

**P.L. 2008, c.127**  
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SENATE COMMITTEE SUBSTITUTE FOR  
SENATE, No. 1599  
STATE OF NEW JERSEY  
213th LEGISLATURE

ADOPTED NOVEMBER 13, 2008

Sponsored by:

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District 31 (Hudson)

Co-Sponsored by:

Senators Cunningham, Sacco, Weinberg, Singer, Ruiz, Girgenti, Gordon, Stack, Assemblymen Prieto, Chivukula, Assemblywomen Greenstein and Tucker

**SYNOPSIS**

Mortgage Stabilization and Relief Act"; creates Mortgage Stabilization Program and Housing Assistance and Recovery Program; imposes additional requirements on lender foreclosing mortgage; appropriates \$40 million from the "Long Term Obligation and Capital Expenditure Fund."

**CURRENT VERSION OF TEXT**

As reported by the Assembly Appropriations Committee on December 8, 2008, with amendments.

**AN ACT** providing residential mortgage assistance under certain circumstances, supplementing Title 46 and Title 55 of the Revised Statutes, amending <sup>1</sup>P.L.1983, c.530, and<sup>1</sup> P.L.1988, c.29; and making appropriations.

**BE IT ENACTED** by the Senate and General Assembly of the State of New Jersey:

1. (New section) This act shall be known and may be cited as the “Mortgage Stabilization and Relief Act.”

2. (New section) The Legislature finds and declares that:

a. Many thousands of New Jersey homeowners are at risk of losing their homes as a result of mortgage foreclosures.

b. Foreclosures involve the loss of a family’s home, often the family’s most valuable financial asset, and foreclosures especially undermine the health and economic vitality of the urban neighborhoods in which a disproportionate share of foreclosures take place.

c. Foreclosures result in the loss of millions of dollars in assets, not only those of the homeowners who are the victims of foreclosure, but also adversely affect the property values of homes located in the vicinity of foreclosed properties.

d. The loss of a house often results in abandonment of properties, leading to significant costs and lost revenue for local governments, as well as harm to the neighborhoods in which properties are abandoned.

e. Many of these foreclosures could be avoided if homeowners had greater access to high-quality, in-person foreclosure prevention counseling, emergency financial assistance, or additional time during which to negotiate loan modifications or obtain refinancing.

f. There is a compelling public policy need for the State of New Jersey to provide the means by which homeowners can obtain mortgage related counseling, emergency financial assistance, and time to adjust their finances in order to increase their ability to retain their homes, and to protect local governments and neighborhoods from the negative social, economic, and fiscal consequences of foreclosure and property abandonment.

g. New Jersey must ensure that neighborhoods are not adversely affected by properties that are abandoned as a result of foreclosure and become dilapidated eyesores on the community.

h. The Legislature recognizes that the difficulties encountered by homeowners who are delinquent, or are in danger of becoming delinquent, on their mortgage payment does not lend itself to a “one size fits all” solution and therefore it is necessary to establish a number of programs to assist these homeowners.

3. (New section) Sections 3 through 7 of P.L. , c. (C. ) (pending before the Legislature as this bill) shall be known and may be referred to as the “Mortgage Stabilization Program.”

4. (New section) As used in sections 4 through 7 of P.L. , c. (C. ) (pending before the Legislature as this bill):

“Affordable mortgage payment” means a monthly mortgage payment that does not exceed the greater of either 33% or the applicable percentage required by governmental or private first mortgage loan insurance, of the household’s monthly average annual gross income, towards the payment of principal, interest, taxes, and insurance (PITI) which is determined using traditional underwriting standards.

“Agency” means the New Jersey Housing and Mortgage Finance Agency established pursuant to P.L.1983, c. <sup>1</sup>[111] 530<sup>1</sup> (C.55:14K-1 et seq.).

“Covered Mortgage” means a first mortgage loan that is in imminent danger of foreclosure.

“Homeowner” means the individual who holds legal title to a residential real property that is the individual’s principal dwelling and is in imminent danger of foreclosure.

“Lender” means any lawfully constituted mortgage lender, mortgage investor or mortgage loan servicer that owns and is willing to refinance or is authorized to negotiate the terms of the homeowner’s mortgage.

