

VETO MESSAGE: No

GOVERNOR'S PRESS RELEASE ON SIGNING: Yes

FOLLOWING WERE PRINTED:

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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 62, *approved April 25, 2019*
Senate, No. 3125

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

4
5 **BE IT ENACTED** *by the Senate and General Assembly of the State*
6 *of New Jersey:*

7
8 1. a. In order to assist borrowers who are facing economic
9 hardships, the Higher Education Student Assistance Authority shall
10 establish a Repayment Assistance Program for new loans originated
11 under the Standard New Jersey College Loans to Assist State
12 Students (NJCLASS) Loan Program beginning with the 2017-2018
13 academic year. Under the Repayment Assistance Program, eligible
14 borrowers shall pay a reduced monthly loan payment equal to 10
15 percent of the total of the aggregate household income of all of the
16 parties to the loan that exceeds 150 percent of the federal poverty
17 guidelines, with a minimum monthly payment of \$5.

18 b. Subject to the limits of funding made available pursuant to
19 section 3 of this act, a borrower shall be eligible to participate in the
20 Repayment Assistance Program for a period not to exceed two
21 years. During the period of participation in the Repayment
22 Assistance Program, the authority shall pay the interest on the
23 NJCLASS loan at the stated loan rate and the payments made by the
24 borrower shall be applied to reduce the principal balance of the
25 loan. At the end of the borrower's participation in the Repayment
26 Assistance Program, the new monthly repayment amount shall be
27 recalculated based on the remaining principal balance of the loan,
28 interest accruing thereon at the original stated loan rate, and the
29 remaining length of the original term to repay the loan.

30 c. As used in this section, borrowers are determined to be
31 facing an "economic hardship" if the monthly amount required to
32 pay their Standard NJCLASS loans is higher than the monthly
33 payment amount required under the Repayment Assistance Program
34 established in this section.

35
36 2. a. To provide further assistance to borrowers who continue
37 to face economic hardships after exhausting their eligibility for the
38 Repayment Assistance Program, the Higher Education Student
39 Assistance Authority shall establish a Household Income

1 Affordable Repayment Plan for new loans originated under the
2 Standard NJCLASS Loan Program beginning with the 2018-2019
3 academic year. Subject to the limits of funding made available
4 pursuant to section 3 of this act, a borrower shall be eligible for the
5 Household Income Affordable Repayment Plan upon exhausting the
6 two-year eligibility period for the Repayment Assistance Program.
7 Under the Household Income Affordable Repayment Plan, an
8 eligible borrower shall be eligible to make reduced loan payments
9 equal to 15 percent of the total of the aggregate household income
10 of all of the parties to the loan that exceeds 150 percent of the
11 federal poverty guidelines, with a minimum monthly payment of
12 \$25.

13 b. Upon qualification for admittance to the Household Income
14 Affordable Repayment Plan, the repayment term for a loan in the
15 plan shall be extended to 25 years from the date of origination.
16 Interest shall continue to accrue on the loan while in repayment
17 under the plan at the original loan rate. Any remaining balance at
18 the end of 25 years shall be forgiven.

19 c. All parties to a loan shall provide the authority with annual
20 income certification and proof of need to remain in the Household
21 Income Affordable Repayment Plan. In the event that the parties to
22 a loan no longer qualify for participation in the plan, the repayment
23 term shall remain at 25 years and the monthly repayment amount
24 shall revert to the standard monthly payment. Unpaid interest shall
25 be capitalized upon return to the standard monthly payment.

26 d. As used in this section, “standard monthly payments” are
27 determined by the authority when parties enter the Household
28 Income Affordable Repayment Plan by capitalizing all unpaid
29 interest and amortizing the remaining loan balance over the
30 remaining original loan repayment term.

31 e. As used in this section, borrowers are determined to be
32 facing an “economic hardship” if the monthly amount required to
33 pay their Standard NJCLASS loans is higher than the monthly
34 payment amount required under the Household Income Affordable
35 Repayment Plan established in this section.

36
37 3. For new Standard NJCLASS loans financed in whole or in
38 part by bonds issued by the authority pursuant to N.J.S.18A:71A-8,
39 funding for the Repayment Assistance Program established pursuant
40 to section 1 of this act and the Household Income Affordable
41 Repayment Plan established pursuant to section 2 of this act shall
42 be included as a provision in the applicable bond indentures. The
43 programs shall be limited to the amounts included in the bond
44 indentures and shall not infringe on the rights of bondholders

1 established pursuant to N.J.S.18A:71A-19 and N.J.S.18A:71A-22.
2 The number of borrowers who may participate in the Repayment
3 Assistance Program and Household Income Repayment Plan shall
4 be limited by the funding parameters set forth in any applicable
5 bond indenture and any limitations or restrictions on amendments
6 thereto.

