

ineligibility. [Appeals should be in the form of a letter] **All appeals shall be in writing and** addressed to the Director of Grants and Scholarships in the Authority, PO Box 540, Trenton, New Jersey 08625-0540 **or submitted electronically**, and shall contain the student's full name, Social Security number **or customer ID number**, college of attendance, and a description of the basis for the appeal. The Director of Grants and Scholarship will respond with the Authority's final determination of the appeal.

SUBCHAPTER 11. NEW JERSEY STUDENT TUITION  
ASSISTANCE REWARD SCHOLARSHIP II (NJ  
STARS II) PROGRAM

9A:9-11.10 Appeals

If, for any reason a student, his or her family, or an institution feels that the application of this subchapter results in an unfair determination of eligibility, an appeal shall be filed with the Higher Education Student Assistance Authority within 30 days of **initial** notification of eligibility or ineligibility. [Appeals should be in the form of a letter] **All appeals shall be in writing and** addressed to the Director of Grants and Scholarships in the Authority, PO Box 540, Trenton, New Jersey 08625-0540 **or submitted electronically**, and shall contain the student's full name, Social Security number **or customer ID number**, college of attendance, and a description of the basis for the appeal. The Director of Grants and Scholarship will respond with the Authority's final determination of the appeal.

(a)

**HIGHER EDUCATION STUDENT ASSISTANCE  
AUTHORITY**

**Student Loan and College Savings Programs  
The New Jersey College Loans to Assist State  
Students (NJCLASS) Program: Policies and  
Procedures**

**Proposed Amendments: N.J.A.C. 9A:10-6.3 through  
6.19**

Authorized By: Higher Education Student Assistance Authority,  
Anthony Falcone, Chairperson.

Authority: N.J.S.A. 18A:71A-1 et seq. and 18A:71C-21 et seq.  
Calendar Reference: See Summary below for explanation of  
exception to calendar requirement.

Proposal Number: PRN 2014-086.

Submit written comments by August 15, 2014, to:

Marnie B. Grodman, Esquire  
Administrative Practice Officer  
Higher Education Student Assistance Authority  
PO Box 545  
Trenton, NJ 08625-0545  
Email: [Regulations@hesaa.org](mailto:Regulations@hesaa.org)

The agency proposal follows:

**Summary**

The Higher Education Student Assistance Authority (Authority) is statutorily responsible for the administration of the State's supplemental student loan program, the New Jersey College Loans to Assist State Students (NJCLASS), and for the promulgation of all rules to that effect, pursuant to N.J.S.A. 18A:71C-21 et seq.

NJCLASS ensures that loans are available to, or for the benefit of, eligible students who are not eligible for, or have additional financial need beyond, Federal student loans.

NJCLASS loans are funded by the sale of bonds. The interest rate on the NJCLASS loans is a pass through rate of the bond interest rate, associated costs of sale, and other costs determined by the bond sale. It is necessary to amend the rules to ensure consistency with the bond indentures, incorporate Federal changes to the cohort default rate used to

determine an institution's eligibility to participate in NJCLASS, and to provide clarity to program terms.

The proposed amendments are summarized below:

N.J.A.C. 9A:10-6.3 is amended to revise the definition of "cohort default rate" to comport with the new Federal definition provided by 34 CFR 668.200 through 202 and Subpart N. Pursuant to the Federal regulatory change, as of 2014, two-year cohort default rates will no longer be provided. As such, the Authority will need to rely on a three-year cohort default rate. The amended definition in subchapter mirrors the Federal definition.

Additionally, Executive Reorganization Plan No. 005-2011 eliminated the Commission on Higher Education and transferred its powers to the Office of the Secretary of Higher Education. As such, the definition of "Commission" or "CHE" is amended to reflect this change.

References to "consolidation loan" have been changed throughout the subchapter to "NJCLASS Consolidation Loan." As such, the definition has been amended and moved to remain in alphabetical order.

The definition of "eligible institution" has been amended due to the change in the definition of cohort default rate. As the cohort default rate has been increased from two to three years, it is necessary to increase the percentage rate from 20 percent to 25 percent. Additionally, reference to the NJCLASS Variable Rate Program is deleted as the definition for this program has been consolidated with that for the NJCLASS Graduate/Professional Students program.

A new definition is added for "fixed rate" as this term is used throughout the subchapter.

In order to alleviate confusion in determining the difference between the overall NJCLASS Loan Program, and the individual loan types included in the Program, the definition of "NJCLASS" has been amended to define the "NJCLASS Loan Program," which encompasses all NJCLASS loans except for NJCLASS Consolidation Loans. A separate definition for "Standard NJCLASS Loan" has been added to define the individual loan that is the primary loan product offered by the Authority. "NJCLASS Loan Program" is used to replace "NJCLASS loans" in the definitions for "delinquency" and "rehabilitation," in the heading for N.J.A.C. 9A:10-6.4, and in N.J.A.C. 9A:10-6.4 through 6.19, and "Standard NJCLASS Loan" replaces "NJCLASS loan" and "fixed rate NJCLASS loan" in the definitions for "NJCLASS Graduate/Professional Students Program" and "NJCLASS Postgraduate Program" and in N.J.A.C. 9A:10-6.4(a) and (b) (except where, in subsection (a), specific reference is made to "any NJCLASS Loan Program or Consolidation Loan amount") and 6.5(c) and (d).

Additionally, the definition for the "NJCLASS Graduate/Professional Students Program" is amended to incorporate the predecessor variable rate version of that loan program. As such, the two programs are merged into this definition and the definition for the "NJCLASS Variable Rate Program" is deleted.

The definition for "rehabilitation" has been amended to reflect the change in terminology discussed above regarding the defined terms of "NJCLASS Loan Program" and "NJCLASS Consolidation Loans."

A definition has been added for "temporarily totally disabled" as this term is used in the subchapter.

In order to protect the integrity of the trust estate used to fund NJCLASS, loans are only forgiven if a total and permanent disability affects the ability to pay. Accordingly, the definition for "totally and permanently disabled" has been amended to clarify that, in the case of people who receive an NJCLASS loan on the basis of an income that is not affected by their ability to work or attend school, they will not be deemed totally and permanently disabled for the purposes of having their NJCLASS loans forgiven.

