

## 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, 18A:71C-49 and 20 U.S.C. §§ 1071 et seq.

## Source and Effective Date

R.2003 d.465, effective November 3, 2003.  
See: 35 N.J.R. 2770(b), 35 N.J.R. 5415(b).

## Chapter Expiration Date

Chapter 10, Student Loan and College Savings Programs, expires on November 3, 2008.

## 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 readopted 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Subchapter 1, Roles and Relationship of NJHEAA and NJOSA, was repealed and Subchapter 1, Federal Family Education Loan Program: Policies and Procedures, was recodified from N.J.A.C. 9A:10-2 and Subchapter 2, Federal Family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 readopted as R.2003 d.465, effective November 3, 2003. See: Source and Effective Date. See, also, section annotations.

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 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, 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

- 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 sub-

chapter. 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 agency established 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 agency’s guaranty program a Blanket Certificate of Loan Guaranty that permits the lender to make FFELP loans without receiving prior approval from the Authority of individual loans.

“Cohort default rate” means the percentage of FFELP and Federal Direct Student Loan Program (FDSLSP) 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.

“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.

“Common Manual: Unified Student Loan Policy” or “Common Manual” means a publication developed by guarantors in the FFELP that provides a detailed compilation

"Adjusted gross income" means total family income 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 shall have a lower cohort default rate threshold, as set forth in N.J.A.C. 9A:10-6.4(c). 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 Ameri-

can 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 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, initiated in 1997, targeted for graduate and professional students with eligibility requirements specially tailored for such students, as set forth in N.J.A.C. 9A:10-6.4. 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.

(b) Terms not defined in this section shall be defined in accordance with 34 CFR parts 600, 668 and 682, including all subsequent amendments and supplements thereto.

Amended by R.2000 d.447, effective November 6, 2000.

See: 32 N.J.R. 2192(a), 32 N.J.R. 3987(a).

Rewrote the section.

Amended by R.2002 d.288 and d.291, effective September 3, 2002.

See: 33 N.J.R. 4050(a), 34 N.J.R. 1399(a), 34 N.J.R. 3084(a), 34 N.J.R. 3085(a).

Amended "Eligible institution".

#### **9A:10-6.4 Eligibility for NJCLASS Loan, NJCLASS Variable Rate Loan, and NJCLASS Postgraduate Loan**

(a) To be eligible for an NJCLASS loan, each applicant must:

1. Be a citizen, national or legal resident of the United States or be in the U.S. for other than temporary purposes and intend to become a permanent resident (as evidenced by Immigration and Naturalization Service documentation);

2. Not owe a grant refund, be in default on a student loan, have a student loan written off as uncollectible, or be in violation of any of the other criteria for determining creditworthiness as outlined in N.J.A.C. 9A:10-6.5;

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 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 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 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. Provide three references.

(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 NJCLASS loan shall:

1. Be a citizen, national or legal resident of the United States or be in the U.S. for other than temporary purposes and intend to become a permanent resident (as evidenced by Immigration and Naturalization Service documentation);

2. Be a permanent resident of New Jersey prior to filing an application; however, residency is not required if enrolled in an eligible institution located in New Jersey, meaning that either the institution maintains a campus or the place of instruction is located in New Jersey;

3. Have a high school diploma or a high school equivalency certificate;

4. Be enrolled or accepted for enrollment on at least a half-time basis in an eligible institution;

5. If currently enrolled in an eligible institution, be determined by the institution to be making satisfactory academic progress;

6. If applying for an 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 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 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, each student must satisfy the requirements of (b)1, 3 and 6 above as well as the following:

1. Be a permanent resident of New Jersey prior to filing an application; however, residency is not required if enrolled in an eligible institution for purposes of this program that is located in New Jersey, meaning that either the institution maintains a campus or the place of instruction is located in New Jersey;

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 percent or less;

3. Not owe a grant refund, be in default on a student loan, have a student loan written off as uncollectible, or have adverse credit as outlined in N.J.A.C. 9A:10-6.5(d);

4. Be a graduate or professional student enrolled or accepted in a graduate or professional program as certified by an eligible institution for purposes of this program; and

5. If currently enrolled in an eligible institution for purposes of this program, be making satisfactory academic progress.

