

ASSEMBLY, No. 4623

STATE OF NEW JERSEY

218th LEGISLATURE

INTRODUCED OCTOBER 22, 2018

Sponsored by:

Assemblyman RALPH R. CAPUTO

District 28 (Essex)

Assemblywoman MILA M. JASEY

District 27 (Essex and Morris)

Assemblyman GARY S. SCHAER

District 36 (Bergen and Passaic)

Co-Sponsored by:

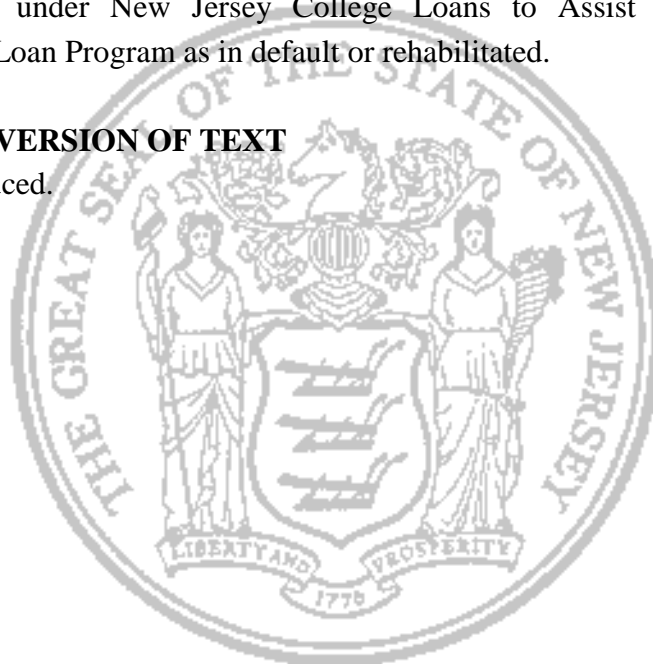
Assemblymen Wimberly, Giblin, Assemblywoman Carter, Assemblyman Chiaravalloti, Assemblywomen Reynolds-Jackson, Downey, Assemblyman Daniels, Assemblywomen Tucker, Chaparro and Assemblyman Karabinchak

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.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 1/16/2019)

1 **AN ACT** concerning the default and rehabilitation of New Jersey
2 College Loans to Assist State Students (NJCLASS) Loan
3 Program loans and supplementing chapter 71C of Title 18A of
4 the New Jersey Statutes.

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

8
9 1. a. The authority may declare an NJCLASS loan program
10 loan to be in default when the parties to the loan fail to meet the
11 terms of the promissory note under circumstances where it is
12 reasonable for the authority to determine that the parties no longer
13 intend to honor the obligation to repay the loan or when the parties
14 fail to make installment payments when due, provided failure to
15 repay persists for:

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

19 b. Upon default, parties may become liable for the entire
20 balance of the loan.

21 c. To facilitate recovery on a defaulted NJCLASS loan
22 program loan, the authority shall offer parties to the defaulted loan
23 the opportunity to enter into a settlement agreement, either pre- or
24 post- judgement, based on the terms of the loan and the ability of all
25 parties to the loan to make payments.

26 (1) The authority's counsel shall respond to a request for a
27 settlement agreement within 15 business days of the request.

28 (2) The authority's counsel shall provide parties with a written
29 settlement agreement within 30 business days of reaching an oral
30 agreement with the parties.

31 (3) For an NJCLASS loan program loan financed in whole or in
32 part by bonds issued by the authority pursuant to N.J.S.18A:71A-8,
33 the terms of the settlement agreement shall not violate the terms of
34 the applicable bond indentures.

35 d. If parties to a defaulted NJCLASS loan program loan
36 demonstrate to the authority an ability and willingness to repay the
37 loan by making nine on-time monthly payments over the course of
38 ten consecutive months pursuant to the settlement agreement, the
39 loan shall be considered rehabilitated for the limited purposes of
40 meeting the requirements of Title VI of the federal "Economic
41 Growth, Regulatory Relief, and Consumer Protection Act,"
42 Pub.L.115-174.

43 (1) If subsequent to rehabilitating the loan the parties fail to
44 continue to honor the obligations of the settlement agreement for at
45 least 180 days, the loan shall no longer be considered rehabilitated.

46 (2) A defaulted NJCLASS loan program loan may only be
47 rehabilitated one time.

1 e. The authority shall accurately report the status of defaulted
2 loans to the credit bureaus pursuant to the federal “Fair Credit
3 Reporting Act” (15 U.S.C., s.1681s-2) and Title VI of the federal
4 “Economic Growth, Regulatory Relief, and Consumer Protection
5 Act,” Pub.L.115-174.

6
7 2. This act shall take effect immediately.

8
9
10 STATEMENT

11
12 This bill establishes a process for the Higher Education Student
13 Assistance Authority to declare a loan under the New Jersey
14 College Loans to Assist State Students (NJCLASS) Loan Program
15 as in default or rehabilitated. Under the bill, the authority may
16 declare an NJCLASS loan program loan to be in default when the
17 parties to the loan fail to meet the terms of the promissory note
18 under circumstances where it is reasonable for the authority to
19 determine that the parties no longer intend to honor the obligation
20 to repay the loan or when the parties fail to make installment
21 payments when due, provided failure to repay persists for:

22 (1) at least 180 days when payments are due monthly; or

23 (2) at least 240 days when payments are due less frequently than
24 monthly.

25 The bill further provides that upon default, parties may become
26 liable for the entire balance of the loan. To facilitate recovery on a
27 defaulted NJCLASS loan program loan, the authority must offer
28 parties to the defaulted loan the opportunity to enter into a
29 settlement agreement, either pre- or post- judgement, based on the
30 terms of the loan and the ability of all parties to the loan to make
31 payments. For an NJCLASS loan program loan financed in whole
32 or in part by bonds issued by the authority, the terms of the
33 settlement agreement cannot violate the terms of the applicable
34 bond indentures. Under the bill, if parties to a defaulted NJCLASS
35 loan program loan demonstrate to the authority an ability and
36 willingness to repay the loan by making nine on-time monthly
37 payments over the course of ten consecutive months pursuant to the
38 settlement agreement, the loan will be considered rehabilitated for
39 the limited purposes of meeting the requirements of Title VI of the
40 federal “Economic Growth, Regulatory Relief, and Consumer
41 Protection Act.” The bill also provides that if subsequent to
42 rehabilitating the loan the parties fail to continue to honor the
43 obligations of the settlement agreement for at least 180 days, the
44 loan will no longer be considered rehabilitated. Under the bill, a
45 defaulted NJCLASS loan program loan may only be rehabilitated
46 once.

47 Finally, the bill provides that the authority must accurately report
48 the status of defaulted loans to the credit bureaus pursuant to the

- 1 federal “Fair Credit Reporting Act” and Title VI of the federal
- 2 “Economic Growth, Regulatory Relief, and Consumer Protection
- 3 Act.”