



**VETO MESSAGE:** Yes (Conditional)

**GOVERNOR'S PRESS RELEASE ON VETOING:** Yes

**GOVERNOR'S PRESS RELEASE ON SIGNING:** Yes

**FOLLOWING WERE PRINTED:**

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**REPORTS:** No

**HEARINGS:** Yes

Public hearing before Assembly Housing and Community Development Committee: the Committee will receive testimony from invited guests and the public concerning foreclosures and vacant properties in the State [September 20, 2018, Union, New Jersey]

Call number 974.90 H842, 2018b

Available online at <http://hdl.handle.net/10929/49433>

**NEWSPAPER ARTICLES:** No

RWH/CL

P.L. 2019, CHAPTER 132, *approved June 24, 2019*  
Senate, No. 362 (*Second Reprint*)

1 AN ACT concerning affordability controls on affordable housing  
2 <sup>2</sup>[, supplementing P.L.1985, c.222 (C.52:27D-301 et al.)]<sup>2</sup> and  
3 amending P.L.1995, c.244.  
4

5 **BE IT ENACTED** by the Senate and General Assembly of the State  
6 of New Jersey:  
7

8 <sup>2</sup>[1. (New section) The Legislature finds and declares that:

9 a. Many thousands of New Jersey homeowners are at risk of  
10 losing their homes as a result of mortgage foreclosures in the  
11 immediate future;

12 b. Foreclosures involve the loss of a family's home, which is  
13 often the family's most valuable financial asset, and foreclosures  
14 especially undermine the health and economic vitality of the urban  
15 neighborhoods in which a disproportionate share of foreclosures  
16 take place;

17 c. Some homes subject to foreclosure proceedings contain deed  
18 restrictions requiring the homes to be reserved for occupancy by  
19 low and moderate income households as affordable housing as part  
20 of the constitutional obligation under the Mt. Laurel decisions to  
21 provide affordable housing;

22 d. Regulations that permit affordable housing deed restrictions  
23 to be extinguished during foreclosure proceedings are inconsistent  
24 with the constitutional obligation to provide affordable housing and  
25 are particularly detrimental in that they decrease the availability of  
26 affordable housing at a time when more and more New Jersey  
27 residents are faced with difficult economic conditions; and

28 e. Deed restrictions should survive a foreclosure in order to  
29 enhance the ability of New Jersey residents to obtain housing they  
30 can afford.]<sup>2</sup>  
31

32 <sup>2</sup>[2. (New section) Notwithstanding any rule of the Council on  
33 Affordable Housing, the Department of Community Affairs, or the  
34 New Jersey Housing and Mortgage Finance Agency to the contrary,  
35 a deed restriction which was properly recorded in connection with a  
36 property for which a credit against the fair share housing obligation  
37 was granted pursuant to P.L.1985, c.222 (C.52:27D-301 et al.) shall  
38 not expire, extinguish, or be removed prior to the period of  
39 termination for such restriction as a result of the sale of the property  
40 through foreclosure proceedings by any creditor.]<sup>2</sup>

**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.

Matter enclosed in superscript numerals has been adopted as follows:

<sup>1</sup>Senate floor amendments adopted April 12, 2018.

<sup>2</sup>Senate amendments adopted in accordance with Governor's recommendations May 30, 2019.

1       <sup>2</sup>[3.] 1.<sup>2</sup> Section 4 of P.L.1995, c.244 (C.2A:50-56) is  
2 amended to read as follows:

3       4. a. Upon failure to perform any obligation of a residential  
4 mortgage by the residential mortgage debtor and before any  
5 residential mortgage lender may accelerate the maturity of any  
6 residential mortgage obligation and commence any foreclosure or  
7 other legal action to take possession of the residential property  
8 which is the subject of the mortgage, the residential mortgage  
9 lender shall give a notice of intention to: the residential mortgage  
10 debtor, and, if the mortgage is secured by a residence for which a  
11 restriction on affordability was recorded in the county in which the  
12 property is located, the clerk of the municipality in which the  
13 subject property is located, the municipal housing liaison, if one has  
14 been appointed by the municipality pursuant to the regulations of  
15 the Council on Affordable Housing, and the Commissioner of  
16 Community Affairs, at least 30 days in advance of such action as  
17 provided in this section. For the purposes of this section,  
18 “restriction on affordability” means any conditions recorded with a  
19 mortgage or a deed which would limit the sale of such property to  
20 income qualified households pursuant to the rules adopted to  
21 effectuate the “Fair Housing Act,” P.L.1985, c.222 (C.52:27D-  
22 301 et al.).

23       b. Notice of intention to take action as specified in subsection  
24 a. of this section shall be in writing, sent to the debtor by registered  
25 or certified mail, return receipt requested, at the debtor's last known  
26 address, and, if different, to the address of the property which is the  
27 subject of the residential mortgage. The notice is deemed to have  
28 been effectuated on the date the notice is delivered in person or  
29 mailed to the party.

30       c. The written notice shall clearly and conspicuously state in a  
31 manner calculated to make the debtor aware of the situation:

- 32       (1) the particular obligation or real estate security interest;  
33       (2) the nature of the default claimed;  
34       (3) the right of the debtor to cure the default as provided in  
35 section 5 of this act;  
36       (4) what performance, including what sum of money, if any, and  
37 interest, shall be tendered to cure the default as of the date specified  
38 under paragraph (5) of this subsection c.;  
39       (5) the date by which the debtor shall cure the default to avoid  
40 initiation of foreclosure proceedings, which date shall not be less  
41 than 30 days after the date the notice is effective, and the name and  
42 address and phone number of a person to whom the payment or  
43 tender shall be made;  
44       (6) that if the debtor does not cure the default by the date  
45 specified under paragraph (5) of this subsection c., the lender may  
46 take steps to terminate the debtor's ownership in the property by  
47 commencing a foreclosure suit in a court of competent jurisdiction;

1 (7) that if the lender takes the steps indicated pursuant to  
2 paragraph (6) of this subsection c., a debtor shall still have the right  
3 to cure the default pursuant to section 5 of this act, but that the  
4 debtor shall be responsible for the lender's court costs and attorneys'  
5 fees in an amount not to exceed that amount permitted pursuant to  
6 the Rules Governing the Courts of the State of New Jersey;

7 (8) the right, if any, of the debtor to transfer the real estate to  
8 another person subject to the security interest and that the transferee  
9 may have the right to cure the default as provided in this act,  
10 subject to the mortgage documents;

11 (9) that the debtor is advised to seek counsel from an attorney of  
12 the debtor's own choosing concerning the debtor's residential  
13 mortgage default situation, and that, if the debtor is unable to obtain  
14 an attorney, the debtor may communicate with the New Jersey Bar  
15 Association or Lawyer Referral Service in the county in which the  
16 residential property securing the mortgage loan is located; and that,  
17 if the debtor is unable to afford an attorney, the debtor may  
18 communicate with the Legal Services Office in the county in which  
19 the property is located;

20 (10) the possible availability of financial assistance for curing a  
21 default from programs operated by the State or federal government  
22 or nonprofit organizations, if any, as identified by the  
23 Commissioner of Banking and Insurance and, if the property is  
24 subject to restrictions on affordability, the address and phone  
25 number of the municipal affordable housing liaison and of the New  
26 Jersey Housing and Mortgage Finance Agency. This requirement  
27 shall be satisfied by attaching a list of such programs promulgated  
28 by the commissioner; and

29 (11) the name and address of the lender and the telephone  
30 number of a representative of the lender whom the debtor may  
31 contact if the debtor disagrees with the lender's assertion that a  
32 default has occurred or the correctness of the mortgage lender's  
33 calculation of the amount required to cure the default.

34 d. The notice of intention to foreclose required to be provided  
35 pursuant to this section shall not be required if the debtor has  
36 voluntarily surrendered the property which is the subject of the  
37 residential mortgage.

38 e. The duty of the lender under this section to serve notice of  
39 intention to foreclose is independent of any other duty to give  
40 notice under the common law, principles of equity, State or federal  
41 statute, or rule of court and of any other right or remedy the debtor  
42 may have as a result of the failure to give such notice.

43 f. Compliance with this section shall be set forth in the  
44 pleadings of any legal action referred to in this section. If the  
45 plaintiff in any complaint seeking foreclosure of a residential  
46 mortgage alleges that the property subject to the residential  
47 mortgage has been abandoned or voluntarily surrendered, the

1 plaintiff shall plead the specific facts upon which this allegation is  
2 based.  
3 (cf: P.L.2003, c.298, s.1)

4  
5 <sup>2</sup>~~4.~~<sup>2</sup> Section 11 of P.L.1995, c.244 (C.2A:50-63) is  
6 amended to read as follows:

7 11. a. An optional foreclosure procedure without sale for the  
8 disposition of a foreclosed premises is hereby established pursuant  
9 to subsection b. of this section, wherein a lender may elect to  
10 proceed according to the provisions of this act and R.4:64-1(d) of  
11 the Rules Governing the Courts of the State of New Jersey.

