



**VETO MESSAGE:** No

**GOVERNOR'S PRESS RELEASE ON SIGNING:** Yes

**FOLLOWING WERE PRINTED:**

To check for circulating copies, contact New Jersey State Government Publications at the State Library (609) 278-2640 ext.103 or <mailto:refdesk@njstatelib.org>

**REPORTS:** No

**HEARINGS:** No

**NEWSPAPER ARTICLES:** Yes

Murphy signs legislation to make student loans more affordable  
NJBIZ (New Brunswick, NJ) - April 25, 2019

Murphy signs bills aimed at helping college loan borrowers  
Associated Press State Wire: New Jersey (NJ) - April 25, 2019

New laws to help N.J. graduates with student loans - New laws to help NJ graduates with student loans  
Press of Atlantic City, The (NJ) - April 26, 2019

Murphy signs 2 bills to ease student debt  
Star-Ledger, The (Newark, NJ) - April 26, 2019

RWH/JA

P.L. 2019, CHAPTER 63, *approved April 25, 2019*  
Senate, No. 3149 (*First Reprint*)

1 AN ACT concerning the default and rehabilitation of New Jersey  
2 College Loans to Assist State Students (NJCLASS) Loan  
3 Program loans and supplementing chapter 71C of Title 18A of  
4 the New Jersey Statutes.

5  
6 **BE IT ENACTED** by the Senate and General Assembly of the State  
7 of New Jersey:

8  
9 1. a. The authority may declare an NJCLASS loan program  
10 loan to be in default when the parties to the loan fail to meet the  
11 terms of the promissory note under circumstances where it is  
12 reasonable for the authority to determine that the parties no longer  
13 intend <sup>1</sup>, or are no longer able,<sup>1</sup> to honor the obligation to repay the  
14 loan or when the parties fail to make installment payments when  
15 due, provided failure to repay persists for:

16 (1) at least 180 days when payments are due monthly; or  
17 (2) at least 240 days when payments are due less frequently than  
18 monthly.

19 b. Upon default, parties may become liable for the entire  
20 balance of the loan.

21 c. To facilitate recovery on a defaulted NJCLASS loan  
22 program loan, the authority shall offer parties to the defaulted loan  
23 the opportunity to enter into a settlement agreement, either pre- or  
24 post- judgement, based on the terms of the loan and the ability of  
25 <sup>1</sup>**[all] the**<sup>1</sup> parties to the loan to make payments.

26 (1) The authority's counsel shall respond to a request for a  
27 settlement agreement within 15 business days of the request.

28 (2) The authority's counsel shall provide parties with a  
29 <sup>1</sup>proposed<sup>1</sup> written settlement agreement within 30 business days of  
30 reaching an oral agreement with the parties <sup>1</sup>reflecting the agreed  
31 upon terms<sup>1</sup>.

32 (3) For an NJCLASS loan program loan financed in whole or in  
33 part by bonds issued by the authority pursuant to N.J.S.18A:71A-8,  
34 the terms of the settlement agreement shall not violate the terms of  
35 the applicable bond indentures.

36 d. If parties to a defaulted NJCLASS loan program loan  
37 demonstrate to the authority an ability and willingness to repay the  
38 loan by making nine on-time monthly payments over the course of  
39 ten consecutive months pursuant to the settlement agreement, the  
40 loan shall be considered rehabilitated for the limited purposes of

**EXPLANATION** – Matter enclosed in bold-faced brackets **[thus]** in the above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

Matter enclosed in superscript numerals has been adopted as follows:

<sup>1</sup>Senate SBA committee amendments adopted January 28, 2019.

1 meeting the requirements of Title VI of the federal “Economic  
2 Growth, Regulatory Relief, and Consumer Protection Act,”  
3 Pub.L.115-174.

4 (1) If subsequent to rehabilitating the loan the parties fail to  
5 continue to honor the obligations of the settlement agreement for at  
6 least 180 days, the loan <sup>1</sup>~~shall~~ may<sup>1</sup> no longer be considered  
7 rehabilitated.

8 (2) A defaulted NJCLASS loan program loan may only be  
9 rehabilitated one time.

10 e. The authority shall accurately report the status of defaulted  
11 loans to the credit bureaus pursuant to the federal “Fair Credit  
12 Reporting Act” (15 U.S.C., s.1681s-2) and Title VI of the federal  
13 “Economic Growth, Regulatory Relief, and Consumer Protection  
14 Act,” Pub.L.115-174.

15

16 2. This act shall take effect immediately.

17

18

19

20

21 Establishes process for Higher Education Student Assistance  
22 Authority to declare loan under New Jersey College Loans to Assist  
23 State Students (NJCLASS) Loan Program as in default or  
24 rehabilitated.

# SENATE, No. 3149

## STATE OF NEW JERSEY 218th LEGISLATURE

INTRODUCED OCTOBER 22, 2018

**Sponsored by:**

**Senator SANDRA B. CUNNINGHAM**

**District 31 (Hudson)**

**Senator M. TERESA RUIZ**

**District 29 (Essex)**

**Co-Sponsored by:**

**Senator Brown**

**SYNOPSIS**

Establishes process for Higher Education Student Assistance Authority to declare loan under New Jersey College Loans to Assist State Students (NJCLASS) Loan Program as in default or rehabilitated.

