing
New Jersey College Loans to Assist State Students (NJCLASS)
New Jersey Better Educational Savings Trust (NJBEST)
Program NJBEST Scholarships
Law Enforcement Officer Memorial Scholarship Program
World Trade Center Scholarship Program (Public and Private Donations)

FOR INFORMATION ONLY - THIS PAGE IS NOT PART OF THE RESOLUTION

Estimated **Additional*** State Appropriations Necessary to Implement the HESAA Board's FY 2018 Budget Policy Statement

Full-Time Tuition Aid Grants

Provides awards for students based on their current award levels plus a percentage increase not to exceed 2.0%.

Table assumes 68,128 awards –

An increase of 2,000 additional new awards \$20,544,000

NJ STARS/NJ STARS II

NJ STARS provides scholarships to cover up to the cost of tuition for students who graduate in the top 15% of their class and attend their county college full-time. NJ STARS II is a continuation of NJ STARS. The scholarship of up to \$2,500 is available for graduating NJ STARS who transfer to New Jersey four-year public and private colleges and universities.

No increase in the number of awards

Recognizes anticipated tuition increases at the county colleges \$200,660

***Total Estimated Additional State Appropriations Potentially Needed to Implement the HESAA Board's FY 2018 Budget Policy Statement \$20,744,600**



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GABRIELLE CHARETTE, ESQ.
Executive Director

MEMORANDUM

TO: Members, Higher Education Student Assistance Authority

THROUGH: Gabrielle Charette, Esq. 
Executive Director

FROM: Eugene Hutchins 
Chief Financial Officer

SUBJECT: Resolution 19:16 Appointing a Financial Advisor for Authority Bond Issues

DATE: October 26, 2016

Background

On August 29, 2016 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, represents the Authority's interests in the development of a bond issue. Its services 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 will serve for calendar years 2017 and 2018.

HESAA sent the RFP to 18 financial advisory firms, posted the RFP on HESAA's website and advertised the RFP in the Trenton Times, Star Ledger, Courier News, and Home News.

One proposal was received from HESAA's current Financial Advisor, First Southwest, A Division of Hilltop Securities.

Selection Process

An evaluation committee made up of HESAA's Chief Financial Officer, Controller and Director of Legal & Governmental Affairs reviewed First Southwest's proposal.

The selection criteria for reviewing the proposal are as follows:

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;
4. The ability to meet the needs of the Authority; and
5. The fee proposed.

The evaluation committee reviewed First Southwest's proposal and found that it meets HESAA's requirements. In addition, First Southwest demonstrates a depth and breadth of financial advisor services they provide to HESAA, as well as in their experience with a number of student loan issuers from across the United States.

The maximum proposed fee by First Southwest for financial advisory services is \$125,000 per transaction, plus expenses. In response to requested quotes for related services that were included in the RFP, First Southwest has proposed a swap advisor fee of \$2 per \$1000 of notional amount for swap termination services. First Southwest also proposes a fee of 2 basis points on the invested balances, with a maximum of \$34,000, for their support in the bidding, evaluation and award of the Guaranteed Investment Contracts in which bond proceeds are invested until disbursed as student loans, and in which loan repayments are temporarily reinvested. However, in the current market environment, it is unlikely that a Guaranteed Investment Agreement will be sought as an investment vehicle for new bond proceeds. For GASB #53 Swap valuation and effectiveness testing, First Southwest proposes a fee of \$1,250 per SWAP.

Recommendation

It is recommended that the Board approve the attached Resolution 19:16 approving the appointment of First Southwest as the Authority's Financial Advisor for the years 2017 and 2018.

Attachments

RESOLUTION 19:16

APPOINTING A FINANCIAL ADVISOR FOR AUTHORITY BOND ISSUES

Moved by: Dr. Jon Larson
Seconded by: Ms. Jean McDonald Rash

WHEREAS: There is a need for the Higher Education Student Assistance Authority (HESAA) to appoint a Financial Advisor to serve as the Independent Registered Municipal Advisor for calendar years 2017 and 2018; and

WHEREAS: On August 29, 2016 the HESAA issued a Request for Proposals (RFP) seeking proposals from firms interested as service as Financial Advisor to HESAA for bonds issued through negotiated sale; and

WHEREAS: HESAA sent the RFP to 18 financial advisory firms, posted the RFP on HESAA's website and advertised the RFP in the Trenton Times, Star Ledger, Courier News, and Home News; and

WHEREAS: One proposal was received from HESAA's current Financial Advisor, First Southwest, A Division of Hilltop Securities; and

WHEREAS: An Evaluation Committee comprised of the Authority's Chief Financial Officer, Controller and Director of Legal Affairs reviewed the proposal to ensure it met the selection criteria.

NOW, THEREFORE, LET IT BE:

RESOLVED: That the Board approves the appointment of First Southwest, A Division of Hilltop Securities, 485 Madison Avenue, Suite 1800, New York, New York 10022, as Financial Advisor for 2017 and 2018 at a cost of \$125,000 per bond issue; a fee of \$2 per \$1000 of notional amount for swap termination services; a fee of 2 basis points of the amount invested for guaranteed investment contract bid management services, with a maximum fee of \$34,000, to be paid by the guaranteed investment contract provider; and a fee of \$1,250 per SWAP for GASB #53 swap valuation and effectiveness testing.

October 26, 2016



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GABRIELLE CHARETTE, ESQ.
Executive Director

MEMORANDUM

TO: Members, Higher Education Student Assistance Authority

THROUGH: Gabrielle Charette, Esq. 
Executive Director

FROM: Dave Gillespie 
Associate Director of Servicing and Collections

SUBJECT: Resolution 20:16 Appointing Special Counsel to a List of Attorneys to Assign Educational Receivables Files

DATE: October 26, 2016

Background

On September 27, 2016 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 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 Trenton Times, Star Ledger, Courier News, and Home News.

HESAA received proposals from five law firms, all of which currently represent HESAA.

Selection Process

An evaluation committee made up of HESAA's Executive Director, Controller, Associate Director of Servicing and Collections, Servicing and Collections Program Officer and Director of Audits and Quality Assurance met and reviewed each of the responsive proposals.

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

- Knowledge and experience of attorneys and firm 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; and
- Past experience of HESAA with the firm and/or attorneys.

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 four firms.

Based on the reviews, all of the firms met the minimum threshold for appointment. As such, the committee recommends that Fein, Such, Kahn & Shephard, P.C., Russell Goldman PC, The Law Offices of Richard W. Krieg LLC and Schachter Portnoy LLC be placed on the list.

Once firms are placed on the list, 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 offices.

Recommendation

It is recommended that the Board approve Resolution 20:16 Appointing Fein, Such, Kahn & Shephard, P.C., Russell Goldman PC, The Law Offices of Richard W. Krieg LLC and Schachter Portnoy LLC 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 Fein, Such, Kahn & Shephard, P.C.		DATE October 19, 2016													
SUMMARY OF EVALUATION TEAM'S COMMENTS:															
Recently the bidder experienced an operational issue in the reporting of information to the Authority. The evaluation team took note of the handling of the issue and scored the responses accordingly. The bidder has corrected the issue. Prior to placing loans with the bidder, they will be required to provide proof that they have registered with NJSTART.															
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	SCORE 5	SCORE 4	SCORE 3	SCORE 2	SCORE 1	SCORE 2	SCORE 3	SCORE 4	SCORE 5	WEIGHT	TOTAL
Knowledge and experience of attorneys and firm in educational receivables collections, bankruptcy, and Administrative hearings and appellate work	7	8	9	8	7								7	20	780
The firm's recovery performance	7	6	7	6	7									20	660
Average time it takes the firm to liquidate debt	7	4	7	6	7									20	620
Resources of the firm	7	8	9	8	9									15	615
Approach to communication with HESAA	8	7	8	7	8									15	570
Past experience of HESAA with the firm and/or attorneys	7	7	7	6	5									10	320
Total	43	40	47	41	43									100	3565

EVALUATION SCORE SHEET		HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY (Special Counsel: Student Loan Collections)									
BIDDER Russell Goldman PC		DATE October 19, 2016									
SUMMARY OF EVALUATION TEAM'S COMMENTS:											
The evaluation team is pleased with the performance and responsiveness of the bidder. Prior to the placement of any loans with the bidder, the bidder will need to provide a copy of the results of their CFPB Supervision and Examination Manual internal 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	SCORE 4	SCORE 5	WEIGHT	TOTAL				
Knowledge and experience of attorneys and firm in educational receivables collections, bankruptcy, and Administrative hearings and appellate work	9	8	8	8	9	20	840				
The firm's recovery performance	9	9	9	8	8	20	860				
Average time it takes the firm to liquidate debt	9	9	9	8	8	20	860				
Resources of the firm	4	4	4	5	4	15	315				
Approach to communication with HESAA	9	9	8	7	7	15	600				
Past experience of HESAA with the firm and/or attorneys	9	8	8	8	8	10	410				
Total	49	47	46	44	44	100	3885				

EVALUATION SCORE SHEET		HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY (Special Counsel: Student Loan Collections)									
BIDDER		DATE									
The Law Offices of Richard W. Krieg LLC		October 19, 2016									
SUMMARY OF EVALUATION TEAM'S COMMENTS:											
The evaluation team took note of the bidder's significant improvement in responsiveness to inquiries from HESAA since the last RFQ was awarded. Since the last RFQ the bidder made an organizational change and added additional staff to handle the portfolio placed with the bidder.											
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	SCORE 5	WEIGHT	TOTAL				
Knowledge and experience of attorneys and firm in educational receivables collections, bankruptcy, and Administrative hearings and appellate work	6	8	8	8	8	20	760				
The firm's recovery performance	7	7	7	7	7	20	700				
Average time it takes the firm to liquidate debt	8	7	7	7	7	20	720				
Resources of the firm	6	7	8	8	6	15	525				
Approach to communication with HESAA	8	5	8	8	9	15	570				
Past experience of HESAA with the firm and/or attorneys	7	4	6	8	8	10	330				
Total	42	38	44	46	45	100	3605				

EVALUATION SCORE SHEET		HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY (Special Counsel: Student Loan Collections)									
BIDDER Schachter Portnoy LLC		DATE October 19, 2016									
SUMMARY OF EVALUATION TEAM'S COMMENTS:											
The evaluators all felt the bidder was most responsive bidder to inquiries from HESAA. It is noted that the bidder has a lower, but still acceptable recovery rate, than of the other bidders.											
Scoring 9-10 = Excellent 7-8 = Very Good 5-6 = Good 3-4 = Fair 1-2 = Poor 0 = No Response											
CRITERIA	SCORE 1	SCORE 2	SCORE 3	SCORE 4	SCORE 5	WEIGHT	TOTAL				
Knowledge and experience of attorneys and firm in educational receivables collections, bankruptcy, and Administrative hearings and appellate work	9	8	8	9	9	20	860				
The firm's recovery performance	7	4	7	6	4	20	560				
Average time it takes the firm to liquidate debt	7	6	7	6	4	20	600				
Resources of the firm	8	7	8	8	7	15	570				
Approach to communication with HESAA	10	7	8	9	9	15	645				
Past experience of HESAA with the firm and/or attorneys	10	7	9	9	8	10	430				
Total	51	39	47	47	41	100	3665				

EVALUATION SCORE SHEET	HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY (Special Counsel: Student Loan Collections)
BIDDER Solomon & Solomon	DATE October 19, 2016

SUMMARY OF EVALUATION TEAM'S COMMENTS:
 In scoring this firm, the evaluation committee took into consideration a consent agreement that the firm entered with the CFPB. The firm self-reported the results to HESAA when the CFPB investigation occurred, and ensured that no HESAA customers were impacted by the firm's actions. In addition, one evaluator noted that the bidder recently had been improperly billing HESAA for fees on certain types of transaction but that the bidder has corrected the issue.

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	SCORE 5	WEIGHT	TOTAL
Knowledge and experience of attorneys and firm in educational receivables collections, bankruptcy, and Administrative hearings and appellate work	8	8	9	8	8	20	820
The firm's recovery performance	7	6	7	6	4	20	600
Average time it takes the firm to liquidate debt	7	5	7	6	4	20	580
Resources of the firm	8	7	8	7	7	15	555
Approach to communication with HESAA	5	3	8	7	4	15	405
Past experience of HESAA with the firm and/or attorneys	4	2	4	4	3	10	170
Total	39	31	43	38	30	100	3130

Threshohld Score

2500

Bidder	Score
Russell Goldman PC	3885
Schachter Portnoy LLC	3665
The Law Offices of Richard W. Krieg LLC	3605
Fein, Such, Kahn & Shephard, P.C.	3565
Solomon & Solomon	3130

Pass

Pass

Pass

Pass

Pass

RESOLUTION 20:16

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

Moved by: Ms. Jean McDonald Rash

Seconded by: Ms. Christy Van Horn

WHEREAS: On September 27, 2016 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: Five law firms provided proposals in response to the RFQ; and

WHEREAS: An evaluation committee made up of HESAA's Executive Director, Controller, Associate Director of Servicing and Collections, Servicing and Collections Program Officer and Director of Audits and Quality Assurance met and reviewed each of the proposals; and

WHEREAS: All five firms exceeded the minimum score for placement on the list of attorneys to which HESAA assigns educational receivable files; and

WHEREAS: The evaluation committee recommends appointing the four firms that received the highest scores on the Evaluation Scoresheets.

NOW, THEREFORE, LET IT BE:

RESOLVED: That the Board hereby appoints Fein, Such, Kahn & Shephard, P.C., Russell Goldman PC, The Law Offices of Richard W. Krieg LLC and Schachter Portnoy LLC as Special Counsel to be placed on a List of Attorneys to Assign Educational Receivables Files for a two-year term.

October 26, 2016



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GABRIELLE CHARETTE, ESQ.
Executive Director

MEMORANDUM

TO: Members, Higher Education Student Assistance Authority

THROUGH: Gabrielle Charette, Esq. 
Executive Director

FROM: Eugene Hutchins 
Chief Financial Officer

SUBJECT: Resolution 21:16 – Approving the Extension of the Teaming Arrangement Contract with the Higher Education Loan Authority of Missouri (MOHELA) as HESAA’s Remote Site, Third Party Direct Lending Servicing Partner

DATE: October 26, 2016

Background

Pursuant to the Health Care and Education Reconciliation Act of 2010, Public Law 111-152 (“HCERA”), the Federal Family Education Loan Program (“FFELP”) was effectively abolished and all new federal student loans are now originated through the Federal Direct Loan Program (“DL”).

