

17:1B-4 et seq.

December 21, 1970

LEGISLATIVE HISTORY OF R.S. 17:1B-4 et seq.  
(New Jersey Mortgage Finance Agency law - loans to mortgage lenders)

No previous bills located.

*For materials  
see 10175*

L. 1970, Chapter 38 - S774

April 13 - Introduced by Dowd and 15 others.  
April 30 - Passed Assembly, amended.  
April 30 - Assembly amendment passed Senate.  
May 4 - Approved, Chapter 38.  
Amended during passage (copy enclosed).

No hearings or reports located.

The following is a selected group of newspaper clippings from:  
V.F.--N.J.--Mortgages (1970).

"N.J. 1st to invest in federal plan to ease dollar market"  
2/19/70 TET  
"Jersey money to lighten grip on mortgage market" 2/19/70 NSL  
"State mortgage agency backed" 4/14/70 Record  
"Legislature pushes mortgage measure" 4/24/70 Record  
"Mortgage measure test expected" 4/28/70 TET  
"Legislature approves mortgage funds bill" 5/1/70 PI  
"Mortgage bill OKd; suit filed" 5/4/70 TET  
"Jersey wins test on mortgage help" 5/31/70 STA  
(copies enclosed).

*Periodical materials located:*

*"Two giant steps forward"  
New Jersey Savings League  
Savings and Loan Guide, May 1970, p.6*

JH/EH

*Listed as "approved" with reasons, in:*

*974.905 New Jersey Association of Realtor Boards.  
R286 "New Jersey Realtor", May 1970, p.3*

# STATE OF NEW JERSEY

INTRODUCED APRIL 13, 1970

By Senators DOWD, GIULIANO, KAY, SISCO, MILLER, BATE-  
MAN, TANZMAN, LYNCH, SEARS, LACORTE, WALLWORK,  
WALDOR, MATTURRI and DELTUFO

(Without Reference)

AN ACT to increase available funds for residential mortgage loans in the State; creating the New Jersey Mortgage Finance Agency and defining its powers and duties; authorizing loans by the agency to mortgage lenders to furnish funds for new residential mortgage loans; authorizing the issuance of bonds and notes of the agency and providing the terms and security thereof; and making an appropriation therefor.

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

1 1. This act shall be known as, and may be cited as, the "New  
2 Jersey Mortgage Finance Agency Law."

1 \***[**2. It is hereby found and declared that the drastic decline in  
2 new housing starts, together with a large number of substandard  
3 dwellings, has produced a critical shortage of adequate housing in  
4 the State. A major cause of this housing crisis is the lack of funds  
5 of private mortgage lending institutions of the State which are  
6 available to finance new housing. Moreover, this lack of funds has  
7 frustrated the sale and purchase of existing residences in the State.

8 It is further found and declared that these conditions adversely  
9 affect the economy of the State and are unacceptable to its residents.

10 To aid in remedying these conditions a corporate agency of the  
11 State shall be created with power to raise funds from private  
12 investors and make the same available for new residential mortgage  
13 loans in the State. By providing additional funds when needed to  
14 meet the demand for residential mortgage loans, this agency will  
15 help develop the financial resources of the State available to meet

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

16 the housing needs of its residents. This purpose is best accom-  
17 plished through a program whereby mortgage lending institutions  
18 make the needed residential mortgage loans in the State through  
19 the use of proceeds of loans made available by the agency on terms  
20 designed to assure the expansion of available mortgage funds.

21 \*2. *The Legislature hereby finds: that the drastic decline in new*  
22 *housing starts, together with the existing large number of sub-*  
23 *standard dwellings, has produced a critical shortage of adequate*  
24 *housing in this State adversely affecting the economy of this State*  
25 *and the well-being of its residents; that there exists a need for*  
26 *adequate, safe and sanitary housing for New Jersey's residents;*  
27 *that a large and significant number of New Jersey residents have*  
28 *and will be subject to hardship in finding adequate, safe and sani-*  
29 *tary housing unless new facilities are constructed and existing*  
30 *housing, where appropriate, is rehabilitated; that unless the supply*  
31 *of housing and the ability of our residents to obtain mortgage*  
32 *financing is increased significantly and expeditiously, a large num-*  
33 *ber of residents of this State will be compelled to live in unsanitary,*  
34 *overcrowded and unsafe conditions to the detriment of the health,*  
35 *welfare and well-being of these persons and of the whole community*  
36 *of which they are a part; that by increasing the housing supply of*  
37 *this State and the ability of our residents to obtain mortgage financ-*  
38 *ing, the clearance, replanning, development and redevelopment of*  
39 *blighted areas will be aided, and the critical shortage of adequate*  
40 *housing will be ameliorated.*

41 *It is hereby found that a major cause of this housing crisis is the*  
42 *lack of funds available to finance housing by the private mortgage*  
43 *lending institutions of the State; it is further found that this lack of*  
44 *funds has frustrated the sale and purchase of existing residences in*  
45 *the State.*