7
8 4. The Higher Education Student Assistance Authority shall
9 promulgate regulations pursuant to the “Administrative Procedure
10 Act,” P.L.1968, c.410 (C.52:14B-1 et seq.), necessary to
11 effectuate the provisions of this act.

12
13 5. This act shall take effect immediately.

14
15

16 STATEMENT

17

18 This bill directs the Higher Education Student Assistance
19 Authority to establish a Repayment Assistance Program for new
20 loans originated under the Standard New Jersey College Loans to
21 Assist State Students (NJCLASS) Loan Program beginning with the
22 2017-2018 academic year. The purpose of this bill is to assist
23 borrowers who are facing economic hardships. Under the
24 Repayment Assistance Program, eligible borrowers will pay a
25 reduced monthly loan payment equal to 10 percent of the total of
26 the aggregate household income of all of the parties to the loan that
27 exceeds 150 percent of the federal poverty guidelines, with a
28 minimum monthly payment of \$5. Borrowers are determined to be
29 facing an “economic hardship” if the monthly amount required to
30 pay their Standard NJCLASS loans is higher than the monthly
31 payment amount required under the Repayment Assistance
32 Program.

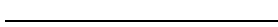
33 Under the bill, a borrower will be eligible to participate in the
34 Repayment Assistance Program for a period not to exceed two
35 years. During the period of the borrower’s participation, the
36 authority will pay the interest on the NJCLASS loan at the stated
37 loan rate and the payments made by the borrower will be applied to
38 reduce the principal balance of the loan. The bill provides that at
39 the end of the borrower’s participation in the Repayment Assistance
40 Program, the new monthly repayment amount will be recalculated
41 based on the remaining principal balance of the loan, interest
42 accruing thereon at the original stated loan rate, and the remaining
43 length of the original term to repay the loan.

1 The bill also directs the authority to establish a Household
2 Income Affordable Repayment Plan (HIARP) for new loans
3 originated under the Standard NJCLASS Loan Program beginning
4 with the 2018-2019 academic year, in order to provide further
5 assistance to borrowers who continue to face economic hardships
6 after exhausting their eligibility for the Repayment Assistance
7 Program. A borrower will be eligible for HIARP upon exhausting
8 the two-year eligibility period for the Repayment Assistance
9 Program. Under the bill, an eligible borrower will be eligible to
10 make reduced loan payments equal to 15 percent of the total of the
11 aggregate household income of all of the parties to the loan that
12 exceeds 150 percent of the federal poverty guidelines, with a
13 minimum monthly payment of \$25. Borrowers are determined to be
14 facing an “economic hardship” if the monthly amount required to
15 pay their Standard NJCLASS loans is higher than the monthly
16 amount required under the Household Income Affordable
17 Repayment Plan established in this section.

18 The bill further provides that the repayment term for a loan under
19 HIARP will be extended to 25 years from the date of origination.
20 Interest will continue to accrue on the loan while in HIARP
21 repayment at the original loan rate. Under the bill, any remaining
22 balance at the end of 25 years will be forgiven.

23 The bill provides that for new Standard NJCLASS loans financed
24 in whole or in part by bonds issued by the authority, funding for the
25 Repayment Assistance Program and HIARP must be included as a
26 provision in the applicable bond indentures. Under the bill, the
27 programs will be limited to the amounts included in the bond
28 indentures and cannot infringe on the rights of bondholders.

29
30
31



32
33 Establishes Repayment Assistance Program and Household
34 Income Affordable Repayment Plan for borrowers of New Jersey
35 College Loans to Assist State Students (NJCLASS) Loan Program.

SENATE, No. 3125

STATE OF NEW JERSEY 218th LEGISLATURE

INTRODUCED OCTOBER 18, 2018

Sponsored by:

Senator SANDRA B. CUNNINGHAM

District 31 (Hudson)

Senator M. TERESA RUIZ

District 29 (Essex)

Assemblyman GARY S. SCHAER

District 36 (Bergen and Passaic)

Assemblywoman MILA M. JASEY

District 27 (Essex and Morris)

Assemblyman DANIEL R. BENSON

District 14 (Mercer and Middlesex)

Co-Sponsored by:

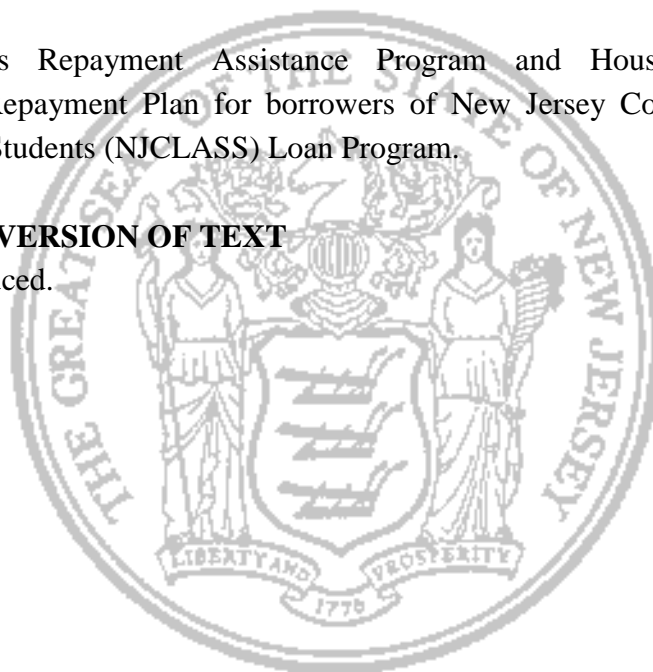
**Senators Brown, Cruz-Perez, Greenstein, Assemblyman Johnson,
Assemblywomen Pinkin, Mosquera, Downey and Assemblyman McKeon**

SYNOPSIS

Establishes Repayment Assistance Program and Household Income Affordable Repayment Plan for borrowers of New Jersey College Loans to Assist State Students (NJCLASS) Loan Program.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 2/26/2019)

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

4
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18 b. Subject to the limits of funding made available pursuant to
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21 years. During the period of participation in the Repayment
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36 2. a. To provide further assistance to borrowers who continue
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38 Repayment Assistance Program, the Higher Education Student
39 Assistance Authority shall establish a Household Income
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41 Standard NJCLASS Loan Program beginning with the 2018-2019
42 academic year. Subject to the limits of funding made available
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44 Household Income Affordable Repayment Plan upon exhausting the
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20 d. As used in this section, “standard monthly payments” are
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26 facing an “economic hardship” if the monthly amount required to
27 pay their Standard NJCLASS loans is higher than the monthly
28 payment amount required under the Household Income Affordable
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30
31 3. For new Standard NJCLASS loans financed in whole or in
32 part by bonds issued by the authority pursuant to N.J.S.18A:71A-8,
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34 to section 1 of this act and the Household Income Affordable
35 Repayment Plan established pursuant to section 2 of this act shall
36 be included as a provision in the applicable bond indentures. The
37 programs shall be limited to the amounts included in the bond
38 indentures and shall not infringe on the rights of bondholders
39 established pursuant to N.J.S.18A:71A-19 and N.J.S.18A:71A-22.
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41 Assistance Program and Household Income Repayment Plan shall
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43 bond indenture and any limitations or restrictions on amendments
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3 Act,” P.L.1968, c.410 (C.52:14B-1 et seq.), necessary to
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8

9

STATEMENT

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11 This bill directs the Higher Education Student Assistance
12 Authority to establish a Repayment Assistance Program for new
13 loans originated under the Standard New Jersey College Loans to
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19 the aggregate household income of all of the parties to the loan that
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22 facing an “economic hardship” if the monthly amount required to
23 pay their Standard NJCLASS loans is higher than the monthly
24 payment amount required under the Repayment Assistance
25 Program.

26

27 Under the bill, a borrower will be eligible to participate in the
28 Repayment Assistance Program for a period not to exceed two
29 years. During the period of the borrower’s participation, the
30 authority will pay the interest on the NJCLASS loan at the stated
31 loan rate and the payments made by the borrower will be applied to
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33 the end of the borrower’s participation in the Repayment Assistance
34 Program, the new monthly repayment amount will be recalculated
35 based on the remaining principal balance of the loan, interest
36 accruing thereon at the original stated loan rate, and the remaining
length of the original term to repay the loan.

37

38 The bill also directs the authority to establish a Household
39 Income Affordable Repayment Plan (HIARP) for new loans
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41 with the 2018-2019 academic year, in order to provide further
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43 after exhausting their eligibility for the Repayment Assistance
44 Program. A borrower will be eligible for HIARP upon exhausting
the two-year eligibility period for the Repayment Assistance

1 Program. Under the bill, an eligible borrower will be eligible to
2 make reduced loan payments equal to 15 percent of the total of the
3 aggregate household income of all of the parties to the loan that
4 exceeds 150 percent of the federal poverty guidelines, with a
5 minimum monthly payment of \$25. Borrowers are determined to be
6 facing an “economic hardship” if the monthly amount required to
7 pay their Standard NJCLASS loans is higher than the monthly
8 amount required under the Household Income Affordable
9 Repayment Plan established in this section.