Both the United States Congress and the US Department of Education (USDE) recognized that the USDE had insufficient resources by way of capacity and experience to service the much larger DL portfolio resulting from all federal student loans being originated under the DL program. Section 2212 of the HCERA provided that the Secretary of the USDE contract with not-for-profit servicers (“NFP”) to service certain federally owned student loans originated through the DL program.

On April 29, 2010, the USDE’s Office of Federal Student Aid (“FSA”) issued a “Sources Sought Notice” in which it set forth certain requirements for determining whether an entity is an Eligible NFP Servicer. HESAA responded to the FSA “Sources Sought Notice” and FSA determined that the Authority is an Eligible NFP Servicer under HCERA. On September 29, 2010, the USDE issued a Solicitation (NFP-RFP-2010) seeking responses from Eligible NFP Servicers to act as federal subcontractors for the servicing of federally owned student loans originated through the DL program.

Following an analysis of HESAA's servicing options, it was determined that it would be in the Authority's best interests to enter into a "Teaming Arrangement" with an Eligible NFP Servicer that had already made the necessary investments, including but not limited to Federal Information Systems Management Act ("FISMA") compliance. Based upon that determination, on November 1, 2011, HESAA issued an RFP for a Direct Loan Servicing Platform, which solicited responses from Eligible NFP Servicers interested in providing comprehensive remote site, third party DL servicing capability. Of the four responses MOHELA (Higher Education Loan Authority of Missouri) already had received an Authorization to Operate ("ATO") from the USDE and their proposal was the most financially beneficial to HESAA both in terms of total revenue over the course of the contract and in terms of structure. At its December 20, 2011 meeting the Board approved entering a contract with MOHELA for a term of five years with two possible one-year extensions. To date, HESAA has received \$2.49 million in revenue under the contract.

Recommendation

Based upon the success of the agreement and the willingness of MOHELA to extend the contract, it is recommended that the Board approve Resolution 21:16, extending the Teaming Arrangement contract with MOHELA as HESAA's remote site, third party Direct Loan Servicing Partner for the first of two potential one-year contract extension periods through December 31, 2017.

Attachments

RESOLUTION 21:16

APPROVING THE EXTENSION OF THE TEAMING ARRANGEMENT CONTRACT WITH THE HIGHER EDUCATION LOAN AUTHORITY OF MISSOURI (MOHELA) AS HESAA'S REMOTE SITE, THIRD PARTY DIRECT LENDING SERVICING PARTNER

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

WHEREAS: The Health Care and Higher Education Reconciliation Act of 2010 (HCERA) abolished the Federal Family Education Loan Program (FFELP) thereby significantly reducing revenues earned by the Higher Education Student Assistance Authority (HESAA) for guarantor services performed by HESAA in association with FFELP loans, and;

WHEREAS: The United States Department of Education (USDE) solicited Eligible Not-For-Profit (NFP) entities to service certain Federal Direct Loans as contractors for a fee, and HESAA was designated by the USDE as an Eligible NFP Servicer, and;

WHEREAS: The USDE also authorized Eligible NFP's to enter into Teaming Arrangements with other Eligible NFP Servicers, and;

WHEREAS: The HESAA Board at a Special Meeting on December 11, 2011 approved a Teaming Arrangement Contract with the Higher Education Loan Authority of Missouri (MOHELA), a Federal Information Systems Management Act (FISMA) compliant Eligible NFP Servicer, that held an Authority to Operate (ATO) certification from the USDE and was already engaged in the servicing of Federal Direct Loans, and;

WHEREAS: The MOHELA's teaming agreement has proved beneficial to HESAA with over \$2.49 million in revenue realized to date.

NOW, THEREFORE, LET IT BE:

RESOLVED: That the Board approves a one-year extension of the contract for a Teaming Arrangement with MOHELA as HESAA's remote site, third party Direct Lending Servicing Partner as the first of two extension years.

October 26, 2016



State of New Jersey

HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY

4 QUAKERBRIDGE PLAZA

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CHRIS CHRISTIE
Governor

KIM GUADAGNO
Lt. Governor

GABRIELLE CHARETTE, ESQ.
Executive Director

MEMORANDUM

TO: Members, Higher Education Student Assistance Authority Board

THROUGH: Gabrielle Charette, Esq. 
Executive Director

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

SUBJECT: Resolution 22:16 –Readoption with Amendments of Regulations Governing Student Loan and College Savings Programs, N.J.A.C. 9A:10

DATE: October 26, 2016

Background

Pursuant to N.J.S.A. 18A:71A-1 et seq., the Higher Education Student Assistance Authority (“HESAA” or the “Authority”) is statutorily responsible for the administration of the State’s student loan and college savings programs and for the promulgation of all rules to that effect. Pursuant to N.J.S.A. 52:14B-5.1b. the rules governing the Program were scheduled to expire May 1, 2016. In accordance with N.J.S.A. 52:14B-5.1c(2) the submission of the notice of proposal to the Office of Administrative Law will extend that date 180 days. The Authority reviewed the rules and determined that they continue to be necessary, reasonable and proper for the purpose for which they were originally promulgated. The rules being readopted will continue to provide the Authority with the ability to administer the student loan and college savings programs in an efficient and economic matter. To ensure the continued efficient administration and operation of this Program, the Authority proposed the readoption of these rules with amendments.

At its April 19, 2016 meeting the HESAA Board approved the proposed readoption with amendments to N.J.A.C. 9A:10. The proposed rule, PRN 2016-079, was published in the June 6, 2016 New Jersey Register at 48 N.J.R. 902, on the HESAA website at HESAA.org, sent to the Statehouse News Media and Secondary notice was emailed to interested parties. The 60-day legislative review period for this rule expired on June 21, 2016, with no comments received and

the public comment period for this rule expired on August 5, 2016. The Authority received comments from David McMillin on behalf of Legal Services of New Jersey, Deborah A. Carney-Gumpper, Marielle Meth, Mary J. O'Mara, Conor O'Mara, Tracey Timony and Kirsten Volkert. The comments are summarized below along with the Higher Education Student Assistance Authority's responses.

COMMENT: Mr. McMillin states that HESAA should implement a rehabilitation program for NJCLASS loans. He asserts that "it would satisfy HESAA's statutory mandate under N.J.S.A. 18A:71C-29, it would substantially enhance the fairness of the NJCLASS program for the most economically-vulnerable borrowers, there is no impediment under federal law, and it would allow many NJCLASS loans to move from non-performing to performing status." Mr. McMillin supports his assertions with the following arguments. Mr. McMillin asserts that the Authority is statutorily required to implement borrower protections comparable to those available to Federal student loan borrowers. He cites N.J.S.A. 18A:71C-29 which reads, "Unless expressly limited to federal programs, the information exchange, wage withholding, collection procedures, repayment determinations and other provisions set forth in article 1 of this part shall apply to loan NJCLASS Loan Program." In addition, he states that HESAA has the discretion and power to restructure loans in its servicing portfolio and that there is a clear mandate to provide repayment of NJCLASS in the same manner as permitted for federal student loans, including rehabilitation and income sensitive repayments. Mr. McMillin believes that the bond indentures grant HESAA broad discretion in servicing and collecting on NJCLASS loans and therefore are not an impediment to implementing such a program. He further states that "there is nothing in federal law that precludes the fundamental components of loan rehabilitation – allowing borrowers in default to get back on an affordable payment schedule, getting the loan back to performing status, and ceasing collection activities (which would no longer be necessary)." Mr. McMillin asserts that "[c]redit reporting consequences are a separate issue. Even if NJHESAA and other state student loan lenders seek a change in federal law to allow them to report an entirely default-free payment history, this does not preclude rehabilitation in the first place. And, crucially, NJHESAA is under no legal obligation to report any particular borrower's credit history to credit reporting agencies." He cites examples of how other states have handled rehabilitation, stating that Massachusetts delays any report of default for two years in order to allow a borrower to succeed with a modified payment schedule, and that Michigan offers a rehabilitation option to its existing borrowers that includes removal of the loan(s) from default, updating of any credit reporting of the default, and a return to repayment status.

RESPONSE: The prime benefit of rehabilitating a defaulted federal student loan is that the default is removed from a borrower's credit report. This benefit is specifically provided for federal student loans only, pursuant to 34 C.F.R. 682.405 and 34 C.F.R. 685.211(f). As the Fair Credit Reporting Act requires furnishers to report information to the consumer reporting agencies accurately, HESAA cannot provide NJCLASS borrowers with this benefit. Although HESAA and other state-based lenders are currently advocating for such a provision to be included in the reauthorization of the Higher Education Act, the exemption does not currently exist.

Mr. McMillin references Michigan's student loan program and states that Michigan offers a rehabilitation program. HESAA contacted Michigan to determine whether their program could

be mirrored in New Jersey and was advised that Michigan ceased origination of new loans in 2008. Further, unlike NJCLASS, the defaulted loans that are eligible for the revised payment structure are not currently part of an existing trust estate. This means that there are fewer limitations on how they are required to service their defaulted loans. Additionally, Michigan is not deleting the default from the borrower's credit report. As Michigan's loan portfolio (which is in the process of being closed out) is a small fraction of the size of the NJCLASS portfolio, they are able to finance a revised payment structure for their defaulted borrowers with minimal funding. Funding is not currently available for NJCLASS to mirror Michigan's program.

Mr. McMillin also states that Massachusetts delays reporting defaults for two years to allow for rehabilitation. HESAA contacted Massachusetts and was advised that they do not delay reporting defaults.

HESAA will continue its advocacy efforts to amend the reporting requirements for rehabilitated loans and will continue its research into providing additional affordable repayment options both before and after default.

COMMENT: Mr. McMillin urges HESAA to implement an income-sensitive repayment plan to avert delinquency and default. He advises that the Rhode Island Student Loan Authority (RISLA) has adopted an income based repayment program for its state student loans originated after July 1, 2013, demonstrating that this is feasible at the state level.

RESPONSE: Unlike the federal student loan program, NJCLASS is not subsidized by federal tax dollars. HESAA estimates that the initial upfront cost to the State to fund a broad-based income sensitive repayment program would range from a low of \$288 million to a high of \$1.15 billion. Going forward, HESAA estimates that the program would cost the State a minimum of \$40 million annually. As such, there is currently no funding for an across the board income sensitive repayment program.

Mr. McMillin references Rhode Island's program. HESAA reviewed RISLA's 2016 Senior Series A Bonds Official Statement which reveals that their income based repayment program is limited, is subject to the availability of funds, and can be discontinued at any time without prior notice. Further, like NJCLASS, RISLA offers a family loan program and the majority of the loans have multiple obligated parties. In determining eligibility for income based repayment, Rhode Island factors in the income and resources of all parties to the loan, including all cosigners. In addition, if any of the parties to the loans file a joint tax return with their spouse, the spouse's income is considered in determining eligibility. As such, eligibility for this program is limited. Pursuant to RISLA's 2016 Senior Series A Bonds Official Statement there are currently only 59 borrowers who have reduced payments under this program. While an across the board income sensitive repayment program is cost prohibitive, HESAA is researching whether the Authority can finance and offer a limited income sensitive repayment option similar to that offered in Rhode Island.

COMMENT: Mr. McMillin states that state agencies are under no affirmative obligation to report to credit reporting agencies and HESAA should implement policies to suspend reports to credit reporting agencies in appropriate circumstances.

RESPONSE: Pursuant to the Fair Credit Reporting Act, HESAA is required to be accurate in all of our reports to the credit bureaus.

COMMENT: Mr. McMillin urges HESAA to amend N.J.A.C. 9A:10-6.17 to extend death and disability discharge protection to co-signers. In the alternative, he requests that HESAA publicize its policy to grant co-signer discharges based on a demonstration of need.

RESPONSE: HESAA currently has a policy to fund loan forgiveness outside of the trust estate. The current policy provides loan forgiveness for all parties to the loan when the student for whom the loan was borrowed dies while in school or up to six months after graduating or withdrawing from school. The policy also provides forgiveness if a student dies more than six months after graduating or withdrawing from school if it is a severe financial hardship for the remaining parties to the loan to continue making NJCLASS payments. If it is not a severe financial hardship, and families do not want to make monthly payments, they can pay a reduced amount in a lump sum. The NJCLASS portal for borrowers and cosigners provides information as to when loans are forgiven and advises families to contact HESAA for the forgiveness application.

HESAA has been reviewing solutions to finance an extension of its existing policy to all deaths or total and permanent disability of the student for whom an NJCLASS loan was borrowed and has determined that it will be possible through amendments to the existing trust estates. Amendments to N.J.A.C. 9A:10-6.17 cannot be made upon adoption; they require a new rule proposal. As such, simultaneous with this readoption, HESAA is submitting proposed amendments to N.J.A.C. 9A:10-6.17 to extend loan forgiveness.

COMMENT: Mr. McMillin believes that HESAA is misinterpreting N.J.A.C. 9A:10-6.6 by not requiring students to exhaust both subsidized and unsubsidized federal loans prior to determining NJCLASS eligibility. He requests that HESAA either revise its current interpretation of the regulation or propose regulatory amendments requiring students to maximize both subsidized and unsubsidized loans prior to applying for NJCLASS loans. He believes that this will ensure that borrowers do not unknowingly enter into NJCLASS loans which have “fewer alternatives and protections in the event of payment difficulties than those available with respect to all types of federal student loans.”

RESPONSE: Federal student loan terms and conditions are continuously changing. At times, the NJCLASS interest rate has been lower than the unsubsidized federal loan. In order to provide families with the most advantageous loan options, HESAA does not require families to exhaust their unsubsidized loan eligibility. However, HESAA provides families with information on federal loans. On its website, HESAA advises families that they should always apply for federal loans first and in the NJCLASS disclosures, families are provided with the interest rates for all federal student loans, and are again advised that they should contact both their school and the U.S. Department of Education regarding their eligibility. As such, HESAA will not be amending N.J.A.C. 9A:10-6.6.

COMMENT: Mr. McMillin, Ms. Carney-Gumpper, Ms. Meth, Ms. O'Mara, Mr. O'Mara, Ms. Timony and Ms. Volkert all requested that HESAA withdraw its proposal to amend N.J.A.C. 9A:10-6.16(b). The commenters argue that the law firms have not yet earned their fee at the time they are filing a complaint and therefore the contingency fee should not become due and owing at the time the account is placed with outside counsel. In addition, as the regulation provides for attorney fees up to 30%, Ms. Carney-Gumpper, Ms. Meth, Ms. O'Mara, Mr. O'Mara, Ms. Timony and Ms. Volkert have requested that HESAA's retainer agreements with the law firms be provided to the borrowers so they are advised of the actual fee.

RESPONSE: HESAA believes that it is important to ensure that borrowers are cognizant of the total amount that they will owe if they default on an NJCLASS loan. While we disagree with the commenter's interpretation of the proposed amendment, HESAA understands that the proposed language may cause confusion. As such, HESAA will not adopt the amendment at this time and will continue to review the regulation to propose language that will provide more clarity.

