

LEGISLATIVE HISTORY CHECKLIST

NJSA 18A:68-11.1 to 18A:68-11.7 ("Institution of Higher Education Educational Loan Act")

Laws of 1977 Chapter 123

Bill No. A3276

Sponsor(s) Ewing and others

Date Introduced April 28, 1977

Committee: Assembly Education

Senate Education

Amended during passage Yes

~~No~~ Substituted for S3225 (original and OCR enclosed). Amendments during passage denoted by asterisks.

Date of passage: Assembly May 9, 1977

Senate May 23, 1977

Date of approval June 6, 1977

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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1978

10/4/76

[OFFICIAL COPY REPRINT]  
ASSEMBLY, No. 3276

STATE OF NEW JERSEY

INTRODUCED APRIL 28, 1977

By Assemblymen EWING, NEWMAN, MARTIN, Assemblywoman  
MUHLER and Assemblyman HAWKINS

Referred to Committee on Education

AN ACT to permit certain institutions of higher education to make loans for the purpose of defraying costs of education and supplementing Title 18A of the New Jersey Statutes.

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

1 1. This act shall be known and may be cited as the "Institution  
2 of Higher Education Educational Loan Act."

1 2. As used in this act:

2 a. "Institution of higher education" means an institution of  
3 collegiate grade in New Jersey approved or licensed by the State  
4 Board of Higher Education or otherwise authorized under N. J. S.  
5 18A:68-6 and accredited by the Middle States Association of Col-  
6 leges and Secondary Schools.

7 b. "Educational loan" means either (1) a loan which is made  
8 for the purpose of defraying the cost of attendance by one or more  
9 students at the institution of higher education making such loan  
10 or (2) a loan to an employee of an institution of higher education  
11 for the purpose of defraying the costs of post-secondary school  
12 education of the employee or of the spouse or child of the employee.

1 3. In addition to such other powers and authority which institu-  
2 tions of higher education may have, such institutions may make  
3 educational loans upon the terms and conditions prescribed by this  
4 act, provided that only institutional funds **\*[including]\*** *\*derived*  
5 *from\** endowment, corporate or foundation accounts are used to  
6 make such loans. Funds borrowed from sources outside of the  
6A institution *\*or received from governmental sources\** shall not  
7 be used for such loans.

1 4. An institution of higher education may make educational loans  
2 and may charge and collect interest thereon at a rate not in excess

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

3 of 1% per month on the first \$10,000.00 of the principal sum owing  
4 on all such loans for the payment of which a person is liable to  
5 the institution in any capacity, and  $\frac{3}{4}$  of 1% on the excess over  
6 \$10,000.00 owing on all such loans for the payment of which a per-  
7 son is so liable to the institution of higher education. Interest shall  
8 be calculated according to the actuarial method, pursuant to which  
9 payments made on the loan are applied first to accumulated interest  
10 on the principal amount of the loan and the remainder applied to  
11 the unpaid principal balance of the loan in reduction thereof. All  
12 payments shall be applied no later than the next day, other than a  
13 Sunday or a public holiday, after the date of receipt, and a day  
14 shall be counted as one-three hundred sixty-fifth of a year.

1 5. Educational loans shall be repaid in such manner and shall be  
2 subject to such terms and conditions not inconsistent with this act  
3 to which the parties thereto may agree.

1 6. When a person liable for the payment of an educational loan  
2 consents in writing thereto, the institution of higher education  
3 may obtain or provide either or both credit life insurance and  
4 credit health insurance on such person, pursuant to chapter 29 of  
5 subtitle 3 of Title 17B of the New Jersey Statutes (N. J. S. 17A :29-1  
6 et seq.), and may deduct and retain from the proceeds of such loan  
7 an amount equal to the premium lawfully charged by the insurer  
8 issuing such insurance. If there is more than one person who is  
9 liable for the payment of such loan, insurance may be obtained  
10 as herein authorized only upon one of such persons. Nothing in  
11 any law of this State shall prohibit an institution of higher educa-  
12 tion or any employee or agent thereof from collecting the premium  
13 or identifiable charge for such insurance, \***or prevent such institu-**  
14 **tion, or agent thereof, from receiving or retaining any**\* dividend  
15 or other gain or advantage resulting from such insurance.

1 7. The Higher Education Assistance Authority of the State of  
2 New Jersey shall make such regulations *\*including the rate of*  
3 *interest to be charged pursuant to Section 4\** and establish such  
4 procedures as may be necessary to achieve the purposes of this act.

