

18A:72-34

LEGISLATIVE HISTORY CHECKLIST  
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NJSA: 18A:72-34

(College loans to  
assist state  
students)

LAWS OF: 1991

CHAPTER: 268

Bill No: A4671

Sponsor(s): Doria and others

Date Introduced: April 8, 1991

Committee: Assembly: Appropriations; Higher Education

Senate: Revenue, Finance & Appropriations

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

Date of Passage: Assembly: June 13, 1991

Senate: July 15, 1991

Date of Approval: August 26, 1991

Following statements are attached if available:

Sponsor statement: Yes

Committee Statement: Assembly: Yes      6-10-91 & 4-29-91

Senate: Yes

Fiscal Note: No

Veto Message: No

Message on signing: ~~Yes~~ No

Following were printed:

Reports: Yes

Hearings: No

(over)

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New Jersey. Committee to study the current and future  
operations of the Higher Education Assistance Authority.  
To strengthen New Jersey's educational loan  
programs...January, 1988.

KBG/SLJ

[SECOND REPRINT]  
ASSEMBLY, No. 4671

STATE OF NEW JERSEY

INTRODUCED APRIL 8, 1991

By Assemblymen DORIA, PASCARELL, Cimino, Mattison,  
Duch, Mecca, Naples, Smith, Assemblywoman Ford,  
Assemblymen Moran, Schwartz, McGreevey, Otlowski, Patero,  
Watson, Kronick, Zecker, Rocco, Martin and Bryant

1 AN ACT providing for a higher education loan program,  
2 amending and<sup>2</sup> supplementing chapter 72 of Title 18A of the  
3 New Jersey Statutes <sup>2</sup>[, and repealing P.L.1982, c.135]<sup>2</sup>.  
4

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

7 1. The Legislature finds and declares that:

8 a. There has been a substantial reduction in the amount of  
9 total student aid available from federal programs since 1980.

10 b. Further reductions in federal student aid have occurred as a  
11 result of the Balanced Budget and Emergency Deficit Control Act  
12 of 1985, (Pub.L.99-177), commonly referred to as  
13 "Gramm-Rudman."

14 c. The possibility of student loans becoming less readily  
15 available to New Jersey's students poses an intolerable threat to  
16 the future of this State's young people and its institutions of  
17 higher education.

18 d. There is, therefore, a need for a State program to make  
19 State sponsored student loans available to students who cannot  
20 obtain <sup>1</sup>[federal] federally<sup>1</sup> guaranteed loans, either because  
21 those loans are not available <sup>1</sup>[or] <sup>1</sup>,<sup>1</sup> because the student does not  
22 meet the program eligibility requirements as defined by the  
23 federal government <sup>1</sup>, or because the student has additional  
24 financial need unmet by federally guaranteed student loans<sup>1</sup>.

25 2. (New section) There is hereby established within the New  
26 Jersey Higher Education Assistance Authority a <sup>1</sup>New Jersey<sup>1</sup>  
27 College Loans <sup>1</sup>[Assisting] to Assist<sup>1</sup> State Students <sup>1</sup>[(CLASS)]  
28 (NJ CLASS)<sup>1</sup> Loan Program. Under <sup>2</sup>[this program] the NJ  
29 CLASS Loan Program<sup>2</sup>, the authority shall make loans available  
30 in such amounts as necessary to ensure that student loans remain  
31 generally available to <sup>2</sup>, or for the benefit of, eligible<sup>2</sup> students  
32 as defined pursuant to section 7 of this act<sup>2</sup> who are not eligible  
33 for, or have additional financial need beyond, a federally insured  
34 student loan and who meet the eligibility criteria set forth in  
35 section 7 of this act.

36 3. (New section) a. The <sup>2</sup>[State] authority<sup>2</sup> shall establish and

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 underlined thus is new matter.

Matter enclosed in superscript numerals has been adopted as follows:

<sup>1</sup> Assembly AHE committee amendments adopted April 29, 1991.

<sup>2</sup> Senate SRF committee amendments adopted June 27, 1991.