**CURRENT VERSION OF TEXT**

As introduced.



**(Sponsorship Updated As Of: 12/7/2018)**

1 AN ACT concerning the default and rehabilitation of New Jersey  
2 College Loans to Assist State Students (NJCLASS) Loan  
3 Program loans and supplementing chapter 71C of Title 18A of  
4 the New Jersey Statutes.

5

6 **BE IT ENACTED** by the Senate and General Assembly of the State  
7 of New Jersey:

8

9 1. a. The authority may declare an NJCLASS loan program  
10 loan to be in default when the parties to the loan fail to meet the  
11 terms of the promissory note under circumstances where it is  
12 reasonable for the authority to determine that the parties no longer  
13 intend to honor the obligation to repay the loan or when the parties  
14 fail to make installment payments when due, provided failure to  
15 repay persists for:

16 (1) at least 180 days when payments are due monthly; or

17 (2) at least 240 days when payments are due less frequently than  
18 monthly.

19 b. Upon default, parties may become liable for the entire  
20 balance of the loan.

21 c. To facilitate recovery on a defaulted NJCLASS loan  
22 program loan, the authority shall offer parties to the defaulted loan  
23 the opportunity to enter into a settlement agreement, either pre- or  
24 post- judgement, based on the terms of the loan and the ability of all  
25 parties to the loan to make payments.

26 (1) The authority's counsel shall respond to a request for a  
27 settlement agreement within 15 business days of the request.

28 (2) The authority's counsel shall provide parties with a written  
29 settlement agreement within 30 business days of reaching an oral  
30 agreement with the parties.

31 (3) For an NJCLASS loan program loan financed in whole or in  
32 part by bonds issued by the authority pursuant to N.J.S.18A:71A-8,  
33 the terms of the settlement agreement shall not violate the terms of  
34 the applicable bond indentures.

35 d. If parties to a defaulted NJCLASS loan program loan  
36 demonstrate to the authority an ability and willingness to repay the  
37 loan by making nine on-time monthly payments over the course of  
38 ten consecutive months pursuant to the settlement agreement, the  
39 loan shall be considered rehabilitated for the limited purposes of  
40 meeting the requirements of Title VI of the federal "Economic  
41 Growth, Regulatory Relief, and Consumer Protection Act,"  
42 Pub.L.115-174.

43 (1) If subsequent to rehabilitating the loan the parties fail to  
44 continue to honor the obligations of the settlement agreement for at  
45 least 180 days, the loan shall no longer be considered rehabilitated.

46 (2) A defaulted NJCLASS loan program loan may only be  
47 rehabilitated one time.

48 e. The authority shall accurately report the status of defaulted  
49 loans to the credit bureaus pursuant to the federal "Fair Credit

1 Reporting Act” (15 U.S.C., s.1681s-2) and Title VI of the federal  
2 “Economic Growth, Regulatory Relief, and Consumer Protection  
3 Act,” Pub.L.115-174.

4

5 2. This act shall take effect immediately.

6

7

8

STATEMENT

9

10 This bill establishes a process for the Higher Education Student  
11 Assistance Authority to declare a loan under the New Jersey  
12 College Loans to Assist State Students (NJCLASS) Loan Program  
13 as in default or rehabilitated. Under the bill, the authority may  
14 declare an NJCLASS loan program loan to be in default when the  
15 parties to the loan fail to meet the terms of the promissory note  
16 under circumstances where it is reasonable for the authority to  
17 determine that the parties no longer intend to honor the obligation  
18 to repay the loan or when the parties fail to make installment  
19 payments when due, provided failure to repay persists for:

20 (1) at least 180 days when payments are due monthly; or

21 (2) at least 240 days when payments are due less frequently than  
22 monthly.

23 The bill further provides that upon default, parties may become  
24 liable for the entire balance of the loan. To facilitate recovery on a  
25 defaulted NJCLASS loan program loan, the authority must offer  
26 parties to the defaulted loan the opportunity to enter into a  
27 settlement agreement, either pre- or post- judgement, based on the  
28 terms of the loan and the ability of all parties to the loan to make  
29 payments. For an NJCLASS loan program loan financed in whole  
30 or in part by bonds issued by the authority, the terms of the  
31 settlement agreement cannot violate the terms of the applicable  
32 bond indentures. Under the bill, if parties to a defaulted NJCLASS  
33 loan program loan demonstrate to the authority an ability and  
34 willingness to repay the loan by making nine on-time monthly  
35 payments over the course of ten consecutive months pursuant to the  
36 settlement agreement, the loan will be considered rehabilitated for  
37 the limited purposes of meeting the requirements of Title VI of the  
38 federal “Economic Growth, Regulatory Relief, and Consumer  
39 Protection Act.” The bill also provides that if subsequent to  
40 rehabilitating the loan the parties fail to continue to honor the  
41 obligations of the settlement agreement for at least 180 days, the  
42 loan will no longer be considered rehabilitated. Under the bill, a  
43 defaulted NJCLASS loan program loan may only be rehabilitated  
44 once.

