

## State of New Jersey

## Governor Phil Murphy

# Governor Murphy Signs Legislation to Make Student Loans More Affordable

04/25/2019

*Two New Laws Help Borrowers of NJCLASS Loans Manage their Student Debt and Repair their Credit Scores*

**TRENTON** – Governor Murphy today signed two pieces of legislation to assist student loan borrowers who are struggling with repayment.

"Addressing student loan debt not only makes a crucial difference in individuals' lives and careers, it also helps boost New Jersey's economy as a whole. By making more affordable repayment options available through the new programs that HESAA has launched that are now codified into law, we will enable college graduates to live and thrive here in the Garden State," **said Governor Phil Murphy**.

One of the two bills signed today, S3125/A4475, offers alternate payment options for borrowers who experience financial hardship in repaying loans made through the New Jersey College Loans to Assist State Students (NJCLASS) program. This legislation makes the Repayment Assistance Program (RAP) and the Household Income Assistance Repayment Plans (HIARP) permanent features of the NJCLASS program, building on the initial creation of these programs as part of the past two NJCLASS bond indentures. No state appropriation is used to finance NJCLASS loans, which are funded entirely through private activity revenue bonds issued by the New Jersey Higher Education Student Assistance Authority (HESAA).

RAP and HIARP work in tandem to help struggling borrowers avoid defaulting on their loans. When all parties to an eligible NJCLASS loan face financial hardship, RAP and HIARP offer reduced monthly payments calculated to be affordable based on the combined household income of all of the parties to the loan. During RAP, all payments are applied to the outstanding principal balance, so borrowers can pay down their balance without accruing additional interest. HIARP provides additional payment relief when all parties to the loan continue to face financial hardship after exhausting two years of RAP eligibility, starting with standard NJCLASS loans originated on or after June 1, 2018. HIARP extends the repayment term to 25 years from the date of origination. During the HIARP period, borrowers' payments will be applied directly to principal, interest will continue to accrue on the loan, and any remaining balance at the end of 25 years will be forgiven.

The second bill signed today, S3149/A4623, enables borrowers and co-signers to repay defaulted loans through reasonable installment plans that ensure NJCLASS loans are repaid. The law codifies HESAA's process for settlements allowing borrowers to repay defaulted loans through more affordable monthly payments, and enabling HESAA to repair the credit ratings of borrowers who consistently comply with such payment plans.

"Higher education should provide an affordable pathway to a better life," **said Secretary of Higher Education Zakiya Smith Ellis**. "That's why the recently released state plan focuses on strategies to enhance college affordability, including ensuring students have manageable options to repay their student loans. The bills the Governor signs into law today will be an important step in fulfilling this promise of affordable options as outlined in the state plan for higher education."

"These new laws make important reforms to the NJCLASS loan program, while maintaining the availability of this important financial tool for New Jersey's students and families without any State appropriation," **said David Socolow, Executive Director of HESAA**. "Through the leadership of Governor Murphy and our partnership with the Legislature on these bills, HESAA will increase our efforts to help borrowers of NJCLASS family loans manage their student loan payments and achieve financial success."

"The average student in New Jersey graduates college with over \$30,000 in debt. It can take years for graduates to

fully pay off their debt, which can haunt them for years as they try to navigate the expenses of adulthood," **said Assemblyman Ralph Caputo**. "NJCLASS borrowers currently lack a path to loan rehabilitation if they struggle to make payments; this bill will correct that problem and set up a system for them to make manageable on-time payments and reduce their debt."

"It's all too common for students to leave college with crushing debt and earn a low-paying salary at an entry-level job," **said Assemblywoman Mila Jasey**. "It's quite easy to fall behind on payments in this situation, oftentimes resulting in a loan declared in default, which can negatively impact a graduate's credit for many years. It's imperative that we create a process for NJCLASS borrowers to have a default loan rehabilitated so they can focus on building their lives and careers instead of overwhelming debt."

"College graduates are facing the largest debt burden in history and as a State it is our responsibility to ensure that they are set up for success," **said Assemblyman Gary Schaer**. "Students who default on their loans are often caught in a cycle of poor credit history and unemployment. This law creates a process for borrowers to restore their loans from a default status by allowing them to make payments over several months to HESAA. Removing the default status will give graduates a second chance and an opportunity to build a better future for themselves and their families."

"A college degree is an essential tool to overcoming economic challenges," **said Assemblyman Dan Benson**. "However, the student must be able to afford college in the first place. Establishing a pathway for students from disadvantaged backgrounds to repay their loans in a fair, manageable way will improve access to college and expand their career opportunities."

"Student loan repayment is a nightmare for many college graduates and their families, and their financial situations worsen if they have the misfortune of defaulting on their loans," **said Senator Sandra Cunningham**. "These bills being signed into law is the culmination of two years of hard work. This will bring real, much needed relief to so many people who have defaulted or are struggling to pay back their NJCLASS loans."

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