(d) To be eligible for an NJCLASS Postgraduate loan for student borrowers, each student must satisfy the requirements of (b)1, 3 and 7 above as well as the following:

1. Be a permanent resident of New Jersey prior to filing an application; however, residency is not required if enrolled in an eligible institution for purposes of this program that is located in New Jersey, meaning that either the institution maintains a campus or the place of instruction is located in New Jersey. An eligible institution is 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;

2. Be enrolled in the final year at an eligible institution, be making satisfactory academic progress, and expect to be awarded a J.D., M.D., D.O., D.D.S. or D.M.D. degree during the current academic year;

3. Not owe a grant refund, be in default on a student loan, have a student loan written off as uncollectible, or have adverse credit as outlined in N.J.A.C. 9A:10-6.5(d);

4. Not have a maximum total outstanding education debt of over the amount permitted in the NJCLASS Loan Application and Promissory Note. Maximum total outstanding education debt includes Federal, State, and private loans for graduate and undergraduate education, including a loan under this NJCLASS Program; and

5. School certification of the NJCLASS application no earlier than one year prior to the student's anticipated graduation date and no later than the student's actual graduation date.

Amended by R.2000 d.447, effective November 6, 2000.

See: 32 N.J.R. 2192(a), 32 N.J.R. 3987(a).

In (a), added 4; rewrote (b) and (c); added (d).

Amended by R.2002 d.288 and d.291, effective September 3, 2002.

See: 33 N.J.R. 4050(a), 34 N.J.R. 1399(a), 34 N.J.R. 3084(a), 34 N.J.R. 3085(a).

Rewrote the section.

Amended by R.2003 d.465, effective December 1, 2003.

See: 35 N.J.R. 2770(b), 35 N.J.R. 5415(b).

Deleted "have a student loan discharged in default" throughout.

#### 9A:10-6.5 NJCLASS creditworthiness

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

(b) The Authority may require that borrowers submit to the Authority information that includes the most recent signed Federal Income Tax Return, including all schedules, and current pay stub. For joint filers, this documentation may include the current pay stub of both filers.

(c) To be approved for a fixed rate NJCLASS loan, a creditworthy borrower or cosigner must have an income that exceeds Federal poverty guidelines, as adjusted annually by the United States Department of Health and Human Services.

(d) A borrower with one or more of the items listed below in his or her credit history may be denied an 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, a paid or unpaid judgment, or a monthly total debt to monthly adjusted gross income ratio, which exceeds 40 percent. However, a borrower in the NJCLASS fixed rate program may be eligible if the borrower is able to secure a creditworthy cosigner.

Amended by R.2000 d.447, effective November 6, 2000.

See: 32 N.J.R. 2192(a), 32 N.J.R. 3987(a).

In (b), inserted ", including all schedules, and" following "Federal Income Tax Return" and deleted ", and most recent W-2 Form"

following "current pay stub" in the first sentence; deleted "and most recent W-2 Form" preceding "of both files" in the second sentence; in (c), inserted ", or a delinquent NJCLASS loan" at the end of the second sentence.

Amended by R.2002 d.288, effective September 3, 2002.

See: 33 N.J.R. 4050(a), 34 N.J.R. 3085(a).

Rewrote (b); inserted a new (c); recodified former (c) as (d); deleted former (d) and (e).

#### 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, as amended, 26 U.S.C. § 144(b), the amount borrowed 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 Stafford loans or 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 PLUS and 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 the maximum total outstanding education debt permitted under N.J.A.C. 9A:10-6.4.

(c) To borrow additional amounts of NJCLASS funds for which an eligible institution has certified the borrower to be eligible, a borrower may submit a completed Addendum and Promissory Note to the Authority, provided the completed Addendum and Promissory Note is received by the Authority within 60 days of the date the original NJCLASS loan was approved by the Authority. The Authority shall notify the school of the request for additional amounts of NJCLASS funds, and provided the school confirms the borrower's eligibility for these amounts, the Authority will disburse the funds.

Amended by R.2000 d.447, effective November 6, 2000.

See: 32 N.J.R. 2192(a), 32 N.J.R. 3987(a).

Rewrote (a); inserted a new (b); and recodified former (b) as (c).

Amended by R.2002 d.288, effective September 3, 2002.

See: 33 N.J.R. 4050(a), 34 N.J.R. 3085(a).

In (b), deleted ", and the maximum loan amount permitted in the NJCLASS Loan Application and Promissory Note booklet" at the end.

Amended by R.2003 d.465, effective December 1, 2003.

See: 35 N.J.R. 2770(b), 35 N.J.R. 5415(b).

In (a), deleted ", and Health Education Assistance" in the third sentence.

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

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



1. The applicant shall complete the NJCLASS application and promissory note. All parts of the application and promissory note, including all related documentation, must be completed and all requested documentation must be submitted to the Authority; and

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.

(b) The Authority shall process the application and the applicant and school shall be notified of Authority approval or disapproval.

(c) 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 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.

