

within established deadlines as specified on the application. The application shall include identifying information about the student, his or her college of attendance, the name of the deceased parent and information about the law enforcement organization with which the deceased was affiliated. The student must also submit documentation of his or her relationship to the deceased as well as verification of the law enforcement officer's death in the line of duty. The Authority will determine the student's eligibility for the scholarship based upon the information and documentation submitted and provide notification to the student.

9A:9-8.9 Verification of enrollment and academic performance

Before payment may be made to an eligible student, the institution must certify that the student has registered full time for an academic term in an undergraduate degree program and that the student is meeting the minimum standards for academic performance and academic progress at the institution in accordance with N.J.A.C. 9A:9-2.10. Institutions must certify eligibility within the term for which the scholarship is requested.

SUBCHAPTER 9. (RESERVED)

SUBCHAPTER 10. NEW JERSEY STUDENT TUITION ASSISTANCE REWARD SCHOLARSHIP (NJ STARS) PROGRAM

9A:9-10.2 Definitions

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

...
 "Rigorous high school course of study" means a course of study that is in accordance with the standards established by the Office of the Secretary of Higher Education, or its successor agency, in consultation with the Commissioner of Education.

9A:9-10.4 Eligibility requirements

(a) A student shall be eligible for a scholarship under the NJ STARS Program for up to five semesters, including summers. This period of eligibility also includes any semester for which a student qualifies for the scholarship but does not receive payment pursuant to N.J.A.C. 9A:9-10.7. In order to qualify for this scholarship, a student must meet the following eligibility requirements:

1.-2. (No change.)

3. For the first year of enrollment, a student must have graduated ***high school and had a class rank at the completion of 11th or 12th grade*** in the top 15.0 percent of the student's high school ***[graduating]*** class, provided that in the case of students graduating from high schools that do not calculate their class rank, the student's ranking should be determined by the high school in consultation with the Authority. Ranking policies are determined by the individual high schools and not by the Authority. At the time of high school graduation a student must have met, and continue to meet, all residency and citizenship requirements set forth in N.J.A.C. 9A:9-2.2 and 2.3;

4.-7. (No change.)

(b)-(d) (No change.)

9A:9-10.7 Amount of the scholarship

A scholarship under the NJ STARS Program shall cover up to the full cost of tuition and approved fees for students who graduated high school prior to 2010. For students who graduated high school in 2010 or later, a scholarship under the NJ STARS Program shall cover up to the full cost of tuition. All NJ STARS scholarships are subject to the prior application of other State and Federal grants and scholarships against those costs, for up to 18 credit hours in any semester for an eligible student enrolled in a full-time course of study at the New Jersey county college serving the student's county of residence. The full amount of State and Federal need-based grants and merit scholarships received by the student shall be applied to tuition or tuition and fee charges, as applicable, to reduce the amount of the NJ STARS award.

9A:9-10.10 Appeals

If, for any reason a student, his or her family, or an institution feels that the application of this subchapter results in an unfair determination of eligibility, an appeal shall be filed with the Higher Education Student Assistance Authority within 30 days of initial notification of eligibility or ineligibility. All appeals shall be in writing and addressed to the Director of Grants and Scholarships in the Authority, PO Box 540, Trenton, New Jersey 08625-0540 or submitted electronically, and shall contain the student's full name, Social Security number or customer ID number, college of attendance, and a description of the basis for the appeal. The Director of Grants and Scholarship will respond with the Authority's final determination of the appeal.

SUBCHAPTER 11. NEW JERSEY STUDENT TUITION ASSISTANCE REWARD SCHOLARSHIP II (NJ STARS II) PROGRAM

9A:9-11.10 Appeals

If, for any reason a student, his or her family, or an institution feels that the application of this subchapter results in an unfair determination of eligibility, an appeal shall be filed with the Higher Education Student Assistance Authority within 30 days of initial notification of eligibility or ineligibility. All appeals shall be in writing and addressed to the Director of Grants and Scholarships in the Authority, PO Box 540, Trenton, New Jersey 08625-0540 or submitted electronically, and shall contain the student's full name, Social Security number or customer ID number, college of attendance, and a description of the basis for the appeal. The Director of Grants and Scholarship will respond with the Authority's final determination of the appeal.

