

MINUTES

HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY

October 25, 2012

The Higher Education Student Assistance Authority (HESAA) Board held a meeting on October 25, 2012 at 10:00 a.m. at the HESAA offices in Hamilton.

PRESENT: Mr. James Allen; Fr. Michael Braden; Ms. Gabrielle Charette, Esq.; Mr. Gregg Edwards, Secretary Of Higher Education Designee; Mr. Anthony Falcone; Mr. Richard Garcia; Dr. Harvey Kesselman; Dr. Jon Larson; Mr. Christopher McDonough, Treasurer's Designee; Ms. Elaine Pappas-Varas; Ms. Michele Petrucelli; Mr. David Reeth; Ms. Maria Torres (teleconference); and Ms. Christy Van Horn, Members.

ABSENT: Mr. George Garcia, Esq.; Mr. Julio Marengo and Ms. Jean McDonald Rash.

Also participating were Melissa Dutton, DAG; Kerstin Sundstrom, Esq., Governor's Authorities Unit; Roger Michaud and Michael O'Brien of Franklin Templeton and Nancy Gunza and Andrew Lee of CliftonLarsonAllen, LLP.

CALL TO ORDER

Richard Garcia called the meeting to order at 10:00 am. Richard Garcia stated that the meeting had been noticed in compliance with the requirements of the Open Public Meetings Act.

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

Mr. Garcia welcomed the Board members and advised that because some members are participating via teleconference, Roseann Sorrentino will conduct a roll call for the resolutions.

Mr. Garcia introduced Kerstin Sundstrom, Esq., Assistant Counsel, Governor's Authorities Unit.

Mr. Garcia welcomed Melissa Dutton, DAG.

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

Mr. Garcia asked Roseann Sorrentino to call the roll.

CONSIDERATION OF THE MINUTES OF THE JULY 25, 2012 MEETING:

A motion to approve the minutes of the July 25, 2012 meeting was made by Mr. James Allen and seconded by Dr. Jon Larson. The minutes were approved unanimously with two (2) abstentions, Dr. Harvey Kesselman and Ms. Elaine Pappas-Varas, who did not participate in the July 25, 2012 meeting.

RESOLUTION 17:12 ACCEPTING AND ADOPTING THE FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORTS FOR FISCAL YEAR 2012

Anthony Falcone reported the audit committee met on October 10, 2012 to review the preliminary reports. The committee is pleased to report that the combined financial statements of programs and funds for fiscal year 2011, ending July 2012 all received unqualified opinions. That means no negative or important findings in the report or the statement. The final audit reports were distributed to the Board members at the meeting and the committee recommends that the Board accept the audit.

Mr. Falcone then turned the presentation over to Nancy Gunza from Clifton Gunderson.

Ms. Gunza stated there were unqualified opinions on all three reports that were issued. That means Clifton Gunderson did not have any negative audit findings and did not have any significant finds around internal controller or compliance for those areas they were required to test under government auditing standards. They did not have any significant difficulties in performing the audit and received full cooperation from management and the audit committee which they appreciated and wanted to report. Ms. Gunza thanked the Board for the opportunity to conduct HESAA's audit this year.

A motion to approve Resolution 17:12 was made by Dr. Harvey Kesselman and seconded by Fr. Michael Braden. The motion was passed unanimously.

RESOLUTION 18:12 ADOPTING A BOARD BUDGET POLICY STATEMENT FOR FISCAL YEAR 2014

Harvey Kesselman made the following presentation:

I am pleased to report that the budget committee of the HESAA Board met on October 10, 2012 to review FY 2014 Full-Time Tuition Aid Grant models reflecting various award parameters, as well as anticipated funding requirements for all other State-supported programs administered through HESAA.

I would like to begin by expressing the Board's gratitude to the Governor 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 2012-2013 academic year, the State's financial aid programs are making it possible for approximately 83,000 State residents to pursue a postsecondary education, ultimately benefiting New Jersey's economy.

The FY 2014 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 scholarship and loan

redemption programs. In developing this budget policy statement and its funding recommendations, the committee was mindful of the significant, on-going fiscal challenges facing the State. 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 economic circumstances.