1     <sup>2</sup>[the authority shall]<sup>2</sup> maintain a special fund called the "<sup>1</sup>New  
2     Jersey<sup>1</sup> College Loans <sup>1</sup>[Assisting] to Assist<sup>1</sup> State Students  
3     <sup>1</sup>[(CLASS)] (NJ CLASS)<sup>1</sup> Loan Fund" in which there shall be  
4     deposited (1) all funds received by the authority from the sale of  
5     State bonds <sup>2</sup>[and bond anticipation notes]<sup>2</sup> as provided by law,  
6     (2) all monies appropriated by the State for the purposes of the  
7     fund, (3) all funds contributed to the authority by private sources,  
8     to be used for the purposes of this act, and (4) any other monies  
9     or funds of the authority <sup>2</sup>, including the proceeds of bonds and  
10    bond anticipation notes issued by the authority,<sup>2</sup> which it  
11    determines to deposit therein. Moneys in the <sup>1</sup>New Jersey<sup>1</sup>  
12    College Loans <sup>1</sup>[Assisting] to Assist<sup>1</sup> State Students <sup>1</sup>(NJ  
13    CLASS)<sup>1</sup> Loan Fund shall be held and applied to make direct loans  
14    pursuant to this act and to pay for the costs of administering the  
15    <sup>1</sup>NJ<sup>1</sup> CLASS Loan Program.

16    b. The sum total of all funds on deposit in the <sup>1</sup>NJ<sup>1</sup> CLASS  
17    Loan Fund shall be maintained in the amount determined by the  
18    authority to be necessary to fulfill its responsibilities as set forth  
19    in this act.

20    c. <sup>2</sup>[In the event that the level of the <sup>1</sup>NJ<sup>1</sup> CLASS Loan Fund  
21    is insufficient to maintain the fund at the amount required, there  
22    shall be appropriated annually and paid to the authority for  
23    deposit in the fund, the sum certified by the chairman of the  
24    authority to the Governor as necessary to maintain the fund at an  
25    amount equal to the loan reserve requirement during the then  
26    current fiscal year. The chairman shall annually, on or before  
27    December 1, make and deliver to the Governor his certificate  
28    stating the sums required to maintain the fund at the amount  
29    required, and the sum or sums so certified shall be appropriated  
30    and paid to the authority during the then current fiscal year.

31    d.]<sup>2</sup> Moneys in the <sup>2</sup>[fund] NJ CLASS Loan Fund<sup>2</sup> at any time  
32    in excess of the <sup>2</sup>[program] NJ CLASS Loan Program<sup>2</sup>  
33    requirements, whether by reason of investment or otherwise, may  
34    be withdrawn at any time by the <sup>2</sup>[Treasurer] authority<sup>2</sup> and  
35    transferred to any other fund or account of the <sup>2</sup>[State]  
36    authority<sup>2</sup>.

37    <sup>2</sup>[e.] d.<sup>2</sup> Moneys at any time in the <sup>1</sup>NJ<sup>1</sup> CLASS Loan Fund  
38    may be invested in any direct obligations of, or obligations as to  
39    which the principal and interest thereof is guaranteed by the  
40    United States of America or such other obligations as the  
41    authority may approve.

42    <sup>2</sup>[f. For purposes of valuation, investments in the <sup>1</sup>NJ<sup>1</sup> CLASS  
43    Loan Fund shall be valued at the lowest of the par value, cost to  
44    the authority or market value of those investments. Valuation on  
45    any particular date shall include the amount of interest then  
46    earned or accrued to that date on any moneys or investments in  
47    the <sup>1</sup>NJ<sup>1</sup> CLASS Loan Fund.]<sup>2</sup>

48    4. (New section) Loans under <sup>2</sup>[this program] the NJ CLASS  
49    Loan Program<sup>2</sup> may be made to <sup>2</sup>eligible borrowers; an eligible

1 borrower is an eligible student or<sup>2</sup> any parent, spouse, legal  
2 guardian or other relative providing financial support for a  
3 dependent eligible student <sup>2</sup>[, or to any self-supporting eligible  
4 student]<sup>2</sup>. The authority shall, by regulation, set maximum  
5 <sup>1</sup>[gross family income levels for participation in the program]  
6 loan amounts for each participant based on factors such as the  
7 cost of attending the particular institution, family income, value  
8 of family assets or other factors the authority may consider  
9 relevant<sup>1</sup>. The loans may be secured by such endorsement,  
10 co-maker's collateral or other security as may be required by  
11 rules and regulations established by the Higher Education  
12 Assistance Authority.