(a)

HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY

Student Loan and College Savings Programs The New Jersey College Loans to Assist State Students (NJCLASS) Program: Policies and Procedures

Adopted Amendments: N.J.A.C. 9A:10-6.3 through 6.19

Proposed: June 16, 2014, at 46 N.J.R. 1398(a).

Adopted: October 23, 2014, by the Higher Education Student Assistance Authority, Anthony Falcone, Chairperson.

Filed: November 6, 2014, as R.2014 d.181, **with non-substantial changes** not requiring additional public notice and comment (see N.J.A.C. 1:30-6.3).

Authority: N.J.S.A. 18A:71A-1 et seq. and 18A:71C-21 et seq.

Effective Date: December 1, 2014.

Expiration Date: May 1, 2016.

Summary of Public Comments and Agency Responses:

The Higher Education Student Assistance Authority ("Authority" or "HESAA") received comments from Melville D. Miller on behalf of Legal Services of New Jersey, Jennifer N. Weil, Esquire, Daniel A. Frischberg on behalf of the Law office of Daniel A. Frischberg, LLC, and Jean Public, which are summarized below.

COMMENT: Mr. McMillin and Mr. Frischberg both reference the language in N.J.S.A. 18A:71C-29, which provides "Unless expressly limited to federal programs, the information exchange, wage withholding, collection procedures, repayment determinations, and other provisions set forth in article 1 of this part shall apply to the NJLCLASS Loan Program." Mr. Frischberg commented that he believes the entirety of the regulations dealing with default are arbitrary and capricious and outside the scope of HESAA's delegated authority. Both Mr. McMillin and Mr. Frischberg assert that pursuant to this language, HESAA should implement a rehabilitation program for NJCLASS Loans in default based on reasonable and affordable payments. Ms. Weil also commented that

HESAA should provide rehabilitation for NJCLASS loans. All three commenters stated that this would help with the affordability of repaying NJCLASS loans.

RESPONSE: 34 CFR 682.405 and 685.211(f) provide for rehabilitation of Federal student loans, not all student loans. HESAA is not authorized by either statute, or the bond indentures that fund NJCLASS loans, to rehabilitate NJCLASS loans at this time. The rules allow for an NJCLASS rehabilitation program in the event that statute and market conditions change to allow for the issuance of bonds to finance rehabilitation.

COMMENT: Mr. McMillin, Mr. Frischberg, and Ms. Weil all commented on the need for HESAA to adopt income-sensitive payment plans as a means to cure or avoid default.

RESPONSE: An NJCLASS loan is a supplemental student loan that is funded through the sale of tax exempt bonds issued by HESAA. HESAA is required to administer the loans pursuant to the parameters of the bond indentures. Income-based payment plans are specifically limited to Federal loans due to their funding source. Federal tax dollars do not subsidize repayment plans based on income for NJCLASS loans, as such, NJCLASS cannot offer the same deferment, repayment, or forbearance options that are available on Federal student loans.

COMMENT: Mr. McMillin commented that HESAA should extend death and disability discharges to co-signers.

RESPONSE: NJCLASS loans provide for discharge upon the death of the sole borrower on the loan. If there is a surviving party to a loan, whether it is the borrower or the co-signer, the loan cannot be discharged. Most undergraduate students who borrow under the NJCLASS program do not meet the minimum income or credit history to secure an NJCLASS loan without the assistance of a parent or grandparent. Under the Equal Credit Opportunity Act, HESAA cannot deny a co-borrower or cosigner because of his or her age. The requested amendment to N.J.A.C. 9A:10-6.17 would require discharge in the event a parent or grandparent is on the loan and then dies regardless of whether or not the student has graduated, is gainfully employed, and can afford to repay the loan. As NJCLASS loans are financed through the sale of tax exempt bonds, the broad forgiveness parameters being requested would make NJCLASS bonds less attractive to the rating agencies and investors and could in turn increase both the interest rates HESAA has to pay investors to purchase the bonds and the interest rates HESAA has to charge borrowers on the loans.