A definition has been added for "variable rate" as that term is used in this subchapter and was not previously defined.

N.J.A.C. 9A:10-6.4(a)3 has been amended to reflect the change in terminology discussed above regarding the defined terms of "NJCLASS Loan Program" and "NJCLASS Consolidation Loans." This update is also proposed at N.J.A.C. 9A:10-6.13(d)4, 6.15, and 6.18.

As the amended definition for NJCLASS Graduate/Professional Students loans incorporates the variable rate NJCLASS loan, N.J.A.C. 9A:10-6.4(c) is amended to delete the superfluous reference to the Variable Rate NJCLASS loan.

Due to the change in the definition of cohort default rate, N.J.A.C. 9A:10-6.4(c) is amended to change the eligible institution requirement for a Graduate/Professional Student loan to a three-year cohort default rate of 15 percent or less.

N.J.A.C. 9A:10-6.5(e) is amended to clarify that a borrower who does not meet the income and credit requirements for an NJCLASS Loan Program loan and would like to be reconsidered with a new cosigner will need to reapply.

The loan amounts proscribed in N.J.A.C. 9A:10-6.6 are the same regardless of the source of the funding. As such, N.J.A.C. 9A:10-6.6 is amended to incorporate the information into one section and delete reference to two separate subsections.

N.J.A.C. 9A:10-6.8(a) is amended to clarify that application and administrative fees are assessed as determined by the bonds or notes whose proceeds are funding the loan or by the NJCLASS Application and Promissory Note, if the loan is funded through other means.

N.J.A.C. 9A:10-6.8(b) is amended for clarity to rename the administrative fee for servicing as a servicing fee.

N.J.A.C. 9A:10-6.11(a) is amended to specify that the Pre-Disbursement Disclosure statement includes information on the expected monthly payment amounts.

N.J.A.C. 9A:10-6.11(b) is amended to simplify the subsection. The revised subsection describes the primary repayment options and advises that the specific variations may be restricted by the bond indentures. Specific language is also proposed for deletion regarding interest rates in this subsection. This amendment allows flexibility for the program to provide the most advantageous options for borrowers based on the annual market conditions. Additionally, N.J.A.C. 9A:10-6.11(b)3 is amended to allow the bond indentures to define how often interest is capitalized for the deferred repayment option.

N.J.A.C. 9A:10-6.11(c)1 and 2 are amended to clarify that the paragraphs refer to the NJCLASS Postgraduate loan, as indicated in the lead-in text of subsection (c).

N.J.A.C. 9A:10-6.11(e) is amended to lower the minimum acceptable monthly payment for borrowers in an interest only repayment status from \$50.00 per borrower to \$10.00 per loan, as accrued interest on smaller loans may not reach \$50.00.

Proposed new N.J.A.C. 9A:10-6.11(h) is added to reference the Federal Servicemembers Civil Relief Act (SCRA). Among other relief, the SCRA provides lower interest rates for active duty servicemembers. This new subsection states that servicemembers must submit a request for relief under the SCRA as prescribed at 50 U.S.C. § 527(b)(1).

N.J.A.C. 9A:10-6.12(a)4 is amended to expand the scope of how to prove active duty status by deleting the requirement of a "statement" from a commanding officer and replacing it with "documentation" and to provide examples of acceptable documentation borrowers can provide to receive an active-duty military deferment.

N.J.A.C. 9A:10-6.12(a)6 is deleted as the definition for "temporarily totally disabled" has been moved to the definitions section, N.J.A.C. 9A:10-6.3.

N.J.A.C. 9A:10-6.12(b) is amended to specify that in-school deferments are not available within 24 months of the loan maturity date. This amendment is necessary to provide borrowers with time to pay off their loans prior to the maturity date, as opposed to paying the entire loan amount in one payment.

N.J.A.C. 9A:10-6.13(a) is amended to clarify that NJCLASS Consolidation Loans are not limited to being offered on a fixed rate basis.

N.J.A.C. 9A:10-6.13(c) is amended to state that existing NJCLASS Consolidation Loans are not eligible to be included in a new consolidation loan.

N.J.A.C. 9A:10-6.13(i) is amended to advise borrowers of the servicing fee that they may be required to pay for an NJCLASS Consolidation Loan.

N.J.A.C. 9A:10-6.13(m) is amended to advise that the forbearance maximum time limit restrictions set forth in N.J.A.C. 9A:10-6.12(d) also pertain to NJCLASS Consolidation Loans.

N.J.A.C. 9A:10-6.17(c) is amended to state that a borrower is not considered totally and permanently disabled if he or she continues to receive the source of income that was used to meet the minimum income requirements at the time the loan was approved. This amendment protects

the integrity of the trust estate used to fund NJCLASS loans, by only discharging loans if a total and permanent disability affects the ability to repay the loan.

As the Authority has provided a 60-day comment period on this notice of proposal, this notice is excepted from the rulemaking calendar requirement pursuant to N.J.A.C. 1:30-3.3(a)5.

#### **Social Impact**

The NJCLASS Program serves as this State's supplemental student loan program to help families complete their financial aid package and meet higher education costs. The NJCLASS Program continues to experience significant growth and offers one of the lowest fixed rate supplemental loans in the nation. As the volume of loan applications continues to increase, the Authority seeks to maintain and improve service to applicants and borrowers.

It is anticipated that the proposed change to the cohort default rate will have a positive impact on students and schools by ensuring schools remain eligible to participate in the NJCLASS Loan Program, thereby increasing the school options for students.

Additionally, the proposed addition of a reference to the Servicemembers Civil Relief Act, as well as the expansion of acceptable documents that can be used to prove military services, are intended to simplify the process for servicemembers to request relief in repaying NJCLASS loan Program loans.

The amendments also positively impact borrowers by providing more transparency to loan disclosure documents and providing a lower minimum payment for borrowers who select an interest only repayment option while in school. The amendments to the Consolidation Loan Program protect borrowers from large balloon payments by limiting the forbearance period and from higher interest rates by not allowing a consolidation loan to be reconsolidated at a higher rate.