12 b. Use of the optional procedure without sale, as provided in  
13 this section, shall be permitted only <sup>1</sup>~~when~~ <sup>2</sup>~~if there are no~~  
14 recorded restrictions on affordability on the property, as defined in  
15 section 4 of P.L.1995, c.244 (C.2A:50-56), and either<sup>1</sup> ~~when<sup>2</sup>:~~

16 (1) the debtor has abandoned the property which is the subject  
17 of the residential mortgage;

18 (2) the debtor has voluntarily surrendered the property which is  
19 the subject of the residential mortgage by signing a deed in lieu of  
20 foreclosure in favor of the lender; ~~or~~ <sup>1</sup>or<sup>1</sup>

21 (3) there is no equity in the property which is the subject of the  
22 residential mortgage, as defined in subsection e. of this section <sup>1</sup>~~;~~  
23 or

24 (4) there are no recorded restrictions on affordability on the  
25 property, as defined in section 4 of P.L.1995, c.244 (C.2A:50-56)<sup>1</sup>.

26 c. Pursuant to paragraph (1) of subsection b. of this section,  
27 and for purposes of this section only, abandonment of the property  
28 subject to the residential mortgage shall be established by an  
29 affidavit or certification from an individual having personal  
30 knowledge of the contents thereof, setting forth the specific facts  
31 upon which that conclusion is based. The affidavit or certification  
32 shall be submitted to the office or the court at the same time that the  
33 lender applies to the office or the court for the order fixing the  
34 amount, time and place for redemption.

35 d. Pursuant to paragraph (2) of subsection b. of this section and  
36 for purposes of this section only, if the lender receives a deed in  
37 lieu of foreclosure, the conveyance shall be effective only if the  
38 deed clearly and conspicuously provides: that the debtor may,  
39 without penalty, rescind the conveyance within seven days,  
40 excluding Saturdays, Sundays and legal holidays; and that such  
41 ~~recision~~ rescission is effective upon delivery of a written notice  
42 to the lender or its agent or upon mailing of such notice to the  
43 lender or its agent by certified or registered mail, return receipt  
44 requested.

45 e. (1) For purposes of paragraph (3) of subsection b. of this  
46 section, a property subject to a residential mortgage shall be  
47 deemed to have no equity if the total unpaid balance of all liens and

1 encumbrances against the property, including mortgages, tax liens  
2 and judgments actually against the property (not including similar  
3 name judgments), and any other lien, is equal to or greater than 92  
4 percent of the fair market value of the property. An affidavit setting  
5 forth with specificity the fair market value of the property, the  
6 unpaid balance of the obligation, including all mortgages and liens  
7 and the method by which the lender determined that the property  
8 has no equity, shall be submitted to the office or the court at the  
9 time the lender applies for the order fixing the amount, time and  
10 place for redemption.

11 (2) If a lender proceeds with the optional procedure under this  
12 subsection, and if the debtor has not objected and requested a public  
13 sale pursuant to this section, when the foreclosed property is resold  
14 by the lender following judgment and provided the resale price  
15 received by the lender is in excess of the amount necessary to repay  
16 the debt, interest and reasonable costs of the lender, and all carrying  
17 charges, including, but not limited to, the reasonable costs of  
18 maintenance and resale, the lender shall deposit any such excess in  
19 accordance with R.4:57 et seq. of the Rules Governing the Courts of  
20 the State of New Jersey.

21 (3) Upon deposit of any such excess with the Superior Court,  
22 the lender shall notify the debtor and any lien holder who held a  
23 lien junior to the lender and whose lien was lost in whole or in part  
24 as a result of the foreclosure. Such notification shall be by certified  
25 mail, return receipt requested, to the last known address of the  
26 debtor and such lien holders. The debtor and the lien holders shall  
27 then have six months to make an application to the Superior Court,  
28 in the form of an application for surplus funds, upon appropriate  
29 notice to all other parties in interest, to seek an order for turnover of  
30 the excess funds. Failure of a lender to comply with the provisions  
31 of paragraphs (2) and (3) of this subsection e. shall not affect title to  
32 the foreclosed property.

33 f. (1) In accordance with the provisions of R.4:64-1(d) of the  
34 Rules Governing the Courts of the State of New Jersey, and subject  
35 to compliance with the provisions of this act, a lender may elect to  
36 proceed with the optional procedure by filing an affidavit or  
37 certification with the office or the court.

38 (2) The affidavit or certification shall set forth the facts which  
39 the lender alleges show that it is entitled to proceed under one or  
40 more paragraphs of subsection b. of this section and shall be  
41 supported by the proofs required by this section and such other  
42 proofs as may be required by the office or the court.

43 g. In accordance with the provisions of R.4:64-1(d) of the  
44 Rules Governing the Courts of the State of New Jersey, and subject  
45 to compliance with the provisions of this act, the office or the court  
46 may enter an order fixing the amount, time, and place for  
47 redemption, which shall be not less than 45 days nor more than 60  
48 days after the date of the order. The office or the court may grant

1 an extension of time for good cause shown. The order shall provide  
2 that:

3 (1) the redeeming defendant pay to the plaintiff's attorney the  
4 amount fixed by the office or the court for redemption, together  
5 with interest to the date of redemption, plus all court costs;

6 (2) redemption shall be by cash, cashier's check or certified  
7 check and made at the office of the plaintiff's attorney, if such  
8 office is located in the county where the property is situated, or at  
9 such other place as designated by the office or the court, between  
10 the hours of 9:00 a.m. and 4:00 p.m. of the date set by the office or  
11 the court in the order; and

12 (3) in the absence of redemption, the defendants shall stand  
13 absolutely debarred and foreclosed from all equity of redemption.

14 h. (1) The order for redemption or notice thereof shall be  
15 mailed to each defendant's last known address and, if different, also  
16 to the address of the property being foreclosed. The order for  
17 redemption or notice thereof shall be sent by ordinary mail and  
18 certified mail, return receipt requested, within 20 days after the date  
19 the order is entered, except that, as to defendants whose addresses  
20 are unknown and who were served by publication, no further  
21 publication of the order for redemption or notice thereof need be  
22 made.

23 (2) The notice shall:

24 (a) inform the defendants that the plaintiff is proceeding under  
25 an optional procedure authorized by section 11 of this act and set  
26 out the steps of the optional procedure;

27 (b) inform all defendants of the terms and conditions under  
28 which a defendant may request a public sale of the mortgaged  
29 premises pursuant to subsection i. of this section; and

30 (c) clearly state that no request for a public sale made after 30  
31 days from the date of service will be granted, except for good cause  
32 shown.

33 i. In any matter in which the office or the court has issued an  
34 order for redemption and the lender is permitted to proceed by the  
35 optional procedure, a defendant who wishes to object to the optional  
36 procedure and request a public sale with respect to the mortgaged  
37 premises being foreclosed, shall submit to the office or the court a  
38 written request for a public sale within 30 days of the date the order  
39 or notice thereof is served. If a defendant requests a public sale  
40 within the required time period, and subject to compliance with the  
41 provisions of this act, the office or court shall enter a judgment of  
42 foreclosure which provides for a public sale of the premises in  
43 accordance with applicable law. Any such defendant who requests  
44 a public sale, other than a natural person who is the owner or a  
45 voluntary transferee from that owner, shall be required to post a  
46 cash deposit or bond prior to the date fixed for redemption. This  
47 cash deposit or bond shall be in an amount which is 10% of the  
48 amount found due in the order fixing the amount, time and place for



1 redemption and shall be held to secure the plaintiff against any  
2 additional interest and costs, as well as any deficiency, as a result of  
3 the public sale. The office or the court may dispense with this  
4 requirement for good cause shown. The defendant who requests a  
5 public sale, other than a natural person who is the owner or a  
6 voluntary transferee from that owner, shall pay all expenses and  
7 costs associated with the public sale, including, but not limited to,  
8 all sheriff's fees and commissions.

9 j. In the event of any dispute among defendants over the right  
10 to redeem, the court shall enter such order as is necessary to secure  
11 the plaintiff pending the resolution of the dispute, including, but not  
12 limited to, payment of plaintiff's additional interest and costs which  
13 accrue as a result of the dispute.

