

## CHAPTER 10

## STUDENT LOAN AND COLLEGE SAVINGS PROGRAMS

## Authority

N.J.S.A. 18A:71A-1 et seq., 18A:71B-35 through 46, 18A:71B-96, 18A:71C-1 through 31, and 18A:71C-49; and 20 U.S.C. §§1071 et seq.

## Source and Effective Date

R.2009 d.180, effective May 1, 2009.  
See: 40 N.J.R. 6721(b), 41 N.J.R. 2261(a).

## Chapter Expiration Date

Chapter 10, Student Loan and College Savings Programs, expires on May 1, 2014.

## Chapter Historical Note

Subchapter 7, Policy Governing New Jersey Better Educational Savings Trust (NJBEST) Program, was originally adopted as N.J.A.C. 9:9-8 by R.1998 d.4, effective January 5, 1998. See: 29 N.J.R. 4372(a), 30 N.J.R. 68(a).

Pursuant to Executive Order No. 66(1978), N.J.A.C. 9:9-8 was re-adopted by R.1998 d.385, effective June 30, 1998, and was recodified as N.J.A.C. 9A:10-7, Policy Governing New Jersey Better Educational Savings Trust (NJBEST) Program, effective August 3, 1998. See: 30 N.J.R. 1707(a), 30 N.J.R. 2908(a).

Chapter 10, Student Loan and College Savings Programs, was adopted as R.1998 d.385, effective August 3, 1998. See: 30 N.J.R. 1707(a), 30 N.J.R. 2908(a).

Subchapter 1, Roles and Relationship of NJHEAA and NJOSA, was repealed and Subchapter 1, Federal Family Education Loan Program: Policies and Procedures, was recodified from N.J.A.C. 9A:10-2 and Subchapter 2, Federal Family Education Loan Program: Policies and Procedures, was recodified as N.J.A.C. 9A:10-1 by R.2000 d.92, effective March 6, 2000. See: 31 N.J.R. 3900(a), 32 N.J.R. 805(a).

Chapter 10, Student Loan and College Savings Programs, was re-adopted as R.2003 d.465, effective November 3, 2003. See: 35 N.J.R. 2770(b), 35 N.J.R. 5415(b).

Subchapter 2, Social Services Student Loan Redemption Program, was adopted as new rules by R.2006 d.116, effective March 20, 2006. See: 37 N.J.R. 4500(a), 38 N.J.R. 1453(a).

Subchapter 3, OB/GYN Student Loan Expense Reimbursement Program, was adopted as new rules by R.2006 d.251, effective July 3, 2006. See: 38 N.J.R. 1368(a), 38 N.J.R. 2801(a).

Chapter 10, Student Loan and College Savings Programs, was re-adopted as R.2009 d.180, effective May 1, 2009. See: Source and Effective Date. See, also, section annotations.

## CHAPTER TABLE OF CONTENTS

## SUBCHAPTER 1. FEDERAL FAMILY EDUCATION LOAN PROGRAM: POLICIES AND PROCEDURES

- 9A:10-1.1 Purpose
- 9A:10-1.2 Scope; Federal rules and statutes incorporated by reference
- 9A:10-1.3 Definitions
- 9A:10-1.4 Role of the Authority as guaranty agency
- 9A:10-1.5 Authority as lender and secondary market
- 9A:10-1.6 Types of FFELP loans
- 9A:10-1.7 Lender participation and lender of last resort
- 9A:10-1.8 School participation

- 9A:10-1.9 Borrower eligibility and loan certification
- 9A:10-1.10 Permissible charges by lenders to borrowers
- 9A:10-1.11 Guarantee and disbursement
- 9A:10-1.12 Loan servicing
- 9A:10-1.13 Delinquency and default prevention
- 9A:10-1.14 Default consequences and collection policies and procedures
- 9A:10-1.15 Beyond default: rehabilitation and reinstatement
- 9A:10-1.16 Loan transfer, refinance, and consolidation
- 9A:10-1.17 School and lender training and other services
- 9A:10-1.18 Authority guaranty agency enforcement requirements: program reviews