The budget committee's funding recommendations are as follows:

Full-Time TAG Program

When the Board met in July 2012, the Full-Time TAG Award Table that was adopted set awards at a two-year lag compared to tuition for students demonstrating the highest need, less approximately 8.3%. Awards for all other TAG-eligible students were based on a four-year lag compared to tuition, less approximately 8.3%. As you know, it was necessary to reduce awards below a two- and four-year lag to remain within available resources, while recognizing a likely increase in the number of award recipients.

At our October 10th meeting, the budget committee reviewed the following FY 2014 Full-Time TAG models. In light of continuing strong demand for TAG, all of the models included funding for an additional 1,814 awards, for a total of 65,138 projected full-year equivalent awards.

Model 1

- Awards for students with the highest need (NJEIs below 1500) were based on 2011-2012 tuition levels which is a two-year lag compared to tuition
- Awards for all other TAG-eligible students were based on 2009-2010 tuition levels - a four-year lag compared to tuition

The projected cost of model 1 would be \$389.611 million and would require an additional \$64 million above FY 2013 resources.

Model 2

- Awards for students with the highest need were based on 2011-2012 tuition levels – a two-year lag compared to tuition less that 8.3%
- Awards for all other TAG-eligible students were based on 2009-2010 tuition - a four-year lag compared to tuition less an additional 8.3%

The projected cost of this model 2 table would be \$357.373 million and would require an additional \$31.772 million over FY 2013 resources.

Model 3

- Awards for students with the highest need were based on 2012-2013 tuition levels with a one-year lag compared to tuition

- Awards for all other TAG-eligible students were based on 2010-2011 tuition levels - a three-year lag compared to tuition

The projected cost to fund this table would be \$405.034 million and would require an additional \$79.433 million over FY 2013 resources.

Model 4

- Awards for students with the highest need were based on 2012-2013 tuition levels – a one-year lag compared to tuition less an additional 8.3%
- Awards for all other TAG-eligible students were based on 2010-2011 tuition - a three-year lag compared to tuition less an additional 8.3%

The projected cost to fund this table would be \$371.525 million and would require an additional nearly \$45.924 million over FY 2013 resources

In recognition of the continuing fiscal challenges facing the State, the committee recommends the Board adopt the model 2 Full-Time TAG Award Table, which sets awards at a two-year/four-year lag less an additional 8.3%.

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 two-year lag in award values, with the 8.3% reduction, for students demonstrating the highest need (NJEIs below 1500) by increasing awards to reflect 2011-12 tuition levels.
- Maintain the four-year lag compared to tuition, with the 8.3% reduction, by providing proportionate increases based on 2009-10 tuition levels for all other TAG recipients.
- Recognize a likely increase in the number of eligible recipients to include 1,814 new awards.

The projected cost to fund these award increases and provide for 1,814 additional awards at these levels is \$357.373 million, an increase of \$31.772 million over FY 2013 resources.

Part-Time TAG Program for County College Students

The Committee recommends \$11.236 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 and anticipated program growth would be recognized. This represents an increase of \$.876 million over the FY 2013 appropriation.

Governor Urban Scholarship Program

The newly legislated Governor's Urban Scholarship Program will help provide 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 2014, the \$1,000 renewable scholarship awards will be made available to a second class of New Jersey high school graduates who rank in the top 5% of their class and demonstrate financial need, no matter whether they attend a public or non-public high school. The Committee recommends funding to support the first two classes of Governor's Urban Scholarship recipients.

Coordinated Garden State Scholarship Program

The Committee recommends funding the Bloustein Distinguished Scholars Program to meet commitments to eligible students by providing an annual award of \$930. The Board also recommends that the Urban Scholars award be increased to \$1,000 for 2013-14 to bring parity with the Governor's Urban Scholarship Program. This would increase the budget by \$2,100 for the 30 students remaining in that program.

This represents the final year of the phasing out of these programs.

NJ STARS Program/NJ STAR II Program

In accordance with statutory requirements for these programs, HESAA staff projected the cost of NJ STARS and NJ STARS II would be \$11.271 million in FY 2014, a decrease of \$2.578 million from the FY 2013 appropriation.

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, for students who graduated from high school in 2010 or later.