14 k. Upon redemption, the plaintiff shall furnish the  
15 redemptioner with an appropriate certificate of redemption and the  
16 redemptioner shall acquire all rights provided by law and equity but  
17 shall not be entitled to a deed or title to the mortgaged premises  
18 solely by virtue of the redemption. A redemptioner in proper cases  
19 may proceed to foreclose the redemptioner's interest.

20 l. In the absence of redemption, and on proof of mailing of the  
21 order for redemption or notice thereof pursuant to subsection h. of  
22 this section and an affidavit of non-redemption, the plaintiff shall be  
23 entitled to a judgment debarring and foreclosing the equity of  
24 redemption of the defendants and each of them and any person  
25 claiming by, through or under them, and adjudging the plaintiff be  
26 vested with a valid and indefeasible estate in the mortgaged  
27 premises. Anything to the contrary notwithstanding, redemption  
28 shall be permitted at any time up until the entry of judgment  
29 including the whole of the last day upon which judgment is entered.  
30 A certified copy of the judgment shall be accepted for recording by  
31 the county recording officer pursuant to P.L.1939, c.170 (C.46:16-  
32 1.1).

33 m. Upon entry of a judgment vesting title in the plaintiff  
34 pursuant to subsection l. of this section, the debt which was secured  
35 by the foreclosed mortgage shall be deemed satisfied, and the  
36 plaintiff shall not be permitted to institute any further or  
37 contemporaneous action for the collection of the debt.

38 (cf: P.L.1995, c.244, s.11)

39

40 <sup>2</sup>[5.] 3.<sup>2</sup> This act shall take effect immediately.

41

42

43

44

45 Provides that deed restrictions on affordable housing units are  
46 not extinguished by foreclosure proceedings.

**SENATE, No. 362**

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**STATE OF NEW JERSEY**  
**218th LEGISLATURE**

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PRE-FILED FOR INTRODUCTION IN THE 2018 SESSION

**Sponsored by:**

**Senator RONALD L. RICE**

**District 28 (Essex)**

**SYNOPSIS**

Provides that deed restrictions on affordable housing units are not extinguished by foreclosure proceedings.

**CURRENT VERSION OF TEXT**

Introduced Pending Technical Review by Legislative Counsel.



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2

1 AN ACT concerning affordability controls on affordable housing,  
2 supplementing P.L.1985, c.222 (C.52:27D-301 et al.) and  
3 amending P.L.1995, c.244.  
4

5 **BE IT ENACTED** by the Senate and General Assembly of the State  
6 of New Jersey:  
7

8 1. (New section) The Legislature finds and declares that:

9 a. Many thousands of New Jersey homeowners are at risk of  
10 losing their homes as a result of mortgage foreclosures in the  
11 immediate future;

12 b. Foreclosures involve the loss of a family's home, which is  
13 often the family's most valuable financial asset, and foreclosures  
14 especially undermine the health and economic vitality of the urban  
15 neighborhoods in which a disproportionate share of foreclosures  
16 take place;

17 c. Some homes subject to foreclosure proceedings contain deed  
18 restrictions requiring the homes to be reserved for occupancy by  
19 low and moderate income households as affordable housing as part  
20 of the constitutional obligation under the Mt. Laurel decisions to  
21 provide affordable housing;

22 d. Regulations that permit affordable housing deed restrictions  
23 to be extinguished during foreclosure proceedings are inconsistent  
24 with the constitutional obligation to provide affordable housing and  
25 are particularly detrimental in that they decrease the availability of  
26 affordable housing at a time when more and more New Jersey  
27 residents are faced with difficult economic conditions; and

28 e. Deed restrictions should survive a foreclosure in order to  
29 enhance the ability of New Jersey residents to obtain housing they  
30 can afford.  
31

32 2. (New section) Notwithstanding any rule of the Council on  
33 Affordable Housing, the Department of Community Affairs, or the  
34 New Jersey Housing and Mortgage Finance Agency to the contrary,  
35 a deed restriction which was properly recorded in connection with a  
36 property for which a credit against the fair share housing obligation  
37 was granted pursuant to P.L.1985, c.222 (C.52:27D-301 et al.) shall  
38 not expire, extinguish, or be removed prior to the period of  
39 termination for such restriction as a result of the sale of the property  
40 through foreclosure proceedings by any creditor.  
41

42 3. Section 4 of P.L.1995, c.244 (C.2A:50-56) is amended to  
43 read as follows:

44 4. a. Upon failure to perform any obligation of a residential  
45 mortgage by the residential mortgage debtor and before any

**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.**

S362 RICE

1 residential mortgage lender may accelerate the maturity of any  
2 residential mortgage obligation and commence any foreclosure or  
3 other legal action to take possession of the residential property  
4 which is the subject of the mortgage, the residential mortgage  
5 lender shall give a notice of intention to: the residential mortgage  
6 debtor, and, if the mortgage is secured by a residence for which a  
7 restriction on affordability was recorded in the county in which the  
8 property is located, the clerk of the municipality in which the  
9 subject property is located, the municipal housing liaison, if one has  
10 been appointed by the municipality pursuant to the regulations of  
11 the Council on Affordable Housing, and the Commissioner of  
12 Community Affairs, at least 30 days in advance of such action as  
13 provided in this section. For the purposes of this section,  
14 “restriction on affordability” means any conditions recorded with a  
15 mortgage or a deed which would limit the sale of such property to  
16 income qualified households pursuant to the rules adopted to  
17 effectuate the “Fair Housing Act,” P.L.1985, c.222 (C52:27D-301  
18 et al.).

19 b. Notice of intention to take action as specified in subsection  
20 a. of this section shall be in writing, sent to the debtor by registered  
21 or certified mail, return receipt requested, at the debtor's last known  
22 address, and, if different, to the address of the property which is the  
23 subject of the residential mortgage. The notice is deemed to have  
24 been effectuated on the date the notice is delivered in person or  
25 mailed to the party.

26 c. The written notice shall clearly and conspicuously state in a  
27 manner calculated to make the debtor aware of the situation:

28 (1) the particular obligation or real estate security interest;

29 (2) the nature of the default claimed;

30 (3) the right of the debtor to cure the default as provided in  
31 section 5 of this act;

32 (4) what performance, including what sum of money, if any, and  
33 interest, shall be tendered to cure the default as of the date specified  
34 under paragraph (5) of this subsection c.;

35 (5) the date by which the debtor shall cure the default to avoid  
36 initiation of foreclosure proceedings, which date shall not be less  
37 than 30 days after the date the notice is effective, and the name and  
38 address and phone number of a person to whom the payment or  
39 tender shall be made;

40 (6) that if the debtor does not cure the default by the date  
41 specified under paragraph (5) of this subsection c., the lender may  
42 take steps to terminate the debtor's ownership in the property by  
43 commencing a foreclosure suit in a court of competent jurisdiction;

44 (7) that if the lender takes the steps indicated pursuant to  
45 paragraph (6) of this subsection c., a debtor shall still have the right  
46 to cure the default pursuant to section 5 of this act, but that the  
47 debtor shall be responsible for the lender's court costs and attorneys'

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1 fees in an amount not to exceed that amount permitted pursuant to  
2 the Rules Governing the Courts of the State of New Jersey;  
3 (8) the right, if any, of the debtor to transfer the real estate to  
4 another person subject to the security interest and that the transferee  
5 may have the right to cure the default as provided in this act,  
6 subject to the mortgage documents;  
7 (9) that the debtor is advised to seek counsel from an attorney of  
8 the debtor's own choosing concerning the debtor's residential  
9 mortgage default situation, and that, if the debtor is unable to obtain  
10 an attorney, the debtor may communicate with the New Jersey Bar  
11 Association or Lawyer Referral Service in the county in which the  
12 residential property securing the mortgage loan is located; and that,  
13 if the debtor is unable to afford an attorney, the debtor may  
14 communicate with the Legal Services Office in the county in which  
15 the property is located;  
16 (10) the possible availability of financial assistance for curing a  
17 default from programs operated by the State or federal government  
18 or nonprofit organizations, if any, as identified by the  
19 Commissioner of Banking and Insurance and, if the property is  
20 subject to restrictions on affordability, the address and phone  
21 number of the municipal affordable housing liaison and of the New  
22 Jersey Housing and Mortgage Finance Agency. This requirement  
23 shall be satisfied by attaching a list of such programs promulgated  
24 by the commissioner; and  
25 (11) the name and address of the lender and the telephone  
26 number of a representative of the lender whom the debtor may  
27 contact if the debtor disagrees with the lender's assertion that a  
28 default has occurred or the correctness of the mortgage lender's  
29 calculation of the amount required to cure the default.  
30 d. The notice of intention to foreclose required to be provided  
31 pursuant to this section shall not be required if the debtor has  
32 voluntarily surrendered the property which is the subject of the  
33 residential mortgage.  
34 e. The duty of the lender under this section to serve notice of  
35 intention to foreclose is independent of any other duty to give  
36 notice under the common law, principles of equity, State or federal  
37 statute, or rule of court and of any other right or remedy the debtor  
38 may have as a result of the failure to give such notice.  
39 f. Compliance with this section shall be set forth in the  
40 pleadings of any legal action referred to in this section. If the  
41 plaintiff in any complaint seeking foreclosure of a residential  
42 mortgage alleges that the property subject to the residential  
43 mortgage has been abandoned or voluntarily surrendered, the  
44 plaintiff shall plead the specific facts upon which this allegation is  
45 based.  
46 (cf: P.L.2003, c.298, s.1)

1       4. Section 11 of P.L.1995, c.244 (C.2A:50-63) is amended to  
2 read as follows:

3       11. a. An optional foreclosure procedure without sale for the  
4 disposition of a foreclosed premises is hereby established pursuant  
5 to subsection b. of this section, wherein a lender may elect to  
6 proceed according to the provisions of this act and R.4:64-1(d) of  
7 the Rules Governing the Courts of the State of New Jersey.

