

HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY



2016 ANNUAL REPORT



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Mission

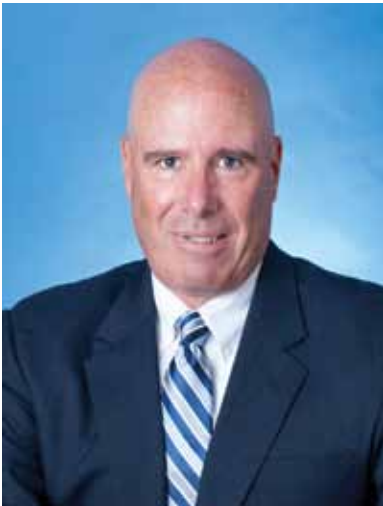
HESAA is the only State agency with the sole mission of providing students and families with the information and resources necessary to attain an education beyond high school. HESAA serves a dual role as both a federal guaranty agency and a State higher education authority.

About Our Cover: HESAA employees voted on the cover design and selected this one as the best way to represent “New Jersey Smart.”



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Message from the Board Chairman Anthony J. Falcone, CPA

It was again my honor to serve as Chairman of a Board that is so committed to the success and advancement of our residents, our students and, ultimately, our State. This year included a few game-changing initiatives and I am pleased to report that HESAA exceeded my expectations in an ever-changing financial aid climate.

The Presidential Early FAFSA was an initiative which HESAA embraced with full force. Allowing students to apply early for federal funding changed the landscape of financial aid across our nation. Here in New Jersey, HESAA was ready. HESAA's outreach to all stakeholders was evident throughout our State in the form of information sessions with school counselors, college financial aid officers, parents and, of course, students. HESAA helped build awareness of the early availability through FAFSA workshops, billboards, lawn signs, media relations and social media.

A crucial part of the Presidential initiative was the introduction of "Prior-Prior Year." This federal change allowed students and families to apply for federal aid using their tax return data from the last completed tax returns. For example, the 2017-18 FAFSA is completed based on 2015 tax returns. HESAA not only communicated this change to the public, but was also prepared on the backend to help implement this from a technology standpoint. The processing and reporting on the status of Tuition Aid Grant recipients who completed their FAFSA applications is an ongoing effort which HESAA continues to monitor.

It was also in 2016 that HESAA staff settled into their newly renovated space. Sometimes working out of boxes, the staff was able to maintain their workloads while providing seamless service to the students and families they serve. The reconfiguration of the office space reduced the square footage and yielded HESAA \$1 million in rental savings over the life of the lease.

I invite you to review this annual report and learn more about the Authority's great work and how they have supported wonderful student outcomes.

Sincerely,



Anthony J. Falcone, CPA
Board Chairman



Message from the Executive Director Gabrielle Charette, Esq.

As you read this report you will find a great deal of data about appropriations, award levels, the number of awards and expenditures.

While data is certainly important in telling the story of 2016, what I am most eager to share are the student stories. Research professor Dr. Brené Brown once said, “stories are data with a soul.” As you absorb the facts and figures presented in this report you will also discover how that data contributes to student success. This is important because student success is the soul of HESAA and why we do what we do year round.

On the following pages you will meet a number of students including Shyam, Tara and Kishwar. Like all our students, their backgrounds, economic circumstances, and career aspirations are as diverse as our State itself. They are from different parts of New Jersey and attend different institutions of higher education where they are majoring in different academic disciplines. They do, however, have one thing in common; they are each utilizing HESAA’s various programs to achieve their goal of postsecondary education.

The students and families we serve, however, are not the only individuals who helped shape HESAA’s story in 2016. Governor Christie and the Legislature continued their wise commitment to funding HESAA’s various grants and scholarship programs, especially the Tuition Aid Grant (TAG) program, which is New Jersey’s premier need-based aid program. Each year, the TAG program enables tens of thousands of low and moderate income students to attend an array of colleges and universities throughout the State. We are most grateful for this generous support.

Also helping shape HESAA’s year were the many colleges and universities that participate in our programs. We thank you for participating in our programs, serving on our advisory committee and inviting us to speak before your associations. We know the delivery of student aid is a partnership and a mission we could not fulfill without your help.