COMMENT: Mr. McMillin commented that in the absence of reform, NJHESAA should require that potential borrowers maximize both subsidized and unsubsidized Federal direct loans before applying for an NJCLASS loan.

RESPONSE: While borrowers are required to maximize their subsidized Federal loans, they are not required to maximize unsubsidized Federal direct loans prior to applying for an NJCLASS loan to ensure that borrowers have as many loan options as possible and are not prevented from taking advantage of lower interest rates if and when they are available.

COMMENT: Mr. McMillin and Mr. Frischberg both requested a clarifying change regarding total and permanent disability discharge applications. Mr. McMillin recommended that the amendment to N.J.A.C. 9A:10-6.17(c) be modified to read (addition in bold): "A borrower is not considered totally and permanently disabled if he or she continues to receive **an equal or greater amount of** income from the source of income that was used to meet the minimum income requirements at the time the loan was approved."

RESPONSE: HESAA agrees that the purpose of this amendment was not to bar a borrower from discharge when the original source of income used to qualify for the loan has been reduced. As such, HESAA agrees that clarifying language is necessary in both N.J.A.C. 9A:10-6.3(a) (definition of totally and permanently disabled) and 6.17(c) to make the intent less confusing. This change can be made upon adoption because the purpose of the language is to clarify the proposed amendment pursuant to N.J.A.C. 1:30-6.3(f)2 and 3 and the changes do not significantly enlarge or curtail the scope of the rule or those who are affected by it. This modification relieves a burden on those affected by the change.

COMMENT: Mr. Frischberg commented that N.J.A.C. 9A:10-6.11(e) is ambiguous. He questioned whether this language means that a student can make a payment of \$10.00 if they are in an interest only repayment plan. Jean Public commented that \$10.00 is too low and a person could not repay a loan with a \$10.00 minimum payment.

RESPONSE: N.J.A.C. 9A:10-6.11(e) as amended reads, "The minimum acceptable monthly payment for borrowers in an interest only repayment status shall not be less than \$10.00 per loan." HESAA does not agree that this language is ambiguous. N.J.A.C. 9A:10-6.11(b)2 provides for a repayment option where, while in school, students only pay the interest that accrues on their loans. Subsection (e) requires these interest payments to be the minimum acceptable payment amount required to fully repay the loan in the maximum repayment term, and for students in the interest only status, that payment must be at least \$10.00 per loan, even if the loan has not accrued \$10.00 of interest. Excess amounts will be applied to principle to help reduce debt. The regulation ensures that all loans will be repaid within the maximum repayment term.

COMMENT: Jean Public commented that this is a "something for nothing" program and that banks should be making the loans because banks can make people repay loans and that taxpayers should not be paying for graduate loans. Jean Public added that she believes this program leads to losses to taxpayers, and parents' houses should be taken as collateral.

RESPONSE: N.J.S.A. 18A:71C-23 defines an eligible borrower for NJCLASS loans and does not limit the program to undergraduate students and, as such, it is available for graduate students as well. The NJCLASS program is financed through tax exempt bonds. It is not subsidized by taxpayers. The majority of NJCLASS borrowers repay their loans and do not reach default status. At 7.1 percent, the NJCLASS default rate over the 22-year life of the program is well below the Federal student loan program three-year cohort default rate of 13.7 percent.

COMMENT: Jean Public commented that deferments could cause problems for future students who want to borrow.

RESPONSE: Permitted deferments on loan repayments in certain circumstances helps keep borrowers out of default. The permissible deferment periods are limited to ensure that loans are repaid within the maximum repayment term of the loan.

