ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

[First Reprint]
ASSEMBLY, No. 5117

STATE OF NEW JERSEY

DATED: OCTOBER 22, 2026

The Assembly Appropriations Committee reports favorably Assembly Bill No. 5117 (1R).

As reported, this bill requires the registration of postsecondary education debt creditors and establishes protections for borrowers.

The bill prohibits a postsecondary education debt creditor from extending postsecondary education debt to a New Jersey resident without first registering with the Commissioner of Banking and Insurance and with the Nationwide Multistate Licensing System and Registry. Postsecondary education debt creditors are required to provide the commissioner, at the time of registration and not less than once per year thereafter, certain information about the entities and the postsecondary education debt that they provide. The commissioner is required to post on the department's website information about postsecondary education debt creditors registered in the State. The bill also requires postsecondary education debt creditors to post on their websites a copy of each model promissory note, agreement, contract or other instrument used by the postsecondary education debt creditor to substantiate postsecondary education debt. The bill provides that the commissioner may impose a civil penalty not exceeding $25,000 on any person for a violation of the registration provisions of the bill. Each violation which constitutes a knowing violation is a crime of the third degree, which is punishable by three to five years imprisonment or a fine of up to $15,000, or both.

The bill requires postsecondary education debt creditors to deliver certain information to a cosigner related to impacts on the cosigner in certain circumstances, prior to the extension of postsecondary education debt that requires a cosigner. For any postsecondary education debt that obligates a cosigner and provides for cosigner release, a postsecondary education debt creditor is required to provide the borrower and the cosigner an annual written or electronic notice containing clear and conspicuous information about cosigner release. Under the bill, if the borrower has met the applicable payment requirement to be eligible for cosigner release, the postsecondary education debt creditor is to send the borrower and the cosigner a notification informing them that the payments requirement to be eligible for cosigner release has been met.

The bill requires a postsecondary education debt creditor to provide written notice to a borrower who applies for cosigner release, but whose application is incomplete. Within 30 days after a borrower submits a completed application for cosigner release, the postsecondary education debt creditor is required to send the borrower and cosigner a written notice that informs them whether the cosigner release application has been approved or denied.

The bill prohibits a postsecondary education debt creditor from imposing any restriction that permanently bars a borrower from qualifying for cosigner release. For any postsecondary education debt executed after the effective date of the bill, a postsecondary education debt creditor is prohibited from requiring greater than 12 consecutive, on-time payments of principal and interest as criteria to apply for cosigner release. This codifies the standard currently used by major student loan companies, such as Sallie Mae Bank. Under the bill, if a borrower or cosigner requests a change in terms that restarts the count of consecutive, on-time payments, the postsecondary education debt creditor is to notify the borrower and cosigner in writing, by mail, or by electronic mail, of the impact of the change and provide the borrower or cosigner the right to withdraw or reverse the request. The bill provides that a borrower has the right to request an appeal of a postsecondary education debt creditor determination to deny a request for cosigner release.

The bill prohibits postsecondary education debt executed after the effective date of the bill from including a provision that permits the postsecondary education debt creditor to accelerate, in whole or in part, payments on the postsecondary education debt, except in cases of payment default. The bill prohibits a postsecondary education debt executed after the effective date of the bill from including a provision that permits a postsecondary education debt creditor to attempt to collect against the cosigner's estate, other than for payment default. Upon receiving notification of the death or bankruptcy of a cosigner, when the postsecondary education debt is not more than 60 days delinquent at the time of the notification, the postsecondary education debt creditor may not change any terms or benefits under the promissory note, repayment schedule, repayment terms, or monthly payment amount or any other debt provision.