13 5. <sup>2</sup>[ a.]<sup>2</sup> (New section) The authority shall, by <sup>2</sup>[rules and  
14 regulations] regulation<sup>2</sup>, establish maximum annual loan amounts  
15 and maximum total loan amounts which may be made under the  
16 <sup>2</sup>[program] NJ CLASS Loan Program<sup>2</sup>; however, the amount of  
17 <sup>2</sup>[the] a<sup>2</sup> <sup>1</sup>NJ<sup>1</sup> CLASS <sup>2</sup>Loan Program<sup>2</sup> loan shall not exceed, in  
18 combination with other financial aid, the total education costs of  
19 attending college as determined by the college <sup>2</sup>plus the amount  
20 of interest payments which may be deferred pursuant to section 6  
21 of this act<sup>2</sup>.

22 <sup>2</sup>[b. No loan shall be made pursuant to this act, unless the  
23 student and borrower have applied for all <sup>1</sup>[other]<sup>1</sup> available  
24 State <sup>1</sup>student financial assistance<sup>1</sup> and <sup>1</sup>[federal student  
25 financial aid] the federal Stafford Loan program.<sup>1</sup><sup>2</sup>

26 6. (New section) Interest on each <sup>2</sup>NJ CLASS Loan Program<sup>2</sup>  
27 loan shall accrue <sup>1</sup>[and be payable]<sup>1</sup> from the date of the making  
28 of the loan; however, the payment of the principal <sup>1</sup>or the  
29 interest<sup>1</sup> <sup>2</sup>or both<sup>2</sup> may be deferred until a time <sup>2</sup>or times<sup>2</sup>  
30 determined by the authority. The rate of interest <sup>2</sup>on each such  
31 loan<sup>2</sup> shall be determined by the authority <sup>1</sup>[on an annual basis]<sup>1</sup>.

32 7. (New section) <sup>2</sup>An eligible student under the<sup>2</sup> <sup>1</sup>NJ<sup>1</sup> CLASS  
33 <sup>2</sup>[loans may be made to eligible students] Loan Program is a  
34 student<sup>2</sup> who cannot obtain <sup>1</sup>[federal] federally<sup>1</sup> guaranteed  
35 student loans either because those loans are not available or  
36 because the student does not meet the program eligibility  
37 requirements as defined by the federal government <sup>1</sup>, or <sup>2</sup>[to  
38 students]<sup>2</sup> who <sup>2</sup>[require] requires<sup>2</sup> the NJ CLASS loan to  
39 supplement <sup>2</sup>[their] the student's<sup>2</sup> federally guaranteed loans<sup>1</sup>  
40 <sup>2</sup>[. In order to be eligible for a CLASS loan, a] and unless  
41 otherwise restricted by the authority by regulation, such<sup>2</sup> student  
42 shall:

43 a. Be a New Jersey resident enrolled on at least a half-time  
44 basis as an undergraduate or graduate student in a curriculum  
45 leading to a degree or certificate in an institution of collegiate  
46 grade in New Jersey, approved or licensed by the State Board of  
47 Higher Education and accredited by a regional accrediting  
48 association recognized by the Council on Postsecondary  
49 Accreditation; or

1       b. Be a New Jersey resident enrolled on a least a half-time  
2 basis as an undergraduate or graduate student in a curriculum  
3 leading to a degree or certificate in an out-of-state institution of  
4 collegiate grade accredited by an accrediting association  
5 recognized by the Council <sup>2</sup>[of] on<sup>2</sup> Postsecondary Accreditation;  
6 or

7       c. Reside outside this State and be enrolled on at least a  
8 half-time basis as an undergraduate or graduate student in a  
9 curriculum leading to a degree or certificate in an institution of  
10 collegiate grade in New Jersey, approved or licensed by the State  
11 Board of Higher Education and accredited by a regional  
12 accrediting association recognized by the Council on  
13 Postsecondary Accreditation.