1 8. This act shall take effect immediately.

ASSEMBLY, No. 3276

STATE OF NEW JERSEY

INTRODUCED APRIL 28, 1977

By Assemblymen EWING, NEWMAN, MARTIN, Assemblywoman  
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Referred to Committee on Education

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6 leges and Secondary Schools.

7 b. "Educational loan" means either (1) a loan which is made  
8 for the purpose of defraying the cost of attendance by one or more  
9 students at the institution of higher education making such loan  
10 or (2) a loan to an employee of an institution of higher education  
11 for the purpose of defraying the costs of post-secondary school  
12 education of the employee or of the spouse or child of the employee.

1 3. In addition to such other powers and authority which institu-  
2 tions of higher education may have, such institutions may make  
3 educational loans upon the terms and conditions prescribed by this  
4 act, provided that only institutional funds including endowment,  
5 corporate or foundation accounts are used to make such loans.  
6 Funds borrowed from sources outside of the institution shall not  
7 be used for such loans.

1 4. An institution of higher education may make educational loans  
2 and may charge and collect interest thereon at a rate not in excess  
3 of 1% per month on the first \$10,000.00 of the principal sum owing

4 on all such loans for the payment of which a person is liable to  
5 the institution in any capacity, and  $\frac{3}{4}$  of 1% on the excess over  
6 \$10,000.00 owing on all such loans for the payment of which a per-  
7 son is so liable to the institution of higher education. Interest shall  
8 be calculated according to the actuarial method, pursuant to which  
9 payments made on the loan are applied first to accumulated interest  
10 on the principal amount of the loan and the remainder applied to  
11 the unpaid principal balance of the loan in reduction thereof. All  
12 payments shall be applied no later than the next day, other than a  
13 Sunday or a public holiday, after the date of receipt, and a day  
14 shall be counted as one-three hundred sixty-fifth of a year.

1 5. Educational loans shall be repaid in such manner and shall be  
2 subject to such terms and conditions not inconsistent with this act  
3 to which the parties thereto may agree.

1 6. When a person liable for the payment of an educational loan  
2 consents in writing thereto, the institution of higher education  
3 may obtain or provide either or both credit life insurance and  
4 credit health insurance on such person, pursuant to chapter 29 of  
5 subtitle 3 of Title 17B of the New Jersey Statutes (N. J. S. 17A :29-1  
6 et seq.), and may deduct and retain from the proceeds of such loan  
7 an amount equal to the premium lawfully charged by the insurer  
8 issuing such insurance. If there is more than one person who is  
9 liable for the payment of such loan, insurance may be obtained  
10 as herein authorized only upon one of such persons. Nothing in  
11 any law of this State shall prohibit an institution of higher educa-  
12 tion or any employee or agent thereof from collecting the premium  
13 or identifiable charge for such insurance, or prevent such institu-  
14 tion, or agent thereof, from receiving or retaining any dividend  
15 or other gain or advantage resulting from such insurance.

1 7. The Higher Education Assistance Authority of the State of  
2 New Jersey shall make such regulations and establish such pro-  
3 cedures as may be necessary to achieve the purposes of this act.

1 8. This act shall take effect immediately.

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#### STATEMENT

The purpose of this bill is to permit institutions of higher educa-  
tion to make loans to students and families of students to help pay  
the costs of education. Existing scholarship and loan programs  
do not provide sufficient help for middle income families. This bill  
will permit New Jersey institutions of higher education to make  
the same kind of loans that institutions from other states are

presently making. The maximum rate of interest set forth is the same as that permitted to banks in making educational loans. The section with respect to credit life and health insurance is also the same as that included in the educational loan portion of the Banking Act. Without legislation such as this, New Jersey institutions will be at a disadvantage in being able to attract students. This legislation will also benefit middle income New Jersey students and their families who wish to attend institutions of higher education.

ASSEMBLY AMENDMENTS TO  
**ASSEMBLY, No. 3276**

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**STATE OF NEW JERSEY**

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ADOPTED MAY 9, 1977

Amend page 1, section 3, line 4, omit "including", insert "derived from".

Amend page 1, section 3, line 6, after "Institution", insert "or received from governmental sources".

Amend page 2, section 6, lines 13-14, omit "or prevent such institution, or agent thereof, from receiving or retaining any".

