

SENATE, No. 2177

STATE OF NEW JERSEY

INTRODUCED JUNE 12, 1997

By Senators CONNORS, LaROSSA and McNamara

1 AN ACT concerning the Police and Firemen's Retirement System's  
2 mortgage loan program and amending P.L.1992, c.78.

3

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

6

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

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

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

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

32 c. The amount of interest charged with respect to a mortgage loan  
33 made pursuant to the provisions of this act shall be fixed for the entire  
34 term of the loan. The New Jersey Housing and Mortgage Finance

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

10 d. No mortgage loan made pursuant to the provisions of this act  
11 shall be sold, transferred or assigned to any person, nor shall the  
12 payments with respect to any mortgage loan so made be assumed by  
13 any person other than the member or retiree to whom that loan was  
14 made, except that in the event of the death of a member or retiree, the  
15 mortgage may be assignable to a surviving spouse if the spouse is the  
16 sole heir to the property.

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

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

23

24 2. Section 7 of P.L.1992, c.78 (C.43:16A-14) is amended to read  
25 as follows:

26 7. Any member or retiree receiving a mortgage loan pursuant to  
27 the provisions of this act shall, within 120 days of the date on which  
28 the loan was made, occupy the residence as his principal dwelling  
29 place. If any member or retiree receiving a mortgage loan pursuant to  
30 the provisions of this act sells, or ceases to occupy as his residence and  
31 principal dwelling place, that residential property, the entire amount  
32 of that mortgage loan, together with any accrued interest thereon, shall  
33 be due and payable on the 120th day following that action.

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

35

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

38 8. a. Upon application of a member or retiree for a mortgage loan  
39 the director shall, within 90 days, make available to the New Jersey  
40 Housing and Mortgage Finance Agency sufficient funds to provide  
41 mortgage loans in accordance with the provisions of this act, except  
42 that no mortgage loan shall be made at any time when the total of all  
43 principal balances owing on mortgage loans made pursuant to this act,  
44 less all write-offs and reserves with respect to these mortgage loans,  
45 together exceeds, or by the making of the loan would exceed, 10% of  
46 the total investment assets, including mortgage loans, of the retirement

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

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

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

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

29

30 4. Section 11 of P.L.1992, c.78 is amended to read as follows:

31 11. This act shall take effect immediately [and shall expire five  
32 years after the effective date, provided that any mortgage in effect on  
33 the expiration date shall remain in effect until retirement of the  
34 mortgage].

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

36

37 5. This act shall take effect immediately.

38

39

40

#### STATEMENT

41

42 At present, the Police and Firemen's Retirement System's mortgage  
43 loan program is limited to active members and is scheduled to expire  
44 in August of 1997 (five years after the date of enactment). This bill  
45 would remove the law's expiration provision, thereby making the

1 program permanent, and would allow PFRS retirees, as well as active  
2 members, to participate in the program.

3

4

5

---

6

7 Includes retirees under the PFRS mortgage loan program and makes  
8 the program permanent.