

SENATE, No. 406

STATE OF NEW JERSEY

INTRODUCED JANUARY 18, 1996

By Senator BRYANT

1 AN ACT establishing a mortgage assistance program for certain law  
2 enforcement officers and firefighters, amending and supplementing  
3 P.L.1983, c.530 (C.55:14K-1 et seq.) and amending P.L.1992,  
4 c.78.

5  
6 **BE IT ENACTED** by the Senate and General Assembly of the State  
7 of New Jersey:

8  
9 1. (New section) This act shall be known and may be cited as the  
10 "Secure Neighborhood Mortgage Assistance Program."

11  
12 2. (New section) The Legislature finds and declares that:

13 a. Some of the neighborhoods in New Jersey's older and financially  
14 strained urban municipalities are deteriorating;

15 b. Frightened by rising local crime rates, families and longtime  
16 residents of these communities are abandoning them;

17 c. Battered by this cycle of deterioration, crime and suburban  
18 flight, these neighborhoods are trapped in a downward spiral toward  
19 dilapidation and blight;

20 d. The vitality of our urban municipalities depends upon the  
21 stability and viability of their local communities and neighborhoods;

22 e. To reverse this trend and to revive these neighborhoods, the fear  
23 of crime and concern about personal physical safety must be  
24 eliminated;

25 f. State aid programs which put additional law enforcement officers  
26 on duty in those neighborhoods serve to alleviate some of that fear and  
27 concern;

28 g. A program designed to encourage law enforcement officers and  
29 firefighters to live in those communities would further reduce those  
30 fears and concerns and could significantly contribute to the revival of  
31 those neighborhoods; and

32 h. It is, therefore, within the public interest to establish a mortgage  
33 program to assist law enforcement officers in purchasing homes  
34 located in designated neighborhoods.

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

**Matter underlined thus is new matter.**

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

2       "Agency" means the New Jersey Housing and Mortgage Finance  
3 Agency.

4       "Eligible municipality" means a municipality which qualifies for  
5 State aid under the provisions of P.L.1978, c.14 (C.52:27D-178 et  
6 seq.).

7       "Participating neighborhood" means a portion or portions of the  
8 eligible municipality, identified by the governing body, wherein the  
9 provisions of the program established under this act are applicable.

10       "Program" means the secure neighborhood mortgage assistance  
11 program established under this act.

12       "Qualified applicant" means a fulltime law enforcement officer  
13 employed by an eligible municipality , and a fulltime paid firefighter.  
14

15       4. (New section) There is established a secure neighborhood  
16 mortgage assistance program. The purpose of the program is to  
17 provide mortgage assistance to law enforcement officers and  
18 firefighters seeking to purchase homes in specially designated  
19 neighborhoods of their employing municipality. The assistance  
20 afforded under this act may be in the form of low interest mortgages,  
21 minimal or no down payment requirements, or both, and such other  
22 incentives as the State Treasurer, with the advice of the New Jersey  
23 Housing and Mortgage Finance Agency, may deem appropriate to  
24 assist qualified applicants in purchasing homes in participating  
25 neighborhoods. The State Treasurer shall delegate administration of  
26 this program to the agency. To ensure that a home purchased by a  
27 qualified applicant under this program is used by the applicant as his  
28 or her primary residence the agency shall require that a qualified  
29 applicant agree to maintain primary residence at that home for at least  
30 five years as a condition to the receipt of program assistance. The  
31 agency may enforce the five-year residency agreement through the use  
32 of restrictive mortgage covenants, deed restrictions or other penalties  
33 deemed appropriate by the State Treasurer, with the advice of the  
34 agency, to accomplish the Legislative purpose of encouraging  
35 residency of law enforcement officers and firefighters in participating  
36 neighborhoods. To fund this program, the State Treasurer shall  
37 designate a reasonable portion of the moneys allocated for programs  
38 designed to assist law enforcement officers and firefighters under  
39 section 4 of P.L.1992, c.78 (C.43:16A-16.11).  
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41       5. (New section) The governing body of any eligible municipality,  
42 by ordinance, may determine to participate in the secure neighborhood  
43 mortgage assistance program. In addition to such other information  
44 as the agency may require, the ordinance shall set forth the  
45 participating neighborhoods, identified by their street boundaries, and  
46 identify a municipal official who shall assist each qualified applicant in

1 preparing his application to the agency and be responsible for  
2 forwarding that application to the agency. The ordinance may, if the  
3 governing body so determines, provide that the program be available  
4 only to qualified applicants who have been employed by the eligible  
5 municipality for more than a specified number of years.