45 Finally, the bill provides that the authority must accurately report  
46 the status of defaulted loans to the credit bureaus pursuant to the  
47 federal “Fair Credit Reporting Act” and Title VI of the federal  
48 “Economic Growth, Regulatory Relief, and Consumer Protection  
49 Act.”

# SENATE HIGHER EDUCATION COMMITTEE

## STATEMENT TO

### SENATE, No. 3149

# STATE OF NEW JERSEY

DATED: DECEMBER 6, 2018

The Senate Higher Education Committee reports favorably Senate Bill No. 3149.

This bill establishes a process for the Higher Education Student Assistance Authority to declare a loan under the New Jersey College Loans to Assist State Students (NJCLASS) Loan Program as in default or rehabilitated. Under the bill, the authority may declare an NJCLASS loan program loan to be in default when the parties to the loan fail to meet the terms of the promissory note under circumstances where it is reasonable for the authority to determine that the parties no longer intend to honor the obligation to repay the loan or when the parties fail to make installment payments when due, provided failure to repay persists for:

- (1) at least 180 days when payments are due monthly; or
- (2) at least 240 days when payments are due less frequently than monthly.

The bill further provides that upon default, parties may become liable for the entire balance of the loan. To facilitate recovery on a defaulted NJCLASS loan program loan, the authority must offer parties to the defaulted loan the opportunity to enter into a settlement agreement, either pre- or post- judgement, based on the terms of the loan and the ability of all parties to the loan to make payments. For an NJCLASS loan program loan financed in whole or in part by bonds issued by the authority, the terms of the settlement agreement cannot violate the terms of the applicable bond indentures. Under the bill, if parties to a defaulted NJCLASS loan program loan demonstrate to the authority an ability and willingness to repay the loan by making nine on-time monthly payments over the course of ten consecutive months pursuant to the settlement agreement, the loan will be considered rehabilitated for the limited purposes of meeting the requirements of Title VI of the federal "Economic Growth, Regulatory Relief, and Consumer Protection Act." The bill also provides that if subsequent to rehabilitating the loan the parties fail to continue to honor the obligations of the settlement agreement for at least 180 days, the loan will no longer be considered rehabilitated. Under the bill, a defaulted NJCLASS loan program loan may only be rehabilitated once.

Finally, the bill provides that the authority must accurately report the status of defaulted loans to the credit bureaus pursuant to the federal “Fair Credit Reporting Act” and Title VI of the federal “Economic Growth, Regulatory Relief, and Consumer Protection Act.”

# SENATE BUDGET AND APPROPRIATIONS COMMITTEE

## STATEMENT TO

### **SENATE, No. 3149**

with committee amendments

# **STATE OF NEW JERSEY**

DATED: JANUARY 28, 2019

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 3149, with committee amendments.

As amended, this bill establishes a process for the Higher Education Student Assistance Authority to declare a loan under the New Jersey College Loans to Assist State Students (NJCLASS) Loan Program as in default or rehabilitated. Under the bill, the authority may declare an NJCLASS loan program loan to be in default when the parties to the loan fail to meet the terms of the promissory note under circumstances where it is reasonable for the authority to determine that the parties no longer intend, or are no longer able, to honor the obligation to repay the loan or when the parties fail to make installment payments when due, provided failure to repay persists for:

- (1) at least 180 days when payments are due monthly; or
- (2) at least 240 days when payments are due less frequently than monthly.

The bill further provides that upon default, parties may become liable for the entire balance of the loan. To facilitate recovery on a defaulted NJCLASS loan program loan, the authority must offer parties to the defaulted loan the opportunity to enter into a settlement agreement, either pre- or post- judgement, based on the terms of the loan and the ability of the parties to the loan to make payments. For an NJCLASS loan program loan financed in whole or in part by bonds issued by the authority, the terms of the settlement agreement cannot violate the terms of the applicable bond indentures. Under the bill, if parties to a defaulted NJCLASS loan program loan demonstrate to the authority an ability and willingness to repay the loan by making nine on-time monthly payments over the course of ten consecutive months pursuant to the settlement agreement, the loan will be considered rehabilitated for the limited purposes of meeting the requirements of Title VI of the federal "Economic Growth, Regulatory Relief, and Consumer Protection Act." The bill also provides that if subsequent to rehabilitating the loan the parties fail to continue to honor the obligations of the settlement agreement for at least 180 days, the loan may no longer be considered rehabilitated. Under the bill, a defaulted NJCLASS loan program loan may only be rehabilitated once.

COMMITTEE AMENDMENTS:

The committee amendments:

1) clarify the HESAA may declare an NJCLASS loan in default when the authority determines parties to the loan are no longer able to repay the loan. As introduced, the bill authorizes the authority to declare that a loan is in default when the authority determines that the parties no longer intend to repay the loan;

2) provide additional flexibility to HESAA to enter into a settlement agreement without the involvement of all parties to the loan;

3) clarify that the written settlement agreement currently provided for under the bill is a proposed settlement agreement and that it will reflect the agreed upon terms in the oral agreement; and

4) provide HESAA with greater discretion in determining whether a rehabilitated loan will continue to be considered rehabilitated when the parties fail to honor the obligations of the settlement agreement.