10 The bill further provides that the repayment term for a loan under
11 HIARP will be extended to 25 years from the date of origination.
12 Interest will continue to accrue on the loan while in HIARP
13 repayment at the original loan rate. Under the bill, any remaining
14 balance at the end of 25 years will be forgiven.

15 The bill provides that for new Standard NJCLASS loans financed
16 in whole or in part by bonds issued by the authority, funding for the
17 Repayment Assistance Program and HIARP must be included as a
18 provision in the applicable bond indentures. Under the bill, the
19 programs will be limited to the amounts included in the bond
20 indentures and cannot infringe on the rights of bondholders.

SENATE HIGHER EDUCATION COMMITTEE

STATEMENT TO

SENATE, No. 3125

STATE OF NEW JERSEY

DATED: DECEMBER 6, 2018

The Senate Higher Education Committee reports favorably Senate Bill No. 3125.

This bill directs the Higher Education Student Assistance Authority to establish a Repayment Assistance Program for new loans originated under the Standard New Jersey College Loans to Assist State Students (NJCLASS) Loan Program beginning with the 2017-2018 academic year. The purpose of this bill is to assist borrowers who are facing economic hardships. Under the Repayment Assistance Program, eligible borrowers will pay a reduced monthly loan payment equal to 10 percent of the total of the aggregate household income of all of the parties to the loan that exceeds 150 percent of the federal poverty guidelines, with a minimum monthly payment of \$5. Borrowers are determined to be facing an “economic hardship” if the monthly amount required to pay their Standard NJCLASS loans is higher than the monthly payment amount required under the Repayment Assistance Program.

Under the bill, a borrower will be eligible to participate in the Repayment Assistance Program for a period not to exceed two years. During the period of the borrower’s participation, the authority will pay the interest on the NJCLASS loan at the stated loan rate and the payments made by the borrower will be applied to reduce the principal balance of the loan. The bill provides that at the end of the borrower’s participation in the Repayment Assistance Program, the new monthly repayment amount will be recalculated based on the remaining principal balance of the loan, interest accruing thereon at the original stated loan rate, and the remaining length of the original term to repay the loan.

The bill also directs the authority to establish a Household Income Affordable Repayment Plan (HIARP) for new loans originated under the Standard NJCLASS Loan Program beginning with the 2018-2019 academic year, in order to provide further assistance to borrowers who continue to face economic hardships after exhausting their eligibility for the Repayment Assistance Program. A borrower will be eligible for HIARP upon exhausting the two-year eligibility period for the Repayment Assistance Program. Under the bill, an eligible borrower will be eligible to

make reduced loan payments equal to 15 percent of the total of the aggregate household income of all of the parties to the loan that exceeds 150 percent of the federal poverty guidelines, with a minimum monthly payment of \$25. Borrowers are determined to be facing an “economic hardship” if the monthly amount required to pay their Standard NJCLASS loans is higher than the monthly amount required under the Household Income Affordable Repayment Plan established in this section.

The bill further provides that the repayment term for a loan under HIARP will be extended to 25 years from the date of origination. Interest will continue to accrue on the loan while in HIARP repayment at the original loan rate. Under the bill, any remaining balance at the end of 25 years will be forgiven.

The bill provides that for new Standard NJCLASS loans financed in whole or in part by bonds issued by the authority, funding for the Repayment Assistance Program and HIARP must be included as a provision in the applicable bond indentures. Under the bill, the programs will be limited to the amounts included in the bond indentures and cannot infringe on the rights of bondholders.

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE, No. 3125

STATE OF NEW JERSEY

DATED: JANUARY 28, 2019

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 3125.

Senate Bill No. 3125 directs the Higher Education Student Assistance Authority to establish a Repayment Assistance Program for new loans originated under the Standard New Jersey College Loans to Assist State Students (NJCLASS) Loan Program beginning with the 2017-2018 academic year. The purpose of this bill is to assist borrowers who are facing economic hardships. Under the Repayment Assistance Program, eligible borrowers will pay a reduced monthly loan payment equal to 10 percent of the total of the aggregate household income of all of the parties to the loan that exceeds 150 percent of the federal poverty guidelines, with a minimum monthly payment of \$5. Borrowers are determined to be facing an “economic hardship” if the monthly amount required to pay their Standard NJCLASS loans is higher than the monthly payment amount required under the Repayment Assistance Program.

