

18A:72-26 to 33

LEGISLATIVE HISTORY CHECKLIST

(Educational Opportunity Loan Fund--
establish college loan fund)

NJSA 18A:72-26 to 18A:72-33

LAWS 1982

CHAPTER 135

Bill No. S 18

Sponsor(s) Weiss and Feldman

Date Introduced Pre-filed

Committee: Assembly Higher Education and Regulated Professions

Senate Education

Amended during passage Yes

~~No~~ Amendments during passage
denoted by asterisks

Date of Passage: Assembly June 28, 1982

Senate February 25, 1982

Date of approval September 10, 1982

Following statements are attached if available:

Sponsor statement Yes ~~No~~

Committee Statement: Assembly Yes ~~No~~

Senate Yes ~~No~~

Fiscal Note Yes ~~No~~

Veto Message Yes ~~No~~

Message on signing Yes ~~No~~

Following were printed:

Reports Yes ~~No~~

Hearings Yes ~~No~~

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SENATE, No. 18

STATE OF NEW JERSEY

PRE-FILED FOR INTRODUCTION IN THE 1982 SESSION

By Senators WEISS and FELDMAN

AN ACT establishing an "Educational Opportunity Loan Fund," supplementing the "Higher Education Assistance Authority Law," N. J. S. 18A:72-1 et seq., and amending P. L. 1969, c. 135.

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

1 1. (New section) There is established within the New Jersey
2 Higher Education Assistance Authority a special fund called the
3 "Educational Opportunity Loan Fund."

1 2. (New section) The "Educational Opportunity Loan Fund"
2 shall be used to make loans to: (1) students who are eligible for
3 loans under the terms and conditions of applicable federal law
4 and the "Higher Education Assistance Authority Law," N. J. S.
5 18A:72-1 et seq., but have been unable to secure them; or (2)
6 students who do not meet the ***[financial need requirement]*** *pro-*
7 *gram eligibility requirements** for a loan guaranteed by the ***[State**
8 **or]*** Federal Government ***[but who are otherwise eligible for a**
9 **student loan under applicable federal and State law]***.

1 3. (New section) Loans made by lenders through the "Educa-
2 tional Opportunity Loan Fund" shall not be limited in any given
3 year or in total amount by the amount which is guaranteed by the
4 Federal Government; however, the loans shall be secured by any
5 endorsement, co-maker's collateral or other security as may be
6 required by rules and regulations established by the Higher Educa-
7 tion Assistance Authority.

1 4. (New section) The authority ***[shall]*** *may** contract with
2 ***[any lender]*** *lenders** authorized to make loans under N. J. S.

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 amendment adopted February 8, 1982.

**—Assembly committee amendment adopted June 17, 1982.

3 18A:72-9 to purchase *~~any~~* **~~loan~~** ***loans*** made pursuant
 4 to this act under terms and conditions and at the rate or rates of
 5 interest as are determined by the authority. *~~The contract shall~~
 6 include provision for a fee to the lender not to exceed 1/2 of 1% of
 7 the amount of each loan for the period from the making of the loan
 8 to the date repayment is completed, which fee shall be used by
 9 the lender to administer the loan.]* **The contract may include an*
 10 *incentive fee to the lender as provided under N. J. S. 18A:72-12*
 11 *(3).**

1 5. (New section) Interest on each loan shall accrue and be pay-
 2 able from the date of the making of the loan; however, the payment
 3 of the principal may be deferred until a time determined by the
 4 authority.

1 6. (New section) In order to purchase loans made by eligible
 2 lenders pursuant to section 4 of this act, the authority shall issue
 3 its bonds or bond anticipation notes under the terms and conditions
 4 currently provided by law; however, any resolution or resolutions
 5 authorizing bonds or bond anticipation notes shall indicate the
 6 fund or funds to which the proceeds of the sale shall be applied.

1 7. (New section) Nothing in this act shall be construed to
 2 limit the power of the authority to establish and maintain the
 3 "Higher Education Assistance Fund" or to alter the terms and
 4 conditions of loans made to students under that fund.

