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Can foreclosed homes be turned into affordable housing? A bill just introduced in Trenton aims to do that, by using government funds to buy distressed properties and adding a deed restriction that would require them to remain affordable for 30 years.

The bill's sponsor, Sen. Raymond Lesniak, D-Union, said it would "provide the mechanism for municipalities and the state to convert vacant foreclosed homes into occupied affordable housing." He estimated that it could affect as many as 10,000 properties, out of an estimated 100,000-plus distressed homes in the state.

A hearing is scheduled on the bill this morning before the state Senate's economic growth committee.

The home purchases would be funded by the state's affordable housing trust fund, along with federal funds and up to \$268 million in municipal affordable housing funds. Under the bill, municipalities could use the program to meet their affordable-housing obligations, getting a two-for-one credit.

Foreclosures began rising several years ago as the housing market deflated. Homeowners who bought homes with barely affordable mortgages during the housing boom found they couldn't keep up with payments when the 2007-2009 recession hit, forcing many out of work. Foreclosures dropped 80 percent last year in New Jersey, but that was only because of concerns that lenders were cutting corners in the legal process. Tens of thousands of troubled New Jersey homeowners are expected to face eviction once the mortgage companies resume normal levels of foreclosure activity.

The Lesniak bill is supported by trade associations for the banking, construction and real estate industries, as well as the New Jersey League of Municipalities. George Vallone, a Hoboken builder who is a vice president of the N.J. Builders Association, said it would help avert a "death spiral [in home values] if all these homes are dumped on the market by banks that want to unload them." He also said it could potentially help boost business among remodelers, as new homeowners improve the properties.

Jeffrey Otteau, an East Brunswick appraiser who tracks the housing market statewide, said the bill could help "shore up consumer confidence in home buying once prices stop falling."

Nina Arce, a spokeswoman for the Housing and Community Development Network of New

Jersey, called the bill "a step in the right direction." But she said the group has concerns about the extra credit that it would give municipalities against their affordable housing obligations.

The program is set to expire five years after it begins.