



S.1566/A.2168 (“New Jersey Residential Transformation Act”) Summary

- Establishes the New Jersey Foreclosure Relief Corporation within the New Jersey Housing and Mortgage Finance Agency (HMFA):
 - The Corporation has a seven-member board, consisting of the Commissioner of Community Affairs, the Executive Director of the New Jersey Housing and Mortgage Finance Agency, the Commissioner of Banking and Insurance, and the State Treasurer, and three members appointed by the Governor (of which one shall be selected by the Senate President and one by the Assembly Speaker). The three members appointed by the Governor shall be residents of the State and shall have knowledge in the areas of real estate, housing design, construction, or operation; mortgage banking, finance and foreclosure; or community development, and at least one of the three members shall be a realtor. The members shall serve for two-year terms. The head of HMFA chairs the board.
 - The Corporation is a temporary entity that will expire at the end of 2017. Every year it has to report on the status of the foreclosure problem in New Jersey and its efforts to address it.
 - The Corporation has broad authority to use a range of tools such as tax-exempt and taxable bond financing and negotiations with banks and other holders of foreclosed properties to purchase and rehabilitate foreclosed homes at a wide range of incomes, including very low income, low income, moderate income, and market rate homes.
 - In doing so, the Corporation will partner with two experienced community development financial institutions (CDFIs) which the bill requires the Corporation to contract with to help buy and dispose of foreclosed properties and mortgages. The CDFIs can work together with CDCs and other entities to establish consortia to address the problem.

- Enables municipalities and non-profits to use foreclosed properties for very-low, low, and moderate-income homes.
 - Properties bought by the Corporation or CDFIs can be designated as either affordable or market rate.
 - Municipalities have a 45-day right of first refusal to use housing trust funds or other resources to acquire affordable units (which they then partner with a non-profit or for-profit to lease, or can resell for homeownership)
 - If municipalities don’t exercise that right, CDFIs can work with non-profits and others to create affordable units, however in this case in order to use housing trust funds municipality has to pass a resolution approving the use of the funds.

- Allows municipalities to extend use it or lose it deadline if they participate
 - Foreclosure-impacted municipalities, which have had at least 10 foreclosed units on the market in last 60 days, may designate at least \$150,000 of their housing trust funds for use by the new corporation.
 - Doing so bypasses the use it or lose it deadline.

- If corporation has not been able to use municipal money within the municipality within 2 years, then it returns it to the municipality, which then has six months to commit the funds or else it loses the money.
- Municipalities get a 2-for-1 credit (and potentially more for group homes with a 1.25-per-1 bedroom credit) for participating, or for exercising the municipal option mentioned above, up to a cap of 25% of their housing obligation.
- Expedites foreclosure process for vacant properties
 - Allows expedited foreclosure process when there has been nobody living in property for at least 45 days.
 - Provides protections for cases in which a tenant is still living in the property during foreclosure process.
- Takes effect immediately.

For more information, contact Staci Berger (sberger@hcdnnj.org) or Arnold Cohen (acohen@hcdnnj.org)