Sincerely,



Gabrielle Charette, Esq.
Executive Director

Board Members as of December 31, 2016

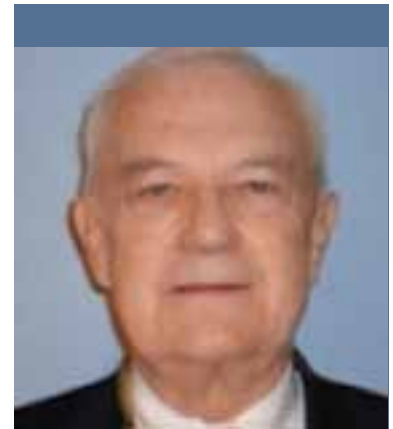
Executive Committee

Chairperson	Ford M. Scudder
Anthony J. Falcone	State Treasurer
Public Member	Ex-Officio
	Treasurer's Designee
Vice Chairperson	Christopher McDonough
Christy Van Horn	
Public Member	Maria Torres
	Public Member
Secretary-Treasurer	
Gabrielle Charette, Esq.	Dr. Jon Larson
Executive Director	Representative
Ex-Officio	County Colleges

Members

Michael L. Braden, S.J.	Shyam Sharma
Representative	Chair
Independent Institutions of Higher Education	Student Advisory Committee
	Jean McDonald Rash
George Garcia, Esq.	Representative
Public Member	Rutgers University
	Ester Calderon*
Rochelle Hendricks	Vice Chair
Secretary of Higher Education	Student Advisory Committee
Secretary's Designee	
Audrey Bennerson	Vacant
	Representative
Vacant	New Jersey Institute of Technology
Representative	
State Colleges	Vacant
	Public Member
Bader Qarmout	
Representative	Vacant
Educational Opportunity Fund	Public Member
Ex-Officio	

*Member as of July 2016



Mr. James Allen resigned from his position as a public member of the Board in 2016 after five years of service. He was a passionate and proud Board member whose extensive banking and public policy experience was an asset to the Authority.

HESAA Staff

Executive Staff

Executive Director
Gabrielle Charette, Esq.

Chief Financial Officer
Eugene Hutchins

Chief of Staff
Marcia Karrow

Chief Compliance Officer and Ombudsman
Michael McCulley, Esq.*

Chief Information Officer
Ruth Odom

Director of Legal and Government Affairs
Marnie Grodman, Esq.

Senior Director of Student Loans
Teresa Gervasio

Director of Grants and Scholarships
Kathryn Safran

Acting Director, Client Services
André Maglione

Senior Staff

Director, Audits and Quality Assurance
Gena Carapezza, CPA

Director of Human Resources
Patricia Maske

Controller
Robert Clark, CPA

Director of Communications
Jennifer Azzarano**

*Michael McCulley resigned from the Authority in July 2016. Gena Carapezza served as Acting Chief Compliance Officer during the search for his replacement.

** Jennifer Azzarano joined the Authority in September 2016 following the retirement of Linda Nasta.

New Jersey Advisory Committee on Student Aid 2015-2016

Members

County College Sector
Representative
Karyn Arnold
Associate Director
of Financial Aid
Brookdale Community
College

Educational Opportunity Fund
(EOF) Representative
Ruben Melendez
Director of EOF
Union County College

Graduate Representative
Cheryl White
Campus Director
Student Financial Aid
Rutgers University - Newark

Independent Sector
Representative
Susan Gross
Director of Financial Aid
Stevens Institute
of Technology

New Jersey Association of Student
Financial Aid Administrators
Representative
Rabbi Gedalya Green
Associate Director of
Financial Aid
Beth Medrash Govoha

NJ Bursars Association
Representative
Mary Ellen Lister
Student Accounts Coordinator
Rowan College at Burlington
County

NJIT Representative
Ivon Nunez
Director of Student Financial
Aid Services
New Jersey Institute
of Technology

Rutgers Representative
Annmarie Bouse
Deputy Director of Financial Aid
Rutgers University -
New Brunswick

State College Sector
Representative
Jim Anderson
Director of Financial Aid
Montclair State University



Student Advisory Committee

Academic Year 2016-2017

Committee Chairs

Chair

Shyam Sharma

Caldwell University

Vice Chair

Ester Calderon

New Jersey Institute of Technology

Members

Kylieanne Antoine

Union County College

Andrew Massefski

William Patterson University

Kenneth Borda

Union County College

Mia Angelia Dones

Georgian Court University

Michell Orozco

William Patterson University

Stephfel Love

Rutgers University - Newark

Stephen Geerlof

Ramapo College of New Jersey

Academic Year 2015-2016

Committee Chairs

Chair

Luis Padilla

New Jersey City University

Vice Chair

Shyam Sharma

Caldwell University

Members

Dana Yangello

Salem Community College

Cristian Moreno-Rodriguez

Stockton University

Josef Weikl

Ramapo College of New Jersey

Vacant

New Jersey Institute of Technology

Jessica Rediger

College of Saint Elizabeth

Aaron Yangello

Rowan University

Edna Antwi

Rutgers University - New Brunswick

Justina Olivo

DeVry University

Patience Clinton

Rowan College at Burlington County

Nicholas Nowoslawski

Rutgers University - New Brunswick



In addition to working toward earning his degree in Business Administration from Caldwell University in Spring '17, Shyam Sharma also serves as the Chair of HESAA's Student Advisory Committee. He believes New Jersey provides a unique myriad of opportunities. He is currently finishing his internship with Parsippany-based Tilcon New York, Inc. "I am really grateful for the HESAA staff. They work tirelessly to help students and families get information and make the right decisions."