## SUBCHAPTER 2. SOCIAL SERVICES STUDENT LOAN REDEMPTION PROGRAM

- 9A:10-2.1 Purpose and scope
- 9A:10-2.2 Definitions
- 9A:10-2.3 Listings of qualified facilities and filling qualified positions
- 9A:10-2.4 Eligibility requirements for program participation
- 9A:10-2.5 Application procedures
- 9A:10-2.6 Terms for loan redemption
- 9A:10-2.7 Exclusion from New Jersey gross income for tax purposes
- 9A:10-2.8 Termination or suspension of the participant's employment service obligation and cancellation of the loan redemption contract by the Authority
- 9A:10-2.9 Cancellation of the loan redemption contract by the program participant
- 9A:10-2.10 Allocation of funds for redemption of loans for an approved course of study
- 9A:10-2.11 Waiting list for eligible applicants if program funds are exhausted
- 9A:10-2.12 Appeals process
- 9A:10-2.13 Program evaluation
- 9A:10-2.14 Reversion of participant's encumbered funds

## SUBCHAPTER 3. OB/GYN STUDENT LOAN EXPENSE REIMBURSEMENT PROGRAM

- 9A:10-3.1 Purpose and scope
- 9A:10-3.2 Definitions
- 9A:10-3.3 Listings of qualified obstetrician/gynecologists and State-designated underserved areas
- 9A:10-3.4 Eligibility requirements for program participation
- 9A:10-3.5 Application procedures
- 9A:10-3.6 Terms for loan reimbursement
- 9A:10-3.7 Termination or suspension of the participant's employment service obligation and repayment of the student loan expense reimbursement
- 9A:10-3.8 Cancellation of the loan reimbursement contract by the program participant
- 9A:10-3.9 Appeals process

## SUBCHAPTERS 4 THROUGH 5. (RESERVED)

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

- 9A:10-6.1 Purpose
- 9A:10-6.2 Scope
- 9A:10-6.3 Definitions
- 9A:10-6.4 Eligibility for NJCLASS Loan, NJCLASS Variable Rate Loan, NJCLASS Graduate/Professional Students Loan, and NJCLASS Postgraduate Loan
- 9A:10-6.5 NJCLASS creditworthiness
- 9A:10-6.6 Loan amounts
- 9A:10-6.7 Application procedures, disbursement, and students who transfer
- 9A:10-6.8 Fees

- 9A:10-6.9 Interest
- 9A:10-6.10 Late charge
- 9A:10-6.11 Repayment of loan
- 9A:10-6.12 Deferrals and forbearance
- 9A:10-6.13 Consolidation Loan Program
- 9A:10-6.14 Delinquency
- 9A:10-6.15 Credit bureau reporting
- 9A:10-6.16 Default and consequences of default
- 9A:10-6.17 Discharge
- 9A:10-6.18 Rehabilitation
- 9A:10-6.19 Authority enforcement requirements for schools participating in the NJCLASS Program

**SUBCHAPTER 7. POLICY GOVERNING NEW JERSEY BETTER EDUCATIONAL SAVINGS TRUST (NJBEST) PROGRAM**

- 9A:10-7.1 Purpose
- 9A:10-7.2 Scope
- 9A:10-7.3 Definitions
- 9A:10-7.4 Procedure for opening an account
- 9A:10-7.5 Contributions
- 9A:10-7.6 Cancellations and withdrawals
- 9A:10-7.7 Procedures for changes in designated beneficiary in the New Jersey Better Educational Savings Trust (NJBEST) Program
- 9A:10-7.8 Rollover to a different qualified tuition program for the benefit of the same designated beneficiary or a new designated beneficiary
- 9A:10-7.9 Limitation on rollover to a qualified tuition program other than NJBEST
- 9A:10-7.10 Rollover to an alternative investment strategy within NJBEST
- 9A:10-7.11 Limitation on rollover within NJBEST
- 9A:10-7.12 Fees and charges
- 9A:10-7.13 Statements, reports on distributions, information returns
- 9A:10-7.14 Exclusion from New Jersey gross income
- 9A:10-7.15 Eligibility for NJBEST scholarship
- 9A:10-7.16 Amount excluded from State need-based financial aid eligibility
- 9A:10-7.17 Statement on contracts and applications
- 9A:10-7.18 Selection of investment manager
- 9A:10-7.19 Investment by private entity
- 9A:10-7.20 Certain limitations
- 9A:10-7.21 Assurance of the availability of principal

