

[First Reprint]

SENATE, No. 2573

STATE OF NEW JERSEY
217th LEGISLATURE

INTRODUCED SEPTEMBER 26, 2016

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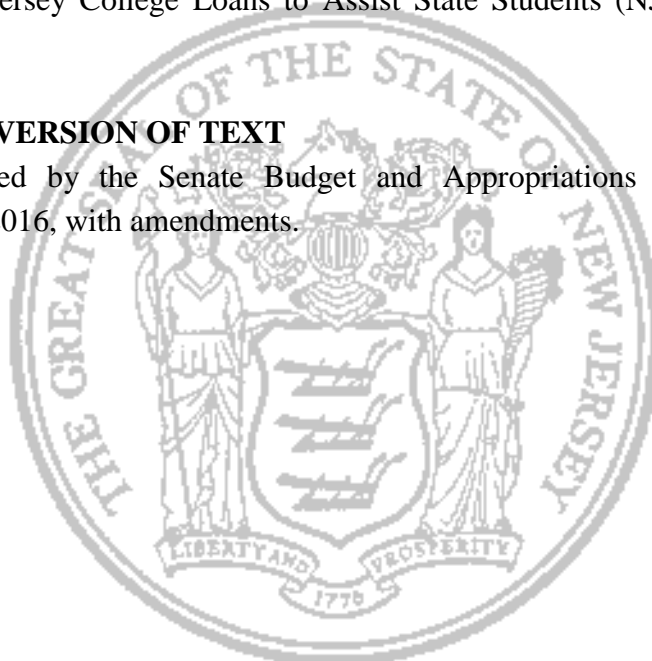
Senators Cruz-Perez, Diegnan, Greenstein, Pou, Stack and Ruiz

SYNOPSIS

Requires Higher Education Student Assistance Authority to establish income-driven repayment option and loan rehabilitation program for borrowers under New Jersey College Loans to Assist State Students (NJCLASS) Loan Program.

CURRENT VERSION OF TEXT

As reported by the Senate Budget and Appropriations Committee on October 13, 2016, with amendments.



(Sponsorship Updated As Of: 10/21/2016)

1 AN ACT concerning the New Jersey College Loans to Assist State
2 Students (NJCLASS) Loan Program and supplementing chapter
3 71C 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. The Higher Education Student Assistance Authority shall
9 establish an income-driven repayment option for an NJCLASS Loan
10 Program loan. The income-driven repayment option shall:

11 a. limit a borrower's monthly payment amount to no more than
12 10 percent of discretionary income;

13 b. discharge any remaining debt after 20 years of payments;
14 and

15 c. provide \$0 monthly payments for borrowers with incomes at
16 or below 150 percent of the federal poverty guideline for their
17 family size.

18
19 2. a. The Higher Education Student Assistance Authority shall
20 establish a loan rehabilitation program for NJCLASS Loan Program
21 loans for the purpose of rehabilitating a defaulted loan and
22 removing the loan from default status. The authority shall notify
23 borrowers of the availability of the loan rehabilitation program.

24 b. A borrower may request rehabilitation of a defaulted
25 NJCLASS Loan Program loan. In order to be eligible for
26 rehabilitation of the loan, the borrower shall voluntarily make at
27 least nine of the 10 payments required under a monthly loan
28 rehabilitation repayment agreement entered into with the authority.

29 ¹The payment under the rehabilitation repayment agreement shall
30 be a reasonable and affordable payment amount. The authority
31 shall determine the borrower's reasonable and affordable payment
32 amount to be an amount equal to 15 percent of the borrower's
33 discretionary income. The borrower shall provide the authority
34 with documentation to confirm the borrower's discretionary
35 income. The borrower may appeal the payment amount determined
36 by the authority and shall submit supporting documentation to
37 substantiate the appeal.¹

38 Each payment shall:

39 (1) be made voluntarily;

40 (2) be for the full amount required under the rehabilitation
41 repayment agreement; and

42 (3) be received within 20 days of the due date for the payment.

43 All nine payments shall be received within the 10-month period
44 that begins with the month in which the first required due date falls
45 and ends with the ninth consecutive calendar month following that

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:

¹Senate SBA committee amendments adopted October 13, 2016.

1 month. Once the loan has successfully been rehabilitated, ¹the remaining balance shall be repaid within the original time frame and according to the original terms and conditions of the promissory note, except that with proper documentation of financial hardship the borrower may negotiate with the authority a lower monthly payment or a longer repayment term ¹ the authority shall permit the borrower to choose any current repayment plan for an NJCLASS Loan Program loan¹.

9 c. Within 30 days of the successful completion of the loan rehabilitation repayment agreement, the authority shall ¹remove the loan from default status and¹ notify national credit bureaus to which the authority had reported the loan default, that the loan is no longer in default status ¹and is paid on time or paid as agreed¹.

14 d. A defaulted loan may be rehabilitated only once. A borrower may not rehabilitate the loan again if the loan returns to default status following the rehabilitation.

17 e. ¹If a borrower's NJCLASS Loan Program loan is being collected by wage garnishment while the borrower is also making monthly payments on the same loan under a loan rehabilitation repayment agreement, the authority shall continue to collect the loan by wage garnishment until the borrower makes five monthly payments under the loan rehabilitation repayment agreement. After the borrower makes the fifth monthly payment, the authority shall suspend the wage garnishment order issued to the borrower's employer, unless otherwise directed by the borrower.

26 f. ¹As used in this section, "voluntary payments" are those made directly by the borrower and do not include payments obtained by income tax offset, garnishment, or income or asset execution.

30 3. The Higher Education Student Assistance Authority shall promulgate regulations pursuant to the "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.), necessary to effectuate the provisions of this act ¹, including a definition of discretionary income for the purpose of the income-driven repayment option and the loan rehabilitation program based on federal guidelines for federal student loans¹.

37 4. This act shall take effect on the first day of the sixth month following enactment.