*~ Shyam Sharma
Caldwell University*

Grants and Scholarships

Tuition Aid Grant

The National Association of State Student Grants and Aid Programs has consistently ranked New Jersey's premier need-based Tuition Aid Grant (TAG) as one of the most generous in the nation.

The 2015-16 academic year proved to be another impactful year. With more than 526,000 applications for aid received, HESAA was able to award 70,783 students with TAG awards.

These awards were spread across the State and supported the State's

low to moderate income level households -- households that may not have been able to send a student to college without this financial support.

The funding was also awarded across New Jersey's institutions of higher education. Depending on each student's individual need and type of institution, funds were awarded at the following maximum levels per TAG student:



Maximum TAG Awards for AY 2015-2016

County College	\$2,628
State College	\$6,958
Public Research	\$10,772 (NJIT) \$9,284 (Rutgers) \$7,922 (Rowan)
Non-Public	\$12,196

Maximum Part-Time TAG for County Colleges

Half-Time	\$657
Three-Quarter Time	\$985

“The State TAG and EOF programs have helped me tremendously due to my financial situation. I am grateful for the money the State has provided me. It has helped me continue my college journey to receiving a degree in Speech Pathology.”

*~ Kalinivel Melo
Kean University*

Grants and Scholarships

NJ STARS and NJ STARS II

Created in 2004, the New Jersey Student Tuition Assistance Reward Scholarship (NJ STARS) is a merit program. It provides New Jersey students ranking in the top 15.0% of their high school junior or senior year class with scholarships to attend the community college in their county of residence free of tuition charges.

The success of NJ STARS prompted the creation of the New Jersey Student Tuition Assistance Reward Scholarship II (NJ STARS II) program. NJ STARS II provides successful NJ STARS scholars with a \$2,500 per year award to continue their undergraduate studies at a four-year public or private institution of higher education in New Jersey.



“The NJ STARS scholarship provided me the necessary means to afford a college education, and I am incredibly grateful. It has opened numerous opportunities for me that I would not have had if I did not choose to attend Brookdale Community College.

NJ STARS made it possible for me to grow both on an academic and personal level. I was able to fully immerse myself in my education, without having to worry about the financial aspects of paying for this education.

Upon finishing my term as President of my college’s

chapter of Phi Theta Kappa International Honors Society, graduating the Honors Program, and completing my degree in Biology in the spring of 2017, I plan on transferring to a four-year institution to pursue a degree in Biochemistry. My ultimate goal is to enter Medical School after obtaining my bachelor’s degree.”

~Sameerah Wahab
Brookdale Community College

Grants and Scholarships

Governor's Urban Scholarship

Created in 2012, this merit-based award contributes up to \$1,000 annually for students ranked within the top five percent of their high school class who have a minimum GPA of 3.0 at the end of their junior year.

The award is renewable for up to four years and provides students with a persistency bonus in their last semester before degree completion. To be eligible for this award, students must attend a TAG participating institution and must reside in one of the following communities:

- Asbury Park
- City of Camden
- East Orange
- Irvington
- Jersey City
- Lakewood
- Millville
- Newark
- New Brunswick
- Paterson
- Plainfield
- Roselle
- Trenton
- Vineland



“Receiving the Governor’s Urban Scholarship allowed me to worry less about my financial hardships while attending one of the top colleges in the State, and focus more on what mattered to me the most: my grades and my education.

Thanks to this scholarship program, I am another step closer to achieving my goal of furthering my knowledge and becoming a valued member of society. I’m also inspired to try to help others achieve their goals as well. I am forever grateful to the Higher Education Student Assistance Authority, and everyone else involved that has made this wonderful opportunity possible.

Thank you, with all my heart.”

~ Kishwar Hoque

Grants and Scholarships

Part-Time TAG for County Colleges

The Part-Time TAG for County Colleges program allows students who attend a New Jersey county college and demonstrate financial need to receive a grant. Students must be enrolled for at least six, but no more than 11 credits. The amount of an individual award varies based upon the student's need, the cost of tuition, and available funding.

Part-Time TAG for Educational Opportunity Fund (EOF) Students

The Part-Time TAG for EOF Students program provides prorated TAG awards to eligible EOF students who have been counseled by institutional EOF staff to attend college part-time to address personal, financial, and/or academic concerns that impede their ability to pursue a full-time course of study. This program is open to students enrolled for at least six credits, but no more than 11 credits, at two and four-year institutions approved by the EOF Board to award part-time EOF grants.