COMMENT: Jean Public commented that one doctor's note is not enough to prove disability.

RESPONSE: Historically a note from a physician, who is a doctor of medicine or osteopathy and is legally authorized to practice medicine, certifying that the borrower is temporarily totally disabled has been sufficient to determine if a person qualifies for a deferment.

Federal Standards Statement

A Federal standards analysis is not required because the subject matter of this State student loan program is not subject to any Federal requirements or standards except for the standards for tax-exempt bonds, section 144(b) of the Federal Internal Revenue Code. NJCLASS loans funded by tax-exempt bonds are intended to qualify under the standards of section 144(b) of the Federal Internal Revenue Code, and do not exceed the standards of that section.

Full text of the adoption follows (additions to proposal indicated in boldface with asterisks ***thus***):

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

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:

"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 by the end of the second 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 Office of the Secretary of Higher Education, a State higher education policy-making agency presided over by the Secretary of Higher Education who 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.

“Delinquency” means a payment on an NJCLASS Loan Program loan or Consolidation 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 25 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 25 percent or less. An eligible institution for purposes of 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 accredited by either the American Dental Association or the Commission on Dental Accreditation of Canada.

“Fixed rate” means a predetermined interest rate percentage that is set at the origination of the loan. NJCLASS Loan Program Loan rates are determined by the bond indentures and may include a step-up to the percentage charged after a predetermined number of months.

“NJCLASS Consolidation Loan” means a new NJCLASS loan that discharges previous NJCLASS Loan Program loans. NJCLASS loan consolidation enables a borrower with several loans to obtain one loan with one repayment schedule and one interest rate.

“NJCLASS Graduate/Professional Students Program” means an NJCLASS program 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(c). The provisions governing Standard NJCLASS loans in this subchapter shall apply to NJCLASS Graduate/Professional Students loans unless this subchapter otherwise provides.

“NJCLASS Loan Program” means the New Jersey College Loans to Assist State Students Loan Program and encompasses all loans offered under the NJCLASS name except for the NJCLASS Consolidation Loan.

“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 Standard 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.

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

“Standard NJCLASS Loan” means the primary loan offered by the Authority, which is offered to both graduate and undergraduate students.

“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.

“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. An individual is not considered “totally and permanently disabled” if he or she continues to receive ***an equal or greater amount of income from*** the source of income that was used to meet the minimum income requirements at the time the loan was approved.

“Variable rate” means an interest rate that is reset at predetermined intervals. The adjustments are determined by a specific index as specified in the bond indentures.

(b) (No change.)

9A:10-6.4 Eligibility for the NJCLASS Loan Program

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

1.-2. (No change.)

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 Program loan or Consolidation 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 Standard 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 a Standard 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. (No change.)

(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 a Standard NJCLASS loan shall:

1.-5. (No change.)

6. If applying for a Standard 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 that 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 a Standard 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 an NJCLASS Graduate/Professional Students loan for student borrowers, each student must satisfy the requirements of (b)1, 3, and 6 above, as well as the following:

1. (No change.)

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 cohort default rate of 15 percent or less;

3.-5. (No change.)

(d)-(e) (No change.)

9A:10-6.5 NJCLASS creditworthiness

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

(b) (No change.)

(c) To be approved for a Standard NJCLASS loan, a creditworthy borrower or cosigner must have documentable annual income that exceeds Federal poverty guidelines, as adjusted annually by the United States Department of Health and Human Services. The amount by which income must exceed Federal poverty guidelines is determined by the bonds or notes whose proceeds are funding the loan.

(d) A borrower or cosigner with one or more of the items listed below in his or her credit history may be denied a Standard 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, or a paid or unpaid judgment.

(e) Borrowers who do not meet the income and credit requirements may reapply with an eligible cosigner who does meet the requirements of this section.

