

ASSEMBLY, No. 927

STATE OF NEW JERSEY

Introduced Pending Technical Review by Legislative Counsel

PRE-FILED FOR INTRODUCTION IN THE 1996 SESSION

By Assemblyman ROCCO

1 AN ACT concerning certain mortgage loans under the Teachers'
2 Pension and Annuity Fund, the Public Employees' Retirement
3 System and the Police and Firemen's Retirement System, amending
4 P.L.1992, c.78 and supplementing chapter 66 of Title 18A of the
5 New Jersey Statutes and P.L.1954, c.84 (C.43:15A-1 et seq.).

6

7 **BE IT ENACTED** by the Senate and General Assembly of the State
8 of New Jersey:

9

10 1. (New section) As used in this act:

11 "mortgage loan" means any indebtedness secured by a mortgage on
12 a residential property, which mortgage shall constitute a first lien on
13 the property; and

14 "residential property" means any real property including land or, in
15 the case of condominiums, an interest in a lot of land, which real
16 property shall consist of a single one or two family dwelling, including
17 appropriate garages or other outbuildings, or unimproved real
18 property if the proceeds of the mortgage loan shall be used exclusively
19 for the purposes of erecting such a single one or two family dwelling
20 thereon.

21

22 2. (New section) The Director of the Division of Investment shall
23 at all times have authority to invest and reinvest the monies in, and to
24 acquire for or on behalf of, the Teachers' Pension and Annuity Fund
25 mortgage loans on residential property.

26

27 3. (New section) a. In addition to any loan for which he may be
28 eligible pursuant to the provisions of N.J.S.18A:66-35 and
29 notwithstanding the provisions of that or any other law to the
30 contrary, any retiree under the Teachers' Pension and Annuity Fund
31 and any member of the Teachers' Pension and Annuity Fund who, at
32 the time of application, is employed by a school board, educational

EXPLANATION - Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and intended to be omitted in the law.

Matter underlined thus is new matter.

1 services commission, jointure commission, county college or the State
2 and who has at least one year of creditable service is, for the purpose
3 of securing for his own occupation as his principal residence a
4 residential property located within this State, eligible to receive a
5 mortgage loan pursuant to the provisions of this act. The mortgage
6 loan shall be used only for the purpose of enabling a borrower to
7 acquire or construct a residential property or refinance an existing
8 residential property loan.

9 No retiree or member shall be eligible hereunder for more than one
10 outstanding mortgage loan at any time, and no retiree or member shall
11 be eligible to receive a second mortgage loan on a residential property
12 already mortgaged by him. Preference shall be given in making loans
13 to retirees or members who are applying to acquire or construct their
14 first principal place of residence.

15 b. Any mortgage loan made pursuant to the provisions of this act,
16 together with any interest and expenses to the retirement system
17 associated with the making of that loan, shall be repaid in equal
18 installments.

19 c. The amount of interest charged with respect to a mortgage loan
20 made pursuant to the provisions of this act shall be fixed for the entire
21 term of the loan. The New Jersey Housing and Mortgage Finance
22 Agency, established under section 4 of P.L.1983, c.530 (C.55:14K-4),
23 shall initially establish the rate within 120 days of the effective date of
24 this act and semiannually reset the rate thereafter. The rate shall be
25 determined by the New Jersey Housing and Mortgage Finance Agency
26 by adding from 1% to 2% to the index. For the purposes of this
27 subsection, the index shall be the weekly average yield at the time the
28 rate is reset on one-year United States Treasury securities adjusted to
29 a constant maturity as made available by the Federal Reserve Board.
30 The term of any mortgage loan so made shall not exceed 30 years.

31 d. No mortgage loan made pursuant to the provisions of this act
32 shall be sold, transferred or assigned to any person, nor shall the
33 payments with respect to any mortgage loan so made be assumed by
34 any person other than the retiree or member to whom that loan was
35 made, except that in the event of the death of a retiree or member, the
36 mortgage may be assignable to a surviving spouse if the spouse is the
37 sole heir to the property.

38 e. The instrument evidencing a mortgage loan under the provisions
39 of this act may be in such form, and may contain such provisions, not
40 inconsistent with law, as the director may choose to insert for the
41 protection of the retirement system's lien and the preservation of its
42 interest in the real property mortgaged to it.

