

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE, No. 406

with Senate Committee amendments

STATE OF NEW JERSEY

DATED: MAY 2, 1996

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 406 with committee amendments.

Senate Bill No. 406, as amended, establishes a special 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. The program is called the Secure Neighborhood Mortgage Assistance Program.

According to the sponsor, this program will assist municipal law enforcement officers and firefighters to purchase homes in local neighborhoods, thereby enhancing the viability, stability and safety of certain neighborhoods.

The program will offer low interest mortgages, low or no down payment offerings, and other such incentives 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.

The bill requires that a qualified applicant agree to maintain a home purchased with program assistance as the applicant's primary residence for at least five years as a condition to the receipt of program assistance.

The funds for the program would be available from the Police and Firemen's Retirement System, which currently makes mortgage loans available to members of the retirement system pursuant to a program created in 1992. That existing program will expire on August 5, 1997. However, the program established by this bill will continue for another five years after that.

The existing program is also administered by the New Jersey Housing and Mortgage Finance Agency. The State Treasurer, with the advice of the State Investment Council, the Board of Trustees of the Police and Firemen's Retirement System and the New Jersey Housing and Mortgage Finance Agency, set the mortgage loan standards and guidelines for the loans made under the existing program.

COMMITTEE AMENDMENTS

The committee amended the bill to ensure that when P.L.1992, c.78 (C.43:16A-9 et seq.) expires in 1997, funding for the program established by this bill will continue for an additional five years.

FISCAL IMPACT

To fund this new program, the bill requires the State Treasurer to set aside a reasonable portion of the funds allocated to the existing program created in 1992 that provides mortgage loans to members of the Police and Firemen's Retirement System from the retirement system (P.L.1992, c.78; C.43:16A-16.11). After P.L.1992, c.78 expires in 1997, funds from the retirement system will continue to be available for the program established by this bill.

According to the New Jersey Housing and Mortgage Finance Agency which administers the existing program and will administer the new program, there is currently available \$120 million for mortgage loans. The State Treasurer will designate a reasonable portion of this amount for loans under the new program created by this bill.

The bill does not appropriate funds to the State Treasurer or the New Jersey Housing and Mortgage Finance Agency for the administrative costs of this program. The agency has stated that it does not require an appropriation since the program will be supported by fees charged to mortgage applicants.

The Office of Legislative Services (OLS) notes that mortgage loans currently funded through the Police and Firemen's Retirement System may generate a lower rate of return on the moneys loaned under this program from the retirement system than would otherwise obtain by investing the funds with the other assets of the retirement systems.