The amendment to the definition of total and permanent disability has a positive impact on all future borrowers. By ensuring that creditworthy borrowers who retain the ability to repay the loan remain obligated, default rates remain low. Low default rates mean better assumptions from rating agencies, which in turn lead to lower interest rates on the loans.

The proposed amendments provide further clarification of the policies and procedures governing the NJCLASS Program in the Authority's efforts to continue to improve efficiency and service.

#### **Economic Impact**

The proposed amendments implement changes to the State supplemental student loan program, which makes postsecondary education accessible and affordable to thousands of New Jersey students and families. For the State's NJCLASS Loan Program, more than \$200 million was made available last year alone by the Authority in affordable NJCLASS loans. The entire cost of the program is self-generated through bond financing of NJCLASS loans. The NJCLASS Program offers one of the lowest fixed-rate supplemental loans in the nation. It is anticipated that the amendments will allow the Authority to keep interest rates as low as possible, and will continue the low rate of borrowers defaulting on their NJCLASS loans.

Specifically, the amendments provide that application, administrative fees, and servicing fees are not mandatory, allowing the Authority the flexibility to not charge these fees to borrowers when the bond indentures determine that they are not necessary. The amendments also provide economic relief to borrowers by lowering the mandatory minimum payments for loans in the interest only repayment option. Servicemembers receive even greater relief through lower interest rates provided by the Servicemembers Civil Relief Act.

The amendments to the Consolidation Loan Program protect borrowers from large balloon payments by limiting the forbearance period and from higher interest rates by not allowing a consolidation loan to be reconsolidated at a higher rate.

The amendment to the definition of total and permanent disability allows the Authority to keep interest rates on the NJCLASS Loan Program loans low. By ensuring that creditworthy borrowers who retain the ability to repay the loan remain obligated, default rates remain low. Low default rates mean better assumptions from rating agencies, which in turn lead to lower interest rates on the loans.

#### Federal Standards Statement

A Federal standards analysis is not required because the subject matter of this State student loan program is not subject to any Federal requirements or standards except for the standards for tax-exempt bonds, section 144(b) of the Federal Internal Revenue Code. NJCLASS loans funded by tax-exempt bonds are intended to qualify under the standards of section 144(b) of the Federal Internal Revenue Code, and do not exceed the standards of that section.

#### Jobs Impact

Because the NJCLASS Program administered by the Authority makes postsecondary education accessible to thousands of New Jersey students and their families, it promotes access to one of the keys to economic development: higher education. Programs so significant to the financing of a college-trained New Jersey workforce can only be expected to add to the job opportunities in this State. It is not anticipated that the proposed amendments to these rules will result in the generation or loss of jobs.

#### Agriculture Industry Impact

The proposed amendments will have no impact on the agriculture industry.

#### Regulatory Flexibility Statement

A regulatory flexibility analysis is not required because the proposed amendments to the NJCLASS Program do not impose reporting, recordkeeping, or other compliance requirements on small businesses as defined by the Regulatory Flexibility Act, N.J.S.A. 52:14B-16 et seq. The Authority does not anticipate that any educational institution participating in this program would be covered by the definition of a small business because these entities have over 100 full-time employees. Additionally, NJCLASS loan applicants are not covered by the definition because they are individuals, not businesses.

#### Housing Affordability Impact Analysis

The proposed amendments will have an insignificant impact on affordable housing in New Jersey. There is an extreme unlikelihood that the amendments would evoke a change in the average costs associated with housing because the proposed amendments concern student loans, which have no impact on housing.

#### Smart Growth Development Impact Analysis

The proposed amendments will have an insignificant impact on smart growth and there is an extreme unlikelihood that the amendments would evoke a change in housing production in Planning Areas 1 or 2, or within designated centers, under the State Development and Redevelopment Plan in New Jersey. The proposed amendments concern student loans, which have no impact on housing.

**Full text** of the proposal follows (additions indicated in boldface **thus**; deletions indicated in brackets [thus]):

#### SUBCHAPTER 6. THE NEW JERSEY COLLEGE LOANS TO ASSIST STATE STUDENTS (NJCLASS) PROGRAM: POLICIES AND PROCEDURES

##### 9A:10-6.3 Definitions

(a) The following words and terms, when used in this subchapter, shall have the following meanings, unless the context clearly indicates otherwise:

...  
 "Cohort default rate" means the percentage of Federal Family Education Loan Program (FFELP) and William D. Ford Federal Direct Loan Program (Direct Loan) borrowers who default [before] **by the end of the second** Federal fiscal year following the Federal fiscal year in which they entered repayment on their loans, unless otherwise defined by the United States Department of Education. The United States Department of Education calculates this rate annually to determine the default experience of students who attended a particular school during a particular period of time.

"Commission" or "CHE" means the [Commission on] **Office of the Secretary of Higher Education**, a State higher education policy-making agency presided over by [a governing board, whose chairman] **the Secretary of Higher Education who** is a member, ex-officio, of the

Authority. The Commission's statutory responsibilities include final administrative decisions over institutional licensure and university status in this State.

["Consolidation loan" means a new NJCLASS loan that discharges previous NJCLASS loans. NJCLASS loan consolidation enables a borrower with several loans to obtain one loan with one repayment schedule, and one interest rate.]

...  
 "Delinquency" means a payment on an NJCLASS **Loan Program loan or Consolidation Loan** made late. Delinquency begins the first day after the due date of the first missed payment that is not later made. The due date of the first payment is established by the Authority.

"Eligible institution" means a public or private nonprofit institution eligible for Title IV, Higher Education Act of 1965 assistance, approved or licensed by the New Jersey Commission on Higher Education or its equivalent in another state or country and accredited by a nationally recognized accrediting association and having an annual cohort default rate of [20] **25** percent or less. Eligible institution shall also include proprietary institutions eligible for Title IV, Higher Education Act of 1965 assistance and having an annual cohort default rate of [20] **25** percent or less. An eligible institution for purposes of the [NJCLASS Variable Rate Program or the] NJCLASS Graduate/Professional Students Program shall have a lower cohort default rate threshold, as set forth in N.J.A.C. 9A:10-6.4(c)2. Eligible institution for purposes of the NJCLASS Postgraduate Program means an American Bar Association approved law school, a graduate medical school accredited by the Liaison Committee on Medical Education, the American Osteopathic Association[,] or the U.S. Department of Education's National Committee on Foreign Medical Education and Accreditation (NCFMEA), or a graduate dental school accredited by either the American Dental Association or the Commission on Dental Accreditation of Canada.