Amend page 2, section 7, line 2, after "regulations", insert "including the rate of interest to be charged pursuant to Section 4".

SENATE, No. 3225

STATE OF NEW JERSEY

INTRODUCED APRIL 25, 1977

By Senators MARTINDELL and CAFIERO

Referred to Committee on Education

AN ACT to permit certain institutions of higher education to make loans for the purpose of defraying costs of attendance at such institution and supplementing Title 18A of the New Jersey Statutes.

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

1 1. This act shall be known and may be cited as the "Institution  
2 of Higher Education Educational Loan Act."

1 2. As used in this act.

2 a. "Institutions of higher education" means those private insti-  
3 tutions of higher education located in New Jersey which, by virtue  
4 of law or charter or license, are nonprofit educational institutions  
5 empowered to grant academic degrees, and which provide a level  
6 of education which is equivalent to the education provided by the  
7 State's public institutions of higher education as attested by the  
8 receipt and continuation of regional accreditation by the Middle  
9 States Association of Colleges and Secondary Schools, and which  
10 normally enroll 500 or more full-time undergraduate students.

11 b. "Educational loan" means a loan which is made for the pur-  
12 pose of defraying the cost of attendance by one or more students  
13 at the institution of higher education making such loan.

1 3. In addition to such other powers and authority which institu-  
2 tions of higher education may have, such institutions may make  
3 educational loans upon the terms and conditions prescribed by  
4 this act.

1 4. An institution of higher education may make educational loans  
2 and may charge and collect interest thereon at a rate not in excess  
3 of 1% per month on the first \$10,000.00 of the principal sum owing  
4 on all such loans for the payment of which a person is liable to  
5 the institution in any capacity, and  $\frac{3}{4}$  of 1% on the excess over



6 \$10,000.00 owing on all such loans for the payment of which a  
7 person is so liable to the institution of higher education. Interest  
8 shall be calculated according to the actuarial method, pursuant  
9 to which payments made on the loan are applied first to accumulated  
10 interest on the principal amount of the loan and the remainder  
11 applied to the unpaid principal balance of the loan in reduction  
12 thereof. All payments shall be applied no later than the next day,  
13 other than a Sunday or a public holiday, after the date of receipt,  
14 and a day shall be counted as one-three hundred sixty-fifth of a year.

1 5. Educational loans shall be repaid in such manner and shall  
2 be subject to such terms and conditions not inconsistent with this  
3 act to which the parties thereto may agree.

1 6. When a person liable for the payment of an educational loan  
2 consents in writing thereto, the institution of higher education  
3 may obtain or provide either or both credit life insurance and  
4 credit health insurance on such person, pursuant to chapter 29 of  
5 subtitle 3 of Title 17B of the New Jersey Statutes (N. J. S.  
6 17B:29-1 et seq.), and may deduct and retain from the proceeds  
7 of such loan an amount equal to the premium lawfully charged by  
8 the insurer issuing such insurance. If there is more than one  
9 person who is liable for the payment of such loan, insurance may  
10 be obtained as herein authorized only upon one of such persons.  
11 Nothing in any law of this State shall prohibit an institution of  
12 higher education or any employee or agent thereof from collecting  
13 the premium or identifiable charge for such insurance, or prevent  
14 such institution, or agent thereof, from receiving or retaining any  
15 dividend or other gain or advantage resulting from such insurance.

1 7. This act shall take effect immediately.

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#### STATEMENT

The purpose of this bill is to permit private institutions of higher education to make loans to students and families of students to help pay the costs of education at that institution. Existing scholarship and loan programs have not kept pace with the rising costs of obtaining a higher education and do not provide sufficient help for middle income families. This bill will permit New Jersey institutions of higher education to make the same kind of loans that institutions from other states are presently making. The rate of interest set forth is the same as that permitted to banks in making

educational loans. The section with respect to credit life and health insurance is also the same as that included in the educational loan portion of the Banking Act. Without legislation such as this, New Jersey institutions will be at a disadvantage in being able to attract students. This legislation will also benefit middle income New Jersey students and their families who wish to attend New Jersey private institutions of higher education.

SENATE EDUCATION COMMITTEE

STATEMENT TO

**SENATE, No. 3225**

with Senate committee amendments

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**STATE OF NEW JERSEY**

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DATED: MAY 10, 1977

SPONSORS: Senators Martindell and Cafiero.

