

CHAPTER 9

STUDENT LOANS: PROCEDURES AND POLICIES

Authority

N.J.S.A. 18A:72-10.

Source and Effective Date

R.1993 d.441, effective August 16, 1993.
See: 25 N.J.R. 2187(a), 25 N.J.R. 4079(a).

Executive Order No. 66(1978) Expiration Date

Chapter 9, Student Loans: Procedures and Policies, expires on August 16, 1998.

Chapter Historical Note

All provisions of this chapter became effective prior to September 1, 1969.

1973 Revisions: Amendments became effective March 22, 1973 as R.1973 d.77. See: 5 N.J.R. 107(d).

1976 Revisions: Amendments became effective December 7, 1976 as R.1976 d.385. See: 9 N.J.R. 18(e).

1977 Revisions: Amendments became effective July 18, 1977 as R.1977 d.249. See: 9 N.J.R. 366(d). Further amendments became effective September 20, 1977 as R.1977 d.353. See: 9 N.J.R. 468(a).

1978 Revisions: Amendments became effective June 16, 1978 as R.1978 d.198. See: 10 N.J.R. 13(a), 10 N.J.R. 281(b). Further amendments became effective September 18, 1978 as R.1978 d.329. See: 10 N.J.R. 281(a), 10 N.J.R. 431(a).

1979 Revisions: Amendments became effective October 11, 1979 as R.1979 d.401. See: 11 N.J.R. 342(b), 11 N.J.R. 551(c).

1980 Revisions: Amendments became effective July 30, 1980 as R.1980 d.339. See: 12 N.J.R. 520(a).

1981 Revisions: Amendments became effective August 6, 1981 (to become operative September 8, 1981). See: 13 N.J.R. 219(a), as corrected in the Notice published at 13 N.J.R. 355(a), 13 N.J.R. 496(b).

1983 Revisions: This chapter was readopted pursuant to Executive Order No. 66(1978) effective September 8, 1983 with amendments and recodification thereto effective October 3, 1983, as R.1983 d.413. See: 15 N.J.R. 475(a), 15 N.J.R. 1663(b).

1984 Revisions: Amendments became effective January 3, 1984 as R.1983 d.605. See: 15 N.J.R. 1820(a), 16 N.J.R. 49(a). Subchapter 10 became effective January 17, 1984 as R.1983 d.647. See: 15 N.J.R. 1336(b), 16 N.J.R. 143(a). Further amendments became effective May 7, 1984 as R.1984 d.153. See: 16 N.J.R. 203(a), 16 N.J.R. 1094(b).

1985 Revisions: Amendments became effective June 17, 1985 as R.1985 d.311. See: 16 N.J.R. 3281(b), 17 N.J.R. 1564(a). Further amendments became effective November 4, 1985 as R.1985 d.568. See: 17 N.J.R. 1518(a), 17 N.J.R. 2648(a).

1986 Revisions: Amendments became effective April 7, 1986 as R.1986 d.102. See: 17 N.J.R. 2727(a), 18 N.J.R. 681(a).

1987 Revisions: Amendments became effective November 16, 1987 as R.1987 d.456. See: 19 N.J.R. 498(b), 19 N.J.R. 2187(a).

1988 Revisions: Amendments became effective March 21, 1988 as R.1988 d.116. See: 19 N.J.R. 1619(a), 20 N.J.R. 663(b). Subchapter 11 became effective July 18, 1988 as R.1988 d.334. See: 20 N.J.R. 872(a), 20 N.J.R. 1712(a). This chapter was readopted pursuant to Executive Order No. 66(1978) effective September 12, 1988 with

amendments effective October 3, 1988, as R.1988 d.478. See: 20 N.J.R. 1636(a), 20 N.J.R. 2452(b). Further amendments became effective October 3, 1988 as R.1988 d.477. See: 20 N.J.R. 1641(a), 20 N.J.R. 2456(a). Subchapter 7, Policy Governing New Jersey College Loans to Assist State Students (NJCLASS) Program, was adopted as R.1991 d.396, effective August 5, 1991. See: 23 N.J.R. 1257(a), 23 N.J.R. 2338(b).

Pursuant to Executive Order No. 66(1978), Chapter 9 was readopted as R.1993 d.441. See: Source and Effect Date. See, also, section annotations for specific rulemaking activity.