NJ STARS II award values are \$2,500 per year for eligible students attending a four-year TAG participating institution. The award is based on tuition and approved fees for TAG recipients and on tuition only for all other NJ STARS II students, after deducting all other State and federal grants and scholarships. 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 as follows:

- **Survivor Tuition Benefits Program**

To fund the anticipated program participants, an FY 2014 appropriation of \$38,000 is recommended. This would maintain level-funding. It is also recommended that budgetary footnote language that appeared in the FY 2013 budget that prohibited survivors that were newly enrolled in college from receiving an award be removed for FY 2014.

The Board also recommends that steps be taken to amend legislation to extend Law Enforcement Officers Memorial (LEOM) Scholarship funding to surviving dependents of fire and emergency personnel.

- 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.
- World Trade Center Scholarship Program**
 Recognizing that the program is committed to funding students through 2024, the Board requests that FY 2014 funding be restored to \$250,000, which is an increase of \$48,000 over FY 2013 as part of its recommendations.

One-Time Capital Appropriation Request

The Budget Committee recommends a one-time capital appropriation be included in the Fiscal Year 2014 budget for the acquisition of a web-based Grants and Scholarship system. HESAA's current system was purchased in 1981 and due to the machine-level nature of much of the system coding it cannot function as a "perpetual" system with sets of parameters that can be updated annually. Therefore, the system needs to be "rebuilt" every year to accommodate changes to the Free Application for Federal Student Aid (FAFSA) and any changes HESAA needs to incorporate into its system edits. HESAA does not receive any operating aid from the state, although it incurs costs of approximately \$3.3 million annually to administer the state's grants and scholarship programs.

A motion to approve Resolution 18:12 was made by Mr. James Allen and seconded by Dr. Jon Larson.

Christy Van Horn asked for an elaboration on the benefits of the one-time investment in a grants platform. Gabrielle Charette explained that HESAA views it as an honor to administer these programs for the State and wants to run the programs as efficiently and cost effectively as possible. She explained that HESAA's Chief of Staff, Greg Myer, conducted a study on what it costs to administer these programs and he determined that after salaries and benefits the largest expenses were IT costs. These costs are so high because of the antiquated system HESAA uses. Ms. Charette explained that a new system would reduce these costs, as well as the high costs for postage and telephone. Providing students with a secure portal to update information would reduce reliance on mailing and calls. Ms. Charette explained that staff believes a new system will reduce postage costs alone to pay for the system in five years time.

Michele Petrucelli added that as a student herself, and someone who works with students at her school, students do not always understand the letters they receive, and often times do not even look at them.

In response to Greg Edwards question regarding the next steps, Ms. Charette explained that HESAA will be issuing an RFI to determine the specs to be included in an RFP. She explained that staff will work with the financial aid community, and at Dr. Kesselman's suggestion will be reaching out to the institutions' IT staff, to ensure compatibility with their systems. Once a vendor is selected, it will be presented to the Board for approval. A new system would be

implemented as a pilot in conjunction with the existing system to ensure there are no kinks. David Reeth commented that a preliminary model was presented to the Student Advisory Committee and they were impressed.

Dr. Larson questioned from where the amount of the monetary request was derived and Gabrielle Charette explained that staff had spoken to other comparable agencies to determine an estimate.

Further discussion ensued regarding whether it would be possible for a new system to have interfaces with the IRS for information. Gene Hutchins explained that if families can wait to file their FAFSA until after they file their taxes, the information from their returns can be imported to their FAFSA. This provides instant verification for both State and federal financial aid. He further explained that HESAA cannot get a direct link to the IRS data because it is very tightly controlled in order to protect personally identifiable information.

The motion was passed unanimously.

RESOLUTION 19:12 PROPOSED WTC SCHOLARSHIP PROGRAM POLICIES AND PROCEDURES 9A:9-7.5 APPLICATION PROCEDURES

Marnie B. Grodman, Esq. presented Resolution 19:12 to the Board.

Currently the World Trade Center Scholarship Fund regulations require HESAA to confirm a student's eligibility for the scholarship with the New Jersey Department of Law and Public Safety. However, in actuality HESAA has always received lists of eligible families from the Office of Recovery and Victims Assistance, or ORVA, not the Department of Law and Public Safety. As ORVA is no longer an active office, staff will be using the existing lists and will continue to research eligibility pursuant to N.J.A.C. 9A:9-7.4, "Eligibility Requirements."