14       8. (New section) a. The authority may limit the number of  
15 students who receive <sup>1</sup>NJ<sup>1</sup> CLASS <sup>2</sup>Loan Program<sup>2</sup> loans for  
16 attendance at any educational institution with a default rate  
17 exceeding the standard which will be set annually by the  
18 authority.

19       b. The authority may place a limitation upon the number of  
20 <sup>1</sup>NJ<sup>1</sup> CLASS <sup>2</sup>Loan Program<sup>2</sup> loans made pursuant to this act if,  
21 in its judgment, a limitation is necessary to preserve the fiscal  
22 viability of the fund.

23       c. The authority may establish and collect <sup>1</sup>[an administrative]  
24 a<sup>1</sup> fee, to be paid by each <sup>2</sup>eligible<sup>2</sup> borrower under the  
25 <sup>2</sup>[program] NJ CLASS Loan Program<sup>2</sup>, to assist in the support of  
26 the administration of the <sup>2</sup>[program] NJ CLASS Loan Program<sup>2</sup>  
27 by the authority.

28       9. (New section) Nothing in this act shall be construed to limit  
29 the power of the authority to establish and maintain the "Higher  
30 Education Assistance Fund" or to alter the terms and conditions  
31 of loans made to students under that fund.

32       <sup>2</sup>[10. All federal and State statutes or rules and regulations  
33 pertaining to or issued by the Higher Education Assistance  
34 Authority shall apply to the <sup>1</sup>NJ<sup>1</sup> College Loans <sup>1</sup>[Assisting] to  
35 Assist<sup>1</sup> State Students Loan Program unless exempted by this act  
36 or by regulations promulgated by the authority.]<sup>2</sup>

37       <sup>2</sup>[11.] 10.<sup>2</sup> (New section) The authority shall promulgate any  
38 rules and regulations necessary to carry out the purposes of this  
39 act in accordance with the "Administrative Procedure Act,"  
40 P.L.1968, c.410 (C.52:14B-1 et seq.).

41       <sup>2</sup>[12. Sections 1 through 8 of P.L.1982, c.135 (C.18A:72-26  
42 through 72-33) are repealed.]<sup>2</sup>

43       <sup>2</sup>11. N.J.S.18A:72-10 is amended to read as follows:

44       18A:72-10. The authority shall have the following powers:

45       (1) (a) To make loans

46       (i) To persons or to assist in the placing of loans to persons,  
47 who are residents of this State, and who are attending and are in  
48 good standing in, or who plan to attend, any qualified institution  
49 of collegiate grade, located in this State or elsewhere, which is

1 approved by any regional accrediting association recognized by  
2 the national commission on accrediting, or approved by the Board  
3 of Higher Education, any qualified post-secondary nondegree  
4 institution of higher education, located in this State or elsewhere,  
5 or any other eligible institution, or

6 (ii) To persons who reside outside this State and who plan to  
7 attend, are enrolled in or are attending in good standing any  
8 eligible educational institution located within this State or  
9 elsewhere, or

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

19 For the purposes of this section, a qualified institution of  
20 collegiate grade shall be deemed to include a school of  
21 professional nursing accredited or approved by the New Jersey  
22 Board of Nursing, and a qualified post-secondary nondegree  
23 institution of higher education located outside the State shall  
24 mean and include any such institution offering courses in one or  
25 more of the fields enumerated, and meeting the admission  
26 standards set forth in N.J.S.18A:72-2.

27 (b) When the authority determines that higher annual or  
28 cumulative student loan limits than those established in section  
29 (1)(a) are warranted in order to carry out the purposes of the  
30 statute with regard to students engaged in high cost graduate or  
31 professional education, the authority may make or guarantee  
32 loans to eligible students in amounts to correspond to those  
33 higher limits, provided that such maximum limits are  
34 recommended by the authority and approved by the Board of  
35 Higher Education.