CHAPTER TABLE OF CONTENTS

**SUBCHAPTER 1. STUDENT LOAN PROGRAM—
POLICIES AND PROCEDURES**

- 9:9-1.1 Definitions
- 9:9-1.2 Loan amounts
- 9:9-1.3 Use of funds
- 9:9-1.4 (Reserved)
- 9:9-1.5 Change of lenders
- 9:9-1.6 Insurance and origination fees
- 9:9-1.7 Authority action
- 9:9-1.8 Securing the note
- 9:9-1.9 Disbursement procedures
- 9:9-1.10 Change of school before disbursement
- 9:9-1.11 Interest
- 9:9-1.12 Repayment of loan; installment arrangements
- 9:9-1.13 Delinquent payments; responsibility of lender
- 9:9-1.14 Late charges
- 9:9-1.15 Notification of bankruptcy proceedings
- 9:9-1.16 Procedure for filing claim
- 9:9-1.17 (Reserved)
- 9:9-1.18 Certification of loans outstanding
- 9:9-1.19 Certification of student enrollment in school
- 9:9-1.20 Reports
- 9:9-1.21 Notification of paid or cancelled loans
- 9:9-1.22 Records and access requirements
- 9:9-1.23 Procedures: reporting loan status to credit bureaus
- 9:9-1.24 through 9:9-1.38 (Reserved)

**SUBCHAPTER 2. FEDERAL FAMILY EDUCATION
LOAN PROGRAM STATUTES AND
REGULATIONS**

- 9:9-2.1 Rules and statutes incorporated by reference

**SUBCHAPTER 3. POLICY GOVERNING FEDERAL
PLUS AND FEDERAL SUPPLEMENTAL LOANS
FOR STUDENTS (SLS) LOAN PROGRAMS**

- 9:9-3.1 Rules and statutes incorporated by reference
- 9:9-3.2 Eligibility
- 9:9-3.3 Insurance fee and origination fee
- 9:9-3.4 Disbursement
- 9:9-3.5 Interest
- 9:9-3.6 Capitalization of accrued interest

**SUBCHAPTER 4. POLICY GOVERNING DIRECT
GUARANTEED STUDENT LOANS (GSL)**

- 9:9-4.1 Qualifications for eligibility
- 9:9-4.2 Loan amount
- 9:9-4.3 Terms of loan
- 9:9-4.4 Repayment

SUBCHAPTER 5. POLICY GOVERNING GRADUATE INSURED LOANS

- 9:9-5.1 Qualifications for eligibility
- 9:9-5.2 Loan amount
- 9:9-5.3 Terms of loan
- 9:9-5.4 Repayment

SUBCHAPTER 6. SALE, CONSOLIDATION AND REFINANCING OF LOAN

- 9:9-6.1 Eligible lenders
- 9:9-6.2 Written notification of transfer/refinance
- 9:9-6.3 (Reserved)
- 9:9-6.4 Consolidation loans
- 9:9-6.5 Refinancing to secure combined payment
- 9:9-6.6 Refinancing to secure a variable interest rate
- 9:9-6.7 Refinancing by discharge of previous loan
- 9:9-6.8 Refinancing ineligibility
- 9:9-6.9 Rules and statutes incorporated by reference

SUBCHAPTER 7. POLICY GOVERNING NEW JERSEY COLLEGE LOANS TO ASSIST STATE STUDENTS (NJCLASS) PROGRAM

- 9:9-7.1 Definitions
- 9:9-7.2 Eligibility
- 9:9-7.3 Loan amounts
- 9:9-7.4 Application procedure
- 9:9-7.5 Fees
- 9:9-7.6 Interest
- 9:9-7.7 Repayment of loan
- 9:9-7.8 Deferments and forbearance
- 9:9-7.9 Default

SUBCHAPTER 8. (RESERVED)

SUBCHAPTER 9. POLICY GOVERNING DIRECT PLUS/SLS LOANS

- 9:9-9.1 Qualifications for eligibility
- 9:9-9.2 Loan prerequisites
- 9:9-9.3 Loan amount
- 9:9-9.4 Application procedure; applicant
- 9:9-9.5 Interest rates
- 9:9-9.6 Repayment
- 9:9-9.7 Deferment of payment

SUBCHAPTER 10. (RESERVED)

SUBCHAPTER 11. POLICY GOVERNING EDUCATIONAL INSTITUTION COMPLIANCE WITH THE STAFFORD LOAN PROGRAM; CORRECTIVE MEASURES

- 9:9-11.1 Standards
- 9:9-11.2 Audit procedures
- 9:9-11.3 Sanctions
- 9:9-11.4 Appeal procedure

SUBCHAPTER 1. STUDENT LOAN PROGRAM—POLICIES AND PROCEDURES

9:9-1.1 Definitions

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

“Default” means the failure of a borrower to make an installment payment when due, or to meet other terms of the promissory note under circumstances where the United States Secretary of Education or guarantee agency finds it reasonable to conclude that the borrower no longer intends to honor the obligation to repay, provided that this failure persists for 180 days for a loan repayable in monthly installments, or 240 days for a loan repayable in less frequent installments.

