

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE, No. 3125

STATE OF NEW JERSEY

DATED: JANUARY 28, 2019

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 3125.

Senate Bill No. 3125 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.

FISCAL IMPACT:

The Office of Legislative (OLS) concludes that the bill will have no State fiscal impact as the bill codifies what is already current practice. The Higher Education Student Assistance Authority (HESAA) currently offers both the Repayment Assistance Program (RAP) and the Household Income Affordable Repayment Plan (HIARP) for Standard New Jersey College Loans to Assist State Students (NJCLASS). The RAP is available for NJCLASS loans with applications that were received on or after June 1, 2017. NJCLASS loans applied for prior to June 1, 2017, that are used to attend school for academic terms that begin on or after August 1, 2017, are also eligible for the RAP. The HIARP has been offered for loans originating in June 2018. The RAP and the HIARP programs currently in place operate under virtually the same provisions enumerated in this bill.

According to information provided to the OLS from HESAA, there are currently eight borrowers participating in the RAP. These borrowers’ total interest accrued to date has totaled \$10,275.05 in expenses for HESAA. HESAA notes that the majority of the eight borrowers have been enrolled for less than a year and that the average monthly interest payment expense going forward in the RAP will be \$3,241.

The bill provides that for the bonds issued to finance Standard NJCLASS Loans, funding for the RAP and the HIARP programs must be included in the bond indentures. The programs will be limited to amounts included in the bond indentures, which will serve to limit the number of borrowers who may take advantage of the programs and the expenditure increases associated with the programs. Funding for the

RAP as well as the HIARP appear to already be accounted for in HESAA's Series 2018 bonds. According to its April 2018 presale bond report for HESAA's Series 2018 bond issuance, S&P Global Ratings states that the maximum dollar amount of loans that could benefit from HIARP is \$4 million.