ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

[First Reprint]

ASSEMBLY, No. 2294

STATE OF NEW JERSEY

DATED: MARCH 14, 2024

The Assembly Appropriations Committee reports favorably Assembly Bill No. 2294 (1R).

This bill would establish mortgage payment relief and foreclosure protection for certain homeowners impacted by the remnants of Hurricane Ida.

Hurricane Ida initially approached the Gulf Coast as a category 4 hurricane, and caused severe damage to a large area of the south and northeast regions of the country. In New Jersey, thousands of families have been displaced and unable to return to their homes as a result of this storm. This bill would offer certain homeowners impacted by the remnants of Hurricane Ida temporary protections against foreclosure, and would require mortgage servicers to provide a temporary pause in the mortgage payment obligations of the storm-impacted homeowners.

The bill defines a "storm-impacted homeowner" as a homeowner who, as of August 31, 2021, occupied a residential property as the homeowner's primary residence, and who obtained federal disaster assistance for disaster-related needs as a result of damage sustained to the home due to the remnants of Hurricane Ida.

The bill directs a mortgage servicer to grant a mortgage forbearance to a storm-impacted homeowner if the homeowner submits a written request prior to the first day of the sixth month following the enactment of the bill, affirming that the homeowner:

- suffered a negative financial impact resulting from damage to the homeowner's primary residence due to the remnants of Hurricane Ida, and obtained federal disaster assistance as a result;
- has a gross household income for 2022, that does not exceed 150 percent of the most recent area median income by zip code; and
- does not possess bank accounts that collectively contain more than six months' reserves of the homeowner's gross household income for 2021, although the mortgage servicer may require the homeowner to provide a cash asset certification to demonstrate compliance with this provision.

Upon receipt of a written request or verbal authorization for a mortgage forbearance from a storm-impacted homeowner, the bill would require a mortgage servicer to provide to the homeowner with a mortgage forbearance and confirmation of this action in writing. The mortgage forbearance period of a storm-impacted homeowner would be one year. Fees, penalties, or interest, including attorney's fees beyond the amounts scheduled and calculated as if the storm-impacted homeowner made all contractual payments on time and in full under the terms of the mortgage contract, would not be assessed or accrue during or as a result of a mortgage forbearance. A forbearance would not impact property tax and insurance obligations. A mortgage servicer that grants a forbearance pursuant to the bill would be required to encourage owners to seek out certified housing counseling and provide confirmation of the approval of the forbearance, information concerning the process for forbearance, and information on how to request a subsequent forbearance.

The bill prohibits a mortgage servicer from furnishing negative mortgage payment information to a debt collector or credit reporting agency related to mortgage payments subject to a mortgage forbearance under the bill. In response to a complaint to the Attorney General from an impacted homeowner, the Attorney General may bring an action alleging a mortgage servicer has violated this prohibition.

Under the bill, the repayment period of any mortgage subject to the forbearance would be extended by the number of months the forbearance is in effect. The payments not made during the months of the forbearance would instead be due on a monthly basis during the period constituting an extension of the mortgage, unless the property owner chooses to make these payments earlier.

The restrictions on mortgage servicers in the bill would not apply to any mortgage loans made, insured, securitized by, or serviced through the policies of, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Federal Housing Administration of the United States Department of Housing and Urban Development, the Department of Veterans Affairs, or the Rural Housing Service. A storm-impacted homeowner denied a forbearance under the bill by a mortgage servicer licensed by the Department of Banking and Insurance ("DOBI"), and not a State- or nationally-chartered financial institution, may file a complaint with DOBI. DOBI would be required to investigate the complaint and, if appropriate, would order the mortgage servicer to grant a forbearance to the impacted homeowner.

To the extent required by the Administrative Director of the Courts and DOBI, the bill would require a mortgage servicer to provide information on the provision of forbearances to those entities.

Under the bill, a storm-impacted homeowner who is the subject of a foreclosure proceeding would be awarded, by the court and upon application by the property owner, a stay in the foreclosure proceedings if the conditions necessary to obtain a mortgage forbearance are satisfied. An application to the court by a storm-impacted homeowner would be required to be made prior to the first day of the sixth month following the effective date of the bill, unless the courts in their discretion permit application submission for a longer period. The award of a stay pursuant to the bill would conclude upon the earlier of:

- the conclusion of one year following the initial award of a stay of foreclosure proceedings; or
- January 1, 2026.

The bill would take effect immediately, and apply retroactively to mortgage payments missed subsequent to September 1, 2021.

FISCAL IMPACT:

The Office of Legislative Services (OLS) anticipates that the one-year mortgage forbearance granted to certain homeowners under the bill will result in a one-year delay in State revenue collections by the Housing and Mortgage Finance Agency and any other State entities holding mortgage loans.

The OLS cannot determine the number of homeowners with mortgages through State agencies who will request and be eligible for mortgage forbearance, for how many months they will suspend payment, or the amount of mortgage payments typically owed. Therefore the amount of delayed revenues are indeterminate.

The OLS determines that there may be a State expenditure increase as a result of the bill authorizing the Attorney General to bring an action against a mortgage servicer alleged to have furnished negative information to a debt collector or credit-reporting agency. These violations may result in a State revenue increase associated with the collection of fines, in the amount of $5,000 each under the bill.

The OLS finds there may also be a State expenditure increase associated with the bill's requirement that the Department of Banking and Insurance investigate certain complaints made by storm-impacted homeowners who were denied a forbearance.