46 *The Legislature has determined that to aid in remedying these*  
47 *conditions, to promote the expansion of the supply of funds avail-*  
48 *able for residential mortgages and thereby help alleviate the short-*  
49 *age of adequate housing, a corporate agency of the State shall be*  
50 *created with power to raise funds from private investors in order to*  
51 *make those funds available for residential mortgage loans in this*  
52 *State. The Legislature has further determined that by utilizing*  
53 *such powers the agency created shall help develop the financial*  
54 *resources available to meet the housing needs of its residents. This*  
55 *purpose is best accomplished through a program whereby mortgage*  
56 *lending institutions make the needed residential mortgage loans*  
57 *through the use of proceeds of loans made available by the agency*

58 *on terms designed to assure the expansion of available mortgage*  
 59 *funds while protecting against the realization by these mortgage*  
 60 *lending institutions of an excessive financial return or benefit.*

61 *The Legislature further finds that the authority and powers con-*  
 62 *ferred under this Act and the expenditure of public moneys pur-*  
 63 *suant thereto constitutes a serving of a valid public purpose and*  
 64 *that the enactment of the provisions hereinafter set forth is in the*  
 65 *public interest and is hereby so declared to be such as a matter of*  
 66 *express legislative determination.*

1 3. The following words or terms as used in this act shall have  
 2 the following meanings unless a different meaning clearly appears  
 3 from the context:

4 (a) "Act" means this New Jersey Mortgage Finance Agency  
 5 Law.

6 (b) "Agency" means the New Jersey Mortgage Finance Agency  
 7 created by section 4 of the act.

8 (c) "Bonds" means bonds issued by the agency pursuant to the  
 9 act.

10 (d) "Mortgage lender" means any bank or trust company,  
 11 savings bank, national banking association, savings and loan asso-  
 12 ciation, or building and loan association maintaining an office in  
 13 the State, or any insurance company authorized to transact business  
 14 in the State.

15 (e) "New residential mortgage" means a loan made by a mort-  
 16 gage lender and secured by a mortgage constituting a first lien  
 17 upon real property (or a lease of the fee of real property) located  
 18 in the State and improved by a residential building or unimproved  
 19 if the proceeds of such loan shall be used for the purpose of erecting  
 20 a residential building thereon; provided that each such mortgage  
 21 loan shall be made to the original mortgagor thereof from the  
 22 proceeds of a loan made by the agency to such mortgage lender  
 23 pursuant to section 6 of the act.

24 (f) "Notes" means notes issued by the agency pursuant to the  
 25 act.

26 (g) "State" means the State of New Jersey.

1 4. (a) There is hereby established in the Department of Banking  
 2 a public body corporate and politic, with corporate succession, to  
 3 be known as the "New Jersey Mortgage Finance Agency." The  
 4 agency is hereby constituted as an instrumentality exercising public  
 5 and essential governmental functions, and the exercise by the  
 6 agency of the powers conferred by the act shall be deemed and held  
 7 to be an essential governmental function of the State.

8 (b) The agency shall consist of the Commissioner of Banking,  
9 the Commissioner of Community Affairs and the State Treasurer,  
10 who shall be members ex officio, and two members appointed by  
11 the Governor with the advice and consent of the Senate for terms  
12 of 3 years, provided that the two members appointed by the Gov-  
13 ernor shall be residents of the State and shall have been qualified  
14 electors therein for at least 1 year next preceding the time of  
15 appointment, and provided further that the members first ap-  
16 pointed by the Governor shall serve for terms of 2 years and 3  
17 years, respectively. Each member shall hold office for the term of  
18 his appointment and until his successor shall have been appointed  
19 and qualified. A member shall be eligible for reappointment. Any  
20 vacancy in the membership occurring other than by expiration of  
21 term shall be filled in the same manner as the original appointment  
22 but for the unexpired term only.

23 (c) Each appointed member may be removed from office by the  
24 Governor, for cause, after a public hearing, and may be suspended  
25 by the Governor pending the completion of such hearing. Each  
26 member before entering upon his duties shall take and subscribe an  
27 oath to perform the duties of his office faithfully, impartially and  
28 justly to the best of his ability. A record of such oaths shall be  
29 filed in the office of the Secretary of State.

30 (d) The Commissioner of Banking shall be the chairman and  
31 chief executive officer of the agency and the members shall elect  
32 one of their number as vice-chairman thereof. The agency shall  
33 elect a secretary and a treasurer who need not be members, and  
34 the same person may be elected to serve both as secretary and  
35 treasurer. The powers of the agency shall be vested in the members  
36 thereof in office from time to time and three members of the agency  
37 shall constitute a quorum at any meeting thereof. Action may be  
38 taken and motions and resolutions adopted by the agency at any  
39 meeting thereof by the affirmative vote of at least three members  
40 of the agency, no less than two of whom shall be members ex officio.  
41 No vacancy in the membership of the agency shall impair the right  
42 of a quorum of the members to exercise all the powers and perform  
43 all the duties of the agency.

44 (e) Before the issuance of any bonds or notes, each member of  
45 the agency shall execute a surety bond in the penal sum of \$25,000.00  
46 and the treasurer of the agency shall execute a surety bond in the  
47 penal sum of \$50,000.00, each such surety bond to be conditioned  
48 upon the faithful performance of the duties of the office of such  
49 member or treasurer, as the case may be, to be executed by a surety

50 company authorized to transact business in the State of New Jersey  
51 as surety and to be approved by the Attorney General and filed in  
52 the office of the Secretary of State. At all times after the issuance  
53 of any bonds or notes by the agency each member of the agency  
54 shall maintain such surety bonds in full force and effect. All costs  
55 of such surety bonds shall be borne by the agency.