With regards to the request for the retainer agreements, these agreements are public records and are always available to members of the public who request them pursuant to the Open Public Records Act.

COMMENT: Ms. Carney-Gumpper, Ms. Meth, Ms. Timony and Ms. Volkert object to HESAA's reference to the indentures of the bond. They argue that HESAA does not provide the borrowers with copies of the bonds, or reference which bonds funded their particular loans so they are not able to research the terms of their loans.

RESPONSE: All parties to an NJCLASS loan are provided with the terms and conditions of their NJCLASS loan as part of the promissory notes that they sign combined with the Truth in Lending Act disclosures they receive as part of the application process. The terms and conditions reflect the terms that are contained in the bond indentures. For borrowers who wish to see the origin of the promissory note's terms and conditions, the bond indentures are public records and are always available to members of the public who request them pursuant to the Open Public Records Act.

Attached to Resolution 22:16 is the Rule Proposal as published in the June 6, 2016 New Jersey Register.

Full text of the adopted amendment to the proposal follows (additions to proposal indicated in boldface with asterisks ***thus***; deletions from proposal indicated in brackets with asterisks *[thus]*):

9A:10-6.16 Default and consequences of default

(a) (No change.)

(b) Upon default, the borrower and/or cosigner, if any, are liable for the entire balance of the loan. Upon default, the Authority shall notify credit bureaus of this negative information. Default may result in any or all of the following: expedited increase of interest rate, loss of State income

tax refunds or State tax rebates, legal actions, ***assessment of collection charges including attorney fees of up to 30 percent of the debt collected,*** loss of eligibility for other student aid, negative credit reports, administrative wage garnishment, offset of lottery prize winnings, ***and*** suspension of New Jersey occupational and professional license ***[and assessment of collection charges including attorney fees up to 30 percent of the debt owed. Collection costs, which encompass the cost of processing, handling, and collecting such debt, become due and owing at the time the account is placed with outside counsel and shall be added to the balance owed regardless of whether the total amount is actually collected]***.

Recommendation

It is recommended that the Board approve Resolution 22:16 Approving the Readoption with Amendments of Regulations Governing Student Loan and College Savings Programs, N.J.A.C. 9A:10.

Attachments

RESOLUTION 22:16

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

Moved by: Ms. Maria Torres
Seconded by: Fr. Michael Braden

WHEREAS: The Higher Education Student Assistance Authority (“HESAA”) is statutorily responsible for the administration of the State’s student loan and college savings programs; and

WHEREAS: Pursuant to N.J.S.A. 52:14B-5.1, N.J.A.C. 9A:10 was scheduled to sunset on May 1, 2016; and

WHEREAS: HESAA is required to review the rules proposed for readoption and determine if they are necessary, reasonable and proper for the efficient operation of the financial aid programs for which they were originally promulgated; and

WHEREAS: At its April 19, 2016 meeting the HESAA Board approved the proposed readoption with amendments to N.J.A.C. 9A:10; and

WHEREAS: The Proposed Rule No. PRN 2016-079, was published in the June 6, 2016 New Jersey Register at 48 N.J.R. 902, on the HESAA website at HESAA.org, sent to the Statehouse News Media and Secondary notice was emailed to interested parties; and

WHEREAS: In accordance with N.J.S.A. 52:14B-5.1c(2) the submission of the notice of proposal to the Office of Administrative Law extended the sunset date 180 days; and

WHEREAS: The 60-day legislative review period for this rule expired on June 21, 2016 with no comments received; and

WHEREAS: The public comment period for this rule expired on August 5, 2016 with seven comments received; and

WHEREAS: In response to concerns of the commenters HESAA will not be adopting the proposed amendment to N.J.A.C. 9A:10-6.16(b) at this time; and

WHEREAS: This change from the proposal is not substantial and can be made upon adoption pursuant to N.J.A.C. 1:30-6.3.

NOW, THEREFORE, LET IT BE:

RESOLVED: That the Board approves the Readoption with Amendments of Regulations Governing the Student Loan and College Savings Programs, N.J.A.C. 9A:10.

October 26, 2016

HIGHER EDUCATION

(a)

HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY

Student Loan and College Savings Programs

Proposed Readoption with Amendments: N.J.A.C. 9A:10

Proposed Repeals: N.J.A.C. 9A:10-1.9 and 3

Authorized By: Higher Education Student Assistance Authority,
Anthony Falcone, Chairperson.

Authority: N.J.S.A. 18A:71A-1 et seq., 18A:71B-35 through 46,
18A:71B-96, 18A:71C-1 through 31, 18A:71C-49, and 18A:71C-
57; and 20 U.S.C. §§ 1071 et seq.

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

Proposal Number: PRN 2016-079.

Submit written comments by August 5, 2016, to:

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

The agency proposal follows:

Summary

The Higher Education Student Assistance Authority (Authority) proposes to readopt N.J.A.C. 9A:10 governing student loan and college savings programs. Pursuant to N.J.S.A. 52:14B-5.1, the rules in this chapter are scheduled to expire May 1, 2016. In accordance with N.J.S.A. 52:14B-5.1.c(2), the submission of this notice of proposal to the Office of Administrative Law extends that date 180 days to October 28, 2016.

The Authority has reviewed the rules and determined that they continue to be necessary, reasonable, and proper for the purpose for which they were originally promulgated. The rules proposed for readoption will continue to provide the Authority with the ability to administer the student loan and college savings programs in an efficient and economic manner.

Pursuant to N.J.S.A. 18A:71A-1 et seq., the Authority is statutorily responsible for the administration of the State's student loan and college savings programs and for the promulgation of all rules to that effect. To ensure the continued efficient administration and operation of these programs, the Authority is proposing the readoption of these rules with amendments, and the repeal of certain rules no longer applicable to program operations, to provide additional clarity in the eligibility requirements for participation and application, enrollment criteria, and continued payment of awards for students attending participating New Jersey institutions, all of which are summarized below.

Subchapter 1 details the policies and procedures governing the implementation of the Federal Family Education Loan Program (FFELP) administered by the Authority. The FFELP is a collective term for the Stafford Loan Program (both interest subsidized and unsubsidized), the Supplemental Loan for Students or SLS Program, the Parent Loan for Undergraduate Students (PLUS) Program offered to graduate students and eligible parents of dependent undergraduate students and the Consolidation Loan Program. The FFELP was a Federal-State-private sector partnership. Financial institutions made FFELP loans with private capital, State-designated guaranty agencies, such as the Authority, provide first-line insurance (guarantees for the loans), and the Federal government, through the Federal Department of Education, provides subsidies for student borrowers along with backstop reinsurance and general program oversight and regulation. Pursuant to 20 U.S.C. § 1071, originations of new FFELP loans ceased as of June 30, 2010. As such, the rules proposed for readoption with amendments are limited to the servicing of existing FFELP loans as no new FFELP loans are being originated.

The rules proposed for readoption with amendments frequently refer to the "Common Manual," which is a publication developed and continuously updated by guarantors participating in the FFELP, such as the Authority. The Common Manual, which is a national industry initiative, is a detailed compilation of policies adopted by guarantors and is intended to be consistent with the Federal Higher Education Act of 1965, as amended, 20 U.S.C. §§ 1071 et seq., and its implementing regulations set forth in 34 CFR Parts 600, 668, and 682 and subregulatory Federal guidance.

Multiple terms and definitions are proposed for amendment in N.J.A.C. 9A:10-1.3. As FFEL loans are no longer being originated, the definition of "Blanket Certificate of Loan Guaranty" is proposed for amendment to reflect that agreements for blanket certificate of loan guaranty are already in place and new ones are no longer being offered.

The definition for "cohort default rate" is proposed for amendment to reflect the Federal change from a two-year to a three-year cohort default rate pursuant to 34 CFR 668.200-202 and Subpart N.

The definition for "Commission" or "CHE" is proposed for deletion as those terms are not used in the chapter.

The definition for the "Federal Family Education Loan Program" is proposed for amendment to reflect the cessation of FFELP originations pursuant to 20 U.S.C. § 1071(d) as is the definition for "lender of last resort."

The definition of "Master Promissory Note" is proposed for amendment to correct the cite for the Federal statute, replacing 20 U.S.C. § 1087vv with 20 U.S.C. § 1082(m).

The NCHelp Electronic Standards Committee no longer exists. As such, the term and definition are proposed for deletion from the rule.

The definition for "servicer" is proposed for amendment to complete the cite to the Federal regulation as the subpart was not previously included.

N.J.A.C. 9A:10-1.4(b)1 is proposed for amendment to clarify that the Authority's phone number may not be toll free.

N.J.A.C. 9A:10-1.4(b)2 and 3 are proposed for deletion due to the cessation of FFELP originations pursuant to 20 U.S.C. § 1071(d).

As there are no longer FFELP originations, recodified N.J.A.C. 9A:10-1.4(b)7 is proposed for amendment to reflect that the Authority no longer provides oversight and training, but instead distributes subregulatory guidance, which is now contained in the Common Manual.

N.J.A.C. 9A:10-1.5(a) is proposed for amendment due to the cessation of FFELP originations to reflect that HESAA served as the State-designated lender, and no longer provides new loans.

N.J.A.C. 9A:10-1.6(a), (b), (c), and (d) are proposed for amendment to change references to the origination of the FFELP loan to the past tense due to the cessation of FFELP originations, as is N.J.A.C. 9A:10-1.10(b) and 1.11.

N.J.A.C. 9A:10-1.7(a) is proposed for amendment to state that the Authority will no longer be entering into participation agreements for originating new loans. As the Authority will no longer be acting as lender of last resort to originate FFELP loans, N.J.A.C. 9A:10-1.7(b) is proposed for amendment to delete reference to lender of last resort originations and to change to past tense the requirement that there be a lender of last resort.

N.J.A.C. 9A:10-1.8(a), (b), and (c) relate to the originations of FFELP loans at the schools. As the FFELP originations have ceased, N.J.A.C. 9A:10-1.8(a), (b), and (c) are proposed for deletion.

Recodified N.J.A.C. 9A:10-1.8(a) is proposed for amendment to reflect the correct Federal regulatory cite, 34 CFR 668.14(b)(4).

N.J.A.C. 9A:10-1.9 is proposed for repeal as FFELP loans are no longer being originated.

N.J.A.C. 9A:10-1.14(b) is proposed for amendment to clarify the State departments and divisions with which the Authority participates in information exchanges.

N.J.A.C. 9A:10-1.15 is proposed for amendment to clarify that borrowers are permitted to enter rehabilitation agreements for FFELP loans and upon rehabilitation the benefits that are reinstated include the ability to receive Federal, not FFELP loans. This section is also proposed for amendment to delete references to the Common Manual as the Common Manual no longer provides a more complete explanation of the topic.

34 CFR 682.209(g), authorizing refinancing of FFELP loans was repealed pursuant to 78 Fed. Reg. 65768, 65811 (2013), as such N.J.A.C. 9A:10-1.16(b), is proposed for deletion.

As the Authority is no longer authorized to originate new Federal consolidation loans, recodified N.J.A.C. 9A:10-1.16(b) is proposed for amendment to remove reference to originating new consolidation loans.

N.J.A.C. 9A:10-1.17 is proposed for amendment to remove training from the heading as the section references a full gamut of services provided by the Authority. In addition, this section is amended to remove references to services no longer provided due to the elimination of FFELP originations, such as FFELP-related information, application processing, and loan disbursements.

As FFELP is no longer originating loans, schools are no longer participating in the program and, therefore, are not subject to reviews by the Authority. As such, N.J.A.C. 9A:10-1.18 is proposed for amendment to delete subsection (b) in its entirety, remove all references to schools in subsection (a) and recodified subsections (c), (d), (e), and (f), and replace reference to "student" with reference to "borrower."

Subchapter 2 incorporates the rules for the administration of the Social Services Student Loan Redemption Program (SSSLRP), which was enacted into law on July 14, 2005 (N.J.S.A. 18A:71B-87 et seq.). This program addresses the critical shortage of direct care professionals in the State by providing redemption incentives for eligible student loan expenses incurred by program participants covering the cost of attendance while enrolled in an approved undergraduate or graduate course of study. In exchange, the program participant contracts with the Authority to engage in full-time employment as a direct care professional at a qualified facility or agency following the participant's successful completion of the approved course of study. The rules established by this subchapter provide the policies and procedures for participation in SSSLRP.

Subchapter 3 specifies the policies and procedures for participation in the OB/GYN Student Loan Expense Reimbursement Program, which was enacted into law on June 7, 2004 (N.J.S.A. 18A:71C-49). This program was intended to ensure that high-quality health care continued to be available in the State, and that residents continued to have access to highly trained physicians in all specialties. In support of this objective, the OB/GYN program addressed the issue of affordability for licensed obstetrician/gynecologists with outstanding eligible student loan expenses to practice in their field by providing reimbursement for these expenses in exchange for their practice in State-designated medically underserved areas pursuant to N.J.S.A. 18A:71C-35 for a period of four years from the date they received reimbursement. Pursuant to P.L. 2004, c. 17, this program was implemented for a limited duration that ended in 2007. The rules established by the Authority provide for the administration of the OB/GYN program. This subchapter is proposed for repeal as there are no longer any participants remaining in the program.

Subchapter 4 details the policies and procedures for participating in the Nursing Faculty Loan Redemption Program, which was signed into law on January 16, 2010. This program addresses the current and projected critical shortage of nurse faculty in the State by providing an incentive for persons to enter graduate nursing education programs and for persons already trained as nurses to advance their training in the profession, so as to ensure that sufficient numbers of nursing faculty are available to train nursing students, and the State's hospitals, nursing homes, veterans' facilities and home care services, and community care programs will have sufficient, trained nursing staff in the future to provide quality health care services to the residents of the State.

At N.J.A.C. 9A:10-4.2, the definition of "eligible institution" is proposed for amendment to reflect the replacement of the Commission on Higher Education with the Office of the Secretary of Higher Education pursuant to Executive Reorganization Plan No. 005 (2010).

Subchapter 5 remains reserved.

Subchapter 6 incorporates the rules governing the New Jersey College Loans to Assist State Students (NJCLASS) Program, the State's supplemental student loan program, pursuant to N.J.S.A. 18A:71C-21 through 31. The NJCLASS Program is a State student loan program intended to supplement the subsidized Federal Stafford Loan Program and make State-sponsored student loans available to students who cannot obtain Federally backed student loans, either because those loans are not

available, because the student does not meet the program eligibility requirements as defined by the Federal government, or because the student has additional financial need unmet by Federally backed student loans. The proposed amendments to the NJCLASS Program rules are summarized below.