9A:10-6.6 Loan amounts

The amount borrowed for an NJCLASS Loan Program loan 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 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 Federal Direct Stafford loans prior to determining a student borrower's loan amount eligibility for an NJCLASS Loan Program loan. This eligibility determination excludes eligibility for Federal Direct PLUS loans.

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

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

1. (No change.)

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 Program loan.

(b)-(c) (No change.)

(d) 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 Program 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.

(e) An NJCLASS Loan Program 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. The school must return to the Authority any refund of NJCLASS proceeds resulting from a student's withdrawal, after satisfying any outstanding accounts receivable. 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.

9A:10-6.8 Fees

(a) 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, a recipient of an NJCLASS Loan Program loan may 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.-2. (No change.)

(b) A recipient of an NJCLASS Loan Program loan may be required to pay a servicing fee if provided by the promissory note.

9A:10-6.9 Interest

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

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

9A:10-6.11 Repayment of loan

(a) The Authority shall provide the borrower and cosigner, if any, with a Pre-Disbursement Disclosure Statement detailing expected monthly payment amounts and due dates of required payments at least three days prior to the first loan disbursement.

(b) There are three primary repayment options for NJCLASS Loan Program loans. The details and eligibility criteria for each specific option and their variations may be restricted by the bond indentures. Borrowers shall indicate preferred repayment options while applying for an NJCLASS Loan Program loan. Applications cannot be processed until a repayment option is selected. The Authority shall make best efforts, based on available funding, to offer borrowers the repayment option selected. If the selected option is unavailable the loan offer will include the most similar available repayment option. The interest rate is established by the Authority pursuant to N.J.A.C. 9A:10-6.9(a). The three primary repayment options for an NJCLASS loan are as follows:

1.-2. (No change.)

3. Borrowers are not required to pay principal or interest until graduation, withdrawal, or notification of less than half-time enrollment of the student on whose behalf the loan was obtained. 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 an annual basis, or more frequently as determined by the bond indentures. The first monthly payment of principal and interest shall be required within 60 days after the reversion date.

(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 Postgraduate 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 Postgraduate 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) (No change.)

(e) For loans made after August 3, 1998, the minimum acceptable monthly payment shall be the amount required to fully repay an NJCLASS Loan Program loan in the maximum repayment period; however, the minimum acceptable monthly payment of principal and interest shall not be less than \$50.00 per borrower for all of that borrower's NJCLASS Loan Program loans. The minimum acceptable monthly payment for borrowers in an interest only repayment status shall not be less than \$10.00 per loan.

(f) Notwithstanding any periods of deferment and/or forbearance, NJCLASS Loan Program loans shall be paid in full within the amount of years from the date of first disbursement as specified in the NJCLASS Application, Promissory Note, and disclosures. The amount of years in which a loan is to be repaid is determined by the bonds or notes whose proceeds are funding the loan.

(g) (No change.)

(h) Borrowers seeking relief under the Servicemembers Civil Relief Act, 50 U.S.C. §§ 501 et seq., must submit a request to the Authority in the manner prescribed by 50 U.S.C. § 527(b)(1).

9A:10-6.12 Deferments and forbearance

(a) Under certain conditions, borrowers shall be permitted to defer payments of interest and/or loan principal for specified periods of time. Some deferments may only be granted if both the borrower and co-borrower qualify for the deferment. During periods of authorized deferment, borrowers remain responsible for the payment of the interest accruing on their loan(s). The following are available NJCLASS Loan Program deferments and their requirements:

1. (No change.)

2. Unemployment.

i.-iii. (No change.)

iv. 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.-ii. (No change.)

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

(1) (No change.)

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

4. Active duty status in the Armed Forces.

i. The borrower shall provide documentation attesting to full-time active duty status. Acceptable documentation includes, but is not limited to, a copy of military orders or leave and earning statements. Borrowers shall notify the Authority upon release from active duty;

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)-(2) (No change.)

(3) The date on which the borrower's service is expected to end; and

6. Temporary total disability.

i. (No change.)

