

1/7/88

18A:72-4

LEGISLATIVE HISTORY CHECKLIST

NJSA: 18A:72-4, 18A:72-10, 18A:72-11 (Student loans-- allow NJHEAA to guarantee loans outside of NJ)

LAWS OF: 1987 CHAPTER: 187

Bill No: S3199

Sponsor(s): Dalton

Date Introduced: April 23, 1987

Committee: Assembly: -----
Senate: Education

Amended during passage: Yes Amendments during passage denoted by asterisks.

Date of Passage: Assembly: June 25, 1987
Senate: June 18, 1987

Date of Approval: July 14, 1987

Following statements are attached if available:

Sponsor statement: Yes

Committee statement: Assembly No
Senate Yes

Fiscal Note: No

Veto Message: No

Message on Signing: No

Following were printed:

Reports: No

Hearings: No

Resolution mentioned in committee statement-- attached.

1 1 87
7-1-87
[OFFICIAL COPY REPRINT]

SENATE, No. 3199

STATE OF NEW JERSEY

INTRODUCED APRIL 23, 1987

By Senator DALTON

Referred to Committee on Education

AN ACT concerning student loans and amending N. J. S. 18A:72-4,
N. J. S. 18A:72-10 and N. J. S. 18A:72-11.

1 BE IT ENACTED *by the Senate and General Assembly of the State*
2 *of New Jersey:*

1 1. N. J. S. 18A:72-4 is amended to read as follows:

2 18A:72-4. The authority shall consist of **[five]** *seven* members;
3 one of whom shall be the chancellor ex officio; and **[four]** *six* of
4 whom shall be residents of this State, appointed by the Governor,
5 with the advice and consent of the Senate, for terms of four years,
6 except in the case of the first members so appointed, who shall be
7 appointed one for a term of one year, one for a term of two years,
8 and one for a term of three years. No more than **[two]** *three* of
9 the appointed commissioners shall be members of the same political
10 party, and each of them shall serve until his successor is appointed
11 and has qualified. *The membership of the authority may include*
12 *representatives of lending institutions or institutions of higher*
13 *education within the State of New Jersey.* Any vacancy in the
14 membership of the authority, occurring otherwise than by expira-
15 tion of term, shall be filled in the same manner as the original
16 appointment was made, but for the unexpired term only.

1 2. N. J. S. 18A:72-10 is amended to read as follows:

2 18A:72-10. The authority shall have the following powers:

3 (1) (a) To make loans

4 (i) To persons or to assist in the placing of loans to persons,
5 who are residents of this State, and who are attending and are
6 in good standing in, or who plan to attend, any qualified
7 institution of collegiate grade, located in this State or else-

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 printed in italics *thus* is new matter.

Matter enclosed in asterisks or stars has been adopted as follows:

*—Senate committee amendments adopted June 11, 1987.

8 where, which is approved by any regional accrediting associa-
9 tion recognized by the national commission on accrediting, or
10 approved by the Board of Higher Education, any qualified
11 post-secondary nondegree institution of higher education,
12 located in this State or elsewhere, or any other eligible
13 institution, or

14 (ii) To persons who reside outside this State and who *plan*
15 *to attend*, are enrolled in **[an]** *or are attending in good*
16 *standing any* eligible educational institution located within this
17 *State or elsewhere, or*

18 (iii) To parents of persons meeting requirements set forth
19 in (i) or (ii) above, in order to assist them in meeting expenses
20 of higher education, and to guarantee such loans upon such
21 terms and conditions as the authority may prescribe, in an
22 amount for any academic year or in total as may be authorized
23 by the New Jersey Higher Education Assistance Authority
24 and approved by the Board of Higher Education; provided,
25 however, that such amounts may not exceed in any given year
26 or in total that amount which is guaranteed by the federal
27 government.

28 For the purposes of this section, a qualified institution of colle-
29 giate grade shall be deemed to include a school of professional
30 nursing accredited or approved by the New Jersey Board of
31 Nursing, and a qualified post-secondary nondegree institution of
32 higher education located outside the State shall mean and include
33 any such institution offering courses in one or more of the fields
34 enumerated, and meet the admission standards set forth in N. J. S.
35 18A:72-2.