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

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

42 (4) From time to time to issue its negotiable bonds and bond  
43 anticipation notes for the purpose of providing funds (a) to [make  
44 loans in accordance with the provisions of subsection (1) of this  
45 section] carry out any purposes of the authority under this  
46 chapter, including, without limitation, making or purchasing loans  
47 under any provision of this chapter; (b) to purchase from lenders  
48 approved notes or participations in approved notes as provided by  
49 law; and (c) for the refunding of outstanding bonds.

1 (5) To engage in programs which state guaranty agencies are  
2 authorized to participate in pursuant to 20 U.S.C. 1071 et seq. as  
3 amended.

4 (6) To perform any other acts which may be deemed necessary  
5 or appropriate to carry out the objects and purposes of this  
6 chapter.<sup>2</sup>

7 (cf: P.L.1987, c.187, s.2)

8 <sup>2</sup>12. Section 23 of P.L.1969, c.135 (C.18A:72-17.1) is amended  
9 to read as follows:

10 23. (a) The authority shall establish and maintain a special  
11 fund called the "New Jersey Higher Educational Assistance  
12 Capital Reserve Fund" in which there shall be deposited (1) all  
13 moneys appropriated by the State for the purpose of such fund,  
14 (2) all proceeds of bonds required to be deposited therein by  
15 terms of any contract between the authority and its bondholders  
16 or any resolution of the authority with respect to such proceeds  
17 or bonds, and (3) any other moneys or funds of the authority  
18 which it determines to deposit therein. Moneys in the reserve  
19 fund shall be held and applied solely to the payment of the  
20 interest on and principal of bonds of the authority as the same  
21 shall become due and payable and for the retirement of bonds,  
22 and shall not be withdrawn therefrom if such withdrawal would  
23 reduce the amount in the reserve fund to an amount equal to less  
24 than the "maximum debt service reserve" (as hereinafter defined)  
25 except for payment of interest then due and payable on bonds and  
26 the principal of bonds then maturing and payable and for the  
27 retirement of bonds in accordance with the terms of any contract  
28 between the authority and its bondholders and for the payments  
29 on account of which interest or principal or retirement of bonds  
30 other moneys of the authority are not then available in  
31 accordance with the terms of any such contract. As herein used  
32 "maximum debt service reserve" means, as of any date of  
33 computation, the lesser of: (1) the largest amount of money  
34 required by the terms of all contracts between the authority and  
35 its bondholders to be raised in any succeeding calendar year for  
36 the payment of interest on and maturing principal of outstanding  
37 bonds and payments required by the terms of any such contracts  
38 to sinking funds established for the payment or redemption of  
39 such bonds, all calculated on the assumption that bonds will cease  
40 to be outstanding after date of such computation by reason of the  
41 payment of bonds at their respective maturities and the payments  
42 of such required moneys to sinking funds and the application  
43 thereof in accordance with the terms of all such contracts to the  
44 retirement of bonds; or (2) the amount of money required by the  
45 terms of all contracts between the authority and its bondholders  
46 to be maintained in said fund.

47 (b) Moneys in said fund at any time in excess of the maximum  
48 debt service reserve, whether by reason of investment or  
49 otherwise, may be withdrawn at any time by the authority and



1 transferred to any other fund or account of the authority.

2 (c) Moneys at any time in the reserve fund may be invested in  
3 any direct obligations of, or obligations as to which the principal  
4 and interest thereof is guaranteed by, the United States of  
5 America or such other obligations as the authority may approve.

6 (d) For purposes of valuation, investments in the reserve fund  
7 shall be valued at the lowest of the par value, cost to the  
8 authority or market value of such investments. Valuation on any  
9 particular date shall include the amount of interest then earned  
10 or accrued to such date on any moneys or investments in the  
11 reserve fund.

12 (e) Notwithstanding any other provision contained in this act,  
13 no bonds shall be issued by the authority unless there is in the  
14 reserve fund the maximum debt service reserve for all bonds then  
15 issued and outstanding and the bonds about to be issued, provided,  
16 however, that nothing herein shall prevent or preclude the  
17 authority from satisfying foregoing requirement by depositing so  
18 much of the proceeds of the bonds about to be issued, upon their  
19 issuance, as is needed to achieve the maximum debt service  
20 reserve. The authority may at any time issue its bonds or notes  
21 for the purpose of providing any amount necessary to increase the  
22 amount in the reserve fund to the maximum debt service reserve,  
23 or to meet such higher or additional reserve as may be fixed by  
24 the authority with respect to such fund.

