

17:1B-5.1 ET AL.

LEGISLATIVE HISTORY CHECKLIST

NJSA 17:1B-5.1 et al.

Laws of 1975 Chapter 160

Bill No. A3046

Sponsor(s) Hamilton & Others

Date Introduced January 23, 1975

Committee: **Assembly** Banking & Insurance

Senate Labor, Industry & Professions

Amended during passage **Yes** ~~No~~ Amendments during passage denoted by asterisks

Date of passage: **Assembly** April 7, 1975

Senate May 27, 1975

Date of approval July 21, 1975

Following statements are attached if available:

Sponsor statement **Yes** ~~No~~

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. 3046

STATE OF NEW JERSEY

INTRODUCED JANUARY 23, 1975

By Assemblymen HAMILTON, BURSTEIN, BARBOUR, KLEIN,
HYNES, PATERO, LEFANTE, WOODSON, SALKIND and
Assemblywoman WILSON

Referred to Committee on Banking and Insurance

AN ACT to amend and supplement 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. (New section) The Legislature hereby finds that national eco-
2 nomic conditions have caused the persistence of a critical shortage
3 of adequate housing in this State and a drastic decline in new
4 housing starts; that as a result an increasingly large number of
5 New Jersey residents will be subjected to hardship in finding
6 adequate, safe and sanitary housing unless new housing is con-
7 structed and existing housing, where appropriate, rehabilitated or
8 improved; that unless the supply of housing and the availability
9 to residents of this State of residential mortgage, rehabilitation,
10 and improvement financing is increased over present levels, a large
11 number of residents of this State will continue to be compelled to
12 live in unsanitary, overcrowded and unsafe conditions to the detri-
13 ment of the health, welfare and well-being of these residents and
14 of the whole community of which they are a part; and that an
15 increase in the housing supply of this State will assist in the clear-
16 ance, replanning, development and redevelopment of blighted
17 areas and will ameliorate the critical shortage of adequate housing.

18 It is hereby found that existing programs of the New Jersey
19 Mortgage Finance Agency will not be sufficient in the future to
20 meet the demands for available funds to assist in the financing of
21 the new residential mortgage loans and, where appropriate, the
22 rehabilitation or improvement of existing housing which is needed
23-24 to remedy the continuing housing crisis.

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 The Legislature hereby determines that in order to more effec-
 26 tively promote the expansion of the supply of funds available for
 27 residential mortgage, rehabilitation and improvement loans and
 28 thus help alleviate the shortage of adequate housing in this State,
 29 the New Jersey Mortgage Finance Agency shall be granted power to
 30 raise funds from private investors and make those funds available
 31 through mortgage lending institutions and firms in this State for
 32 new residential loans through the purchase by the agency of exist-
 33 ing mortgages from mortgage lending institutions and firms within
 34 the State during periods when there is an inadequate supply of
 35 credit otherwise available in the State, any particular area or
 36 areas of the State or available to persons or families of the State
 37 of low or moderate income for residential loans and that this
 38 program will be accomplished by the agency on terms designed to
 39 assure the expansion of available funds in the State or any such
 40 area or areas or for any such persons or families while protecting
 41 against the realization by mortgage lending institutions and firms
 42 of any excessive financial return or benefit.

43 The Legislature further finds and determines that a secondary
 44 mortgage market which will be provided by the mortgage purchase
 45 program of the agency will be an appropriate and effective means
 46 of encouraging investment in New Jersey residential loans, of
 47 reducing the volatility of mortgage flows over the business cycle,
 48 and of providing greater stability for the economy of the State of
 49 New Jersey.

50 The Legislature further finds and determines that the shortage
 51 of adequate housing in the State will be reduced if the present
 52 authority of the New Jersey Mortgage Finance Agency to raise
 53 funds from private investors and loan such funds to mortgage
 54 lending institutions to make residential mortgage loans is extended
 55 to permit the agency to loan such funds to mortgage lending insti-
 56 tutions to make residential rehabilitation and improvement loans.

1 2. Section 3 of P. L. 1970, c. 38 (C. 17:1B-6) is amended to read
 2 as follows:

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

6 (a) "Act" means this New Jersey Mortgage Finance Agency
 7 Law.

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

10 (c) "Bonds" means bonds issued by the agency pursuant to
11 the act.

12 (d) "Mortgage lender" means any bank or trust company, sav-
13 ings bank, national banking association, savings and loan associa-
14 tion, or building and loan association maintaining an office in the
15 State, or any insurance company authorized to transact business
16 in the State.

17 (e) "New residential **[mortgage] loan**" means: (1) a loan made
18 by a mortgage lender *or mortgage seller* and secured by a mortgage
19 constituting a first lien upon real property (or a lease of the fee
20 of real property) located in the State and improved by a residential
21 building or unimproved if the proceeds of such loan shall be used
22 for the purpose of erecting a residential building thereon**[:]**, *or*
23 (2) a loan made for the rehabilitation or improvement of a resi-
24 dence whether or not secured by a mortgage; provided that such
25 **[mortgage] loan** shall be made **[to the original mortgagor thereof]**
26 from the proceeds of a loan made by the agency to such mortgage
27 lender **[pursuant to section 6 of the act]** *or from the proceeds of a*
28 *purchase of eligible mortgages by the agency from such mortgage*
29 *seller, as the case may be, all pursuant to the act.*

30 (f) "Notes" means notes issued by the agency pursuant to the
31 act.