(d) An NJCLASS 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. 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.

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

In (a)3, substituted "institution" for "school" preceding "the student attends"; in (c), substituted "institution" for "school" preceding ", sent directly to the school"; in (d), added the second sentence.  
Amended by R.2002 d.288, effective September 3, 2002.  
See: 33 N.J.R. 4050(a), 34 N.J.R. 3085(a).

In (a)1, substituted "and all requested documentation must be submitted to the Authority; and" for "regardless of the applicant's age or marital status"; deleted (a)2 and recodified former (a)3 as (a)2; rewrote (c).

Amended by R.2003 d.465, effective December 1, 2003.

See: 35 N.J.R. 2770(b), 35 N.J.R. 5415(b).

Rewrote (a)2: in (b), substituted "applicant" for "borrower".

#### 9A:10-6.8 Fees

(a) A recipient of an NJCLASS loan shall 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. These fees shall be deducted from the loan proceeds.

2. For multiply disbursed loans, these fees shall be deducted in equal installments, from each loan disbursement.

Amended by R.2000 d.447, effective November 6, 2000.

See: 32 N.J.R. 2192(a), 32 N.J.R. 3987(a).

#### 9A:10-6.9 Interest

(a) The NJCLASS 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 loans funded through bonds, the NJCLASS 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 shall begin to accrue at the time of the first loan disbursement.

Amended by R.2000 d.447, effective November 6, 2000.

See: 32 N.J.R. 2192(a), 32 N.J.R. 3987(a).

Rewrote (a).

#### 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 within 10 days of the date the payment is due. The late charge may not exceed six percent of each late payment.

Amended by R.2000 d.447, effective November 6, 2000.

See: 32 N.J.R. 2192(a), 32 N.J.R. 3987(a).

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

(a) The Authority shall provide the borrower and cosigner, if any, with a completed repayment Disclosure Statement detailing due dates of required payments at the time of the first loan disbursement.

(b) Borrowers shall indicate preferred repayment options on the NJCLASS loan application. The Authority shall make best efforts to offer borrowers the repayment option selected. Should a borrower fail to indicate a preferred repayment option on both the NJCLASS Loan Application and Promissory Note, the Authority shall notify the borrower to select an option, and not process the application until the borrower has made the selection. There are three repayment options for an NJCLASS loan, as follows:

1. Borrowers begin to pay the principal and interest of the loan on a monthly basis. The first payment of principal and interest is due within 60 days after the loan is first disbursed;

2. Borrowers begin to pay quarterly interest on the loan, but are not required to pay principal until graduation, withdrawal or notification of less than half-time enrollment; or

3. Borrowers are not required to pay principal or interest until graduation, withdrawal or notification of less than half-time enrollment. 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. The first monthly payment of principal and interest shall be required within 60 days after the reversion date. In exchange for the option of deferring both principal and interest, borrowers in the repayment schedule set forth in this paragraph are required to pay an increased interest rate, as established by the Authority pursuant to N.J.A.C. 9A:10-6.9(a), over the regular program interest rate in effect at the time of borrowing. The increased interest rate applies only to NJCLASS fixed rate loans, not NJCLASS variable interest rate loans.

(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 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 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) For loans made after August 3, 1998, the minimum acceptable monthly payment shall be the amount required to fully repay an NJCLASS loan in the maximum repayment period; however, the minimum acceptable monthly payment shall not be less than \$50.00 per borrower for all of that borrower's NJCLASS loans.

(e) Notwithstanding any periods of deferment and/or forbearance, an NJCLASS loan shall be paid in full no later than 15 years from the first date of loan disbursement, and an NJCLASS Variable Rate Loan shall be paid in full no later than 25 years from the first date of loan disbursement or the maximum repayment period stated on the loan disclosure, whichever is less; and an NJCLASS Postgraduate loan shall be paid in full no later than 20 years from the first date of loan disbursement or the maximum repayment period stated on the loan disclosure, whichever is less.

(f) The borrower has the right to repay the entire loan or any portion of the loan at any time without penalty.

Amended by R.2000 d.447, effective November 6, 2000.

See: 32 N.J.R. 2192(a), 32 N.J.R. 3987(a).

In (b), rewrote the introductory paragraph, inserted "first" preceding "disbursed" in 1, and added the last sentence in 3; inserted a new (c); recodified former (c) through (e) as (d) through (f); and rewrote the new (e).

Amended by R.2003 d.465, effective December 1, 2003.

See: 35 N.J.R. 2770(b), 35 N.J.R. 5415(b).

In (e), substituted "25" for "23" following "no later than".