FISCAL IMPACT:

This bill establishes a process for the Higher Education Student Assistance Authority (HESAA) to declare a loan under the New Jersey College Loans to Assist State Students (NJCLASS) Loan Program as in default or rehabilitated. The bill's provisions in regard to determining that a loan is in default mirror the process currently used by HESAA; consequently there should be no fiscal impact in regard to this provision of the bill.

The bill also authorizes HESAA to rehabilitate an NJCLASS loan in default pursuant to a settlement agreement. If the parties to a defaulted NJCLASS loan demonstrate to HESAA an ability and willingness to repay the loan by making nine on-time monthly payments over the course of ten consecutive months, the loan will be considered rehabilitated. The ability to offer borrowers a loan rehabilitation plan, as opposed to pursuing collection through the courts, may improve the amount and the timeliness of loan repayments to HESAA and represent an indeterminate revenue increase.

# LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

## SENATE, No. 3149 STATE OF NEW JERSEY 218th LEGISLATURE

DATED: FEBRUARY 5, 2019

### SUMMARY

- Synopsis:** Establishes process for Higher Education Student Assistance Authority to declare loan under New Jersey College Loans to Assist State Students (NJCLASS) Loan Program as in default or rehabilitated.
- Type of Impact:** Revenue Increase.
- Agencies Affected:** Higher Education Student Assistance Authority.

#### Office of Legislative Services Estimate

<b>Fiscal Impact</b>	<b><u>Annual</u></b>
<b>Revenue Increase to HESAA</b>	Indeterminate

- The Office of Legislative Services (OLS) concludes that the bill will result in an indeterminate revenue increase to the Higher Education Student Assistance Authority (HESAA), primarily stemming from New Jersey College Loans to Assist State Students (NJCLASS) Loan Program borrowers, who would otherwise be in default, taking advantage of the loan rehabilitation plan and making the required payments to HESAA under the bill.
- The net revenue impact in any given year stemming from the bill will be contingent upon the number of borrowers rehabilitating their NJCLASS Loan Program loans and the characteristics of those borrowers.
- The bill's provisions in regard to determining a loan under the NJCLASS Loan Program as in default mirror the determination process currently used by HESAA. Consequently, there should be no fiscal impact in regard to these provisions of the bill.

### BILL DESCRIPTION

The bill establishes a process for the HESAA to declare a loan under the NJCLASS Loan Program as in default or rehabilitated. Under the bill, HESAA may declare an NJCLASS Loan

Program loan to be in default when the parties to the loan fail to meet the terms of the promissory note under circumstances where it is reasonable for HESAA to determine that the parties no longer intend, or are no longer able, to honor the obligation to repay the loan or when the parties fail to make installment payments when due, provided failure to repay persists for:

- (1) at least 180 days when payments are due monthly; or
- (2) at least 240 days when payments are due less frequently than monthly.

The bill further provides that upon default, parties may become liable for the entire balance of the loan. To facilitate recovery on a defaulted NJCLASS Loan Program loan, HESAA must offer parties to the defaulted loan the opportunity to enter into a settlement agreement, either pre- or post- judgment, based on the terms of the loan and the ability of the parties to the loan to make payments. For an NJCLASS Loan Program loan financed in whole or in part by bonds issued by HESAA, the terms of the settlement agreement cannot violate the terms of the applicable bond indentures. Under the bill, if parties to a defaulted NJCLASS Loan Program loan demonstrate to HESAA an ability and willingness to repay the loan by making nine on-time monthly payments over the course of ten consecutive months pursuant to the settlement agreement, the loan will be considered rehabilitated for the limited purposes of meeting the requirements of Title VI of the federal “Economic Growth, Regulatory Relief, and Consumer Protection Act.” The bill also provides that if subsequent to rehabilitating the loan the parties fail to continue to honor the obligations of the settlement agreement for at least 180 days, the loan may no longer be considered rehabilitated. Under the bill, a defaulted NJCLASS Loan Program loan may only be rehabilitated once.

## **FISCAL ANALYSIS**

### ***EXECUTIVE BRANCH***

None received.

### ***OFFICE OF LEGISLATIVE SERVICES***

The OLS concludes that the bill will result in an indeterminate revenue increase to the HESAA, primarily stemming from NJCLASS Loan Program borrowers, who would otherwise be in default, taking advantage of the loan rehabilitation plan and making the required payments to HESAA under the bill. The net revenue impact in any given year stemming from the bill will be contingent upon the number of borrowers rehabilitating their NJCLASS Loan Program loans and the characteristics of those borrowers.

The bill’s provisions in regard to determining an NJCLASS Loan Program loan as in default mirror the process currently used by HESAA. Consequently, there should be no fiscal impact in regard to these provisions of the bill.

The OLS notes that, according to the 2018 Annual Report on the NJCLASS Loan Program, 17,009 NJCLASS Loan Program loans were recorded as in default as of June 30, 2018. The report notes that 1,220 loans entered default in the 2017-2018 academic year. Of the total 310,708 NJCLASS Loan Program loans that have been issued since 1991, 25,818 have reached default.