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

33 (h) "*Eligible mortgage*" means a loan made or owned by a
34 mortgage seller and secured by a mortgage on real property (or
35 lease of the fee of real property) located in the State and improved
36 by a residential building or unimproved if the proceeds of such loan
37 shall be used for the purpose of erecting a residential building
38 thereon. The term eligible mortgage shall include any undivided
39 interest therein.

40 (i) "*Mortgage seller*" means any bank or trust company, sav-
41 ings bank, national banking association, savings and loan associa-
42 tion, or building and loan association maintaining an office in the
43 State, or any insurance company or any mortgage banking firm
44 or **mortgage banking** corporation authorized to transact business
44A in the State.

45 (j) "*Persons and families of low and moderate income*" means
46 persons and families, irrespective of race, creed, national origin or
47 sex, determined by the agency to require assistance through any
48 mortgage interest subsidy program or other special program estab-
49 lished by the agency therefor on account of personal or family
50 income not sufficient to afford adequate housing. In making such

51 *determination the agency shall take into account the following:*
 52 *(1) the amount of the total income of such persons and families*
 53 *available for housing needs, (2) the size of the family, (3) the cost*
 54 *and condition of housing facilities available, (4) the eligibility of*
 55 *such persons and families to compete successfully in the normal*
 56 *housing market and to pay the amounts at which private enterprise*
 57 *is providing sanitary, decent and safe housing. In the case of*
 58 *Federally-subsidized mortgages with respect to which income limits*
 59 *have been established by any agency of the Federal Government*
 60 *having jurisdiction thereover for the purpose of defining eligibility*
 61 *of low and moderate income families, the agency may determine*
 62 *that the limits so established shall govern. In all other cases income*
 63 *limits for the purpose of defining low or moderate income persons*
 64 *shall be established by the agency in its rules and regulations.*

1 3. Section 5 of P. L. 1970, c. 38 (C. 17:1B-8) is amended to
 2 read as follows:

3 5. Except as otherwise limited by the act, the agency shall have
 4 power:

- 5 (a) To sue and be sued;
- 6 (b) To have an official seal and alter the same at pleasure;
- 7 (c) To make and alter bylaws for its organization and internal
 8 management and rules and regulations for the conduct of its
 9 affairs and business;
- 10 (d) To maintain an office at such place or places within the State
 11 as it may determine;
- 12 (e) To acquire, hold, use and dispose of its income, revenues,
 13 funds and moneys;
- 14 (f) To acquire, rent, lease, hold, use and dispoce of real or per-
 15 sonal property for its purposes;
- 16 (g) To borrow money and to issue its negotiable bonds or notes
 17 and to provide for and secure the payment thereof and to provide
 18 for the rights of the holders thereof;
- 19 (h) To make loans to mortgage lenders under terms and condi-
 20 tions requiring the proceeds thereof to be used by such mortgage
 21 lenders for the making of new residential **【mortgages】** loans, all
 22 subject to the provisions of section 6 of the act;
- 23 (i) To establish, and revise from time to time and charge and
 24 collect fees and charges in connection with loans made by the
 25 agency to mortgage lenders under the act;
- 26 (j) Subject to any agreement with bondholders or noteholders,
 27 to collect, enforce the collection of, and foreclose on any collateral
 28 securing its loans to mortgage lenders and acquire or take posses-

29 sion of such collateral and sell the same at public or private sale,
30 with or without bidding, and otherwise deal with such collateral
31 as may be necessary to protect the interests of the agency therein;

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

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

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

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

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

59 (p) To appoint and employ an executive director and such ad-
60 ditional officers who need not be members of the agency and
61 accountants, attorneys, financial advisors or experts and all such
62 other or different officers, agents and employees as it may require
63 and determine their qualifications, terms of office, duties and com-
64 pensation, all without regard to the provisions of Title 11, Civil
65 Service, of the Revised Statutes;

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

69 (r) To conduct examinations and hearings and to hear testimony
70 and take proof, under oath or affirmation, at public or private

71 hearings, on any matter material for its information and necessary
72 to carry out the provisions of the act;

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

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

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

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

1 4. Section 6 of P. L. 1970, c. 38 (C. 17:1B-9) is amended to read
2 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
5 mortgage lenders for new residential **【mortgages】** loans.

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 invitation
11 of proposals for loans;

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

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

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

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

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

25 (7) Any other matters related to the duties and the exercise of
26 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 for
30 new residential **【mortgages】** *loans*; (ii) the provision of the addi-
31 tional housing needed to remedy the shortage of adequate housing
32 in the State and eliminate the existence of a large number of sub-
33 standard dwellings; and (iii) the effective participation by mort-
34 gage lenders in the program authorized by the act and the restric-
35 tion of the financial return and benefit thereto from such program
36 to that 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
43 resolution determine.

44 (d) Any other provision of this section to the contrary notwith-
45 standing, the interest rate or rates and other terms of the loans
45A to mortgage lenders made from the proceeds of any issue of bonds
46 of the agency shall be at least sufficient so as to assure the payment
47 of said bonds and the interest thereon as the same become due from
48 the amounts received by the agency in repayment of such loans
49 and interest thereon.