1 8. (New section) All federal and State statutes or rules and
 2 regulations pertaining to or issued by the Higher Education As-
 3 sistance Authority shall apply to the Educational Opportunity
 4 Loan Fund unless exempted by this act.

1 *~~8.~~* *9.* Section 7 of P. L. 1969, c. 135 (C. 18A:72-10.3) is
 2 amended to read as follows:

3 7. Bonds and bond anticipation notes: general provisions.

4 Except as may otherwise be expressly provided by the Higher
 5 Education Assistance Authority, every issue of its bonds or notes
 6 shall be general obligations of the authority payable from any
 7 revenues or moneys of the authority, subject only to any agree-
 8 ments with the holders of particular bonds or notes pledging any
 9 particular revenues or moneys. Notwithstanding that bonds and
 10 notes may be payable from a special fund, they shall be fully
 11 negotiable within the meaning of Title 12A, the Uniform Commer-
 12 cial Code, of *the* New Jersey Statutes, subject only to the provisions
 13 of the bonds and notes for registration. The bonds may be issued
 14 as serial bonds or as term bonds, or the authority, in its discretion,
 15 may issue bonds of both types. The bonds shall be authorized
 16 by resolution of the members of the authority and shall bear such

17 date or dates, mature at such time or times, not exceeding 25 years
18 from their respective dates, bear interest at such rate or rates, [not
19 exceeding 7% per annum,] be payable at such time or times, be in
20 such denominations, be in such form, either coupon or registered,
21 carry such registration privileges, be executed in such manner,
22 be payable in lawful money of the United States of America at
23 such place or places, and be subject to such terms of redemption,
24 as such resolution or resolutions may provide. The bonds or notes
25 may be sold at public or private sale for such price or prices as
26 the authority shall determine. Pending preparation of the defini-
27 tive bonds, the authority may issue interim receipts or certificates
28 which shall be exchanged for such definitive bonds.

1 ***[9.]*** *10.* This act shall take effect immediately.

26 the authority shall determine. Pending preparation of the defini-
27 tive bonds, the authority may issue interim receipts or certificates
28 which shall be exchanged for such definitive bonds.

1 ***[9.]*** *10.* This act shall take effect immediately.

STATEMENT

This bill establishes a special fund in the Higher Education Assistance Authority to be known as the "Educational Opportunity Loan Fund."

The fund will be financed by Higher Education Assistance Authority Bonds issued pursuant to this bill and to P. L. 1969, c. 135, (C. 18A:72-10.2 et seq.). The funds would be used to purchase certain student loans from the lender, who would be provided with an amount of 1/2 to 1% of each loan for administration of the loan.

These loans would be available to eligible students who cannot obtain a Federally guaranteed student loan either because such loans are not available or because the student does not meet the financial need requirement as defined by the Federal Government.

Unlike the current program, these loans may be secured and interest will accrue from the date of the loan. However, the basic eligibility requirements, other than financial need, shall continue as specified by the authority. This fund will supplement the Guaranteed Student Loan Program.

S18(1982)

ASSEMBLY HIGHER EDUCATION AND REGULATED
PROFESSIONS COMMITTEE

STATEMENT TO
SENATE, No. 18
[OFFICIAL COPY REPRINT]

STATE OF NEW JERSEY

DATED: JUNE 17, 1982

The Assembly Higher Education and Regulated Professions Committee favorably reports Senate Bill No. 18 (Official Copy Reprint) with only a minor technical amendment. The committee endorses the Senate Education Committee statement which reads as follows:

PROVISIONS:

The fund will be financed by Higher Education Assistance Authority Bonds issued pursuant to this bill and to P. L. 1969, c. 135 (C. 18A:72-10.2 et seq.). The funds would be used to purchase certain student loans from the lender, who would be provided with an amount determined by the authority for administration of the loan.

These loans would be available to eligible students who cannot obtain a federally guaranteed student loan either because such loans are not available or because the student does not meet the program eligibility requirements as defined by the Federal Government.

Unlike the current program, those loans may be secured and interest will accrue from the date of the loan. However, the basic eligibility requirements, other than program eligibility, shall continue as specified by the authority.