43

44 4. (New section) a. The State Treasurer shall delegate the
45 administration of this mortgage loan program to the New Jersey
46 Housing and Mortgage Finance Agency established under section 4 of

1 P.L.1983, c.530 (C.55:14K-4). The agency shall: (1) originate loans;
2 (2) appraise the value of any real property eligible to be mortgaged
3 under this act; (3) guarantee and insure title to the real property; and
4 (4) perform any other service necessary to accomplish the purposes of
5 this act in a manner consistent with the protection of the rights of
6 beneficiaries of the retirement system. The cost of the performance of
7 these services in connection with the making of a mortgage loan shall
8 be charged to the borrower and included in the amount of that
9 mortgage loan.

10 b. The New Jersey Housing and Mortgage Finance Agency shall
11 award a one-year contract for the servicing of loans to the eligible
12 lender which has originated the most mortgage loans since the
13 inception of the mortgage loan program established under the Police
14 and Firemen's Retirement System pursuant to P.L.1992, c.78
15 (C.43:16A-16.9 et seq.). Thereafter, any contract for the servicing of
16 loans shall be awarded on an annual basis to the eligible lender which
17 has originated the most loans under the Teachers' Pension and Annuity
18 Fund during the prior year.

19

20 5. (New section) The State Treasurer, with the advice of the State
21 Investment Council, the Board of Trustees of the Teachers' Pension
22 and Annuity Fund, and the New Jersey Housing and Mortgage Finance
23 Agency, shall set mortgage loan standards and guidelines for loans
24 made pursuant to this act, including mortgage loan maturity terms,
25 participation fees, mortgage loan insurance requirements, lender
26 compensation rates, servicing fees, loan-to-value ratios, minimum and
27 maximum mortgage loan amounts and eligibility standards consistent
28 with section 3 of this act.

29

30 6. (New section) Any retiree or member receiving a mortgage loan
31 pursuant to the provisions of this act shall, within 120 days of the date
32 on which the loan was made, occupy the residence as his principal
33 dwelling place. If any retiree or member receiving a mortgage loan
34 pursuant to the provisions of this act sells, or ceases to occupy as his
35 residence and principal dwelling place, that residential property, the
36 entire amount of that mortgage loan, together with any accrued
37 interest thereon, shall be due and payable on the 120th day following
38 that action.

39

40 7. (New section) a. Upon application of a retiree or member for
41 a mortgage loan the director shall, within 90 days, make available to
42 the New Jersey Housing and Mortgage Finance Agency sufficient
43 funds to provide mortgage loans in accordance with the provisions of
44 this act, except that no mortgage loan shall be made at any time when
45 the total of all principal balances owing on mortgage loans made
46 pursuant to this act, less all write-offs and reserves with respect to

1 these mortgage loans, together exceeds, or by the making of the loan
2 would exceed, 10% of the total investment assets, including mortgage
3 loans, of the retirement system. Every mortgage loan made hereunder
4 shall be evidenced by a note or bond and shall be secured by a
5 mortgage on the fee of real property located within this State. Every
6 mortgage shall be certified to be a first lien by an attorney-at-law of
7 this State or certified or guaranteed to be a first lien by a corporation
8 authorized to guarantee titles to land in this State. For the purposes
9 of this section, a mortgage shall be deemed to be a first lien,
10 notwithstanding the existence of a lien for current taxes or assessments
11 not due or payable at the time the loan is made, and notwithstanding
12 the existence of leases, building restrictions, easements,
13 encroachments, or covenants which do not materially lessen the value
14 of the real property to be mortgaged.

15 b. Pursuant to rules established by the State Treasurer, with the
16 advice of the New Jersey Housing and Mortgage Finance Agency, no
17 mortgage loan shall be made under this act except upon a written
18 certification signed by at least two persons appointed or retained by
19 the appraisers. In the case of a mortgage loan secured by a mortgage
20 upon real property, such certification shall state the opinion of such
21 persons as to the value of the land and the improvements thereon or
22 to be erected thereon and the character of such improvements. Such
23 certification shall be filed with the records of the retirement system
24 and shall be preserved until the retirement system has no interest, as
25 mortgagee or otherwise, in the real property.

