

SENATE HIGHER EDUCATION COMMITTEE

STATEMENT TO

SENATE, No. 3125

STATE OF NEW JERSEY

DATED: DECEMBER 6, 2018

The Senate Higher Education Committee reports favorably Senate Bill No. 3125.

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

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

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

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

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

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