(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 for all deferments except full-time and half-time study at an eligible institution shall not exceed six months for loans with a 10-year repayment term, 18 months for loans with a 15-year repayment term, 24 months for loans with a 20-year repayment term, 30 months for loans with a 25-year repayment term, and 36 months for loans with a 30-year repayment term for an unemployment deferment, and for each of the remaining deferments, as established by the Authority. Full-time and half-time study deferments are not available within 24 months of the loan maturity date. Deferments for NJCLASS Loan Program loans with a 10-year repayment term are limited to unemployment deferments.

(c) (No change.)

(d) The Authority may also, at its discretion, grant borrowers periods of forbearance in the repayment of the NJCLASS Loan Program loan(s).

Forbearance will only be granted if both the borrower and co-borrower qualify for the forbearance pursuant to 34 CFR 682.211(a)(3). 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 not exceed six months for loans with a 10-year repayment term, 18 months for loans with a 15-year repayment term, 24 months for loans with a 20-year repayment term, 30 months for loans with a 25-year repayment term, and 36 months for loans with a 30-year repayment term. In granting a forbearance, the Authority permits a temporary cessation of principal payments and temporarily permits payments of interest only, or a temporary cessation of both principal and interest payments. Interest continues to accrue during all forbearance periods.

9A:10-6.13 Consolidation Loan Program

(a) Subject to the availability of funds, the Authority offers an NJCLASS Consolidation Loan Program for the purpose of permitting existing NJCLASS borrowers and/or co-borrowers to consolidate their existing NJCLASS Loan Program loans into a single NJCLASS Consolidation Loan. The purpose of the NJCLASS Consolidation Loan Program is to provide borrowers with high NJCLASS Loan Program debt an extended repayment term, which provides for lower monthly payments.

(b) (No change.)

(c) Only NJCLASS Loan Program loans in monthly repayment of principal and interest are eligible for consolidation into an NJCLASS Consolidation Loan. Existing NJCLASS consolidation loans are not eligible to be consolidated. The student for whom the underlying NJCLASS Loan Program loan was obtained shall no longer be enrolled in school. He or she shall have graduated or withdrawn.

(d) To be eligible for an NJCLASS Consolidation Loan, the NJCLASS borrower and/or co-borrower shall:

1.-3. (No change.)

4. In the case of any Federal Family Education Loan amount, Federal Direct Loan amount, or any NJCLASS Loan Program or Consolidation Loan amount that previously was canceled due to the borrower's total and permanent disability, obtain a certification from a physician that the borrower's condition has improved and that the borrower is able to engage in substantial gainful employment and sign a statement acknowledging that the NJCLASS Consolidation Loan that the borrower 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; and

5. (No change.)

(e)-(f) (No change.)

(g) NJCLASS Consolidation Loan borrowers and/or co-borrowers may be permitted to add additional eligible NJCLASS Loan Program loans to an existing NJCLASS Consolidation Loan provided sufficient funding is available and the origination period has not expired.

(h) The process to borrow under the NJCLASS Consolidation Loan Program shall be as follows:

1.-2. (No change.)

3. The NJCLASS Consolidation Loan amount will be calculated based upon the sum of the outstanding principal and interest balance of each underlying NJCLASS Loan Program loan being consolidated and the NJCLASS Consolidation Loan application/administrative fee, as specified in (i) below, will be charged to the borrower.

4. (No change.)

5. Consolidation loan proceeds will be applied to satisfy the outstanding NJCLASS Loan Program loans included in the consolidation. No proceeds will be issued to the borrower. Any adjustment amount will be applied to the outstanding principal balance of the new NJCLASS Consolidation Loan.

(i) NJCLASS Consolidation Loan borrowers and/or co-borrowers will be required to pay a one percent application/administrative fee. This fee will be added to the sum of the outstanding principal and interest balance of each underlying NJCLASS Loan Program loan being consolidated at the time of approval. In addition, borrowers and/or co-borrowers may be

required to pay a servicing fee for the NJCLASS Consolidation Loan if provided for by the promissory note.