At its July 26, 2012 meeting the World Trade Center Scholarship Fund Board voted to recommend that the HESAA Board amend N.J.A.C. 9A:9-7.5 to reflect this practice. The regulations for this program were provided in your Board materials illustrating this proposed amendment.

A motion to approve Resolution 19:12 was made by Ms. Christy Van Horn and seconded by Mr. James Allen. The motion was passed unanimously.

RESOLUTION 20:12 APPROVING THE EXTENSION OF THE CONTRACT WITH NELNET, DESIGNATED PURCHASER OF FEDERAL FAMILY EDUCATION LOAN PROGRAM (FFELP) REHABILITATION BANKRUPTCY LOANS FOR ONE YEAR

Robert Clark presented Resolution 20:12 to the Board.

FFELP Loan Rehabilitation is an option provided for under the federal Higher Education Act and allows borrowers with defaulted loans issued through the Program to remove the default status on their loans and repair their credit history if nine (9) on-time, voluntary monthly payments are made within a ten (10) month period. Once rehabilitated, the loans are purchased by a FFELP lender from the Guaranty Agency Trust Fund. HESAA began purchasing pools of rehabilitated

defaulted FFELP loans into its NJCLASS/FFELP Loan Program Trust Estate on a monthly basis in 2002.

Due to the collapse of the Auction Bond market and the need for the Authority to refinance its Auction Rate Certificates, HESAA found it necessary to discontinue this practice in the spring of 2010.

In order to continue offering the rehabilitation option to its defaulted FFELP borrowers, and to continue earning fees of 18.5% on rehabilitated balances from the USDE as provided for in the program regulations, HESAA once again began selling these loans to an outside entity as a result an RFP approved at its November 23, 2010 meeting.

The resulting contract appointed Nelnet, Inc. as the Authority's designated purchaser of FFELP rehabilitation and bankruptcy loans for the two year period ending December 31, 2012, with three 1-year extensions at the option of the Authority.

The Board approved this selection because Nelnet offered to purchase the loans at a smaller discount than the other proposer. Nelnet's discount percentages, based on age of loans and type, range from 5% to 6%. It should be noted that Nelnet's discount rates are still competitive, and these loan sales have also resulted in revenues of nearly \$4.6 million to the HESAA FFELP operating trust fund from the 18.5% rehabilitation fees in the 2012 fiscal year alone.

In addition, Nelnet has consistently provided efficient service in the execution of these transactions.

Because the unfavorable conditions in the bond markets have not changed since this contract began and the future of federal student loan regulations continues to be uncertain, it remains necessary for HESAA to sell rehabilitated loans to an outside entity. Accordingly, it is in the best interest of HESAA to exercise its first option to extend the contract with Nelnet for 1 year, from January 1st to December 31st 2013.

A motion to approve Resolution 20:12 was made by Dr. Harvey Kesselman and seconded by Mr. James Allen. The motion was passed unanimously.

RESOLUTION 21:12 APPROVING THE EXTENSION OF THE CONTRACT WITH OBERMAYER, SPECIAL COUNSEL TO ASSIST IN THE REVIEW OF MATERIALS RELATED TO 529 PLANS FOR ONE YEAR.

Marnie Grodman presented Resolution 21:12 to the Board.

At your November 23, 2010 meeting, as a result of a Request for Qualifications, the Higher Education Student Assistance Authority Board appointed Obermayer Rebmann Maxwell & Hippel LLP as special counsel to assist in the review of materials related to 529 Plans and to assist in engaging the successive investment manager should the agreement with Franklin Templeton expire during the term of their retainer agreement. The appointment was for an initial term of 2 years with three optional one-year extensions.

Obermayer was appointed to provide opinions and advice to HESAA on all documents prepared by HESAA's investment manager, Franklin Templeton, related to the 529 Plans. These documents include but are not limited to: investor handbook supplements, disclosure updates, contract amendments and supplements, and dealer program distribution agreements.

Additionally, HESAA's current agreement with Franklin Templeton is scheduled to expire on March 17, 2014. Should this contract expire during the term of Obermayer's appointment, the firm will assist HESAA in preparing the Request for Proposals and procuring the successive investment manager.