8       b. Use of the optional procedure without sale, as provided in  
9 this section, shall be permitted only when:

10       (1) the debtor has abandoned the property which is the subject  
11 of the residential mortgage;

12       (2) the debtor has voluntarily surrendered the property which is  
13 the subject of the residential mortgage by signing a deed in lieu of  
14 foreclosure in favor of the lender; **【or】**

15       (3) there is no equity in the property which is the subject of the  
16 residential mortgage, as defined in subsection e. of this section; or

17       (4) there are no recorded restrictions on affordability on the  
18 property, as defined in section 4 of P.L.1995, c.244 (C.2A:50-56).

19       c. Pursuant to paragraph (1) of subsection b. of this section,  
20 and for purposes of this section only, abandonment of the property  
21 subject to the residential mortgage shall be established by an  
22 affidavit or certification from an individual having personal  
23 knowledge of the contents thereof, setting forth the specific facts  
24 upon which that conclusion is based. The affidavit or certification  
25 shall be submitted to the office or the court at the same time that the  
26 lender applies to the office or the court for the order fixing the  
27 amount, time and place for redemption.

28       d. Pursuant to paragraph (2) of subsection b. of this section and  
29 for purposes of this section only, if the lender receives a deed in  
30 lieu of foreclosure, the conveyance shall be effective only if the  
31 deed clearly and conspicuously provides: that the debtor may,  
32 without penalty, rescind the conveyance within seven days,  
33 excluding Saturdays, Sundays and legal holidays; and that such  
34 **【recision】** rescission is effective upon delivery of a written notice  
35 to the lender or its agent or upon mailing of such notice to the  
36 lender or its agent by certified or registered mail, return receipt  
37 requested.

38       e. (1) For purposes of paragraph (3) of subsection b. of this  
39 section, a property subject to a residential mortgage shall be  
40 deemed to have no equity if the total unpaid balance of all liens and  
41 encumbrances against the property, including mortgages, tax liens  
42 and judgments actually against the property (not including similar  
43 name judgments), and any other lien, is equal to or greater than 92  
44 percent of the fair market value of the property. An affidavit setting  
45 forth with specificity the fair market value of the property, the  
46 unpaid balance of the obligation, including all mortgages and liens  
47 and the method by which the lender determined that the property  
48 has no equity, shall be submitted to the office or the court at the

1 time the lender applies for the order fixing the amount, time and  
2 place for redemption.

3 (2) If a lender proceeds with the optional procedure under this  
4 subsection, and if the debtor has not objected and requested a public  
5 sale pursuant to this section, when the foreclosed property is resold  
6 by the lender following judgment and provided the resale price  
7 received by the lender is in excess of the amount necessary to repay  
8 the debt, interest and reasonable costs of the lender, and all carrying  
9 charges, including, but not limited to, the reasonable costs of  
10 maintenance and resale, the lender shall deposit any such excess in  
11 accordance with R.4:57 et seq. of the Rules Governing the Courts of  
12 the State of New Jersey.

13 (3) Upon deposit of any such excess with the Superior Court, the  
14 lender shall notify the debtor and any lien holder who held a lien  
15 junior to the lender and whose lien was lost in whole or in part as a  
16 result of the foreclosure. Such notification shall be by certified  
17 mail, return receipt requested, to the last known address of the  
18 debtor and such lien holders. The debtor and the lien holders shall  
19 then have six months to make an application to the Superior Court,  
20 in the form of an application for surplus funds, upon appropriate  
21 notice to all other parties in interest, to seek an order for turnover of  
22 the excess funds. Failure of a lender to comply with the provisions  
23 of paragraphs (2) and (3) of this subsection e. shall not affect title to  
24 the foreclosed property.

25 f. (1) In accordance with the provisions of R.4:64-1(d) of the  
26 Rules Governing the Courts of the State of New Jersey, and subject  
27 to compliance with the provisions of this act, a lender may elect to  
28 proceed with the optional procedure by filing an affidavit or  
29 certification with the office or the court.

30 (2) The affidavit or certification shall set forth the facts which  
31 the lender alleges show that it is entitled to proceed under one or  
32 more paragraphs of subsection b. of this section and shall be  
33 supported by the proofs required by this section and such other  
34 proofs as may be required by the office or the court.

35 g. In accordance with the provisions of R.4:64-1(d) of the  
36 Rules Governing the Courts of the State of New Jersey, and subject  
37 to compliance with the provisions of this act, the office or the court  
38 may enter an order fixing the amount, time, and place for  
39 redemption, which shall be not less than 45 days nor more than 60  
40 days after the date of the order. The office or the court may grant  
41 an extension of time for good cause shown. The order shall provide  
42 that:

43 (1) the redeeming defendant pay to the plaintiff's attorney the  
44 amount fixed by the office or the court for redemption, together  
45 with interest to the date of redemption, plus all court costs;

46 (2) redemption shall be by cash, cashier's check or certified  
47 check and made at the office of the plaintiff's attorney, if such  
48 office is located in the county where the property is situated, or at

1 such other place as designated by the office or the court, between  
2 the hours of 9:00 a.m. and 4:00 p.m. of the date set by the office or  
3 the court in the order; and  
4 (3) in the absence of redemption, the defendants shall stand  
5 absolutely debarred and foreclosed from all equity of redemption.  
6 h. (1) The order for redemption or notice thereof shall be  
7 mailed to each defendant's last known address and, if different, also  
8 to the address of the property being foreclosed. The order for  
9 redemption or notice thereof shall be sent by ordinary mail and  
10 certified mail, return receipt requested, within 20 days after the date  
11 the order is entered, except that, as to defendants whose addresses  
12 are unknown and who were served by publication, no further  
13 publication of the order for redemption or notice thereof need be  
14 made.  
15 (2) The notice shall:  
16 (a) inform the defendants that the plaintiff is proceeding under  
17 an optional procedure authorized by section 11 of this act and set  
18 out the steps of the optional procedure;  
19 (b) inform all defendants of the terms and conditions under  
20 which a defendant may request a public sale of the mortgaged  
21 premises pursuant to subsection i. of this section; and  
22 (c) clearly state that no request for a public sale made after 30  
23 days from the date of service will be granted, except for good cause  
24 shown.  
25 i. In any matter in which the office or the court has issued an  
26 order for redemption and the lender is permitted to proceed by the  
27 optional procedure, a defendant who wishes to object to the optional  
28 procedure and request a public sale with respect to the mortgaged  
29 premises being foreclosed, shall submit to the office or the court a  
30 written request for a public sale within 30 days of the date the order  
31 or notice thereof is served. If a defendant requests a public sale  
32 within the required time period, and subject to compliance with the  
33 provisions of this act, the office or court shall enter a judgment of  
34 foreclosure which provides for a public sale of the premises in  
35 accordance with applicable law. Any such defendant who requests  
36 a public sale, other than a natural person who is the owner or a  
37 voluntary transferee from that owner, shall be required to post a  
38 cash deposit or bond prior to the date fixed for redemption. This  
39 cash deposit or bond shall be in an amount which is 10% of the  
40 amount found due in the order fixing the amount, time and place for  
41 redemption and shall be held to secure the plaintiff against any  
42 additional interest and costs, as well as any deficiency, as a result of  
43 the public sale. The office or the court may dispense with this  
44 requirement for good cause shown. The defendant who requests a  
45 public sale, other than a natural person who is the owner or a  
46 voluntary transferee from that owner, shall pay all expenses and  
47 costs associated with the public sale, including, but not limited to,  
48 all sheriff's fees and commissions.