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

60 (f) The agency shall require that such loans to mortgage
61 lenders shall be additionally secured as to payment of both prin-
62 cipal and interest by a pledge of and lien upon collateral security
63 in such amounts as the agency shall by resolution determine to be
64 necessary to assure the payment of such loans and the interest
65 thereon as the same become due. Such collateral security shall
66 consist of (i) direct obligations of, or obligations guaranteed by,
67 the United States of America; (ii) bonds, debentures, notes or other

68 evidences of indebtedness, satisfactory to the agency, issued by
69 any of the following Federal agencies: Bank for Cooperatives,
70 Federal Intermediate Credit Bank, Federal Home Loan Bank Sys-
71 tem, Export-Import Bank of Washington, Federal Land Banks, the
72 Federal National Mortgage Association or the Government Na-
73 tional Mortgage Association; (iii) direct obligations of or obliga-
74 tions guaranteed by the State*, *obligations of governmental units*
75 *of this State, including, but not limited to, capital notes, bond*
76 *anticipation notes, tax anticipation notes and temporary notes or*
77 *loan bonds, provided the obligations are rated at least A-1 by*
78 *Moody's Bond Guide or AA by Standard and Poor's Bond Record*
79 *or Survey** ***[or]*** (iv) mortgages insured or guaranteed by the
80 United States of America or an instrumentality thereof as to pay-
81 ment of principal and interest*; or (v) *other mortgages secured by*
82 *real estate on which there is located a one-to-four family dwelling,*
83 *the collateral value of which shall be determined by regulations*
84 *issued from time to time by the agency**. The agency may require
85 ***[in the case of any or all mortgage lenders that such collateral**
86 **be lodged with a bank or trust company located in the State desig-**
87 **nated by the agency as custodian therefor]*** *that such mortgages*
88 *be insured by a mortgage guaranty insurance company licensed to*
89 *do business by the State of New Jersey. The agency may require*
90 *that all collateral required to be maintained shall be deposited with*
91 *the Federal Reserve Bank of New York, the Federal Reserve Bank*
92 *of Philadelphia, the Federal Home Loan Bank of New York, as the*
93 *case may be, or with any other banking institution located in the*
94 *State or a contiguous state which is a member of the Federal*
95 *Reserve System and has capital funds of not less than*
96 *\$25,000,000.00. Such depository arrangement shall be subject to*
97 *prior approval by the agency**. In the absence of such ***[require-**
98 **ment]*** *depository arrangement** a mortgage lender shall upon
99 receipt of the loan proceeds from the agency enter into an agree-
100 ment with the agency containing such provisions as the agency
101 shall deem necessary to adequately identify and maintain such
102 collateral and service the same and shall provide that such mort-
103 gage lender shall hold such collateral as an agent for the agency
104 and shall be held accountable as the trustee of an express trust for
105 the application and disposition thereof and the income therefrom
106 solely to the uses and purposes in accordance with the provisions of
107 such agreement. A copy of each such agreement and any revisions
108 or supplements thereto shall be filed with the Secretary of State
109 and no further filing or other action under Title 12A, Commercial

110 Transactions, of the New Jersey Statutes or any other law of the
111 State shall be required to perfect the security interest of the agency
112 in such collateral or any additions thereto or substitutions therefor,
113 and the lien and trust for the benefit of the agency so created shall
114 be binding from and after the time made against all parties
115 having claims of any kind in tort, contract, or otherwise against
116 such mortgage lender. The agency may also establish such addi-
117 tional requirements as it shall deem necessary with respect to the
118 pledging, assigning, setting aside, or holding of such collateral and
119 the making of substitutions therefor or additions thereto and the
120 disposition of income and receipts therefrom.

121 (g) The agency shall require the submission to it by each mort-
122 gage lender to which the agency has made a loan of evidence satis-
123 factory to the agency of the making of new residential **【mortgages】**
124 *loans* as required by this section and prescribed by rules and regu-
125 lations of the agency and in connection therewith may inspect the
126 books and records of such mortgage lender.

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

131 (i) All new residential **【mortgages】** *loans* made as required by
132 this section shall comply with the applicable provisions of the laws
133 of the State, and, where Federal law or the law of another juris-
134 diction govern the affairs of the mortgage lender, shall comply with
135 applicable provisions of such law.

136 (j) Compliance by any mortgage lender with the terms of this
137 section and its undertaking to the agency with respect to the making
138 of new residential **【mortgages】** *loans* may be enforced by decree of
139 the Superior Court. The agency may require as a condition of any
140 loan to any mortgage lender the consent of such mortgage lender
141 to the jurisdiction of the Superior Court over any such proceeding.
142 The agency may also require agreement by any mortgage lender,
143 as a condition of the loan to such mortgage lender, to the payment
144 of penalties to the agency for violation by the mortgage lender of
145 any provision of this section or its undertaking to the agency with
146 respect to the making of new residential **【mortgages】** *loans*; and
147 such penalties shall be recoverable at the suit of the agency.

148 (k) If at any time the agency shall determine that an adequate
149 supply of funds exists in regular banking channels for new resi-
150 dential **【mortgage】** *loans*, the agency shall discontinue the making
151 of loans to mortgage lenders until such time as the agency may

152 subsequently determine that the supply of funds available for new
153 residential **【mortgages】** *loans* is again inadequate.