56 (f) The members of the agency shall serve without compensation,  
57 but the agency shall reimburse its members for actual expenses  
58 necessarily incurred in the discharge of their duties. Notwithstand-  
59 ing the provisions of any other law, no officer or employee of the  
60 State shall be deemed to have forfeited or shall forfeit his office  
61 or employment or any benefits or emoluments thereof by reason of  
62 his acceptance of the office of member of the agency or his services  
63 therein.

64 (g) Each ex officio member of the agency may designate an officer  
65 or employee of his department to represent him at meetings of the  
66 agency, and each such designee may lawfully vote and otherwise  
67 act on behalf of the member for whom he constitutes the designee.  
68 Any such designation shall be in writing delivered to the agency  
69 and shall continue in effect until revoked or amended by writing  
70 delivered to the agency.

71 (h) The agency may be dissolved by act of the Legislature on  
72 condition that the agency has no debts or obligations outstanding  
73 or provision has been made for the payment or retirement of such  
74 debts or obligations. Upon any such dissolution of the agency all  
75 property, funds and assets thereof shall be vested in the State.

1 5. Except as otherwise limited by the act, the agency shall have  
2 power:

3 (a) To sue and be sued;

4 (b) To have an official seal and alter the same at pleasure;

5 (c) To make and alter bylaws for its organization and internal  
6 management and rules and regulations for the conduct of its af-  
7 fairs and business;

8 (d) To maintain an office at such place or places within the State  
9 as it may determine;

10 (e) To acquire, hold, use and dispose of its income, revenues,  
11 funds and moneys;

12 (f) To acquire, rent, lease, hold, use and dispose of real or per-  
13 sonal property for its purposes;

14 (g) To borrow money and to issue its negotiable bonds or notes  
15 and to provide for and secure the payment thereof and to provide  
16 for the rights of the holders thereof;

17 (h) To make loans to mortgage lenders under terms and condi-  
18 tions requiring the proceeds thereof to be used by such mortgage  
19 lenders for the making of new residential mortgages, all subject  
20 to the provisions of section 6 of the act;

21 (i) To establish, and revise from time to time and charge and  
22 collect fees and charges in connection with loans made by the  
23 agency to mortgage lenders under the act;

24 (j) Subject to any agreement with bondholders or noteholders,  
25 to collect, enforce the collection of, and foreclose on any collateral  
26 securing its loans to mortgage lenders and acquire or take posses-  
27 sion of such collateral and sell the same at public or private sale,  
28 with or without bidding, and otherwise deal with such collateral  
29 as may be necessary to protect the interests of the agency therein;

30 (k) To make, enter into and enforce all contracts or agreements  
31 necessary, convenient or desirable for the purposes of the agency  
32 or pertaining to any loan by it to a mortgage lender or to the per-  
33 formance of its duties and execution or carrying out of any of its  
34 powers under this act;

35 (l) Subject to any agreement with bondholders or noteholders,  
36 to consent to any modification with respect to rate of interest, time  
37 and payment of any installment of principal or interest, security  
38 or any other term of any loan to a mortgage lender or any bond  
39 or note, contract or agreement of any kind to which the agency  
40 is a party.

41 (m) Subject to any agreement with bondholders or noteholders,  
42 to invest moneys of the agency not required for immediate use,  
43 including proceeds from the sale of any bonds or notes, in such  
44 obligations, securities and other investments as the agency shall  
45 deem prudent;

46 (n) To contract for and to accept any gifts or grants or loans  
47 of funds or property or financial or other aid in any form from the  
48 United States of America or any agency or instrumentality  
49 thereof, or from the State or any agency, instrumentality or po-  
50 litical subdivision thereof, or from any other source and to comply,  
51 subject to the provisions of the act, with the terms and conditions  
52 thereof;

53 (o) Subject to any agreements with bondholders or noteholders,  
54 to purchase bonds or notes of the agency out of any funds or money  
55 of the agency available therefor, and to hold, cancel or resell such  
56 bonds or notes;

57 (p) To appoint and employ an executive director and such ad-  
58 ditional officers who need not be members of the agency and ac-

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59 countants, attorneys, financial advisors or experts and all such  
60 other or different officers, agents and employees as it may require  
61 and determine their qualifications, terms of office, duties and com-  
62 pensation, all without regard to the provisions of Title 11, Civil  
63 Service, of the Revised Statutes;

64 (q) To do and perform any acts and things authorized by the  
65 act under, through, or by means of its officers, agents or employees  
66 or by contracts with any person, firm or corporation;

67 (r) To conduct examinations and hearings and to hear testimony  
68 and take proof, under oath or affirmation, at public or private  
69 hearings, on any matter material for its information and necessary  
70 to carry out the provisions of the act;

71 (s) To issue subpoenas requiring the attendance of witnesses  
72 and the production of books and papers pertinent to any hearing  
73 before the agency, or before one or more of the members of the  
74 agency appointed by it to conduct such hearing;

75 (t) To apply to any court, having territorial jurisdiction of the  
76 offense, to have punished for contempt any witness who refuses  
77 to obey a subpoena, or who refuses to be sworn or affirmed to tes-  
78 tify, or who is guilty of any contempt after summons to appear;

79 (u) To procure insurance against any losses in connection with  
80 its property, operations or assets in such amounts and from such  
81 insurers as it deems desirable; and

82 (v) To do any and all things necessary or convenient to carry  
83 out its purposes and exercise the powers given and granted in  
84 the act.

