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COHEN/SCHAER/WATSON COLEMAN/SPENCER/SMITH **'SAVE NEW JERSEY HOMES ACT OF 2008' ADVANCES**

*Measure Would Provide Three-Year Reprieve from Foreclosures;
Give Families More Options to Stay in Their Homes*

(TRENTON) – Legislation Assembly members Neil M. Cohen, Gary S. Schaer, Bonnie Watson Coleman, L. Grace Spencer, and L. Harvey Smith sponsored to extend foreclosure protection to thousands of New Jersey families caught-up in the recent mortgage market upheaval was released today by an Assembly panel.

The bill (A-2780), entitled the “Save New Jersey Homes Act of 2008,” would offer direct aid to homeowners/borrowers affected by the growing mortgage crisis who are facing foreclosure or who are in danger of facing foreclosure due to mortgage rates that are about to reset.

“The national mortgage meltdown has turned countless dreams of home ownership into nightmares,” said Cohen (D-Union), chairman of the Assembly Financial Institutions and Insurance Committee. “We must toss a lifeline to families on the brink of losing their homes, so they can work to rebuild their finances and keep their loved ones secure. With the current economic uncertainty, families must be given every chance to reclaim their credit.”

Cohen noted that no other state has taken the approach established in the legislation. The homeowner would get to continue making their lower mortgage payments while staying in their home; the lender – for the first time in the history of foreclosure proceedings – would receive monthly revenue; homes would not be abandoned; families would not have to suffer stress from relocation; and no taxpayer dollars would need to be spent to accomplish this.

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Under the measure, homeowners with introductory rate mortgages who are facing an interest rate reset would be afforded the opportunity to continue their payments at the much lower pre-reset interest rate for up to three years. Lenders would be required to notify qualified homeowners when the introductory rate is set to expire. Written notification would be required 120, 90, 60, and 30 days before the expiration of an introductory rate and the return to a variable rate mortgage.

The notice would disclose, in plain language:

- the current interest rate of the mortgage;
- the date on which the interest rate resets;
- an explanation of how the reset rate and monthly payment would be determined;
- an estimated monthly payment based on the reset rate;
- a list of alternatives the homeowner may pursue prior to the rate resetting, including any refinancing or renegotiation terms offered by the lender;
- an explanation of the homeowner's right to obtain an introductory rate extension; and
- the procedure for obtaining said extension, along with the appropriate forms.

“We are seeing the results of unscrupulous lenders utilizing the confusing language in mortgage loans to prey on individuals who only want to purchase a home,” said Schaer (D-Passaic). “Providing afflicted homeowners rescue options in plain language could mean the difference between an extension and an eviction.”

For families whose cases have yet to reach the final foreclosure judgment stage, the bill would prevent a decision from being rendered unless the lender has offered the three-year window to keep making payments at the pre-reset rate.

To protect lenders providing the three-year extension, the measure would include a “modification of mortgage” provision. A modification of mortgage consists of any existing arrears on the principal and interest payments at the pre-reset rate, and any costs or fees due to the lender – such as property taxes or homeowners insurance – without interest being charged. A modification of mortgage would not be collectible until the future sale or transfer of the property.

“We must provide New Jersey homeowners with simple, concrete options that do not result in homelessness,” said Watson Coleman (D-Mercer). “For many families, a short reprieve will be all they need to get back on their feet and get their finances back under control.”

The sponsors said homeowner/borrowers would benefit from the three-year reprieve provided by this legislation, as it would enable them to remain in their homes with minimal disruption to their family. At

the same time, it would allow them to continue making payments on their mortgage while providing a reasonable window to find an alternative housing solution.

(MORE)

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Allowing borrowers facing foreclosure to continue living in their homes also would help municipalities containing properties facing foreclosure. It would keep the properties in question on the tax rolls, helping to preserve local financial resources while saving the municipalities the cost of maintaining abandoned and unused properties that otherwise would become public eyesores and safety hazards.

Finally, the legislation would benefit mortgage lenders by providing them with a continuing revenue source. Many lenders have had to close due to declining revenues linked to the loss of mortgage payments coupled by the additional expenses of having to own and maintain foreclosed properties. Lenders have stated they do not want to be real estate owners, particularly since the drop in real estate values means many cannot recoup their original investment.

“This is a straightforward, practical approach to a complex issue that is devastating families across New Jersey,” said Spencer (D-Essex), the vice-chair of the panel. “We must do everything in our power to give families the tools they need to stave off economic ruin.”

The sponsors said the measure would provide needed assistance until the economy improves and the real estate and lending markets stabilize.

According to published reports, foreclosure rates in February 2008 – the latest month for which such statistics are available – were up 60 percent nationally over the same time from last year. A total of 223,651 homes received at least one notice from a lenders related to an overdue payment, with nearly half of the homes slipping into default for the first time.

New Jersey saw 53,652 foreclosure filings in 2007, a 34 percent increase over 2006.

Nationwide, over 2.2 million foreclosure filings – including default notices, auction sale notices and bank repossessions – were reported on 1.3 million properties in 2007, a 75 percent increase over the prior year. In excess of 1 percent of all U.S. households were in some stage of foreclosure during the year.

Industry analysts estimate that nationwide another 1.5 million mortgages are due to reset in 2008 and that as many as three million subprime mortgages could end up in foreclosure over the next three years.

The State Foreclosure Prevention Working Group, an amalgam of banking regulators and attorneys general from 11 states, including New Jersey, issued a report in April showing that the collective efforts of mortgage lenders and government intervention has so far failed to slow the rate of foreclosures.

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“The need for foreclosure delay and prevention measures becomes more apparent with each passing day,” said Smith. “We must act, and act swiftly, before an entire generation of New Jerseyans are forced to join the ranks of the homeless.”

The Assembly Financial Institutions and Insurance Committee unanimously released the bill, the key piece of a comprehensive package to address the foreclosure crisis in New Jersey. It now heads to the Assembly Speaker, who decides if and when to post it for a floor vote.