25 (f) In order to assure the maintenance of the maximum debt  
26 service reserve in the reserve fund, there shall be appropriated  
27 annually and paid to the authority for deposit in said fund, such  
28 sum, if any, as shall be certified by the chairman of the authority  
29 to the Governor as necessary to restore said fund to an amount  
30 equal to the maximum debt service reserve. The chairman shall  
31 annually, on or before December 1, make and deliver to the  
32 Governor his certificate stating the sums, if any, required to  
33 restore said fund to the amount aforesaid, and the sum or sums so  
34 certified shall be appropriated and paid to the authority during  
35 the then current State fiscal year.

36 (g) This reserve fund shall be kept separate from any other  
37 reserve fund established by the authority and shall not be subject  
38 to the provisions of section 18A:72-17 of the New Jersey  
39 Statutes.<sup>2</sup>

40 (cf: P.L.1969, c.135, s.23)

41 13. This act shall take effect immediately <sup>2</sup>[for the purposes  
42 of establishing the program and for initial planning and  
43 administration by the authority. Initial loans under this program  
44 may be offered within one year following the effective date of  
45 this act as the authority determines, but not later than one year  
46 from the effective date of this act]<sup>2</sup>.

HIGHER EDUCATION

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Establishes the NJ College Loans to Assist State Students (NJ CLASS) Loan Program under the Higher Education Assistance Authority.

1 regulations promulgated by the authority.

2 11. The authority shall promulgate any rules and regulations  
3 necessary to carry out the purposes of this act in accordance with  
4 the "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1  
5 et seq.).

6 12. Sections 1 through 8 of P.L.1982, c.135 (C.18A:72-26  
7 through 72-33) are repealed.

8 13. This act shall take effect immediately for the purposes of  
9 establishing the program and for initial planning and  
10 administration by the authority. Initial loans under this program  
11 may be offered within one year following the effective date of  
12 this act as the authority determines, but not later than one year  
13 from the effective date of this act.

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#### STATEMENT

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18 This bill establishes a College Loans Assisting State Students  
19 (CLASS) Loan Program to be supported by a special fund  
20 maintained by the New Jersey Higher Education Assistance  
21 Authority. The program would provide loans to students who  
22 cannot obtain federally guaranteed student loans either because  
23 they are not available or because the student does not meet the  
24 eligibility requirements of the federal program. The amount of  
25 the loan would not be limited to the amount of a federal loan;  
26 however, the total financial aid for a student could not exceed  
27 the educational costs of the college he or she is attending.

28 The purpose of the bill is to establish a State student loan  
29 program in the event that reductions in federal support for the  
30 guaranteed student loan program reduces the availability of  
31 student loans in the State.

32 P.L.1982, c.135, which established the "Educational  
33 Opportunity Loan Fund," is repealed, since the provisions of that  
34 statute will be replaced by this bill.

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#### HIGHER EDUCATION

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39 Establishes the College Loans Assisting State Students (CLASS)  
40 Loan Program under the Higher Education Assistance Authority.

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

[FIRST REPRINT]

ASSEMBLY, No. 4671

STATE OF NEW JERSEY

DATED: JUNE 10, 1991

The Assembly Appropriations Committee reports favorably Assembly Bill No. 4671 [1R].

Assembly Bill No. 4671 [1R] establishes a student loan program in the New Jersey Higher Education Assistance Authority (HEAA) called the New Jersey College Loans to Assist State Students (NJ CLASS) Loan Program, and establishes a special fund by the same name to support the program. The bill also repeals the provisions of P.L.1982, c.135 which established the Educational Opportunity Loan Fund in HEAA.

