SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE, No. 2034

with committee amendments

STATE OF NEW JERSEY

DATED: MAY 7, 2020

The Senate Budget and Appropriations Committee reports favorably and with committee amendments Senate Bill No. 2034.

As amended, this bill establishes the "Mortgage Assistance Pilot Program" in the New Jersey Housing and Mortgage Finance Agency ("NJHMFA") for a period of three years to allow certain homeowners, who have negative home equity and who are in default on an agency owned mortgage, to lower their principal balances by transferring shares of equity in the mortgaged property to the agency.

The bill's pilot program requires NJHMFA to invite each homeowner who is in default of a qualified mortgage on their primary residence to apply for a principal reduction agreement. The bill limits the pilot program's principal balance reduction of a qualified mortgage to no more than 30 percent and allows the interest rate to be reset to lower existing rates, if applicable. The bill conditions the pilot program's principal balance reduction upon the homeowner's conveyance of an equity share to NJHMFA equal to the percentage of the principal reduction.

Generally, the bill establishes two pathways for homeowners to redeem NJHMFA's principal balance reduction equity share. The preferred redemption pathway involves maintaining home ownership for at least five years following entry into the pilot program and redemption of the equity share, following satisfaction of the underlying mortgage, via repayment through a 10-year repayment period or sale proceeds. Note the bill does allow the pilot program to negotiate variable repayment arrangements.

The disfavored redemption pathway involves disposal of the property within five years of entering the pilot program, which entails payment of a five percent sales price penalty in addition to an NJHMFA claim on resale proceeds sufficient to redeem NJHMFA's principal balance reduction equity share.

As to NJHMFA's equity shares, the bill provides that the equity share interest does not give rise to a government property tax exemption on the property. The bill also denotes that an NJHMFA equity share does not constitute a property encumbrance or lien for purposes of municipal tax sales. This means that a property tax

foreclosure may be initiated and proceed without regard to an outstanding NJHMFA equity share.

The bill requires the Department of the Treasury, in consultation with NJHMFA, to produce a report on the pilot program that must be submitted to the Legislature and the Governor no later than the first day of the tenth month following the conclusion of the three-year pilot program. The bill requires the report to address the extent to which the pilot program enabled NJHMFA to minimize losses and reduce foreclosures and short sales.

The bill authorizes the Commissioner of Community Affairs and NJHMFA to adopt rules and regulations necessary to effectuate the bill's provisions.

The bill takes effect on the first day of the fourth month next following the date of enactment, but permits the Commissioner of Community Affairs and the Executive Director of NJHMFA to take anticipatory administrative action prior to the bill's effective date.

COMMITTEE AMENDMENTS:

The committee amendments clarify that a homeowner who is not in default on a qualified mortgage, as of the effective date of the bill, shall not be eligible for participation in the pilot program.

FISCAL IMPACT:

The Office of Legislative Services (OLS) estimates that the bill will result in an indeterminate, temporary loss of State and local revenues from the extension of certain State, regional, county, and municipal agency permit approvals for the duration of the COVID-19 emergency and for up to twelve months thereafter in some cases. The bill defines the "COVID-19 extension period" to be the period beginning March 9, 2020 and continuing for as long as a public health emergency or state of emergency has been declared by the Governor in response to the pandemic.

The OLS notes that there are fees associated with the renewal of certain types of permits and applications. State and local entities would not collect these fees for permits and applications that would otherwise need renewal during the extension period.

Some benefits to the State and local economies could be realized from the preservation of existing approvals for property owners and developers, and the avoidance of permit and application review fees that otherwise would have been paid by the business community.

Specific estimates cannot be quantified because the OLS is unable to obtain reliable information regarding the number of outstanding environmental and land use permits, as well as outstanding applications for development, having approval periods that would be suspended by this bill that would otherwise need to be renewed during the extension period set forth in the bill.