1 6. (a) The agency shall from time to time make loans to mort-  
2 gage lenders so as to furnish, as rapidly as possible, funds to mort-  
3 gage lenders for new residential mortgages.

4 (b) The agency shall from time to time adopt, modify, amend  
5 or repeal rules and regulations governing the making of such loans  
6 to mortgage lenders and the application of the proceeds thereof,  
7 including rules and regulations as to any or all of the following:

8 (1) Procedures for the submission of requests or the in-  
9 vitation of proposals for loans;

10 (2) Standards and requirements as to allocations of loans  
11 among all or certain of the mortgage lenders or awards of loans  
12 and determining the amounts and interest rates thereof;

13 (3) Limitations or restrictions as to the number of family  
14 units, location or other qualifications or characteristics of  
15 residences to be financed by new residential mortgages;



16 (4) Restrictions as to the interest rates on new residential  
17 mortgages or the return realized therefrom by mortgage  
18 lenders;

19 (5) Requirements as to commitments by mortgage lenders  
20 with respect to new residential mortgages;

21 (6) Schedules of any fees and charges necessary to provide  
22 for expenses and reserves of the agency; and

23 (7) Any other matters related to the duties and the exer-  
24 cise of the powers of the agency under this section.

25 Such rules and regulations shall be designed to effectuate the  
26 general purposes of this act and the following specific objectives:

27 (i) the expansion of the supply of funds in the State available  
28 for new residential mortgages; (ii) the provision of the additional  
29 housing needed to remedy the shortage of adequate housing in the  
30 State *\*and eliminate the existence of a large number of substandard*  
30A *dwelling\**; and (iii) the effective participation by mortgage lenders  
31 in the program authorized by the act and the restriction of the  
32 financial return and benefit thereto from such program to that  
33 necessary and reasonable to induce such participation.

34 (c) Loans to mortgage lenders shall be general obligations of  
35 the respective mortgage lenders owing the same and shall bear  
36 such date or dates, shall mature at such time or times, shall be  
37 evidenced by such note, bond or other certificate of indebtedness,  
38 shall be subject to prepayment, and shall contain such other pro-  
39 visions consistent with this section, all as the agency shall by reso-  
40 lution determine.

41 (d) Any other provision of this section to the contrary not-  
42 withstanding, the interest rate or rates and other terms of  
43 the loans to mortgage lenders made from the proceeds of any issue  
44 of bonds of the agency shall be at least sufficient so as to assure the  
45 payment of said bonds and the interest thereon as the same become  
46 due from the amounts received by the agency in repayment of  
47 such loans and interest thereon.

48 (e) The agency shall require as a condition of each loan to a  
49 mortgage lender that such mortgage lender shall on or prior to  
50 the One-Hundred-Eightieth day (or such earlier day as shall be  
51 prescribed by rules and regulations of the agency) following the re-  
52 ceipt of the loan proceeds have entered into written commitments  
53 to make, and shall thereafter proceed as promptly as practicable to  
54 make and disburse from such loan proceeds, new residential mort-  
55 gages having a stated maturity of not less than 15 years from the

56 date thereof in an aggregate principal amount equal to the amount  
57 of such loan.

58 (f) The agency shall require that such loans to mortgage  
59 lenders shall be additionally secured as to payment of both prin-  
60 cipal and interest by a pledge of and lien upon collateral security  
61 in such amounts as the agency shall by resolution determine to be  
62 necessary to assure the payment of such loans and the interest  
63 thereon as the same become due. Such collateral security shall  
64 consist of (i) direct obligations of, or obligations guaranteed by,  
65 the United States of America; (ii) bonds, debentures, notes or other  
66 evidences of indebtedness, satisfactory to the agency, issued by  
67 any of the following Federal agencies: Bank for Cooperatives,  
68 Federal Intermediate Credit Bank, Federal Home Loan Bank Sys-  
69 tem, Export-Import Bank of Washington, Federal Land Banks, the  
70 Federal National Mortgage Association or the Government National  
71 Mortgage Association; (iii) direct obligations of or obligations  
72 guaranteed by the State; or (iv) mortgages insured or guaranteed  
73 by the United States of America or an instrumentality thereof as to  
74 payment of principal and interest. The agency may require in the  
75 case of any or all mortgage lenders that such collateral be lodged  
76 with a bank or trust company located in the State designated by the  
77 agency as custodian therefor. In the absence of such requirement  
78 a mortgage lender shall upon receipt of the loan proceeds from  
79 the agency enter into an agreement with the agency containing  
80 such provisions as the agency shall deem necessary to adequately  
81 identify and maintain such collateral and service the same and  
82 shall provide that such mortgage lender shall hold such collateral  
83 as an agent for the agency and shall be held accountable as the  
84 trustee of an express trust for the application and disposition  
85 thereof and the income therefrom solely to the uses and purposes  
86 in accordance with the provisions of such agreement. A copy of  
87 each such agreement and any revisions or supplements thereto  
88 shall be filed with the Secretary of State and no further filing  
89 or other action under Title 12A, Commercial Transactions, of  
90 the New Jersey Statutes or any other law of the State shall be  
91 required to perfect the security interest of the agency in such  
92 collateral or any additions thereto or substitutions therefor, and  
93 the lien and trust for the benefit of the agency so created shall  
94 be binding from and after the time made against all parties  
95 having claims of any kind in tort, contract, or otherwise against  
96 such mortgage lender. The agency may also establish such addi-  
97 tional requirements as it shall deem necessary with respect to the

98 pledging, assigning, setting aside, or holding of such collateral and  
99 the making of substitutions therefor or additions thereto and the  
100 disposition of income and receipts therefrom.