BACKGROUND:

This fund will supplement the Guaranteed Student Loan Program. It has become necessary because of proposed changes in the federal program, changes which will make it virtually impossible for many middle income students to finance their college education.

After September 30, 1981, the Guaranteed Student Loan Program was changed to require a financial needs analysis for families with an adjusted annual income of \$30,000.00; a reduction of the grace period from 9 to 6 months; an origination fee of from 3½% to 5%; and an increase in interest rates on the parent loan program from 9 to 14%.

While changes in the FY 1983 Federal Budget are not yet definite, the following changes are anticipated:

1. The elimination of all loans for graduate students;
2. A 10% origination fee;

3. A needs analysis for all applicants ;

4. Repayment at market rates of interest (the interest rate will be underwritten by the Federal Government only while the student is in school and during the 6-month grace period).

Changes in this program, coupled with proposed reductions in the Basic Education Opportunity Grant program and the Social Security Education Benefits program will have a severe impact on many college students and their families.

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SENATE EDUCATION COMMITTEE

STATEMENT TO

SENATE, No. 18

with Senate committee amendments

STATE OF NEW JERSEY

DATED: FEBRUARY 8, 1982

The Senate Education Committee favorably reports this bill which establishes a special fund in the Higher Education Assistance Authority to be known as the "Educational Opportunity Loan Fund."

PROVISIONS:

The fund will be financed by Higher Education Assistance Authority Bonds issued pursuant to this bill and to P. L. 1969, c. 135 (C. 18A:72-10.2 et seq.). The funds would be used to purchase certain student loans from the lender, who would be provided with an amount determined by the authority for administration of the loan.

These loans would be available to eligible students who cannot obtain a federally guaranteed student loan either because such loans are not available or because the student does not meet the program eligibility requirements as defined by the Federal Government.

Unlike the current program, these loans may be secured and interest will accrue from the date of the loan. However, the basic eligibility requirements, other than program eligibility, shall continue as specified by the authority.

BACKGROUND:

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1. The elimination of all loans for graduate students;
2. A 10% origination fee;
3. A needs analysis for all applicants;

4. Repayment at market rates of interest (the interest rate will be underwritten by the Federal Government only while the student is in school and during the 6-month grace period).

Changes in this program, coupled with proposed reductions in the Basic Education Opportunity Grant program and the Social Security Education Benefits program will have a severe impact on many college students and their families.

PROPOSED AMENDMENTS:

This bill was reviewed by the New Jersey Higher Education Assistance Authority and by bond counsel.

The amendments are technical and are to clarify the bill in response to comments from bond counsel.

1. Section 2 is amended to eliminate reference to applicable federal law, and to provide that these loans will be available to students who do not meet federal program eligibility requirements.

This will make these loans available to graduate students, and will prevent future exclusion of categories of students as federal law changes.

2. Section 4 is amended to clarify the right of authority to determine the terms and conditions under which loans will be purchased.

Also, the incentive fee will be determined as it is under present law (N. J. S. A. 18A:72-12). This provides for

- a. $\frac{1}{2}$ of 1% for each loan; or
- b. \$25.00 per loan; or
- c. such other fee as the authority determines is appropriate.

POSITIONS ON THE PROPOSED LEGISLATION:

The committee has been advised that the Higher Education Assistance Authority, bond counsel and the Department of Higher Education support the bill as amended.

OFFICE OF THE GOVERNOR

FOR IMMEDIATE RELEASE

CONTACT: KATHERINE BROKAW

FRIDAY, SEPTEMBER 17, 1982

Governor Thomas H. Kean today signed the following two bills:

S-18, sponsored by Senator Laurence Weiss (D-Middlesex), establishes an Educational Opportunity Loan Fund in the Higher Education Assistance Authority. Loans to students who cannot get a federal guaranteed student loan would be financed by issuing bonds. The Authority has had the power to issue such bonds but has not done so previously because there were sufficient federal funds for qualifying students.

S-1500, sponsored by Senator John Russo (D-Ocean), extends the time for county tax board members to prove completion of tax assessment training courses.

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