

CHAPTER FIVE

NEW JERSEY COLLEGE LOAN TO ASSIST STATE STUDENTS (NJCLASS)

FIXED RATE PROGRAM

GRACE PERIOD

None

INTEREST

The interest rate is fixed, but it increases by 75 basis points after making 48 consecutive monthly payments of principal and interest. There is no interest subsidy.

OPTION 1:

Under this option monthly payments of principal and interest are required with the first payment schedule within 60 days after the loan is disbursed.

OPTION 2:

Under this option the payment of principal is deferred and only quarterly payments of interest are scheduled to be made at the beginning of each quarter.

OPTION 3:

Under this option the payment of principal is deferred and accrued interest is capitalized annually and added to the principal balance. This repayment option is available on a limited basis. Option 3 borrowers are required to pay a slightly higher interest rate which is 30 basis points more than the rates stipulated for Option 1 and Option 2 loans. The higher interest rate remains the same throughout the life of the loans.

Option 2 and 3 loans will automatically revert to Option 1 loans upon graduation, withdrawal or less than half time status. The first monthly payment for both principal and interest will be required within 60 days after the reversion date to Option 1.

Under all three payment options, interest begins to accrue on the date the loan is disbursed.

REPAYMENT PERIOD

- The maximum repayment period from the date of the first disbursement including deferment is 15 years for the fixed rate loan.
- The minimum monthly payment is \$50 or any higher amount that will fully repay an NJCLASS loan within the 15-year limit.
- There is no pre-payment penalty.
- The loan will be considered in default when it becomes 180 days delinquent while in repayment of monthly installments or 240 days delinquent if repaid less frequently than monthly.
- A late fee not to exceed 6% may be collected if a payment is received later than 10 days of the scheduled due date.
- New for loans made after June 1, 2001 is a 50 basis point reduction in interest rate for loans repaid via ACH (Automated Clearinghouse). To be eligible for ACH payments, borrowers must have at least one loan in monthly repayment of principal and interest, and all loans in repayment must be paid via ACH. Interest rate reduction only applies to new loans made after June 1, 2001.

DEFERMENT PROVISIONS

Deferments must be authorized with documentation that establishes eligibility. The NJCLASS office must be notified when the deferment condition no longer exists. Contact the NJCLASS office regarding deferment eligibility.

DEFERMENT AND FORBEARANCE OPTIONS

A borrower is entitled to defer payment of principal if the borrower meets certain criteria. There are many different types of deferments available to borrowers, including deferments for periods of unemployment, or further study, service as an intern or medical resident, service in the Peace Corps, and temporary total disability. A borrower may experience a period of temporary economic hardship but may not be eligible for a deferment. If this occurs, the borrower may request a reduction or postponement of principal payments on the loan. The maximum allowable time period for economic hardship forbearance is 18 months.

NOTE: CONTACT HESAA FOR DOCUMENTATION NEEDED FOR THE ABOVE LISTED OPTIONS.

DISABILITY

A loan will be forgiven if the borrower has a total and permanent disability. If there is a spouse named on the loan, the spouse would become the responsible borrower. If there is a cosigner on the loan and the spouse is not named on the loan, the cosigner becomes the responsible borrower.

NOTE: A DISABILITY FORM MUST BE COMPLETED BY THE PHYSICIAN TO DETERMINE ELIGIBILITY.

DEATH OF BORROWER

Upon the death of a borrower, the spouse (if signed the promissory note) would become the responsible borrower on the loan. If there is a cosigner and the borrower's spouse did not sign the promissory note, the cosigner would become the responsible borrower on the loan. A loan will be forgiven in cases where the borrower is deceased and there is no spouse or cosigner.

NOTE: A CERTIFIED COPY OF A DEATH CERTIFICATE IS REQUIRED.

CANCELLATION

A loan will be fully canceled upon receipt of check within 30 days from the date the loan was disbursed. A signed authorization from the institution or borrower giving reasons for cancellation must accompany the check. If a partial cancellation of the loan is requested, the institution would deduct any expenses incurred by student then return the balance to NJCLASS. The monies returned would then be applied to the loan to reduce the balance.

