

# 43:16A-16.11

## LEGISLATIVE HISTORY CHECKLIST

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**LAWS OF:** 2001                    **CHAPTER:** 293  
**NJSA:** 43:16A-16.11 (Changes interest rates of PFRS mortgage loans)  
**BILL NO:** A3666

**SPONSOR(S):** Kelly and Doria

**DATE INTRODUCED:** June 21, 2001

**COMMITTEE:**                    **ASSEMBLY:** Appropriations  
**SENATE:** State Government

**AMENDED DURING PASSAGE:** No

**DATE OF PASSAGE:**                    **ASSEMBLY:** June 28, 2001  
**SENATE:** December 17, 2001

**DATE OF APPROVAL:** December 28, 2001

### FOLLOWING ARE ATTACHED IF AVAILABLE:

**FINAL TEXT OF BILL** (Original version of bill enacted)

**A3666**

**SPONSORS STATEMENT:** (Begins on page 3 of original bill)                    Yes

**COMMITTEE STATEMENT:**                    **ASSEMBLY:** Yes

**SENATE:** Yes

**FLOOR AMENDMENT STATEMENTS:** No

**LEGISLATIVE FISCAL ESTIMATE:** No

**VETO MESSAGE:** No

**GOVERNOR'S PRESS RELEASE ON SIGNING:** No

### FOLLOWING WERE PRINTED:

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**REPORTS:** No

**HEARINGS:** No

**NEWSPAPER ARTICLES:** No

# ASSEMBLY, No. 3666

## STATE OF NEW JERSEY 209th LEGISLATURE

INTRODUCED JUNE 21, 2001

**Sponsored by:**

**Assemblyman JOHN V. KELLY**

**District 36 (Bergen, Essex and Passaic)**

**Assemblyman JOSEPH V. DORIA, JR.**

**District 31 (Hudson)**

**Co-Sponsored by:**

**Assemblywoman Pou, Assemblymen Pennacchio and Russo**

**SYNOPSIS**

Changes interest rate for mortgage loans from PFRS.

**CURRENT VERSION OF TEXT**

As introduced.



A3666 KELLY, DORIA

2

1 AN ACT concerning mortgage loans from the Police and Firemen's  
2 Retirement System of New Jersey to members of the system and  
3 amending P.L.1992, c.78.

4

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

7

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

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

22 No member shall be eligible hereunder for more than one  
23 outstanding mortgage loan at any time, and no member shall be eligible  
24 to receive a second mortgage loan on a residential property already  
25 mortgaged by him. Preference shall be given in making loans to  
26 members who are applying to acquire or construct their first principal  
27 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  
35 Agency, established under section 4 of P.L.1983, c.530 (C.55:14K-4),  
36 shall initially establish the rate within 120 days of the effective date of  
37 this act and semiannually reset the rate thereafter. The rate shall be  
38 determined by the New Jersey Housing and Mortgage Finance Agency  
39 by adding [~~2%~~] 1% to the index. For the purposes of this subsection,  
40 the index shall be the weekly average yield at the time the rate is reset  
41 on [~~one-year~~] ten-year United States Treasury securities adjusted to  
42 a constant maturity as made available by the Federal Reserve Board.  
43 If the issuance of ten-year United States Treasury securities is

**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 discontinued, the subsequent index shall be determined by the State  
2 Treasurer with the advice of the New Jersey Housing and Mortgage  
3 Finance Agency. The term of any mortgage loan so made shall not  
4 exceed 30 years.

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

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

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

18

19 2. This act shall take effect immediately.

20

21

22 STATEMENT

23

24 Members of the Police and Firemen's Retirement System of New  
25 Jersey are eligible for mortgage loans on principal residences (new  
26 mortgages or refinances) from the system at a rate of 2 percent above  
27 the weekly average yield of one-year United States Treasury securities  
28 adjusted to a constant maturity, as made available by the Federal  
29 Reserve Board. The rate is set twice a year in February and August.  
30 The rate in June 2001, for example, was 6.47 percent (the average  
31 weekly yield for the week ending March 2, 2001 plus 2 percent). This  
32 program was begun in 1992 and is administered by the New Jersey  
33 Housing and Mortgage Finance Agency.