1 5. (New section) In addition to the powers granted by section 5
2 of the act, the agency shall have the further power:

3 (a) To purchase or participate in the purchase, and to contract
4 to purchase or participate in the purchase, of eligible mortgages
5 owned by mortgage sellers and to enter into advance commitments
6 to mortgage sellers for the purchase, or for participation in the
7 purchase, of eligible mortgages, all subject to the applicable pro-
8 visions of the act;

9 (b) To sell eligible mortgages acquired by the agency at public
10 or private sale and at such price or prices and upon such terms
11 and conditions as shall be determined by the agency;

12 (c) To enter into arrangements or agreements with mortgage
13 sellers, which may be a part of any contract with the mortgage
14 sellers for the purchase or participation in the purchase of eligible
15 mortgages, containing such provisions as shall be determined by
16 the agency to be necessary or appropriate to provide security for
17 its bonds or notes, including but not limited to provisions requiring
18 the repurchase of eligible mortgages or participations therein by
19 the mortgage sellers at the option of the agency, payments of such
20 premiums, fees, charges or other amounts by mortgage sellers to
21 provide a reserve or escrow fund for the purposes, among others,
22 of protecting against defaults with respect to eligible mortgages,
23 and provisions for the guarantee by, or for recourse against, mort-
24 gage sellers with respect to defaults on eligible mortgages of the
25 agency;

26 (d) To enter into contracts for the servicing and custody of eligi-
27 ble mortgages of the agency by mortgage sellers, which contracts
28 may provide for the payment of the reasonable value of services
29 rendered to the agency pursuant to such contracts;

30 (e) To renegotiate, refinance or foreclose, or contract for the
31 foreclosure of, any eligible mortgage in default; to waive any de-
32 fault or consent to the modification of the terms of any mortgage;
33 to commence any action to protect or enforce any right conferred
34 upon it by any law, mortgage, insurance policy, contract or other
35 agreement, and to bid for and to purchase such property at any
36 foreclosure or at any other sale, or acquire or take possession of
37 any such property; to operate, manage, lease, dispose of, and
38 otherwise deal with such property; all in such manner as may be
39 necessary to protect the interest of the agency and the holders of
40 its bonds and notes;

41 (f) To procure insurance against any default with respect to
42 eligible mortgages in such amounts and from such insurers as may
43 be necessary or desirable;

44 (g) To establish, revise from time to time, charge and collect
45 such premiums, fees or other charges in connection with such pur-
46 chase of eligible mortgages from mortgage sellers, as the agency
47 shall determine and to apply such premiums, fees or charges to
48 such purposes or deposit the same in such funds or reserves, as
49 the agency shall determine; and

50 (h) To purchase or otherwise participate in the purchase of,
51 or enter into commitments or other contracts for such purchase
52 or participation, of eligible mortgages to persons and families of
53 low and moderate income and to provide subsidies or other re-
54 ductions of interest rates with respect to such mortgages.

1 6. (New section) (a) The agency shall purchase eligible mort-
2 gages from mortgage sellers within the State whenever it shall
3 determine that the supply of funds available in the State, any
4 particular area or areas of the State or for persons or families
5 of the State of low or moderate income for residential loans is
6 inadequate and shall require such mortgage sellers to invest the
7 proceeds thereof as rapidly as possible in new residential loans, as
8 provided in the act, unless such eligible mortgages were originated
9 pursuant to a commitment with the agency. The agency shall pur-
10 chase such eligible mortgages at such prices and upon such terms
11 and conditions as it shall determine.

12 (b) The agency shall from time to time adopt, modify, amend
13 or repeal rules and regulations governing the purchase of eligible
14 mortgages from mortgage sellers, including, without limitation,
15 rules and regulations as to any or all of the following:

16 (1) Procedures for the purchase of eligible mortgages by the
17 agency, whether by auction, invitation of tenders, or negotiation;

18 (2) Standards and requirements as to allocations of purchases
19 of eligible mortgages among all or certain of the mortgage sellers
20 or among particular areas of the State;

21 (3) Limitations or restrictions as to the number of family units,
22 income levels for owners or occupants, or location or other quali-
23 fications or characteristics of residences to be financed by the new
24 residential loans to be made by mortgage sellers from the pro-
25 ceeds of eligible mortgages or to be financed pursuant to commit-
26 ments with mortgage sellers with respect to the origination of
27 eligible mortgages;

28 (4) Restrictions as to the maturities and interest rates on such
29 new residential loans or the return realized therefrom by the mort-
30 gage sellers;

31 (5) Any other matters related to the duties and the exercise
32 of the powers of the agency in connection with the purchase of
33 eligible mortgages under the act.

34 (c) Such rules and regulations and the terms and conditions
35 for the purchase of eligible mortgages and for the making of new
36 residential loans shall effectuate the general purposes of the act
37 and the following specific objectives: (1) the expansion of the
38 supply of funds in the State available for new residential loans;
39 (2) the provision of the additional housing needed to remedy the
40 shortage of adequate housing in the State and to eliminate the
41 existence of a large number of substandard dwellings; and (3)
42 the effective participation of mortgage sellers in the program au-
43 thorized by this section and the restriction of the financial return
44 and benefit thereto to that which is necessary to induce such par-
45 ticipation.

46 (d) The agency shall require as a condition of each purchase of
47 eligible mortgages from a mortgage seller that such mortgage seller
48 proceed as promptly as practicable to make and disburse from
49 the proceeds thereof new residential loans in an aggregate princi-
50 pal amount equal, as nearly as practicable, to the amount of such
51 proceeds from the purchase by the agency of eligible mortgages
52 therefrom, provided that such requirements shall not apply if the
53 eligible mortgages so purchased were originated pursuant to a
54 commitment or other arrangement with the agency.

55 (e) The agency shall require the submission to it by each mort-
56 gage seller from which the agency has purchased eligible mort-
57 gages evidence satisfactory to the agency of the making of new
58 residential loans or the application of the proceeds from the pur-
59 chase of eligible mortgages in accordance with commitments with
60 the agency for the origination of such eligible mortgages by the
61 mortgage seller, as may be appropriate and in connection there-
62 with may, through its employees or agents, inspect the books and
63 records of such mortgage seller.