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

(a) Under certain conditions, borrowers shall be permitted to defer payments of loan principal for specified periods of time. During periods of authorized deferment, borrowers remain responsible for the payment of the interest accruing on their loan(s). The following are available NJCLASS Program deferments and their requirements:

1. Full-time and half-time study at an eligible institution;

2. Unemployment;

- i. Borrower must be currently unemployed and conscientiously seeking but unable to find full-time employment.

ii. Every three months the borrower shall provide a signed written statement describing his or her conscientious search (at least three attempts) for full-time employment that includes:

- (1) The names, addresses and phone numbers of the firms contacted;
- (2) The name of the contact person at each firm; and
- (3) A certification of registration with a public or private employment agency.

iii. 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. Borrower must be currently participating in an eligible internship or residency program of supervised training that is required by a State licensing agency prior to certification for professional practice or service.

ii. Borrower shall provide certification from the appropriate State licensing agency attesting to the necessity of the internship or residency.

iii. Borrower shall provide certification from the organization with which the internship or residency is being undertaken which specifies:

- (1) Acceptance of the borrower into the internship or residency program; and
- (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 attesting to full-time active duty status.

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) That the borrower has agreed to serve as a volunteer on a full-time basis for at least one year;
- (2) The date on which the borrower's service began; and
- (3) The date on which the borrower's service is expected to end.

6. Temporary total disability;

i. To qualify for this deferment, a borrower shall submit a request and provide the Authority with a statement from a physician, who is a doctor of medicine or osteopathy and is legally authorized to practice, certifying that the borrower is temporarily totally disabled.

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 shall be 18 months for an unemployment deferment, and for each of the remaining deferments, as established by the Authority.

(c) Upon receipt of a borrower request for a deferment and all required documentation, the Authority shall notify the borrower regarding the deferment's authorization.

(d) The Authority may also, at its discretion, grant borrowers periods of forbearance in the repayment of the NJCLASS loan(s). 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 be 18 months. In granting a forbearance, the Authority permits a temporary cessation of principal payments and temporarily permits payments of interest only.

#### 9A:10-6.13 Consolidation

(a) The Authority may offer an NJCLASS Consolidation program. A creditworthy NJCLASS borrower with several NJCLASS loans may wish to consolidate those loans to obtain one repayment schedule and one interest rate, and in so doing, discharge the underlying NJCLASS loans. To consolidate eligible NJCLASS loans as defined in (b) below, the borrower shall complete an NJCLASS Consolidation Loan application and promissory note. The borrower shall then forward the application materials to the Authority, which shall process the application and notify the borrower of approval or disapproval. The NJCLASS rules in this subchapter on creditworthiness, fees, interest, late charge, deferments, forbearance, and default apply to NJCLASS Consolidation loans. The repayment rules apply as well with the exception of the maximum repayment time. For NJCLASS Consolidation loans, the maximum repayment time is 15 years from the date the Consolidation loan is made.

(b) Loans eligible for NJCLASS Consolidation are NJCLASS loans made after August 3, 1998, in grace period preceding repayment or repayment status, but not in default status.



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

#### 9A:10-6.14 Delinquency

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

(b) Default prevention activities shall include, but not be limited to, letters and telephone calls to the borrower and cosigner, if any, beginning after the first 10 days of delinquency. Thirty days before sending a letter of default (180 days delinquent, or 240 days delinquent depending on whether payments are due monthly or less frequently than monthly), the Authority shall telephone the borrower and cosigner and send the borrower and cosigner a final demand letter.

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

Amended by R.2002 d.288, effective September 3, 2002.  
See: 33 N.J.R. 4050(a), 34 N.J.R. 3085(a).

In (a), substituted "may" for "shall".

Amended by R.2003 d.465, effective December 1, 2003.  
See: 35 N.J.R. 2770(b), 35 N.J.R. 5415(b).

In (b), inserted references to cosigner following borrower throughout.

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

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

Amended by R.2002 d.288, effective September 3, 2002.  
See: 33 N.J.R. 4050(a), 34 N.J.R. 3085(a).  
Deleted the second and third sentences.

#### 9A:10-6.16 Default and consequences of default

(a) Default occurs when a borrower fails to make an installment payment when due, or to meet other terms of the Promissory Note under circumstances where the Authority finds it reasonable to conclude that the borrower no longer intends to honor the obligation to repay, provided failure to repay persists for:

1. At least 180 days when payments are due monthly;  
or
2. At least 240 days during the student's in-school period when payments are due less frequently than monthly.