26 c. No mortgage loan secured by a mortgage on real property shall
27 be made unless the property shall consist of improved real property,
28 or unimproved real property if the proceeds of such loan shall be used
29 for the purposes of erecting improvements thereon.

30

31 8. (New section) The State Treasurer shall, with the advice of the
32 State Investment Council, the Director of the Division of Pensions and
33 Benefits and the Executive Director of the New Jersey Housing and
34 Mortgage Finance Agency and in accordance with the "Administrative
35 Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.), promulgate
36 any rules and regulations necessary to accomplish the purposes of this
37 act.

38

39 9. (New section) As used in this act:

40 "mortgage loan" means any indebtedness secured by a mortgage on
41 a residential property, which mortgage shall constitute a first lien on
42 the property; and

43 "residential property" means any real property including land or, in
44 the case of condominiums, an interest in a lot of land, which real
45 property shall consist of a single one or two family dwelling, including
46 appropriate garages or other outbuildings, or unimproved real

1 property if the proceeds of the mortgage loan shall be used exclusively
2 for the purposes of erecting such a single one or two family dwelling
3 thereon.

4

5 10. (New section) The Director of the Division of Investment shall
6 at all times have authority to invest and reinvest the monies in, and to
7 acquire for or on behalf of, the Public Employees' Retirement System
8 mortgage loans on residential property.

9

10 11. (New section) a. In addition to any loan for which he may be
11 eligible pursuant to the provisions of section 34 of P.L.1954, c.84
12 (C.43:15A-34) and notwithstanding the provisions of that or any other
13 law to the contrary, any retiree under the Public Employees'
14 Retirement System and any member of the Public Employees'
15 Retirement System who, at the time of application, is employed by the
16 State or a county, municipality or other political subdivision of the
17 State and who has at least one year of creditable service is, for the
18 purpose of securing for his own occupation as his principal residence
19 a residential property located within this State, eligible to receive a
20 mortgage loan pursuant to the provisions of this act. The mortgage
21 loan shall be used only for the purpose of enabling a borrower to
22 acquire or construct a residential property or refinance an existing
23 residential property loan.

24 No retiree or member shall be eligible hereunder for more than one
25 outstanding mortgage loan at any time, and no retiree or member shall
26 be eligible to receive a second mortgage loan on a residential property
27 already mortgaged by him. Preference shall be given in making loans
28 to retirees or members who are applying to acquire or construct their
29 first principal place of residence.

30 b. Any mortgage loan made pursuant to the provisions of this act,
31 together with any interest and expenses to the retirement system
32 associated with the making of that loan, shall be repaid in equal
33 installments.

34 c. The amount of interest charged with respect to a mortgage loan
35 made pursuant to the provisions of this act shall be fixed for the entire
36 term of the loan. The New Jersey Housing and Mortgage Finance
37 Agency, established under section 4 of P.L.1983, c.530 (C.55:14K-4),
38 shall initially establish the rate within 120 days of the effective date of
39 this act and semiannually reset the rate thereafter. The rate shall be
40 determined by the New Jersey Housing and Mortgage Finance Agency
41 by adding from 1% to 2% to the index. For the purposes of this
42 subsection, the index shall be the weekly average yield at the time the
43 rate is reset on one-year United States Treasury securities adjusted to
44 a constant maturity as made available by the Federal Reserve Board.
45 The term of any mortgage loan so made shall not exceed 30 years.

46 d. No mortgage loan made pursuant to the provisions of this act

1 shall be sold, transferred or assigned to any person, nor shall the
2 payments with respect to any mortgage loan so made be assumed by
3 any person other than the retiree or member to whom that loan was
4 made, except that in the event of the death of a retiree or member, the
5 mortgage may be assignable to a surviving spouse if the spouse is the
6 sole heir to the property.

7 e. The instrument evidencing a mortgage loan under the provisions
8 of this act may be in such form, and may contain such provisions, not
9 inconsistent with law, as the director may choose to insert for the
10 protection of the retirement system's lien and the preservation of its
11 interest in the real property mortgaged to it.

