

LEGISLATIVE FISCAL ESTIMATE TO

SENATE, No. 406

STATE OF NEW JERSEY

DATED: May 24, 1996

Senate Bill No. 406 of 1996 establishes the Secure Mortgage Assistance Program to encourage local law enforcement officers and full-time paid firefighters to purchase homes in specially designated neighborhoods of their employer municipality. Under the provisions of this bill, low interest mortgages, low or no down payment offerings, and other such incentives would be available to law enforcement officers and firefighters who wish to purchase a home in a specially designated neighborhood. The program would be administered by the State Treasurer through the New Jersey Housing and Mortgage Finance Agency. To participate in the program, the governing body of the municipality must adopt an ordinance, designate the neighborhoods where the purchases must be made, and identify a local official to assist interested law enforcement officers and firefighters in applying for the assistance.

The program would only be available to law enforcement officers and firefighters employed by municipalities which qualify for the State's "urban aid" program.

Funding for the program would be made available from the Police and Firemen's Retirement System, which currently makes mortgage loans administered by the New Jersey Housing and Mortgage Finance Agency.

The Office of Legislative Services (OLS) is not able to estimate the potential cost to the State of establishing such a program. The funds to establish the mortgage program are required by the bill to be made available from moneys in the Police and Firemen's Retirement System (PFRS). Therefore, a new pool of money will not need to be created or designated to accomplish the purpose of the bill. However, the OLS notes that mortgage loans currently funded through the Police and Firemen's Retirement System are made at below-market interest rates. The mortgage loan rate is the average yield at the time the rate is set on the one-year United States Treasury securities plus 2 percent. The bill permits the State Treasurer, with the advice of the New Jersey Housing and Mortgage finance Agency, to establish lower mortgage rates, as is deemed appropriate, for the purpose of providing mortgage loans under the proposed "Secure Neighborhood Mortgage Assistance Program." Therefore, while the OLS is not able to determine the cost to the PFRS of making such loans, it anticipates that the PFRS will obtain a lower rate of return on the moneys loaned under this program than it would obtain by investing with the other assets of the retirement systems. The actual cost to the PFRS will be

payable by increased employer contributions.

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.