“Delinquency” means the failure of the borrower to make a payment when due. Delinquency begins the day after a payment is due and continues for a period up until the loan meets the definition of default.

“Federal Family Education Loan program” shall mean the Federal Stafford Loan, Federal Supplemental Loans for Students, Federal PLUS Loan, and Federal Consolidation Loan program.

“Federal PLUS Loan” is a loan program targeted for parents of dependent undergraduate students. Formerly known as PLUS Loans, all Federal PLUS Loans were made on or after July 23, 1992.

“Federal SLS Loan” is a loan program targeted for independent undergraduate students, graduate students, and dependent undergraduates whose parents are unable to procure a Federal PLUS Loan. Formerly known as SLS loans, all Federal SLS loans were made on or after July 23, 1992.

“Federal Stafford Loan” is a loan program which includes Stafford Loans and Unsubsidized Federal Stafford Loans for Middle-Income Borrowers.

“Foreign school” is a school not located in the United States.

“PLUS” was a loan program which was targeted for parents of dependent undergraduate or graduate students. All PLUS loans were made before July 23, 1992.

“Servicer” means a third party with whom the lender/holder has entered into a contract, through assignment, transfer or sale, to handle specific aspects on student loans on the lender/holder’s behalf in accordance with the Federal Family Education Loan program regulations.

“SLS” was a loan program targeted for independent undergraduate students, graduate students, and dependent undergraduate students whose parents were unable to procure a PLUS loan. All SLS loans were made before July 23, 1992.

As amended, R.1973 d.77, effective March 22, 1973.

See: 5 N.J.R. 107(d).

As amended, R.1977 d.353, effective September 20, 1977.

See: 9 N.J.R. 468(a).

As amended, R.1978 d.198, effective June 16, 1978.

See: 10 N.J.R. 13(a), 10 N.J.R. 281(b).

As amended, R.1983 d.413, effective October 3, 1983.

See: 15 N.J.R. 475(a), 15 N.J.R. 1663(b).

(f) Notwithstanding any periods of deferment and/or forbearance, a NJCLASS loan shall be paid in full no later than 15 years from the first date of loan disbursement.

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

Amended by R.1991 d.515, effective October 21, 1991.

See: 23 N.J.R. 2212(a), 23 N.J.R. 3143(b).

Option to defer loan interest added.

Public Notice: Program of college loans to assist State students established.

See: 23 N.J.R. 3180(c).

Public Notice: Loan interest rates.

See: 24 N.J.R. 3180(a).

9:9-7.8 Deferments and forbearance

(a) Under certain conditions borrowers will 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 or half-time study at an eligible institution;

2. Unemployment:

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

ii. Every three months the borrower must provide a signed written statement describing his or her conscientious search (at least three attempts) for full-time employment which 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; and

iii. In order to remain eligible for the deferment, the borrower may not restrict his or her search to specific fields, positions, or salaries.

3. Service as an intern:

i. Borrower must be currently participating in an eligible internship which is supervised training which is required by a State licensing agency prior to certification for professional practice or service.

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

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

(1) Acceptance of the borrower into the internship program; and

(2) Anticipated beginning and completion dates of the program.

4. Active duty status in the armed forces:

i. The borrower must provide a statement from his or her commanding officer attesting to full-time active duty status.

(b) Maximum allowable time periods for each of these deferments shall be established by the lender.

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

(d) Periods of authorized deferment do not extend the 15 year maximum loan repayment time.

(e) The lender may also, in its discretion, grant borrowers periods of forbearance in the repayment of their NJCLASS loan(s).

Amended by R.1992 d.293, effective July 20, 1992.

See: 24 N.J.R. 1675(b), 24 N.J.R. 2626(a).

Revised (a); added new (b)-(d); redesignated existing (b) as (e).

9:9-7.9 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 lender 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; or

2. At least 240 days during the student's in-school period when interest-only payments are required.

(b) Upon default, borrower is liable for the entire balance of the loan, and the Authority will notify credit bureaus of the default.

(c) Borrower shall pay all charges and other costs, including reasonable attorney fees, necessary for the collection of monies due on the loan as a consequence of the default.