This new program will provide loans to students who cannot obtain federally guaranteed student loans because (1) such loans are not available, (2) the student does not meet the eligibility requirements of the federal program, or (3) the student has financial needs beyond a federally guaranteed student loan. Loans may be made to any parent, spouse, legal guardian or other relative providing financial support for a dependent eligible student, or to any self-supporting eligible student. Applicants must have applied for all available State financial assistance and for the federal Stafford loan program. Loans may be secured as provided in the bill or regulation. The amount of any loan will be determined according to HEAA regulations pursuant to certain factors specified in the bill, but may not exceed the educational costs of the college he or she is attending.

The NJ CLASS Loan Fund will be the depository of (1) all funds received by the authority from the sale of State bonds and bond anticipation notes as provided by law, (2) all monies appropriated by the State for the purposes of the fund, (3) all funds contributed to the authority by private sources, to be used for the purposes of this act, and (4) any other monies or funds of the authority which it determines to deposit. The chairman of the HEAA must make an annual certification to the Governor of any amount of appropriation necessary to maintain the fund's loan reserve requirement during the current fiscal year. If moneys in the fund at any time exceed program requirements, the Treasurer may withdraw such excess funds and transfer them to any other State fund or account.

FISCAL IMPACT

This bill establishes an HEAA loan fund, to be the depository of specified monies, but does not appropriate any monies directly to

the fund. The bill provides that the chairman of the HEAA may certify appropriation needs to the Governor; however, only the Legislature may appropriate funds. The bill also allows the Treasurer to withdraw any excess funds and use them for unspecified purposes.

ASSEMBLY HIGHER EDUCATION COMMITTEE

STATEMENT TO

ASSEMBLY, No. 4671

with committee amendments

STATE OF NEW JERSEY

DATED: APRIL 29, 1991

The Assembly Higher Education Committee favorably reports Assembly Bill No. 4671 with committee amendments.

This bill, as amended, establishes a New Jersey College Loans to Assist State Students (NJ CLASS) Loan Program to be supported by a special fund maintained by the New Jersey Higher Education Assistance Authority. The program would provide loans to students who cannot obtain federally guaranteed student loans either because they are not available or because the student does not meet the eligibility requirements of the federal program, or who have financial needs unmet by a federally guaranteed student loan. The amount of the loan would be limited to an amount to be determined according to guidelines to be set by the authority; however, the total financial aid for a student could not exceed the educational costs of the college he or she is attending.

Under the bill, the authority must maintain a special fund called the "NJ College Loans to Assist State Students (CLASS) Loan Fund" in which there shall be deposited (1) all funds received by the authority from the sale of State bonds and bond anticipation notes as provided by law, (2) all monies appropriated by the State for the purposes of the fund, (3) all funds contributed to the authority by private sources, to be used for the purposes of this act, and (4) any other monies or funds of the authority which it determines to deposit therein. Moneys in the NJ College Loans to Assist State Students Loan Fund are to be held and applied to make direct loans to students under the bill.

The chairman of the authority must certify yearly the amount of funds necessary to maintain the fund at an amount equal to the loan reserve requirement during the then current fiscal year. Money shall be appropriated yearly, if necessary, to maintain the fund at the loan reserve requirement level. Excess funds may be transferred from the fund by the Treasurer to be used for other purposes.

Loans under this program may be made to any parent, spouse, legal guardian or other relative providing financial support for a dependent eligible student, or to any self-supporting eligible student. The authority shall, by regulation, set maximum loan amounts for each participant based on factors such as the cost of attending the particular institution, family income, value of family assets or other factors the authority may consider

relevant. A loan may not be made under this act unless a student and borrower have applied for all State financial assistance available and for the federal Stafford loan program. The loans may be secured by such endorsement, co-maker's collateral or other security as may be required by rules and regulations established by the Higher Education Assistance Authority.

In addition, the authority is to establish maximum annual loan amounts and maximum total loan amounts which may be made under the program; however, the amount of the NJ CLASS loan shall not exceed, in combination with other financial aid, the total education costs of attending college as determined by the college.

The "Educational Opportunity Loan Fund," P.L.1982, c.135 is repealed by the bill.

