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Assemblymen Giblin, Zwicker, Assemblywomen Vainieri Huttle, Muoio, Assemblyman Mazzeo, Assemblywomen Jimenez, Lampitt, Assemblymen McKeon, Holley and Assemblywoman Pinkin

SYNOPSIS
Requires Higher Education Student Assistance Authority to establish income-driven repayment option and loan rehabilitation program for borrowers under New Jersey College Loans to Assist State Students (NJCLASS) Loan Program.

CURRENT VERSION OF TEXT
As introduced.

(Sponsorship Updated As Of: 10/28/2016)
AN ACT concerning the New Jersey College Loans to Assist State Students (NJCLASS) Loan Program and supplementing chapter 71C of Title 18A of the New Jersey Statutes.

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

1. The Higher Education Student Assistance Authority shall establish an income-driven repayment option for an NJCLASS Loan Program loan. The income-driven repayment option shall:
   a. limit a borrower’s monthly payment amount to no more than 10 percent of discretionary income;
   b. discharge any remaining debt after 20 years of payments; and
   c. provide 50 monthly payments for borrowers with incomes at or below 150 percent of the federal poverty guideline for their family size.

2. a. The Higher Education Student Assistance Authority shall establish a loan rehabilitation program for NJCLASS Loan Program loans for the purpose of rehabilitating a defaulted loan and removing the loan from default status. The authority shall notify borrowers of the availability of the loan rehabilitation program.
   b. A borrower may request rehabilitation of a defaulted NJCLASS Loan Program loan. In order to be eligible for rehabilitation of the loan, the borrower shall voluntarily make at least nine of the 10 payments required under a monthly loan rehabilitation repayment agreement entered into with the authority.
      Each payment shall:
      (1) be made voluntarily;
      (2) be for the full amount required under the rehabilitation repayment agreement; and
      (3) be received within 20 days of the due date for the payment.
      All nine payments shall be received within the 10-month period that begins with the month in which the first required due date falls and ends with the ninth consecutive calendar month following that month. Once the loan has successfully been rehabilitated, the remaining balance shall be repaid within the original time frame and according to the original terms and conditions of the promissory note, except that with proper documentation of financial hardship the borrower may negotiate with the authority a lower monthly payment or a longer repayment term.
   c. Within 30 days of the successful completion of the loan rehabilitation repayment agreement, the authority shall notify national credit bureaus to which the authority had reported the loan default, that the loan is no longer in default status.
d. A defaulted loan may be rehabilitated only once. A borrower may not rehabilitate the loan again if the loan returns to default status following the rehabilitation.

e. As used in this section, “voluntary payments” are those made directly by the borrower and do not include payments obtained by income tax offset, garnishment, or income or asset execution.

3. The Higher Education Student Assistance Authority shall promulgate regulations pursuant to the “Administrative Procedure Act,” P.L.1968, c.410 (C.52:14B-1 et seq.), necessary to effectuate the provisions of this act.

4. This act shall take effect on the first day of the sixth month following enactment.

STATEMENT

The bill directs the Higher Education Student Assistance Authority (HESAA) to establish an income-driven repayment option for an NJCLASS Loan Program loan. An income-driven repayment option is a student loan repayment plan that sets a borrower’s monthly student loan payment at an amount that is intended to be affordable based on the borrower’s income. Under the provisions of the bill, the income-driven repayment option for an NJCLASS Loan Program loan will:

1. limit a borrower’s monthly payment amount to no more than 10 percent of discretionary income;

2. discharge any remaining debt after 20 years of payments; and

3. provide $0 monthly payments for borrowers with incomes at or below 150 percent of the federal poverty guideline for their family size.

The bill also directs HESAA to establish a loan rehabilitation program for NJCLASS Loan Program loans for the purpose of rehabilitating a defaulted loan and removing it from default status. Under the program, in order to be eligible for rehabilitation of a defaulted loan, the borrower must voluntarily make at least nine of the 10 payments required under a monthly loan rehabilitation repayment agreement entered into with HESAA. All required payments must be made voluntarily, be for the full amount required under the agreement, and be received within 20 days of the due date for the payment. Within 30 days of the successful completion of the loan rehabilitation repayment agreement, HESAA will notify national credit bureaus to which it reported the loan default, that the loan is no longer in default status.