12

13 12. (New section) a. The State Treasurer shall delegate the
14 administration of this mortgage loan program to the New Jersey
15 Housing and Mortgage Finance Agency established under section 4 of
16 P.L.1983, c.530 (C.55:14K-4). The agency shall: (1) originate loans;
17 (2) appraise the value of any real property eligible to be mortgaged
18 under this act; (3) guarantee and insure title to the real property; and
19 (4) perform any other service necessary to accomplish the purposes of
20 this act in a manner consistent with the protection of the rights of
21 beneficiaries of the retirement system. The cost of the performance of
22 these services in connection with the making of a mortgage loan shall
23 be charged to the borrower and included in the amount of that
24 mortgage loan.

25 b. The New Jersey Housing and Mortgage Finance Agency shall
26 award a one-year contract for the servicing of loans to the eligible
27 lender which has originated the most mortgage loans since the
28 inception of the mortgage loan program established under the Police
29 and Firemen's Retirement System pursuant to P.L.1992, c.78
30 (C.43:16A-16.9 et seq.). Thereafter, any contract for the servicing of
31 loans shall be awarded on an annual basis to the eligible lender which
32 has originated the most loans under the Public Employees' Retirement
33 System during the prior year.

34

35 13. (New section) The State Treasurer, with the advice of the State
36 Investment Council, the Board of Trustees of the Public Employees'
37 Retirement System, and the New Jersey Housing and Mortgage
38 Finance Agency, shall set mortgage loan standards and guidelines for
39 loans made pursuant to this act, including mortgage loan maturity
40 terms, participation fees, mortgage loan insurance requirements, lender
41 compensation rates, servicing fees, loan-to-value ratios, minimum and
42 maximum mortgage loan amounts and eligibility standards consistent
43 with section 11 of this act.

44

45 14. (New section) Any retiree or member receiving a mortgage
46 loan pursuant to the provisions of this act shall, within 120 days of the

1 date on which the loan was made, occupy the residence as his principal
2 dwelling place. If any retiree or member receiving a mortgage loan
3 pursuant to the provisions of this act sells, or ceases to occupy as his
4 residence and principal dwelling place, that residential property, the
5 entire amount of that mortgage loan, together with any accrued
6 interest thereon, shall be due and payable on the 120th day following
7 that action.

8
9 15. (New section) a. Upon application of a retiree or member for
10 a mortgage loan the director shall, within 90 days, make available to
11 the New Jersey Housing and Mortgage Finance Agency sufficient
12 funds to provide mortgage loans in accordance with the provisions of
13 this act, except that no mortgage loan shall be made at any time when
14 the total of all principal balances owing on mortgage loans made
15 pursuant to this act, less all write-offs and reserves with respect to
16 these mortgage loans, together exceeds, or by the making of the loan
17 would exceed, 10% of the total investment assets, including mortgage
18 loans, of the retirement system. Every mortgage loan made hereunder
19 shall be evidenced by a note or bond and shall be secured by a
20 mortgage on the fee of real property located within this State. Every
21 mortgage shall be certified to be a first lien by an attorney-at-law of
22 this State or certified or guaranteed to be a first lien by a corporation
23 authorized to guarantee titles to land in this State. For the purposes
24 of this section, a mortgage shall be deemed to be a first lien,
25 notwithstanding the existence of a lien for current taxes or assessments
26 not due or payable at the time the loan is made, and notwithstanding
27 the existence of leases, building restrictions, easements,
28 encroachments, or covenants which do not materially lessen the value
29 of the real property to be mortgaged.

30 b. Pursuant to rules established by the State Treasurer, with the
31 advice of the New Jersey Housing and Mortgage Finance Agency, no
32 mortgage loan shall be made under this act except upon a written
33 certification signed by at least two persons appointed or retained by
34 the appraisers. In the case of a mortgage loan secured by a mortgage
35 upon real property, such certification shall state the opinion of such
36 persons as to the value of the land and the improvements thereon or
37 to be erected thereon and the character of such improvements. Such
38 certification shall be filed with the records of the retirement system
39 and shall be preserved until the retirement system has no interest, as
40 mortgagee or otherwise, in the real property.

