

[Corrected Copy]  
**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 and firefighters in

**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 purchasing homes located in designated neighborhoods.

2

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

4 "Agency" means the New Jersey Housing and Mortgage Finance  
5 Agency.

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

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

12 "Program" means the secure neighborhood mortgage assistance  
13 program established under this act.

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

16

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

42

43 5. (New section) The governing body of any eligible municipality,  
44 by ordinance, may determine to participate in the secure neighborhood  
45 mortgage assistance program. In addition to such other information  
46 as the agency may require, the ordinance shall set forth the

1 participating neighborhoods, identified by their street boundaries, and  
2 identify a municipal official who shall assist each qualified applicant in  
3 preparing his application to the agency and be responsible for  
4 forwarding that application to the agency. The ordinance may, if the  
5 governing body so determines, provide that the program be available  
6 only to qualified applicants who have been employed by the eligible  
7 municipality for more than a specified number of years.

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

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

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

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

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

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

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

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

42 g. To adopt rules and regulations expressly authorized by this act  
43 and such additional rules and regulations as shall be necessary or  
44 desirable to carry out the purposes of this act. The agency shall adopt  
45 regulations which provide for consultation with housing sponsors  
46 regarding the formulation of agency rules and regulations governing

1 the operation of housing projects and which require the agency to  
2 consult with the affected housing sponsor prior to taking any and all  
3 specific proposed agency actions relating to the sponsor's housing  
4 project. The agency shall publish all rules and regulations and file  
5 them with the Secretary of State;

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

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

15 j. To appoint and employ an executive director, who shall be the  
16 chief executive officer of the agency, and additional officers, who need  
17 not be members of the agency as the agency deems advisable, and to  
18 employ architects, engineers, attorneys, accountants, construction and  
19 financial experts and other employees and agents as may be necessary  
20 in its judgment and to determine their qualifications, terms of office,  
21 duties and compensation; and to promote and discharge such officers,  
22 employees and agents, all without regard to the provisions of Title  
23 11A, Civil Service, of the New Jersey Statutes;

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

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

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

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

45 o. To the extent permitted under its contract with the holders of  
46 bonds of the agency, to enter into contracts with any housing sponsor

1 containing provisions enabling the housing sponsor to reduce the  
2 rental or carrying charges to persons unable to pay the regular  
3 schedule of charges where, by reason of other income or payment from  
4 the agency, any department or agency of the United States or the  
5 State, these reductions can be made without jeopardizing the economic  
6 stability of the housing project;

7 p. To make and collect the fees and charges it determines are  
8 reasonable;

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

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

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

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

42 u. To sell any eligible loan made by the agency or any loan to an  
43 institutional lender owned by the agency, at public or private sale, with  
44 or without bidding, either singly or in groups, or in shares of loans or  
45 shares of groups of loans, issue securities, certificates or other  
46 evidence of ownership secured by such loans or groups of loans, sell

1 the same to investors, arrange for the marketing of the same; and to  
2 deposit and invest the funds derived from such sales in any manner  
3 authorized by this act;

4 v. To make commitments to purchase, and to purchase, service and  
5 sell, eligible loans, pools of loans or securities based on loans, insured  
6 or issued by any department or agency of the United States, and to  
7 make loans directly upon the security of any such loan, pools of loans  
8 or securities;

9 w. To provide such advisory consultation, training and educational  
10 services as will assist in the planning, construction, rehabilitation and  
11 operation of housing including but not limited to assistance in  
12 community development and organization, home management and  
13 advisory services for residents and to encourage community  
14 organizations and local governments to assist in developing housing;

15 x. To encourage research in and demonstration projects to develop  
16 new and better techniques and methods for increasing the supply,  
17 types and financing of housing and housing projects in the State and  
18 to engage in these research and demonstration projects and to receive  
19 and accept contributions, grants or aid, from any source, public or  
20 private, including but not limited to the United States and the State,  
21 for carrying out this purpose;

22 y. To provide to housing sponsors, through eligible loans or  
23 otherwise, financing, refinancing or financial assistance for fully  
24 completed, as well as partially completed, projects which may or may  
25 not be occupied, if the projects meet all the requirements of this act,  
26 except that, prior to the making of the mortgage loans by the agency,  
27 said projects need not have complied with sections 7a.(9) and 42 of  
28 this act;

29 z. To encourage and stimulate cooperatives and other forms of  
30 housing with tenant participation;

31 aa. To promote innovative programs for home ownership,  
32 including but not limited to lease-purchase programs,  
33 employer-sponsored housing programs, such as the mortgage  
34 assistance program for law enforcement officers and firefighters  
35 established pursuant to P.L. , c. (C. ) (now before the  
36 Legislature as this bill), and tenant cooperatives;

37 bb. To set aside and designate, out of the funds that are or may  
38 become available to it for the purpose of financing housing in this  
39 State pursuant to the terms of this act, certain sums or proportions  
40 thereof to be used for the financing of housing and home-ownership  
41 opportunities, including specifically lease-purchase arrangements,  
42 provided by employers to their employees through nonprofit or  
43 limited-dividend corporations or associations created by employers for  
44 that purpose; and to establish priority in funding, offer bonus fund  
45 allocations, and institute other incentives to encourage such  
46 employer-sponsored housing and home-ownership opportunities;

1 cc. Subject to any agreement with bondholders, to collect, enforce  
2 the collection of, and foreclose on any property or collateral securing  
3 its eligible loan or loans to institutional lenders and acquire or take  
4 possession of such property or collateral and sell the same at public or  
5 private sale, with or without bidding, and otherwise deal with such  
6 collateral as may be necessary to protect the interests of the agency  
7 therein;

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

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

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

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

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

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

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

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

46 c. (1) The amount of interest charged with respect to a mortgage

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

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

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

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

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

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

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#### STATEMENT

42

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

1 employer municipality.

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

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

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

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

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38 Establishes "Secure Neighborhood Mortgage Assistance Program."