1       j. In the event of any dispute among defendants over the right  
2 to redeem, the court shall enter such order as is necessary to secure  
3 the plaintiff pending the resolution of the dispute, including, but not  
4 limited to, payment of plaintiff's additional interest and costs which  
5 accrue as a result of the dispute.

6       k. Upon redemption, the plaintiff shall furnish the  
7 redemptioner with an appropriate certificate of redemption and the  
8 redemptioner shall acquire all rights provided by law and equity but  
9 shall not be entitled to a deed or title to the mortgaged premises  
10 solely by virtue of the redemption. A redemptioner in proper cases  
11 may proceed to foreclose the redemptioner's interest.

12       l. In the absence of redemption, and on proof of mailing of the  
13 order for redemption or notice thereof pursuant to subsection h. of  
14 this section and an affidavit of non-redemption, the plaintiff shall be  
15 entitled to a judgment debarring and foreclosing the equity of  
16 redemption of the defendants and each of them and any person  
17 claiming by, through or under them, and adjudging the plaintiff be  
18 vested with a valid and indefeasible estate in the mortgaged  
19 premises. Anything to the contrary notwithstanding, redemption  
20 shall be permitted at any time up until the entry of judgment  
21 including the whole of the last day upon which judgment is entered.  
22 A certified copy of the judgment shall be accepted for recording by  
23 the county recording officer pursuant to P.L.1939, c.170 (C.46:16-  
24 1.1).

25       m. Upon entry of a judgment vesting title in the plaintiff  
26 pursuant to subsection l. of this section, the debt which was secured  
27 by the foreclosed mortgage shall be deemed satisfied, and the  
28 plaintiff shall not be permitted to institute any further or  
29 contemporaneous action for the collection of the debt.  
30 (cf: P.L.1995, c.244, s.11)

31

32       5. This act shall take effect immediately.

33

34

35                                           STATEMENT

36

37       This bill provides that a deed restriction on affordable housing is  
38 not extinguished as a result of a foreclosure on that property.

39       The bill amends foreclosure laws to require notice be given to  
40 the municipal clerk and the Commissioner of Community Affairs  
41 whenever a debtor is given notice that a foreclosure is pending on  
42 residential property that is a unit of affordable housing subject to  
43 affordability controls. The foreclosing lender is also required to  
44 furnish the debtor with the address and phone number of the  
45 municipal affordable housing manager and the New Jersey Housing  
46 and Mortgage Finance Agency. The bill removes the ability of a  
47 foreclosing lender to use alternative methods of foreclosure not

**S362 RICE**

1 requiring a public sale when the housing unit involved is subject to  
2 affordability controls.

3 The bill requires a creditor serving a “Notice of Intention to  
4 Foreclose” on an affordable housing unit to serve a copy of the  
5 notice on the municipal affordable housing liaison, if one has been  
6 appointed.

# SENATE COMMUNITY AND URBAN AFFAIRS COMMITTEE

## STATEMENT TO

### SENATE, No. 362

# STATE OF NEW JERSEY

DATED: MARCH 26, 2018

The Senate Community and Urban Affairs Committee reports favorably Senate Bill No. 362.

This bill provides that a deed restriction on affordable housing is not extinguished as a result of a foreclosure on that property.

The bill amends foreclosure laws to require notice be given to the municipal clerk and the Commissioner of Community Affairs whenever a debtor is given notice that a foreclosure is pending on residential property that is a unit of affordable housing subject to affordability controls. The foreclosing lender is also required to furnish the debtor with the address and phone number of the municipal affordable housing manager and the New Jersey Housing and Mortgage Finance Agency. The bill removes the ability of a foreclosing lender to use alternative methods of foreclosure not requiring a public sale when the housing unit involved is subject to affordability controls.

The bill requires a creditor serving a “Notice of Intention to Foreclose” on an affordable housing unit to serve a copy of the notice on the municipal affordable housing liaison, if one has been appointed.

This bill was pre-filed for introduction in the 2018-2019 session pending technical review. As reported, the bill includes the changes required by technical review, which has been performed.

ASSEMBLY HOUSING AND COMMUNITY DEVELOPMENT  
COMMITTEE

STATEMENT TO

[First Reprint]

**SENATE, No. 362**

**STATE OF NEW JERSEY**

DATED: JANUARY 17, 2019

The Assembly Housing and Community Development Committee reports favorably Senate Bill No. 362 (1R).

This bill provides that a deed restriction on affordable housing is not extinguished as a result of a foreclosure on that property.

The bill amends foreclosure laws to require that notice be given to the municipal clerk, the affordable housing liaison, and the Commissioner of Community Affairs whenever a debtor is notified of a pending foreclosure proceeding on any residential property that is subject to affordability controls. The foreclosing lender is also required to provide the debtor with the address and phone number of the municipal affordable housing liaison and the New Jersey Housing and Mortgage Finance Agency. The bill removes the ability of a foreclosing lender to use alternative methods of foreclosure which do not include a public sale, such as the optional foreclosure procedure without sale, when the housing unit involved is subject to affordability controls.

As reported, this bill is identical to Assembly Bill No. 3833, as amended and reported by the committee.

# STATEMENT TO

## **SENATE, No. 362**

with Senate Floor Amendments  
(Proposed by Senator RICE)

ADOPTED: APRIL 12, 2018

These Senate amendments clarify that use of the optional procedure without sale is only permitted when there are no recorded restrictions on affordability on the property, and either:

- (1) the debtor has abandoned the property which is the subject of the residential mortgage;
- (2) the debtor has voluntarily surrendered the property which is the subject of the residential mortgage by signing a deed in lieu of foreclosure in favor of the lender; or
- (3) there is no equity in the property which is the subject of the residential mortgage.

# ASSEMBLY, No. 3833

## STATE OF NEW JERSEY 218th LEGISLATURE

INTRODUCED APRIL 12, 2018

**Sponsored by:**

**Assemblywoman SHAVONDA E. SUMTER**

**District 35 (Bergen and Passaic)**

**Assemblywoman MILA M. JASEY**

**District 27 (Essex and Morris)**

**Assemblywoman VERLINA REYNOLDS-JACKSON**

**District 15 (Hunterdon and Mercer)**

**SYNOPSIS**

Provides that deed restrictions on affordable housing units are not extinguished by foreclosure proceedings.

**CURRENT VERSION OF TEXT**

As introduced.



1 AN ACT concerning affordability controls on affordable housing,  
2 supplementing P.L.1985, c.222 (C.52:27D-301 et al.) and  
3 amending P.L.1995, c.244.

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

7  
8 1. (New section) The Legislature finds and declares that:

9 a. Many thousands of New Jersey homeowners are at risk of  
10 losing their homes as a result of mortgage foreclosures in the  
11 immediate future;

12 b. Foreclosures involve the loss of a family's home, which is  
13 often the family's most valuable financial asset, and foreclosures  
14 especially undermine the health and economic vitality of the urban  
15 neighborhoods in which a disproportionate share of foreclosures  
16 take place;

17 c. Some homes subject to foreclosure proceedings contain deed  
18 restrictions requiring the homes to be reserved for occupancy by  
19 low and moderate income households as affordable housing as part  
20 of the constitutional obligation under the Mt. Laurel decisions to  
21 provide affordable housing;

22 d. Regulations that permit affordable housing deed restrictions  
23 to be extinguished during foreclosure proceedings are inconsistent  
24 with the constitutional obligation to provide affordable housing and  
25 are particularly detrimental in that they decrease the availability of  
26 affordable housing at a time when more and more New Jersey  
27 residents are faced with difficult economic conditions; and

28 e. Deed restrictions should survive a foreclosure in order to  
29 enhance the ability of New Jersey residents to obtain housing they  
30 can afford.

31  
32 2. (New section) Notwithstanding any rule of the Council on  
33 Affordable Housing, the Department of Community Affairs, or the  
34 New Jersey Housing and Mortgage Finance Agency to the contrary,  
35 a deed restriction which was properly recorded in connection with a  
36 property for which a credit against the fair share housing obligation  
37 was granted pursuant to P.L.1985, c.222 (C.52:27D-301 et al.) shall  
38 not expire, extinguish, or be removed prior to the period of  
39 termination for such restriction as a result of the sale of the property  
40 through foreclosure proceedings by any creditor.