101 (g) The agency shall require the submission to it by each mort-  
102 gage lender to which the agency has made a loan of evidence satis-  
103 factory to the agency of the making of new residential mortgages  
104 as required by this section and prescribed by rules and regulations  
105 of the agency and in connection therewith may inspect the books  
106 and records of such mortgage lender.

107 (h) The agency may require as a condition of any loans to  
108 mortgage lenders such representations and warranties as it shall  
109 determine to be necessary to secure such loans and carry out the  
110 purposes of the act.

111 (i) All new residential mortgages made as required by this  
112 section shall comply with the applicable provisions of the laws of  
113 the State, and, where Federal law or the law of another jurisdiction  
114 govern the affairs of the mortgage lender, shall comply with appli-  
115 cable provisions of such law.

116 (j) Compliance by any mortgage lender with the terms of this  
117 section and its undertaking to the agency with respect to the making  
118 of new residential mortgages may be enforced by decree of the  
119 Superior Court. The agency may require as a condition of any  
120 loan to any mortgage lender the consent of such mortgage lender  
121 to the jurisdiction of the Superior Court over any such proceeding.  
122 The agency may also require agreement by any mortgage lender,  
123 as a condition of the loan to such mortgage lender, to the payment  
124 of penalties to the agency for violation by the mortgage lender of  
125 any provision of this section or its undertaking to the agency with  
126 respect to the making of new residential mortgages, and such  
127 penalties shall be recoverable at the suit of the agency.

128 (k) If at any time the agency shall determine that an adequate  
129 supply of funds exists in regular banking channels for new resi-  
130 dential mortgages, the agency shall discontinue the making of loans  
131 to mortgage lenders until such time as the agency may subsequently  
132 determine that the supply of funds available for new residential  
133 mortgages is again inadequate.

1 7. (a) The agency shall have the power and is hereby authorized  
2 from time to time to issue its bonds or notes in such principal  
3 amounts as in the opinion of the agency shall be necessary to  
4 provide sufficient funds for any of its corporate purposes, including  
5 the making of loans to mortgage lenders, the payment, funding or  
6 refunding of the principal of, or interest or redemption premiums

7 on, any bonds or notes issued by it whether the bonds or notes or  
8 interest to be funded or refunded have or have not become due,  
9 the establishment or increase of such reserves to secure or to pay  
10 such bonds or notes or interest thereon and all other costs or  
11 expenses of the agency incident to and necessary or convenient to  
12 carry out its corporate purposes and powers.

13 (b) Except as may be otherwise expressly provided in the act  
14 or by the agency, every issue of bonds or notes shall be general  
15 obligations payable out of any revenues or funds of the agency,  
16 subject only to any agreements with the holders of particular bonds  
17 or notes pledging any particular revenues or funds. The agency  
18 may issue such types of bonds or notes as it may determine,  
19 including bonds or notes as to which the principal and interest are  
20 payable (1) exclusively from the revenues of the agency resulting  
21 from the loans to mortgage lenders made with the proceeds of such  
22 bonds or notes; (2) exclusively from the revenues of the agency  
23 resulting from certain loans made to mortgage lenders whether  
24 or not made in whole or in part from the proceeds of such bonds  
25 or notes; or (3) from its revenues generally. Any such bonds or  
26 notes may be additionally secured by a pledge of any grant, subsidy  
27 or contribution from the United States of America or any agency  
28 or instrumentality thereof or the State or any agency, instru-  
29 mentality or political subdivision thereof, or any person, firm or  
30 corporation, or a pledge of any income or revenues, funds or moneys  
31 of the agency from any source whatsoever.

32 (c) Whether or not the bonds and notes are of such form and  
33 character as to be negotiable instruments under the terms of Title  
34 12A, Commercial Transactions, New Jersey Statutes, the bonds  
35 and notes are hereby made negotiable instruments within the mean-  
36 ing of and for all the purposes of said Title 12A, subject only to the  
37 provisions of the bonds and notes for registration.

38 (d) Bonds or notes of the agency shall be authorized by a resolu-  
39 tion or resolutions of the agency and may be issued in one or more  
40 series and shall bear such date or dates, mature at such time or  
41 times, bear interest at such rate or rates of interest per annum or  
42 within such maximum rate, be in such denomination or denomina-  
43 tions, be in such form, either coupon or registered, carry such  
44 conversion or registration privileges, have such rank or priority,  
45 be executed in such manner, be payable from such sources in such  
46 medium of payment at such place or places within or without the  
47 State, and be subject to such terms of redemption (with or without  
48 premium) as such resolution or resolutions may provide.

49 (e) Bonds or notes of the agency may be sold at public or private  
50 sale at such price or prices and in such manner as the agency shall  
51 determine. Every bond shall mature and be paid not later than 30  
52 years from the date thereof, and every note shall mature and be  
53 paid not later than 5 years from the date thereof.

