

**Higher Education Student Assistance Authority Statement
Before the Senate Budget & Appropriations Committee
May 8, 2006**

By: Michael Angulo, Executive Director

Good afternoon Chairman Bryant and members of the Senate Budget and Appropriations Committee. My name is Michael Angulo, Executive Director of the New Jersey Higher Education Student Assistance Authority (HESAA).

It is my pleasure to be here today to provide you with information about the Authority, and explain the critical role we play in making higher education affordable to New Jersey students and their families.

The Authority

As background, HESAA is a statutorily established independent Authority of the State. HESAA is also designated by the U.S. Department of Education as the federal student loan guarantor for New Jersey. HESAA administers all New Jersey grant, scholarship, loan and college savings programs and provides students and their families with financial aid information. HESAA provides over \$1.5 billion in aid annually to help New Jersey students achieve their educational dreams. Notably, New Jersey is ranked 2nd in the nation in the amount of need-based aid provided per full-time undergraduate student.

Outreach

Among the Authority's top priorities is public outreach. HESAA provides college-bound students and their families with the information to pursue an education beyond high school.

In 2005, HESAA representatives met with approximately **40,000** parents, students, educators, and aid professionals throughout New Jersey. We presented at High Schools, Elementary schools, churches, YMCAs, Girl Scout meetings, office boardrooms and preschools. HESAA representatives provide instruction and assistance on completing Financial Aid forms, counsel students and parents on the availability of aid, and walk them through the application process. These workshops are supplemented with our Hotline, which recently expanded its hours to 8 pm, handling over **175,000 calls** each year. Students and parents also rely on HESAA as an informational resource for College admissions. Through our outreach efforts, HESAA distributes a variety of financial aid brochures including our *Going to College in New Jersey* magazine, containing an overview of each of the 53 public and private higher education institutions in New Jersey.

This year, we further strengthened our commitment by partnering with the New Jersey Association of Student Financial Aid Administrators (NJASFAA) to

sponsor College Goal Sunday. College Goal Sunday, held on Sundays in February, is a national program that aims to provide low-income families with one-on-one assistance in completing financial aid forms. For this inaugural year, College Goal Sunday sponsored five bi-lingual workshops throughout the State and, through the many dedicated volunteers from the financial aid sector, assisted over 600 New Jersey students and parents.

HESAA outreach is expansive. Because it is never too early to start saving for college, HESAA regularly meets with staff and parents at pre-schools, "Mommy and Me" groups, PTA's, and elementary schools, to discuss the many benefits of a post secondary education, and encourage saving for college through NJBEST, New Jersey's 529 college savings. NJBEST was named a Best Bet by *InvestForCollege.com* in 2005, and has consistently outperformed the 529 market average. HESAA is also pleased to provide an NJBEST scholarship of up to \$1,500 for participating eligible students who attend school in New Jersey.

We view our outreach efforts as an ongoing relationship with our students, beginning early in their lives, through college, and continuing after graduation. Through our *Real Money 101* curriculum, HESAA works with students to encourage loan repayment and fiscal literacy. In 2005, nearly **2,000** young adults participated in these workshops, and were provided a solid understanding of financial principles that will be valuable throughout their lives.

Each year, HESAA conducts 8 Regional Guidance Counselor workshops. In 2005, these workshops provided **824 counselors** with updates on State aid programs such as NJSTARS and TAG, along with information on federal financial aid programs. HESAA also provided individual training to school personnel on-site.

As a federal Guaranty Agency, loan provider and grant administrator, HESAA provides each of New Jersey's higher education institutions with regular updates, visits and training sessions to promote best practices and regulatory compliance. Further, to encourage professional development among student aid professionals, HESAA offers seminars on loan servicing, grant administration and technical issues. We are proud of our robust role in the financial aid community.

Outreach is the cornerstone of all our services. Whether through workshops, training sessions, or college fairs, our goal is to provide New Jersey families and the aid community with the support, information, and tools critical for making higher education a reality for our students.

Budgetary Recommendation

The Higher Education Student Assistance Authority Board is responsible for recommending budget policies regarding student financial aid to support New Jersey students. The Board strongly supports preserving the policies that

advance higher education access, choice and affordability, as well as recognize academic achievement, while maximizing State-funded resources.

Balancing its role as student advocate with the difficult State budget, the Board did not request full funding of the Tuition Aid Grant program at current year tuition levels. Doing so would have required millions of additional dollars that were unrealistic given the current State fiscal environment. The Fiscal Year 2007 budget policy recommendation reflects the Board's fundamental principles, with need-based student financial aid funding for the full time Tuition Aid Grant (TAG) program as the highest priority. This program, currently serving over 68,000 full time and part time students, fulfills many of the State's policy objectives.

Additional Board policy tenets include:

- supporting State grant programs to keep pace with institutional tuition costs so that New Jersey families are able to access and afford higher education,
- continuing the Part-time TAG program for County College students, and
- supporting merit scholarship programs critical to retain New Jersey's best and brightest students.

These policy objectives contribute to the State's highly educated work force critical for a thriving economy. HESAA and the Board applaud the Governor's Budget recommendation for the TAG program that provides an additional \$5.1 million dollars to assist our neediest students, thereby holding them harmless from a portion of anticipated increases in 2006-2007 tuition charges.

The part-time TAG for County College Students program provides financial aid to thousands of nontraditional age students who have the added responsibilities of family and work. This program affords these students the ability to continue their education to realize their career aspirations. The recommended budget addresses the need to increase the appropriation to keep pace with the demand for these awards.