36 (b) When the authority determines that higher annual or cumu-
37 lative student loan limits than those established in section (1) (a)
38 are warranted in order to carry out the purposes of the statute
39 with regard to students engaged in high cost graduate or profes-
40 sional education, the authority may make or guarantee loans to
41 eligible students in amounts to correspond to those higher limits,
42 provided that such maximum limits are recommended by the
43 authority and approved by the Board of Higher Education.

44 (2) To adopt rules not inconsistent with law governing the
45 application for and the guarantee of loans made by the authority
46 and governing any other matters related to its activities.

47 (3) To buy and sell approved notes evidencing loans made under
48 this chapter, and to buy and sell participations in approved notes
49 made pursuant to this chapter.

50 (4) From time to time to issue its negotiable bonds and bond
51 anticipation notes for the purpose of providing funds (a) to make

52 loans in accordance with the provisions of subsection (1) of this
 53 section; (b) to purchase from lenders approved notes or participa-
 54 tions in approved notes as provided by law; and (c) for the
 55 refunding of outstanding bonds.

56 **(5) To engage in programs which state guaranty agencies are*
 57 *authorized to participate in pursuant to 20 U. S. C. 1071 et seq. as*
 58 *amended.**

59 ***[(5)]* *6.*** To perform any other acts which may be deemed
 60 necessary or appropriate to carry out the objects and purposes of
 61 this chapter.

1 3. N. J. S. 18A:72-11 is amended to read as follows:

2 18A:72-11. Any application for a loan under this chapter shall
 3 be submitted to the authority for its approval, and the authority
 4 shall approve the same only if it finds that the applicant:

5 a. (1) **[Has been]** *Is* a resident of New Jersey **[for a period of**
 6 **not less than six months immediately preceding the date of his**
 7 **application for such loan,]** and has demonstrated high moral
 8 character, good citizenship and dedication to American ideals; or

9 (2) *Is* a resident of a state other than this State, and has been
 10 admitted to, or is in regular attendance at and is in good standing
 11 in, an eligible educational institution located within this State *or*
 12 *elsewhere*; and

13 b. *Intends* to make application for admission to, or has been
 14 admitted to, or is in regular attendance at and is in good standing
 15 in, a qualified institution of collegiate grade approved by any
 16 regional accrediting association recognized by the national com-
 17 mission on accrediting, or approved by the board of higher educa-
 18 tion, a qualified post-secondary nondegree institution of higher
 19 education or any other eligible institution; or

20 c. *Is* the parent of such eligible person; and

21 d. *Has* complied with all rules adopted by the authority pursuant
 22 to this chapter in connection with the granting of such loans.

1 4. This act shall take effect immediately.

HIGHER EDUCATION

Permits the New Jersey Higher Education Assistance Authority
 (NJHEAA) to make loans to students outside of the State.

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 53 section; (b) to purchase from lenders approved notes or participa-
 54 tions in approved notes as provided by law; and (c) for the
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 8 character, good citizenship and dedication to American ideals; or

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 10 admitted to, or is in regular attendance at and is in good standing
 11 in, an eligible educational institution located within this State *or*
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13 b. *Intends to make application for admission to, or has been*
 14 *admitted to, or is in regular attendance at and is in good standing*
 15 *in, a qualified institution of collegiate grade approved by any*
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 17 *mission on accrediting, or approved by the board of higher educa-*
 18 *tion, a qualified post-secondary nondegree institution of higher*
 19 *education or any other eligible institution; or*

20 c. *Is the parent of such eligible person; and*

21 d. *Has complied with all rules adopted by the authority pursuant*
 22 *to this chapter in connection with the granting of such loans.*

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STATEMENT

This bill amends the New Jersey Higher Education Assistance Authority (NJHEAA) statute to permit the guaranteeing of loans to persons who attend institutions located outside this State thereby allowing the guaranteeing of loans for New Jersey lenders that have operations in other states. Current law does not allow the NJHEAA to operate as a national guarantor limiting its ability to compete with neighboring states authorities that have national guarantor abilities. The bill also increases the public membership of the NJHEAA to six residents of this State.