New Jersey Governor's Industry Vocations Scholarship (NJ-GIVS)

In the summer of 2013, Governor Christie announced the creation of NJ-GIVS to assist individuals interested in pursuing a career in construction trades. NJ-GIVS is administered by HESAA and funded by the Schools Development Authority (SDA). The award benefits women and minority students pursuing a certificate or degree program in a construction-related field. NJ-GIVS pays up to \$2,000 per year for the cost of enrollment in an eligible program at one of New Jersey's community colleges or county vocational/technical schools. The scholarship can be renewed for one year.



In 2016, Kathryn Safran became Director of Grants and Scholarships. She holds a bachelor's degree in accounting from the University of Central Florida.



In 2016, Jean Hathaway became Assistant Director of Grants and Scholarships. She is a graduate of both Raritan Valley Community College and Rutgers University.

Outreach / Financial Literacy

High School Counselor Training Institute

HESAA hosts an annual High School Counselor Training Institute. Approximately 900 counselors are trained annually in the latest developments in financial aid. This year's focus was on the Presidential Early FAFSA initiative. The early availability of the federal application, however, was just part of the course instruction. Also included were details about how Prior-Prior Year tax returns are now utilized when completing the FAFSA. HESAA staff answered questions about citizenship, marital status and guardianship. Each school counselor was awarded Continuing Education Credits for attending the Institute.

Student Financial Aid and Literacy Workshops

Each year, HESAA conducts over 600 financial aid nights and financial literacy workshops for students and parents. These sessions focus on providing information about college planning, FAFSA completion, and financial aid knowledge.

Public Television

As part of HESAA's outreach efforts, Executive Director Charette appeared on public television programs to educate the public about the Authority's college savings, grants, scholarships and loans as well as the importance of college financial planning.



Steve Adubato, Gabrielle Charette and Rafael Pi Roman at the NJN Studios in Newark following an appearance on Capitol Report.

Innovation in Financial Education Award

The Authority's efforts in financial literacy garnered well deserved recognition in 2016. HESAA was honored at the second annual Innovation in Financial Education Awards ceremony presented by NASDAQ and Everfi where André Maglione accepted the award on behalf of the Authority. In addition to the trophy, HESAA's logo was displayed in Times Square.



André Maglione accepts the Innovation in Financial Education Award in front of HESAA's logo in Times Square, the crossroads of the world.

Initiatives

Strategic Plan

Because HESAA's 2012 three-year plan came to its conclusion, the leadership team from across the Authority created a visionary but realistic roadmap to guide the Authority through 2018. Chief of Staff Marcia Karrow organized the strategic planning sessions and Director of Audits & Quality Assurance Gena Carapezza drafted the plan which was reviewed and edited by the planning participants. The plan includes four major areas of focus: Customer Service, Technology and Process Improvements, Finance and Workforce Development. The plan requires all participants to reconvene annually to assess progress.



**Marcia A. Karrow,
Chief of Staff**

New State Filing Deadlines

In April of 2016, the HESAA Board adopted a new state grant filing deadline schedule effective beginning in academic year 2017-2018. The new deadlines were in response to two major changes to the Free Application for Federal State Aid (FAFSA). First, commencing with the 2017-2018 financial aid application cycle, the FAFSA is available on October 1 of the year prior to the upcoming academic year. Therefore, students were able to file their 2017-2018 FAFSA in October of 2016 as opposed to January of 2017. Second, commencing with the 2017-2018 financial aid application cycle, students and families used income from two years prior (prior-prior year) as opposed to one year prior. HESAA and the Educational Opportunity Fund (EOF) believed that these two initiatives facilitated the implementation of earlier state filing deadlines which in turn will allow students to make earlier enrollment decisions armed with their financial aid in place.

NEW Deadlines for 2017-2018 for State Student Financial Aid

FAFSA FILING DEADLINE	2017-2018
RENEWAL STUDENTS (FALL & SPRING)	OCTOBER 1 - APRIL 15
NON-RENEWAL STUDENTS (FALL & SPRING)	OCTOBER 1 - SEPTEMBER 15
NON-RENEWAL STUDENTS (SPRING ONLY)	OCTOBER 1 - FEBRUARY 15

APPLICANT INFORMATION DEADLINE (AIR, STATE VERIFICATION, CORRECTIONS, ETC.)	2017-2018
RENEWAL STUDENTS (FALL & SPRING)	AS SOON AS POSSIBLE BUT NO LATER THAN SEPTEMBER 15
RENEWAL STUDENTS (SPRING ONLY)	AS SOON AS POSSIBLE BUT NO LATER THAN NOVEMBER 1
NON-RENEWAL STUDENTS (FALL & SPRING)	AS SOON AS POSSIBLE BUT NO LATER THAN NOVEMBER 1
NON-RENEWAL STUDENTS (SPRING ONLY)	AS SOON AS POSSIBLE BUT NO LATER THAN MARCH 1

