NEW JERSEY
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QuickTakes!

# Executive Director Report from Higher Education Student Assistance Authority (HESAA)

August 1, 2019

**FY 2020 State Budget**

With the enactment of New Jersey's Appropriations Act for Fiscal Year 2020 earlier this month, New Jersey's historic investments in financial aid continue.

The nearly $440 million in state funding appropriated for the Tuition Aid Grant (TAG) program in FY20 will allow HESAA to maintain level award amounts, while supporting TAG awards for New Jersey Dreamers, expanding TAG eligibility to certain approved incarcerated students, and continuing the enhancement to the Income Protection Allowance for independent working adult students that the Board approved last year.

The Appropriations Act also supports the growth of Community College Opportunity Grants (CCOG). Building on what the state learned from last spring's one-semester pilot, we look forward to expanding this program statewide in fall 2019 and spring 2020. CCOG will make college more affordable for thousands of qualified students, by enabling those with adjusted gross incomes of $65,000 or below to attend any county college in the state tuition- and fee-free. This is expanded from last year's $45,000 income eligibility limit.

While all of HESAA's other grant and scholarship programs were level funded in the Appropriations Act, the Primary Care Practitioners Loan Redemption program and the Nursing Faculty Loan Redemption program received reduced funding for FY20. As a result, these programs will not accept new applications this year, although participants who were previously accepted will continue to receive loan redemptions as long as they remain eligible and in compliance with their service obligations.

**FAFSA Completion Update**

HESAA has good news about its campaign to encourage completion of the Free Application for Federal Student Aid (FAFSA). As of June 28 this year, our state's high school seniors had one of the highest rates of completion in the nation. New Jersey's FAFSA completion rate reached 66.6 percent, ranking fifth in the nation in a virtual tie with third-ranked Delaware and fourth-ranked Washington, DC. Louisiana's 78.7 percent FAFSA completion rate leads the nation, so we still have room for improvement.

Increasing FAFSA filing is an important building block. It empowers students through access to financial aid options that can make the difference in their ability to start and finish college. We hope more students will be encouraged to complete the FAFSA to make the most of the expanded opportunity of CCOG, as more than 40 percent of the state's county college students do not file a FAFSA. An additional incentive should arise as more senior institutions implement last-dollar scholarship programs similar to the CCOG model. To date, four New Jersey universities have put in place or announced such "free college" style programs for certain students meeting defined income criteria: Rutgers-Camden, Rutgers-Newark, New Jersey City University, and, beginning this fall, William Paterson University.

**Institutional Financial Aid Notifications to Students**

Measures are being implemented to ensure that students have clear information about the financial aid packages offered by the postsecondary institutions where they are enrolled or which they are considering. One important tool for providing this information is the model College Financing Worksheet, or "Shopping Sheet," recommended by the U.S. Department of Education.

This model format clearly displays to each student the total cost of attending a college, then subtracts from that figure all the aid the student could receive from grants and scholarships that the student doesn't need to repay, and the resulting calculation is the "net cost," the amount that the student will have to pay to attend that institution. To ensure that students clearly understand the net cost, it's important not to include loans as part of a package of financial aid presented this way. Loans are not awards. Lumping the two together can mislead some students by making the net cost appear lower than it actually is.

Today, HESAA is advancing this important public policy. Moving beyond a best practice that has been strongly recommended over several years of federal guidance, we will now expect all colleges and universities in this state to properly inform their students through financial aid offers that follow this clear format. HESAA's proposed regulatory amendments for Grants and Scholarships, which the Board approved today for notice and public comment, would make the Shopping Sheet a requirement for institutions to keep their students eligible for state-funded student assistance. This regulatory provision would also align with the new state policy expressed in Senate Bill 2046, which requires licensed degree-granting institutions to provide the Shopping Sheet to their students. The Legislature approved this bill last month and upon its enactment, it will apply to the Academic Year 2020-2021 financial aid packages that prospective and returning students will receive starting next January.