PROVISIONS:

This bill would permit institutions of higher education, under rules and regulations of the Higher Education Assistance Authority, to make education loans to students and families of students to pay the costs of education. The interest rate would be up to 12% on the first \$10,000.00 of principal and 9% on the excess, payable on the declining balance. Neither any loan limit nor any repayment period are specified. The Senate Education Committee anticipates that the Higher Education Assistance Authority will include appropriate limitations on maximum interest rates, loan amounts and repayment schedules in the regulations required by the committee amendments.

FISCAL IMPLICATIONS:

There are no costs to the State associated with this legislation.

BACKGROUND:

Senate Bill No. 3225 is not a substitute for the Guaranteed Student Loan Program (G. S. L.). It is intended to supplement that program in situations where the G. S. L. is inappropriate or insufficient.

The G. S. L. program permits a student to borrow a maximum of \$7,500.00 or \$1,875.00 per year for an undergraduate education. This is the federally guaranteed maximum. P. L. 1976, chapter 87, provides additional moneys for students in high cost graduate or professional programs by permitting them to borrow above the federally guaranteed maximum; however, this does not address the problem of rising undergraduate tuition, which, in many instances, makes the sums available under the G. S. L. totally inadequate. For example, costs for tuition, room and board at Princeton are over \$6,000.00 and this does not include books, fees or personal expenses.

Senate Bill Nos. 3225 would make loans available to parents as well as students to help defray these expenses. At present, there are three

sources from which parents can obtain loans: (1) unsecured installment bank loans to a maximum of \$20,000.00, with interest between 9-12%. The maximum loan is \$7,500.00, and the maximum repayment period is 7 years (P. L. 1975, chapter 287); (2) personal installment loans from banks to a maximum of \$5,500.00 at 11.78% interest repayable in 37 months (N. J. S. A. 17:9A-53 et seq.); and, (3) up to \$2,500.00 at an interest rate of 24% on the first \$500.00, 22% on the next \$1,000.00 and 18% on the remainder (N. J. S. A. 17:10-14).

Senate Bill No. 3225 increases the borrowing capacity of the parents and permits greater flexibility in the term and duration of repayment arrangements. It should be noted that the Education Loan Act (P. L. 1975, chapter 287) has not been adequate to resolve the problem, first because of the maximum and second because banks have been unwilling to make loans for this purpose.

SENATE COMMITTEE AMENDMENTS:

As originally introduced, Senate Bill No. 3225 referred only to independent institutions. The Department of Higher Education suggested certain amendments which were reviewed and adopted by the Senate Education Committee. Essentially, these amendments provide:

1. The program will be regulated by the Higher Education Assistance Authority. The committee added language which confers to the Authority the responsibility of setting the interest rate at not in excess of 1% per month on the first \$10,000.00 of the principal and  $\frac{3}{4}\%$  per month on the portion of the principal above \$10,000.00. The committee is assured that the interest rate for the 1977-78 school year will be set at  $8\frac{3}{4}\%$ .

2. Any institution, public or independent, may participate; and,

3. Only institutional funds may be used to make such loans. This last amendment is to insure that the institutions do not utilize public or commercial funds.

SENATE COMMITTEE AMENDMENTS TO

**SENATE, No. 3225**

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**STATE OF NEW JERSEY**

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ADOPTED MAY 10, 1977

Amend page 1, section 2, line 2, after "means", delete remainder of the subsection and insert "an institution of collegiate grade in New Jersey approved or licensed by the State Board of Higher Education or otherwise authorized under N. J. S. 18A:68-6 and accredited by the Middle States Association of Colleges and Secondary Schools."

Amend page 1, section 2, line 11, after "means", delete the remainder of the subsection and insert "either (1) a loan which is made for the purpose of defraying the cost of attendance by one or more students at the institution of higher education making such loan or (2) a loan to an employee of an institution of higher education for the purpose of defraying the costs of post-secondary school education of the employee or the spouse or child of the employee."

Amend page 1, section 3, line 4, after "act", insert ", provided that only institutional funds including endowment, corporate or foundation accounts are used to make such loans. Funds borrowed from sources outside of the institution shall not be used for such loans."

Amend page 2, section 6, line 13, after "insurance," delete "or prevent such institution, or agent thereof, from receiving or retaining any".