64 (f) The agency may require as a condition of any purchase of
65 eligible mortgages from mortgage sellers such representations
66 and warranties as it shall determine to be necessary in connection
67 with such purchase and to carry out the purposes of the act.

68 (g) All new residential loans made as required by this section
69 shall comply as to the applicable provisions of the laws of the

70 State, and, where Federal law or the law of another jurisdiction
71 governs the affairs of the mortgage seller, shall comply with the
72 applicable provisions of such law.

73 (h) Compliance by any mortgage seller with the terms of its
74 agreement with or undertaking to the agency with respect to the
75 making of any new residential loans may be enforced by decree
76 of the Superior Court. The agency may require as a condition
77 of purchase of eligible mortgages from any mortgage seller the
78 consent of such mortgage seller to the jurisdiction of the Superior
79 Court over any such proceeding. The agency may also require
80 agreement by any mortgage seller, as a condition of the agency's
81 purchase of eligible mortgages from such mortgage seller, to the
82 payment of penalties to the agency for violation by the mortgage
83 seller of its undertakings to the agency, and such penalties shall
84 be recoverable at the suit of the agency.

85 (i) Whenever any eligible mortgage purchased by the agency
86 is to be held or serviced by a mortgage seller, a statement desig-
87 nating the eligible mortgage being so held or serviced and the
88 mortgage seller so holding or servicing and setting forth the
89 agency's interest in such eligible mortgage may be filed with the
90 Secretary of State and no possession, further filing, or other
91 action under Title 12A, Commercial Transactions, of the New
92 Jersey Statutes or any other law of the State shall be required to
93 perfect any security interest which may be deemed to have been
94 created in favor of the agency. The mortgage seller shall, in any
95 such case, be and be deemed to be the trustee of an express trust
96 for the benefit of the agency in all matters relating to any such
97 eligible mortgage.

98 (j) Notwithstanding the provisions of section 213.1 of P. L.
99 1948, c. 64 (C. 17:9A-213.1) or any other provision of law to the
100 contrary any mortgage seller may, in connection with the sale
101 of eligible mortgages to the agency pursuant to the act, enter into
102 such arrangements or agreements with the agency as are au-
103 thorized under and contemplated by the act, including, without
104 limitation, provisions requiring the repurchase of eligible mort-
105 gages or participations therein by the mortgage seller at the op-
106 tion of the agency, the payment of such premiums, fees or charges
107 or other amounts by the mortgage seller to provide a reserve or
108 escrow for the purposes, among others, of protecting against
109 defaults with respect to eligible mortgages, and provisions for
110 the guarantee by, or for recourse against, the mortgage seller
111 with respect to defaults on eligible mortgages of the agency.

1 7. Section 7 of P. L. 1970, c. 38 (C. 17:1B-10) is amended to read
2 as follows:

3 7. (a) The agency shall have the power and is hereby authorized
4 from time to time to issue its bonds or notes in such principal
5 amounts as in the opinion of the agency shall be necessary to
6 provide sufficient funds for any of its corporate purposes, including
7 the making of loans to mortgage lenders, *the purchase of eligible*
8 *mortgages from mortgage sellers*, the payment, funding or refund-
9 ing of the principal of, or interest or redemption premiums on,
10 any bonds or notes issued by it whether the bonds or notes or
11 interest to be funded or refunded have or have not become due,
12 the establishment or increase of such reserves to secure or to pay
13 such bonds or notes or interest thereon, *or to provide, insure or*
14 *otherwise protect against defaults on or prepayment of eligible*
15 *mortgages*, and all other costs or expenses of the agency incident
16 to and necessary or convenient to carry out its corporate purposes
17 and powers.

18 (b) Except as may be otherwise expressly provided in the act
19 or by the agency, every issue of bonds or notes shall be general
20 obligations payable out of any revenues or funds of the agency,
21 subject only to any agreements with the holders of particular bonds
22 or notes pledging any particular revenues or funds. The agency
23 may issue such types of bonds or notes as it may determine,
24 including bonds or notes as to which the principal and interest are
25 payable (1) exclusively from the revenues of the agency resulting
26 from the loans to mortgage lenders made with the proceeds of
27 such bonds or notes *or from the payments on account of principal*
28 *of and interest on eligible mortgages purchased from mortgage*
29 *sellers or other premiums, fees or charges paid by such mortgage*
30 *sellers*; (2) exclusively from the revenues of the agency resulting
31 from certain loans made to mortgage lenders *or resulting from*
32 *the purchases of certain eligible mortgages* whether or not *such*
33 *loans were made or such eligible mortgages purchased* in whole or
34 in part from the proceeds of such bonds or notes; or (3) from its
35 revenues generally. Any such bonds or notes may be additionally
36 secured by a pledge of any grant, subsidy or contribution from
37 the United States of America or any agency or instrumentality
38 thereof or the State or any agency, instrumentality or political
39 subdivision thereof, or any person, firm or corporation, or a pledge
40 of any income or revenues, funds or moneys of the agency
41 from any source whatsoever.

42 (c) Whether or not the bonds and notes are of such form and
43 character as to be negotiable instruments under the terms of
44 Title 12A, Commercial Transactions, New Jersey Statutes, the
45 bonds and notes are hereby made negotiable instruments within the
46 meaning of and for all the purposes of said Title 12A, subject only
47 to the provisions of the bonds and notes for registration.