COLLEGE CODE CHANGE DEADLINE	2017-2018
RENEWAL STUDENTS (FALL & SPRING)	OCTOBER 1
RENEWAL STUDENTS (SPRING ONLY)	MARCH 1
NON-RENEWAL STUDENTS (FALL & SPRING)	OCTOBER 1
NON-RENEWAL STUDENTS (SPRING ONLY)	MARCH 1*

*MARCH 1 OR 30 DAYS FROM INITIAL NOTIFICATION

National Engagement

HESAA recognizes that a great deal of state student aid policies are influenced by decisions at the national level as evidenced by the initiatives discussed in the previous section, New State Filing Deadlines. HESAA stays abreast of national changes and trends by active participation in two trade associations, the Education Finance Council (EFC) and the National Council of Higher Education Resources (NCHER). HESAA Chief Financial Officer Eugene Hutchins not only participates as a member of these organizations but assumes leadership roles within both. In 2016, Mr. Hutchins was Secretary of the EFC and Treasurer of NCHER.



**Eugene Hutchins,
Chief Financial Officer**

Local Engagement

HESAA is heavily engaged in the New Jersey Association of Student Financial Aid Administrators (NJASFAA). NJASFAA members consist of student financial aid professionals employed at the various colleges and universities throughout the State. Its mission is to promote sound financial aid policies and practices. Below is a picture of the NJASFAA Executive Council following a meeting at the Authority.



NJASFAA Executive Council Members

Student Loans

NJCLASS: A Year Of Lowered Interest Rates

In 2016, the Authority successfully negotiated the sale of \$190 million in tax-exempt bonds to fund the NJCLASS Loan Program for the 2016-2017 academic cycle and succeeded in procuring lower interest rates on all the fixed rate loan products.

The initial interest rate on the 10-year fixed rate option fell from 4.99% to 4.48%, while the initial interest rate for the 15-year repayment term fell from 6.20% to 5.19%. The initial interest rate for the deferred repayment option with a 20-year term fell from 7.85% to 7.15%.

The interest rate drop for the academic cycle 2016-2017 also followed an interest rate drop in 2015-16. Below is a chart demonstrating the interest rate reductions.

	2014-2015	2015-2016	2016-2017
10-year	5.99%	4.99%	4.48%
15-year	6.95%	6.20%	5.19%
20-year	8.40%	7.85%	7.15%

A Year Of Statutory Change

During the federal elections of 2016 the issue of student debt was a topic of national debate. The State Legislature introduced a number of bills regarding the NJCLASS program. On December 5, 2016, Governor Christie signed P.L. 2016 c. 71. This law provides for forgiveness of all outstanding NJCLASS loans in the event of a student borrower's death or total and permanent disability where the cosigners are the student borrower's parent or guardian.

The law also provides that interest does not accrue on a NJCLASS loan during a period where the student borrower is totally temporarily disabled.



“I am one of five daughters and the third to attend college. My NJCLASS loan is the bridge between what I can afford and my career goals. Knowing that my low-interest NJCLASS loan is there to support me, I can focus on keeping my grades up, my part-time job as an assistant Physical Therapist and my role as a goalie for Ramapo’s lacrosse team. NJCLASS is a confidence builder.”

**~ Tara Ward
Ramapo College
of New Jersey,
Class of ‘18**

Student Loans

Since the statute was effective immediately upon signing by the Governor, HESAA posted an announcement to the website about the new law with links to the text of the statute. Additional messages were also posted on the NJCLASS web page and in the borrower portal. All NJCLASS disclosures, marketing materials, and other literature were updated accordingly. Finally, to ensure that all borrowers and cosigners were aware of the new law, the Executive Director sent a letter with a contract addendum to all current NJCLASS borrowers and cosigners.

FFELP

In September 2016, the U.S. Department of Education released the annual three-year cohort default rate calculations for institutions, lenders and guaranty agencies. While the national cohort default rates decreased from 11.8% to 11.3%, HESAA's three-year cohort rate for federal fiscal year 2013 increased from 6.3% to 8.7%.

The increase in the rate results from the reduction in the number of borrowers entering repayment in Federal Fiscal Year (FFY) 2013, which is directly linked to the elimination of FFELP loans effective July 1, 2010. HESAA's calculation is based upon 388 borrowers defaulting between FFY 2013- 2015 out of 4,427 borrowers who entered repayment in FFY 2013. In contrast, the FFY 2012 rate was based upon 8,816 borrowers entering repayment.

The FFELP portfolio of outstanding loans continues to decline as borrowers repay their HESAA guaranteed loans. HESAA expects the agency's cohort default rate to remain high over the next few years due to the declining number of borrowers in the denominator, even though the number of default claims being paid continue to wane.