At N.J.A.C. 9A:10-6.3, the definition for "annual income" is proposed for amendment to clarify that applicants list their income on the loan application and that the listed income is subject to verification by the Authority.

A new definition for "co-borrower" is proposed to provide clarification as to the responsibilities of a person who applies for an NJCLASS Loan Program or NJCLASS Consolidation loan as a co-borrower.

The definition of "cosigner" has been expanded to include additional details of the responsibilities a person undertakes when applying for an NJCLASS Loan Program or NJCLASS Consolidation loan as a cosigner.

The NJCLASS Postgraduate Program is neither offered nor funded, as such the definition for "NJCLASS Postgraduate Program" is proposed for deletion and the definition for "Eligible Institution" is amended to delete the reference to the NJCLASS Postgraduate Program.

The definition for "parent borrower" is proposed for amendment to clarify that the definition pertains to parents who apply for and receive an NJCLASS Loan Program loan.

The definition for "student borrower" is amended to clarify that the definition pertains to students who apply for and receive either an NJCLASS Loan Program loan or an NJCLASS Consolidation Loan.

N.J.A.C. 9A:10-6.4(a)2 is proposed for amendment to state that the restriction on receiving new loans after the cancellation of a loan applies to cosigners as well as borrowers.

N.J.A.C. 9A:10-6.4(c) is proposed for amendment to state that in order to be eligible for the NJCLASS Graduate/Professional Students loan, a student must be enrolled or accepted for enrollment on at least a half-time basis in an eligible institution.

As the NJCLASS Postgraduate Program is neither offered nor funded, N.J.A.C. 9A:10-6.4(d) is proposed for deletion.

To clarify that a person is not yet a borrower or cosigner at the time creditworthiness is being determined, the terms "borrower" and "cosigner" are replaced with the term "applicant" in N.J.A.C. 9A:10-6.5(a) through (e).

N.J.A.C. 9A:10-6.5(e) is further proposed for amendment to clarify which requirements a cosigner and co-borrower must meet to be eligible for an NJCLASS loan.

The current rules cross-reference the bonds or notes whose proceeds are funding the loans to provide specificity for loan requirements. To provide further specificity, N.J.A.C. 9A:10-6.5(c) is proposed for amendment to reference the indentures for the bonds as opposed to the bonds themselves. Amendments to reference the indentures for the bonds are also proposed at N.J.A.C. 9A:10-6.8(a), (a)1, 6.9(a), and 6.13(f)1.

Reference to Postgraduate loans is proposed for deletion from N.J.A.C. 9A:10-6.7(e) as HESAA no longer offers this program.

N.J.A.C. 9A:10-6.8(a)2 is proposed for amendment to clarify how fees are deducted or added for multiple disbursed loans. Fees are added or deducted as equal percentages, not equal amounts, for each disbursement.

Technical corrections are proposed at N.J.A.C. 9A:10-6.11(b)3 to clarify that it is the payment of interest that is deferred at the frequency determined by the applicable bond indentures.

N.J.A.C. 9A:10-6.11(c) is proposed for deletion as HESAA no longer offers the Post Graduate loan.

N.J.A.C. 9A:10-6.12(b) is proposed for amendment to clarify that the deferment time limits do not apply to deferments for active duty in the armed forces.

As Federal regulations pertaining to FFELP are being deleted, N.J.A.C. 9A:10-6.12(d) is proposed for amendment to delete cross references to the Federal regulation. The term "economic hardship" is replaced with "financial hardship" to reflect the term of art currently used in these situations and to add a definition of the terms.

N.J.A.C. 9A:10-6.16(b) is proposed for amendment to clarify how collection costs are calculated and what they encompass. This amendment is necessary to provide borrowers with an amount certain at the time a demand is made.

Subchapter 7 incorporates the rules for the administration of the State's college savings program, the New Jersey Better Educational Savings Trust (NJBEST) Program, for which HESAA is statutorily responsible pursuant to N.J.S.A. 18A:71B-35 through 46 and in accordance with section 529 of the Federal Internal Revenue Code of 1986, 26 U.S.C. § 529. In the NJBEST Program, money saved by parents, grandparents, or others through the program is invested for a designated beneficiary. When the designated beneficiary is ready to attend college, the principal and interest earned can be used for college costs. This program also provides an additional incentive to families by offering a supplemental NJBEST scholarship if the designated beneficiary attends an eligible higher education institution in New Jersey. The rules contained in this subchapter are proposed for readoption in order to continue the State's initiatives to encourage families to save for future college expenses.

In order to alleviate confusion, N.J.A.C. 9A:10-7.15(a)iv is proposed to define first time enrollment for purposes of the NJBEST scholarship.

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

Social Impact

The rules proposed for readoption with amendments and repeals govern the administration of the State's student loan and savings programs. The rules continue to coordinate State and Federal regulations, policies, and procedures for the administration of the Federal Family Education Loan Program in New Jersey, thereby providing for greater efficiency, simplification, and timeliness in the servicing of loans guaranteed by the Authority under this student loan program.

The rules governing the administration of the Social Services Student Loan Redemption Program (SSSLRP) are proposed for readoption with no amendments and the rules governing the readoption of the Nursing Faculty Loan Redemption Program are readopted with one amendment to reflect the replacement of the Commission of Higher Education with the Office of the Secretary of Higher Education. Both of these programs are intended to address the critical shortage of direct care professionals in the State and ensure that high-quality health care continues to be available, so that State residents have access to this care from highly trained practitioners. The SSSLRP and Nursing Faculty Loan Redemption programs provide redemption incentives for social services practitioners and nursing faculty members employed by schools of nursing for their outstanding eligible student loan expenses in exchange for full-time employment at eligible locations as specified in the rules governing each program. These incentives will ensure that State residents who are in need of specialty health care services will continue to have sufficient, qualified providers available to provide these needed services.

The NJCLASS Program serves as the State's supplemental student loan program to help families complete their financial aid package in meeting higher education costs. The NJCLASS Program offers one of the lowest rate supplemental loans in the nation. The Authority continuously seeks to maintain and improve service to applicants and borrowers. The rules proposed for readoption with amendments provide further clarification of the policies and procedures governing the NJCLASS Program, as well as consistency with Federal regulations, where appropriate, in the Authority's efforts to continue to improve efficiency and service.

The rules proposed for readoption governing the New Jersey Better Educational Savings Trust (NJBEST) Program are intended to address the higher education expenses that are a major concern for many New Jersey families and provide the incentives that are needed to encourage families to save for college. The NJBEST Program is designed to increase the rate that families save for college and encourage long-term college savings. Because of its modest contribution requirements and its intent to minimize fees, the NJBEST Program facilitates access to college from a broad economic spectrum of New Jersey families.

Economic Impact

The rules proposed for readoption with amendments and repeals do not represent any new cost factors for the State. These rules implement Federal and State student financial assistance programs and a college savings program that make postsecondary education accessible and

affordable to thousands of New Jersey students and families. For many of these students, a Federal student loan is the primary source of financial aid, and presumably, without this aid many of these students would not be able to afford college. The Authority has administered Federal student loan programs for well over 45 years and is the State's guarantor for the FFELP. The entire cost of the Authority's Federal loan programs operations is Federally funded or self-generated. The Authority receives account maintenance, loan processing, and default aversion fees from the Federal government, as well as reinsurance on claim payments, retains a percentage of collections on defaulted student loans, and is permitted to charge a Federal default fee.

The SSSLRP and the Nursing Faculty Loan Redemption Program provide much needed assistance to program participants in the form of redemption or reimbursement of their eligible student loan expenses in exchange for full-time employment. SSSLRP is currently unfunded and the Nursing Faculty Loan Redemption Program receives 25 percent of the funds annually appropriated by the State for the Primary Care Practitioner Loan Redemption Program.

For the State's NJCLASS Loan Program, in operation since 1991, more than \$200 million was made available last year alone by the Authority in affordable NJCLASS loans. The entire cost of the program is self-generated through bond financing of NJCLASS loans. The NJCLASS Program offers one of the lowest rate supplemental loans in the nation. It is anticipated that the amendments will allow the Authority to keep interest rates as low as possible, and will continue the low rate of borrowers defaulting on their NJCLASS loans.

The NJBEST Program was designed to provide New Jersey families with incentives to increase savings for college in a time when higher education expenses have become a significant economic issue. NJBEST, the State's 529 College Savings Plan, provides extensive investment opportunities for families. Among them is a scholarship component for students who qualify and attend college in State. The rules governing the administration of the NJBEST Program provide flexibility in changing investment strategies, withdrawing funds, changing beneficiaries, and for rollovers, which the Authority believes will make it easier and more rewarding for families to save for college.

Federal Standards Statement

A Federal standards analysis is not required since the rules proposed for readoption with amendments are intended to implement the Federal statutory and regulatory requirements for the Federal Family Education Loan Program administered by the Authority in New Jersey. See the Federal Higher Education Act of 1965, as amended, and its implementing regulations set forth in 34 CFR Parts 600, 668, and 682. The proposed amendments addressing the FFELP explicitly limit their scope to areas where State law requires regulatory guidance, or where the Authority proposes policies and procedures that, while not exceeding Federal standards, implement those standards differently than unified industry standards set forth in the Common Manual.

A Federal standards analysis is not required for the Social Services Student Loan Redemption Program or the Nursing Faculty Loan Redemption Program since the rules proposed for readoption with amendments for both of these programs are not subject to any Federal requirements or standards.

With respect to the NJCLASS Program rules proposed for readoption with amendments, a Federal standards analysis is not required because the subject matter of this State student loan program is not subject to any Federal requirements or standards, except for the standards for tax-exempt bonds, section 144(b) of the Federal Internal Revenue Code. NJCLASS loans funded by tax-exempt bonds are intended to qualify under the standards of section 144(b) of the Federal Internal Revenue Code, not exceed the standards of that section.

The rules proposed for readoption for the administration of the NJBEST Program are not intended to exceed, but rather implement, the statutory requirements for a state college savings program to receive favorable Federal tax treatment under section 529 of the Federal Internal Revenue Code of 1986, 26 U.S.C. § 529 and are consistent with administrative guidance from the Internal Revenue Service. Therefore, a Federal standards analysis is not required.

Jobs Impact

The rules proposed for readoption with amendments and repeals will not result in the loss or generation of jobs. However, because the FFELP and NJCLASS programs administered by the Authority make postsecondary education accessible to thousands of New Jersey students and their families, they promote access to one of the keys to economic development: higher education. Programs so significant to the financing of a college trained New Jersey workforce can only be expected to add to the job opportunities in this State.

The rules proposed for readoption with amendments for the administration of the Social Services Student Loan Redemption Program and the Nursing Faculty Loan Redemption Program will not result in the loss or generation of jobs but will, however, provide incentives for health care professionals to practice in New Jersey through the redemption or reimbursement of their eligible student loan expenses in exchange for full-time employment at a qualified facility or in a State-designated underserved area.

Because the NJBEST Program provides incentives for saving for college and encourages participation from a broad economic spectrum, this program also promotes access to economic development through higher education. The rules proposed for readoption will not result in the loss or generation of jobs but do offer an additional scholarship incentive to attend college in New Jersey and encourage the retention of college-trained people in the New Jersey workforce, thereby adding to the skilled workforce in this State to meet employer needs.

Agriculture Industry Impact

The rules proposed for readoption with amendments and repeals will have no impact on the agriculture industry.

Regulatory Flexibility Statement

A regulatory flexibility analysis is not required because the rules proposed for readoption with amendments and repeals do not impose reporting, recordkeeping, or other compliance requirements on small businesses as defined by the Regulatory Flexibility Act, N.J.S.A. 52:14B-16 et seq. The Authority does not anticipate that any educational institution participating in these programs would be covered by the definition of a small business because these entities have over 100 full-time employees. Additionally, students participating in these programs are not covered by the definition because they are individuals, not businesses.

Housing Affordability Impact Analysis

The rules proposed for readoption with amendments and repeals will have an insignificant impact on the affordability of housing in New Jersey. There is an extreme unlikelihood that the rules proposed for readoption with amendments and repeals would evoke a change in the average costs associated with housing. The rules proposed for readoption with amendments and repeals affect the administration of loans and savings for higher education, which has no impact on the cost of housing.

Smart Growth Development Impact Analysis

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

Full text of the rules proposed for readoption may be found in the New Jersey Administrative Code at N.J.A.C. 9A:10.

Full text of the rules proposed for repeal may be found in the New Jersey Administrative Code at N.J.A.C. 9A:10-1.9 and 3.

Full text of the proposed amendments follow (additions indicated in boldface **thus**; deletions indicated in brackets [thus]):

SUBCHAPTER 1. FEDERAL FAMILY EDUCATION LOAN PROGRAM: POLICIES AND PROCEDURES

9A:10-1.3 Definitions

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

... “Blanket Certificate of Loan Guaranty” means an insurance program agreement with the Secretary of the United States Department of Education under which the Authority [may] offered eligible lenders participating in the Authority’s guaranty program a Blanket Certificate of Loan Guaranty that [permits] **permitted** the lender to make FFELP loans to eligible borrowers without receiving prior approval of individual loans from the Authority.

... “Cohort default rate” means the percentage of FFELP and Federal Direct Student Loan Program (FDSL) borrowers who default [before] **by** the end of the **second** Federal fiscal year following the Federal fiscal year in which they entered repayment on their loans, **unless otherwise defined by the United States Department of Education**. The United States Department of Education calculates this rate annually to determine the default experience of students who attended a particular school during a particular period of time.

... [“Commission” or “CHE” means the Commission on Higher Education, a State higher education policy-making agency presided over by a governing board, whose chairman is a member, ex officio, of the Authority. The Commission’s statutory responsibilities include final administrative decisions over institutional licensure and university status in this State.]

... “Federal Family Education Loan Program” or “FFELP” means the collective term for the Stafford Loan Program (both interest subsidized and unsubsidized), the Supplemental Loan for Students or SLS Program, the Parent Loan for Undergraduate Students (PLUS) Program offered to graduate students and eligible parents of dependent undergraduate students, and the Consolidation Loan Program. The FFELP is a Federal-state-private sector partnership. Financial institutions [make] **made** FFELP loans with private capital, state-designated guaranty agencies, such as the Authority provided first-line insurance (guarantees for the loans), and the Federal government, through the Federal Department of Education, [provides] **provided** subsidies for student borrowers along with backstop reinsurance and general program oversight and regulation. **Pursuant to 20 U.S.C. § 1071(d) no new loans may be made or insured under FFELP after June 30, 2010.**

... “Lender of last resort” means the Authority or a lender that [agrees] **agreed** to make certain FFELP loans, as prescribed by the United States Department of Education, to an otherwise eligible borrower who has been unable to obtain a loan from other eligible lenders.