Under the bill, a postsecondary education debt creditor, upon determination of the total and permanent disability of a borrower or cosigner, is required to release the borrower or cosigner from their obligations under postsecondary education debt, as is the case with federal student loans. Upon determination of the total and permanent disability of a cosigner, a postsecondary education debt creditor is required to release that individual cosigner from the obligations of the cosigner. The bill requires postsecondary education debt creditors to notify borrowers and cosigners if a cosigner or borrower is released from the obligations of the postsecondary education debt, within 30

days of the release. The bill requires postsecondary education debt creditors that extend postsecondary education debt to provide the borrower the option to designate an individual to have the legal authority to act on behalf of the borrower with respect to the postsecondary education debt in the event of the total and permanent disability of the borrower. In the event a cosigner is released from the obligations of a postsecondary education debt, a postsecondary education debt creditor may not require the borrower to obtain another cosigner on the debt obligation. The bill provides that postsecondary education debt creditors may not declare a default or accelerate the debt against the borrower on the sole basis of the release of the cosigner from the postsecondary education debt. After making the determination of the total and permanent disability of a borrower, a postsecondary education debt creditor may not attempt to collect on the outstanding liability of the borrower or cosigner or monitor the disability status of the borrower after the date of discharge.

The bill requires the postsecondary education debt creditor to deliver a statement that benefits and protections applicable to existing postsecondary education debt may be lost due to refinancing before offering a person a postsecondary education debt that is being used to refinance an existing postsecondary education debt. If a postsecondary education debt creditor offers any borrower flexible repayment options in connection with a postsecondary education debt, those flexible repayment options are to be made available to all borrowers of the postsecondary education debt creditor. The bill requires postsecondary education debt creditors to publish the criteria used to determine borrower interest rates in all places where the interest rate is published, if the postsecondary education debt creditor does not offer the same interest rate to all borrowers.

The bill provides that a postsecondary education debt creditor may not: offer any postsecondary education debt that is not in conformity with the bill, or that is in violation of any other State or federal law; engage in any unfair, deceptive, or abusive act or practice; or make, advertise, print, display, publish, distribute, electronically transmit, telecast, or broadcast, in any manner, any statement or representation which is false, misleading, or deceptive.

The bill requires a postsecondary education debt creditor or debt collector attempting to collect a postsecondary education debt to provide certain documentation related to the debt in the first debt collection communication with the borrower and at any other time the borrower requests the documentation. The bill also prohibits postsecondary education debt creditors or debt collector from collecting or attempting to collect a postsecondary education debt unless the postsecondary education debt creditor or debt collector possesses certain information and documentation related to the debt.

Following a payment default on postsecondary education debt by a borrower, and before a postsecondary education debt creditor may

accelerate the maturity of the postsecondary education debt or commence a legal action against the borrower, a postsecondary education debt creditor is required to provide to the borrower a notice of intention to accelerate the postsecondary education debt.

The bill provides that an action to enter a default judgment against a borrower must be commenced within six years of the date the borrower failed to make a payment. The bill requires a postsecondary education debt creditor seeking to commence legal action against a borrower to attach certain documentation and information to a complaint filed in a court of competent jurisdiction.

The bill also provides that a borrower or cosigner who suffers damage as a result of a violation may bring an action in a court of competent jurisdiction to recover certain relief and damages.

FISCAL IMPACT:

The Office of Legislative Services (OLS) finds that the bill would result in an indeterminate increase in annual State and local expenditures. The following State and local agencies would or may incur caseload and expenditure increases: a) the Department of Law and Public Safety may have to provide guidance and other information related to the prosecution of the cases; b) county prosecutors would have to prosecute additional cases; c) the Judiciary would have to adjudicate additional complaints and monitor additional probationers; d) the Office of the Public Defender may have to represent additional low-income criminal defendants; e) the Department of Corrections may have to house and care for more individuals in cases where the sentencing involves incarceration; and f) the State Parole Board may have to supervise the return to society of additional offenders. The OLS notes that a presumption of non-incarceration generally applies to first-time offenders of a crime of the third degree.

The OLS also finds there will be an indeterminate annual increase in expenditures to the Department of Banking and Insurance associated with registration, reporting, and enforcement activities under the bill.

The OLS anticipates an indeterminate increase in State revenues from fines and civil penalties imposed for violations of the bill's provisions. The OLS notes there will also be a State revenue increase from the annual registration fees to be determined by the department.