*Section: Education*

*Analyst: Christopher Myles  
Assistant Fiscal Analyst*

*Approved: Frank W. Haines III  
Legislative Budget and Finance Officer*

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).

# ASSEMBLY, No. 4623

## STATE OF NEW JERSEY 218th LEGISLATURE

INTRODUCED OCTOBER 22, 2018

**Sponsored by:**

**Assemblyman RALPH R. CAPUTO**

**District 28 (Essex)**

**Assemblywoman MILA M. JASEY**

**District 27 (Essex and Morris)**

**Assemblyman GARY S. SCHAER**

**District 36 (Bergen and Passaic)**

**Co-Sponsored by:**

**Assemblymen Wimberly, Giblin, Assemblywoman Carter, Assemblyman Chiaravalloti, Assemblywomen Reynolds-Jackson, Downey, Assemblyman Danielsen, Assemblywomen Tucker, Chaparro and Assemblyman Karabinchak**

**SYNOPSIS**

Establishes process for Higher Education Student Assistance Authority to declare loan under New Jersey College Loans to Assist State Students (NJCLASS) Loan Program as in default or rehabilitated.

**CURRENT VERSION OF TEXT**

As introduced.



**(Sponsorship Updated As Of: 1/16/2019)**

1 AN ACT concerning the default and rehabilitation of New Jersey  
2 College Loans to Assist State Students (NJCLASS) Loan  
3 Program loans and supplementing chapter 71C of Title 18A of  
4 the New Jersey Statutes.

5

6 **BE IT ENACTED** by the Senate and General Assembly of the State  
7 of New Jersey:

8

9 1. a. The authority may declare an NJCLASS loan program  
10 loan to be in default when the parties to the loan fail to meet the  
11 terms of the promissory note under circumstances where it is  
12 reasonable for the authority to determine that the parties no longer  
13 intend to honor the obligation to repay the loan or when the parties  
14 fail to make installment payments when due, provided failure to  
15 repay persists for:

16 (1) at least 180 days when payments are due monthly; or

17 (2) at least 240 days when payments are due less frequently than  
18 monthly.

19 b. Upon default, parties may become liable for the entire  
20 balance of the loan.

21 c. To facilitate recovery on a defaulted NJCLASS loan  
22 program loan, the authority shall offer parties to the defaulted loan  
23 the opportunity to enter into a settlement agreement, either pre- or  
24 post- judgement, based on the terms of the loan and the ability of all  
25 parties to the loan to make payments.

26 (1) The authority's counsel shall respond to a request for a  
27 settlement agreement within 15 business days of the request.

28 (2) The authority's counsel shall provide parties with a written  
29 settlement agreement within 30 business days of reaching an oral  
30 agreement with the parties.

31 (3) For an NJCLASS loan program loan financed in whole or in  
32 part by bonds issued by the authority pursuant to N.J.S.18A:71A-8,  
33 the terms of the settlement agreement shall not violate the terms of  
34 the applicable bond indentures.

35 d. If parties to a defaulted NJCLASS loan program loan  
36 demonstrate to the authority an ability and willingness to repay the  
37 loan by making nine on-time monthly payments over the course of  
38 ten consecutive months pursuant to the settlement agreement, the  
39 loan shall be considered rehabilitated for the limited purposes of  
40 meeting the requirements of Title VI of the federal "Economic  
41 Growth, Regulatory Relief, and Consumer Protection Act,"  
42 Pub.L.115-174.

43 (1) If subsequent to rehabilitating the loan the parties fail to  
44 continue to honor the obligations of the settlement agreement for at  
45 least 180 days, the loan shall no longer be considered rehabilitated.

46 (2) A defaulted NJCLASS loan program loan may only be  
47 rehabilitated one time.

1 e. The authority shall accurately report the status of defaulted  
2 loans to the credit bureaus pursuant to the federal “Fair Credit  
3 Reporting Act” (15 U.S.C., s.1681s-2) and Title VI of the federal  
4 “Economic Growth, Regulatory Relief, and Consumer Protection  
5 Act,” Pub.L.115-174.

6  
7 2. This act shall take effect immediately.  
8  
9

10 STATEMENT  
11

12 This bill establishes a process for the Higher Education Student  
13 Assistance Authority to declare a loan under the New Jersey  
14 College Loans to Assist State Students (NJCLASS) Loan Program  
15 as in default or rehabilitated. Under the bill, the authority may  
16 declare an NJCLASS loan program loan to be in default when the  
17 parties to the loan fail to meet the terms of the promissory note  
18 under circumstances where it is reasonable for the authority to  
19 determine that the parties no longer intend to honor the obligation  
20 to repay the loan or when the parties fail to make installment  
21 payments when due, provided failure to repay persists for:

22 (1) at least 180 days when payments are due monthly; or

23 (2) at least 240 days when payments are due less frequently than  
24 monthly.