48 (d) Bonds or notes of the agency shall be authorized by a
49 resolution or resolutions of the agency and may be issued in one
50 or more series and shall bear such date or dates, mature at such
51 time or times, bear interest at such rate or rates of interest per
52 annum or within such maximum rate, be in such denomination or
53 denominations, be in such form, either coupon or registered, carry
54 such conversion or registration privileges, have such rank or
55 priority, be executed in such manner, be payable from such sources
56 in such medium of payment at such place or places within or
57 without the State, and be subject to such terms of redemption (with
58 or without premium) as such resolution or resolutions may
59 provide.

60 (e) Bonds or notes of the agency may be sold at public or private
61 sale at such price or prices and in such manner as the agency shall
62 determine. Every bond shall mature and be paid not later than
63 **[30]** 40 years from the date thereof, and every note shall mature
64 and be paid not later than 5 years from the date thereof.

65 (f) Bonds or notes may be issued under the provisions of the
66 act without obtaining the consent of any department, division,
67 commission, board, bureau or agency of the State, and without
68 any other proceeding or the happening of any other conditions
69 or other things than those proceedings, conditions or things which
70 are specifically required by the act.

71 (g) Bonds and notes of the agency issued under the provisions
72 of the act shall not be in any way a debt or liability of the State
73 or of any political subdivision thereof other than the agency and
74 shall not create or constitute any indebtedness, liability or
75 obligation of the State or of any such political subdivision or be
76 or constitute a pledge of the faith and credit of the State or of
77 any such political subdivision but all such bonds and notes, unless
78 funded or refunded by bonds or notes of the agency, shall be pay-
79 able solely from revenues or funds pledged or available for their
80 payment as authorized in the act. Each bond and note shall con-
81 tain on its face a statement to the effect that the agency is obli-
82 gated to pay the principal thereof or the interest thereon only
83 from revenues or funds of the agency and that neither the State

84 nor any political subdivision thereof is obligated to pay such
85 principal or interest and that neither the faith and credit nor the
86 taxing power of the State or any political subdivision thereof is
87 pledged to the payment of the principal of or the interest on such
88 bonds or notes.

89 (h) All expenses incurred in carrying out the provisions of the
90 act shall be payable solely from revenues or funds provided or
91 to be provided under the provisions of the act and nothing in
92 the act shall be construed to authorize the agency to incur any
93 indebtedness or liability on behalf of or payable by the State or
94 any political subdivision thereof.

1 8. Section 8 of P. L. 1970, c. 38 (C. 17:1B-11) is amended to
2 read as follows:

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

6 (1) The pledging of or creating of a lien on, as security for the
7 payment of the principal and redemption price of and interest
8 on any bonds or notes of the agency, all or any part of its revenues
9 or assets to which its right then exists or may thereafter come
10 into existence, and the moneys derived therefrom, including the
11 loans made to mortgage lenders pursuant to the act and the revenues
12 therefrom and the rights and interests of the agency in and to any
13 collateral securing such loans and the collections and proceeds
14 therefrom, *the eligible mortgages and all payments on account of*
15 *principal and interest with respect thereto and all other premiums,*
16 *fees and charges payable by mortgage sellers,* all or any part of
17 any money, funds or property held in trust or otherwise by others
18 for the payment of any such loans to mortgage lenders *or such*
19 *eligible mortgages,* or any bonds or notes of the agency, and all
20 or any part of the proceeds of any bonds or notes, and covenanting
21 against pledging all or any part of such revenues, assets, moneys,
22 funds or property, or against permitting or suffering any lien
23 thereon;

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

28 (3) The use and disposition of any and all payments of principal
29 or interest received by the agency with respect to loans to mortgage
30 lenders *or eligible mortgages* or any income or proceeds from in-

31 vestments held by the agency *or other income, revenues or receipts*
32 *of the agency*;

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

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

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

40 (7) The rank or priority of any such bonds or notes with respect
41 to any lien or security or as to the acceleration of the maturity
42 of any such bonds or notes;

43 (8) The creation of special funds or moneys to be held in trust
44 or otherwise for operating expenses, payment or redemption of
45 bonds or notes, reserves *against defaults or prepayments of eligible*
46 *mortgages* or *for* other purposes and as to the use and disposition
47 of the moneys held in such funds;

48 (9) The procedure, if any, by which the terms of any contract
49 or covenant with or for the benefit of the holders of bonds or notes
50 may be amended or abrogated, the amount of bonds or notes the
51 holders of which must consent thereto, and the manner in which
52 such consent may be given;

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

56 (11) The time or manner of enforcement or restraint from en-
57 forcement of any rights of the agency arising by reason of or with
58 respect to nonpayment of principal or interest with respect to
59 loans to mortgage lenders or any rights to or security interest in
60 the collateral securing such loans *or arising with respect to the*
61 *default with respect to any eligible mortgage*;

62 (12) Defining the acts **[of]** or omissions to act which shall
63 constitute a default in the obligations and duties of the agency
64 and providing for the rights and remedies of the holders of bonds
65 or notes in the event of such default, provided, however, that such
66 rights and remedies shall not be inconsistent with the general laws
67 of the State and other provisions of the act;

68 (13) Vecting in a trustee or trustees within or without the State
69 such properties, rights, powers and duties in trust as the agency
70 may determine, which may include any or all of the rights, powers
71 and duties of any trustee appointed by the holders of any bonds
72 or notes pursuant to section 9 of the act and to limit or abrogate

73 the right of the holders of any bonds or notes of the agency to
74 appoint a trustee under the act or limiting the rights, powers and
75 duties of such trustee;

76 (14) Appointing and providing for the duties and obligations of
77 a paying agent or paying agents or such other fiduciaries within
78 or without the State;

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

1 9. Section 9 of P. L. 1970, c. 38 (C. 17:1B-12) is amended to
2 read as follows:

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

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

21 (1) By any action, writ, or other proceeding, enforce all rights
22 of the holders of such bonds or notes, including the right to collect
23 and enforce the payment of principal of and interest due or becom-
24 ing due on loans to mortgage lenders and collect and enforce any
25 collateral securing such loans or sell such collateral *and the right*
26 *to cause the foreclosure of any eligible mortgage, and to sell any*
27 *property purchased at any such foreclosure*, so as to carry out
28 any contract as to, or pledge of, revenues, and to require the
29 agency to carry out and perform the terms of any contract with
30 the holders of such bonds or notes or its duties under the act;

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

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

34 (4) By action, enjoin any acts or things which may be unlawful
35 or in violation of the rights of the holders of such bonds or notes; or

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

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

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

1 *§10. (New section) (a) The agency may create and establish a
2 reserve fund or funds in connection with the issuance of bonds
3 to finance the purchase of eligible mortgages, such fund or funds
4 to be known as the debt service reserve fund or funds (such term
5 as used in this section shall mean a debt service reserve fund
6 established pursuant to this section) and may pay into each such
7 reserve fund (1) any moneys appropriated and made available
8 by the State for the purposes of such fund, (2) any proceeds of
9 sale of such bonds to the extent provided in the resolution of the
10 agency authorizing the issuance thereof, and (3) any other moneys
11 which may be made available to the agency for the purposes of such
12 fund from any other source or sources. The moneys held in or
13 credited by each debt service reserve fund established under this
14 section, except as hereinafter provided, shall be used solely for
15 the payment of the principal of such bonds of the agency secured
16 by such reserve fund, as the same mature or become due, the pur-
17 chase or retirement of such bonds, the payment of interest on such
18 bonds or the payment of any redemption premium required to be
19 paid when such bonds are redeemed prior to maturity; provided,
20 however, that moneys in such fund shall not be withdrawn there-
21 from at any time in such amount as would reduce the amount of
22 such fund to less than the maximum debt service reserve (as here-
23 inafter defined) with respect to such bonds then outstanding and
24 secured by such reserve fund, except for the purpose of paying

25 the principal of, interest on, the premium, if any, on, and the
26 retirement of, such bonds secured by such reserve fund maturing
27 or becoming due and for the payment of which other moneys of
28 the agency are not available. "Maximum debt service reserve"
29 as used in this section shall mean, as of any date of calculation
30 and with respect to such bonds secured by a debt service reserve
31 fund, no more than the amount of money required by the terms
32 of any contracts of the agency with the holders of such bonds to
33 be provided in any succeeding calendar year for the payment of
34 interest on and serial maturities of such bonds then outstanding
35 and payments required by the terms of any such contracts to be
36 made to sinking funds established for the payment or redemption
37 of such bonds, calculated on the assumption that such bonds will
38 cease to be outstanding after the date of such calculation only by
39 reason of the payment of such bonds at their respective maturities
40 and the making of required payments to sinking funds and the
41 application thereof in accordance with the terms of such contracts
42 to the retirement of such bonds. Any income or interest earned
43 by, or increment to, a debt service reserve fund due to the invest-
44 ment thereof may be transferred to any other fund or account of
45 the agency to the extent it does not reduce the amount of such
46 debt service reserve fund below the maximum debt service reserve
47 with respect to such bonds of the agency then outstanding and
48 secured by such reserve fund.

49 (b) The agency shall not issue bonds at any time if the maximum
50 debt service reserve with respect to such bonds outstanding and
51 then to be issued and secured by a debt service reserve fund will
52 exceed the amount of such reserve fund at the time of issuance,
53 unless the agency, at the time of issuance of such bonds, shall
54 deposit in such reserve fund from the proceeds of such bonds so
55 to be issued, or otherwise, an amount which, together with the
56 amount then in such reserve fund, will be not less than the maximum
57 debt service reserve with respect to such bonds then to be issued
58 and on all other bonds of the agency then outstanding and secured
59 by such reserve fund.

60 (c) To assure the continued operation and solvency of the agency
61 for the carrying out of the public purposes of the act, provision
62 is made hereinabove in this section for the accumulation in each
63 debt service reserve fund of an amount equal to the maximum
64 debt service reserve with respect to all bonds of the agency then
65 outstanding and secured by such reserve fund. In order further
66 to assure the maintenance of such debt service reserve fund, there

67 shall be annually appropriated and paid to the agency for deposit
68 in such debt service reserve fund such sum, if any, as shall be
69 certified by the chairman of the agency to the Governor as neces-
70 sary to restore such reserve fund to an amount equal to the
71 maximum debt service reserve with respect to such bonds of the
72 agency then outstanding and secured by such reserve fund. The
73 chairman of the agency shall annually, on or before March 1,
74 make and deliver to the Governor his certificate stating the sum,
75 if any, required to restore such debt service reserve fund of the
76 agency to the amount aforesaid, and the sum or sums so certified,
77 if any, shall be appropriated and paid to the agency for deposit
78 in such debt service reserve fund of the agency prior to the end
79 of the first calendar month of the next succeeding State fiscal year.
80 Any payments to be made by the State to the agency as aforesaid
81 for deposit in such debt service reserve fund are subject to and
82 dependent upon appropriations being made from time to time by
83 the Legislature for such purpose.

84 (d) In computing each debt service reserve fund for the purposes
85 of this section, securities in which all or a portion of such debt
86 service reserve fund shall be invested shall be valued at par, or
87 if purchased at less than par, at their cost to the agency.