**NJCLASS Loan Updates and Enhancements for AY19/20**

HESAA has improved its supplemental family loan programs, NJCLASS, to give low-cost college financing options to students who have remaining unmet needs after exhausting all their grants, scholarships, and federal loans. The second NJCLASS Annual Report, a compendium of statistics on NJCLASS loans and borrowers, is required by law to be published no later than August 1, and we will distribute this report to the Board once it is completed.

At its last meeting, the Board approved the 2019 bond issuance that will finance NJCLASS loans for Academic Year 2019-2020, and I am pleased to report that our offering was well received in the bond market. As a result of the low weighted average cost of capital we received from these bonds, we are now able to provide families with Standard NJCLASS loans at these fixed interest rates: 3.99% for a 10-year loan with immediate repayment of principal and interest; 4.49% for a 15-year loan with repayment of interest only while the student is in school; and a 6.50% for a 20-year loan with fully deferred repayment while the student is enrolled in college at least half time.

The interest rates for HESAA's ReFi+ refinancing loans for a 10-year fixed term are now 4.70% for those with credit scores of 780 or more, 5.5% for borrowers in the next tier, and 6.7% for those with a credit score between 670 and 719. And, starting this fall, we will offer a new 15-year term option for ReFi+, with lower monthly payments. Also, in a few months we will give more students the chance to refinance student loans and lower their repayment costs, as we begin refinancing student loans from other private lenders, provided that the institution where the student had enrolled can certify that the loans did not exceed the total cost of attendance minus all the financial aid for which the student qualified at the time the loan was originated.

We have further enhanced our NJCLASS loan program by increasing the discount on Consolidation loans, which now features a 0.5% reduction in the weighted average interest rate of the NJCLASS loans being consolidated. In addition, NJCLASS borrowers may receive a new 0.25% interest rate discount if they opt to have recurring monthly payments withdrawn automatically from their bank account.

To assist NJCLASS borrowers and their families in cases of economic hardship, this year's NJCLASS loan program also maintains the Repayment Assistance Program (RAP) and the Household Income Affordable Repayment Plan (HIARP) for NJCLASS loans offered for the coming academic year. We are also continuing our program offering balanced settlement agreements to borrowers whose NJCLASS loans are in default. Just one week after our April Board meeting, Governor Murphy signed into law Public Law 2019 chapter 62 and Public Law 2019 chapter 63, which now codify RAP and HAIRP for every bond indenture going forward, subject to available funds, and reinforce HESAA's settlement process for defaulted NJCLASS loans by establishing rules for repairing the credit ratings of borrowers who comply with these repayment plans. We are delighted that these practical reforms to assist borrowers are now permanent features of the NJCLASS family loan program, and we are proud to display here in this Board room the pen the Governor used to sign these laws.

We are also proceeding on schedule with the vendor approved by the Board earlier this year to develop and deploy a new Collections, Loan, Accounting, and Serving System (CLASS). Our staff and team from DecisivEdge recently completed the nine-week blueprint phase of the project and are working to install the hardware and infrastructure and begin software coding in the next few weeks. We look forward to implementing this new system next summer.

**Federal Guaranty Agency Transition**

HESAA is progressing in its transition away from our role as a Guaranty Agency under the Federal Family Education Loan Program (FFELP), as was noted in the presentation on the Authority's FY20 administrative budget approved at today's meeting.

Over the coming months, HESAA will work with the U.S. Department of Education on this transition, including conducting the data mapping and conversion process needed to ensure a seamless shift of New Jersey's remaining federal loan portfolio to the successor guaranty agency that will be designated by the federal government. While we expect to hand off our FFELP portfolio in the first quarter of 2020, we are planning a more gradual internal restructuring initiative over a longer period of time, which will align with the mainframe decommissioning and business process changes enabled by the implementation of the new CLASS technology project. We will keep the Board informed as we conclude our federal Guaranty Agency activities and redeploy existing staff and other resources to serve other important roles here at HESAA.