

46:10B-12 to 46:10B-15

LEGISLATIVE HISTORY CHECKLIST

(Mortgages--Graduated payments--
Allow on certain real property)

WISA 46:10B-12 to 46:10B-15

LAWS OF 1979

CHAPTER 139

Bill No. A1659

Sponsor(s) Kern and others

Date Introduced Sept. 25, 1978

Committee: Assembly Banking and Insurance

Senate Labor, Industry and Professions

Amended during passage Yes

Amendments during passage
denoted by asterisks

Date of Passage: Assembly Dec. 11, 1978

Senate May 10, 1979

Date of approval July 6, 1979

Following statements are attached if available:

Sponsor statement	Yes	<input checked="" type="checkbox"/>
Committee Statement: Assembly	Yes	<input checked="" type="checkbox"/>
Senate	<input checked="" type="checkbox"/>	No
Fiscal Note	<input checked="" type="checkbox"/>	No
Veto message	<input checked="" type="checkbox"/>	No
Message on signing	<input checked="" type="checkbox"/>	No

Following were printed:

Reports	<input checked="" type="checkbox"/>	No
Hearings	<input checked="" type="checkbox"/>	No

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ASSEMBLY, No. 1659

STATE OF NEW JERSEY

INTRODUCED SEPTEMBER 25, 1978

By Assemblymen KERN, EDWARDS, GORMLEY, HURLEY, BAER,
DOYLE, NEWMAN and BORNHEIMER

Referred to Committee on Banking and Insurance

AN ACT permitting lending institutions to make graduated pay-
ment mortgages.

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

1 1. As used in this act, "graduated payment mortgage" means a
2 mortgage loan with lower monthly payments of principal and
3 interest during the early years of the mortgage and higher monthly
4 payments during the later years of the mortgage. The graduation
5 rate for the monthly payments, the term of graduation, and the
6 interest rate are fixed throughout the term of the mortgage.
7 Monthly payments of principal and interest are required in
8 amounts sufficient to pay all interest and effect full repayment of
9 principal within the term of the mortgage.

1 2. Notwithstanding any law, rule, regulation, or opinion to the
2 contrary, it shall be lawful for any institution authorized in this
3 State to make mortgage loans secured by a mortgage on real prop-
4 erty to make graduated payment mortgages.

1 3. Graduated payment mortgages may be secured only by ***[prop-**
2 **erty consisting of one- to six-family dwelling units, one unit of**
3 **which is to be occupied by the mortgagor]*** **real estate on which*
4 *there is erected or to be erected a structure containing one, two,*
5 *three, four, five, or six dwelling units, a portion of which structure*
6 *may be used for nonresidential purposes**, and interest thereon
7 shall not exceed the usury rate **established pursuant to R. S.*
8 *31:1-1** at any time during the term of the mortgage.

1 4. At any time during the life of the graduated payment mort-
2 gage the mortgagor shall have the option without penalty to con-
3 vert to a conventional level payment mortgage.

1 5. This act shall take effect immediately.

**EXPLANATION—Matter enclosed in bold-faced brackets [thus] in the above bill
is not enacted and is intended to be omitted in the law.**

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STATEMENT

The purpose of this bill is to explicitly legislate an alternative
to the mortgage instruments now available. It is intended to offer

homebuyers reduced mortgage payments in the early years of property ownership, thus allowing young persons to purchase homes sooner than may be possible under their current level of income. In so doing, their ability to build equity for the future is enhanced.

In addition to allowing lower initial monthly payments, thus earlier home ownership, the graduated payment mortgage means more money available to the young homeowner for furnishings and emergencies, and is especially suited to individuals or couples whose income will, predictably, increase rapidly.

ASSEMBLY BANKING AND INSURANCE COMMITTEE

STATEMENT TO

ASSEMBLY, No. 1659

STATE OF NEW JERSEY

DATED: DECEMBER 4, 1978

This legislation provides that mortgage lending institutions may make graduated payment mortgage loans. These mortgages may be secured only by property consisting of one-to-six family dwelling units, one unit of which is to be occupied by the mortgagor, and interest thereon may not exceed the usury rate at any time during the term of the mortgage.

A graduated payment mortgage is a mortgage in which the early payment of the loan are reduced in size, and later payments increase in size. The purpose of this kind of mortgage is to permit young couples or other individuals with limited resources to purchase a home sooner than might otherwise be possible with a conventional mortgage loan; the size of the payments increase as the salary and economic resources of the individual grow.

Hence, a graduated payment mortgage is based on a descending amortization schedule. For example, a standard type of graduated payment 25-year mortgage provides for a first year payment on the basis of a 50-year term. Second year payments are calculated on the basis of a 45-year term, until the end of the fifth year, when the payment is based on a 25-year term for the balance of the mortgage. The remaining payments are slightly higher than the standard payment for a similar term conventional mortgage to make up for the lower payments in the early years.

The interest rate for a graduated payment mortgage is a fixed percentage (e.g. 9½%) per annum even though the mortgage deviates from the traditional standard monthly payment. Since a lower payment is made in the early years, the first payments are comprised of interest; under certain circumstances, interest could be charged on interest in the early months of the loan.

Comparison of Monthly Payment for a \$20,000.00
 Conventional Mortgage and GPM Loan
 (Term 25 years, 8½% Interest Per Annum)

Year	Monthly Payment	
	Conventional	Graduated Payment
1	161.05	143.75
2	161.05	144.69
3	161.05	146.14
4	161.05	148.42
5	161.05	152.07
6th year until end of mortgage	161.05	170.34

The Assembly Banking and Insurance Committee believes that this type of alternative mortgage instrument will be useful in continuing to assure that the mortgage market will remain open for individuals with somewhat limited income who are seeking to purchase their first house.