41 c. No mortgage loan secured by a mortgage on real property shall
42 be made unless the property shall consist of improved real property,
43 or unimproved real property if the proceeds of such loan shall be used
44 for the purposes of erecting improvements thereon.

45
46 16. (New section) The State Treasurer shall, with the advice of the

1 State Investment Council, the Director of the Division of Pensions and
2 Benefits and the Executive Director of the New Jersey Housing and
3 Mortgage Finance Agency and in accordance with the "Administrative
4 Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.), promulgate
5 any rules and regulations necessary to accomplish the purposes of this
6 act.

7

8 17. Section 4 of P.L.1992, c.78 (C.43:16A-16.11) is amended to
9 read as follows:

10 4. a. In addition to any loan for which he may be eligible pursuant
11 to the provisions of section 18 of P.L.1964, c.241 (C.43:16A-16.1)
12 and notwithstanding the provisions of that or any other law to the
13 contrary, any retiree under the Police and Firemen's Retirement System
14 and any member of the Police and Firemen's Retirement System who,
15 at the time of application, is employed by the State or a county,
16 municipality or other political subdivision of the State and who has at
17 least one year of creditable service is, for the purpose of securing for
18 his own occupation as his principal residence a residential property
19 located within this State, eligible to receive a mortgage loan pursuant
20 to the provisions of this act. The mortgage loan shall be used only for
21 the purpose of enabling a borrower to acquire or construct a
22 residential property or refinance an existing residential property loan.

23 No retiree or member shall be eligible hereunder for more than one
24 outstanding mortgage loan at any time, and no retiree or member shall
25 be eligible to receive a second mortgage loan on a residential property
26 already mortgaged by him. Preference shall be given in making loans
27 to retirees or members who are applying to acquire or construct their
28 first principal place of residence.

29 b. Any mortgage loan made pursuant to the provisions of this act,
30 together with any interest and expenses to the retirement system
31 associated with the making of that loan, shall be repaid in equal
32 installments.

33 c. The amount of interest charged with respect to a mortgage loan
34 made pursuant to the provisions of this act shall be fixed for the entire
35 term of the loan. The New Jersey Housing and Mortgage Finance
36 Agency, established under section 4 of P.L.1983, c.530 (C.55:14K-4),
37 shall initially establish the rate within 120 days of the effective date of
38 this act and semiannually reset the rate thereafter. The rate shall be
39 determined by the New Jersey Housing and Mortgage Finance Agency
40 by adding from 1% to 2% to the index. For the purposes of this
41 subsection, the index shall be the weekly average yield at the time the
42 rate is reset on one-year United States Treasury securities adjusted to
43 a constant maturity as made available by the Federal Reserve Board.
44 The term of any mortgage loan so made shall not exceed 30 years.

45 d. No mortgage loan made pursuant to the provisions of this act
46 shall be sold, transferred or assigned to any person, nor shall the

1 payments with respect to any mortgage loan so made be assumed by
2 any person other than the retiree or member to whom that loan was
3 made, except that in the event of the death of a retiree or member, the
4 mortgage may be assignable to a surviving spouse if the spouse is the
5 sole heir to the property.

6 e. The instrument evidencing a mortgage loan under the provisions
7 of this act may be in such form, and may contain such provisions, not
8 inconsistent with law, as the director may choose to insert for the
9 protection of the retirement system's lien and the preservation of its
10 interest in the real property mortgaged to it.

11 (cf: P.L.1992, c.78, s.4)

12

13 18. Section 5 of P.L.1992, c.78 (C.43:16A-16.12) is amended to
14 read as follows:

15 5. a. The State Treasurer shall delegate the administration of this
16 mortgage loan program to the New Jersey Housing and Mortgage
17 Finance Agency established under section 4 of P.L.1983, c.530
18 (C.55:14K-4). The agency shall: [a.](1) originate loans; [b.](2)
19 appraise the value of any real property eligible to be mortgaged under
20 this act; [c.](3) guarantee and insure title to the real property; and
21 [d.](4) perform any other service necessary to accomplish the
22 purposes of this act in a manner consistent with the protection of the
23 rights of beneficiaries of the retirement system. The cost of the
24 performance of these services in connection with the making of a
25 mortgage loan shall be charged to the borrower and included in the
26 amount of that mortgage loan.