SUBCHAPTER 8. (RESERVED)

Subchapter Historical Note

Subchapter 8, Policy concerning the Institution of the Higher Education Educational Loan Act, was repealed by R.1993 d.441, effective September 7, 1993. See: 25 N.J.R. 2187(a), 25 N.J.R. 4079(a).

SUBCHAPTER 9. POLICY GOVERNING DIRECT PLUS/SLS LOANS

9:9-9.1 Qualifications for eligibility

An applicant for a direct PLUS/SLS loan shall fulfill the requirements set forth in 34 C.F.R. § 682.201.

Amended by R.1988 d.478, effective October 3, 1988.
See: 20 N.J.R. 1636(a), 20 N.J.R. 2452(b).
Substantially amended.

9:9-9.2 Loan prerequisites

(a) Prior to obtaining a direct PLUS/SLS loan, the borrower must satisfy the following additional requirements:

1. A first-time applicant must exhaust the possibility of using eligible lenders first, by providing documented evidence of loan denial by at least one eligible lending institution;
2. An applicant who has previously borrowed under the PLUS/SLS program must provide documented evidence that the previous lender will not grant an additional loan;
3. Each applicant may be required to have a co-signer for each loan at the discretion of the Authority;
4. Each applicant, along with the co-signer, may be required to personally appear at the office of the Authority prior to disbursement of the loan funds; and
5. Creditworthiness will be evaluated on both the borrower and the co-signer.

Amended by R.1986 d.100, effective April 7, 1986.
See: 17 N.J.R. 2728(b), 18 N.J.R. 682(b).
Added text to (a)3 "at the discretion of the Authority".
Amended by R.1988 d.478, effective October 3, 1988.
See: 20 N.J.R. 1636(a), 20 N.J.R. 2452(b).
Added "SLS" and added a "co-signer".

9:9-9.3 Loan amount

(a) The maximum amount a parent of a dependent undergraduate student or a graduate student may borrow for one academic year (grade level) shall not exceed \$4,000 excluding Guaranteed Student Loan funds.

(b) The maximum amount a full-time independent undergraduate student may borrow for one academic year shall not exceed \$4,000 including any amounts borrowed under the Guaranteed Student Loan Program for the same academic year.

(c) The total amount to any one student or parent shall not exceed \$20,000 excluding Guaranteed Student Loan funds for the parent of a dependent undergraduate student, a graduate student, or an independent undergraduate student.

As amended, R.1984 d.153, eff. May 7, 1984.
See: 16 N.J.R. 203(a), 16 N.J.R. 1094(b).
Student loan procedures and amounts changed.
Amended by R.1988 d.478, effective October 3, 1988.
See: 20 N.J.R. 1636(a), 20 N.J.R. 2452(b).
Raised amount to "\$4,000" and "\$20,000".

9:9-9.4 Application procedure; applicant

(a) An applicant for a direct PLUS/SLS loan shall:

1. Provide written evidence of denial from a participating PLUS/SLS lender. An applicant who has previously borrowed under the PLUS/SLS program must provide documented evidence that the previous lender will not grant an additional loan;
2. Once loan denial has been proven, an applicant will be forwarded an application and two credit applications (for borrower and co-signer); these forms may only be obtained from the direct PLUS/SLS loan office at the Authority;
3. Complete the application and two credit applications following the directions on the forms; all parts of the application and credit applications must be completed regardless of the applicant's and co-signer's age or marital status;
4. Submit the application to the eligible educational institution the borrower plans to attend for certification of enrollment and completion of school section;
5. Pay an insurance fee of one percent of the requested amount of the loan. No refunds will be issued after the application has been approved by the Authority.

Amended by R.1988 d.478, effective October 3, 1988.
See: 20 N.J.R. 1636(a), 20 N.J.R. 2452(b).
Substantially amended.
Amended by R.1993 d.441, effective September 7, 1993.
See: 25 N.J.R. 2187(a), 25 N.J.R. 4079(a).

9:9-9.5 Interest rates

Loans shall be governed by the interest rates of the PLUS/SLS program in effect at the time the loan is made.

Amended by R.1988 d.478, effective October 3, 1988.
See: 20 N.J.R. 1636(a), 20 N.J.R. 2452(b).
Added "SLS".

9:9-9.6 Repayment

Terms of repayment shall be governed by the regulations of the PLUS/SLS program, 34 C.F.R. § 682.209 et seq., as amended.

Amended by R.1988 d.478, effective October 3, 1988.
See: 20 N.J.R. 1636(a), 20 N.J.R. 2452(b).
Added "SLS" and changed "\$ 683.1" to "\$ 682.209".