"Fixed rate" means a **predetermined interest rate percentage that is set at the origination of the loan. NJCLASS Loan Program Loan rates are determined by the bond indentures and may include a step-up to the percentage charged after a predetermined number of months.**

...  
 ["NJCLASS" means the New Jersey College Loans to Assist State Students Loan Program.]

"NJCLASS Consolidation Loan" means a new NJCLASS loan that discharges previous NJCLASS Loan Program loans. NJCLASS loan consolidation enables a borrower with several loans to obtain one loan with one repayment schedule and one interest rate.

"NJCLASS Graduate/Professional Students Program" means an NJCLASS program targeted for graduate and professional students, [whose loans are disbursed on or after June 1, 2006,] with eligibility requirements specially tailored for such students, as set forth in N.J.A.C. 9A:10-6.4(c). The provisions governing **Standard** NJCLASS loans in this subchapter shall apply to NJCLASS Graduate/Professional Students loans unless this subchapter otherwise provides.

"NJCLASS Loan Program" means the **New Jersey College Loans to Assist State Students Loan Program and encompasses all loans offered under the NJCLASS name except for the NJCLASS Consolidation Loan.**

"NJCLASS Postgraduate Program" means an NJCLASS program for law, medical, and dental students intended to assist with higher education costs incident to the cost of attendance, such as bar examination and medical and dental residency travel and relocation expenses. The provisions governing **Standard** NJCLASS loans in this subchapter shall apply to NJCLASS Postgraduate loans, unless this subchapter otherwise provides. The Authority may offer the NJCLASS Postgraduate Program subject to the availability of funding and conditioned on market demand.

["NJCLASS Variable Rate Program" means an NJCLASS program targeted for graduate and professional students, whose loans were disbursed prior to June 1, 2006, with eligibility requirements specially tailored for such students, as set forth in N.J.A.C. 9A:10-6.4(c). The provisions governing NJCLASS loans in this subchapter shall apply to NJCLASS Variable Rate loans unless this subchapter otherwise provides.]

“Rehabilitation” (of a defaulted NJCLASS loan) means a process by which a borrower may bring an NJCLASS **Loan Program** loan or an **NJCLASS Consolidation Loan** out of default by adhering to specified repayment requirements.

“**Standard NJCLASS Loan**” means the primary loan offered by the Authority, which is offered to both graduate and undergraduate students.

“**Temporarily totally disabled**” means that an individual is unable to work and earn money or attend school during a period needed to recover from injury or illness.

“Totally and permanently disabled” means the condition of any individual who is unable to work and earn money or attend school because of an injury or illness that is expected to continue indefinitely or result in death. **An individual is not considered “totally and permanently disabled” if he or she continues to receive the source of income that was used to meet the minimum income requirements at the time the loan was approved.**

“**Variable rate**” means an interest rate that is reset at predetermined intervals. The adjustments are determined by a specific index as specified in the bond indentures.

(b) (No change.)

9A:10-6.4 Eligibility for the NJCLASS Loan[, NJCLASS Variable Rate Loan, NJCLASS Graduate/Professional Students Loan, NJCLASS Postgraduate Loan, and MedNJ] **Program**

(a) To be eligible for [an] a **Standard** NJCLASS loan, each applicant must:

1.-2. (No change.)

3. Provide an acceptable cosigner if it is determined by the Authority that one is required; and in the case of any Federal Family Education Loan amount, Federal Direct Loan amount, or any NJCLASS **Loan Program** loan or **Consolidation Loan** amount that previously was canceled due to the applicant’s total and permanent disability, obtain a certification from a physician that the applicant’s condition has improved and that the applicant is able to engage in substantial gainful activity and sign a statement acknowledging that the **Standard** NJCLASS loan the applicant receives cannot be canceled in the future on the basis of any impairment present when the new loan is made, unless that impairment substantially deteriorates. If the applicant is not the student, and the student had any loan amount described in this paragraph canceled due to the student’s total and permanent disability, the student on whose behalf another borrower is applying for [an] a **Standard** NJCLASS loan must obtain the physician certification as to the student’s improvement and sign the statement limiting future cancellation on the basis of the student’s present impairment; and

4. (No change.)

(b) In addition to all of the requirements in (a) above, a student applicant or a student on whose behalf the parent is applying for [an] a **Standard** NJCLASS loan shall:

1.-5. (No change.)

6. If applying for [an] a **Standard** NJCLASS loan financed in whole or in part by qualified student loan bonds, as described in section 144(b) of the Federal Internal Revenue Code of 1986, as amended, 26 U.S.C. § 144(b), have met the eligibility criteria described in that section or have not violated any other criteria [which] that would result in the bonds no longer to be qualified under section 144(b) of the Federal Internal Revenue Code of 1986, as amended, 26 U.S.C. § 144(b); and

7. If applying for [an] a **Standard** NJCLASS loan not financed in whole or in part by qualified student loan bonds, as described in section 144(b) of the Federal Internal Revenue Code of 1986, as amended, 26 U.S.C. § 144(b), have met the eligibility criteria described in this subchapter.

(c) To be eligible for [a Variable Rate NJCLASS loan for student borrowers, or] an NJCLASS Graduate/Professional Students loan for student borrowers, each student must satisfy the requirements of (b)1, 3, and 6 above, as well as the following:

1. (No change.)

2. Be enrolled in an eligible institution for purposes of this program, which shall mean an eligible institution of higher education under Title

IV, Higher Education Act of 1965 and accredited by a nationally recognized accrediting association that is licensed by the New Jersey Commission on Higher Education or its equivalent in another state or country with a [three year average] cohort default rate of [10] **15** percent or less;

3.-5. (No change.)