54 (f) Bonds or notes may be issued under the provisions of the  
55 act without obtaining the consent of any department, division,  
56 commission, board, bureau or agency of the State, and without any  
57 other proceeding or the happening of any other conditions or other  
58 things than those proceedings, conditions or things which are  
59 specifically required by the act.

60 (g) Bonds and notes of the agency issued under the provisions  
61 of the act shall not be in any way a debt or liability of the State  
62 or of any political subdivision thereof other than the agency and  
63 shall not create or constitute any indebtedness, liability or obliga-  
64 tion of the State or of any such political subdivision or be or con-  
65 stitute a pledge of the faith and credit of the State or of any such  
66 political subdivision but all such bonds and notes, unless funded  
67 or refunded by bonds or notes of the agency, shall be payable solely  
68 from revenues or funds pledged or available for their payment as  
69 authorized in the act. Each bond and note shall contain on its  
70 face a statement to the effect that the agency is obligated to pay  
71 the principal thereof or the interest thereon only from revenues  
72 or funds of the agency and that neither the State nor any political  
73 subdivision thereof is obligated to pay such principal or interest  
74 and that neither the faith and credit nor the taxing power of the  
75 State or any political subdivision thereof is pledged to the payment  
76 of the principal of or the interest on such bonds or notes.

77 (h) All expenses incurred in carrying out the provisions of the  
78 act shall be payable solely from revenues or funds provided or to  
79 be provided under the provisions of the act and nothing in the act  
80 shall be construed to authorize the agency to incur any indebtedness  
81 or liability on behalf of or payable by the State or any political  
82 subdivision thereof.

1 8. Any resolution or resolutions authorizing any bonds or notes  
2 of the agency may contain provisions which shall be a part of the  
3 contract with the holders of such bonds or notes, as to the follow-  
4 ing:

5 (1) The pledging of or creating of a lien on, as security for the  
6 payment of the principal and redemption price of and interest on  
7 any bonds or notes of the agency, all or any part of its revenues  
8 or assets to which its right then exists or may thereafter come

9 into existence, and the moneys derived therefrom, including the  
10 loans made to mortgage lenders pursuant to the act and the rev-  
11 enues therefrom and the rights and interests of the agency in and  
12 to any collateral securing such loans and the collections and pro-  
13 ceeds therefrom, all or any part of any money, funds or property  
14 held in trust or otherwise by others for the payment of any such  
15 loans to mortgage lenders or any bonds or notes of the agency,  
16 and all or any part of the proceeds of any bonds or notes, and  
17 covenanting against pledging all or any part of such revenues,  
18 assets, moneys, funds or property, or against permitting or suffer-  
19 ing any lien thereon;

20 (2) Otherwise providing for the custody, collection, securing,  
21 investment and payment of any revenues, assets, moneys, funds  
22 or property of the agency or with respect to which the agency may  
23 have any rights or interest;

24 (3) The use and disposition of any and all payments of principal  
25 or interest received by the agency with respect to loans to mort-  
26 gage lenders or any income or proceeds from investments held  
27 by the agency;

28 (4) The establishment and setting aside of reserves or sinking  
29 funds and the regulation and disposition thereof;

30 (5) The custody, application and disposition of the proceeds of  
31 any bonds or notes;

32 (6) Limitations on the issuance of additional bonds or notes,  
33 the terms upon which additional bonds or notes may be issued and  
34 secured, and on the refunding of other bonds or notes;

35 (7) The rank or priority of any such bonds or notes with respect  
36 to any lien or security or as to the acceleration of the maturity of  
37 any such bonds or notes;

38 (8) The creation of special funds or moneys to be held in trust  
39 or otherwise for operating expenses, payment or redemption of  
40 bonds or notes, reserves or other purposes and as to the use and  
41 disposition of the moneys held in such funds;

42 (9) The procedure, if any, by which the terms of any contract  
43 or covenant with or for the benefit of the holders of bonds or notes  
44 may be amended or abrogated, the amount of bonds or notes the  
45 holders of which must consent thereto, and the manner in which  
46 such consent may be given;

47 (10) The custody of any of its properties or investments, the  
48 safekeeping thereof, the insurance to be carried thereon, and the  
49 use and disposition of insurance moneys;

50 (11) The time or manner of enforcement or restraint from en-  
51 forcement of any rights of the agency arising by reason of or with  
52 respect to nonpayment of principal or interest with respect to  
53 loans to mortgage lenders or any rights to or security interest in  
54 the collateral securing such loans.

55 (12) Defining the acts of omissions to act which shall constitute  
56 a default in the obligations and duties of the agency and providing  
57 for the rights and remedies of the holders of bonds or notes in  
58 the event of such default, provided, however, that such rights and  
59 remedies shall not be inconsistent with the general laws of the  
60 State and other provisions of the act;

61 (13) Vesting in a trustee or trustees within or without the State  
62 such properties, rights, powers and duties in trust as the agency  
63 may determine, which may include any or all of the rights, powers  
64 and duties of any trustee appointed by the holders of any bonds  
65 or notes pursuant to section 9 of the act and to limit or abrogate  
66 the right of the holders of any bonds or notes of the agency to  
67 appoint a trustee under the act or limiting the rights, powers and  
68 duties of such trustee;

69 (14) Appointing and providing for the duties and obligations  
70 of a paying agent or paying agents or such other fiduciaries within  
71 or without the State;

72 (15) Any other matters of like or different character which in  
73 any way affect the security and protection of the bonds or notes  
74 and the rights of the holders thereof.

