

LEGISLATIVE FISCAL ESTIMATE
ASSEMBLY, No. 2462
STATE OF NEW JERSEY
217th LEGISLATURE

DATED: FEBRUARY 25, 2016

SUMMARY

Synopsis: Extends post-service military protection against mortgage foreclosure.

Type of Impact: Indeterminate State fiscal impact.

Agencies Affected: New Jersey Housing and Mortgage Finance Agency

Office of Legislative Services Estimate

Fiscal Impact	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
State Cost	Indeterminate Impact –See comments below		

- The Office of Legislative Services (OLS) estimates that the enactment of Assembly Bill No. 2462 will have an indeterminate impact on State finances.
- If the New Jersey Housing and Mortgage Finance Agency (NJHMFA) receives insufficient mortgage payments for the purpose of servicing related mortgage revenue bonds, it will be required to use other funds to make scheduled mortgage payments. Any additional funds expended by the NJHMFA may be recovered as mortgagees (borrowers) become current in their payments or if the property is sold through the foreclosure process.
- The nine-month extension of the grace period proposed by the bill could provide certain borrowers sufficient time to address financial concerns and avoid the foreclosure process.

BILL DESCRIPTION

Assembly Bill No. 2462 of 2016 extends the period of protection against the sale, foreclosure, or seizure of property currently provided in State law for persons who are serving in the United States military. Currently, State law protects a person in military service from a sale, foreclosure, or seizure of a person’s property during the person’s period of military service and for three months thereafter, unless an order of sale is granted and approved by the court. As amended, this bill would extend the post-service period of protection from mortgage foreclosure from three months to one year after release or discharge from military service.

FISCAL ANALYSIS***EXECUTIVE BRANCH***

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS estimates that the enactment of Assembly Bill No. 2462 will have an indeterminate impact on State finances. Extending the period of protection against the sale, foreclosure, or seizure of a property will allow mortgage loans issued by the NJHMFA to go unpaid for an additional nine months. The NJHMFA projects are usually supported by mortgage revenue bonds. Mortgage revenue bonds are secured by mortgages and mortgage loan repayments on single-family homes. Either all, or a portion of, the principal and interest payments on a home mortgage is used to make payments to NJHMFA bondholders. If the mortgage payments are not sufficient to fully fund that amounts owed to bondholders, the NJHMFA would be required to use other moneys (such a surplus, funds designated for other programs, or funds held in a debt service reserve) to make scheduled bond payments. Any additional funds expended by the NJHMFA may be recovered as mortgagees become current in their payments or if their property is sold through the foreclosure process.

The OLS notes that the nine-month extension of the grace period proposed by the bill could provide certain borrowers sufficient time to address financial concerns and avoid the foreclosure process. Information on the number of ex-military homeowners who would be able to take advantage of this additional time to avoid foreclosure is not available.

Section: Local Government

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This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).