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SENATE EDUCATION COMMITTEE

STATEMENT TO

SENATE, No. 3199

with Senate committee amendments

STATE OF NEW JERSEY

DATED: JUNE 11, 1987

The Senate Education Committee favorably reports Senate Bill No. 3199 with Senate committee amendments.

As amended, this bill amends the "Higher Education Assistance Authority Law," N. J. S. 18A:72-1 et seq., to authorize the authority to act as a national guarantor agency in regard to federally guaranteed student loans (GSP/PLUS). Currently, the authority may guarantee the student loans of a New Jersey resident who attends an educational institution located either within New Jersey or outside the State, or may guarantee the student loans of a nonresident who attends an educational institution in New Jersey. This bill will permit the authority to act as the guarantor agency for student loans made by New Jersey lenders to nonresidents who attend educational institutions outside of the State.

The bill also authorizes the authority to participate in new loan programs in which State guarantee agencies are authorized to participate under federal law. Currently, each time a new loan program is authorized under federal law, the authority must receive specific legislative approval to participate in that program, as the authority did in the case of the PLUS loan program, with the enactment of P. L. 1981, c. 206.

Finally, the bill increases the public membership on the Higher Education Assistance Authority from four to six residents of the State and allows that membership to include representatives of lending institutions of higher education located within the State.

BACKGROUND:

In September, 1986, the State Board of Higher Education approved a resolution supporting an amendment to the "Higher Education Assistance Authority Law" which would enable the authority to guarantee loans for New Jersey lenders that have operations in other states. The board's action was a result of its concern in regard to significant reductions in the authority's loan volume and the serious

consequences which it feels such reductions will eventually have on the authority's ability to operate a viable loan program.

In FY 1986, the Higher Education Assistance Authority experienced a 16% decline in loan volume with the number of loans guaranteed by the authority decreasing from 112,779 in FY 1985 to 94,321. While the authority recognizes declining student enrollments as being responsible for some of the loan volume loss, the authority attributes a significant part of the reduction to the emergence over the past several years of national guarantor agencies, which are now in direct competition with State agencies. Such agencies include the Higher Education Assistance Foundation (HEAF), United Student Aid Funds (USAF) and the Pennsylvania Higher Education Assistance Agency (PHEAA). These national guarantors, which operate across state lines, are attractive to lenders in New Jersey and elsewhere because they enable the lender to deal with a single agency and therefore use a single application and common processes in the states where they do business. This bill will allow the New Jersey Higher Education Assistance Authority to also function as a national guarantor agency and to follow the business of New Jersey lenders across State lines.

The committee amendments would allow the authority to participate in whatever loan programs are authorized by federal legislation. As amended, this bill is identical to Assembly Bill No. 4095 which is currently on second reading in the Assembly.

DEC 14 1987

STATE OF NEW JERSEY
DEPARTMENT OF HIGHER EDUCATION
NEW JERSEY HIGHER EDUCATION ASSISTANCE AUTHORITY

RESOLUTION 13:86
NJHEAA AS A NATIONAL GUARANTOR

Moved by: Chancellor T. Edward Hollander

Seconded by: Mr. Francis Tomczuk

- WHEREAS: The emergence of national guarantors is partially the cause of a decline in New Jersey Guaranteed Student Loan volume during the last fiscal year.
- WHEREAS: National guarantors are soliciting New Jersey residents, New Jersey lenders, and New Jersey educational institutions to use a national guarantor at a higher cost to the borrower, and
- WHEREAS: Current NJHEAA statute does not permit the guarantee of loans to students residing outside New Jersey, and
- WHEREAS: NJHEAA must position itself to meet this challenge and the future needs of New Jersey students, lenders and schools, now therefore be it
- RESOLVED: That the NJHEAA make the State Board of Higher Education cognizant of this urgent matter, and be it further
- RESOLVED: That the NJHEAA requests the support of the State Board of Higher Education in implementing the initiatives taken by the NJHEAA in meeting this challenge.

September 8, 1986