Changes to the FFELP default portfolio continue to emerge. In July 2015, guidance was issued by the U.S. Department of Education barring a guaranty agency from charging collection costs to a borrower who promptly enters into a rehabilitation repayment agreement after default and successfully honors the repayment agreement. Effective July 1, 2017, lenders and servicers will no longer be permitted to capitalize unpaid accrued interest on rehabilitated loans at the point of sale.

In May 2016, the U.S. Department of Education issued Dear Colleague Letter GEN 16-08. This required guaranty agencies to conduct a data match with the Department of Defense's Defense Manpower Data Center (DMDC) to identify borrowers who are eligible for the interest rate limitation provided for under the provisions of the Servicemembers Civil Relief Act (SCRA). Guaranty agencies were required to begin a matching process

Student Loans

July 1, 2016. Subsequently, in November 2016, the Department issued Dear Colleague Letter GEN 16-20, encouraging guaranty agencies to retroactively adjust the balances of loans belonging to servicemembers who were in active duty status on or after August 14, 2008. The industry is currently analyzing this latest guidance to determine the best way to handle the volume of loans where different holders may be involved as the loans moved from lender to guaranty agency to servicer to Department.



In April 2016, HESAA welcomed Julie Downs as a Student Financial Aid Administrator. Her extensive background in lending as a credit risk analyst was a welcomed addition to the NJCLASS originations team. Julie is a graduate of Stockton University where she earned her bachelor's degree in Communication Studies.

College Savings

NJBEST

As the cost of college increases, HESAA and Franklin Templeton (FT), the State's 529 College Savings Plan investment manager, continue to encourage families to save rather than borrow for the cost of higher education. New Jersey's college savings opportunities offer both a plan sold directly to New Jersey residents only, NJBEST, and a national plan sold through an advisor, FT 529. During 2016, a total of 4,618 new NJBEST accounts and 24,050 new FT 529 accounts were opened. As of December 2016 assets under management totaled \$4.81 billion and an additional \$2.34 billion in distributions had been taken to finance higher education costs. HESAA reminds families that every dollar saved today through a 529 savings plan is a dollar that does not have to be borrowed tomorrow.



Aubrey Rose does not even know it yet but her college plans are already in the works! Her parents, Kristen and Michael Holte, were smart to open an NJBEST 529 college savings account when Aubrey Rose was born. This way, their baby girl will have a jump start on saving for college. “We don’t have any idea what Aubrey Rose will aspire to be. We just know that we want her to have every advantage to achieving her dream career. The NJBEST savings plan is something we can do for her now to help support her future goals,” said her proud mom, Kristen.

Compliance Department

Compliance

The Compliance Department is responsible for ensuring HESAA's compliance with all Federal and State laws and regulations, as well as industry best practices that govern the financial aid sector. In order to keep up to date with the ever-changing regulatory landscape, HESAA's then Chief Compliance Officer Michael McCulley, Esq. attended the 2016 Higher Education Compliance Conference and the 2016 Ombudsman Caucus. Major compliance projects throughout 2016 included reviewing and providing compliance guidance for updates to consumer disclosures and advertising materials, conducting training sessions on procedure writing and assisting with HESAA's success in complying with the new requirements of the Military Lending Act.

Audits & Quality Assurance

To ensure compliance with federal and State statutes, regulations, policies and procedures, HESAA's Audits & Quality Assurance unit (A&QA) is tasked with conducting internal reviews of HESAA's own processes as well as reviews of external parties with which HESAA conducts business.

In 2016, A&QA successfully completed the annual internal control evaluation required by the New Jersey Office of Management and Budget, participated in a FFELP lender review performed through the Common Review Initiative, reviewed two law firms engaged in the collection of defaulted FFELP and NJCLASS loans and reviewed State grant and scholarship processing for six New Jersey colleges and universities resulting in over \$215,000 being returned to the State General Fund.



Director of Audits and Quality Assurance Gena Carapezza served as Acting Chief Compliance Officer following Michael McCulley's departure at the end of July 2016.

Compliance Department

Office of the Ombudsman

HESAA's Ombudsman is responsible for conducting comprehensive investigations responding to borrower requests for Administrative Review, Closed School Discharges, False Certification Discharges, Unpaid Refunds, Ombudsman Inquiries, FMS Offset appeals, CFPB Complaint Portal and Fraud and Forgery Claims.

In 2016, the Office of the Ombudsman reviewed 50 Fraud & Forgery cases for NJCLASS and FFELP loans, four False Certification claims and completed six Closed School reviews. The Ombudsman's office received notification that Star Career Academy announced its closure on Nov. 15, 2016. Once the loans are identified by Information Services, a review will be completed to determine if any loans are eligible for a Closed School Discharge. Also, the Office of the Ombudsman coordinated HESAA's responses to 36 Consumer Financial Protection Bureau inquiries throughout the year.