Obermayer has provided prompt and professional advice in response to all requests for opinions.

Their rates which will continue are \$225-300 per hour for attorneys and \$100 per hour for paralegals.

A motion to approve Resolution 21:12 was made by Mr. James Allen and seconded by Ms. Maria Torres.

Christopher McDonough asked about Obermayer's qualifications to prepare an RFP for investment services. Ms. Grodman explained that the firm's response to the initial RFQ provided their qualifications. The evaluation committee at that time determined that the firm was qualified. She offered to provide the Board members with a copy of Obermayer's proposal.

The motion was passed unanimously.

NJBEST PRESENTATION

Roger Michaud and Michael O'Brien from Franklin Templeton provided the attached presentation to the Board.

EXECUTIVE DIRECTOR'S REPORT

Thank you Chairman Garcia, members of the Board, guests.

Over the summer, Senior Director of Financial Aid Services Sherry Fox and I met with the head of the Public Service Electric and Gas Foundation to discuss the possibility of the Foundation once again sponsoring the Dana Christmas Scholarship program. You will recall, Dana Christmas was the undergraduate resident student advisor who went back into a burning dormitory to help her fellow students escape. The meeting was a success, and I am very grateful to PSEG for pledging \$40,000 to fund up to five scholarships for young people who have engaged in heroic activity before the age of 21. The nomination deadline was October 15, and the nominees will be presented to this Board for consideration at your January meeting. I would like to thank Janet Cooper for coordinating the nomination process. Janet sent out over 4,000 announcements to police stations, fire houses, ambulance squads, secondary schools, and newspaper editors.

Currently, HESAA is in the middle of hosting our annual training institute for High School Guidance Counselors. Eight training conferences are scheduled across the state at our various

colleges and universities. At these sessions high school guidance counselors will receive four professional development credits and learn the latest developments in state and federal financial aid. Each conference will begin with a general information overview followed by break-out sessions ranging from beginner to intermediate to advanced level. I think this is one of the most important programs HESAA runs. Early intervention is essential. Before students come to HESAA or to the financial aid offices at the colleges and universities, they go to their high school guidance counselors. It is of utmost importance that their guidance counselors have the knowledge to point them in the right direction; if they don't those students might never find their way to us.

Earlier this month, HESAA senior staff and I devoted two days to Strategic Planning. The dissolution of the Federal Family Education Loan program, the federal government's lack of clarity as to what if any role they think the Guaranty Agencies ought to play under the new federal lending paradigm, and constrained state budgets that make it hard to justify giving operating aid to those agencies with revenue generating ability, all present a host of challenges for this Authority. But behind every challenge is opportunity. Through Strategic Planning, the team and I plan to not only identify the opportunities but design a plan to realize them.

Last month, the Office of Federal Student Aid at the U.S. Department of Education released the 2010 cohort default rates for each state. New Jersey's two year cohort default rate was 5.8% down from the previous year of 7.8%. This is both significant and of course positive. While New Jersey's default rate went down the overall national rate of default went up. Despite a challenging economy and weak job market, HESAA's default aversion programs have worked. Larry Sharp is heading our newly retooled Preclaim and Default Aversion Unit. He will tell you active engagement with borrowers throughout the life of the loan is essential to achieving repayment performance.

Of course, HESAA can't engage with borrowers if we don't have the professionally trained staff to do so. Therefore, I am pleased to report we recently completed the hiring of three new student loan investigators in our Servicing and Collections unit: Michael Lampe, Christine Paldino and Eliza Palloy. The addition of these individuals will increase gross collections by \$1.8 million; this of course more than covers their salary and benefit packages. More important than the revenue they generate, however, is the program viability our collections investigators help sustain for future generations of borrowers. I once again thank the Governor's office for authorizing these positions notwithstanding a statewide hiring freeze.

Speaking of successful collections activity, last month was the first anniversary of the implementation of NJCLASS online payments system. Over the course of the last year, 199,019 payments worth \$77.9 million were processed through this new system. At the last Board meeting, I advised you we had invested in a product called e-box for those borrowers who wish to pay online but prefer to log on to their bank's website as opposed to HESAA's site. Since bringing E-box online six months ago, we have processed 30,408 payments worth \$7.2 million through this new product. Online bill pay and E-box not only make payment easier for our customers, together they are saving HESAA over \$12,000 a month in lockbox fees and helping us realize other efficiencies.

