

**SENATE, No. 2426**

**STATE OF NEW JERSEY**  
**219th LEGISLATURE**

INTRODUCED MAY 7, 2020

**Sponsored by:**

**Senator JOSEPH A. LAGANA**  
**District 38 (Bergen and Passaic)**

**Co-Sponsored by:**

**Senator Diegnan**

**SYNOPSIS**

Requires institutions of higher education to send out annual student debt letters; requires students enrolled in public institutions of higher education to complete course on student loan debt repayment.

**CURRENT VERSION OF TEXT**

As introduced.



**(Sponsorship Updated As Of: 5/28/2020)**

1 AN ACT concerning certain financial information provided by  
2 institutions of higher education and supplementing chapter 3B  
3 and chapter 62 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. This act shall be known and may be cited as the “Know  
9 Before You Owe Student Loan Debt Act.”

10  
11 2. a. Prior to the start of each academic semester, an  
12 institution of higher education that receives student loan  
13 information for a student enrolled in the institution shall send to the  
14 student by regular mail a letter that includes the following:

15 (1) an estimate of the total amount of student loans taken out by  
16 the student;

17 (2) an estimate of the potential total payoff amount of the  
18 student loans incurred or a range of the total payoff amount;

19 (3) an estimate of monthly repayment amounts that a similarly  
20 situated borrower may incur, including principal and interest, for  
21 the amount of loans the student has taken out at the time the  
22 information is provided;

23 (4) the percentage of the borrowing limit the student has reached  
24 at the time the information is provided;

25 (5) a statement that the student should contact the lender to  
26 determine when the borrower is authorized to begin making  
27 repayments, and whether those repayments would include both the  
28 principal and interest amount of the loans;

29 (6) a warning that the higher the borrower’s debt-to-income  
30 ratio is, the more difficulty the borrower is likely to experience in  
31 repaying the loans;

32 (7) information concerning options for reducing borrowing  
33 through scholarships, reduced expenses, work-study, or other work  
34 opportunities; and

35 (8) an explanation of the importance of graduating on time to  
36 avoid additional borrowing, the requisite course load necessary to  
37 graduate on time, and information on how additional years of study  
38 impact total indebtedness.

39 The information provided pursuant to paragraphs (1), (2), and (3)  
40 of this subsection may include a statement that the estimates and  
41 ranges provided are general in nature and not meant as a guarantee  
42 or promise of the actual projected amount.

43 b. An institution shall not incur liability for any representations  
44 made pursuant to this section.

45  
46 3. Beginning with the 2020-2021 academic year, the governing  
47 board of a public institution of higher education shall require a full-  
48 time undergraduate student who has student loan debt to complete

1 an on-line course, or receive in-person counseling from a qualified  
2 member of the institution, on the repayment of student loan debt  
3 and the consequences of the failure to make required repayments.  
4 The on-line course or in-person counseling shall be required during  
5 the student's final semester prior to graduating from the institution.

6  
7 4. This act shall take effect immediately.  
8  
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10 STATEMENT  
11

12 This bill is known as the "Know Before You Owe Student Loan  
13 Debt Act." The purpose of the bill is to increase student awareness  
14 concerning student debt, and to encourage students to borrow less  
15 than the maximum amounts they are awarded and begin making  
16 repayments earlier.

17 This bill requires an institution of higher education that receives  
18 student loan information for a student in the institution to send the  
19 student by regular mail each semester a student debt letter. Under  
20 the bill, the student debt letter would include:

- 21 • an estimate of the total amount of student loans taken out by  
22 the student;
- 23 • an estimate of the potential total payoff amount of the  
24 student loans incurred or a range of the total payoff amount;
- 25 • an estimate of monthly repayment amounts that a similarly  
26 situated borrower may incur, including principal and  
27 interest, for the amount of loans the student has taken out at  
28 the time the information is provided;
- 29 • the percentage of the borrowing limit the student has reached  
30 at the time the information is provided; and
- 31 • a statement that the student should contact the lender to  
32 determine when the borrower is authorized to begin making  
33 repayments, and whether those repayments would include  
34 both the principle and interest amount of the loans.

35 The letter would also include information concerning options for  
36 reducing borrowing through scholarships, reduced expenses, work-  
37 study, or other opportunities.

38 An institution would not incur liability for any information  
39 provided under the bill.

40 The bill also requires each full-time undergraduate student at a  
41 public institution of higher education who has student loan debt to  
42 complete an on-line course, or receive in-person counseling from a  
43 qualified member of the institution, on the repayment of student  
44 loan debt and the consequences of the failure to make required  
45 repayments. The on-line course or in-person counseling will be  
46 required during the student's final semester prior to graduating from  
47 the institution.