(b) Upon default, the borrower and/or cosigner, if any, are liable for the entire balance of the loan. Upon default, the Authority shall notify credit bureaus of this negative information. Default may result in any or all of the following: loss of State income tax refunds or State tax rebates, legal action, assessment of collection charges including attorney fees, loss of eligibility for other student aid, negative credit reports, administrative wage garnishment, offset of

lottery prize winnings, and suspension of New Jersey occupational and professional license.

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

In (b), inserted "or State tax rebates" following "State income tax refunds" and inserted ", and suspension of New Jersey occupational license" following "lottery prize winnings".

Amended by R.2003 d.465, effective December 1, 2003.  
See: 35 N.J.R. 2770(b), 35 N.J.R. 5415(b).

In (b), inserted a reference to cosigner following borrower in the first sentence, and inserted "and professional" following "occupational" in the last sentence.

#### 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 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 loans using promissory notes dated 1994 or later.

(b) If an individual borrower dies, the obligation of the borrower to make any further payments on the loan is discharged. In determining that a borrower has died, the Authority must receive acceptable proof of death, which shall be a certified copy of the death certificate with a raised seal.

(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. 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. After being notified by the borrower that the borrower claims to be totally and permanently disabled, the Authority shall request that the borrower submit on a form provided or approved by the Authority a certification of the existence thereof 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.

(d) The following pertain to borrower bankruptcy;

1. If the Authority is notified that any of the parties to the note has filed a petition for relief in bankruptcy under Chapters 12 or 13 of the Federal Bankruptcy Code, the Authority shall immediately suspend any collection efforts outside the bankruptcy proceeding against any other of

the parties to the note. If the Authority is notified that any of the parties to the note has filed a petition for relief in bankruptcy under Chapters 7 or 11 of the Federal Bankruptcy Code, the Authority may suspend any collection efforts outside the bankruptcy proceeding against any other of the parties to the note.

2. The Authority shall determine that a borrower has filed a petition for relief in bankruptcy on the basis of receiving a notice of the first meeting of creditors or other confirmation issued by the bankruptcy court.

3. In general, the Authority shall follow the Federal regulations governing guaranty agency participation in bankruptcy proceedings, set forth in 34 CFR 682.402, except that the Authority in its discretion may choose to differ from Federal cost benefit analysis in deciding whether to oppose an undue hardship discharge petition, to oppose a plan proposed under Chapters 11, 12, or 13 of the Federal Bankruptcy Code, or to oppose a discharge pursuant to a plan under Chapters 11, 12, or 13 of the Federal Bankruptcy Code.

Amended by R.2000 d.447, effective November 6, 2000.

See: 32 N.J.R. 2192(a), 32 N.J.R. 3987(a).

Rewrote (d)1.

#### 9A:10-6.18 Rehabilitation

(a) Effective no earlier than June 1, 1999, the Authority may offer a rehabilitation program for NJCLASS loans. If the Authority offers a rehabilitation program for NJCLASS loans, the Authority shall notify NJCLASS borrowers of the availability of this program. In the event the Authority offers a rehabilitation program for NJCLASS loans, an NJCLASS borrower who has defaulted on an NJCLASS 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 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 period.

(c) An NJCLASS borrower may request the rehabilitation of the borrower's defaulted NJCLASS 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 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 prior to default. Once an NJCLASS loan subject to a judgment has been rehabilitated, the Authority shall have the judgment marked satisfied.

(e) The Authority shall report to a national credit bureau within 30 days of the date the loan was rehabilitated that the loan is no longer in a default status, and is now in a "current was collection account" status.

(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 Program bondholders.

Amended by R.1998 d.534, effective November 16, 1998.

See: 30 N.J.R. 2805(a), 30 N.J.R. 4041(b).

Rewrote (a), (c) and (d); in (b), deleted "reasonable and affordable" following "voluntary", and added "with no deferments or forbearances permitted during the 12 month period" at the end; and in (e), added "and is now in a 'current was collection account' status" at the end. Amended by R.2000 d.447, effective November 6, 2000.

See: 32 N.J.R. 2192(a), 32 N.J.R. 3987(a).

In (c), amended the N.J.A.C. reference.

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

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

(b) In the event a school is selected for review, the Authority shall provide the school at least 30 days notice of the date of the on-site review. The Authority shall also notify the school of the financial and administrative information required for the on-site visit.

(c) The school shall be required to cooperate with Authority reviewers by making staff available to reviewers at entrance and exit interviews and by supplying additional material to reviewers if requested during the on-site visit.

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

Amended by R.2000 d.447, effective November 6, 2000.

See: 32 N.J.R. 2192(a), 32 N.J.R. 3987(a).

In (d), amended the N.J.A.C. reference.