27 b. Upon the completion of any contract in existence on the
28 effective date of this act, P.L. , c. (C.) (now pending before the
29 Legislature as this bill), for the servicing of loans, the New Jersey
30 Housing and Mortgage Finance Agency shall award a one-year
31 contract for the servicing of loans to the eligible lender which has
32 originated the most program loans since the inception of the mortgage
33 loan program established under the Police and Firemen's Retirement
34 System. Thereafter, any contract for the servicing of loans shall be
35 awarded on an annual basis to the eligible lender which has originated
36 the most loans during the prior year.

37 (cf: P.L.1992, c.78, s.5)

38

39 19. Section 7 of P.L.1992, c.78 (C.43:16A-16.14) is amended to
40 read as follows:

41 7. Any retiree or member receiving a mortgage loan pursuant to
42 the provisions of this act shall, within 120 days of the date on which
43 the loan was made, occupy the residence as his principal dwelling
44 place. If any retiree or member receiving a mortgage loan pursuant to
45 the provisions of this act sells, or ceases to occupy as his residence and
46 principal dwelling place, that residential property, the entire amount

1 of that mortgage loan, together with any accrued interest thereon, shall
2 be due and payable on the 120th day following that action.

3 (cf: P.L.1992, c.78, s.7)

4

5 20. Section 8 of P.L.1992, c.78 (C.43:16A-16.15) is amended to
6 read as follows:

7 8. a. Upon application of a retiree or member for a mortgage loan
8 the director shall, within 90 days, make available to the New Jersey
9 Housing and Mortgage Finance Agency sufficient funds to provide
10 mortgage loans in accordance with the provisions of this act, except
11 that no mortgage loan shall be made at any time when the total of all
12 principal balances owing on mortgage loans made pursuant to this act,
13 less all write-offs and reserves with respect to these mortgage loans,
14 together exceeds, or by the making of the loan would exceed, 10% of
15 the total investment assets, including mortgage loans, of the retirement
16 system. Every mortgage loan made hereunder shall be evidenced by
17 a note or bond and shall be secured by a mortgage on the fee of real
18 property located within this State. Every mortgage shall be certified to
19 be a first lien by an attorney-at-law of this State or certified or
20 guaranteed to be a first lien by a corporation authorized to guarantee
21 titles to land in this State. For the purposes of this section, a
22 mortgage shall be deemed to be a first lien, notwithstanding the
23 existence of a lien for current taxes or assessments not due or payable
24 at the time the loan is made, and notwithstanding the existence of
25 leases, building restrictions, easements, encroachments, or covenants
26 which do not materially lessen the value of the real property to be
27 mortgaged.

28 b. Pursuant to rules established by the State Treasurer, with the
29 advice of the New Jersey Housing and Mortgage Finance Agency, no
30 mortgage loan shall be made under this act except upon a written
31 certification signed by at least two persons appointed or retained by
32 the appraisers. In the case of a mortgage loan secured by a mortgage
33 upon real property, such certification shall state the opinion of such
34 persons as to the value of the land and the improvements thereon or
35 to be erected thereon and the character of such improvements. Such
36 certification shall be filed with the records of the retirement system
37 and shall be preserved until the retirement system has no interest, as
38 mortgagee or otherwise, in the real property.

39 c. No mortgage loan secured by a mortgage on real property shall
40 be made unless the property shall consist of improved real property,
41 or unimproved real property if the proceeds of such loan shall be used
42 for the purposes of erecting improvements thereon.

43 (cf: P.L.1992, c.78, s.8)

44

45 21. This act shall take effect immediately and sections 1 through 16
46 shall expire five years after the effective date, provided that any

1 mortgage in effect on the expiration date shall remain in effect until the
2 retirement of the mortgage.

3

4

5

STATEMENT

6

7 This bill establishes a program whereby a retiree under the
8 Teachers' Pension and Annuity Fund (TPAF) or the Public Employees'
9 Retirement System (PERS) or an active TPAF or PERS member with
10 at least one year of creditable service may obtain a mortgage loan from
11 the retirement system. The loan may only be used to acquire or
12 construct a residential property or to refinance an existing residential
13 property loan. It may not be given as a second mortgage on already
14 mortgaged property. No retiree or member is allowed to have more
15 than one outstanding loan under the program at any time.