88 (e) Nothing herein contained shall be deemed to cause the bonds
89 or notes of the agency to be in any way a debt or a liability of the
90 State or any political subdivision thereof other than the agency,
91 and the bonds and notes of the agency, whether or not payable
92 from a debt service reserve fund created and established pursuant
93 to this section, shall not create or constitute any indebtedness,
94 liability or obligation of the State or any such political subdivision
95 or be or constitute a pledge of the faith and credit of the State or
96 of any such political subdivision.】*

1 *【11.】* *11.* This act shall take effect immediately.

93 to this section, shall not create or constitute any indebtedness,
94 liability or obligation of the State or any such political subdivision
95 or be or constitute a pledge of the faith and credit of the State or
96 of any such political subdivision.

1 11. This act shall take effect immediately.

STATEMENT

This bill will expand the powers of the Mortgage Finance Agency to permit it to establish a mortgage purchase program. The purpose of the bill is to increase the supply of funds available for residential mortgage, rehabilitation and improvement loans and thus alleviate the shortage of adequate housing in the State. Presently, the agency is authorized to sell bonds and from the proceeds thereof lend money to eligible lending institutions so they may extend residential mortgages to consumers. This program, called the "loan to lenders" program, has injected over \$400 million into the residential mortgage market and stimulated housing production in New Jersey. Notwithstanding the significant contribution of the agency's "loan to lenders" program, the supply of residential mortgage, rehabilitation and improvement loans (even at the highest allowable rates) in the State has not been sufficient to meet the demands of the public during the inflationary and unstable economic period we have experienced. Granting the agency authority to conduct a mortgage purchase program will supplement the existing program and make residential mortgage, rehabilitation and improvement loans, at interest rates lower than market rates, available even in difficult economic times. This will be accomplished without any cost to the State Treasury.

The mortgage purchase program authorized by this bill will work essentially as follows: whenever it shall determine that the supply of funds for residential loans in the State or certain areas of the State or for persons of low and moderate income is inadequate, the agency will sell tax exempt bonds and use the proceeds therefrom to purchase residential mortgages made or held by banks, insurance companies, or mortgage bankers in the State upon the condition that those lending institutions invest the proceeds from the sale of mortgages to the agency in new residential loans on existing or newly constructed homes. The agency shall purchase the mortgages at such prices and upon such terms and conditions as it shall determine. It may purchase mortgages by auction, invitation or negotiation. It may allocate its purchase among all or certain mortgage sellers so that areas of the State most in need of residential loans will be helped. Further, to avoid administrative

costs, the agency may contract to have the mortgage seller service the mortgages purchased by the agency. The agency may also enter into contracts with the mortgage sellers to have them guarantee the mortgages sold to the agency or repurchase the mortgages sold to the agency in the event of default on those mortgages. The mortgage sellers may also be required to pay fees or other charges in connection with the purchase of eligible mortgages by the agency. To ensure that the proceeds from the sale of existing mortgages to the agency are channeled promptly and at reasonable rates into the residential loans, the agency is empowered to require that the lending institutions commit and disburse new residential loans within a definite time, in certain specified locations and at a fixed rate with limited returns to the lenders. The agency may also require that residential loans to be given only to persons of low or moderate income.

The agency's bonds for this new mortgage purchase program are to be secured by the principal and interest payments received from the mortgages that are purchased as well as by premiums, fees, and charges payable to the agency by mortgage sellers. The agency may establish reserve funds to pay the principal and interest on its bonds or the retirement of said bonds. The State shall annually appropriate for deposit in such fund or funds, the sum, if any, as shall be certified by the chairman of the agency to restore the fund to its maximum debt service reserve.

The bill also amends the existing law to permit loans made by the agency to lending institutions under the "loan to lenders" program to be used for rehabilitation and home improvement loans as well as residential mortgage loans.

CORRECTED COPY
ASSEMBLY BANKING AND INSURANCE COMMITTEE
STATEMENT TO
ASSEMBLY, No. 3046

STATE OF NEW JERSEY

DATED: FEBRUARY 27, 1975

This bill will expand the powers of the New Jersey Mortgage Finance Agency to permit it to establish a mortgage purchase program. This will enable the Agency to sell tax exempt bonds and use the proceeds to purchase residential mortgages made or held by banks, insurance companies, savings and loan associations or mortgage bankers upon the condition that those lending institutions use the proceeds from the sale of their mortgages to reinvest in new residential loans.

During periods of economic stagnation and inflation, high interest rates in other sectors of the economy can cause funds to flow away from lending institutions, limiting the amount of funds available for mortgage lending. This purchase program will provide a more regular flow of funds into these institutions during those periods when new money for lending would be otherwise unavailable.

These additional funds for residential mortgage, rehabilitation, and improvement loans will aid the Agency in its efforts to alleviate the shortage of adequate housing in New Jersey. While the committee expects the bulk of funds thus generated to be used in one-to-four family residential housing, it does not want to preclude the use of such funds to purchase mortgages on other types of residential dwellings. This discretionary authority was given to the Agency by the enabling law, P. L. 1970, c. 38, and the committee feels that such authority should continue under the purchase program.

The committee has been advised by the Mortgage Finance Agency and the Office of Fiscal Affairs that this new program will have no fiscal impact in terms of an additional cost to the State.

SENATE LABOR, INDUSTRY AND
PROFESSIONS COMMITTEE

STATEMENT TO

ASSEMBLY, No. 3046

[OFFICIAL COPY REPRINT]

STATE OF NEW JERSEY

DATED: MAY 5, 1975

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