New Jersey leads the nation in the percentage of high school students who graduate. It is also encouraging to note that more New Jersey low-income students pursue a college education than any other comparable state in the nation. However, New Jersey also leads the nation in the number of students who decide to attend college out-of-state. To offset this trend, HESAA offers a variety of merit-based programs designed to retain some of the best and brightest students in the state. Programs such as, the Coordinated Garden State Scholarship programs, which include the NJSTARS program, Edward J. Bloustein Distinguished Scholar Program, the Urban Scholar Program and the Outstanding Scholar Recruitment Program (OSRP) are intended to encourage thousands of high achieving students to stay in-state to pursue their college

education. We remain hopeful that New Jersey's merit based programs will be fully reinstated in future budget cycles.

Student Loan Programs

To better assist students and families afford higher education, HESAA administers the Federal Family Educational Loan Program (FFELP) on behalf of the federal government, and issues loans through the NJCLASS State supplemental loan program. HESAA's coordinated effort to address affordability has led HESAA to create innovative programs designed to decrease student and parental costs.

HESAA recently unveiled a new program benefiting our neediest students called the "New Jersey Low Interest Financing for Education" (NJLIFE) FFELP loan. Under NJLIFE, HESAA pays all fees for any New Jersey student regardless of where the student goes to school, so long as the student's household family income is \$25,000 or less. This no-fee loan means all of the loan proceeds are available for use by the student towards educational expenses. NJLIFE's substantial borrower benefits further include:

- A total of a 3.5 % reduction in the principal loan balance after 24 months of on time payments (1% at graduation, 1% at 12 months and 1.5 % at 24 months), and
- A .50% reduction in interest rate for auto-debit.

Students borrowing \$15,000 over a four-year period would save over \$1,400 when compared to loans directly available from the federal government and approximately \$500 compared to other available student loan products. HESAA estimates that NJLIFE will assist over 25,000 students saving \$8 million in fees each year.

Notably, HESAA encourages all our students to apply for federal and State aid first before taking out a student loan. The average indebtedness of the students upon graduation who have borrowed through HESAA for an undergraduate degree is **\$13,099**, which is below the national average borrower indebtedness. State grant and scholarship support is a significant factor in minimizing these debt levels for the students we serve. Where a New Jersey student needs to borrow in addition to their federal Stafford loan, HESAA provides the most affordable fixed rate supplemental loan opportunity.

NJCLASS, has expanded its savings offered to New Jersey's college bound students who attend school in-state or out-of-state. The NJCLASS Fixed-Rate Loan for undergraduate students will offer an interest rate of 6.4% beginning June 1, 2006. This is 2.1% lower than the parental loan offered by the federal government (8.5%). NJCLASS also offers a graduate/professional fixed-rate loan of 6.5%. In addition to favorable interest rates, HESAA is reducing its administrative fee by 1% all loans, translating into more useable proceeds for the

borrower. Collectively, these borrower benefits make NJCLASS a superior choice compared to other alternative loan products.

This year, NJCLASS will originate over 13,200 loans exceeding \$161 million. At present, the total loan portfolio of NJCLASS exceeds \$600 million. Similar to HESAA's federal loan program, the revenues generated from administering NJCLASS allow the program to be self-sufficient.

Financial aid services through HESAA

HESAA participates in the Federal Family Education Loan Program (FFELP). Under FFELP, lenders provide loan capital to students and families, and the state financial aid agencies, such as HESAA, guarantee the loans on behalf of the USDE and, in turn, generate revenue from loan origination fees, account maintenance fees, default aversion incentives, and collection fees. Pursuant to federal law, FFELP revenue is reinvested towards sustaining financial aid services (e.g., default aversion activities, school guidance counselor and lender training, software development for institutions' support of student aid programs, financial aid awareness, a dedicated hotline, bi-lingual support materials and website, and increased outreach services to underserved communities), supporting State grant and scholarship programs, and enhancing borrower benefits (e.g., NJLIFE).

Next year, only 5.2% of HESAA's revenues, or \$1.975 million, will come from State appropriations. HESAA's operating revenue not only sustains the administration of financial aid programs, but also delivers dollars directly to the student. For example, in FY 2005 and going forward, the \$500 to \$1,500 scholarship awards in the state's college savings plan, NJBEST, will be paid out of the program's operating revenue proceeds.

HESAA continues to grow and uphold its proud tradition of providing exemplary service to over one million college constituents, each year, at minimal cost to the taxpayers of New Jersey.

Through operational efficiencies, expansion of products and services, and enhanced federal operating revenue, HESAA hopes to eventually be 100% administratively self-sufficient. With the continued support of the Governor and the Legislature, and the addition of New Jersey institutions not currently using HESAA as guarantor, this can be achieved in the very near future.

Conclusion

Without question, a skilled and educated workforce is key to the economic vitality of the State. In fact, a person with a bachelor's degree will earn on average \$1 million more during peak earning years than a high school degree holder. A college graduate will average \$20,000 more per year, and an advanced degree holder will average \$50,000 more per year in income, than a high school

graduate. College graduates are less likely to participate in destructive or criminal behavior, and place less demands on social support programs. Clearly, our economic future and ability to compete globally are directly dependent on our investment in higher education.

HESAA is proud of its critical role in making higher education affordable and accessible for New Jersey students. From outreach, delivery of aid dollars, financial literacy and loan default aversion programs, HESAA functions as a full service financial aid provider.

HESAA is grateful to the Legislature for its continued support of New Jersey's financial aid programs.

I am happy to answer any questions you may have.