... “Master Promissory Note” or “MPN” means a common contract under which a borrower may receive loans for a single academic year or multiple academic years at institutions meeting United States Department of Education criteria in accordance with the Higher Education Act of 1965, as amended, [20 U.S.C. §1087vv] **20 U.S.C. § 1082(m)**, and its implementing regulations 34 CFR 682 et seq.

... [“NCHHELP Electronic Standards Committee” means the National Council on Higher Education Loan Programs Committee that is responsible for resolving electronic standardization issues as reported by the national student loan community at large, making recommendations for resolution and maintaining supporting documentation.]

... “Servicer” means a third party with whom a FFEL Program participant, such as a lender, school, or guarantor, has entered into a contract, to administer any aspect of its participation in the FFEL Program. A servicer may also be defined as a “third-party servicer” under FFEL Program regulations, 34 CFR Part 682.200.

(b) (No change.)

9A:10-1.4 Role of the Authority as guaranty agency

(a) (No change.)

(b) Key guarantor functions are:

1. Financial aid awareness and related outreach activities: The Authority provides a [toll-free] **telephone** number and web site with information on colleges, careers and financing of higher education. The Authority makes presentations about financial aid opportunities and financial literacy at middle schools, high schools and other sites, holds training workshops for high school guidance counselors and campus administrators, publishes materials on all of the above topics and provides assistance in completing financial aid forms;

[2. Access to loans: The Authority furthers access to Federal loans by providing lenders with a guarantee against default, since students generally have no credit history or collateral and pose a risk to lenders absent such guarantee;

3. Application processing: The Authority validates application information on FFELP promissory notes submitted for guarantee by using information such as the Authority database of information provided by borrowers, schools, and lenders;]

Recodify existing 4.-8. as 2.-6. (No change in text.)

[9.] 7. School and lender [training and oversight] **guidance**: The Authority reviews, interprets, and disseminates information to schools and lenders about the requirements of the FFELP regulations and Federal subregulatory guidance (for example, [Dear Colleague Letters from the United States Department of Education] **the Common Manual**);

Recodify existing 10.-11. as 8.-9. (No change in text.)

9A:10-1.5 Authority as lender and secondary market

(a) The Authority, which qualifies as an eligible lender under the Higher Education Act of 1965, as amended, [may] **served** as the State-designated lender of Federally guaranteed student and parent educational loans.

(b) (No change.)

9A:10-1.6 Types of FFELP loans

(a) A subsidized Federal Stafford loan [is] **was** available to an eligible student attending a participating postsecondary school. A student who [demonstrates] **demonstrated** financial need [is] **was** eligible to have the Federal government pay the interest on the loan to the lender until repayment of the loan [begins] **began** and during any deferment periods. The student is allowed a grace period (usually six months) after leaving school or dropping below half-time attendance before repayment begins. Repayment of the loan is scheduled [over a maximum 10-year period] according to the payment plan chosen by the borrower[, except that borrowers may qualify for an alternate repayment plan with an extended repayment period] pursuant to 34 CFR 682.209.

(b) An unsubsidized Federal Stafford loan [is] **was** available to an eligible student attending a participating postsecondary school. A student who [does] **did** not demonstrate sufficient financial need, or who [requires] **required** additional funds above the Federal subsidized loan limits, [is] **was** typically eligible for an unsubsidized Stafford loan. The Federal government does not pay the interest on an unsubsidized Stafford loan. An unsubsidized Stafford loan borrower is responsible for paying to the lender all interest that accrues on the loan from the time the loan is disbursed until it is paid in full.

(c) A [Federal] **FFELP PLUS** loan [is] **was** available to an eligible parent (as defined in 34 CFR 682.201(b)(2)) of a dependent undergraduate student or a graduate or professional student attending a participating postsecondary school. A PLUS loan borrower must not have adverse credit or otherwise must obtain an endorser on the loan. The parent is responsible for paying to the lender the interest that accrues on the loan from the time the loan is disbursed until it is paid in full. Repayment of the loan is scheduled [over a maximum 10-year period] according to the payment plan chosen by the borrower[, except that borrowers may qualify for an alternate repayment plan with an extended repayment period] pursuant to 34 CFR 682.209.

(d) A [Federal] **FFELP Consolidation** loan [is] **was** available to a borrower who [wants] **wanted** to combine his or her outstanding education loans into a single loan with a single monthly payment. In most cases, the borrower is responsible for paying to the lender the interest that accrues on the loan until the loan is paid in full. Consolidation loans

usually have a longer repayment period and a lower monthly payment than is available on the underlying education loans.

9A:10-1.7 Lender participation and lender of last resort

(a) To participate in any of the loan programs for which the Authority serves as guarantor, a lender is required to submit evidence acceptable to the Authority that it is an eligible lender under the Higher Education Act of 1965, as amended. If the Authority is satisfied that a lender meets the requirements for eligibility and participation under the Higher Education Act of 1965, as amended, the Authority may offer a participation agreement to that lender. A lender cannot participate in the Authority's programs without a participation agreement with the Authority. There are three principal types of Authority participation agreements: a participation agreement for lenders originating Stafford and PLUS loans, a participation agreement for lenders serving as secondary markets or holders of Stafford and PLUS loans, and a participation agreement for lenders originating Consolidation loans. The borrower eligibility criteria incorporated in participation agreements for lenders originating Consolidation loans is set forth in N.J.A.C. 9A:10-1.16(c). **The Authority does not enter new participation agreements for originating FFELP loans.**

(b) The Authority [shall] ensured that it or a participating lender [shall] **served** as lender of last resort in the State of New Jersey. [The lender of last resort shall make a FFELP loan to an otherwise eligible borrower who has been unable to obtain a loan from an otherwise eligible lender and who satisfies both the Federal regulatory criteria for eligibility and any further eligibility criteria provided in the lender of last resort policies and procedures cited in 34 CFR 682.401(c).]

9A:10-1.8 School participation

[(a) To participate in any Title IV, Higher Education Act program, a school must establish its eligibility under the Higher Education Act of 1965, as amended, by following the procedures specified by the United States Department of Education. Upon being approved to participate in Title IV programs by the United States Department of Education, a school becomes eligible to apply for participation in the FFELP with the guarantor, such as the Authority. For any school, the Authority must be satisfied that the school has the ability to properly administer the FFELP according to Federal regulations and this chapter before it will approve the school for participation under its guarantee. To maintain its eligibility to participate, a school shall continue to meet all school eligibility requirements and must administer its loan programs in accordance with all requirements set forth in Federal law and regulations, as well as this chapter. If a school ceases to meet any Title IV eligibility requirement, the school must immediately provide written notice to the United States Department of Education and the Authority, if the Authority is the applicable guarantor.

(b) Both the Authority and the United States Department of Education require, as a condition of administrative capability, as defined under Federal regulations, that a school designate a capable individual to administer the FFEL Program and to coordinate the FFEL Program with the school's other Federal and non-Federal aid programs. The school shall ensure that an adequate number of qualified personnel are available to administer the loan programs, as provided in Federal regulations.

(c) To assist a school's financial aid administrator and staff in participating in the FFELP, the Authority shall in general provide assistance to institutions comparable to the kinds of assistance provided to institutions by the United States Department of Education. This assistance may include, but not be limited to, sponsoring of training conferences, participating in State, regional and national associations of financial aid administrators, issuing a newsletter, staffing a customer assistance unit (including a toll-free hotline), and offering an internet website.]

[(d)] (a) A school shall develop procedures to ensure that student status changes are reported correctly and in a timely manner, pursuant to 34 CFR [682.400(b)(20)] **668.14(b)(4)**, to the Authority, to NSLDS, to the lender or to all three, as appropriate. Some schools may elect to satisfy this requirement through participation in the National Student Clearinghouse or another entity providing student status reporting services in which the Authority participates. For schools not yet providing student status information to NSLDS, the Authority shall

provide a school, on at least a semiannual basis, with a Student Status Confirmation Report (SSCR) listing all students for whom FFELP loans have been obtained for attendance at the school. NSLDS distributes SSCR data to the Authority and other guarantors, and guarantors notify lenders of student status changes. Information and instructions on completing rosters for student status reporting to NSLDS are provided to schools by the United States Department of Education.

[(e)] (b) (No change in text.)

9A:10-1.9 (Reserved)

9A:10-1.10 Permissible charges by lenders to borrowers

(a) (No change.)

(b) As provided under the Higher Education Act of 1965, as amended, a lender [is] was permitted to pay a portion or all of the origination fee on a subsidized or unsubsidized Stafford loan on the borrower's behalf. The lender [must] charged all Stafford borrowers the same origination fee unless the borrower [demonstrates] demonstrated greater financial need as further defined under 34 CFR 682.202. In contrast, lenders [are] were required to charge the full origination fee to PLUS borrowers.

9A:10-1.11 Guarantee and disbursement

(a) A lender [shall be] was responsible for obtaining guarantees and disbursing proceeds for Stafford, PLUS, and Consolidation loans. When the Authority [receives] received a request for processing a loan guaranty, the Authority [sends] sent the lender either a student loan Guarantee Notice/Disclosure Statement or an electronic file of guaranty processing results or both. This [is] was the lender's guarantee and authorization to disburse the funds. Notification of guarantee [shall be] was sent to the student and the school at the same time. In the case of Stafford and PLUS loans processed under a Blanket Certificate of Loan Guaranty with an eligible lender, all loans eligible for insurance [will be] were considered insured at the time of lender origination. Lenders [shall be] were required to report such loans to the Authority for guaranty processing, and the Authority [shall] provided either a confirming notice of guaranty for the loans covered under the certificate or a notice that the loan does not meet the Authority's loan insurance requirements. In the case of Consolidation loans, upon approval of the loan application, the Authority [will send] sent the lender an approval notification. While the Authority focuses its attention on its area of service (borrowers, students, and schools in New Jersey and surrounding states), the Authority imposes no guarantor specific requirements for obtaining a loan guarantee except for requirements referenced in this subsection for loans processed under a Blanket Certificate of Loan Guaranty and the eligibility requirements for Consolidation loans set forth in N.J.A.C. 9A:10-1.16(c). The requirements for obtaining a guarantee are set forth in 34 CFR [part] Part 682, and more fully explained in the Common Manual.

(b) Disbursement is the transfer of loan proceeds by the lender to a borrower, school, or escrow agent, net of any origination and Federal default fees. Disbursement [may be] was accomplished by checks for individual borrowers, by master checks containing loan proceeds for more than one borrower, or by electronic funds transfer, in accordance with 34 CFR Part 682. A Stafford loan disbursed by individual check [shall be] was made copayable to the student and the school. If the lender [issues] issued an individual Stafford loan check, the lender [is] was required to indicate the student's social security number, enrollment period for the loan, and the type of loan on each individual loan check. If the lender [issues] issued an individual PLUS loan check, the lender [is] was required to indicate the student's name and social security number on each individual loan check.

(c) In the case of a student enrolled in an eligible foreign school, if the foreign school [requests] requested, the lender [shall] disbursed a Stafford loan directly to the student only after verification of the student's enrollment by the lender or guaranty agency. If the student [is] was enrolled in a study-abroad program approved for credit by the home school and if the student [requests] requested, the lender [may] disbursed the loan directly to the student only after verification of the student's enrollment with the home institution by the lender or guaranty agency; or to the home institution if the borrower [provides] provided a power-of-attorney to an individual not affiliated with the institutions to endorse the check or complete an electronic funds transfer authorization.

(d) A Stafford or PLUS loan [may be used] was only permitted to be used to cover the educational costs of attendance at the school that [certifies] certified the borrower's loan eligibility. If a student [transfers] transferred between schools at any time, neither the student nor the parent borrower [are] were eligible to receive proceeds from a loan approved as a result of the borrower's loan eligibility certified by the previous school. If a student [transfers] transferred from one school to another before a loan [is] was fully disbursed, the student or parent borrower [is] was not eligible for any remaining disbursements of that loan, and the student or parent borrower [shall] was required to notify the lender to cancel the loan or the balance of any undisbursed portion of the loan.

9A:10-1.14 Default consequences and collection policies and procedures

(a) (No change.)

(b) The Authority participates in information exchanges with the Department of Labor and Workforce Development, the Department of the Treasury [Division] Divisions of Taxation, [Division of] and Lottery, Department of Law and Public Safety, Division of Consumer Affairs, and other State agencies and bodies, as well as public and private sector entities within or outside this State for purposes of collecting on defaulted student loans. Additionally, the Authority receives data from the National Directory of New Hires.

(c) (No change.)

9A:10-1.15 Beyond default: rehabilitation and reinstatement

[The Authority encourages borrowers] Borrowers who have defaulted on their FFELP loan obligations [to] may enter into repayment arrangements that qualify them for reinstatement of the ability to receive benefits, including [FFELP] Federal loans, under Title IV of the Higher Education Act, and that rehabilitate their loans, thereby bringing the loans out of default. The requirements for reinstatement are set forth in 34 CFR 682.401 and more fully explained in subregulatory Federal guidance [and the Common Manual]. The requirements for rehabilitation are set forth in 34 CFR 682.405 [and more fully explained in the Common Manual].

9A:10-1.16 Loan transfer, refinance, and consolidation

(a) (No change.)

[(b) As permitted under 34 CFR 682.209, a borrower may refinance a PLUS or SLS loan. The three options for refinancing a PLUS or SLS loan are refinancing to secure a combined payment, refinancing to secure a variable interest rate, and refinancing to discharge a previous loan. These three options are set forth under 34 CFR 682.209 and more fully explained in the Common Manual, Appendix B.]

[(c)] (b) The Authority [participates] participated in the Federal Consolidation Loan Program in accordance with section 428C of the Higher Education Act of 1965, as amended, and its implementing regulations by guaranteeing Consolidation Loans held by eligible lenders. [To participate in the Authority's consolidation program, an eligible lender must be approved by the Authority to enter into a Consolidation Participation Agreement with the Authority, and sign this Agreement. To qualify for the Authority's Consolidation Loan Program, a borrower must satisfy the eligibility criteria set forth in section 428C and implementing regulations, as well as satisfy Authority criteria which include not incorporating a defaulted loan in a Consolidation loan, and evidencing a connection to New Jersey, unless otherwise permitted by the Authority. Evidencing a connection to New Jersey shall mean that either at least one underlying loan to be consolidated was guaranteed by the Authority or that the borrower is a New Jersey resident at the time of consolidation.] The Consolidation Loan Program is more fully explained in the Common Manual.

