

## MINUTES

### HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY

April 15, 2005

The Higher Education Student Assistance Authority (HESAA) Board held a meeting by conference call on April 15, 2005 at 10:00 a.m. from the HESAA offices in Hamilton.

**PRESENT:** Mr. Michael Angulo, Esq.; Mr. James Avery; Dr. Phyllis Della Vecchia; Ms. Caroline Ehrlich, Treasurer's Designee; Ms. Erin Ferris; Mr. Keith A. Green; Ms. M. Wilma Harris; Ms. Rossy M. Matos; Ms. Jean McDonald Rash; Mr. Frank Mertz; Mr. Christian Edward Samay, Esq.; Mr. Joseph Smith; Mr. Warren Smith; Ms. Maria Torres; members.

Keith Barrack, Esq., Assistant Counsel, Governor's Authorities Unit representing Victoria Pratt; James Byers, bond counsel of Carella, Byrne, Bain, Gilfillian, Cecchi, Stewart & Olsen; Paul Wozniak, UBS Paine Webber; and Clifford Rones, Deputy Attorney general.

**ABSENT:** Dr. Harvey Kesselman; Dr. William Rogers; Dorothy Blakeslee

#### CALL TO ORDER

Chairman Smith called the meeting to order at 10:00 a.m. and stated that the meeting had been noticed in compliance with the requirements of the Open Public Meetings Act.

Mr. Smith welcomed the Board members.

Mr. Smith asked the Board Secretary to call the roll.

Merci Powell called the roll.

**RESOLUTION 05:05 AUTHORIZING THE ISSUANCE AND SALE OF STUDENT LOAN REVENUE BONDS AND AUTHORIZING AND APPROVING THE EXECUTION AND DELIVERY OF A SUPPLEMENTAL INDENTURE, FINAL OFFICIAL STATEMENT, CONTINUING DISCLOSURE AGREEMENT, BOND PURCHASE AGREEMENT, INTEREST RATE SWAP, AND OTHER MATTERS IN CONNECTION THEREWITH.**

Mr. Eugene Hutchins, Chief Financial Officer, presented the resolution.

Mr. Hutchins advised the Board that the resolution authorizes a total bond sale not to exceed \$225 million in variable rate bonds with a final maturity of no later than May 1, 2040. He said approximately \$140 million of these bonds will be used to finance fixed rate New Jersey College Loans to Assist State Students (NJCLASS) Loans; inclusive of the new pilot NJCLASS Consolidation Loan Program, and up to \$86.5 million for variable rate and low interest loans made through the Family Federal Education Loan Program (FFELP).

Mr. Hutchins stated that the 2005 Bonds are proposed to be issued in the form of variable rate, Auction Rate Certificates (ARC's), that carry a 35-year maturity. He noted that this is the fifth year that this structure has been used. Debt service on these bonds is paid entirely from the repayment of student loans financed from the Bond Trust Estate and that no state general funds are requested or pledged for debt service.

Mr. Hutchins stated that in order to finance fixed rate NJCLASS loans, the structure of the issue includes a variable to fixed rate interest rate swap. Under the swap agreement, the Authority agrees to pay a third-party financial institution interest at fixed rates on predetermined principle amounts. At the same time, the third party agrees to pay variable rate interest on the corresponding portion of the variable rate bonds.

The ARC Bonds are also proposed to be insured, which will result in a AAA rating and will allow NJCLASS loans to be made at a lower interest rate and improve marketability of the bonds.

Our benefits will be continued and include a reduced origination fee of 3% at a 0.5% reduction in the interest rate on NJCLASS loans for borrowers who elect to make their loan payments through the Automated Clearinghouse (ACH) process when they enter full repayment status. FFELP borrowers are also eligible for the ACH benefit, as well as other benefits, which will depend upon the original source of the FFELP loan.

In conformance with Executive Order 26, the Bonds are being issued for a negotiated sale. Due to the complexity and the size of the issue, a negotiated sale should result in better pricing for the bonds than would be obtained from a competitive sale.

Mr. Hutchins advised that the bond resolution approves the issuance of the bonds and authorizes the Chair and Vice-Chair of the Board, the Executive Director and Chief Financial Officer of the Authority to execute bond documents. Mr. Hutchins added that the approval of the Board to approve the attached bond resolution is recommended.

Mr. Avery added that this is the fifth year for the utilization of this fiscal procedure and added that someone once said, "If it ain't broke, don't fix it".

Mr. Smith asked if there were any market issues that the Board needed to be aware of.

Mr. Hutchins stated that, as always, Elliott Spitzer, Attorney General of New York and the SEC is busy investigating many aspects of the financial markets and the auction rate market is no exception to that. You may have read about the various auction procedures that are being looked into. He further stated that to his knowledge this particular investigation did not focus on UBS or the other underwriters. Basically they are making sure the auctions are run on a competitive basis and this benefits HESAA as it provides it protection. Although this oversight is burdensome on underwriters, it is important to have oversight in ensuring the integrity of the financial markets.

A motion to approve the resolution was made by Ms. Harris and seconded by Ms. Torres.

The motion was adopted unanimously by roll call.

**ADDITIONAL BUSINESS**

Mr. Smith added that the OSRP Report has been reviewed by the Governor's Office and it is being distributed to the presidents of each of our institutions.

Mr. Avery asked if a letter was being sent to the presidents regarding the OSRP Report.

Mr. Angulo stated that the OSRP Report was not changed and there were no comments from the Governor's Office pertaining to the reports recommendations, and it is going out to the institutions under a cover memo from him to the respective institutional presidents. He added that we hope to also have it up on-line on our website.

Ms. Harris asked if the college presidents were being asked to comment on the report or is it being sent as an informational copy.

Mr. Angulo said that we would welcome their comments and any thoughts that they would have on the report. He added that if comments are received he would convey them to the Governor's Office.

Warren Smith stated that if all the institutional presidents receive the OSRP report, then HESAA should not have to do anything special for the Presidents' Council, but the Presidents' Council does, in fact, have a secretary and it may be advisable to send something under special cover to that individual.

Mr. Angulo said that he would be happy to place a phone call and let them know that it is available and being mailed to their members and especially when it is available on our website, that they can view it from the Council's perspective.

Ms. Harris asked if we have an estimated date as to when it will be available on the website.

Mr. Angulo said that it will be available within the next week.

Ms. Ferris added that the May 11, 2005 HESAA Board meeting will be her last meeting serving as Student Representative chair to HESAA. It will be the end of her two-year tenure serving the Board and she wanted to thank the Board for two really great years.

**ADJOURNMENT**

Since there was no other business to be presented, Chairman Smith announced that the next Board meeting is May 11, 2005 at 10:00 a.m. He thanked those participating by phone and entertained a motion to adjourn.

A motion to adjourn was made by Ms. Harris and seconded by Ms. Ferris.

The meeting adjourned at 10:15 a.m.