41  
42 3. Section 4 of P.L.1995, c.244 (C.2A:50-56) is amended to  
43 read as follows:

44 4. a. Upon failure to perform any obligation of a residential  
45 mortgage by the residential mortgage debtor and before any

**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 residential mortgage lender may accelerate the maturity of any  
2 residential mortgage obligation and commence any foreclosure or  
3 other legal action to take possession of the residential property  
4 which is the subject of the mortgage, the residential mortgage  
5 lender shall give a notice of intention to: the residential mortgage  
6 debtor, and, if the mortgage is secured by a residence for which a  
7 restriction on affordability was recorded in the county in which the  
8 property is located, the clerk of the municipality in which the  
9 subject property is located, the municipal housing liaison, if one has  
10 been appointed by the municipality pursuant to the regulations of  
11 the Council on Affordable Housing, and the Commissioner of  
12 Community Affairs, at least 30 days in advance of such action as  
13 provided in this section. For the purposes of this section,  
14 “restriction on affordability” means any conditions recorded with a  
15 mortgage or a deed which would limit the sale of such property to  
16 income qualified households pursuant to the rules adopted to  
17 effectuate the “Fair Housing Act,” P.L.1985, c.222 (C.52:27D-301  
18 et al.).

19 b. Notice of intention to take action as specified in subsection  
20 a. of this section shall be in writing, sent to the debtor by registered  
21 or certified mail, return receipt requested, at the debtor's last known  
22 address, and, if different, to the address of the property which is the  
23 subject of the residential mortgage. The notice is deemed to have  
24 been effectuated on the date the notice is delivered in person or  
25 mailed to the party.

26 c. The written notice shall clearly and conspicuously state in a  
27 manner calculated to make the debtor aware of the situation:

28 (1) the particular obligation or real estate security interest;

29 (2) the nature of the default claimed;

30 (3) the right of the debtor to cure the default as provided in  
31 section 5 of this act;

32 (4) what performance, including what sum of money, if any, and  
33 interest, shall be tendered to cure the default as of the date specified  
34 under paragraph (5) of this subsection c.;

35 (5) the date by which the debtor shall cure the default to avoid  
36 initiation of foreclosure proceedings, which date shall not be less  
37 than 30 days after the date the notice is effective, and the name and  
38 address and phone number of a person to whom the payment or  
39 tender shall be made;

40 (6) that if the debtor does not cure the default by the date  
41 specified under paragraph (5) of this subsection c., the lender may  
42 take steps to terminate the debtor's ownership in the property by  
43 commencing a foreclosure suit in a court of competent jurisdiction;

44 (7) that if the lender takes the steps indicated pursuant to  
45 paragraph (6) of this subsection c., a debtor shall still have the right  
46 to cure the default pursuant to section 5 of this act, but that the  
47 debtor shall be responsible for the lender's court costs and attorneys'



1 fees in an amount not to exceed that amount permitted pursuant to  
2 the Rules Governing the Courts of the State of New Jersey;

3 (8) the right, if any, of the debtor to transfer the real estate to  
4 another person subject to the security interest and that the transferee  
5 may have the right to cure the default as provided in this act,  
6 subject to the mortgage documents;

7 (9) that the debtor is advised to seek counsel from an attorney of  
8 the debtor's own choosing concerning the debtor's residential  
9 mortgage default situation, and that, if the debtor is unable to obtain  
10 an attorney, the debtor may communicate with the New Jersey Bar  
11 Association or Lawyer Referral Service in the county in which the  
12 residential property securing the mortgage loan is located; and that,  
13 if the debtor is unable to afford an attorney, the debtor may  
14 communicate with the Legal Services Office in the county in which  
15 the property is located;

16 (10) the possible availability of financial assistance for curing a  
17 default from programs operated by the State or federal government  
18 or nonprofit organizations, if any, as identified by the  
19 Commissioner of Banking and Insurance and, if the property is  
20 subject to restrictions on affordability, the address and phone  
21 number of the municipal affordable housing liaison and of the New  
22 Jersey Housing and Mortgage Finance Agency. This requirement  
23 shall be satisfied by attaching a list of such programs promulgated  
24 by the commissioner; and

25 (11) the name and address of the lender and the telephone  
26 number of a representative of the lender whom the debtor may  
27 contact if the debtor disagrees with the lender's assertion that a  
28 default has occurred or the correctness of the mortgage lender's  
29 calculation of the amount required to cure the default.

30 d. The notice of intention to foreclose required to be provided  
31 pursuant to this section shall not be required if the debtor has  
32 voluntarily surrendered the property which is the subject of the  
33 residential mortgage.

34 e. The duty of the lender under this section to serve notice of  
35 intention to foreclose is independent of any other duty to give  
36 notice under the common law, principles of equity, State or federal  
37 statute, or rule of court and of any other right or remedy the debtor  
38 may have as a result of the failure to give such notice.

39 f. Compliance with this section shall be set forth in the  
40 pleadings of any legal action referred to in this section. If the  
41 plaintiff in any complaint seeking foreclosure of a residential  
42 mortgage alleges that the property subject to the residential  
43 mortgage has been abandoned or voluntarily surrendered, the  
44 plaintiff shall plead the specific facts upon which this allegation is  
45 based.

46 (cf: P.L.2003, c.298, s.1)

1       4. Section 11 of P.L.1995, c.244 (C.2A:50-63) is amended to  
2 read as follows:

3       11. a. An optional foreclosure procedure without sale for the  
4 disposition of a foreclosed premises is hereby established pursuant  
5 to subsection b. of this section, wherein a lender may elect to  
6 proceed according to the provisions of this act and R.4:64-1(d) of  
7 the Rules Governing the Courts of the State of New Jersey.

8       b. Use of the optional procedure without sale, as provided in  
9 this section, shall be permitted only when:

10       (1) the debtor has abandoned the property which is the subject of  
11 the residential mortgage;

12       (2) the debtor has voluntarily surrendered the property which is  
13 the subject of the residential mortgage by signing a deed in lieu of  
14 foreclosure in favor of the lender; **[or]**

15       (3) there is no equity in the property which is the subject of the  
16 residential mortgage, as defined in subsection e. of this section; or

17       (4) there are no recorded restrictions on affordability on the  
18 property, as defined in section 4 of P.L.1995, c.244 (C.2A:50-56).

19       c. Pursuant to paragraph (1) of subsection b. of this section,  
20 and for purposes of this section only, abandonment of the property  
21 subject to the residential mortgage shall be established by an  
22 affidavit or certification from an individual having personal  
23 knowledge of the contents thereof, setting forth the specific facts  
24 upon which that conclusion is based. The affidavit or certification  
25 shall be submitted to the office or the court at the same time that the  
26 lender applies to the office or the court for the order fixing the  
27 amount, time and place for redemption.

28       d. Pursuant to paragraph (2) of subsection b. of this section and  
29 for purposes of this section only, if the lender receives a deed in  
30 lieu of foreclosure, the conveyance shall be effective only if the  
31 deed clearly and conspicuously provides: that the debtor may,  
32 without penalty, rescind the conveyance within seven days,  
33 excluding Saturdays, Sundays and legal holidays; and that such  
34 **[recision]** rescission is effective upon delivery of a written notice  
35 to the lender or its agent or upon mailing of such notice to the  
36 lender or its agent by certified or registered mail, return receipt  
37 requested.

38       e. (1) For purposes of paragraph (3) of subsection b. of this  
39 section, a property subject to a residential mortgage shall be  
40 deemed to have no equity if the total unpaid balance of all liens and  
41 encumbrances against the property, including mortgages, tax liens  
42 and judgments actually against the property (not including similar  
43 name judgments), and any other lien, is equal to or greater than 92  
44 percent of the fair market value of the property. An affidavit setting  
45 forth with specificity the fair market value of the property, the  
46 unpaid balance of the obligation, including all mortgages and liens  
47 and the method by which the lender determined that the property  
48 has no equity, shall be submitted to the office or the court at the

1 time the lender applies for the order fixing the amount, time and  
2 place for redemption.

3 (2) If a lender proceeds with the optional procedure under this  
4 subsection, and if the debtor has not objected and requested a public  
5 sale pursuant to this section, when the foreclosed property is resold  
6 by the lender following judgment and provided the resale price  
7 received by the lender is in excess of the amount necessary to repay  
8 the debt, interest and reasonable costs of the lender, and all carrying  
9 charges, including, but not limited to, the reasonable costs of  
10 maintenance and resale, the lender shall deposit any such excess in  
11 accordance with R.4:57 et seq. of the Rules Governing the Courts of  
12 the State of New Jersey.