9A:10-1.17 School and lender [training and other] services

As permitted under the Higher Education Act of 1965, as amended, the Authority may use funds in the Authority's operating fund for [application processing, loan disbursement,] enrollment and payment status management, default aversion activities, default collection activities, school and lender training, financial aid awareness and related outreach activities, compliance monitoring, and other student financial aid and related activities as selected by the Authority. The Authority's outreach or "client services" activities shall include, but not be limited to,

training of program participants and secondary school personnel, dissemination of [FFELP-related] information and materials to schools, loan holders, prospective loan applicants, and their parents, and training at workshops, conferences or other forums. The Authority [issues a newsletter on student financial assistance topics, and] maintains an internet website.

9A:10-1.18 Authority guaranty agency enforcement requirements:
program reviews

(a) The Authority is required by FFELP regulations, 34 CFR Part 682, to conduct comprehensive biennial program reviews of certain [schools and] lenders participating in the FFELP. The Authority may collaborate with other guarantors in performing lender reviews pursuant to the Common Review Initiative. Program reviews are conducted to assess the administrative and financial capability of [schools and] lenders with applicable requirements of the FFELP. These requirements are those of the Higher Education Act of 1965, as amended, the Federal regulations (34 CFR Parts 600, 668, and 682), and Authority policies and procedures. The Authority may elect to review third-party servicers of [schools and] lenders. The Authority may also elect to review other agents, such as special counsel performing litigation on defaulted FFELP loans. If the Authority elects to review third-party servicers, it shall follow the program review process for servicers outlined in the Common Manual.

[(b)] The Authority shall perform a biennial program review of each school in any state in which the Authority is the primary guarantor that has had a cohort default rate exceeding 20 percent for either of the two most recent years for which rates have been calculated. A school shall be exempted from review if it meets the loan volume limit on the default reduction measures outlined in 34 CFR 682.410(c). The Authority may request that the United States Department of Education approve substitutions to its list of required school reviews. In addition to the Federal criteria used in selecting schools for review, the Authority may consider other factors, such as those listed in the Common Manual. These other factors are: loan volume trends, significant increases in cumulative or cohort default rates, evidence of regulatory violations, evidence of potential fraud or abuse in its FFELP participation, evidence that the school has been placed on the Pell reimbursement system for payment, complaints from lenders, borrowers, or students, evidence that the school has failed to adequately address deficiencies identified in prior program reviews, evidence that the school has failed to implement improvements to reverse negative financial trends, and weaknesses identified during the process by which schools first obtain FFELP eligibility.]

[(c)] (b) (No change in text.)

[(d)] (c) A program review begins when the [school or] lender is selected for review and ends when the Authority accepts a satisfactory response to the review findings from the [school or] lender and all close-out procedures are completed. The program review consists of four phases: the preliminary review, the on-site review, the issuance of a program review report, and the review close-out.

[(e)] (d) Preparation for the review is as follows:

1. The Authority or CRI review team shall notify the [school or] lender to be reviewed, provide the date(s) of the on-site review, and request administrative and financial information related to the entity's eligibility and participation in the FFELP. Prior to the on-site review, the reviewer shall develop a profile of the [school or] lender from data maintained by the Authority or CRI participating guaranty agencies. [For lenders, this] This data includes loan volume, [student] borrower populations and sample, and lender search report. [For schools, this data includes Stafford and PLUS loan volume for the period, training attendance record, and borrower complaints, if any.] The reviewer may also require the [school or] lender to complete a questionnaire on internal control procedures and policies related to its administration of the FFELP.

2. The administrative and financial information normally required for the on-site visit for lenders includes, but is not limited to, [the following for schools: school catalog, documentation from prior program reviews, independent audit results, student financial aid audit results, audited financial statements, program participation agreement, accreditation reports or certification, State licensing documentation, default management plan, if applicable, and individual borrower files. For lenders, this information includes, but is not limited to,] FFELP lending

policies, documentation from prior program reviews, independent audit results, information from the United States Department of Education Lender Reporting System (LaRS), documentation of loan transfers, and individual borrower files.

[(f)] (e) The Authority or CRI review team shall provide the [school or] lender the opportunity to present questions or supply additional information. The [school or] lender being reviewed shall cooperate with the review team by making staff available to reviewers at entrance and exit interviews and by supplying additional material to reviewers if requested during the on-site visit.

[(g)] (f) Program review follow up and other enforcement procedures are as follows:

1. The reviewer shall issue a program review report to the [school or] lender being reviewed.

2. The program review ends when all required actions are completed and all liabilities are paid by the [school or] lender being reviewed.

3. When the program review ends, the reviewer shall notify the [school or] lender in writing that the program review is closed. The reviewer shall also update the Postsecondary Education Participants System (PEPS) database. The reviewer shall at the same time notify the United States Department of Education that the program review is closed.

4. If the Authority or CRI review team is unable to close a program review because the [school or] lender is uncooperative in taking the required corrective action, the reviewer shall refer the case to the United States Department of Education.

5.-6. (No change.)

SUBCHAPTER 3. (RESERVED)

SUBCHAPTER 4. NURSING FACULTY LOAN REDEMPTION PROGRAM

9A:10-4.2 Definitions

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

...

"Eligible institution" means a school of nursing that is nationally accredited and licensed by the New Jersey Board of Nursing or a nursing program at [a Commission on] an Office of the Secretary of Higher Education licensed institution of higher education that is nationally accredited and licensed by the New Jersey Board of Nursing.

...

SUBCHAPTER 6. THE NEW JERSEY COLLEGE LOANS TO ASSIST STATE STUDENTS (NJCLASS) PROGRAM: POLICIES AND PROCEDURES

9A:10-6.3 Definitions

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

"Annual income" means the [borrower's] applicant's income as reported [for Federal income tax purposes] on the NJCLASS Loan Program or NJCLASS Consolidation Loan application. Annual income is subject to verification by the Authority through documentation including, but not limited to, Internal Revenue Service tax return transcripts and pay stubs.

...

"Co-borrower" means an individual who is a party to the loan. The co-borrower assumes full liability for the debt, including interest charges, late fees, and collection costs. The co-borrower is subject to all of the same collection methods as the borrower and the lender can collect the debt from the co-borrower without first trying to collect from the borrower.

...

"Cosigner" means an individual who signs a promissory note and agrees to repay the loan in the event the borrower does not. The cosigner assumes full liability for the debt, including interest charges, late fees, and collection costs. The cosigner is subject to all of the same collection methods as the borrower and the lender can collect the

debt from the cosigner without first trying to collect from the borrower.

“Eligible institution” means a public or private nonprofit institution eligible for Title IV, Higher Education Act of 1965 assistance, approved or licensed by the New Jersey Commission on Higher Education or its equivalent in another state or country and accredited by a nationally recognized accrediting association and having an annual cohort default rate of 25 percent or less. Eligible institution shall also include proprietary institutions eligible for Title IV, Higher Education Act of 1965 assistance and having an annual cohort default rate of 25 percent or less. An eligible institution for purposes of the NJCLASS Graduate/Professional Students Program shall have a lower cohort default rate threshold, as set forth in N.J.A.C. 9A:10-6.4(c)2. [Eligible institution for purposes of the NJCLASS Postgraduate Program means an American Bar Association approved law school, a graduate medical school accredited by the Liaison Committee on Medical Education, the American Osteopathic Association or the U.S. Department of Education’s National Committee on Foreign Medical Education and Accreditation (NCFMEA), or a graduate dental school accredited by either the American Dental Association or the Commission on Dental Accreditation of Canada.]

“NJCLASS Postgraduate Program” means an NJCLASS program for law, medical, and dental students intended to assist with higher education costs incident to the cost of attendance, such as bar examination and medical and dental residency travel and relocation expenses. The provisions governing Standard NJCLASS loans in this subchapter shall apply to NJCLASS Postgraduate loans, unless this subchapter otherwise provides. The Authority may offer the NJCLASS Postgraduate Program subject to the availability of funding and conditioned on market demand.]

“Parent borrower” means a parent(s), spouse, legal guardian, or other relative of a dependent undergraduate or graduate student **who applies for and receives an NJCLASS Loan Program loan.**

“Student borrower” means an undergraduate or graduate student **who applies for and receives an NJCLASS Loan Program loan or NJCLASS Consolidation Loan.**

(b) (No change.)

9A:10-6.4 Eligibility for the NJCLASS Loan Program

(a) To be eligible for a Standard NJCLASS loan, each applicant must:

1.–2. (No change.)

3. Provide an acceptable cosigner if it is determined by the Authority that one is required; and in the case of any Federal Family Education Loan amount, Federal Direct Loan amount, or any NJCLASS Loan Program loan or Consolidation Loan amount that previously was canceled due to the applicant’s total and permanent disability, obtain a certification from a physician that the applicant’s condition has improved and that the applicant is able to engage in substantial gainful activity and sign a statement acknowledging that the Standard NJCLASS loan the applicant receives cannot be canceled in the future on the basis of any impairment present when the new loan is made, unless that impairment substantially deteriorates. If the applicant is not the student, and the student had any loan amount described in this paragraph canceled due to the student’s total and permanent disability, the student on whose behalf another borrower or cosigner is applying for a Standard NJCLASS loan must obtain the physician certification as to the student’s improvement and sign the statement limiting future cancellation on the basis of the student’s present impairment; and

4. (No change.)

(b) (No change.)

(c) To be eligible for an NJCLASS Graduate/Professional Students loan for student borrowers, each student must satisfy the requirements of (b)1, 3, 4, and 6 above, as well as the following:

1.–5. (No change.)

[(d) To be eligible for an NJCLASS Postgraduate loan for student borrowers, each student must satisfy the requirements of (b)1, 3 and 7 above as well as the following:

1. Be a permanent resident of New Jersey prior to filing an application; however, residency is not required if enrolled in an eligible institution for purposes of this program that is located in New Jersey, meaning that either the institution maintains a campus or the place of instruction is located in New Jersey. An eligible institution is an American Bar Association approved law school, a graduate medical school accredited by the Liaison Committee on Medical Education, the American Osteopathic Association, or the U.S. Department of Education’s National Committee on Foreign Medical Education and Accreditation (NCFMEA), or a graduate dental school accredited by either the American Dental Association or the Commission on Dental Accreditation of Canada;

2. Be enrolled in the final year at an eligible institution, be making satisfactory academic progress, and expect to be awarded a J.D., M.D., D.O., D.D.S. or D.M.D. degree during the current academic year;

3. Not owe a grant refund, be in default on a student loan, have a student loan written off as uncollectible, or have adverse credit as outlined in N.J.A.C. 9A:10-6.5(d); and

4. School certification of the NJCLASS application no earlier than one year prior to the student’s anticipated graduation date and no later than the student’s actual graduation date.]

[(e)] (d) To be eligible for a MedNJ loan, each student must satisfy the requirements of (b)1, 2, 3, 6, and 7, and (c)3 and 5 above as well as the following:

1. (No change.)

9A:10-6.5 NJCLASS creditworthiness

(a) To be approved for an NJCLASS Loan Program loan, [a borrower] **an applicant** must be determined creditworthy by the Authority.

(b) The Authority may require that [borrowers or cosigners] **applicants** submit to the Authority information that includes the most recent signed Federal Income Tax Return, including all schedules, and current pay stub or other documentation of income, if applicable. For joint filers, this documentation may include the current pay stub or other documentation of income, if applicable, of both filers.

(c) To be approved for a Standard NJCLASS loan, a creditworthy [borrower or cosigner] **applicant** must have documentable annual income that exceeds Federal poverty guidelines, as adjusted annually by the United States Department of Health and Human Services. The amount by which income must exceed Federal poverty guidelines is determined by the **indentures for the bonds or notes** whose proceeds are funding the loan.

(d) [A borrower or cosigner] **An applicant** with one or more of the items listed below in his or her credit history may be denied a Standard NJCLASS loan for not being creditworthy. These items include delinquent accounts, paid and unpaid collection accounts, paid and unpaid charged off accounts, foreclosure, repossession, bankruptcy, or a paid or unpaid judgment.

(e) [Borrowers] **Applicants** who do not meet the income and credit requirements may reapply with an eligible **co-borrower or cosigner** who does meet the **income and credit** requirements of this section.

9A:10-6.7 Application procedures, disbursement, and students who transfer

(a)–(d) (No change.)

(e) An NJCLASS Loan Program loan may be used only to cover the educational costs of attendance at the school that completes the school certification form providing school data. [NJCLASS Postgraduate loans may be used to cover the educational expenses incident to the educational costs of attendance at the school that completes the school certification form providing school data.] The school must return to the Authority any refund of NJCLASS proceeds resulting from a student’s withdrawal, after satisfying any outstanding accounts receivable. If a student transfers between schools at any time, neither the student nor the parent borrower are eligible to receive proceeds from an application and promissory note for which the school certification form was completed by the previous school. If a student transfers from one school to another before a loan is fully disbursed, the student or parent borrower is not eligible for any remaining disbursements of that loan, and the student or parent borrower must notify the Authority to cancel the loan or the balance of any undisbursed portion of the loan. The student or parent borrower may submit a second application and promissory note with new cost of

attendance and estimated financial assistance figures certified by the new school.

9A:10-6.8 Fees

(a) As determined by the indentures for the bonds or notes whose proceeds are funding the loan or by the NJCLASS Application and Promissory Note if the loan is funded through other means, a recipient of an NJCLASS Loan Program loan may be required to pay an application and an administrative fee to the Authority, which combined shall not exceed five percent of the total approved loan amount.

1. Pursuant to the loan disclosure statements accepted by the borrowers, these fees shall either be deducted from the loan proceeds or added to the loan balance. The indentures for the bonds or notes whose proceeds are funding the loan determine whether the fees shall be deducted from the loan proceeds or added to the loan balance.

2. For [multiply] multiple disbursed loans, an equal percentage of these fees shall be deducted or added [in equal installments,] from each loan disbursement.

(b) (No change.)

9A:10-6.9 Interest

(a) The NJCLASS Loan Program loan shall have a daily fixed simple annual interest rate, a variable interest rate, or another type of interest rate, as determined by the indentures for the bonds or notes whose proceeds are funding the loan or by the NJCLASS Application and Promissory Note if the loan is funded through other means. For NJCLASS Loan Program loans funded through bonds, the NJCLASS Loan Program interest rate will be a pass through rate of the bond interest rate, associated costs of sale, and such other costs or reserves which may be required, and/or determined as the bonds are issued.

(b) (No change.)

9A:10-6.11 Repayment of loan

(a) (No change.)