(d)-(e) (No change.)

9A:10-6.5 NJCLASS creditworthiness

(a) To be approved for an NJCLASS **Loan Program** loan, a borrower must be determined creditworthy by the Authority.

(b) (No change.)

(c) To be approved for a [fixed rate] **Standard** NJCLASS loan, a creditworthy borrower or cosigner must have documentable annual income that exceeds Federal poverty guidelines, as adjusted annually by the United States Department of Health and Human Services. The amount by which income must exceed Federal poverty guidelines is determined by the bonds or notes whose proceeds are funding the loan.

(d) A borrower or cosigner with one or more of the items listed below in his or her credit history may be denied [an] a **Standard** NJCLASS loan for not being creditworthy. These items include delinquent accounts, paid and unpaid collection accounts, paid and unpaid charged off accounts, foreclosure, repossession, bankruptcy, or a paid or unpaid judgment.

(e) Borrowers who do not meet the income and credit requirements may [be reconsidered] **reapply** with an eligible cosigner who does meet the requirements of this section.

9A:10-6.6 Loan amounts

[(a) If the NJCLASS loan is financed in whole or in part by qualified student loan bonds, as described in section 144(b) of the Federal Internal Revenue Code of 1986, as amended, 26 U.S.C. § 144(b), the] **The** amount borrowed for an **NJCLASS Loan Program** loan shall not exceed a student’s estimated cost of attendance at the eligible institution minus all other financial assistance for which the student is eligible [(excluding any financial assistance which would not cause the bonds to fail to qualify under section 144(b) of the Federal Internal Revenue Code)] for the academic period for which the loan is intended. This means that an eligible institution shall determine a student borrower’s loan amount eligibility for Federal Direct Stafford loans prior to determining a student borrower’s loan amount eligibility for an **NJCLASS Loan Program** loan. This eligibility determination excludes eligibility for Federal Direct PLUS loans.

[(b) If the NJCLASS loan is not financed in whole or in part by qualified student loan bonds, the amount borrowed may not exceed a student’s estimated cost of attendance at the eligible institution minus all other financial assistance for which the student is eligible for the academic period for which the loan is intended. This means that an eligible institution shall determine a student borrower’s loan amount eligibility for Federal Direct Stafford loans prior to determining a student borrower’s loan amount eligibility for an NJCLASS loan. This eligibility determination excludes eligibility for Federal Direct PLUS loans.]

9A:10-6.7 Application procedures, disbursement, and students who transfer

(a) To borrow under the **NJCLASS Loan Program**, the process shall be as follows:

1. (No change.)

2. The Authority shall notify the eligible institution the student attends or plans to attend that the student qualifies for a loan pending certification and request the school to certify the student’s eligibility for an **NJCLASS Loan Program** loan.

(b)-(c) (No change.)

(d) The method of disbursement is determined by an eligible institution. Loan proceeds may be disbursed by individual check, master check, or by electronic means, such as Electronic Funds Transfer (EFT). Funds disbursed by individual check to a student borrower shall be made jointly payable to the student and the eligible institution, sent directly to the school and may be multiply disbursed. Funds disbursed by individual check to a parent borrower shall be made payable to the parent borrower and may be multiply disbursed. If the Authority issues an individual

NJCLASS [loan] **Loan Program** check, and the student is enrolled in a study-abroad program approved for credit and if the student requests, the loan check may be made payable to the student only.

(e) An NJCLASS **Loan Program** loan may be used only to cover the educational costs of attendance at the school that completes the school certification form providing school data. NJCLASS Postgraduate loans may be used to cover the educational expenses incident to the educational costs of attendance at the school that completes the school certification form providing school data. The school must return to the Authority any refund of NJCLASS proceeds resulting from a student's withdrawal, after satisfying any outstanding accounts receivable. If a student transfers between schools at any time, neither the student nor the parent borrower are eligible to receive proceeds from an application and promissory note for which the school certification form was completed by the previous school. If a student transfers from one school to another before a loan is fully disbursed, the student or parent borrower is not eligible for any remaining disbursements of that loan, and the student or parent borrower must notify the Authority to cancel the loan or the balance of any undisbursed portion of the loan. The student or parent borrower may submit a second application and promissory note with new cost of attendance and estimated financial assistance figures certified by the new school.

#### 9A:10-6.8 Fees

(a) [A] **As determined by the bonds or notes whose proceeds are funding the loan or by the NJCLASS Application and Promissory Note if the loan is funded through other means, a recipient of an NJCLASS Loan Program loan [shall] may be required to pay an application and an administrative fee to the Authority, which combined shall not exceed five percent of the total approved loan amount.**

1.-2. (No change.)

(b) A recipient of an NJCLASS **Loan Program** loan may be required to pay [an administrative] **a servicing fee** [for servicing of the NJCLASS loan] if provided by the promissory note.

#### 9A:10-6.9 Interest

(a) The NJCLASS **Loan Program** loan shall have a daily fixed simple annual interest rate, a variable interest rate, or another type of interest rate, as determined by the bonds or notes whose proceeds are funding the loan or by the NJCLASS Application and Promissory Note if the loan is funded through other means. For NJCLASS **Loan Program** loans funded through bonds, the NJCLASS **Loan Program** interest rate will be a pass through rate of the bond interest rate, associated costs of sale, and such other costs or reserves which may be required, and/or determined as the bonds are issued.

(b) Interest on an NJCLASS **Loan Program** loan shall begin to accrue at the time of the first loan disbursement.

#### 9A:10-6.10 Late charge

The Authority may collect a late charge from the borrower if the borrower fails to pay all or part of the required payment of an NJCLASS **Loan Program** loan within 10 days of the date the payment is due. The late charge may not exceed six percent of each late payment.

#### 9A:10-6.11 Repayment of loan

(a) The Authority shall provide the borrower and cosigner, if any, with a Pre-Disbursement Disclosure Statement detailing **expected monthly payment amounts** and due dates of required payments at least three days prior to the first loan disbursement.