The committee amended the bill to reflect the correct name of the program as the NJ College Loans to Assist State Students (NJ CLASS) Loan Program. In addition, several technical changes were made to reflect the correct name of the federal loan program as the Stafford loan program, or to refer to the federal programs only generally. The committee also deleted a requirement that the authority annually set the interest rate to be charged on the loans. Also, the committee deleted the requirement that interest be paid immediately upon the making of the loan, allowing instead that the payment of interest and principal of the loan could be deferred upon a determination of the authority.

The Chancellor of the Department of Higher Education testified in favor of the bill. A representative from the Association of Independent Colleges and Universities in New Jersey indicated that their organization supports the legislation.

SENATE REVENUE, FINANCE AND  
APPROPRIATIONS COMMITTEE

STATEMENT TO

[FIRST REPRINT]

**ASSEMBLY, No. 4671**

with Senate committee amendments

**STATE OF NEW JERSEY**

DATED: JUNE 27, 1991

The Senate Revenue, Finance and Appropriations Committee reports favorably Assembly Bill No. 4671 (1R) with committee amendments.

As amended, Assembly Bill No. 4671 (1R) establishes a State-administered and financed student loan program in the New Jersey Higher Education Assistance Authority (HEAA) called the New Jersey College Loans to Assist State Students (NJ CLASS) Loan Program, and establishes a special fund to support the program.

This new program will provide loans to students who cannot obtain federally guaranteed student loans because (1) such loans are not available, (2) the student does not meet the eligibility requirements of the federal program, or (3) the student has financial needs beyond a federally guaranteed student loan. Loans may be made to any eligible student or to any parent, spouse, legal guardian or other relative providing financial support for a dependent eligible student. Unless otherwise restricted by HEAA regulations, eligible students may be New Jersey residents attending accredited New Jersey or out-of-state colleges as undergraduate or graduate students in a degree or certificate curriculum, on at least a half-time basis, or out-of-state residents attending New Jersey colleges under the same criteria.

The bill requires the HEAA to issue regulations establishing maximum loan amounts for program participants based on factors related to college costs, family income and assets and other relevant factors; however, the total amount of a loan may not, in combination with any other financial aid, exceed the educational costs of the college the student is attending plus any deferred interest payments. The HEAA is also authorized to determine loan repayment schedules, interest rates, collateral requirements and participation fees.

The NJ CLASS Loan Fund is established as the depository of (1) all funds received by the authority from the sale of State bonds as provided by law, (2) all moneys appropriated by the State for the purposes of the fund, (3) all funds contributed to the authority by private sources, to be used for the purposes of this act, and (4) any other monies or funds of the authority which it determines to



deposit, including the proceeds of HEAA bond and bond anticipation note sales. If moneys in the fund at any time exceed program requirements, excess amounts may be withdrawn and transferred to any other fund or account of the HEAA. The HEAA may determine the investment of fund assets.

COMMITTEE AMENDMENTS:

The committee amendments delete the provisions of the bill that would have required an annual appropriation to maintain the balance of the loan reserve. The amendments also delete a provision that would have required a NJ CLASS loan applicant to have first applied for all available State student financial assistance and the federal Stafford Loan program. Various technical amendments clarify eligibility for the loans, the maximum allowable amount of a loan, and the treatment of interest on the loans. The amendments clarify the authority of the HEAA to issue bonds for the purpose of making the NJ CLASS Loan Program loans. The amendments specify the maximum debt service reserve requirements and the minimum balance of the New Jersey Higher Educational Assistance Capital Reserve Fund. The amendments permit the Higher Educational Assistance Capital Reserve Fund to invest in any obligations the HEAA may approve; currently, investment is limited to obligations issued or guaranteed by the United States of America.

FISCAL IMPACT:

This bill establishes an HEAA loan fund, to be the depository of specified monies, but does not appropriate any monies to the fund. The bill allows the HEAA to withdraw any excess funds and use them for other HEAA purposes. An informal estimate by the Department of Higher Education anticipates start-up and administrative costs of \$1.4 to \$1.6 million in the first three years of the program. After the third year the program is expected to become self supporting. HEAA is authorized to charge a fee for the support of program costs, which under proposed regulations would not exceed 5% of the total approved loan amount. The department has estimated that loan volume could reach \$10 million to \$12 million by the second or third year of the program.