6  
7 6. Section 5 of P.L.1983, c.530 (C.55:14K-5) is amended to read  
8 as follows:

9 5. In order to carry out the purposes and provisions of this act, the  
10 agency, in addition to any powers granted to it elsewhere in this act,  
11 shall have the following powers:

12 a. To adopt bylaws for the regulation of its affairs and the conduct  
13 of its business; to adopt an official seal and alter the same at pleasure;  
14 to maintain an office at such place or places within the State as it may  
15 designate; to sue and be sued in its own name;

16 b. To conduct examinations and hearings and to hear testimony and  
17 take proof, under oath or affirmation, at public or private hearings, on  
18 any matter material for its information and necessary to carry out the  
19 provisions of this act;

20 c. To issue subpoenas requiring the attendance of witnesses and the  
21 production of books and papers pertinent to any hearing before the  
22 agency, or before one or more of the members of the agency appointed  
23 by it to conduct a hearing;

24 d. To apply to any court, having territorial jurisdiction of the  
25 offense, to have punished for contempt any witness who refuses to  
26 obey a subpoena, or who refuses to be sworn or affirmed to testify, or  
27 who is guilty of any contempt after summons to appear;

28 e. To acquire by purchase, gift, foreclosure or condemnation any  
29 real or personal property, or any interest therein, to enter into any  
30 lease of property and to hold, sell, assign, lease, encumber, mortgage  
31 or otherwise dispose of any real or personal property, or any interest  
32 therein, or mortgage lien interest owned by it or under its control,  
33 custody or in its possession and release or relinquish any right, title,  
34 claim, lien, interest, easement or demand however acquired, including  
35 any equity or right of redemption, in property foreclosed by it and to  
36 do any of the foregoing by public or private sale, with or without  
37 public bidding, notwithstanding the provisions of any other law;

38 f. To acquire, hold, use and dispose of its income revenues, funds  
39 and moneys;

40 g. To adopt rules and regulations expressly authorized by this act  
41 and such additional rules and regulations as shall be necessary or  
42 desirable to carry out the purposes of this act. The agency shall adopt  
43 regulations which provide for consultation with housing sponsors  
44 regarding the formulation of agency rules and regulations governing  
45 the operation of housing projects and which require the agency to  
46 consult with the affected housing sponsor prior to taking any and all

1 specific proposed agency actions relating to the sponsor's housing  
2 project. The agency shall publish all rules and regulations and file  
3 them with the Secretary of State;

4 h. To borrow money or secure credit on a temporary, short-term,  
5 interim or long-term basis, and to issue negotiable bonds and to secure  
6 the payment thereof and to provide for the rights of the holders  
7 thereof;

8 i. To make and enter into and enforce all contracts and agreements  
9 necessary, convenient or desirable to the performance of its duties and  
10 the execution of its powers under this act, including contracts or  
11 agreements with qualified financial institutions for the servicing and  
12 processing of eligible loans owned by the agency;

13 j. To appoint and employ an executive director, who shall be the  
14 chief executive officer of the agency, and additional officers, who need  
15 not be members of the agency as the agency deems advisable, and to  
16 employ architects, engineers, attorneys, accountants, construction and  
17 financial experts and other employees and agents as may be necessary  
18 in its judgment and to determine their qualifications, terms of office,  
19 duties and compensation; and to promote and discharge such officers,  
20 employees and agents, all without regard to the provisions of Title  
21 11A, Civil Service, of the New Jersey Statutes;

22 k. To contract for and to receive and accept any gifts, grants, loans  
23 or contributions from any source, of money, property, labor or other  
24 things of value, to be held, used and applied to carry out the purposes  
25 of this act subject to the conditions upon which the grants and  
26 contributions may be made, including, but not limited to, gifts or  
27 grants from any department or agency of the United States or the State  
28 for payment of rent supplements to eligible families or for the payment  
29 in whole or in part of the interest expense for a housing project or for  
30 any other purpose consistent with this act;

