

18A:72-10

LEGISLATIVE HISTORY CHECKLIST

NJSA 18A:72-10 (Student loans--increase ceiling)

Laws of 1976 Chapter 87

Bill No. A2024 [A3322-1975]

Sponsor(s) Martin

Date Introduced June 14, 1976

Committee: Assembly Education

Senate Education

Amended during passage Yes No

Date of passage: Assembly June 21, 1976

Senate July 22, 1976

Date of approval September 13, 1976

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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ASSEMBLY, No. 2024

STATE OF NEW JERSEY

INTRODUCED JUNE 14, 1976

By Assemblyman MARTIN

Referred to Committee on Education

AN ACT concerning loans to certain graduate and professional students and amending N. J. S. 18A:72-10.

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

1 1. 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 to persons or to assist in the placing of
4 loans to persons, who are residents of this State, and who are
5 attending and are in good standing in, or who plan to attend, any
6 qualified institution of collegiate grade, located in this State or
7 elsewhere, which is approved by any regional accrediting associa-
8 tion recognized by the national commission on accrediting, or
9 approved by the Board of Higher Education, any qualified post-
10 secondary nondegree institution of higher education, located in
11 this State or elsewhere, or any other eligible institution, in order
12 to assist them in meeting their expenses of higher education, and
13 to guarantee such loans upon such terms and conditions as the
14 authority may prescribe, in an amount for any academic year or
15 in total as may be authorized by the New Jersey Higher Education
16 Assistance Authority and approved by the Board of Higher Educa-
17 tion; provided, however, that such amounts may not exceed in any
18 given year or in total amount that which is guaranteed by the
19 Federal Government.

20 For the purposes of this section, a qualified institution of
21 collegiate grade shall be deemed to include a school of professional
22 nursing accredited or approved by the New Jersey Board of
23 Nursing, and a qualified post-secondary nondegree institution of
24 higher education located outside the State shall mean and include
25 any such institution offering courses in one or more of the fields

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

26 enumerated, and meet the admission standards set forth in N. J. S.
27 18A:72-2.

28 (b) When the authority determines that higher annual or cumula-
29 tive student loan limits than those established in section (1) (a)
30 are warranted in order to carry out the purposes of the statute
31 with regard to students engaged in high cost graduate or profes-
32 sional education, the authority may make or guarantee loans to
33 eligible students in amounts to correspond to those higher limits,
34 provided that such maximum limits are recommended by the
35 authority and approved by the Board of Higher Education, and
36 are not in excess of 50% above the existing annual or total amounts
37 which may be guaranteed under Federal statutes.

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

41 (3) To buy and sell approved notes evidencing loans made under
42 this chapter, and to buy and sell participations in approved notes
43 made pursuant to this chapter.

44 (4) From time to time to issue its negotiable bonds and bond
45 anticipation notes for the purpose of providing funds (a) to make
46 loans in accordance with the provisions of subsection (1) of this
47 section; (b) to purchase from lenders approved notes or par-
48 ticipations in approved notes as provided by law; and (c) for the
49 refunding of outstanding bonds.

50 (5) To perform any other acts which may be deemed necessary
51 or appropriate to carry out the objects and purposes of this
52 chapter.

1 2. This act shall take effect immediately.

STATEMENT

Rising educational costs in the area of graduate and professional education pose a critical problem regarding availability of educational loans, as students at this level often face factors of accumulated undergraduate indebtedness and additional costs to support dependents. At the same time, these students generally will enter professions that will enable them to repay higher than average indebtedness. This bill recognizes this problem by enabling the Higher Education Assistance Authority to adjust maximum guaranteed loan limits for eligible graduate and professional students above the amounts guaranteed by Federal statutes. All other loan and guaranty powers of the authority are unchanged.

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The intent of this amendment is to permit the authority to provide increased limits as necessary for all eligible graduate and professional students, and in particular to provide an expanded program of loans for New Jersey residents who are students at the College of Medicine and Dentistry of New Jersey.

No additional budgetary costs would be incurred as a result of the proposed amendment although the possibility of increased budget costs in future years is implicit because the anticipated default rate would be applied to a larger loan portfolio. On the other hand, the default rate on loans made to graduate and professional students is likely to be low.

ASSEMBLY EDUCATION COMMITTEE

STATEMENT TO

ASSEMBLY, No. 2024

STATE OF NEW JERSEY

DATED: JUNE 16, 1976

PROVISIONS OF THE BILL

This bill removes the limit on Guaranteed Student Loan Programs under the Guaranteed Student Loan Program for students enrolled in high cost graduate or professional programs if recommended by the New Jersey Higher Education Assistance Authority and approved by the Board of Higher Education. It does not affect undergraduate loans, which would continue to be at the federally guaranteed maximum of \$10,000.00 cumulative total.

FISCAL IMPLICATIONS

The federally guaranteed maximum would remain \$10,000.00. The State would guarantee the remainder of the loan. No initial appropriation is necessary. Future State funding is dependent upon the willingness of private lenders to participate. However, loans for graduate education are considered to be low risk loans, and generally the default rate on Guaranteed Student Loans is extremely low. Less than 1% of the \$300 million New Jersey loans in force are uncollectible.

BACKGROUND

Problems have arisen for graduate students, especially in the College of Medicine and Dentistry, who have exhausted the Guaranteed Student Loan maximum by their second or third year of graduate study. During the last session the Legislature provided an additional \$5,000.00 in guaranteed loan funds for such students (P. L. 1975, c. 167). This is no longer adequate since the tuition rate at the College of Medicine and Dentistry of New Jersey will be raised next year from \$1,750.00 to \$5,000.00. Currently, the only loans available to these students would be personal installment loans from banks (N. J. S. A. 17:9A-53 et seq.) to a maximum of \$5,500.00 at 11.78% interest, repayable in 3 years and 1 month; or, moneys under the "Small Loan Law" (N. J. S. A. 17:10-14) at an interest rate of 24% on the first \$500.00, 22% on the next \$1,000.00 and 18% on the remainder. The amount available has been raised to \$2,500.00 (P. L. 1975, c. 46). These moneys must be repaid while the student is still in school.

The graduate student aid program here proposed carries the same terms, conditions and interest rates as specified in the current Guaranteed Student Loan Program. There will be 7% simple interest, repayable beginning 9 months after graduation with a minimum of 5 and maximum of 10 years to fully repay the loan.

The Assembly Education Committee finds that this is a needed extension of the Guaranteed Student Loan Program, in order to provide financial assistance to eligible students pursuing a graduate or professional degree and help minimize the impact of the large tuition increase at the College of Medicine and Dentistry of New Jersey. The initial recipients would be primarily in the medical, dental and allied health fields.

SENATE EDUCATION COMMITTEE

STATEMENT TO

ASSEMBLY, No. 2024

STATE OF NEW JERSEY

DATED: JUNE 30, 1976

The Senate Education Committee favorably reports Assembly Bill No. 2024 and endorses the Assembly Education Committee's statement on this legislation.

It should be noted that the committee has been advised by the Department of Higher Education that every effort will be made to limit the tuition increase at the College of Medicine and Dentistry of New Jersey to \$3,000.00 for the 1976-77 academic year, rather than to the \$5,000.00 originally projected.