Under the bill, a borrower will be eligible to participate in the Repayment Assistance Program for a period not to exceed two years. During the period of the borrower’s participation, the authority will pay the interest on the NJCLASS loan at the stated loan rate and the payments made by the borrower will be applied to reduce the principal balance of the loan. The bill provides that at the end of the borrower’s participation in the Repayment Assistance Program, the new monthly repayment amount will be recalculated based on the remaining principal balance of the loan, interest accruing thereon at the original stated loan rate, and the remaining length of the original term to repay the loan.

The bill also directs the authority to establish a Household Income Affordable Repayment Plan (HIARP) for new loans originated under the Standard NJCLASS Loan Program beginning with the 2018-2019 academic year, in order to provide further assistance to borrowers who continue to face economic hardships after exhausting their eligibility for the Repayment Assistance Program. A borrower will be eligible for HIARP upon exhausting the two-year eligibility period for the Repayment Assistance Program. Under the bill, an eligible borrower will be eligible to make reduced loan payments equal to 15 percent of the total of the

aggregate household income of all of the parties to the loan that exceeds 150 percent of the federal poverty guidelines, with a minimum monthly payment of \$25. Borrowers are determined to be facing an “economic hardship” if the monthly amount required to pay their Standard NJCLASS loans is higher than the monthly amount required under the Household Income Affordable Repayment Plan established in this section.

The bill further provides that the repayment term for a loan under HIARP will be extended to 25 years from the date of origination. Interest will continue to accrue on the loan while in HIARP repayment at the original loan rate. Under the bill, any remaining balance at the end of 25 years will be forgiven.

The bill provides that for new Standard NJCLASS loans financed in whole or in part by bonds issued by the authority, funding for the Repayment Assistance Program and HIARP must be included as a provision in the applicable bond indentures. Under the bill, the programs will be limited to the amounts included in the bond indentures and cannot infringe on the rights of bondholders.

FISCAL IMPACT:

The Office of Legislative (OLS) concludes that the bill will have no State fiscal impact as the bill codifies what is already current practice. The Higher Education Student Assistance Authority (HESAA) currently offers both the Repayment Assistance Program (RAP) and the Household Income Affordable Repayment Plan (HIARP) for Standard New Jersey College Loans to Assist State Students (NJCLASS). The RAP is available for NJCLASS loans with applications that were received on or after June 1, 2017. NJCLASS loans applied for prior to June 1, 2017, that are used to attend school for academic terms that begin on or after August 1, 2017, are also eligible for the RAP. The HIARP has been offered for loans originating in June 2018. The RAP and the HIARP programs currently in place operate under virtually the same provisions enumerated in this bill.

According to information provided to the OLS from HESAA, there are currently eight borrowers participating in the RAP. These borrowers’ total interest accrued to date has totaled \$10,275.05 in expenses for HESAA. HESAA notes that the majority of the eight borrowers have been enrolled for less than a year and that the average monthly interest payment expense going forward in the RAP will be \$3,241.

The bill provides that for the bonds issued to finance Standard NJCLASS Loans, funding for the RAP and the HIARP programs must be included in the bond indentures. The programs will be limited to amounts included in the bond indentures, which will serve to limit the number of borrowers who may take advantage of the programs and the expenditure increases associated with the programs. Funding for the

RAP as well as the HIARP appear to already be accounted for in HESAA's Series 2018 bonds. According to its April 2018 presale bond report for HESAA's Series 2018 bond issuance, S&P Global Ratings states that the maximum dollar amount of loans that could benefit from HIARP is \$4 million.

ASSEMBLY, No. 4475

STATE OF NEW JERSEY 218th LEGISLATURE

INTRODUCED SEPTEMBER 24, 2018

Sponsored by:

Assemblyman GARY S. SCHAER

District 36 (Bergen and Passaic)

Assemblywoman MILA M. JASEY

District 27 (Essex and Morris)

Co-Sponsored by:

Assemblyman Johnson

SYNOPSIS

Establishes Repayment Assistance Program and Household Income Affordable Repayment Plan for borrowers of New Jersey College Loans to Assist State Students (NJCLASS) Loan Program.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 10/16/2018)

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2 Students (NJCLASS) Loan Program and supplementing chapter
3 71C of Title 18A of the New Jersey Statutes.

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18 section 3 of this act, a borrower shall be eligible to participate in the
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35 borrower shall be eligible for the Household Income Affordable
36 Repayment Plan upon exhausting the two-year eligibility period for
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19 part by bonds issued by the authority pursuant to N.J.S.18A:71A-8,
20 funding for the Repayment Assistance Program established pursuant
21 to section 1 of this act and the Household Income Affordable
22 Repayment Plan established pursuant to section 2 of this act shall
23 be included as a provision in the applicable bond indentures. The
24 programs shall be limited to the amounts included in the bond
25 indentures and shall not infringe on the rights of bondholders
26 established pursuant to N.J.S.18A:71A-19 and N.J.S.18A:71A-22.
27 The number of borrowers who may participate in the Repayment
28 Assistance Program and Household Income Repayment Plan shall
29 be limited by the funding parameters set forth in any applicable
30 bond indenture and any limitations or restrictions on amendments
31 thereto.