**SUBCHAPTER 1. FEDERAL FAMILY EDUCATION LOAN PROGRAM: POLICIES AND PROCEDURES**

**9A:10-1.1 Purpose**

The purpose of this subchapter is to provide guidance on the implementation of the Federal Family Education Loan Program (FFELP) in New Jersey, and in particular, on policies and procedures that reflect areas where the Federal Higher Education Act of 1965, as amended, and its implementing regulations permit guaranty agency discretion, areas that comply with State law, areas that reflect guaranty agency specific policies that differ in some way from the Common Manual, a national compilation of uniform FFELP policies, and, finally, areas that address services and operations not described or defined in Federal law.

**9A:10-1.2 Scope; Federal rules and statutes incorporated by reference**

(a) The part of the United States Code known as Title 20, Chapter 28, Subchapter IV, Part B, 20 U.S.C. §§ 1071 et seq., including all subsequent amendments and supplements, is hereby adopted as rules and incorporated within this subchapter. The part of the Code of Federal Regulations known as 34 CFR 682.100 et seq., as well as other parts of the Code of Federal Regulations that govern the FFELP, including all subsequent amendments and supplements are hereby adopted as rules and incorporated within this subchapter.

(b) These rules provide both an outline for the implementation of the FFEL Program in this State and detailed guidance on the areas described in N.J.A.C. 9A:10-1.1. These rules do not attempt to reproduce in full the extensive body of Federal law and regulation governing the FFELP; however, they do attempt to be consistent with Federal law. If any part of these rules is inconsistent with or in conflict with Federal law, that part shall be preempted by Federal law, but not affect the validity of the remaining parts of these rules.

Amended by R.2000 d.92, effective March 6, 2000.  
See: 31 N.J.R. 3900(a), 32 N.J.R. 805(a).  
In (b), changed N.J.A.C. reference.

**9A:10-1.3 Definitions**

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

“Authority” or “HESAA” means the Higher Education Student Assistance Authority, a State authority, whose purpose is the funding of access to postsecondary education, whether by loans, grants, scholarships or other means. The student assistance programs HESAA administers include the Federal Family Education Loan Program.

“Blanket Certificate of Loan Guaranty” means an insurance program agreement with the Secretary of the United States Department of Education under which the Authority may offer eligible lenders participating in the Authority’s guaranty program a Blanket Certificate of Loan Guaranty that permits the lender to make FFELP loans to eligible borrowers without receiving prior approval of individual loans from the Authority.

“Cohort default rate” means the percentage of FFELP and Federal Direct Student Loan Program (FDSLPL) borrowers who default before the end of the Federal fiscal year following the Federal fiscal year in which they entered repayment on their loans. 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.

2. The suspension, as stipulated in (c)1 above, may be extended beyond two years for exceptional circumstances at the discretion of the Authority on the basis of substantiating documentation, as defined in (c) above.

(d) Program participants who are required to repay loan reimbursement funds to the Authority must do so within 30 days of the termination of the employment service obligation by the Authority. Any amount not repaid when due will accrue interest at the prevailing Stafford Loan rate as established by the U.S. Department of Education annually.

1. Any participant who fails to repay an amount due to the Authority may be subject to litigation, offset of State tax refunds or rebates, denial, suspension or revocation of the participant's professional license, reporting negative credit information to credit reporting agencies, ineligibility for any student assistance benefits administered by the Authority and to any of the information exchange or collection procedures set forth in N.J.S.A. 18A:71C-1 et seq.

(e) The Higher Education Student Assistance Authority shall have final decision-making authority to terminate a program participant's employment service obligation and to require the participant to repay the reimbursed loan funds to the Authority.