25 The bill further provides that upon default, parties may become  
26 liable for the entire balance of the loan. To facilitate recovery on a  
27 defaulted NJCLASS loan program loan, the authority must offer  
28 parties to the defaulted loan the opportunity to enter into a  
29 settlement agreement, either pre- or post- judgement, based on the  
30 terms of the loan and the ability of all parties to the loan to make  
31 payments. For an NJCLASS loan program loan financed in whole  
32 or in part by bonds issued by the authority, the terms of the  
33 settlement agreement cannot violate the terms of the applicable  
34 bond indentures. Under the bill, if parties to a defaulted NJCLASS  
35 loan program loan demonstrate to the authority an ability and  
36 willingness to repay the loan by making nine on-time monthly  
37 payments over the course of ten consecutive months pursuant to the  
38 settlement agreement, the loan will be considered rehabilitated for  
39 the limited purposes of meeting the requirements of Title VI of the  
40 federal “Economic Growth, Regulatory Relief, and Consumer  
41 Protection Act.” The bill also provides that if subsequent to  
42 rehabilitating the loan the parties fail to continue to honor the  
43 obligations of the settlement agreement for at least 180 days, the  
44 loan will no longer be considered rehabilitated. Under the bill, a  
45 defaulted NJCLASS loan program loan may only be rehabilitated  
46 once.

47 Finally, the bill provides that the authority must accurately report  
48 the status of defaulted loans to the credit bureaus pursuant to the

1 federal "Fair Credit Reporting Act" and Title VI of the federal  
2 "Economic Growth, Regulatory Relief, and Consumer Protection  
3 Act."

# ASSEMBLY HIGHER EDUCATION COMMITTEE

## STATEMENT TO

### ASSEMBLY, No. 4623

# STATE OF NEW JERSEY

DATED: JANUARY 17, 2019

The Assembly Higher Education Committee reports favorably Assembly Bill No. 4623.

This bill establishes a process for the Higher Education Student Assistance Authority to declare a loan under the New Jersey College Loans to Assist State Students (NJCLASS) Loan Program as in default or rehabilitated. Under the bill, the authority may declare an NJCLASS loan program loan to be in default when the parties to the loan fail to meet the terms of the promissory note under circumstances where it is reasonable for the authority to determine that the parties no longer intend to honor the obligation to repay the loan or when the parties fail to make installment payments when due, provided failure to repay persists for:

- (1) at least 180 days when payments are due monthly; or
- (2) at least 240 days when payments are due less frequently than monthly.

The bill further provides that upon default, parties may become liable for the entire balance of the loan. To facilitate recovery on a defaulted NJCLASS loan program loan, the authority must offer parties to the defaulted loan the opportunity to enter into a settlement agreement, either pre- or post- judgement, based on the terms of the loan and the ability of all parties to the loan to make payments. For an NJCLASS loan program loan financed in whole or in part by bonds issued by the authority, the terms of the settlement agreement cannot violate the terms of the applicable bond indentures.

Under the bill, if parties to a defaulted NJCLASS loan program loan demonstrate to the authority an ability and willingness to repay the loan by making nine on-time monthly payments over the course of ten consecutive months pursuant to the settlement agreement, the loan will be considered rehabilitated for the limited purposes of meeting the requirements of Title VI of the federal "Economic Growth, Regulatory Relief, and Consumer Protection Act."

The bill also provides that if subsequent to rehabilitating the loan the parties fail to continue to honor the obligations of the settlement agreement for at least 180 days, the loan will no longer be considered rehabilitated. Under the bill, a defaulted NJCLASS loan program loan may only be rehabilitated once.

Finally, the bill provides that the authority must accurately report the status of defaulted loans to the credit bureaus pursuant to the federal “Fair Credit Reporting Act” and Title VI of the federal “Economic Growth, Regulatory Relief, and Consumer Protection Act.”

**STATEMENT TO**  
**ASSEMBLY, No. 4623**

With Assembly Floor Amendments  
(Proposed by Assemblyman CAPUTO)

ADOPTED: JANUARY 31, 2019

These floor amendments:

(1) clarify that HESAA may declare an NJCLASS loan in default when the authority determines parties to the loan are no longer able to repay the loan. As introduced, the bill authorizes the authority to declare that a loan is in default when the authority determines that the parties no longer intend to repay the loan;

(2) provide additional flexibility to HESAA to enter into a settlement agreement without the involvement of all parties to the loan;

(3) clarify that the written settlement agreement currently provided for under the bill is a proposed settlement agreement and that it will reflect the agreed upon terms in the oral agreement; and

(4) provide HESAA with greater discretion in determining whether a rehabilitated loan will continue to be considered rehabilitated when the parties fail to honor the obligations of the settlement agreement.

# LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

**ASSEMBLY, No. 4623**

## **STATE OF NEW JERSEY 218th LEGISLATURE**

DATED: FEBRUARY 28, 2019

### **SUMMARY**

**Synopsis:** Establishes process for Higher Education Student Assistance Authority to declare loan under New Jersey College Loans to Assist State Students (NJCLASS) Loan Program as in default or rehabilitated.