(b) There are three **primary** repayment options for NJCLASS **Loan Program** loans. [Eligibility] **The details and eligibility criteria** for each specific option **and their variations** may be restricted by the bond indentures. Borrowers shall indicate preferred repayment options while applying for an NJCLASS **Loan Program** loan. Applications cannot be processed until a repayment option is selected. The Authority shall make best efforts, based on available funding, to offer borrowers the repayment option selected. If the selected option is unavailable the loan offer will include the most similar available repayment option. [In exchange for the option of deferring both principal and interest or principal only, borrowers in the repayment schedule set forth in (b)2 and 3 below may be required to pay an increase over the regular interest rate in effect at the time of borrowing. In exchange for a shortened term for repayment,

borrowers in the repayment schedule set forth in (b)1 below may receive a decrease from the regular interest rate in effect at the time of borrowing.] The [regular] interest rate is established by the Authority pursuant to N.J.A.C. 9A:10-6.9(a). [The interest rate differentials do not apply to NJCLASS variable interest rate loans.] The three **primary** repayment options for an NJCLASS loan are as follows:

1.-2. (No change.)

3. Borrowers are not required to pay principal or interest until graduation, withdrawal, or notification of less than half-time enrollment of the student on whose behalf the loan was obtained. Once one of these circumstances occurs, the loan reverts to a repayment schedule as set forth in (b)1 above. However, interest accrued from the date of loan disbursement is deferred and capitalized (added to principal) on [a quarterly basis for loans originated before June 9, 1997, and on] an annual basis [for loans originated on or after June 9, 1997], **or more frequently as determined by the bond indentures.** The first monthly payment of principal and interest shall be required within 60 days after the reversion date.

(c) In the case of an NJCLASS Postgraduate loan, borrowers may pay, but are not required to pay, principal or interest until the end of the deferment period. After the end of the deferment period, the loan reverts to a repayment schedule as set forth in (b)1 above. Interest accrued from the date of loan disbursement is deferred and capitalized on an annual basis and at the end of the deferment period. The deferment period for an NJCLASS Postgraduate loan means the period beginning on the initial disbursement date and ending on:

1. If the NJCLASS **Postgraduate** loan is for medical or dental residency travel and relocation expenses, the date that is nine months after the date of graduation, withdrawal, or notification of less than half-time enrollment at the eligible institution named in the NJCLASS Application and Promissory Note unless on such date the borrower is participating in a required residency or postdoctoral program, in which event the deferment period will end on the date that is nine months after the date the borrower completes or otherwise ceases to participate in such program. In no event shall the deferment period end later than 57 months after the date the borrower graduates from medical school or 33 months after the date the borrower graduates from dental school. To be considered participating in a required residency or postdoctoral program during any one-year period requires that the borrower submit to the Authority a certification from the director of such program for such year; or

2. If the NJCLASS **Postgraduate** loan is for bar examination expenses, the date is nine months after the eligible institution indicated to be the borrower's anticipated or actual graduation date on the NJCLASS application.

(d) (No change.)

(e) For loans made after August 3, 1998, the minimum acceptable monthly payment shall be the amount required to fully repay an NJCLASS **Loan Program** loan in the maximum repayment period; however, the minimum acceptable monthly payment of principal and interest shall not be less than \$50.00 per borrower for all of that borrower's NJCLASS **Loan Program** loans. **The minimum acceptable monthly payment for borrowers in an interest only repayment status shall not be less than \$10.00 per loan.**

(f) Notwithstanding any periods of deferment and/or forbearance, NJCLASS **Loan Program** loans shall be paid in full within the amount of years from the date of first disbursement as specified in the NJCLASS Application, Promissory Note, and disclosures. The amount of years in which a loan is to be repaid is determined by the bonds or notes whose proceeds are funding the loan.

(g) (No change.)

**(h) Borrowers seeking relief under the Servicemembers Civil Relief Act, 50 U.S.C. §§ 501 et seq., must submit a request to the Authority in the manner prescribed by 50 U.S.C. § 527(b)(1).**

#### 9A:10-6.12 Deferments and forbearance

(a) Under certain conditions, borrowers shall be permitted to defer payments of interest and/or loan principal for specified periods of time. Some deferments may only be granted if both the borrower and co-borrower qualify for the deferment. During periods of authorized

deferment, borrowers remain responsible for the payment of the interest accruing on their loan(s). The following are available NJCLASS Loan Program deferments and their requirements:

1. (No change.)
2. Unemployment[.];
  - i.-iii. (No change.)
  - iv. In order to remain eligible for the deferment, the borrower shall not restrict his or her search to specific fields, positions, or salaries[.];
3. Service as an intern or resident[.];
  - i.-ii. (No change.)
  - iii. Borrower shall provide certification from the organization with which the internship or residency is being undertaken, which specifies:
    - (1) (No change.)
    - (2) Anticipated beginning and completion dates of the program[.];
  4. Active duty status in the Armed Forces[.];
    - i. The borrower shall provide [a statement from his or her commanding officer] **documentation** attesting to full-time active duty status. **Acceptable documentation includes, but is not limited to, a copy of military orders or leave and earning statements. Borrowers shall notify the Authority upon release from active duty;**
5. Peace Corps[.];
  - i. To qualify for this deferment, a borrower shall submit a request and provide the Authority with a statement from an official of the Peace Corps program certifying:
    - (1)-(2) (No change.)
    - (3) The date on which the borrower's service is expected to end[.];
- and**
6. Temporary total disability[.];
  - i. (No change.)
  - [ii. Temporarily totally disabled means that an individual is unable to work and earn money or attend school during a period needed to recover from injury or illness.]
  - (b) The deferment begins on the date the borrower's qualifying status is certified to begin and ends on the date the borrower's qualifying status is certified to end. Maximum allowable time periods for all deferments except full-time and half-time study at an eligible institution shall not exceed six months for loans with a 10-year repayment term, 18 months for loans with a 15-year repayment term, 24 months for loans with a 20-year repayment term, 30 months for loans with a 25-year repayment term, and 36 months for loans with a 30-year repayment term for an unemployment deferment, and for each of the remaining deferments, as established by the Authority. **Full-time and half-time study deferments are not available within 24 months of the loan maturity date.** Deferments for NJCLASS Loan Program loans with a 10-year repayment term are limited to unemployment deferments.
- (c) (No change.)