#### **9A:10-3.8 Cancellation of the loan reimbursement contract by the program participant**

(a) A program participant may cancel his or her loan reimbursement contract with the Authority by submitting written notification to the Student Loan Office. The participant must repay the full amount of the loan reimbursement to the Authority within 30 days of canceling the contract. Any amount not repaid when due will accrue interest at the prevailing Stafford Loan rate as established by the U.S. Department of Education annually.

1. Any participant who fails to repay an amount due to the Authority may be subject to the actions and information exchange or collection procedures as defined in N.J.A.C. 9A:10-3.7(d)1.

Amended by R.2009 d.180, effective June 1, 2009.  
See: 40 N.J.R. 6721(b), 41 N.J.R. 2261(a).

In the introductory paragraph of (a), substituted "Student Loan Office" for "Director of Financial Aid Services".

#### **9A:10-3.9 Appeals process**

(a) When an applicant has received a notification of ineligibility for program participation, he or she may submit a written appeal to the Director of Legal and Governmental Affairs within 30 days of the date of the notification. The written appeal must include the following:

1. A copy of the notification of ineligibility received by the applicant from the Authority; and
2. The reason(s) why the applicant feels he or she is eligible to participate in the program along with any doc-

umentation which the applicant has obtained to support the appeal, if applicable.

(b) The applicant will receive a written response from the Director of Legal and Governmental Affairs concerning the determination of his or her eligibility for program participation within 30 days of the receipt of the appeal.

#### SUBCHAPTERS 4 THROUGH 5. (RESERVED)

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

##### **9A:10-6.1 Purpose**

The purpose of this subchapter is to provide guidance on the implementation of the New Jersey College Loans to Assist State Students (NJCLASS) Program, a State student loan program intended to supplement the subsidized Federal Stafford Loan Program and make State sponsored student loans available to students who cannot obtain Federally backed student loans, either because those loans are not available, because the student does not meet the program eligibility requirements as defined by the Federal government, or because the student has additional financial need unmet by Federally backed student loans. In the NJCLASS Program, the Authority issues bonds, notes, or another form of debt instrument, and with the proceeds of that issuance, funds student loans and either directly or through an agent serves as lender and servicer of the loans. Because funding for the NJCLASS Program is not backed by a Federal guarantee, funding sources are safeguarded by requiring as key elements of borrower eligibility for this State program that the borrower either be creditworthy or not have adverse credit.

##### **9A:10-6.2 Scope**

These rules provide the policies and procedures that govern the NJCLASS Program, a State student loan program administered by the Higher Education Student Assistance Authority (HESAA).

Amended by R.2000 d.447, effective November 6, 2000.  
See: 32 N.J.R. 2192(a), 32 N.J.R. 3987(a).

Substituted "Higher Education Student Assistance Authority (HESAA)" for "New Jersey Office of Student Assistance (NJOSA) and established under the Authority" in the first sentence.

Amended by R.2009 d.180, effective June 1, 2009.

See: 40 N.J.R. 6721(b), 41 N.J.R. 2261(a).

Deleted the last sentence.

##### **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:

“Annual income” means the borrower’s income as reported for Federal income tax purposes.

“Authority” means Higher Education Student Assistance Authority.

“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 the end of the 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 Higher Education, a State higher education policy-making agency presided over by a governing board, whose chairman 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.

“Cosigner” means an individual who signs a promissory note and agrees to repay the loan in the event the borrower does not.

“Delinquency” means a payment on an NJCLASS 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 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 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 ac-

credited by either the American Dental Association or the Commission on Dental Accreditation of Canada.

“In-school period” means the period in which a student is enrolled at an eligible institution on at least a half-time basis as certified by the institution.

“Lender” means Higher Education Student Assistance Authority or its agent for the purposes of this program.

“NJCLASS” means the New Jersey College Loans to Assist State Students Loan Program.

“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 NJCLASS loans in this subchapter shall apply to NJCLASS Graduate/Professional Students loans unless this subchapter otherwise provides.

“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 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.

“Parent borrower” means a parent(s), spouse, legal guardian, or other relative of a dependent undergraduate or graduate student.

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

“Student borrower” means an undergraduate or graduate student.

“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.