**Type of Impact:** Revenue Increase.

**Agencies Affected:** Higher Education Student Assistance Authority.

### **Office of Legislative Services Estimate**

<b>Fiscal Impact</b>	<b><u>Annual</u></b>
<b>Revenue Increase to HESAA</b>	Indeterminate

- The Office of Legislative Services (OLS) concludes that the bill will result in an indeterminate revenue increase to the Higher Education Student Assistance Authority (HESAA), primarily stemming from New Jersey College Loans to Assist State Students (NJCLASS) Loan Program borrowers, who would otherwise be in default, taking advantage of the loan rehabilitation plan and making the required payments to HESAA under the bill.
- The net revenue impact in any given year stemming from the bill will be contingent upon the number of borrowers rehabilitating their NJCLASS Loan Program loans and the characteristics of those borrowers.
- The bill's provisions in regard to determining a loan under the NJCLASS Loan Program as in default mirror the determination process currently used by HESAA. Consequently, there should be no fiscal impact in regard to these provisions of the bill.

### **BILL DESCRIPTION**

The bill establishes a process for the HESAA to declare a loan under the NJCLASS Loan Program as in default or rehabilitated. Under the bill, HESAA may declare an NJCLASS Loan

Program loan to be in default when the parties to the loan fail to meet the terms of the promissory note under circumstances where it is reasonable for HESAA to determine that the parties no longer intend, or are no longer able, to honor the obligation to repay the loan or when the parties fail to make installment payments when due, provided failure to repay persists for:

- (1) at least 180 days when payments are due monthly; or
- (2) at least 240 days when payments are due less frequently than monthly.

The bill further provides that upon default, parties may become liable for the entire balance of the loan. To facilitate recovery on a defaulted NJCLASS Loan Program loan, HESAA must offer parties to the defaulted loan the opportunity to enter into a settlement agreement, either pre- or post- judgment, based on the terms of the loan and the ability of the parties to the loan to make payments. For an NJCLASS Loan Program loan financed in whole or in part by bonds issued by HESAA, the terms of the settlement agreement cannot violate the terms of the applicable bond indentures. Under the bill, if parties to a defaulted NJCLASS Loan Program loan demonstrate to HESAA an ability and willingness to repay the loan by making nine on-time monthly payments over the course of ten consecutive months pursuant to the settlement agreement, the loan will be considered rehabilitated for the limited purposes of meeting the requirements of Title VI of the federal “Economic Growth, Regulatory Relief, and Consumer Protection Act.” The bill also provides that if subsequent to rehabilitating the loan the parties fail to continue to honor the obligations of the settlement agreement for at least 180 days, the loan may no longer be considered rehabilitated. Under the bill, a defaulted NJCLASS Loan Program loan may only be rehabilitated once.

## **FISCAL ANALYSIS**

### ***EXECUTIVE BRANCH***

None received.

### ***OFFICE OF LEGISLATIVE SERVICES***

The OLS concludes that the bill will result in an indeterminate revenue increase to the HESAA, primarily stemming from NJCLASS Loan Program borrowers, who would otherwise be in default, taking advantage of the loan rehabilitation plan and making the required payments to HESAA under the bill. The net revenue impact in any given year stemming from the bill will be contingent upon the number of borrowers rehabilitating their NJCLASS Loan Program loans and the characteristics of those borrowers.

The bill’s provisions in regard to determining an NJCLASS Loan Program loan as in default mirror the process currently used by HESAA. Consequently, there should be no fiscal impact in regard to these provisions of the bill.

The OLS notes that, according to the 2018 Annual Report on the NJCLASS Loan Program, 17,009 NJCLASS Loan Program loans were recorded as in default as of June 30, 2018. The report notes that 1,220 loans entered default in the 2017-2018 academic year. Of the total 310,708 NJCLASS Loan Program loans that have been issued since 1991, 25,818 have reached default.

*Section: Education*

*Analyst: Christopher Myles  
Assistant Fiscal Analyst*

*Approved: Frank W. Haines III  
Legislative Budget and Finance Officer*

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).



Home Administration ▾ Key Initiatives ▾ News and Events ▾ Social ▾ Contact Us ▾

## Newark, N.J.

# Governor Murphy Signs Legislation to Make Student Loans More Affordable

04/25/2019

*Two New Laws Help Borrowers of NJCLASS Loans Manage their Student Debt and Repair their Credit Scores*

**TRENTON** – Governor Murphy today signed two pieces of legislation to assist student loan borrowers who are struggling with repayment.

“Addressing student loan debt not only makes a crucial difference in individuals’ lives and careers, it also helps boost New Jersey’s economy as a whole. By making more affordable repayment options available through the new programs that HESAA has launched that are now codified into law, we will enable college graduates to live and thrive here in the Garden State,” **said Governor Phil Murphy.**

One of the two bills signed today, S3125/A4475, offers alternate payment options for borrowers who experience financial hardship in repaying loans made through the New Jersey College Loans to Assist State Students (NJCLASS) program. This legislation makes the Repayment Assistance Program (RAP) and the Household Income Assistance Repayment Plans (HIARP) permanent features of the NJCLASS program, building on the initial creation of these programs as part of the past two NJCLASS bond indentures. No state appropriation is used to finance NJCLASS loans, which are funded entirely through private activity revenue bonds issued by the New Jersey Higher Education Student Assistance Authority (HESAA).