Chief Security Officer

The responsibilities of HESAA's Chief Security Officer (CSO), Paula Luther, include the oversight of the safeguarding and protection of information collected, received, used, stored, and shared to support HESAA's student financial aid processing. Additional responsibilities include reviewing and addressing information security questions and concerns, and providing security-related input to various project teams. During 2016 HESAA's CSO collaborated with various units at HESAA to address enhancements identified in the 2015 security self-assessment including: developing and formalizing information security-related policies and procedures, developing and implementing an internal information security audit process, formalizing HESAA's application system risk assessment process and conducting risk assessments for HESAA's student financial aid processing systems.

State Economic and Growth Strategies

By promoting post-secondary education and helping families plan for and finance their children's education, HESAA continues to contribute to the State's economic and growth strategies. A highly educated workforce is good for the State's economy, the business community and individual citizens.

While the above seems intuitive, after the Great Recession and the years of slow economic recovery, some have questioned the value of a higher education. Despite the global economic challenges since the financial crisis of 2008, study after study continues to validate the supposition that higher education is an investment worth making.



During a 2016 commencement address, Federal Reserve Chairwoman Janet Yellen affirmed these studies and this supposition. "Economists are not certain about many things. But we are quite certain that a college diploma or an advanced degree is a key to economic success. Those with a college degree are more likely to find a job, keep a job, have higher job satisfaction and even a higher salary," said Chairwoman Yellen.

The Georgetown University Center on Education and the Workforce published a report in June of 2016 entitled *America's Divided Recovery: College Haves and Have-Nots* which revealed that over 95% of the jobs created during the recovery went to workers with at least some college education. The report further stated that the jobs created during the recovery are not the same jobs that were lost during the recession. "The Great Recession decimated low-skill, blue collar and clerical jobs, whereas the recovery added primarily high-skill management and professional jobs," wrote authors Anthony Carnevale, Tamara Jayasundera, and Artem Gulish.

While the value of education is no longer questioned, HESAA believes that students and families still need to make informed and prudent financial decisions with respect to their educational pursuits. HESAA counsels families to save early and consistently through its NJBEST 529 college savings plan. HESAA requires students to complete the Free Application for Federal Student Aid (FAFSA) before allowing students to receive an NJCLASS loan and HESAA requires school certification on all NJCLASS loans to ensure that students are only borrowing for the true cost of attendance less any financial aid or scholarships. Finally, HESAA encourages students and families to seriously consider lower cost in-state attendance at one of New Jersey's many fine colleges and universities.

Financial Statements

State of New Jersey Higher Education Student Assistance Authority Combined Statements of Net Assets

	As of June 30,	
	2016	2015
Assets		
Cash and Cash Equivalents		
NJBEST	\$ 4,236,204	\$ 3,398,960
NJCLASS/FFELP	625,501,324	578,507,885
Other	7,597,199	3,372,567
Investments		
NJBEST	4,653,508,331	4,712,858,238
NJCLASS/FFELP	10,138	549,574
Other	45,205,922	39,765,611
Receivables		
Federal government	5,285,296	6,118,751
Loans	1,914,995,383	2,030,867,748
Other	56,088,168	53,122,504
Fixed Assets, Net	3,212,966	1,949,654
Total Assets	\$ 7,315,640,931	\$ 7,430,511,492
Deferred Outflow - Interest Rate Swaps	2,715,760	4,814,943
Liabilities and Fund Balances		
Liabilities		
Accounts payable and accrued expenses	\$ 44,390,898	\$ 48,040,162
Due to federal government	7,767,610	4,410,330
Revenue bonds payable	2,309,195,000	2,403,460,000
Total Liabilities	2,361,353,508	2,455,910,492
Financial Instrument Liability - Interest Rate Swaps	2,715,760	4,814,943
Fund Balances		
Reserved for loan servicing	231,564,173	197,080,316
Restricted	4,722,723,250	4,777,520,684
Total Fund Balances	4,954,287,423	4,974,601,000
Total Liabilities and Fund Balances	\$ 7,315,640,931	\$ 7,430,511,492

Financial Statements

State of New Jersey Higher Education Student Assistance Authority Combined Statements of Revenues, Expenditures and Changes in Net Assets

