

SENATE, No. 3125

STATE OF NEW JERSEY

218th LEGISLATURE

INTRODUCED OCTOBER 18, 2018

Sponsored by:

Senator SANDRA B. CUNNINGHAM

District 31 (Hudson)

Senator M. TERESA RUIZ

District 29 (Essex)

Assemblyman GARY S. SCHAER

District 36 (Bergen and Passaic)

Assemblywoman MILA M. JASEY

District 27 (Essex and Morris)

Assemblyman DANIEL R. BENSON

District 14 (Mercer and Middlesex)

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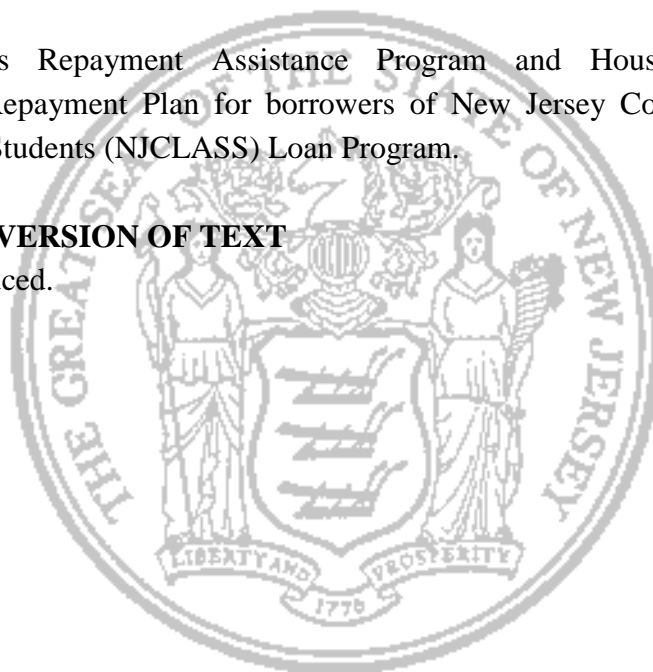
**Senators Brown, Cruz-Perez, Greenstein, Assemblyman Johnson,
Assemblywomen Pinkin, Mosquera, Downey and Assemblyman McKeon**

SYNOPSIS

Establishes Repayment Assistance Program and Household Income Affordable Repayment Plan for borrowers of New Jersey College Loans to Assist State Students (NJCLASS) Loan Program.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 2/26/2019)

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

4
5 **BE IT ENACTED** *by the Senate and General Assembly of the State*
6 *of New Jersey:*

7
8 1. a. In order to assist borrowers who are facing economic
9 hardships, the Higher Education Student Assistance Authority shall
10 establish a Repayment Assistance Program for new loans originated
11 under the Standard New Jersey College Loans to Assist State
12 Students (NJCLASS) Loan Program beginning with the 2017-2018
13 academic year. Under the Repayment Assistance Program, eligible
14 borrowers shall pay a reduced monthly loan payment equal to 10
15 percent of the total of the aggregate household income of all of the
16 parties to the loan that exceeds 150 percent of the federal poverty
17 guidelines, with a minimum monthly payment of \$5.

18 b. Subject to the limits of funding made available pursuant to
19 section 3 of this act, a borrower shall be eligible to participate in the
20 Repayment Assistance Program for a period not to exceed two
21 years. During the period of participation in the Repayment
22 Assistance Program, the authority shall pay the interest on the
23 NJCLASS loan at the stated loan rate and the payments made by the
24 borrower shall be applied to reduce the principal balance of the
25 loan. At the end of the borrower's participation in the Repayment
26 Assistance Program, the new monthly repayment amount shall be
27 recalculated based on the remaining principal balance of the loan,
28 interest accruing thereon at the original stated loan rate, and the
29 remaining length of the original term to repay the loan.

30 c. As used in this section, borrowers are determined to be
31 facing an "economic hardship" if the monthly amount required to
32 pay their Standard NJCLASS loans is higher than the monthly
33 payment amount required under the Repayment Assistance Program
34 established in this section.

35
36 2. a. To provide further assistance to borrowers who continue
37 to face economic hardships after exhausting their eligibility for the
38 Repayment Assistance Program, the Higher Education Student
39 Assistance Authority shall establish a Household Income
40 Affordable Repayment Plan for new loans originated under the
41 Standard NJCLASS Loan Program beginning with the 2018-2019
42 academic year. Subject to the limits of funding made available
43 pursuant to section 3 of this act, a borrower shall be eligible for the
44 Household Income Affordable Repayment Plan upon exhausting the
45 two-year eligibility period for the Repayment Assistance Program.

1 Under the Household Income Affordable Repayment Plan, an
2 eligible borrower shall be eligible to make reduced loan payments
3 equal to 15 percent of the total of the aggregate household income
4 of all of the parties to the loan that exceeds 150 percent of the
5 federal poverty guidelines, with a minimum monthly payment of
6 \$25.

