

[First Reprint]

**SENATE, No. 3149**

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**STATE OF NEW JERSEY**  
**218th LEGISLATURE**

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INTRODUCED OCTOBER 22, 2018

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**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 reported by the Senate Budget and Appropriations Committee on January 28, 2019, with amendments.

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

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 <sup>1</sup>, or are no longer able,<sup>1</sup> to honor the obligation to repay the  
14 loan or when the parties fail to make installment payments when  
15 due, provided failure to 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  
25 <sup>1</sup>**[all] the<sup>1</sup>** 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  
29 <sup>1</sup>**proposed<sup>1</sup>** written settlement agreement within 30 business days of  
30 reaching an oral agreement with the parties <sup>1</sup>**reflecting the agreed**  
31 **upon terms<sup>1</sup>**.

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

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

44 (1) If subsequent to rehabilitating the loan the parties fail to  
45 continue to honor the obligations of the settlement agreement for at

**EXPLANATION** – Matter enclosed in bold-faced brackets **[thus]** in the above bill is not enacted and is intended to be omitted in the law.

Matter underlined **thus** is new matter.

Matter enclosed in superscript numerals has been adopted as follows:

<sup>1</sup>Senate SBA committee amendments adopted January 28, 2019.

1 least 180 days, the loan <sup>1</sup>**【shall】** may<sup>1</sup> no longer be considered  
2 rehabilitated.

3 (2) A defaulted NJCLASS loan program loan may only be  
4 rehabilitated one time.

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

10

11 2. This act shall take effect immediately.