RAP and HIARP work in tandem to help struggling borrowers avoid defaulting on their loans. When all parties to an eligible NJCLASS loan face financial hardship, RAP and HIARP offer reduced monthly payments calculated to be affordable based on the combined household income of all of the parties to the loan. During RAP, all payments are applied to the outstanding principal balance, so borrowers can pay down their balance without accruing additional interest. HIARP provides additional payment relief when all parties to the loan continue to face financial hardship after exhausting two years of RAP eligibility, starting with standard NJCLASS loans originated on or after June 1, 2018. HIARP extends the repayment term to 25 years from the date of origination. During the HIARP period, borrowers’ payments will be applied directly to principal, interest will continue to accrue on the loan, and any remaining balance at the end of 25 years will be forgiven.

The second bill signed today, S3149/A4623, enables borrowers and co-signers to repay defaulted loans through reasonable installment plans that ensure NJCLASS loans are repaid. The law codifies HESAA’s process for settlements allowing borrowers to repay defaulted loans through more affordable monthly payments, and enabling HESAA to repair the credit ratings of borrowers who consistently comply with such payment plans.

“Higher education should provide an affordable pathway to a better life,” **said Secretary of Higher Education Zakiya Smith Ellis.** “That’s why the recently released state plan focuses on strategies to enhance college affordability, including ensuring students have manageable options to repay their student loans. The bills the

Governor signs into law today will be an important step in fulfilling this promise of affordable options as outlined in the state plan for higher education.”

“These new laws make important reforms to the NJCLASS loan program, while maintaining the availability of this important financial tool for New Jersey’s students and families without any State appropriation,” **said David Socolow, Executive Director of HESAA.** “Through the leadership of Governor Murphy and our partnership with the Legislature on these bills, HESAA will increase our efforts to help borrowers of NJCLASS family loans manage their student loan payments and achieve financial success.”

“The average student in New Jersey graduates college with over \$30,000 in debt. It can take years for graduates to fully pay off their debt, which can haunt them for years as they try to navigate the expenses of adulthood,” **said Assemblyman Ralph Caputo.** “NJCLASS borrowers currently lack a path to loan rehabilitation if they struggle to make payments; this bill will correct that problem and set up a system for them to make manageable on-time payments and reduce their debt.”

“It’s all too common for students to leave college with crushing debt and earn a low-paying salary at an entry-level job,” **said Assemblywoman Mila Jasey.** “It’s quite easy to fall behind on payments in this situation, oftentimes resulting in a loan declared in default, which can negatively impact a graduate’s credit for many years. It’s imperative that we create a process for NJCLASS borrowers to have a default loan rehabilitated so they can focus on building their lives and careers instead of overwhelming debt.”

“College graduates are facing the largest debt burden in history and as a State it is our responsibility to ensure that they are set up for success,” **said Assemblyman Gary Schaer.** “Students who default on their loans are often caught in a cycle of poor credit history and unemployment. This law creates a process for borrowers to restore their loans from a default status by allowing them to make payments over several months to HESAA. Removing the default status will give graduates a second chance and an opportunity to build a better future for themselves and their families.”

“A college degree is an essential tool to overcoming economic challenges,” **said Assemblyman Dan Benson.** “However, the student must be able to afford college in the first place. Establishing a pathway for students from disadvantaged backgrounds to repay their loans in a fair, manageable way will improve access to college and expand their career opportunities.”

“Student loan repayment is a nightmare for many college graduates and their families, and their financial situations worsen if they have the misfortune of defaulting on their loans,” **said Senator Sandra Cunningham.** “These bills being signed into law is the culmination of two years of hard work. This will bring real, much needed relief to so many people who have defaulted or are struggling to pay back their NJCLASS loans.”

[Back to Top](#)

Powered by  [Translate](#) [Select Language](#)

[Translator Disclaimer](#)

## Governor Phil Murphy

[Home](#)

[Administration](#)

[Governor Phil Murphy](#)

[Key Initiatives](#)

[Economy & Jobs](#)

[Education](#)

[Environment](#)

[Social](#)

[Facebook](#)

[Twitter](#)

[Instagram](#)

## Statewide

[NJ Home](#)

[Services A to Z](#)

[Departments/Agencies](#)

[FAQs](#)

[Contact Us](#)

Lt. Governor Sheila  
Oliver  
First Lady Tammy  
Snyder Murphy  
Cabinet  
Boards, Commissions  
& Authorities  
Internship  
Opportunities  
Governor's Residence  
- Drumthwacket

Health  
Law & Justice  
Transportation  
**News & Events**  
Press Releases  
Public Addresses  
Executive Orders  
Statements on  
Legislation  
Administration Reports  
Transition Reports  
Press Kits

Snapchat  
YouTube  
**Contact Us**  
Scheduling Requests  
Contact Us

Privacy Notice  
Legal Statement &  
Disclaimers  
Accessibility  
Statement



Copyright © State of New Jersey, 1996-2018  
Office of Governor PO Box 001  
Trenton, NJ 08625  
609-292-6000

**YOURMONEY.NJ.GOV**

*powered by* **njoit**