

Protecting Homes & Preserving Neighborhoods

Summary of the NJ Mortgage Stabilization & Relief Act (A.3506 /S.1599) *(formerly the NJ Homeownership Preservation Act)*

In New Jersey, 35,117 subprime foreclosures are expected between the third quarter of 2007 and the end of 2009, or nearly 1 out of every 5 subprime loans. These foreclosures resulted in a projected reduction of **\$16 billion** in property values in the state and **\$99 million** in lost property tax revenue.

HCDNNJ worked with NJ Citizen Action and the NJ Institute for Social Justice to enact comprehensive policies and programs that will help reduce the impact of the subprime foreclosure crisis on homeowners and their communities. On January 9, 2009, Governor Jon S. Corzine signed the **NJ Mortgage Stabilization & Relief Act (A.3506 /S.1599)**, which includes many of the recommendations proposed by the Network and our allies in this effort. Sponsored by Assembly Majority Leader Bonnie Watson Coleman, Senator Ron Rice and others, this legislation provides residential mortgage assistance, neighborhood preservation and consumer protections. Using \$40 million from the state's Long Term Obligation and Capital Expenditure Fund, the legislation:

- **Creates a Mortgage Stabilization Program**, which will provide soft second loans to induce lenders to reduce the principal of mortgages so owners can refinance to loans they can afford. Loan amounts will be capped at \$25,000 and the homeowners' income cannot exceed 120% of the area median income. The program applies to any first mortgage loan that is in imminent danger of foreclosure. HMFA will administer this program.
- **Establishes the "New Jersey Housing Assistance and Recovery Program" (HARP)**. Under this program a non-profit buys a property in foreclosure and keeps the owner in the home under a lease-purchase agreement for up to 36 months until the homeowner can repurchase their home. Non-profits must apply to HMFA to participate in the program. If approved they become eligible for grants to cover their holding costs and up to \$25,000 per unit to fill the gap between the appraised value and the purchase price of the property. During this period, the owner will pay an affordable rent. HMFA will also administer this program.
- **Requires Forbearance**: The legislation requires that creditors seeking to foreclose on "high risk" loans offer a six month "hold" on foreclosure proceedings at the borrower's request, to allow borrowers a chance to negotiate workout, refinancing or short sale options. Creditors subject to this provision would be required to notify borrowers that this option is available when they send the borrower the notice of intention to foreclose. There is a two year sunset on this provision.
- **Creates Vacant Property Responsibility**: The bill makes creditors that initiate foreclosure proceedings responsible for abating all code violations on the property if the borrower vacates the property at any time after the initial foreclosure filing. If the municipality has to

go on the property to abate a violation, it can place a lien on the property and get a judgment against the creditor to collect its costs. This gives municipalities a powerful new tool to enforce housing codes and address nuisance conditions in vacant properties in foreclosure. The lender or servicer must serve a copy of the initial foreclosure notice to the municipal code official, and provide the name and address of a local representative available to accept service.

- **Prohibits “Phishing”:** The bill bars credit reporting companies from selling lists of “trigger leads” – people who have recently applied for a mortgage – to other companies, leading to borrowers being inundated with letters and phone calls from less-than-legitimate lenders.
- **Requires Reporting:** The legislation requires lenders and servicers initiating foreclosures to provide quarterly reports on the number of foreclosure actions filed to the Department of Banking and Insurance. The Department is required to compile and publish this information quarterly.

In addition to monitoring the implementation of this bill, the Network will continue to advocate for measures that help protect homeowners and preserve neighborhoods, including the right to rent by former homeowners and the creation of a Foreclosure Prevention Fund, which could support critical prevention measures through a \$2,000 fee to lenders or loan servicers when they initiate foreclosure proceedings on high-cost, subprime loans.