16 Preference shall be given in making loans to retirees or members
17 who are applying to acquire or construct their first principal place of
18 residence. No loan under the program may be sold, transferred or
19 assigned, nor may payments with respect to such a loan be assumed by
20 anyone other than the retiree or member. An exception may be made,
21 in the event the retiree or member dies, for the assignment of the
22 mortgage to the decedent's surviving spouse if that spouse is the sole
23 heir to the encumbered property.

24 A retiree or member who receives a mortgage loan under the
25 program must, within 120 days of the making of the loan, occupy the
26 residence as his principal dwelling place. If a retiree or member
27 receiving a mortgage loan sells or ceases to occupy as his residence
28 and principal dwelling place that residential property, the entire
29 amount of that mortgage loan, together with any accrued interest
30 thereon, shall be due and payable within 120 days.

31 The interest rate applicable to loans under the program shall be set
32 semiannually by the New Jersey Housing and Mortgage Finance
33 Agency and shall be from 1% to 2% above the average yield on
34 one-year Treasury bills at the time of the setting. The term of any loan
35 under the program shall not exceed 30 years.

36 The State Treasurer shall delegate the administration of this
37 mortgage loan program to the New Jersey Housing and Mortgage
38 Finance Agency. The agency shall: (1) originate loans; (2) appraise
39 the value of any real property eligible to be mortgaged under this act;
40 (3) guarantee and insure title to the real property; and (4) perform any
41 other service necessary to accomplish the purposes of this act in a
42 manner consistent with the protection of the rights of beneficiaries of
43 the retirement system. The cost of the performance of these services
44 in connection with the making of a mortgage loan shall be charged to
45 the borrower and included in the amount of that mortgage loan. The
46 New Jersey Housing and Mortgage Finance Agency shall award a

1 one-year contract for the servicing of TPAF and PERS loans to the
2 eligible lender which has originated the most program loans since the
3 inception of the mortgage loan program under the Police and Firemen's
4 Retirement System. Thereafter, any contract for the servicing of loans
5 shall be awarded on an annual basis to the eligible lender which has
6 originated the most loans under the retirement system, as the case may
7 be, during the prior year.

8 The State Treasurer, with the advice of the State Investment
9 Council, the Board of Trustees of the Teachers' Pension and Annuity
10 Fund, and the New Jersey Housing and Mortgage Finance Agency,
11 shall set mortgage loan standards and guidelines for loans made
12 pursuant to this act, including mortgage loan maturity terms,
13 participation fees, mortgage loan insurance requirements, lender
14 compensation rates, servicing fees, loan-to-value ratios, minimum and
15 maximum mortgage loan amounts and eligibility standards.

16 No mortgage loan shall be made at any time when the total of all
17 principal balances owing on mortgage loans made pursuant to this act,
18 less all write-offs and reserves with respect to these mortgage loans,
19 together exceeds, or by the making of the loan would exceed, 10% of
20 the total investment assets, including mortgage loans, of the retirement
21 system.

22 This bill also revises the existing Police and Firemen's Retirement
23 System (PFRS) mortgage loan program. The bill:

24 (1) allows retirees to participate in the program;

25 (2) provides that the interest rate shall be determined by adding
26 from 1% to 2%, rather than a flat 2%, to the one-year United States
27 Treasury securities index; and

28 (3) stipulates that upon the completion of any contract in existence
29 on the effective date of this act for the servicing of loans, the New
30 Jersey Housing and Mortgage Finance Agency shall award a one-year
31 contract for the servicing of loans to the eligible lender which has
32 originated the most program loans since the inception of the mortgage
33 loan program under PFRS. Thereafter, any contract for the servicing
34 of loans shall be awarded on an annual basis to the eligible lender
35 which has originated the most loans during the prior year.

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40 Allows TPAF and PERS to make mortgage loans to certain members
41 and retirees and makes revisions to the PFRS mortgage loan program.