Amend page 2, section 6, after line 15, insert a new section 7 as follows:

"7. The Higher Education Assistance Authority of the State of New Jersey shall make such regulations and establish such procedures as may be necessary to achieve the purposes of this act.

Amend page 2, section 7, line 1, omit "7.", insert "8."

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SENATE, No. 3225

STATE OF NEW JERSEY

INTRODUCED APRIL 25, 1977

By Senators MARTINDELL and CAFIERO

Referred to Committee on Education

AN ACT to permit certain institutions of higher education to make loans for the purpose of defraying costs of attendance at such institution and supplementing Title 18A of the New Jersey Statutes.

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

1 1. This act shall be known and may be cited as the "Institution  
2 of Higher Education Educational Loan Act."

1 2. As used in this act.

2 a. "Institutions of higher education" means \***[**those private in-  
3 stitutions of higher education located in New Jersey which, by  
4 virtue of law or charter or license, are nonprofit educational insti-  
5 tutions empowered to grant academic degrees, and which provide a  
6 level of education which is equivalent to the education provided by  
7 the State's public institutions of higher education as attested by the  
8 receipt and continuation of regional accreditation by the Middle  
9 States Association of Colleges and Secondary Schools, and which  
10 normally enroll 500 or more full-time undergraduate students.]\*  
10A *\*an institution of collegiate grade in New Jersey approved or*  
10B *licensed by the State Board of Higher Education or otherwise au-*  
10C *thorized under N. J. S. 18A:68-6 and accredited by the Middle*  
10D *States Association of Colleges and Secondary Schools.\**

11 b. "Educational loan" means \***[**a loan which is made for the pur-  
12 pose of defraying the cost of attendance by one or more students  
13 at the institution of higher education making such loan.]\* *\*either*  
14 *(1) a loan which is made for the purpose of defraying the cost of*  
15 *attendance by one or more students at the institution of higher*  
16 *education making such loan or (2) a loan to an employee of an in-*  
17 *stitution of higher education for the purpose of defraying the costs*

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

18 *of post-secondary school education of the employee or the spouse or*  
 19 *child of the employee.\**

1 3. In addition to such other powers and authority which institu-  
 2 tions of higher education may have, such institutions may make  
 3 educational loans upon the terms and conditions prescribed by  
 4 this act\*, *provided that only institutional funds including endow-*  
 5 *ment, corporate or foundation accounts are used to make such*  
 6 *loans. Funds borrowed from sources outside of the institution shall*  
 7 *not be used for such loans.\**

1 4. An institution of higher education may make educational loans  
 2 and may charge and collect interest thereon at a rate not in excess  
 3 of 1% per month on the first \$10,000.00 of the principal sum owing  
 4 on all such loans for the payment of which a person is liable to  
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 2 be subject to such terms and conditions not inconsistent with this  
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 2 consents in writing thereto, the institution of higher education  
 3 may obtain or provide either or both credit life insurance and  
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 9 person who is liable for the payment of such loan, insurance may  
 10 be obtained as herein authorized only upon one of such persons.  
 11 Nothing in any law of this State shall prohibit an institution of  
 12 higher education or any employee or agent thereof from collecting  
 13 the premium or identifiable charge for such insurance, \***[**or prevent  
 14 such institution, or agent thereof, from receiving or retaining any**]**\*  
 15 dividend or other gain or advantage resulting from such insurance.

1 \*7. *The Higher Education Assistance Authority of the State of*  
 2 *New Jersey shall make such regulations and establish such pro-*  
 3 *cedures as may be necessary to achieve the purposes of this act.\**

1 \***[7.]**\* \*8.\* This act shall take effect immediately.

FROM THE OFFICE OF THE GOVERNOR

FOR IMMEDIATE RELEASE

FOR FURTHER INFORMATION

JUNE 7, 1977

BEN BOROWSKY

Governor Brendan Byrne today signed A-3276 into law. This bill authorizes any public or private institution of higher education to use funds from endowment, corporation or foundation accounts for education loans.

Funds received from State or other governmental sources are excluded from this program.

The loans may be for defraying student tuition or other costs or for assisting employees of the college or university, their spouses or children, in financing higher education.

The State Higher Education Assistance Authority shall make such regulations as necessary, including the rate of interest to be charged, to achieve the purposes of this act.

According to A-3276, the interest rate shall not exceed one per cent per month on the first \$10,000 and not to exceed three-quarters of one per cent on any excess over \$10,000.

\*\*\*\*