

[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.