(b) There are three primary repayment options for NJCLASS Loan Program loans. The details and eligibility criteria for each specific option and their variations may be restricted by the bond indentures. Borrowers shall indicate preferred repayment options while applying for an NJCLASS Loan Program loan. Applications cannot be processed until a repayment option is selected. The Authority shall make best efforts, based on available funding, to offer borrowers the repayment option selected. If the selected option is unavailable the loan offer will include the most similar available repayment option. The interest rate is established by the Authority pursuant to N.J.A.C. 9A:10-6.9(a). The three primary repayment options for an NJCLASS loan are as follows:

1.-2. (No change.)

3. Borrowers are not required to pay principal or interest until graduation, withdrawal, or notification of less than half-time enrollment of the student on whose behalf the loan was obtained. Once one of these circumstances occurs, the loan reverts to a repayment schedule as set forth in (b)1 above. However, payment of interest accrued from the date of loan disbursement is deferred, and is capitalized (added to principal) on an annual basis, or more frequently as determined by the applicable bond indentures. The first monthly payment of principal and interest shall be required within 60 days after the reversion date.

[(c) In the case of an NJCLASS Postgraduate loan, borrowers may pay, but are not required to pay, principal or interest until the end of the deferment period. After the end of the deferment period, the loan reverts to a repayment schedule as set forth in (b)1 above. Interest accrued from the date of loan disbursement is deferred and capitalized on an annual basis and at the end of the deferment period. The deferment period for an NJCLASS Postgraduate loan means the period beginning on the initial disbursement date and ending on:

1. If the NJCLASS Postgraduate loan is for medical or dental residency travel and relocation expenses, the date that is nine months after the date of graduation, withdrawal, or notification of less than half-time enrollment at the eligible institution named in the NJCLASS Application and Promissory Note unless on such date the borrower is participating in a required residency or postdoctoral program, in which event the deferment period will end on the date that is nine months after the date the borrower completes or otherwise ceases to participate in such

program. In no event shall the deferment period end later than 57 months after the date the borrower graduates from medical school or 33 months after the date the borrower graduates from dental school. To be considered participating in a required residency or postdoctoral program during any one-year period requires that the borrower submit to the Authority a certification from the director of such program for such year; or

2. If the NJCLASS Postgraduate loan is for bar examination expenses, the date is nine months after the eligible institution indicated to be the borrower's anticipated or actual graduation date on the NJCLASS application.]

Recodify existing (d) and (e) as (c) and (d) (No change in text.)

[(f)] (e) Notwithstanding any periods of deferment and/or forbearance, NJCLASS Loan Program loans shall be paid in full within the amount of years from the date of first disbursement as specified in the NJCLASS Application, Promissory Note, and disclosures. The amount of years in which a loan is to be repaid is determined by the indentures for the bonds or notes whose proceeds are funding the loan.

Recodify existing (g) and (h) as (f) and (g) (No change in text.)

9A:10-6.12 Deferments and forbearance

(a) (No change.)

(b) The deferment begins on the date the borrower's qualifying status is certified to begin and ends on the date the borrower's qualifying status is certified to end. Maximum allowable time periods for all deferments except full-time and half-time study at an eligible institution and active duty in the armed forces shall not exceed six months for loans with a 10-year repayment term, 18 months for loans with a 15-year repayment term, 24 months for loans with a 20-year repayment term, 30 months for loans with a 25-year repayment term, and 36 months for loans with a 30-year repayment term for an unemployment deferment, and for each of the remaining deferments, as established by the Authority. Full-time and half-time study deferments are not available within 24 months of the loan maturity date. Deferments for NJCLASS Loan Program loans with a 10-year repayment term are limited to unemployment deferments.

(c) (No change.)

(d) The Authority may also, at its discretion, grant borrowers periods of forbearance in the repayment of the NJCLASS Loan Program loan(s). Forbearance will only be granted if the ability of both the borrower and co-borrower [qualify for the forbearance pursuant to 34 CFR 682.211(a)(3)] to make scheduled payments has been impaired based on the same or differing conditions. Forbearance may be granted for situations including, but not limited to, [economic] financial hardship [(as these terms are defined for the FFEL Program, 34 CFR part 682)], which means situations where the overall financial circumstances of the individual seeking relief are such that he or she is unable to maintain a basic standard of living and still make NJCLASS Loan Program debt payments. The maximum allowable time period for [economic] financial hardship forbearance shall not exceed six months for loans with a 10-year repayment term, 18 months for loans with a 15-year repayment term, 24 months for loans with a 20-year repayment term, 30 months for loans with a 25-year repayment term, and 36 months for loans with a 30-year repayment term. In granting a forbearance, the Authority permits a temporary cessation of principal payments and temporarily permits payments of interest only, or a temporary cessation of both principal and interest payments. Interest continues to accrue during all forbearance periods.

9A:10-6.13 Consolidation Loan Program

(a)-(e) (No change.)

(f) An NJCLASS Consolidation loan borrower and/or co-borrower shall meet minimum income requirements and be determined creditworthy by the Authority in order to be eligible for an NJCLASS Consolidation loan. Cosigners shall be required to meet the minimum income or creditworthy determination by the Authority if the borrower or co-borrower are unable to do so.

1. To be approved for an NJCLASS Consolidation loan, a creditworthy borrower, co-borrower or cosigner shall have documentable annual income that exceeds Federal poverty guidelines, as adjusted annually by the United States Department of Health and Human Services. The amount by which income must exceed Federal poverty guidelines is

determined by the indentures for the bonds or notes whose proceeds are funding the loan.

2. (No change.)
(g)-(n) (No change.)

9A:10-6.16 Default and consequences of default

(a) (No change.)
(b) Upon default, the borrower and/or cosigner, if any, are liable for the entire balance of the loan. Upon default, the Authority shall notify credit bureaus of this negative information. Default may result in any or all of the following: expedited increase of interest rate, loss of State income tax refunds or State tax rebates, legal action, [assessment of collection charges including attorney fees of up to 30 percent of the debt collected,] loss of eligibility for other student aid, negative credit reports, administrative wage garnishment, offset of lottery prize winnings, [and] suspension of New Jersey occupational and professional license[.] and assessment of collection charges including attorney fees up to 30 percent of the debt owed. Collection costs, which encompass the cost of processing, handling, and collecting such debt, become due and owing at the time the account is placed with outside counsel and shall be added to the balance owed regardless of whether the total amount is actually collected.

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, subject to appropriations 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.**

- 2.-3. (No change.)
(b)-(e) (No change.)

HUMAN SERVICES

(a)

DIVISION OF MENTAL HEALTH AND ADDICTION SERVICES

Family Support Services

Proposed Readoption with Amendments: N.J.A.C. 10:371

Authorized By: Elizabeth Connolly, Acting Commissioner,
Department of Human Services.

Authority: N.J.S.A. 30:4-177.43 et seq., specifically 30:4-177.52.

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

Proposal Number: PRN 2016-080.

Submit comments by August 5, 2016, to:

Lisa Ciaston, Esquire
Legal Liaison
Division of Mental Health and Addiction Services
PO Box 700
Trenton, New Jersey 08625-0700
or electronically at: DMHAS.RuleComments@dhs.state.nj.us

The agency proposal follows:

Summary

The Department of Human Services (the Department), through the Division of Mental Health and Addiction Services (the Division), has reviewed N.J.A.C. 10:371, Family Support Services, and has determined these rules to be necessary, reasonable, and proper for the purpose for which they were originally promulgated. Technical amendments are necessary in order to clarify and update regulatory language. Therefore, the Department is proposing to readopt these rules with amendments.

N.J.A.C. 10:371, Family Support Services, expires on May 11, 2016. As the Division submitted this notice of proposal to the Office of Administrative Law prior to that date, pursuant to N.J.S.A. 52:14B-5.1.c(2), the expiration date of N.J.A.C. 10:371 is extended 180 days to November 7, 2016.

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

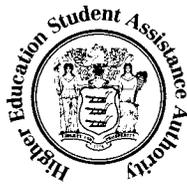
The purpose of these rules is to govern the planning and delivery of family support services required by P.L. 1995, c. 314 (N.J.S.A. 30:4-177.43 et seq.), and funded by the Division, to families who provide care in the community for a family member with a serious mental illness. These rules assure an organized system of family support, promote the efficient and effective use of State funds by providers, and assure that quality services are delivered to families with a family member with a serious mental illness.

When families are integrally involved in the care of a family member with a serious mental illness, the families should be provided with the supports they need to sustain that family member with dignity in a community setting, within available funding limits. Family support services are a coordinated system of ongoing public and private support services, which are designed to maintain and enhance the quality of life of a family and improve its functioning. An important component of this system is intensive family support services (IFSS), comprised of a range of family-driven, supportive activities including, but not limited to, psychoeducation, individual family consultations, multiple family support groups, respite, referral/service linkage, and advocacy. Services shall be offered to parents, spouses, siblings, and children of adults with a serious mental illness. Others who may use such services include relatives who are closely involved in and concerned about the daily functioning of the family member with a serious mental illness or non-relatives who are the primary caregivers.

The rules are comprised of five subchapters. N.J.A.C. 10:371-1 defines the purpose and authority, scope, and definitions. N.J.A.C. 10:371-2 defines the general eligibility. N.J.A.C. 10:371-3 describes the role of the family support coordinator. N.J.A.C. 10:371-4 details the responsibilities and membership of the regional and Statewide family support working groups required by P.L. 1995, c. 314. N.J.A.C. 10:371-5 defines the scope and purpose of the IFSS program including, written policies and procedures, population priorities, admission criteria, criteria for termination of services, service planning and services to be provided, service coordination, assessment, service preferences and record documentation, staffing requirements, and quality assurance.

The Division convened a workgroup consisting of service providers, family advocates, the family support coordinator working under the direction of a Statewide family advocacy organization, Division and Department Office of Licensing (OOL) staff to review these rules and determined that technical amendments are required.

An amendment is proposed at N.J.A.C. 10:371-1.1 and 1.3 to reflect the current name of the Division of Mental Health and Addiction Services. In the Fiscal Year 2010-2011 State Appropriations Act, the former Division of Mental Health and the former Division of Addiction



State of New Jersey

HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY

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CHRIS CHRISTIE
Governor

KIM GUADAGNO
Lt. Governor

GABRIELLE CHARETTE, ESQ.
Executive Director

MEMORANDUM

TO: Members, Higher Education Student Assistance Authority

THROUGH: Gabrielle Charette, Esq. 
Executive Director

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

SUBJECT: Resolution 23:16 - Proposed Amendments to Regulations Governing Discharge of New Jersey College Loans to Assist State Students (NJCLASS), N.J.A.C. 9A:10-6.17.

DATE: October 26, 2016

Background

HESAA is responsible for the administration of the NJCLASS Program pursuant to N.J.S.A. 18A:71C-21 et seq.

NJCLASS ensures that loans are available to, or for the benefit of, eligible students who are not eligible for, or have additional financial need beyond, Federal student loans.

NJCLASS loans are funded by the sale of bonds. The interest rate on the NJCLASS loans is a pass through rate of the bond interest rate, associated costs of sale and other costs determined by the bond sale. In addition to the regulations, HESAA is required to administer NJCLASS pursuant to the indentures for the bonds that finance the loans.

HESAA is recommending an amendment to the regulations governing the NJCLASS program to permit full forgiveness to all parties of the loan in the event that the student for whom the loan was obtained dies or becomes permanently disabled.

HESAA's current policy provides for loan forgiveness in the event of student death and total and permanent disability if the student death occurs during the in-school period, or subsequent to the in-school period if the other parties on the loan can demonstrate severe

financial hardship. The amended regulation would discharge the loan regardless of whether or not the student was enrolled in school at the time of the death and the regulation would apply to all cosigners regardless of their financial situation. Additionally, the regulation would allow those who applied in the past to reapply on or after June 1, 2017 and receive forgiveness prospectively.

Staff confirmed with bond counsel and the financial advisor that there are sufficient resources within the existing trusts to fund the expected increase in forgiveness of loans funded from prior year bond issuances. In addition, bond counsel has ensured that the existing indentures can be amended to allow for this regulatory change. For loans that have yet to be made, the cost of the forgiveness will be built into the annual bond deal. It is anticipated that this benefit will result in a modest increase in rates on all borrowers of approximately 5 basis points.

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

§ 9A:10-6.17 Discharge

(a) Rules governing the discharge of loans based on filing for relief in bankruptcy, and discharge of loans due to death or total and permanent disability are set forth in this section. If an NJCLASS Loan Program loan was obtained by two borrowers as co-makers or by a borrower and one or more cosigners, and only one of the borrowers dies, becomes totally and permanently disabled, has collection of his or her loan obligation stayed by a bankruptcy filing, or has that obligation discharged in bankruptcy, the other borrower or cosigner remains obligated to repay the loan, beginning with NJCLASS Loan Program loans using promissory notes dated 1994 or later. **If the student for whom the loan was obtained dies or becomes permanently disabled to obligation of all parties to the loan to make any further payments on the loan is discharged, beginning with requests for discharge received on or after June 1, 2017.**

(b) If an individual borrower dies, the obligation of the borrower to make any further payments on the loan is discharged. A discharge of a loan based on the death of the borrower **or student** must be based on an original or certified copy of the death certificate, or an accurate and complete photocopy of the original or certified copy of the death certificate.

(c) If the Authority determines that an individual borrower **or student** is totally and permanently disabled, the obligation of the borrower to make any further payments on the loan is discharged. A borrower **or student** is not considered totally and permanently disabled on the basis of a condition that existed at the time he or she applied for the loan, unless the borrower's condition has substantially deteriorated later, so as to render the borrower totally and permanently disabled. A borrower **or student** is not considered totally and permanently disabled if he or she continues to receive an equal or greater amount of income from the source of income that was used to meet the minimum income requirements at the time the loan was approved. After being notified by the borrower,

student, or the borrower's **or student's** representative, that the borrower **or student** claims to be totally and permanently disabled, the Authority shall request that the borrower, **or student**, or the borrower's, **or student's** representative, submit the discharge application provided by the Authority. The application must contain a certification by a physician, who is a doctor of medicine or osteopathy and legally authorized to practice in a state, that the borrower **or student** is totally and permanently disabled as defined in N.J.A.C. 9A:10-6.3.

(d) (No change).

Recommendation

It is recommended that the Board approve Resolution 23:16, Proposed Amendments to Regulations Governing Discharge of New Jersey College Loans to Assist State Students (NJCLASS), N.J.A.C. 9A:10-6.17, so that the proposed amendments can be published in the New Jersey Register.