31 l. To enter into agreements to pay annual sums in lieu of taxes to  
32 any political subdivision of the State with respect to any real property  
33 owned or operated directly by the agency;

34 m. To procure insurance against any loss in connection with its  
35 operations, property and other assets (including eligible loans) in the  
36 amounts and from the insurers it deems desirable;

37 n. To the extent permitted under its contract with the holders of  
38 bonds of the agency, to consent to any modification with respect to  
39 rate of interest, time and payment of any installment of principal or  
40 interest, security or any other terms of any loan to an institutional  
41 lender, eligible loan, loan commitment, contract or 1[8]1 agreement  
42 of any kind to which the agency is a party;

43 o. To the extent permitted under its contract with the holders of  
44 bonds of the agency, to enter into contracts with any housing sponsor  
45 containing provisions enabling the housing sponsor to reduce the  
46 rental or carrying charges to persons unable to pay the regular

1 schedule of charges where, by reason of other income or payment from  
2 the agency, any department or agency of the United States or the  
3 State, these reductions can be made without jeopardizing the economic  
4 stability of the housing project;

5 p. To make and collect the fees and charges it determines are  
6 reasonable;

7 q. To the extent permitted under its contract with the holders of  
8 bonds of the agency, to invest and reinvest any moneys of the agency  
9 not required for immediate use, including proceeds from the sale of  
10 any obligations of the agency, in obligations, securities or other  
11 investments as the agency deems prudent. All functions, powers and  
12 duties relating to the investment or reinvestment of these funds,  
13 including the purchase, sale or exchange of any investments or  
14 securities may, upon the request of the agency, be exercised and  
15 performed by the Director of the Division of Investment in the  
16 Department of the Treasury, in accordance with written directions of  
17 the agency signed by an authorized officer, without regard to any other  
18 law relating to investments by the Director of the Division of  
19 Investment;

20 r. To provide, contract or arrange for, where, by reason of the  
21 financing arrangement, review of the application and proposed  
22 construction of a project is required by or in behalf of any department  
23 or agency of the United States, consolidated processing of the  
24 application or supervision or, in the alternative, to delegate the  
25 processing in whole or in part to any such department or agency;

26 s. To make eligible loans, and to participate with any department,  
27 agency or authority of the United States or of any state thereof, this  
28 State, a municipality, or any banking institution, foundation, labor  
29 union, insurance company, trustee or fiduciary in an eligible loan,  
30 secured by a single participating mortgage, by separate mortgages or  
31 by other security agreements, the interest of each having equal priority  
32 as to lien in proportion to the amount of the loan so secured, but  
33 which need not be equal as to interest rate, time or rate of  
34 amortization or otherwise, and to undertake commitments to make  
35 such loans;

36 t. To assess from time to time the housing needs of any  
37 municipality which is experiencing housing shortages as a result of the  
38 authorization of casino gaming and to address those needs when  
39 planning its programs;

40 u. To sell any eligible loan made by the agency or any loan to an  
41 institutional lender owned by the agency, at public or private sale, with  
42 or without bidding, either singly or in groups, or in shares of loans or  
43 shares of groups of loans, issue securities, certificates or other  
44 evidence of ownership secured by such loans or groups of loans, sell  
45 the same to investors, arrange for the marketing of the same; and to  
46 deposit and invest the funds derived from such sales in any manner

