

LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

ASSEMBLY, No. 4623

STATE OF NEW JERSEY
218th LEGISLATURE

DATED: FEBRUARY 28, 2019

SUMMARY

- Synopsis:** Establishes process for Higher Education Student Assistance Authority to declare loan under New Jersey College Loans to Assist State Students (NJCLASS) Loan Program as in default or rehabilitated.
- Type of Impact:** Revenue Increase.
- Agencies Affected:** Higher Education Student Assistance Authority.

Office of Legislative Services Estimate

Fiscal Impact	<u>Annual</u>
Revenue Increase to HESAA	Indeterminate

- The Office of Legislative Services (OLS) concludes that the bill will result in an indeterminate revenue increase to the Higher Education Student Assistance Authority (HESAA), primarily stemming from New Jersey College Loans to Assist State Students (NJCLASS) Loan Program borrowers, who would otherwise be in default, taking advantage of the loan rehabilitation plan and making the required payments to HESAA under the bill.
- The net revenue impact in any given year stemming from the bill will be contingent upon the number of borrowers rehabilitating their NJCLASS Loan Program loans and the characteristics of those borrowers.
- The bill’s provisions in regard to determining a loan under the NJCLASS Loan Program as in default mirror the determination process currently used by HESAA. Consequently, there should be no fiscal impact in regard to these provisions of the bill.

BILL DESCRIPTION

The bill establishes a process for the HESAA to declare a loan under the NJCLASS Loan Program as in default or rehabilitated. Under the bill, HESAA may declare an NJCLASS Loan



Program loan to be in default when the parties to the loan fail to meet the terms of the promissory note under circumstances where it is reasonable for HESAA to determine that the parties no longer intend, or are no longer able, to honor the obligation to repay the loan or when the parties fail to make installment payments when due, provided failure to repay persists for:

- (1) at least 180 days when payments are due monthly; or
- (2) at least 240 days when payments are due less frequently than monthly.

The bill further provides that upon default, parties may become liable for the entire balance of the loan. To facilitate recovery on a defaulted NJCLASS Loan Program loan, HESAA must offer parties to the defaulted loan the opportunity to enter into a settlement agreement, either pre- or post- judgment, based on the terms of the loan and the ability of the parties to the loan to make payments. For an NJCLASS Loan Program loan financed in whole or in part by bonds issued by HESAA, the terms of the settlement agreement cannot violate the terms of the applicable bond indentures. Under the bill, if parties to a defaulted NJCLASS Loan Program loan demonstrate to HESAA an ability and willingness to repay the loan by making nine on-time monthly payments over the course of ten consecutive months pursuant to the settlement agreement, the loan will be considered rehabilitated for the limited purposes of meeting the requirements of Title VI of the federal “Economic Growth, Regulatory Relief, and Consumer Protection Act.” The bill also provides that if subsequent to rehabilitating the loan the parties fail to continue to honor the obligations of the settlement agreement for at least 180 days, the loan may no longer be considered rehabilitated. Under the bill, a defaulted NJCLASS Loan Program loan may only be rehabilitated once.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS concludes that the bill will result in an indeterminate revenue increase to the HESAA, primarily stemming from NJCLASS Loan Program borrowers, who would otherwise be in default, taking advantage of the loan rehabilitation plan and making the required payments to HESAA under the bill. The net revenue impact in any given year stemming from the bill will be contingent upon the number of borrowers rehabilitating their NJCLASS Loan Program loans and the characteristics of those borrowers.

The bill’s provisions in regard to determining an NJCLASS Loan Program loan as in default mirror the process currently used by HESAA. Consequently, there should be no fiscal impact in regard to these provisions of the bill.

The OLS notes that, according to the 2018 Annual Report on the NJCLASS Loan Program, 17,009 NJCLASS Loan Program loans were recorded as in default as of June 30, 2018. The report notes that 1,220 loans entered default in the 2017-2018 academic year. Of the total 310,708 NJCLASS Loan Program loans that have been issued since 1991, 25,818 have reached default.

Section: Education

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This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).