	For the Years ended June 30,	
	2016	2015
Revenues		
State grant & scholarship appropriations	\$ 405,457,598	\$ 388,199,588
Federal and other grants	55,237,010	69,206,411
Fees	22,423,790	21,468,176
Investment earnings		
NJBEST	84,112,336	103,606,470
NJCLASS	143,758,999	150,477,156
Other	742,545	278,260
NJBEST subscriptions	1,209,579,989	1,352,722,257
Net realized and unrealized gain (loss) on NJBEST investments	(121,518,019)	(5,956,192)
Other	(2,104,095)	607,129
	1,797,690,153	2,080,609,255
Total Revenues		
 Expenditures		
Direct grant aid to students	386,033,570	384,856,174
NJBEST redemptions	1,123,714,918	1,208,473,515
Program expenses	188,803,932	124,203,669
Administrative expenses	4,832,854	14,000,970
Debt service interest	96,600,745	100,839,060
	1,799,986,019	1,832,373,388
Total Expenditures		
Operating (Deficit) Surplus	(2,295,866)	248,235,867
Less:		
Year-end Lapsed Funds	(18,017,711)	(5,908,459)
Net Assets - Beginning of Year	4,974,601,000	4,732,273,592
Net Assets - End of Year	\$ 4,954,287,423	\$ 4,974,601,000

Student Aid Awards and Funds in FY 2016 by Program and by Sector

County College Sector							
Program	TAG	Part-Time TAG for County Colleges	NJ STARS	Governor's Urban Scholarship	NJBEST Scholarship	NJCLASS	Total
Awards	18,921	8,353	1,709	51	111	171	29,316
Amount	\$32,481,893	\$7,360,463	\$4,716,680	\$41,500	\$134,250	\$889,083	\$45,623,869
Senior Public Sector							
Program	TAG		NJ STARS II	Governor's Urban Scholarship	NJBEST Scholarship	NJCLASS	Total
Awards	17,556		367	168	130	1,907	20,128
Amount	\$84,674,975		\$778,224	\$159,000	\$160,250	\$23,191,844	\$108,964,293
Research Sector							
Program	TAG		NJ STARS II	Governor's Urban Scholarship	NJBEST Scholarship	NJCLASS	Total
Awards	19,131		404	276	185	2,233	22,229
Amount	\$128,513,145		\$874,323	\$269,000	\$224,250	\$27,508,237	\$157,388,955
Non-Profit Independent Sector							
Program	TAG		NJ STARS II	Governor's Urban Scholarship	NJBEST Scholarship	NJCLASS	Total
Awards	12,370		109	98	85	1,228	13,890
Amount	\$103,421,264		\$246,647	\$92,500	\$104,250	\$19,923,253	\$123,787,914
Proprietary Sector							
Program	TAG		NJ STARS II	Governor's Urban Scholarship	NJBEST Scholarship	NJCLASS	Total
Awards	2,805		2	2	2	108	2,919
Amount	\$18,981,878		\$3,750	\$1,500	\$2,750	\$891,474	\$19,881,352
Out-of-State							
Program						NJCLASS	Total
Awards						4,610	4,610
Amount						\$90,305,867	\$90,305,867
In-State Total							\$455,646,383
Out-of-State Total							\$90,305,867
Grand Total							\$545,952,250

Commemoration

Thank You to Linda Quick for 52 Years of Service to HESAA



Rarely does an employee have the opportunity or the inclination to serve the same employer for more than fifty years, but HESAA's Linda Quick did precisely that. Ms. Quick was hired in 1964 as the Clerk Stenographer for the New Jersey State Scholarship Commission, the precursor to HESAA. After 52 years of service, she retired on June 1, 2016 from her position in Grants and Scholarships as Administrative Assistant III. The Authority greatly misses this lively and bustling coworker who went above and beyond what was required every day for over half a century.

In Memoriam

HESAA and New Jersey Higher Education Lost Two Friends in 2016

Joseph Roberto served as Director of Financial Aid at Bergen County Community College and Jersey City University. He also served as Acting Director of Financial Aid at Sussex County Community College and as a Financial Aid Consultant for HESAA.

(Friday, April 8, 2016)

Scott B. Freedman served as Executive Director of HESAA from 1994-2002.

He will long be remembered as a passionate advocate for affordability
and choice in higher education.

(Thursday, June 16, 2016)

Both men will be missed and remembered.

Certification of Compliance with Executive Order #37 (Corzine)

We jointly certify that in compliance with Paragraph 2 of Executive Order #37, HESAA has, to the best of our knowledge, followed all of the Authority's standards, procedures, and internal controls. We further jointly certify that HESAA fully participated in the prescribed Internal Control Assessment as directed by the Office of Management and Budget and no significant internal control weaknesses were revealed.

We hereby certify that the foregoing statements are true to the best of our knowledge. We understand that if any of the foregoing statements are willfully false, we are subject to punishment.

By:

Gabrielle Charette, Esq.
Executive Director



By:

Eugene Hutchins
Chief Financial Officer



Credits

Gabrielle Charette, Esq. - Editor-in-Chief

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