34 The issuance of one-year United States Treasury securities was  
35 discontinued early in 2001. Therefore, this bill would set the interest  
36 rate at 1 percent above the weekly average yield of ten-year United  
37 States Treasury securities, which, for comparison, would have made  
38 the June 2001 mortgage loan rate 5.95 percent (the average weekly  
39 yield for the week ending March 2, 2001 plus 1 percent). Ten-year  
40 United States Treasury securities are more generally used in the  
41 private lending sector to determine rates.

42 Finally, the bill provides that if the issuance of ten-year United  
43 States Treasury securities is discontinued, the subsequent index will be  
44 determined by the State Treasurer with the advice of the New Jersey  
45 Housing and Mortgage Finance Agency. There has been discussion of  
46 discontinuing the issuance of the ten-year securities also; it is not  
47 known if or when this will happen.

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

**ASSEMBLY, No. 3666**

**STATE OF NEW JERSEY**

DATED: JUNE 25, 2001

The Assembly Appropriations Committee reports favorably Assembly Bill No. 3666.

Assembly Bill No. 3666 makes changes to the mortgage program available to members of the Police and Firemen's Retirement System of New Jersey eligible for mortgage loans on principal residences (new mortgages or refinances). This program was begun in 1992 and is administered by the New Jersey Housing and Mortgage Finance Agency.

This bill sets the interest rate at one percent above the weekly average yield of ten-year United States Treasury securities. Ten-year United States Treasury securities are more generally used in the private lending sector to determine rates. Currently, the rate is two percent above the weekly average yield of one-year U.S. Treasury securities. The issuance of one-year securities was discontinued early in 2001.

Finally, the bill provides that if the issuance of ten-year United States Treasury securities is discontinued, the subsequent index will be determined by the State Treasurer with the advice of the New Jersey Housing and Mortgage Finance Agency. There has been discussion of discontinuing the issuance of the ten-year securities also; it is not known if or when this will happen.

FISCAL IMPACT:

This bill was not certified as requiring a fiscal note.

SENATE STATE GOVERNMENT COMMITTEE

STATEMENT TO

**ASSEMBLY, No. 3666**

**STATE OF NEW JERSEY**

DATED: NOVEMBER 29, 2001

The Senate State Government Committee reports favorably Assembly Bill No. 3666.

This bill makes changes to the mortgage loan program available to members of the Police and Firemen's Retirement System (PFRS). They are eligible for mortgage loans from the retirement system on their principal residences (either new mortgages or the refinancing of existing mortgages). This program was begun in 1992 and is administered by the New Jersey Housing and Mortgage Finance Agency.

At present, the interest rate is set at two percent above the weekly average yield of one-year United States Treasury securities. According to the sponsor's statement, the issuance of one-year securities was discontinued early in 2001. This bill sets the interest rate at one percent above the weekly average yield of ten-year United States Treasury securities. Ten-year United States Treasury securities are generally used in the private lending sector to determine rates.

The bill provides that if the issuance of ten-year United States Treasury securities is discontinued, the subsequent index will be determined by the State Treasurer with the advice of the New Jersey Housing and Mortgage Finance Agency.

P.L. 2001, CHAPTER 293, *approved December 28, 2001*

Assembly, No. 3666

1 **AN ACT** concerning mortgage loans from the Police and Firemen's  
2 Retirement System of New Jersey to members of the system and  
3 amending P.L.1992, c.78.

4

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

7

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

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

22 No member shall be eligible hereunder for more than one  
23 outstanding mortgage loan at any time, and no member shall be eligible  
24 to receive a second mortgage loan on a residential property already  
25 mortgaged by him. Preference shall be given in making loans to  
26 members who are applying to acquire or construct their first principal  
27 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  
35 Agency, established under section 4 of P.L.1983, c.530 (C.55:14K-4),  
36 shall initially establish the rate within 120 days of the effective date of  
37 this act and semiannually reset the rate thereafter. The rate shall be  
38 determined by the New Jersey Housing and Mortgage Finance Agency  
39 by adding [~~2%~~] 1% to the index. For the purposes of this subsection,  
40 the index shall be the weekly average yield at the time the rate is reset  
41 on [~~one-year~~] ten-year United States Treasury securities adjusted to

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**Matter underlined thus is new matter.**



1 a constant maturity as made available by the Federal Reserve Board.  
2 If the issuance of ten-year United States Treasury securities is  
3 discontinued, the subsequent index shall be determined by the State  
4 Treasurer with the advice of the New Jersey Housing and Mortgage  
5 Finance Agency. The term of any mortgage loan so made shall not  
6 exceed 30 years.