13 (3) Upon deposit of any such excess with the Superior Court, the  
14 lender shall notify the debtor and any lien holder who held a lien  
15 junior to the lender and whose lien was lost in whole or in part as a  
16 result of the foreclosure. Such notification shall be by certified  
17 mail, return receipt requested, to the last known address of the  
18 debtor and such lien holders. The debtor and the lien holders shall  
19 then have six months to make an application to the Superior Court,  
20 in the form of an application for surplus funds, upon appropriate  
21 notice to all other parties in interest, to seek an order for turnover of  
22 the excess funds. Failure of a lender to comply with the provisions  
23 of paragraphs (2) and (3) of this subsection e. shall not affect title to  
24 the foreclosed property.

25 f. (1) In accordance with the provisions of R.4:64-1(d) of the  
26 Rules Governing the Courts of the State of New Jersey, and subject  
27 to compliance with the provisions of this act, a lender may elect to  
28 proceed with the optional procedure by filing an affidavit or  
29 certification with the office or the court.

30 (2) The affidavit or certification shall set forth the facts which  
31 the lender alleges show that it is entitled to proceed under one or  
32 more paragraphs of subsection b. of this section and shall be  
33 supported by the proofs required by this section and such other  
34 proofs as may be required by the office or the court.

35 g. In accordance with the provisions of R.4:64-1(d) of the  
36 Rules Governing the Courts of the State of New Jersey, and subject  
37 to compliance with the provisions of this act, the office or the court  
38 may enter an order fixing the amount, time, and place for  
39 redemption, which shall be not less than 45 days nor more than 60  
40 days after the date of the order. The office or the court may grant  
41 an extension of time for good cause shown. The order shall provide  
42 that:

43 (1) the redeeming defendant pay to the plaintiff's attorney the  
44 amount fixed by the office or the court for redemption, together  
45 with interest to the date of redemption, plus all court costs;

46 (2) redemption shall be by cash, cashier's check or certified  
47 check and made at the office of the plaintiff's attorney, if such  
48 office is located in the county where the property is situated, or at

1 such other place as designated by the office or the court, between  
2 the hours of 9:00 a.m. and 4:00 p.m. of the date set by the office or  
3 the court in the order; and

4 (3) in the absence of redemption, the defendants shall stand  
5 absolutely debarred and foreclosed from all equity of redemption.

6 h. (1) The order for redemption or notice thereof shall be  
7 mailed to each defendant's last known address and, if different, also  
8 to the address of the property being foreclosed. The order for  
9 redemption or notice thereof shall be sent by ordinary mail and  
10 certified mail, return receipt requested, within 20 days after the date  
11 the order is entered, except that, as to defendants whose addresses  
12 are unknown and who were served by publication, no further  
13 publication of the order for redemption or notice thereof need be  
14 made.

15 (2) The notice shall:

16 (a) inform the defendants that the plaintiff is proceeding under an  
17 optional procedure authorized by section 11 of this act and set out  
18 the steps of the optional procedure;

19 (b) inform all defendants of the terms and conditions under  
20 which a defendant may request a public sale of the mortgaged  
21 premises pursuant to subsection i. of this section; and

22 (c) clearly state that no request for a public sale made after 30  
23 days from the date of service will be granted, except for good cause  
24 shown.

25 i. In any matter in which the office or the court has issued an  
26 order for redemption and the lender is permitted to proceed by the  
27 optional procedure, a defendant who wishes to object to the optional  
28 procedure and request a public sale with respect to the mortgaged  
29 premises being foreclosed, shall submit to the office or the court a  
30 written request for a public sale within 30 days of the date the order  
31 or notice thereof is served. If a defendant requests a public sale  
32 within the required time period, and subject to compliance with the  
33 provisions of this act, the office or court shall enter a judgment of  
34 foreclosure which provides for a public sale of the premises in  
35 accordance with applicable law. Any such defendant who requests  
36 a public sale, other than a natural person who is the owner or a  
37 voluntary transferee from that owner, shall be required to post a  
38 cash deposit or bond prior to the date fixed for redemption. This  
39 cash deposit or bond shall be in an amount which is 10% of the  
40 amount found due in the order fixing the amount, time and place for  
41 redemption and shall be held to secure the plaintiff against any  
42 additional interest and costs, as well as any deficiency, as a result of  
43 the public sale. The office or the court may dispense with this  
44 requirement for good cause shown. The defendant who requests a  
45 public sale, other than a natural person who is the owner or a  
46 voluntary transferee from that owner, shall pay all expenses and  
47 costs associated with the public sale, including, but not limited to,  
48 all sheriff's fees and commissions.

1       j. In the event of any dispute among defendants over the right  
2 to redeem, the court shall enter such order as is necessary to secure  
3 the plaintiff pending the resolution of the dispute, including, but not  
4 limited to, payment of plaintiff's additional interest and costs which  
5 accrue as a result of the dispute.

6       k. Upon redemption, the plaintiff shall furnish the  
7 redemptioner with an appropriate certificate of redemption and the  
8 redemptioner shall acquire all rights provided by law and equity but  
9 shall not be entitled to a deed or title to the mortgaged premises  
10 solely by virtue of the redemption. A redemptioner in proper cases  
11 may proceed to foreclose the redemptioner's interest.

12       l. In the absence of redemption, and on proof of mailing of the  
13 order for redemption or notice thereof pursuant to subsection h. of  
14 this section and an affidavit of non-redemption, the plaintiff shall be  
15 entitled to a judgment debarring and foreclosing the equity of  
16 redemption of the defendants and each of them and any person  
17 claiming by, through or under them, and adjudging the plaintiff be  
18 vested with a valid and indefeasible estate in the mortgaged  
19 premises. Anything to the contrary notwithstanding, redemption  
20 shall be permitted at any time up until the entry of judgment  
21 including the whole of the last day upon which judgment is entered.  
22 A certified copy of the judgment shall be accepted for recording by  
23 the county recording officer pursuant to P.L.1939, c.170 (C.46:16-  
24 1.1).

25       m. Upon entry of a judgment vesting title in the plaintiff  
26 pursuant to subsection l. of this section, the debt which was secured  
27 by the foreclosed mortgage shall be deemed satisfied, and the  
28 plaintiff shall not be permitted to institute any further or  
29 contemporaneous action for the collection of the debt.

30 (cf: P.L.1995, c.244, s.11)

31

32       5. This act shall take effect immediately.

33

34

35

STATEMENT

36

37       This bill provides that a deed restriction on affordable housing is  
38 not extinguished as a result of a foreclosure on that property.

39       The bill amends foreclosure laws to require notice be given to  
40 the municipal clerk and the Commissioner of Community Affairs  
41 whenever a debtor is given notice that a foreclosure is pending on  
42 residential property that is a unit of affordable housing subject to  
43 affordability controls. The foreclosing lender is also required to  
44 furnish the debtor with the address and phone number of the  
45 municipal affordable housing manager and the New Jersey Housing  
46 and Mortgage Finance Agency. The bill removes the ability of a  
47 foreclosing lender to use alternative methods of foreclosure not

**A3833 SUMTER, JASEY**

9

1 requiring a public sale when the housing unit involved is subject to  
2 affordability controls.

3 The bill requires a creditor serving a “Notice of Intention to  
4 Foreclose” on an affordable housing unit to serve a copy of the  
5 notice on the municipal affordable housing liaison, if one has been  
6 appointed.

ASSEMBLY HOUSING AND COMMUNITY DEVELOPMENT  
COMMITTEE

STATEMENT TO  
ASSEMBLY, No. 3833

with committee amendments

**STATE OF NEW JERSEY**

DATED: JANUARY 17, 2019

The Assembly Housing and Community Development Committee reports favorably Assembly Bill No. 3833, with committee amendments.

As amended, this bill provides that a deed restriction on affordable housing is not extinguished as a result of a foreclosure on that property.

The bill amends foreclosure laws to require that notice be given to the municipal clerk, the affordable housing liaison, and the Commissioner of Community Affairs whenever a debtor is notified of a pending foreclosure proceeding on any residential property that is subject to affordability controls. The foreclosing lender is also required to provide the debtor with the address and phone number of the municipal affordable housing liaison and the New Jersey Housing and Mortgage Finance Agency. The bill removes the ability of a foreclosing lender to use alternative methods of foreclosure which do not include a public sale, such as the optional foreclosure procedure without sale, when the housing unit involved is subject to affordability controls.

As reported, this bill is identical to Senate Bill No. 362 (1R), as also reported by the committee.

COMMITTEE AMENDMENTS

These amendments clarify that use of the optional procedure without sale is only permitted when there are no recorded restrictions on affordability on the property, and either:

- (1) the debtor has abandoned the property which is the subject of the residential mortgage;
- (2) the debtor has voluntarily surrendered the property which is the subject of the residential mortgage by signing a deed in lieu of foreclosure in favor of the lender; or
- (3) there is no equity in the property which is the subject of the residential mortgage.