Attachment

RESOLUTION 23:16

**PROPOSED AMENDMENTS TO REGULATIONS GOVERNING DISCHARGE OF
NEW JERSEY COLLEGE LOANS TO ASSIST STATE STUDENTS (NJCLASS),
N.J.A.C. 9A:10-6.17**

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

WHEREAS: HESAA is responsible for the administration of the New Jersey College Loans to Assist State Students (NJCLASS) Program pursuant to N.J.S.A. 18A:71C-21 et seq.; and

WHEREAS: NJCLASS loans are funded by the sale of bonds and the interest rate on the NJCLASS loans is a pass through rate of the bond interest rate, associated costs of sale and other costs determined by the bond sale; and

WHEREAS: In addition to the regulations, HESAA is required to administer NJCLASS pursuant to the indentures for the bonds that finance the loans; and

WHEREAS: In order to permit full forgiveness to all parties of the loan in the event that the student for whom the loan was obtained dies or becomes permanently disabled 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 Discharge of New Jersey College Loans to Assist State Students (NJCLASS), N.J.A.C. 9A:10-6.17 in the New Jersey Register.

October 26, 2016

NJCLASS Servicing and Loan Repayment Outreach

NJCLASS Portfolio

June 30, 2016

\$1.82 billion outstanding
137,911 loans serviced
95.31% of loans 30 days or less
past due

June 30, 2015

\$1.92 billion outstanding
144,899 loans serviced
95.51% of loans 30 days or less
past due

Customer Communications

Current:

Monthly Bill Statement

Activities:

30 days

60 days

90 days

120 days

150 days

180 days

Billing
Letter
Calls

Note: Both bill statements and collection letters show the amount past due at the loan level. Frequency of calls to customers increases as loan delinquency increases.

Assisting Customers

- Primary focus of staff is to assist customers in resolving delinquency
- Contact all parties on the loan to review loan status and discuss delinquency resolution in early stages of delinquency
- Use of payment relief, e.g. deferment and forbearance
- Permit the temporary use of reduced payments/interest-only payments
- No hidden fees, e.g. late charges, NSF, forbearance processing, and processing fees
- Broadcast messages in customers on-line account providing information about availability of payment relief
- Provide information regarding the delinquency of a loan in the customer's on-line account
- Establishment of repayment plans
- Offer a one time Re-aging Program for loans that are over 90 days delinquent

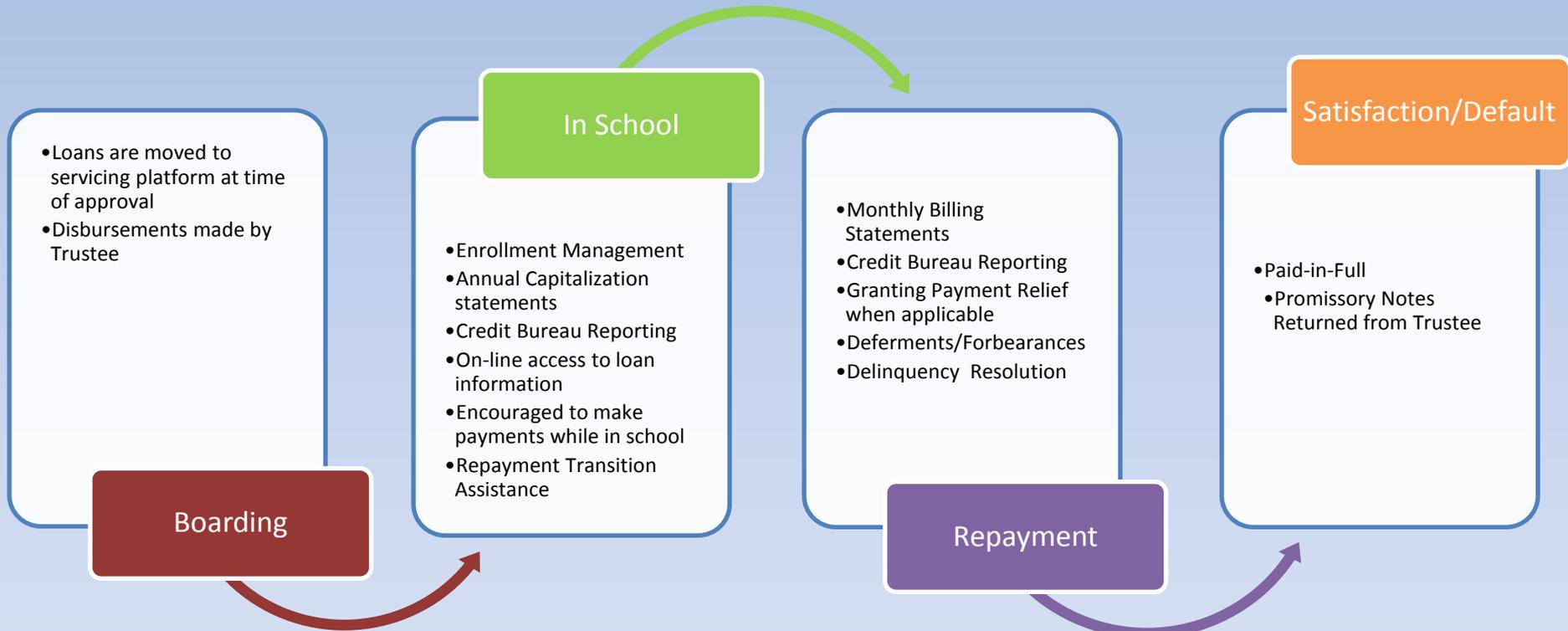
NJCLASS Online Payment Option

- As of September 19, 2016:
 - 5th Anniversary of Online Payment Option
 - 3,619,668 online payments
 - \$691 million
 - 56% of all current NJCLASS payments
 - Flexibility of payment application

Available Tools - NJCLASS

- Administrative Wage Garnishment
 - Notice to borrower
 - Repayment Arrangement
 - Opportunity to request Hearing
 - Hearings conducted by Office of Administrative Law
- Set-off of Individual Liabilities (SOIL)
 - State of New Jersey , Department of the Treasury, Division of Taxation
- Lottery Offset
 - P.L. 1997, c.306
 - Winnings in excess of \$1000
 - Right to request hearing on debt
- Professional License Suspension
 - Inquiries from Licensing Boards

Life Cycle of a Loan - NJCLASS





HESAA Attorney Oversight Process

October 2016 Board Meeting

Presented by:

Gena Carapezza, CPA, CFE

Director, Audits & Quality Assurance e

Purpose of Attorney Program Reviews

- Ensure that attorneys are representing HESAA in a manner consistent with HESAA's mission.
- Verify that collection attorneys are in compliance with Federal & State regulations, their Retainer Agreement, and HESAA's Policy & Procedures Manuals.
- Identify process improvements.

Annual Analysis

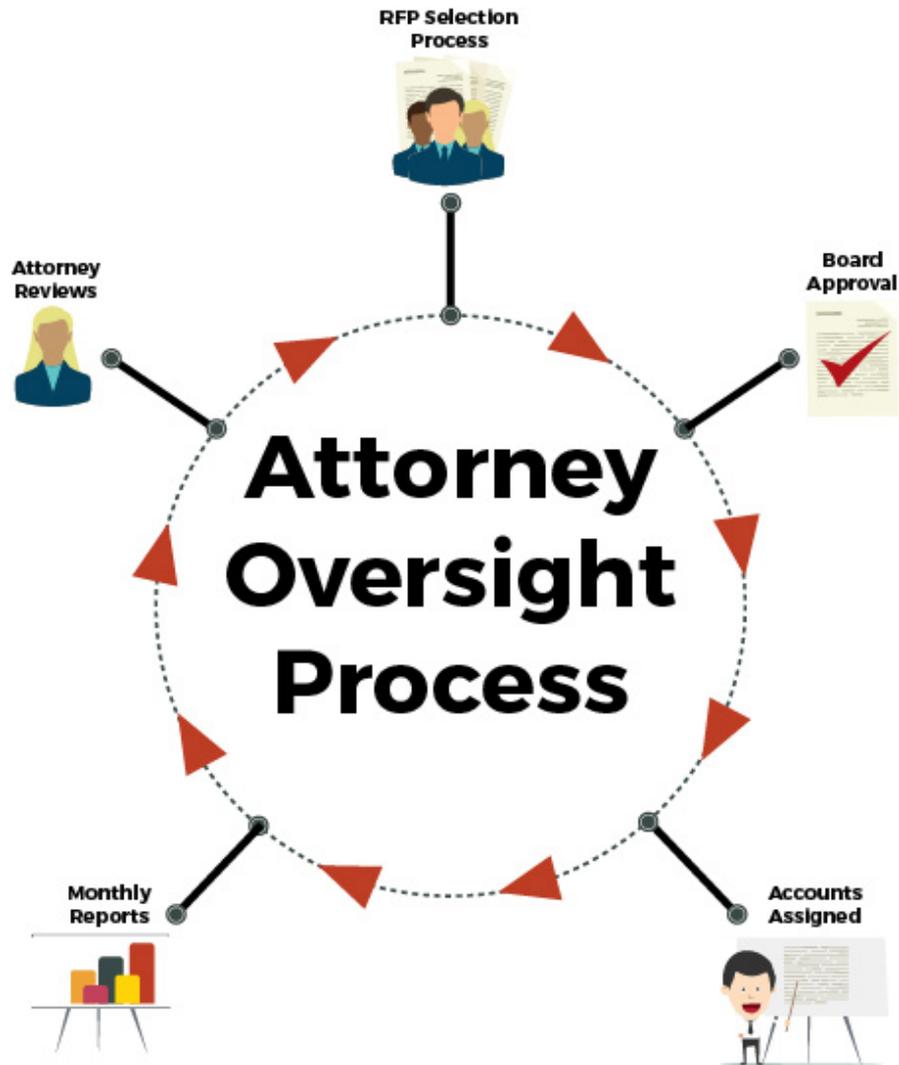
On an annual basis the following are taken into consideration in determining the review schedule:

- Loan volume
- Change in loan volume
- Date of last review
- Prior review findings

Testing Procedures

1. Account Placements
2. Collection Activity/Due Diligence
3. Payment Processing
4. Accuracy of Loan Balance Calculations
5. Monthly Status Reporting & Reconciliations
6. Settlements
7. Compliance with Federal Regulations (FDCPA, FCRA, SCRA, etc.)

Summary





Acorn Fund
— an initiative of the —
Forman S. Acton
Educational Foundation





The Forman S. Acton Educational Foundation

Created in October 2014 through the will of Dr. Forman Acton

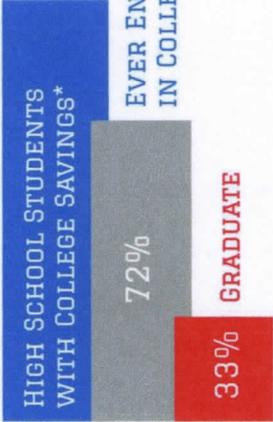
Mission: Provide educational opportunities for Salem's youth through financial assistance and inspirational support that removes barriers and creates pathways for them to advance their education, achieve career success and become global leaders.

How we will achieve the mission:

- Scholarships
- Summer Programs
- After School Programs
- Early Childhood/Pre-school Programs
- College Savings Accounts
- Evaluation



EARLY SAVINGS = COLLEGE SUCCESS FOR LOW-INCOME STUDENTS



EVEN COLLEGE SAVINGS OF LESS THAN \$500 BOOST CHANCES OF COLLEGE ENTRY AND SUCCESS FOR LOW- AND MODERATE-INCOME STUDENTS



* SAVINGS OF LESS THAN \$500

College Saver vs. College Bound Identities

WILT

The sizable number of minority and low-income children who desire to attend college and have the ability to attend college, but fail to transition to college after high school graduation or to succeed once enrolled.



Children enrolled in a two-year or four-year college immediately upon graduating high school in 2010:



Children from high-income families are 6 times more likely to complete a bachelor's degree by age 25.



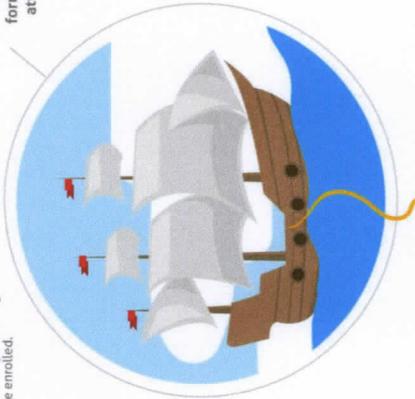
The lowest-achieving children from high-income families attend college at a much higher rate than the lowest-achieving children from low-income families.

65% vs. 33%

88% of the highest-achieving children from high-income families attend college while only 49% of the highest-achieving children from low-income families attend college.



Providing children with a savings account, including CSAs, may help low-income and minority children form college-saver identities that can better align attainment with expectations.



COLLEGE-SAVER IDENTITIES ARE:



more likely to enroll in college than college-bound identities



more likely to graduate from college than college-bound identities



more likely to graduate college than college-bound identities when:



CHILDREN'S SAVINGS ACCOUNT

Children's Savings Account may help reduce debt by providing children with a strategy for paying for college



College-Saver Identity

Expects to go to college and has identified savings as a strategy to pay for it.



Children at all income levels and of all races share aspirations for college attainment, but the reality of disparate educational outcomes—the attainment expectations paradox—erodes education as a pathway to the American dream.



Black children with college-saver identities and school-designated savings of \$500 or more are about:

more likely to graduate from college than Black children with a college-bound identity only.



Acorn Fund Accounts

Funds will be held at the NJ Best program managed by Franklin Templeton Investments

The Account will be owned by the Community Foundation of South Jersey

Each student will have an account in their name

Families will receive quarterly statements from Franklin Templeton Investments





Initial Funding

Grade	Amount at Opening	Grade	Amount at Opening
Before Pre-K	\$50	6	\$150
Pre-K	\$75	7	\$200
K	\$100	8	\$200
1	\$100	9	\$250
2	\$100	10	\$250
3	\$150	11	\$500
4	\$150	12	\$1000
5	\$150		





Acorn Fund Accounts

Funds will be available to the student if use begins on or before the student's 25th birthday.

Funds will be available by completing a Distribution Request, which will be available on the foundation's web site: formanscholars.org

Funds will be distributed directly to the college the student is attending

If the student does not begin to use the funds prior to their 25th birthday, the account will be closed and the funds will be used for another student





Opening an Account

To open an account start from our web site formanscholars.org - and while you are there, you can like us on Facebook to keep up on the news of the foundation.

Click on the link, which will take you to our secure application form

Complete the information

Read through and accept the terms and conditions

Click on "Submit"





Accounts Funded

285 accounts funded to date with \$96,500

29 submitted (so far) to be funded on November 20th





Any Questions?

Check out our web site: www.formanscholars.org

Like us on Facebook and Instagram - [@formanscholars](#)

Email the Foundation at: info@formanscholars.org

Call the Foundation at: 1-844-4Forman

Kathryn Markovchick, President, kathryn@formanscholars.org

Beth Bordowitz, Vice President, beth@formanscholars.org