(j) The interest rate on the NJCLASS Consolidation Loan will be a fixed rate based upon the weighted average interest rate of all the underlying NJCLASS Loan Program loans being consolidated plus 25 basis points. The interest rate of the underlying NJCLASS Loan Program loan is calculated using a blending of the applicable initial and step-up interest rates disclosed to the borrower. If the interest rate of the underlying NJCLASS Loan Program loan currently reflects the step-up interest rate, the step-up interest rate will be used solely in the calculation. If a variable rate NJCLASS Loan Program loan or an NJCLASS Loan Program loan with a 10-year repayment term is being included in the NJCLASS Consolidation Loan, the rate used in the weighted average calculation will be the equivalent 15- or 20-year fixed rate interest rate for the immediate repayment of principal and interest in effect at the time of disbursement of the underlying NJCLASS Loan Program loan. Interest on an NJCLASS Consolidation Loan will begin to accrue at the time of the loan disbursement.

(k)-(l) (No change.)

(m) The Authority may also, at its discretion, grant borrowers periods of forbearance in the repayment of the NJCLASS Consolidation Loan(s). Forbearance will only be granted if both the borrower and co-borrower qualify for the forbearance pursuant to 34 CFR 682.211(a)(3). 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). During periods of forbearance, the NJCLASS Consolidation Loan will revert to quarterly or monthly payments of interest only. The maximum allowable time period for economic hardship forbearance set forth in N.J.A.C. 9A:10-6.12(d) pertains to NJCLASS Consolidation Loans.

(n) NJCLASS Loan Program provisions, which pertain to delinquency, set forth in N.J.A.C. 9A:10-6.14; credit bureau reporting, set forth in N.J.A.C. 9A:10-6.15; default and consequences of default, set forth in N.J.A.C. 9A:10-6.16; discharge, set forth in N.J.A.C. 9A:10-6.17; and rehabilitation, set forth in N.J.A.C. 9A:10-6.18, shall be in effect for this Program.

9A:10-6.14 Delinquency

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

(b)-(c) (No change.)

9A:10-6.15 Credit bureau reporting

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

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 Program 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 Loan Program loans using promissory notes dated 1994 or later.

(b) (No change.)

(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. A borrower is not considered totally and permanently disabled if he or she continues to receive ***an equal or greater amount of income from*** the source of income that was used to meet the minimum income requirements at the time the loan was

approved. After being notified by the borrower, or the borrower's representative, that the borrower claims to be totally and permanently disabled, the Authority shall request that the borrower, or the borrower's representative, submit the discharge application provided by the Authority. The application must contain a certification 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 as defined in N.J.A.C. 9A:10-6.3.

(d) (No change.)

9A:10-6.18 Rehabilitation

(a) Effective no earlier than June 1, 1999, the Authority may offer a rehabilitation program for NJCLASS Loan Program loans and NJCLASS Consolidation Loans. If the Authority offers a rehabilitation program for these loans, the Authority shall notify borrowers of the availability of this program. In the event the Authority offers a rehabilitation program for NJCLASS Loan Program loans or NJCLASS Consolidation Loans, a borrower who has defaulted on an NJCLASS Loan Program loan or NJCLASS Consolidation 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 loan may be rehabilitated only once.

(b) An NJCLASS Loan Program loan or NJCLASS Consolidation 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 Program loan or NJCLASS Consolidation 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 Program loan or NJCLASS Consolidation Loan shall be the same as that of the 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 Program loan or NJCLASS Consolidation Loan prior to default. Once an NJCLASS Loan Program loan or NJCLASS Consolidation Loan subject to a judgment has been rehabilitated, the Authority shall have the judgment marked satisfied.

(e) (No change.)

(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 Loan Program and NJCLASS Consolidation Loan bondholders.

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

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

(b)-(c) (No change.)

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