(d) The Authority may also, at its discretion, grant borrowers periods of forbearance in the repayment of the NJCLASS Loan Program loan(s). Forbearance will only be granted if both the borrower and co-borrower qualify for the forbearance pursuant to 34 CFR 682.211(a)(3). Forbearance may be granted for situations including, but not limited to, economic hardship (as these terms are defined for the FFEL Program, 34 CFR part 682). The maximum allowable time period for economic hardship forbearance shall not exceed six months for loans with a 10-year repayment term, 18 months for loans with a 15-year repayment term, 24 months for loans with a 20-year repayment term, 30 months for loans with a 25-year repayment term, and 36 months for loans with a 30-year repayment term. In granting a forbearance, the Authority permits a temporary cessation of principal payments and temporarily permits payments of interest only, or a temporary cessation of both principal and interest payments. Interest continues to accrue during all forbearance periods.

#### 9A:10-6.13 Consolidation Loan Program

(a) Subject to the availability of funds, the Authority offers an NJCLASS Consolidation Loan Program for the purpose of permitting existing NJCLASS borrowers and/or co-borrowers to consolidate their existing NJCLASS Loan Program loans into a single [fixed rate] NJCLASS Consolidation [loan] Loan. The purpose of the NJCLASS Consolidation Loan Program is to provide borrowers with high

NJCLASS Loan Program debt an extended repayment term, which provides for lower monthly payments.

- (b) (No change.)
- (c) Only NJCLASS Loan Program loans in monthly repayment of principal and interest are eligible for consolidation into an NJCLASS Consolidation [loan] Loan. **Existing NJCLASS consolidation loans are not eligible to be consolidated.** The student for whom the underlying NJCLASS Loan Program loan was obtained shall no longer be enrolled in school. He or she shall have graduated or withdrawn.
- (d) To be eligible for an NJCLASS Consolidation [loan] Loan, the NJCLASS borrower and/or co-borrower shall:
  - 1.-3. (No change.)
  4. In the case of any Federal Family Education Loan amount, Federal Direct Loan amount, or any NJCLASS [loan] Loan Program or Consolidation Loan amount that previously was canceled due to the borrower's total and permanent disability, obtain a certification from a physician that the borrower's condition has improved and that the borrower is able to engage in substantial gainful employment and sign a statement acknowledging that the NJCLASS Consolidation [loan] Loan that the borrower receives cannot be canceled in the future on the basis of any impairment present when the new loan is made, unless that impairment substantially deteriorates; and

5. (No change.)

(e)-(f) (No change.)

(g) NJCLASS Consolidation [loan] Loan borrowers and/or co-borrowers may be permitted to add additional eligible NJCLASS Loan Program loans to an existing NJCLASS Consolidation [loan] Loan provided sufficient funding is available and the origination period has not expired.

(h) The process to borrow under the NJCLASS Consolidation Loan Program shall be as follows:

- 1.-2. (No change.)
3. The NJCLASS Consolidation [loan] Loan amount will be calculated based upon the sum of the outstanding principal and interest balance of each underlying NJCLASS Loan Program loan being consolidated and the NJCLASS Consolidation [loan] Loan application/administrative fee, as specified in (i) below, will be charged to the borrower.
4. (No change.)
5. Consolidation loan proceeds will be applied to satisfy the outstanding NJCLASS Loan Program loans included in the consolidation. No proceeds will be issued to the borrower. Any adjustment amount will be applied to the outstanding principal balance of the new NJCLASS Consolidation [loan] Loan.

(i) NJCLASS Consolidation [loan] Loan borrowers and/or co-borrowers will be required to pay a one percent application/administrative fee. This fee will be added to the sum of the outstanding principal and interest balance of each underlying NJCLASS Loan Program loan being consolidated at the time of approval. **In addition, borrowers and/or co-borrowers may be required to pay a servicing fee for the NJCLASS Consolidation Loan if provided for by the promissory note.**

(j) The interest rate on the NJCLASS Consolidation [loan] Loan will be a fixed rate based upon the weighted average interest rate of all the underlying NJCLASS Loan Program loans being consolidated plus 25 basis points. The interest rate of the underlying NJCLASS Loan Program loan is calculated using a blending of the applicable initial and step-up interest rates disclosed to the borrower. If the interest rate of the underlying NJCLASS Loan Program loan currently reflects the step-up interest rate, the step-up interest rate will be used solely in the calculation. If a variable rate NJCLASS Loan Program loan or an NJCLASS Loan Program loan with a 10-year repayment term is being included in the NJCLASS [consolidation] Consolidation Loan, the rate used in the weighted average calculation will be the equivalent 15- or 20-year fixed rate interest rate for the immediate repayment of principal and interest in effect at the time of disbursement of the underlying NJCLASS Loan Program loan. Interest on an NJCLASS Consolidation [loan] Loan will begin to accrue at the time of the loan disbursement.

(k)-(l) (No change.)

(m) The Authority may also, at its discretion, grant borrowers periods of forbearance in the repayment of the NJCLASS Consolidation [loan(s)]

**Loan(s).** Forbearance will only be granted if both the borrower and co-borrower qualify for the forbearance pursuant to 34 CFR 682.211(a)(3). Forbearance may be granted for situations including, but not limited to, economic hardship (as these terms are defined for the FFEL Program, 34 CFR Part 682). During periods of forbearance, the NJCLASS Consolidation [loan] **Loan** will revert to quarterly or monthly payments of interest only. **The maximum allowable time period for economic hardship forbearance set forth in N.J.A.C. 9A:10-6.12(d) pertains to NJCLASS Consolidation Loans.**

(n) NJCLASS [loan] **Loan Program** provisions, which pertain to delinquency, set forth in N.J.A.C. 9A:10-6.14; credit bureau reporting, set forth in N.J.A.C. 9A:10-6.15; default and consequences of default, set forth in N.J.A.C. 9A:10-6.16; discharge, set forth in N.J.A.C. 9A:10-6.17; and rehabilitation, set forth in N.J.A.C. 9A:10-6.18, shall be in effect for this Program.

