

CHAPTER 56

AN ACT concerning financial institutions servicing mortgages and supplementing P.L.2009, c.53 (C.17:11C-51 et seq.).

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

C.17:11C-75.1 Mortgagors to make biweekly, semi-monthly payments, principal payments, allowed.

1. a. A financial institution shall allow mortgagors to:

(1) for mortgagors who are in good standing on the mortgage:

(a) make biweekly mortgage payments, in which any amount paid in excess of the total annual contractual mortgage payments due shall be applied to the mortgage loan principal; and

(b) make semi-monthly mortgage payments in the amount of half of the total monthly contractual mortgage payment due; and

(2) pay additional amounts to the mortgage loan principal, without the imposition of any penalty.

b. If, at the time an escrow analysis is performed, the analysis projects an escrow shortage or otherwise results in an increase to escrow amount payments:

(1) the financial institution shall:

(a) notify the mortgagor of the new contractual mortgage payment pursuant to Regulation E, 12 C.F.R. Part 1005 and Regulation X, 12 C.F.R. Part 1024 and shall adjust the amount of the mortgagor's recurring payment amount, if any, in accordance with the payment change resulting from the escrow analysis; and

(b) apply any additional amounts paid by the mortgagor first to any unsatisfied escrow payments and then to the mortgage loan principal, without the imposition of any penalty; and

(2) the mortgagor may elect to submit a payment or payments to the financial institution to reduce or eliminate any projected escrow shortage. A mortgagor that elects to make additional escrow payments pursuant to this paragraph shall notify the financial institution of their intent to make the payments. The payments shall be treated separately and independent of payments applied to the mortgage loan principal pursuant to this section.

c. As used in this section:

"Biweekly" means occurring every two weeks.

"Contractual mortgage payment" means the total amount of the monthly mortgage loan payment, comprised of the principal payment, interest payment, and any additional amounts being collected and held in an escrow account, including for property taxes and homeowners insurance.

"Escrow amount" means the amount of any additional funds that are collected by a financial institution pursuant to a mortgage loan and set aside in an escrow account to cover future expenses, including property taxes and homeowners insurance.

"Financial institution" means a State-chartered bank, savings bank, savings and loan association, or credit union, licensed lender, or mortgage servicer subject to the laws of this State.

"Interest" means the cost to the mortgagor of the mortgage loan, calculated as a percentage of the mortgage loan balance.

"Mortgage loan" means a loan made to a natural person to whom credit is offered or extended primarily for personal, family, or household purposes which is secured by a mortgage constituting a lien on real property located in this State on which there is erected or to be erected a structure containing one, two, three, four, five, or six dwelling units, a portion of which structure may be used for nonresidential purposes, in the making of which the financial institution relies primarily upon the value of the property.

"Mortgage servicer" means any person who, for the person or on behalf of a financial institution, receives payments of principal and interest in connection with a mortgage loan,

records the payments on the person's books, and records and performs the other administrative functions as may be necessary to properly carry out the mortgage holder's obligations under the mortgage agreement including, when applicable, the receipt of funds from the mortgagor to be held in escrow for payment of real estate taxes and insurance premiums and the distribution of the funds to the taxing authority and insurance company.

"Mortgagor" means a person who borrows money by mortgaging property to a mortgagee as security for a mortgage.

"Principal" means the outstanding balance of the original mortgage loan, exclusive of interest.

"Semi-monthly" means occurring twice each month.

2. This act shall take effect on the first day of the sixth month next following enactment and shall apply to mortgage agreements entered into on or after that date.

Approved May 9, 2025.