1 9. (a) In the event that the agency shall default in the payment  
2 of principal of or interest on any issue of bonds or notes after  
3 the same shall become due, whether at maturity or upon call for  
4 redemption, and such default shall continue for a period of 30  
5 days, or in the event that the agency shall fail or refuse to comply  
6 with the provisions of the act or shall fail or refuse to carry out  
7 and perform the terms of any contract with the holders of any  
8 such bonds or notes and such failure or refusal shall continue for  
9 a period of 30 days after written notice to the agency of its exist-  
10 ence and nature, the holders of 25% in aggregate principal amount  
11 of such issue of bonds or notes then outstanding by instrument  
12 or instruments filed in the office of the Secretary of State and  
13 proved or acknowledged in the same manner as a deed to be re-  
14 corded, may appoint a trustee to represent the holders of such  
15 bonds or notes for the purpose provided in this section.

16 (b) Such trustee may and upon written request of the holders  
17 of 25% in aggregate principal amount of such bonds or notes then  
18 outstanding shall, in his or its own name:

19 (1) By any action, writ, or other proceeding, enforce all  
20 rights of the holders of such bonds or notes, including the  
21 right to collect and enforce the payment of principal of and  
22 interest due or becoming due on loans to mortgage lenders  
23 and collect and enforce any collateral securing such loans or  
24 sell such collateral, so as to carry out any contract as to, or  
25 pledge of, revenues, and to require the agency to carry out  
26 and perform the terms of any contract with the holders of  
27 such bonds or notes or its duties under the act;

28 (2) Bring suit upon all or any part of such bonds or notes;

29 (3) By action, require the agency to account as if it were  
30 the trustee of an express trust for the holders of such bonds;

31 (4) By action, enjoin any acts or things which may be un-  
32 lawful or in violation of the rights of the holders of such bonds  
33 or notes; or

34 (5) Declare all such bonds or notes due and payable, whether  
35 or not in advance of maturity, upon 30 days' prior notice in  
36 writing to the agency, and, if all defaults shall be made good,  
37 then with the consent of the holders of 25% of the principal  
38 amount of such bonds then outstanding, annul such declara-  
39 tion and its consequences.

40 (c) Such trustee shall, in addition to the foregoing, have and  
41 possess all of the powers necessary or appropriate for the exercise  
42 of the functions specifically set forth herein or incident to the  
43 general representation of the holders of bonds or notes in the en-  
44 forcement and protection of their rights.

45 (d) In any action or proceeding by such trustee, the fees, counsel  
46 fees and expenses of the trustee, if any, appointed pursuant to  
47 this act, shall constitute taxable costs and disbursements, and all  
48 costs and disbursements, allowed by the court, shall be a first  
49 charge upon any revenues, moneys, funds or property of the agency  
50 pledged for the payment or security of such issue of bonds or  
51 notes.

1 10. Any pledge of revenues, moneys, funds or other property  
2 made by the agency shall be valid and binding from the time when  
3 the pledge is made; the revenues, moneys, funds or other property  
4 so pledged and thereafter received by the agency shall immediately  
5 be subject to the lien of such pledge without any physical delivery  
6 thereof or further act, and the lien of any such pledge shall be  
7 valid and binding as against all parties having claims of any kind  
8 in tort, contract or otherwise against the agency, irrespective of  
9 whether such parties have notice thereof. Neither the resolution



10 nor any other instrument by which a pledge is created need be  
11 filed or recorded except in the records of the agency.

1 11. Neither the members of the agency nor any person executing  
2 bonds or notes issued pursuant to this act shall be liable person-  
3 ally on such bonds or notes by reason of the issuance thereof.

1 12. Revenues, moneys or other funds, if any, not required to pay  
2 the principal of or interest on any bonds or notes of the agency or  
3 retire such bonds or notes or to meet reserve requirements with  
4 respect thereto and not otherwise required for the purposes thereof  
5 shall be deposited to the credit of the State in such depositories  
6 and shall be reported to the State Treasurer at such times and in  
7 such manner as shall be designated and prescribed by the State  
8 Treasurer.

1 13. The agency may establish such reserves, funds or accounts  
2 as may be, in its discretion, necessary or desirable to further the  
3 accomplishment of the purposes of the agency or to comply with  
4 the provisions of any agreement made by or any resolution of the  
5 agency.

1 14. The State of New Jersey does pledge to and agree with the  
2 holders of the bonds or notes issued pursuant to authority contained  
3 in the act that the State will not limit or restrict the rights hereby  
4 vested in the agency to fulfill the terms of any agreements made  
5 with the holders of its bonds or notes authorized by the act or in  
6 any way impair the rights or remedies of the holders of such bonds  
7 or notes until the bonds and notes, together with interest thereon,  
8 and interest on any unpaid installments of interest, and all costs  
9 and expenses in connection with any action or proceedings by or  
10 on behalf of such holders, are fully met, paid and discharged.