- 1 authorized by this act;
- 2 v. To make commitments to purchase, and to purchase, service and  
3 sell, eligible loans, pools of loans or securities based on loans, insured  
4 or issued by any department or agency of the United States, and to  
5 make loans directly upon the security of any such loan, pools of loans  
6 or securities;
- 7 w. To provide such advisory consultation, training and educational  
8 services as will assist in the planning, construction, rehabilitation and  
9 operation of housing including but not limited to assistance in  
10 community development and organization, home management and  
11 advisory services for residents and to encourage community  
12 organizations and local governments to assist in developing housing;
- 13 x. To encourage research in and demonstration projects to develop  
14 new and better techniques and methods for increasing the supply,  
15 types and financing of housing and housing projects in the State and  
16 to engage in these research and demonstration projects and to receive  
17 and accept contributions, grants or aid, from any source, public or  
18 private, including but not limited to the United States and the State,  
19 for carrying out this purpose;
- 20 y. To provide to housing sponsors, through eligible loans or  
21 otherwise, financing, refinancing or financial assistance for fully  
22 completed, as well as partially completed, projects which may or may  
23 not be occupied, if the projects meet all the requirements of this act,  
24 except that, prior to the making of the mortgage loans by the agency,  
25 said projects need not have complied with sections 7a.(9) and 42 of  
26 this act;
- 27 z. To encourage and stimulate cooperatives and other forms of  
28 housing with tenant participation;
- 29 aa. To promote innovative programs for home ownership,  
30 including but not limited to lease-purchase programs,  
31 employer-sponsored housing programs, such as the mortgage  
32 assistance program for law enforcement officers and firefighters  
33 established pursuant to P.L. , c. (C. ) (now before the  
34 Legislature as this bill), and tenant cooperatives;
- 35 bb. To set aside and designate, out of the funds that are or may  
36 become available to it for the purpose of financing housing in this  
37 State pursuant to the terms of this act, certain sums or proportions  
38 thereof to be used for the financing of housing and home-ownership  
39 opportunities, including specifically lease-purchase arrangements,  
40 provided by employers to their employees through nonprofit or  
41 limited-dividend corporations or associations created by employers for  
42 that purpose; and to establish priority in funding, offer bonus fund  
43 allocations, and institute other incentives to encourage such  
44 employer-sponsored housing and home-ownership opportunities;
- 45 cc. Subject to any agreement with bondholders, to collect, enforce  
46 the collection of, and foreclose on any property or collateral securing

1 its eligible loan or loans to institutional lenders and acquire or take  
2 possession of such property or collateral and sell the same at public or  
3 private sale, with or without bidding, and otherwise deal with such  
4 collateral as may be necessary to protect the interests of the agency  
5 therein;

6 dd. To administer and to enter into agreements to administer  
7 programs of the federal government or any other entity which are in  
8 furtherance of the purposes of this act;

9 ee. To do and perform any acts and things authorized by this act  
10 under, through, or by means of its officers, agents or employees or by  
11 contract with any person, firm or corporation; and

12 ff. To do any acts and things necessary or convenient to carry out  
13 the powers expressly granted in this act.

14 (cf: P.L.1983, c.530, s.5)

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

18 4. a. In addition to any loan for which he may be eligible pursuant  
19 to the provisions of section 18 of P.L.1964, c.241 (C.43:16A-16.1)  
20 and notwithstanding the provisions of that or any other law to the  
21 contrary, any member of the Police and Firemen's Retirement System  
22 who, at the time of application, is employed by the State or a county,  
23 municipality or other political subdivision of the State and who has at  
24 least one year of creditable service is, for the purpose of securing for  
25 his own occupation as his principal residence a residential property  
26 located within this State, eligible to receive a mortgage loan pursuant  
27 to the provisions of [this act] P.L.1992, c.78 (C.43:16A-16.9 et seq.)  
28 or section 4 of P.L. , c. (C. ) (now pending before the  
29 Legislature as this bill). The mortgage loan shall be used only for the  
30 purpose of enabling a borrower to acquire or construct a residential  
31 property or refinance an existing residential property loan.

32 No member shall be eligible hereunder for more than one  
33 outstanding mortgage loan at any time, and no member shall be eligible  
34 to receive a second mortgage loan on a residential property already  
35 mortgaged by him. Preference shall be given in making loans to  
36 members who are applying to acquire or construct their first principal  
37 place of residence and to members who are qualified applicants  
38 pursuant to section 3 of P.L. , c. (C. ) (now pending before  
39 the Legislature as this bill).

40 b. Any mortgage loan made pursuant to the provisions of [this act]  
41 P.L.1992, c.78 (C.43:16A-16.9 et seq.), together with any interest and  
42 expenses to the retirement system associated with the making of that  
43 loan, shall be repaid in equal installments.

44 c. (1) The amount of interest charged with respect to a mortgage  
45 loan made pursuant to the provisions of [this act] P.L.1992, c.78  
46 (C.43:16A-16.9 et seq.) shall be fixed for the entire term of the loan.

