

17:1B-9

LEGISLATIVE HISTORY CHECKLIST

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Laws of 1974 Chapter 61

Bill No. A 1442

Sponsor(s) Bornheimer & others

Date Introduced April 1

Committee: Assembly Banking & Insurance

Senate -----

Amended during passage Yes

Amendments during passage denoted by asterisks

Date of passage: Assembly May 9

Senate May 16

Date of approval June 27

Following statements are attached if available:

Sponsor statement Yes

Committee Statement: Assembly Yes No

Senate Yes No

Fiscal Note Yes No

Veto message Yes No

Message on signing Yes No

Following were printed:

Reports Yes No

Hearings Yes No

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ASSEMBLY, No. 1442

STATE OF NEW JERSEY

INTRODUCED APRIL 1, 1974

By Assemblymen BORNHEIMER, GLADSTONE, KEEGAN,
NERI and RUANE

Referred to Committee on Banking and Insurance

AN ACT to amend the "New Jersey Mortgage Finance Agency
Law," approved May 4, 1970 (P. L. 1970, c. 38).

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

1 1. Section 6 of P. L. 1970, c. 38 (C. 17:1B-9) is amended to
2 read as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

51 (e) The agency shall require as a condition of each loan to a
52 mortgage lender that such mortgage lender shall ***[**on or prior to
53 the one-hundred-eightieth day (or such earlier day as shall be
54 prescribed by rules and regulations of the agency) following the re-
55 ceipt of the loan proceeds have entered into written commitments
56 to make, and shall**]*** thereafter proceed as promptly as practicable
57 to make and disburse from such loan proceeds, new residential
58 mortgages having a stated maturity of not less than 15 years from
59 the date thereof in an aggregate principal amount equal to the
60 amount of such loan.

61 (f) The agency shall require that such loans to mortgage
62 lenders shall be additionally secured as to payment of both prin-
63 cipal and interest by a pledge of and lien upon collateral security
64 in such amounts as the agency shall by resolution determine to be
65 necessary to assure the payment of such loans and the interest
66 thereon as the same become due. Such collateral security shall

67 consist of (i) direct obligations of, or obligations guaranteed by,
 68 the United States of America; (ii) bonds, debentures, notes or other
 69 evidences of indebtedness, satisfactory to the agency, issued by
 70 any of the following Federal agencies: Bank for Cooperatives,
 71 Federal Intermediate Credit Bank, Federal Home Loan Bank Sys-
 72 tem, Export-Import Bank of Washington, Federal Land Banks, the
 73 Federal National Mortgage Association or the Government National
 74 Mortgage Association; (iii) direct obligations of or obligations
 75 guaranteed by the State*, *obligations of governmental units of this*
 75A *State, including, but not limited to, capital notes, bond anticipation*
 75B *notes, tax anticipation notes and temporary notes or loan bonds,*
 75C *provided the obligations are rated as least A-1 by Moody's Bond*
 75D *Guide or AA by Standard and Poor's Bond Record or Survey*;*
 75E **[or]** (iv) mortgages insured or guaranteed by the United States
 76 of America or an instrumentality thereof as to payment of principal
 77 and interest; or (v) *other mortgages secured by real estate on*
 78 *which there is located a one- to four-family dwelling, the collateral*
 79 *value of which shall be determined by regulations issued from time*
 80 *to time by the agency. The agency may require ***[in the case of any***
 81 *or all mortgage lenders that such collateral be lodged with a bank*
 82 *or trust company located in the State designated by the agency*
 83 *as custodian therefor.]** *that such mortgages be insured by a*
 83A *mortgage guaranty insurance company licensed to do business by*
 83B *the State of New Jersey. The agency may require that all collateral*
 83C *required to be maintained shall be deposited with the Federal*
 83D *Reserve Bank of New York, the Federal Reserve Bank of Phila-*
 83E *delphia, the Federal Home Loan Bank of New York, as the case*
 83F *may be, or with any other banking institution located in the State*
 83G *or a contiguous state which is a member of the Federal Reserve*
 83H *System and has capital funds of not less than \$25,000,000.00. Such*
 83I *depository arrangement shall be subject to prior approval by the*
 84 *agency.** In the absence of such ***[requirement]*** *depository*
 85 *arrangement** a mortgage lender shall upon receipt of the loan pro-
 86 ceeds from the agency enter into an agreement with the agency
 87 containing such provisions as the agency shall deem necessary to
 88 adequately identify and maintain such collateral and service the
 89 same and shall provide that such mortgage lender shall hold such
 90 collateral as an agent for the agency and shall be held accountable
 91 as the trustee of an express trust for the application and disposition
 92 thereof and the income therefrom solely to the uses and purposes in
 93 accordance with the provisions of such agreement. A copy of each
 94 such agreement and any revisions or supplements thereto shall be

95 filed with the Secretary of State and no further filing or other
96 action under Title 12A, Commercial Transactions, of the New
97 Jersey Statutes or any other law of the State shall be required to
98 perfect the security interest of the agency in such collateral or any
99 additions thereto or substitutions therefor, and the lien and trust
100 for the benefit of the agency so created shall be binding from and
101 after the time made against all parties having claims of any kind in
102 tort, contract, or otherwise against such mortgage lender. The
103 agency may also establish such additional requirements as it shall
104 deem necessary with respect to the pledging, assigning, setting
105 aside, or holding of such collateral and the making of substitutions
106 therefor or additions thereto and the disposition of income and
107 receipts therefrom.

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

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

118 (i) All new residential mortgages made as required by this
119 section shall comply with the applicable provisions of the laws of
120 the State, and, where Federal law or the law of another jurisdiction
121 govern the affairs of the mortgage lender, shall comply with appli-
122 cable provisions of such law.

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

135 (k) If at any time the agency shall determine that an adequate
136 supply of funds exists in regular banking channels for new resi-

137 denial mortgages, the agency shall discontinue the making of loans
138 to mortgage lenders until such time as the agency may subsequently
139 determine that the supply of funds available for new residential
140 mortgages is again inadequate.

1 2. This act shall take effect immediately.

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STATEMENT

The purpose of this bill is to make conventional mortgage loans eligible collateral for funds obtained from the New Jersey Mortgage Finance Agency. At the present time, only insured or guaranteed mortgages and certain government or government agency obligations are eligible collateral. This would broaden the use of agency funds so that institutions not having sufficient eligible collateral could participate.