NOTE: PLEASE CONTACT HESAA OFFICE DIRECTLY FOR SPECIFIC INFORMATION ABOUT THIS LOAN PROGRAM

VARIABLE RATE PROGRAM

GRACE PERIOD

None

INTEREST RATE

The interest rate on this loan is a variable interest rate with a 9% interest rate cap.

The interest rate changes every year and becomes effective on July 1 of each year.

There is a choice of three payment options:

OPTION 1:

Under this option the monthly payments of principal and interest are required with the first payment scheduled within 60 days after the loan is disbursed.

OPTION 2:

Under this option the payment of principal is deferred and only quarterly payments of interest are scheduled to be made at the beginning of each quarter.

OPTION 3:

Under this option the payment of principal is deferred and accrued interest is capitalized annually and added to the principal balance. No payment is required. This repayment option is available on a limited basis.

Option 2 and 3 loans will automatically revert to Option 1 loans upon graduation, withdrawal or less than half time status. The first monthly payment for both principal and interest will be required within 60 days of the reversion date to Option 1.

Under all three options available, interest begins to accrue on the date the loan is disbursed.

REPAYMENT

- For NJCLASS variable loans disbursed on or after June 14, 2001, repayment must be fully amortized within a period of 23 years including periods the loans are in deferment. For loans disbursed prior to June 14, 2001, please read your loan disclosure statement.
- The minimum monthly payment is \$50 or any higher amount that will fully repay an NJCLASS loan within the 23-year loan limit.
- The loan will be considered in default when it becomes 180 days delinquent while in repayment of monthly installments or 240 days delinquent if repaid less frequently than monthly.

- A late fee not exceed 6% may be collected if a payment is received later than 10 days of the scheduled due date.
- Borrowers who are repaying their loans via monthly payments of principal and interest can choose to have their payments made automatically via ACH. There is no interest rate reduction for variable rate loans that are repaid via ACH.

DEFERMENT OPTIONS

A borrower is entitled to defer payment of principal if the borrower meets certain criteria. There are many different types of deferments available to borrowers, including deferments for periods of unemployment, or further study, service as an intern or medical resident, service in the Peace Corps, and temporary total disability. A borrower may experience a period of temporary economic hardship but may not be eligible for a deferment. If this occurs, the borrower may request a reduction or postponement of principal payments on the loan. The maximum allowable time period for economic hardship forbearance is 18 months.

TOTAL AND PERMANENT DISABILITY

If the borrower become totally and permanently disabled the borrower's legal obligation to repay this loan is forgiven.

DEATH OF BORROWER

If the borrower dies, the loan is forgiven.

**PLEASE CONTACT HESAA OFFICE DIRECTLY FOR SPECIFIC
INFORMATION ABOUT THIS LOAN PROGRAM
OR GO TO www.hesaa.org**

NJ CLASS LOAN CONSOLIDATION

NJCLASS Loan Consolidation Features

Borrowers can consolidation existing NJCLASS loans into a single fixed rate loan with extended repayment and reduced monthly payments.

Eligibility Criteria

- All parties on the loan must be a U.S. Citizen or Permanent Resident (proof may be required).
- Student for which loans were obtained must be out-of-school (graduated or withdrawn).
- Must consolidate a minimum of \$30,000.
- Must have 2 or more NJCLASS loans.
- NJCLASS Loans must be current.
- Borrowers must meet creditworthiness criteria; if a borrower doesn't meet these standards, a cosigner will be required.
- Borrowers must meet a minimum income requirement.*

*Subject to change annually.

Term

<i>NJCLASS Consolidation Loan Balance</i>	<i>Maximum Repayment Term</i>
\$30,000 to \$60,000	25 Years
more than \$60,000	30 Years

Interest Rate

The interest rate will be a fixed rate set at the weighted average of all loans in the consolidation. If you are including a variable rate NJCLASS loan in the consolidation, the applicable fixed-rate of the academic year will be used in the calculation.

Fees

A 1% administrative fee will be added to the approved amount of the Consolidation Loan.

Borrower Benefits

Single point of contact: loans are not sold or transferred. Borrowers can receive a .50% (50 basis points) reduction on the Consolidation Loan interest rate for payments via auto-debit.