7 b. Upon qualification for admittance to the Household Income
8 Affordable Repayment Plan, the repayment term for a loan in the
9 plan shall be extended to 25 years from the date of origination.
10 Interest shall continue to accrue on the loan while in repayment
11 under the plan at the original loan rate. Any remaining balance at
12 the end of 25 years shall be forgiven.

13 c. All parties to a loan shall provide the authority with annual
14 income certification and proof of need to remain in the Household
15 Income Affordable Repayment Plan. In the event that the parties to
16 a loan no longer qualify for participation in the plan, the repayment
17 term shall remain at 25 years and the monthly repayment amount
18 shall revert to the standard monthly payment. Unpaid interest shall
19 be capitalized upon return to the standard monthly payment.

20 d. As used in this section, "standard monthly payments" are
21 determined by the authority when parties enter the Household
22 Income Affordable Repayment Plan by capitalizing all unpaid
23 interest and amortizing the remaining loan balance over the
24 remaining original loan repayment term.

25 e. As used in this section, borrowers are determined to be
26 facing an "economic hardship" if the monthly amount required to
27 pay their Standard NJCLASS loans is higher than the monthly
28 payment amount required under the Household Income Affordable
29 Repayment Plan established in this section.

30
31 3. For new Standard NJCLASS loans financed in whole or in
32 part by bonds issued by the authority pursuant to N.J.S.18A:71A-8,
33 funding for the Repayment Assistance Program established pursuant
34 to section 1 of this act and the Household Income Affordable
35 Repayment Plan established pursuant to section 2 of this act shall
36 be included as a provision in the applicable bond indentures. The
37 programs shall be limited to the amounts included in the bond
38 indentures and shall not infringe on the rights of bondholders
39 established pursuant to N.J.S.18A:71A-19 and N.J.S.18A:71A-22.
40 The number of borrowers who may participate in the Repayment
41 Assistance Program and Household Income Repayment Plan shall
42 be limited by the funding parameters set forth in any applicable
43 bond indenture and any limitations or restrictions on amendments
44 thereto.

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

5
6 5. This act shall take effect immediately.
7
8

9 STATEMENT
10

11 This bill directs the Higher Education Student Assistance
12 Authority to establish a Repayment Assistance Program for new
13 loans originated under the Standard New Jersey College Loans to
14 Assist State Students (NJCLASS) Loan Program beginning with the
15 2017-2018 academic year. The purpose of this bill is to assist
16 borrowers who are facing economic hardships. Under the
17 Repayment Assistance Program, eligible borrowers will pay a
18 reduced monthly loan payment equal to 10 percent of the total of
19 the aggregate household income of all of the parties to the loan that
20 exceeds 150 percent of the federal poverty guidelines, with a
21 minimum monthly payment of \$5. Borrowers are determined to be
22 facing an “economic hardship” if the monthly amount required to
23 pay their Standard NJCLASS loans is higher than the monthly
24 payment amount required under the Repayment Assistance
25 Program.

26 Under the bill, a borrower will be eligible to participate in the
27 Repayment Assistance Program for a period not to exceed two
28 years. During the period of the borrower’s participation, the
29 authority will pay the interest on the NJCLASS loan at the stated
30 loan rate and the payments made by the borrower will be applied to
31 reduce the principal balance of the loan. The bill provides that at
32 the end of the borrower’s participation in the Repayment Assistance
33 Program, the new monthly repayment amount will be recalculated
34 based on the remaining principal balance of the loan, interest
35 accruing thereon at the original stated loan rate, and the remaining
36 length of the original term to repay the loan.

37 The bill also directs the authority to establish a Household
38 Income Affordable Repayment Plan (HIARP) for new loans
39 originated under the Standard NJCLASS Loan Program beginning
40 with the 2018-2019 academic year, in order to provide further
41 assistance to borrowers who continue to face economic hardships
42 after exhausting their eligibility for the Repayment Assistance
43 Program. A borrower will be eligible for HIARP upon exhausting
44 the two-year eligibility period for the Repayment Assistance

1 Program. Under the bill, an eligible borrower will be eligible to
2 make reduced loan payments equal to 15 percent of the total of the
3 aggregate household income of all of the parties to the loan that
4 exceeds 150 percent of the federal poverty guidelines, with a
5 minimum monthly payment of \$25. Borrowers are determined to be
6 facing an “economic hardship” if the monthly amount required to
7 pay their Standard NJCLASS loans is higher than the monthly
8 amount required under the Household Income Affordable
9 Repayment Plan established in this section.

10 The bill further provides that the repayment term for a loan under
11 HIARP will be extended to 25 years from the date of origination.
12 Interest will continue to accrue on the loan while in HIARP
13 repayment at the original loan rate. Under the bill, any remaining
14 balance at the end of 25 years will be forgiven.

15 The bill provides that for new Standard NJCLASS loans financed
16 in whole or in part by bonds issued by the authority, funding for the
17 Repayment Assistance Program and HIARP must be included as a
18 provision in the applicable bond indentures. Under the bill, the
19 programs will be limited to the amounts included in the bond
20 indentures and cannot infringe on the rights of bondholders.