**SENATE BILL NO. 362**  
**(First Reprint)**

To the Senate:

Pursuant to Article V, Section I, Paragraph 14 of the New Jersey Constitution, I am returning Senate Bill No. 362 (First Reprint) with my recommendations for reconsideration.

Senate Bill No. 362 (First Reprint) prohibits foreclosure proceedings from extinguishing certain deed restrictions reserving homes for occupancy for low- and moderate-income households. Under almost all circumstances, the sale of a deed restricted affordable unit does not extinguish its affordability controls. The exception, which this bill seeks to prohibit, allows for affordability controls to expire on homes that were deed restricted prior to 1999, and thus subject to the Council on Affordable Housing's so-called "First Round" and "Second Round" regulations, are foreclosed upon. In these limited circumstances, a municipality has the option of purchasing the home, thereby preserving its affordability controls. If the municipality does not exercise this option, the affordability controls expire, and the home is sold at the going market rate. Importantly, a town's obligation to provide the affordable unit is not impacted by its decision to purchase the home; if a town opts against purchasing, the town must replace the lost unit.

I applaud the bill's sponsors for their efforts to preserve the State's affordable housing stock. New Jersey has one of the most expensive housing markets in the country. Too often, low- and middle-class New Jerseyans are priced out of home ownership and the economic advantages that accompany it. I am concerned, however, that this bill may actually hurt the very low- and moderate-income families it is intended to benefit by making it



more difficult for these families to obtain a mortgage. Federal Housing Administration ("FHA") regulation expressly prohibits the use of FHA loans to purchase properties with deed restrictions that will not extinguish upon foreclosure. As a result, this bill would effectively preclude all prospective affordable unit homeowners from accessing any FHA loan or insurance products. This is problematic because many first-time low- and moderate-income homebuyers rely on FHA loan products to secure the financing necessary to purchase their homes, as has been seen by the difficulty in selling and reselling units subject to "Third Round" regulations, which include the same inextinguishably restrictions. I have been informed by the New Jersey Housing and Mortgage Finance Agency ("HMFA") that it is not uncommon for "Third Round" units to be available for sale for upwards of two years. Expanding this regulation to cover all prospective affordable unit purchasers would create further disadvantage because HMFA may only offer its down payment and closing cost financial assistance program, which includes a 3.5% down payment option and a \$10,000 down-payment and closing cost assistance program, to homebuyers using FHA loan products.

Without access to these loan and assistance programs, all low- and moderate-income families would need to secure conventional mortgages to finance the cost of buying a home. Few low- and moderate-income applicants have the capital on hand to obtain a private loan and the universe of lenders providing loans for the purchase of homes with affordability controls is relatively small. I have been advised by the HMFA that fewer than ten lenders in New Jersey provide private mortgages to low- and moderate-income homebuyers without FHA insurance compared to more than forty lenders who partner with HMFA. If prospective

homebuyers are unable to access the necessary financing, all of the affordable units, both currently in existence and not yet created, will be difficult to sell and resell, limiting the future buying potential of low- and moderate-income homeowners.

Apart from the potential impact on the State's affordable housing market, the bill may also have the unintended consequence of forcing towns to make imprudent financial decisions. Because homes that were deed restricted during the Second Round are now twenty or thirty years old or more, it may be relatively expensive to preserve them. In some cases, it may make more financial sense for a town to replace the home by buying down the cost of a newer home or partnering with a nonprofit organization on new construction. This bill would prevent a town from such considerations. For these reasons, my recommended revisions remove the requirement that deed restrictions on affordable housing not be extinguished as a result of foreclosure.

Nonetheless, a deed restriction should never expire simply because a town is unaware that a home subject to a Second Round deed restriction is in danger of foreclosure. Currently, there is no requirement that a town be notified when a deed restricted property is at risk of foreclosure. This bill appropriately remedies this shortcoming in the law by requiring a residential mortgage lender to give a notice of intention to foreclose to the clerk of the municipality in which the property is located and to the municipal housing liaison, if one has been appointed. This notice will ensure that municipalities do not miss an opportunity to intervene in foreclosure proceedings and, where appropriate, preserve a home's affordability controls.

Therefore, I herewith return Senate Bill No. 362

(First Reprint) and recommend that it be amended as follows:

- Page 2, Title, Lines 1-2: Delete ", supplementing P.L. 1985, c.222 (C.52:27D-301 et al.)"
- Page 2, Section 1, Lines 8-30: Delete in their entirety
- Page 2, Section 2, Lines 32-40: Delete in their entirety
- Page 2, Section 3, Line 42: Delete "3." and insert "1."
- Page 5, Section 4, Line 1: Delete "4." and insert "2."
- Page 5, Section 4, Line 9: After "only" insert "when"
- Page 5, Section 4, Lines 9-11: Delete "if there are no recorded restrictions on affordability on the property, as defined in section 4 of P.L.1995, c.244 (C.2A:50-56), and either"
- Page 8, Section 5, Line 38: Delete "5." and insert "3."

Respectfully,

/s/ Philip D. Murphy

Governor

[seal]

Attest:

/s/ Matthew J. Platkin

Chief Counsel to the Governor



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## Newark, N.J.

# Governor Murphy Takes Action on Legislation

05/13/2019

**A809 (Andrzejczak, Houghtaling, Taliaferro, Mazzeo, Space/Van Drew, Cruz-Perez)** – Revises law concerning alternate members for farmers on State Agriculture Development Committee.

[Copy of Statement on A809](#)

**A5000 (Mosquera, Reynolds-Jackson, Wimberly/Singleton, Oroho, Addiego)** – Requires DCA to produce and maintain database and interactive map concerning residential properties under foreclosure; increases certain recording fees as funding mechanism.

[Copy of Statement on A5000](#)

**S362 (Rice/Sumter, Jasey, Reynolds-Jackson)** – Provides that deed restrictions on affordable housing units are not extinguished by foreclosure proceedings.

[Copy of Statement on S362](#)

**S1758 (Weinberg, Ruiz/Murphy, Benson, Zwicker)** – Codifies donated leave program for State employees in career, senior executive, and unclassified service.

[Copy of Statement on S1758](#)

**S1967 (Sweeney, Madden/Jasey, Taliaferro, Benson)** – Concerns certain workers' compensation supplemental benefits.

[Copy of Statement on S1967](#)

**S2475 (Sweeney, Pou/Coughlin, McKeon, DeCroce, Murphy)** – Prohibits application of fiduciary standard to insurance producers; specifies qualifications of persons providing affidavit of merit in lawsuits against insurance producers.

[Copy of Statement on S2475](#)

**S3240 (Singer, Scutari/Armato, Mukherji, Murphy, Kean, Calabrese, Thomson)** – “Charlie's Law”; requires pharmacy practice sites and hospice programs to furnish patients with information and products to safely dispose of unused prescription drugs and medications.

[Copy of Statement on S3240](#)

**S3369 (Scutari/Munoz, Webber, Holley)** – Prohibits all locally elected officials from receiving retroactive salary increases.

[Copy of Statement on S3369](#)

**S3375 (Ruiz, Greenstein/Carter, Chaparro, Vainieri Huttle)** – Establishes maternal health care pilot program to evaluate shared decision-making tool developed by DOH and used by hospitals providing maternity services, and by birthing centers.

[Copy of Statement on S3375](#)

**S3465 (Pou, Kean/Bramnick, Jimenez, Carter)** – Revises requirements for examination and license to practice mortuary science.

[Copy of Statement on S3465](#)

Governor Murphy absolute vetoed the following bill:

**S1246 (Rice, Cunningham/Sumter, Murphy, Downey)** – Requires NJTA to implement certain roadside maintenance safety policies.

[Copy of Statement on S1246](#)

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# Newark, N.J.

## Governor Murphy Takes Action on Legislation

06/24/2019

**TRENTON** – Today, Governor Phil Murphy signed the following bills into law:

**A5000 w/GR (Mosquera, Reynolds-Jackson, Wimberly/Singleton, Oroho, Addiego)** - Requires DCA to produce and maintain database concerning residential properties under foreclosure.

**S362 w/GR (Rice/Sumter, Jasey, Reynolds-Jackson)** - Provides that deed restrictions on affordable housing units are not extinguished by foreclosure proceedings.

**S3375 w/GR (Ruiz, Greenstein/Carter, Chaparro, Vainieri Huttle)** - Establishes maternal health care pilot program to evaluate shared decision-making tool developed by DOH and used by hospitals providing maternity services, and by birthing centers.

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