

CHAPTER 63

AN ACT concerning the default and rehabilitation of New Jersey College Loans to Assist State Students (NJCLASS) Loan Program loans and supplementing chapter 71C of Title 18A of the New Jersey Statutes.

BE IT ENACTED by the Senate and General Assembly of the State of New Jersey:

C.18A:71C-31.8 NJCLASS loan determined to be in default; settlement agreement.

1. a. The authority may declare an NJCLASS loan program loan to be in default when the parties to the loan fail to meet the terms of the promissory note under circumstances where it is reasonable for the authority to determine that the parties no longer intend, or are no longer able, to honor the obligation to repay the loan or when the parties fail to make installment payments when due, provided failure to repay persists for:

- (1) at least 180 days when payments are due monthly; or
- (2) at least 240 days when payments are due less frequently than monthly.

b. Upon default, parties may become liable for the entire balance of the loan.

c. To facilitate recovery on a defaulted NJCLASS loan program loan, the authority shall offer parties to the defaulted loan the opportunity to enter into a settlement agreement, either pre- or post- judgement, based on the terms of the loan and the ability of the parties to the loan to make payments.

(1) The authority's counsel shall respond to a request for a settlement agreement within 15 business days of the request.

(2) The authority's counsel shall provide parties with a proposed written settlement agreement within 30 business days of reaching an oral agreement with the parties reflecting the agreed upon terms.

(3) For an NJCLASS loan program loan financed in whole or in part by bonds issued by the authority pursuant to N.J.S.18A:71A-8, the terms of the settlement agreement shall not violate the terms of the applicable bond indentures.

d. If parties to a defaulted NJCLASS loan program loan demonstrate to the authority an ability and willingness to repay the loan by making nine on-time monthly payments over the course of ten consecutive months pursuant to the settlement agreement, the loan shall be considered rehabilitated for the limited purposes of meeting the requirements of Title VI of the federal "Economic Growth, Regulatory Relief, and Consumer Protection Act," Pub.L.115-174.

(1) If subsequent to rehabilitating the loan the parties fail to continue to honor the obligations of the settlement agreement for at least 180 days, the loan may no longer be considered rehabilitated.

(2) A defaulted NJCLASS loan program loan may only be rehabilitated one time.

e. The authority shall accurately report the status of defaulted loans to the credit bureaus pursuant to the federal "Fair Credit Reporting Act" (15 U.S.C. s.1681s-2) and Title VI of the federal "Economic Growth, Regulatory Relief, and Consumer Protection Act," Pub.L.115-174.

2. This act shall take effect immediately.

Approved April 25, 2019.