32

33 4. The Higher Education Student Assistance Authority shall
34 promulgate regulations pursuant to the "Administrative Procedure
35 Act," P.L.1968, c.410 (C.52:14B-1 et seq.), necessary to
36 effectuate the provisions of this act.

37

38 5. This act shall take effect immediately.

39

40

41

STATEMENT

42

43 This bill directs the Higher Education Student Assistance
44 Authority to establish a Repayment Assistance Program for new

1 loans originated under the Standard New Jersey College Loans to
2 Assist State Students (NJCLASS) Loan Program beginning with the
3 2017-2018 academic year. Under the Repayment Assistance
4 Program, eligible borrowers will pay a reduced monthly loan
5 payment equal to 10 percent of the total of the aggregate household
6 income of all of the parties to the loan that exceeds 150 percent of
7 the federal poverty guidelines, with a minimum monthly payment of
8 \$5.

9 Under the bill, a borrower will be eligible to participate in the
10 Repayment Assistance Program for a period not to exceed two
11 years. During the period of the borrower's participation, the
12 authority will pay the interest on the NJCLASS loan at the stated
13 loan rate and the payments made by the borrower will be applied to
14 reduce the principal balance of the loan. The bill provides that at
15 the end of the borrower's participation in the Repayment Assistance
16 Program, the new monthly repayment amount will be recalculated
17 based on the remaining principal balance of the loan, interest
18 accruing thereon at the original stated loan rate, and the remaining
19 length of the original term to repay the loan.

20 The bill also directs the authority to establish a Household
21 Income Affordable Repayment Plan (HIARP) for new loans
22 originated under the Standard NJCLASS Loan Program beginning
23 with the 2018-2019 academic year. A borrower will be eligible for
24 HIARP upon exhausting the two-year eligibility period for the
25 Repayment Assistance Program. Under the bill, an eligible
26 borrower will be eligible to make reduced loan payments equal to
27 15 percent of the total of the aggregate household income of all of
28 the parties to the loan that exceeds 150 percent of the federal
29 poverty guidelines, with a minimum monthly payment of \$25.

30 The bill further provides that the repayment term for a loan under
31 HIARP will be extended to 25 years from the date of origination.
32 Interest will continue to accrue on the loan while in HIARP
33 repayment at the original loan rate. Under the bill, any remaining
34 balance at the end of 25 years will be forgiven.

35 The bill provides that for new Standard NJCLASS loans financed
36 in whole or in part by bonds issued by the authority, funding for the
37 Repayment Assistance Program and HIARP must be included as a
38 provision in the applicable bond indentures. Under the bill, the
39 programs will be limited to the amounts included in the bond
40 indentures and cannot infringe on the rights of bondholders.

ASSEMBLY HIGHER EDUCATION COMMITTEE

STATEMENT TO

ASSEMBLY, No. 4475

with committee amendments

STATE OF NEW JERSEY

DATED: OCTOBER 15, 2018

The Assembly Higher Education Committee reports favorably Assembly Bill No. 4475 with committee amendments.

As amended, this bill directs the Higher Education Student Assistance Authority to establish a Repayment Assistance Program for new loans originated under the Standard New Jersey College Loans to Assist State Students (NJCLASS) Loan Program beginning with the 2017-2018 academic year to assist borrowers who are facing economic hardship. Under the Repayment Assistance Program, eligible borrowers will pay a reduced monthly loan payment equal to 10 percent of the total of the aggregate household income of all of the parties to the loan that exceeds 150 percent of the federal poverty guidelines, with a minimum monthly payment of \$5.

Under the bill, a borrower will be eligible to participate in the Repayment Assistance Program for a period not to exceed two years. During the period of the borrower's participation, the authority will pay the interest on the NJCLASS loan at the stated loan rate and the payments made by the borrower will be applied to reduce the principal balance of the loan. The bill provides that at the end of the borrower's participation in the Repayment Assistance Program, the new monthly repayment amount will be recalculated based on the remaining principal balance of the loan, interest accruing thereon at the original stated loan rate, and the remaining length of the original term to repay the loan.

The bill also directs the authority to establish a Household Income Affordable Repayment Plan (HIARP) for new loans originated under the Standard NJCLASS Loan Program beginning with the 2018-2019 academic year for borrowers who continue to face economic hardship after exhausting their two-year eligibility period for the Repayment Assistance Program. Under HIARP a borrower will be eligible to make reduced loan payments equal to 15 percent of the total of the aggregate household income of all of the parties to the loan that exceeds 150 percent of the federal poverty guidelines, with a minimum monthly payment of \$25.