1 The New Jersey Housing and Mortgage Finance Agency, established  
2 under section 4 of P.L.1983, c.530 (C.55:14K-4), shall initially  
3 establish the rate within 120 days of the effective date of [this act]  
4 P.L.1992, c.78 (C.43:16A-16.9 et seq.), and semiannually reset the  
5 rate thereafter. The rate shall be determined by the New Jersey  
6 Housing and Mortgage Finance Agency by adding 2% to the index.  
7 For the purposes of this subsection, the index shall be the weekly  
8 average yield at the time the rate is reset on one-year United States  
9 Treasury securities adjusted to a constant maturity as made available  
10 by the Federal Reserve Board. The term of any mortgage loan so  
11 made shall not exceed 30 years.

12 (2) Notwithstanding the interest rates set pursuant to paragraph (1)  
13 of this subsection, the State Treasurer, with the advice of the New  
14 Jersey Housing and Mortgage Finance Agency, may establish lower  
15 rates, as is deemed appropriate, for the purposes of mortgage  
16 assistance provided pursuant to section 4 of P.L. , c. (C. )  
17 (now pending before the Legislature as this bill).

18 d. No mortgage loan made pursuant to the provisions of [this act]  
19 P.L.1992, c.78 (C.43:16A-16.9 et seq.) or section 4 of P.L. , c. (C.  
20 ) (now pending before the Legislature as this bill), shall be sold,  
21 transferred or assigned to any person, nor shall the payments with  
22 respect to any mortgage loan so made be assumed by any person other  
23 than the member to whom that loan was made, except that in the event  
24 of the death of a member, the mortgage may be assignable to a  
25 surviving spouse if the spouse is the sole heir to the property.

26 e. The instrument evidencing a mortgage loan under the provisions  
27 of [this act] P.L.1992, c.78 (C.43:16A-16.9 et seq.) or section 4 of  
28 P.L. , c. (C. ) (now pending before the Legislature as this  
29 bill), may be in such form, and may contain such provisions, not  
30 inconsistent with law, as the director may choose to insert for the  
31 protection of the retirement system's lien and the preservation of its  
32 interest in the real property mortgaged to it.1

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

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35 8. This act shall take effect on the first day of the third month  
36 following enactment.

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#### STATEMENT

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41 This bill establishes a special mortgage assistance program, the  
42 Secure Neighborhood Mortgage Assistance Program, to encourage  
43 local law enforcement officers and fulltime paid firefighters to  
44 purchase homes in specially designated neighborhoods of their  
45 employer municipality.

46 Concerns about rising crime rates and personal safety are

1 responsible for many families' and longtime residents' abandoning their  
2 neighborhood homes in some of New Jersey's more urban  
3 municipalities. Since the vitality of our urban municipalities depends  
4 upon the stability and viability of their local communities and  
5 neighborhoods, it is essential that these concerns about crime and for  
6 personal safety be addressed. One way to accomplish that objective  
7 is to establish a program that encourages and assists municipal law  
8 enforcement officers and firefighters to purchase homes in local  
9 neighborhoods.

10 Under the provisions of this bill, low interest mortgages, low or no  
11 down payment offerings, and other such incentives would be available  
12 to law enforcement officers and firefighters who wish to purchase a  
13 home in a specially designated neighborhood. The program would be  
14 administered by the State Treasurer through the New Jersey Housing  
15 and Mortgage Finance Agency. To participate in the program, the  
16 governing body of the municipality must adopt an ordinance, designate  
17 the neighborhoods where the purchases must be made, and identify a  
18 local official to assist interested law enforcement officers and  
19 firefighters in applying for the assistance.

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

23 The bill requires that a qualified applicant agree to maintain a home  
24 purchased with program assistance as the applicant's primary residence  
25 for at least five years as a condition to the receipt of program  
26 assistance. This is intended to discourage the use of program  
27 assistance by qualified applicants to purchase investment or rental  
28 properties. The bill clarifies that funds for the program would be  
29 available from the Police and Firemen's Retirement System, which  
30 currently makes mortgage loans administered by the New Jersey  
31 Housing and Mortgage Finance Agency.

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36 Establishes "Secure Neighborhood Mortgage Assistance Program."