#### 9A:10-6.14 Delinquency

(a) In keeping with the Authority's goals of default prevention in the NJCLASS **Loan Program**, the Authority may perform a series of default prevention activities beginning when an NJCLASS **Loan Program** loan is 10 days delinquent.

(b)-(c) (No change.)

#### 9A:10-6.15 Credit bureau reporting

The Authority shall report the status of all NJCLASS **Loan Program** loans and **Consolidation Loans**, for borrowers and cosigners, in the NJCLASS portfolio to a national credit bureau each month.

#### 9A:10-6.17 Discharge

(a) Rules governing the discharge of loans based on filing for relief in bankruptcy, and discharge of loans due to death or total and permanent disability are set forth in this section. If an NJCLASS **Loan Program** loan was obtained by two borrowers as co-makers or by a borrower and one or more cosigners, and only one of the borrowers dies, becomes totally and permanently disabled, has collection of his or her loan obligation stayed by a bankruptcy filing, or has that obligation discharged in bankruptcy, the other borrower or cosigner remains obligated to repay the loan, beginning with NJCLASS **Loan Program** loans using promissory notes dated 1994 or later.

(b) (No change.)

(c) If the Authority determines that an individual borrower is totally and permanently disabled, the obligation of the borrower to make any further payments on the loan is discharged. A borrower is not considered totally and permanently disabled on the basis of a condition that existed at the time he or she applied for the loan, unless the borrower's condition has substantially deteriorated later, so as to render the borrower totally and permanently disabled. **A borrower is not considered totally and permanently disabled if he or she continues to receive the source of income that was used to meet the minimum income requirements at the time the loan was approved.** After being notified by the borrower, or the borrower's representative, that the borrower claims to be totally and permanently disabled, the Authority shall request that the borrower, or the borrower's representative, submit the discharge application provided by the Authority. The application must contain a certification by a physician, who is a doctor of medicine or osteopathy and legally authorized to practice in a state, that the borrower is totally and permanently disabled as defined in N.J.A.C. 9A:10-6.3.

(d) (No change.)

#### 9A:10-6.18 Rehabilitation

(a) Effective no earlier than June 1, 1999, the Authority may offer a rehabilitation program for NJCLASS **Loan Program** loans and **NJCLASS Consolidation Loans**. If the Authority offers a rehabilitation program for [NJCLASS] **these** loans, the Authority shall notify [NJCLASS] borrowers of the availability of this program. In the event the Authority offers a rehabilitation program for NJCLASS **Loan Program** loans or **NJCLASS Consolidation Loans**, [an NJCLASS] a borrower who has defaulted on an NJCLASS **Loan Program** loan or **NJCLASS Consolidation Loan** is permitted to rehabilitate the loan with an enforceable promissory note and remove that loan from default status, provided the borrower satisfies the requirements of (c) below. A defaulted [NJCLASS] loan may be rehabilitated only once.

(b) An NJCLASS **Loan Program** loan or **NJCLASS Consolidation Loan** is considered to be rehabilitated only after the borrower has made one voluntary full payment each month and the payment is received by the Authority within 15 days of the scheduled due date for 12 consecutive months, with no deferments or forbearances permitted during the [12 month] **12-month** period.

(c) An NJCLASS borrower may request the rehabilitation of the borrower's defaulted NJCLASS **Loan Program** loan or **NJCLASS Consolidation Loan** held by the Authority. The borrower shall make one voluntary full payment each month for 12 consecutive months to be eligible to have the defaulted loans rehabilitated. For purposes of this section, "full payment" means the minimum acceptable monthly payment as defined in N.J.A.C. 9A:10-6.11(d). "Voluntary payments" are those made directly by the borrower regardless of whether there is a judgment against the borrower, and do not include payments obtained by income tax offset, garnishment, or income or asset execution.

(d) The maximum repayment period for a rehabilitated NJCLASS **Loan Program** loan or **NJCLASS Consolidation Loan** shall be the same as that of the [NJCLASS] loan prior to default. A borrower who wishes to rehabilitate a loan on which a judgment has been entered must sign a new promissory note. The maximum repayment period of the new promissory note shall be the same as that of the NJCLASS **Loan Program** loan or **NJCLASS Consolidation Loan** prior to default. Once an NJCLASS **Loan Program** loan or **NJCLASS Consolidation Loan** subject to a judgment has been rehabilitated, the Authority shall have the judgment marked satisfied.

(e) (No change.)

(f) The Authority may elect to hold the rehabilitated loan directly, or transfer the loan to another lender, including, but not limited to, the trustee of the trust estate held for the benefit of NJCLASS **Loan Program** and **NJCLASS Consolidation Loan** bondholders.

#### 9A:10-6.19 Authority enforcement requirements for schools participating in the NJCLASS **Loan Program**

(a) To assess the administrative and financial capability of a school participating in the NJCLASS **Loan Program**, the Authority may expand the scope of either [a] an FFEL Program review or a State scholarship and Tuition Aid Grant management review to cover the NJCLASS **Loan Program**.

(b)-(c) (No change.)

(d) The program review follow up procedures set forth in N.J.A.C. 9A:10-1.18(g) shall apply to NJCLASS **Loan Program** reviews, with the exception of notifications to the United States Department of Education and Federal limitation, suspension, or termination actions.

(a)

## EDUCATIONAL OPPORTUNITY FUND

### Undergraduate EOF Academic and Financial Eligibility; Graduate EOF Financial Eligibility Grant Amounts

#### Proposed Amendments: N.J.A.C. 9A:11-2.6 and 3.4

Authorized By: Educational Opportunity Fund Board of Directors, Audrey Bennerson, EOF Statewide Director.

Authority: N.J.S.A. 18A:71-28 et seq., and 18A:71-33 through 36; and Executive Reorganization Plan 005-2011.

Calendar Reference: See Summary below for explanation of exception to calendar requirement.

Proposal Number: PRN 2014-090.

Submit written comments by August 15, 2014, to:

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