The bill further provides that the repayment term for a loan under HIARP will be extended to 25 years from the date of origination. Interest will continue to accrue on the loan while in HIARP repayment

at the original loan rate. Any remaining balance at the end of 25 years will be forgiven.

The bill provides that for new Standard NJCLASS loans financed in whole or in part by bonds issued by the authority, funding for the Repayment Assistance Program and HIARP must be included as a provision in the applicable bond indentures. The programs will be limited to the amounts included in the bond indentures and cannot infringe on the rights of bondholders.

COMMITTEE AMENDMENTS:

The committee amended the bill to:

(1) specify that the Repayment Assistance Program and the Household Income Affordable Repayment Plan are to provide assistance to borrowers who are facing economic hardship; and

(2) define “economic hardship” as applying to borrowers whose monthly amount required to pay their Standard NJCLASS loans is higher than the monthly payment amount required under the Repayment Assistance Program or the Household Income Affordable Repayment Plan, as applicable.

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

[First Reprint]

ASSEMBLY, No. 4475

STATE OF NEW JERSEY

DATED: DECEMBER 10, 2018

The Assembly Appropriations Committee reports favorably Assembly Bill No. 4475 (1R).

This bill directs the Higher Education Student Assistance Authority to establish a Repayment Assistance Program for new loans originated under the Standard New Jersey College Loans to Assist State Students (NJCLASS) Loan Program beginning with the 2017-2018 academic year to assist borrowers who are facing economic hardship. Under the Repayment Assistance Program, eligible borrowers will pay a reduced monthly loan payment equal to 10 percent of the total of the aggregate household income of all of the parties to the loan that exceeds 150 percent of the federal poverty guidelines, with a minimum monthly payment of \$5.

Under the bill, a borrower will be eligible to participate in the Repayment Assistance Program for a period not to exceed two years. During the period of the borrower's participation, the authority will pay the interest on the NJCLASS loan at the stated loan rate and the payments made by the borrower will be applied to reduce the principal balance of the loan. The bill provides that at the end of the borrower's participation in the Repayment Assistance Program, the new monthly repayment amount will be recalculated based on the remaining principal balance of the loan, interest accruing thereon at the original stated loan rate, and the remaining length of the original term to repay the loan.

The bill also directs the authority to establish a Household Income Affordable Repayment Plan (HIARP) for new loans originated under the Standard NJCLASS Loan Program beginning with the 2018-2019 academic year for borrowers who continue to face economic hardship after exhausting their two-year eligibility period for the Repayment Assistance Program. Under HIARP a borrower will be eligible to make reduced loan payments equal to 15 percent of the total of the aggregate household income of all of the parties to the loan that exceeds 150 percent of the federal poverty guidelines, with a minimum monthly payment of \$25.

The bill further provides that the repayment term for a loan under HIARP will be extended to 25 years from the date of origination. Interest will continue to accrue on the loan while in HIARP repayment

at the original loan rate. Any remaining balance at the end of 25 years will be forgiven.

The bill provides that for new Standard NJCLASS loans financed in whole or in part by bonds issued by the authority, funding for the Repayment Assistance Program and HIARP must be included as a provision in the applicable bond indentures. The programs will be limited to the amounts included in the bond indentures and cannot infringe on the rights of bondholders.

FISCAL IMPACT:

The Office of Legislative Services (OLS) notes that the Repayment Assistance Program (RAP) for Standard New Jersey College Loans to Assist State Students (NJCLASS) loans established by the Higher Education Student Assistance Authority (HESAA) under the bill will result in an indeterminate increase in annual expenditures for HESAA to pay the interest in NJCLASS loans for borrowers who are eligible for the program. However, the OLS is not able to predict the number of borrowers who will be eligible for the program or the interest rates on the loans held by those borrowers.

The OLS notes that the Household Income Affordable Repayment Plan (HIARP) for eligible borrowers who have exhausted the eligibility period for RAP will result in an indeterminate increase in expenditures for HESAA related to the forgiveness of any loan balance that remains after 25 years. However, the OLS is not able to predict the number of borrowers who will have a remaining balance after 25 years or the amounts of those remaining balances.

The bill provides that for the bonds issued to finance Standard NJCLASS Loans, funding for the RAP and HIARP programs must be included in the bond indentures. The programs will be limited to amounts included in the bond indentures which will serve to limit the number of borrowers who may take advantage of the programs and the expenditure increases associated with the programs.

LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

ASSEMBLY, No. 4475

STATE OF NEW JERSEY 218th LEGISLATURE

DATED: DECEMBER 12, 2018

SUMMARY

- Synopsis:** Establishes Repayment Assistance Program and Household Income Affordable Repayment Plan for borrowers of New Jersey College Loans to Assist State Students (NJCLASS) Loan Program.
- Type of Impact:** Indeterminate Expenditure Increase
- Agencies Affected:** Higher Education Student Assistance Authority

Office of Legislative Services Estimate

Fiscal Impact	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
Increased Cost to HESAA		Indeterminate Increase	

- The Office of Legislative Services (OLS) notes that the Repayment Assistance Program (RAP) for Standard New Jersey College Loans to Assist State Students (NJCLASS) loans established by the Higher Education Student Assistance Authority (HESAA) under the bill will result in an indeterminate increase in annual expenditures for HESAA to pay the interest on NJCLASS loans for borrowers who are eligible for the program. However, the OLS is not able to predict the number of borrowers who will be eligible for the program or the interest rates on the loans held by those borrowers.
- The OLS notes that the Household Income Affordable Repayment Plan (HIARP) for eligible borrowers who have exhausted the eligibility period for RAP will result in an indeterminate increase in expenditures for HESAA related to the forgiveness of any loan balance that remains after 25 years. However, the OLS is not able to predict the number of borrowers who will have a remaining balance after 25 years or the amounts of those remaining balances.
- The bill provides that for the bonds issued to finance Standard NJCLASS Loans, funding for the RAP and HIARP programs must be included in the bond indentures. The programs will be limited to amounts included in the bond indentures which will serve to limit the number of borrowers who may take advantage of the programs and the expenditure increases associated with the programs.

BILL DESCRIPTION

This bill directs HESAA to establish a Repayment Assistance Program (RAP) for new loans originated under the Standard NJCLASS Loan Program beginning with the 2017-2018 academic year. Under RAP, eligible borrowers will pay a reduced monthly loan payment equal to 10 percent of the total of the aggregate household income of all of the parties to the loan that exceeds 150 percent of the federal poverty guidelines, with a minimum monthly payment of \$5.

Under the bill, a borrower will be eligible to participate in RAP for a period not to exceed two years. During that time, HESAA will pay the interest on the NJCLASS loan at the stated loan rate and the payments made by the borrower will be applied to reduce the principal balance of the loan. The bill provides that at the end of the borrower's participation in RAP, the new monthly repayment amount will be recalculated based on the remaining principal balance of the loan, interest accruing thereon at the original stated loan rate, and the remaining length of the original term to repay the loan.

The bill also directs HESAA to establish a Household Income Affordable Repayment Plan (HIARP) for new loans originated under the Standard NJCLASS Loan Program beginning with the 2018-2019 academic year. A borrower will be eligible for HIARP upon exhausting the two-year eligibility period for RAP. Under the bill, an eligible borrower will be eligible to make reduced loan payments equal to 15 percent of the total of the aggregate household income of all of the parties to the loan that exceeds 150 percent of the federal poverty guidelines, with a minimum monthly payment of \$25. The bill further provides that the repayment term for a loan under HIARP will be extended to 25 years from the date of origination. Interest will continue to accrue on the loan while in HIARP repayment at the original loan rate. Under the bill, any remaining balance at the end of 25 years will be forgiven.

The bill provides that for new Standard NJCLASS loans financed in whole or in part by bonds issued by the authority, funding for RAP and HIARP must be included as a provision in the applicable bond indentures. The programs will be limited to the amounts included in the bond indentures and may not infringe on the rights of bondholders.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS concludes that the Repayment Assistance Program (RAP) established by HESAA will lead to an indeterminate increase in annual expenditures for HESAA to pay the interest on NJCLASS loans for borrowers who are eligible for the program. However, the OLS is not able to estimate the potential cost, as it does not have information regarding the number of students who may be eligible for the program or the interest rates on the loans held by those borrowers.

The OLS also concludes that the Household Income Affordable Repayment Plan (HIARP) for eligible borrowers who have exhausted the eligibility period for RAP will result in an indeterminate increase in expenditures for HESAA related to the forgiveness of any loan balance that remains after 25 years. However, the OLS is not able to predict the number of borrowers who will have a remaining balance after 25 years or the amounts of those remaining balances.

The OLS notes, however, that the potential expenditure increases under both programs will be limited by the fact that the number of borrowers who may take advantage of each program is limited by the amounts included in the bond indentures for the bonds issued to finance the NJCLASS Loan Program.

Section: Education

*Analyst: Adrian Crook
Senior Research 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.).



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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.”

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