Despite all the good work we do here at HESAA, believe it or not, there are still some people in New Jersey who are not aware of HESAA or its mission. So I am determined to never pass up

an opportunity to get our message out and our Authority the recognition it deserves. To that end, I was very pleased to be invited by Steve Adubato and Rafael Pi Roman to appear on NJ Capitol Report with Dr. Cornacchia President of St. Peter's University and our friend Roger Michaud who you heard from earlier. A copy of the show is included in your materials as well as some other earned media attention HESAA has received.

NEW BUSINESS

Chair Garcia reminded all Board members to complete their on-line ethics training by November 12th and to send their receipts to Roseann Sorrentino or Marnie Grodman. He further advised the Board that there would be a special teleconference meeting in December to consider procurements.

ADJOURNMENT

Mr. Garcia announced that after adjourning this meeting the Board will enter a closed session, pursuant to the Open Public Meetings Act, to discuss pending litigation. This will be a closed session pursuant to N.J.S.A. 10:4-b(7), matters that fall under the attorney-client privilege. Details of the discussion that takes place in the closed session cannot be disclosed to the public until the conclusion of the litigation. A motion to adjourn and go to closed session was made by and Dr. Kesselman seconded by Fr. Michael Braden.

The motion to adjourn passed unanimously.

Chairman Garcia announced the next regularly scheduled Board meeting is January 23, 2013 at 10:00 am.

The meeting adjourned at 11:35 am.

RESOLUTION 17:12

Accepting and Adopting the Financial Statements and Independent Auditors' Reports for Fiscal Year 2012

Moved by: Dr. Harvey Kesselman
Seconded by: Fr. Michael Braden

WHEREAS: The Higher Education Student Assistance Authority (HESAA) prepared three separate financial statements for Fiscal Year 2011 ("2011 Financial Statements") which were audited by the independent auditor Clifton Gunderson LLP.; and

WHEREAS: The members of the Board Audit Committee met with Clifton Gunderson LLP on July 25, 2012, 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 unqualified reports of Clifton Gunderson LLP dated for the year ending June 30, 2012; and

WHEREAS: The members of the Board Audit Committee met with representatives of Clifton Gunderson LLP on October 10, 2012 to discuss the 2012 Financial Statements and Clifton Gunderson's unqualified 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 2012.

NOW THEREFORE, BE IT:

RESOLVED: That the HESAA Board accepts and adopts the Fiscal Year 2012 Financial Statements and Independent Auditor's Reports as attached hereto; and be it further

RESOLVED: That the attached Fiscal Year 2012 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 Governor's Authorities Unit.

October 25, 2012

RESOLUTION 18:12
ADOPTING A BOARD BUDGET POLICY STATEMENT FOR
STATE FISCAL YEAR 2014

Moved by: Mr. James Allen
Seconded by: Dr. Jon Larson

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

WHEREAS: On October 10, 2012 the Board's budget committee met with staff to review background information and to draft a FY 2014 budget policy statement for consideration by the full Board; and

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 2014 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 2014 resources available for State-funded student assistance programs in keeping with the attached budget policy statement, subject to refinement of underlying projections.

October 25, 2012

RESOLUTION 19:12

PROPOSED AMENDMENTS TO THE NEW JERSEY WORLD TRADE CENTER SCHOLARSHIP PROGRAM POLICIES AND PROCEDURES 9A:9-7.5 APPLICATION PROCEDURES

Moved by: Ms. Christy Van Horn

Seconded by: Mr. James Allen

WHEREAS: Pursuant to N.J.S.A. 18A:71B-23.4d(1), the New Jersey World Trade Center Scholarship Board of Trustees is responsible for establishing criteria for the determination of eligibility for a scholarship from the New Jersey World Trade Center Scholarship Fund; and

WHEREAS: The Higher Education Student Assistance Authority (HESAA) is authorized pursuant to N.J.S.A. 18A:71B-23.7 to adopt rules and regulations necessary for the administration of the New Jersey World Trade Center Scholarship Program Act; and