1 15. Notwithstanding any restriction contained in any other law,  
2 the State and all public officers, governmental units and agencies  
3 thereof, all banks, trust companies, savings banks and institutions,  
4 building and loan associations, savings and loan associations, in-  
5 vestment companies, and other persons carrying on a banking  
6 business, all insurance companies, insurance associations and other  
7 persons carrying on an insurance business, and all executors, ad-  
8 ministrators, guardians, trustees and other fiduciaries, may legally  
9 invest any sinking funds, moneys or other funds belonging to them  
10 or within their control in any bonds or notes issued pursuant to  
11 the act, and such bonds or notes shall be authorized security for  
12 any and all public deposits.

1 16. All property of the agency is hereby declared to be public  
2 property devoted to an essential public and governmental function

3 and purpose and shall be exempt from all taxes and special assess-  
4 ments of the State or any subdivision thereof. All bonds or notes  
5 issued pursuant to the act are hereby declared to be issued by a  
6 body corporate and public of the State and for an essential public  
7 and governmental purpose and such bonds and notes, and the  
8 interest thereon and the income therefrom, and all funds, revenues,  
9 income and other moneys received or to be received by the agency  
10 and pledged or available to pay or secure the payment of such bonds  
11 or notes, or interest thereon, shall at all times be exempt from  
12 taxation except for transfer, inheritance and estate taxes.

1 17. On or before the last day of February in each year the agency  
2 shall make an annual report of its activities for the preceding  
3 calendar year to the Governor and to the Legislature. Each such  
4 report shall set forth a complete operating and financial statement  
5 covering its operations during the year. The agency shall cause  
6 an audit of its books and accounts to be made at least once in each  
7 year by certified public accountants and the cost thereof shall be  
8 considered an expense of the agency and a copy thereof shall be  
9 filed with the State Treasurer.

1 18. All officers, departments, boards, agencies, divisions and  
2 commissions of the State are hereby authorized and empowered  
3 to render any and all of such services to the agency as may be  
4 within the area of their respective governmental functions as fixed  
5 or established by law, and as may be requested by the agency. The  
6 cost and expense of any such services shall be met and provided for  
7 by the agency.

1 19. (a) No member, officer, employee or agent of the agency, for  
2 purposes of personal gain, shall have or attempt to have, directly  
3 or indirectly, any interest in any contract or agreement of the  
4 agency in connection with the sale or purchase of any bonds or  
5 notes or investments by the agency;

6 (b) Any member, officer, employee or agent of the agency who  
7 shall be found guilty of violating the provisions of this section  
8 shall be guilty of a misdemeanor. Any such person shall be barred  
9 from public employment in the State in any capacity whatsoever  
10 for a period of 5 years from the date he was adjudged guilty of  
11 such misdemeanor.

1 20. It is the intent of the Legislature that in the event of any  
2 conflict or inconsistency in the provisions of the act and any other  
3 acts pertaining to matters herein established or provided for or in  
4 any rules and regulations adopted under the act or said other acts,  
5 to the extent of such conflict or inconsistency, the provisions of the

6 act and the rules and regulations adopted thereunder shall be  
7 enforced and the provisions of such other acts and rules and regula-  
8 tions adopted thereunder shall be of no force and effect.

1 21. If any clause, sentence, paragraph, section or part of the  
2 act shall be adjudged by any court of competent jurisdiction to be  
3 invalid, such judgment shall not affect, impair or invalidate the  
4 remainder thereof, but shall be confined in its operation to the  
5 clause, sentence, paragraph, section or part thereof directly in-  
6 volved in the controversy in which such judgment shall have been  
7 rendered.

1 22. The act shall be construed liberally to effectuate the legis-  
2 lative intent and the purposes of the act as complete and indepen-  
3 dent authority for the performance of each and every act and thing  
4 herein authorized and all answers herein granted shall be broadly  
5 interpreted to effectuate such intent and purposes and not as a  
6 limitation of powers.

1 23. There is hereby appropriated to the New Jersey Mortgage  
2 Finance Agency to defray its preliminary costs and expenses under  
3 the act the sum of \$200,000.00. The agency shall be obligated to  
4 reimburse the State Treasury for all State funds appropriated  
5 pursuant to this section within a period of 5 years thereafter out of  
6 the proceeds of bonds issued by the agency.

1 24. This act shall take effect immediately.

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#### STATEMENT

Privately-financed construction of residential properties in New Jersey has been declining for the past 5 years. The result, when coupled with the present large number of substandard dwellings, is a severe shortage of adequate housing in the State. The primary cause of this housing crisis is the lack of available funds in private mortgage lending channels for residential mortgages. In addition, mortgage loans needed for the sale and purchase of existing residential units are in many cases difficult if not impossible to obtain. The resources and operations of the State's mortgage lending institutions cannot alleviate these conditions.

The purpose of the New Jersey Mortgage Finance Agency is to help remedy these conditions. The agency, as authorized by this bill, would issue its bonds or notes for the purpose of making loans to mortgage lending institutions in the State. The proceeds of these loans would be required to be used by these lending institutions to make residential mortgage loans in the State. These loans are to be made and used under rules and regulations of the agency designed to (1) promote the expansion of the supply of funds available for residential mortgages in the State, (2) help alleviate the shortage of adequate housing in the State, and (3) provide the incentive for the needed participation in the program by the State's mortgage lending institutions while precluding their realization of any excessive financial return or benefit.