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

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

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

20

21 2. This act shall take effect immediately.

22

23

24

## STATEMENT

25

26 Members of the Police and Firemen's Retirement System of New  
27 Jersey are eligible for mortgage loans on principal residences (new  
28 mortgages or refinances) from the system at a rate of 2 percent above  
29 the weekly average yield of one-year United States Treasury securities  
30 adjusted to a constant maturity, as made available by the Federal  
31 Reserve Board. The rate is set twice a year in February and August.  
32 The rate in June 2001, for example, was 6.47 percent (the average  
33 weekly yield for the week ending March 2, 2001 plus 2 percent). This  
34 program was begun in 1992 and is administered by the New Jersey  
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36 The issuance of one-year United States Treasury securities was  
37 discontinued early in 2001. Therefore, this bill would set the interest  
38 rate at 1 percent above the weekly average yield of ten-year United  
39 States Treasury securities, which, for comparison, would have made  
40 the June 2001 mortgage loan rate 5.95 percent (the average weekly  
41 yield for the week ending March 2, 2001 plus 1 percent). Ten-year  
42 United States Treasury securities are more generally used in the  
43 private lending sector to determine rates.

44 Finally, the bill provides that if the issuance of ten-year United  
45 States Treasury securities is discontinued, the subsequent index will be  
46 determined by the State Treasurer with the advice of the New Jersey  
47 Housing and Mortgage Finance Agency. There has been discussion of

1 discontinuing the issuance of the ten-year securities also; it is not  
2 known if or when this will happen.

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7 Changes interest rate for mortgage loans from PFRS.

## CHAPTER 293

**AN ACT** concerning mortgage loans from the Police and Firemen's Retirement System of New Jersey to members of the system and amending P.L.1992, c.78.

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

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

C.43:16A-16.11 Eligibility for mortgage loans, conditions of repayment.

4. a. In addition to any loan for which he may be eligible pursuant to the provisions of section 18 of P.L.1964, c.241 (C.43:16A-16.1) and notwithstanding the provisions of that or any other law to the contrary, any member of the Police and Firemen's Retirement System who, at the time of application, is employed by the State or a county, municipality or other political subdivision of the State and who has at least one year of creditable service is, for the purpose of securing for his own occupation as his principal residence a residential property located within this State, eligible to receive a mortgage loan pursuant to the provisions of this act. The mortgage loan shall be used only for the purpose of enabling a borrower to acquire or construct a residential property or refinance an existing residential property loan. No member shall be eligible hereunder for more than one outstanding mortgage loan at any time, and no member shall be eligible to receive a second mortgage loan on a residential property already mortgaged by him. Preference shall be given in making loans to members who are applying to acquire or construct their first principal place of residence.

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

c. The amount of interest charged with respect to a mortgage loan made pursuant to the provisions of this act shall be fixed for the entire term of the loan. The New Jersey Housing and Mortgage Finance Agency, established under section 4 of P.L.1983, c.530 (C.55:14K-4), shall initially establish the rate within 120 days of the effective date of this act and semiannually reset the rate thereafter. The rate shall be determined by the New Jersey Housing and Mortgage Finance Agency by adding 1% to the index. For the purposes of this subsection, the index shall be the weekly average yield at the time the rate is reset on ten-year United States Treasury securities adjusted to a constant maturity as made available by the Federal Reserve Board. If the issuance of ten-year United States Treasury securities is discontinued, the subsequent index shall be determined by the State Treasurer with the advice of the New Jersey Housing and Mortgage Finance Agency. The term of any mortgage loan so made shall not exceed 30 years.

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

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

2. This act shall take effect immediately.

Approved December 28, 2001.