WHEREAS: N.J.A.C. 9A:9-7.5 requires HESAA to obtain verification from the New Jersey Department of Law and Public Safety concerning the relationship of the dependent child or surviving spouse to the terrorist attack of September 11, 2001; and

WHEREAS: HESAA actually received this verification from the Office of Recovery and Victim Assistance (ORVA), which has since been disbanded; and

WHEREAS: ORVA previously provided HESAA with lists of victims and their dependent children and spouses which HESAA has retained to determine eligibility for the World Trade Center Scholarship; and

WHEREAS: It is necessary to amend N.J.A.C. 9A:9-7.5 to delete the superfluous reference to the Department of Law and Public Safety.

NOW, THEREFORE, LET IT BE:

RESOLVED: That the Board approves and authorizes publishing the Proposed Amendments to the New Jersey World Trade Center Scholarship Program Policies and Procedures 9A:9-7.5 Application Procedures in the December 17, 2012 New Jersey Register.

October 25, 2012

RESOLUTION 20:12

**APPROVING THE EXTENSION OF THE CONTRACT WITH NELNET,
DESIGNATED PURCHASER OF FEDERAL FAMILY EDUCATION LOAN
PROGRAM (FFELP) REHABILITATION & BANKRUPTCY LOANS FOR ONE YEAR**

Moved: Dr. Harvey Kesselman
Seconded: Mr. James Allen

WHEREAS: At its November 23, 2010 meeting, as the result of a Request for Proposals, the Higher Education Student Assistance Authority Board appointed Nelnet, Inc. as the Authority's designated purchaser of FFELP rehabilitation and bankruptcy loans. for the two year period ending December 31, 2012, with three 1-year extensions at the option of the Authority; and

WHEREAS: The Board appointed Nelnet for the two year period ending December 31, 2012, with three 1-year extensions at the option of the Authority; and

WHEREAS: The market conditions have not changed and it remains necessary for HESAA to sell rehabilitated loans to an outside entity; and

WHEREAS: The Authority desires to exercise its first option to extend the contract with Nelnet for 1 year.

NOW THEREFORE, LET IT BE:

RESOLVED: The Higher Education Student Assistance Authority hereby approves extending its contract with Nelnet, Inc. appointing Nelnet as designated purchaser of Federal Family Education Loan Program (FFELP) rehabilitation & bankruptcy loans for one year at discount percentages, based on age of loans and type, ranging from 5% to 6%

October 25, 2012

RESOLUTION 21:12

**APPROVING THE EXTENSION OF THE CONTRACT WITH OBERMAYER
REBMAN MAXWELL & HIPPEL LLP, SPECIAL COUNSEL TO ASSIST IN THE
REVIEW OF MATERIALS RELATED TO 529 PLANS FOR ONE YEAR**

Moved: Mr. James Allen
Seconded: Ms. Maria Torres

WHEREAS: At its November 23, 2010 meeting, as the result of a Request for Qualifications, the Higher Education Student Assistance Authority Board appointed Obermayer Rebmman Maxwell & Hippel LLP as special counsel to assist in the review of materials related to 529 Plans and to assist in engaging the successive investment manager should the agreement with Franklin Templeton expire during the term of their retainer agreement; and

WHEREAS: The Board appointed Obermayer for a term of 2 years with three optional one-year extensions; and

WHEREAS: Obermayer has provided the Authority with prompt and professional legal advice with regards to investor handbook supplements, disclosure updates, contract amendments and supplements, and dealer program distribution agreements; and

WHEREAS: The Authority desires to continue this contract with Obermayer Rebmman Maxwell & Hippel LLP.

NOW THEREFORE, LET IT BE:

RESOLVED: The Higher Education Student Assistance Authority hereby approves a one year extension of the retainer agreement with Obermayer Rebmman Maxwell & Hippel LLP as Special Counsel to Assist in the Review of Materials Related to 529 Plans and to assist in engaging the successive investment manager should the agreement with Franklin Templeton expire during the term of the agreement entered as a result of this RFQ at a rate of \$225-300 per hour for attorneys and \$100 per hour for paralegals.

October 25, 2012