

LEGISLATIVE FISCAL ESTIMATE
 [First Reprint]
 SENATE COMMITTEE SUBSTITUTE FOR
SENATE, No. 1599
STATE OF NEW JERSEY
213th LEGISLATURE

DATED: DECEMBER 18, 2008

SUMMARY

- Synopsis:** “Mortgage Stabilization and Relief Act”; creates Mortgage Stabilization Program and Housing Assistance and Recovery Program; imposes additional requirements on lender foreclosing mortgage; appropriates \$40 million from the “Long Term Obligation and Capital Expenditure Fund.”
- Type of Impact:** Decrease in appropriation to the “Long Term Obligation and Capital Expenditure Fund” and indeterminate municipal cost.
- Agencies Affected:** New Jersey Housing and Mortgage Finance Agency and municipal governments

Office of Legislative Services Estimate

Fiscal Impact	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
State Cost		\$40 million	
Local Cost		Indeterminate municipal cost.	

- The Office of Legislative Services (OLS) has determined that this committee substitute would result in a cost of \$40 million from the “Long Term Obligation and Capital Expenditure Fund.” Under the committee substitute, \$25 million would be used to establish the Mortgage Stabilization Program and \$15 million would be used to establish the Housing Assistance and Recovery Program (HARP). Both of these programs would administered by the New Jersey Housing and Mortgage Finance Agency (NJHMFA).
- The committee substitute allows the NJHMFA to use five percent of the monies allocated to each program for administrative purposes. Accordingly, \$1.25 million of the funds appropriated to the Mortgage Stabilization Program and \$750,000 of the funds appropriated to the HARP may be used for administrative purposes.
- The OLS cannot determine with any degree of plausibility or certainty the possible fiscal impact to a municipality of performing any ministerial function related to maintaining

foreclosure notices on file, notifying a creditor of the need to abate a violation or nuisance, or taking recourse against a creditor that does not abate a noticed violation or nuisance.

BILL DESCRIPTION

Senate Committee Substitute (1R) for Senate Bill No. 1599 of 2008 establishes the Mortgage Stabilization Program and the HARP, to be administered by the NJHMFA. The committee substitute appropriates a total of \$40 million from the “Long Term Obligation and Capital Expenditure Fund” for both programs; \$25 million for the Mortgage Stabilization Program and \$15 million for the HARP. The goal of the Mortgage Stabilization Program is to assist homeowners and lenders willing to refinance covered mortgages in order to ensure that the homeowner has an affordable mortgage payment. Assistance would be provided in the form of a non-amortizing (no monthly payment) second mortgage loan equal to one-half of the difference between the new first mortgage amount and the appraised value of the property, not exceeding \$25,000. The other half of the difference between the new first mortgage amount and the appraised value of the property would be secured by a lien held by the lender.

The HARP would provide financial support to certain nonprofit and public entities to execute lease-purchase agreements with homeowners who meet certain income requirements and face imminent danger of foreclosure. The lease-purchase agreements will enable homeowners to stay in their homes while paying affordable rent until such time as they are able to buy back the property. The nonprofit and public entities must meet a series of eligibility requirements in order to receive financial support from the HARP. The HARP monies may be used for the appraisal, construction, and rehabilitation of the property, property tax and insurance payments, the difference in the purchase price and the appraised value of the property (not exceeding \$25,000), and any other activity the agency deems necessary to effectuate the program.

In order to qualify for assistance from either the Mortgage Stabilization Program or the HARP, a homeowner’s household income may not exceed 120 percent of the area median household income or the agency’s Mortgage Revenue Bond Program income limit, whichever is greater. Finally, this bill extends the “six times” test regarding the income eligibility of families admitted to housing programs constructed, improved, or rehabilitated pursuant to section 8 of P.L.1983, c.530 (C.55:14K-8), the “New Jersey Housing and Mortgage Finance Law of 1983,” to any housing project the NJHMFA determines is necessary to promote the long term development and viability of a neighborhood and spur its revitalization.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS has determined that this committee substitute would result in a cost of \$40 million from the “Long Term Obligation and Capital Expenditure Fund.” Of these funds, \$25 million would be used to establish the Mortgage Stabilization Program and \$15 million would be used to establish the HARP. Both programs would be administered by the NJHMFA. The OLS notes that the bill allows the NJHMFA to use five percent of the monies allocated to each program for

administrative purposes. Accordingly \$1.25 million of the funds appropriated to the Mortgage Stabilization Program and \$750,000 of the funds appropriated to the HARP Support Fund may be used for administrative purposes. The OLS anticipates that some portion of the funds appropriated by this committee substitute and awarded to program participants in the form of a loan will be repaid by program participants at some future time.

The OLS also notes that this committee substitute would result in an indeterminate cost to municipal governments. Under the provisions of the bill establishing the HARP, a creditor serving a residential property owner with a notice of intention to foreclose on a mortgage is also required to serve a copy of the notice on the designated public officer of the municipality in which the real property is located, or the municipal clerk. The committee substitute also requires the abatement of a nuisance or violation of State or local code by the creditor after notice by the municipality, and gives the municipality recourse against the creditor if a nuisance or violation is not abated after the creditor is given notice. The OLS cannot determine with any degree of plausibility or certainty the possible fiscal impact to a municipality of performing any ministerial function related to maintaining foreclosure notices on file, notifying a creditor of the need to abate a violation or nuisance, or taking recourse against a creditor that does not abate a noticed violation or nuisance.

Section: Local Government

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This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L. 1980, c.67 (C. 52:13B-1 et seq.).