“Maximum income limit” means a household income that does not exceed 120% of the area median income, as defined for New Jersey in guidelines published annually by the United States Department of Housing and Urban Development, or that does not exceed the New Jersey Housing and Mortgage Finance Agency’s Mortgage Revenue Bond Program income limits, whichever is greater.

“Mortgage lender loan” means a loan provided by a lender that is secured by a lien holding second priority and equal to one-half of the difference between the new first mortgage loan and the current appraised value of the property.

“Mortgage Stabilization Program” or “program” means a financing program established pursuant to section 5 of P.L. , c. (C. ) (pending before the Legislature as this bill).

“Mortgage stabilization program loan” means the loan provided to the homeowner by the agency pursuant to section 5 of P.L. , c. (C. ) (pending before the Legislature as this bill).

“Property” means an owner-occupied primary residence, (1) that is either a single-family one-unit house; an attached, semi-detached, or detached house; a condominium unit; or an owner-occupied two- or three-unit house, and (2) that is the principal dwelling of a homeowner who has resided in the property for at least one year prior to applying for assistance.

5. (New section) There is established in the New Jersey Housing and Mortgage Finance Agency a Mortgage Stabilization Program and Mortgage Stabilization Program Fund for the purpose of assisting homeowners and lenders willing to refinance covered mortgages in order to ensure that the homeowner has an affordable mortgage payment. The program shall meet the following requirements:

a. Program assistance shall not be made available unless a lender modifies or refinances the homeowner’s mortgage loan so that the new first mortgage loan amount:

(1) results in an affordable mortgage payment; and

(2) results in a new first mortgage loan amount that is less than the appraised value of the property at the time of the modification or refinancing.

b. The program shall provide:

(1) a mortgage stabilization program loan that is a non-amortizing (no monthly payment) second mortgage loan equal to one-half of the difference between the new first mortgage loan amount and the appraised value of the subject property. The available funds for such loan shall not exceed \$25,000 per loan, and the proceeds of the loan shall be provided to the covered mortgage lender; and

(2) a mortgage lender loan.

Loans made pursuant to this subsection shall share a co-equal second mortgage position with each other.

c. The mortgage stabilization program loan and the mortgage lender loan shall each have an interest rate and term identical to the interest rate and term of the new first mortgage loan.

d. Mortgage stabilization program loans and mortgage lender loans may be prepaid at any time without penalty and shall be repaid on a proportional basis by the homeowner out of the net sale proceeds from the sale of the property.

e. The homeowner shall not be permitted to take cash-out refinances, except for agency approved emergency repairs or unless the mortgage stabilization program loan and the mortgage lender loan are repaid in full.

f. In order to be eligible to participate in the program, the homeowner must not exceed the maximum income limits <sup>1</sup>[set forth] as defined<sup>1</sup> in section 4 of P.L. , c. <sup>1</sup>(C. )<sup>1</sup>(pending before the Legislature as this bill).

g. The homeowner may not hold any interest in other residential real property at the time the application to participate in the program is made.

h. If a homeowner has an existing subordinate mortgage loan held by one or more entities, the holder of the subordinate lien must agree to take subordinated mortgage position behind the mortgage stabilization program loan and the mortgage lender loan.

i. If the property is subject to an existing subordinate mortgage the mortgage stabilization program loan may, at the discretion of the agency, be used to satisfy that mortgage, or the mortgage lender loan may, at the discretion of the mortgage lender, be used to satisfy an existing subordinate mortgage, or both.

j. Homeowners must participate in budget counseling sessions approved by the agency in order to be eligible for the program.

k. Repayments of mortgage stabilization program loans shall be deposited into the Mortgage Stabilization Program Fund.

l. Benefits directly or indirectly received by a homeowner under the Mortgage Stabilization Program shall not be treated as income in determining eligibility requirements for other State programs and payments and benefits directly or indirectly received by a homeowner who is a taxpayer shall not be treated as income for New Jersey gross income tax purposes pursuant to section 2 of P.L.1988, c.29 (C.54A:6-22).

6. (New section) The agency is authorized to promulgate rules and regulations, pursuant to the provisions of the “Administrative Procedure Act,” P.L.1968, c.410 (C.52:14B-1 et seq.), to effectuate this program.

7. (New section) Notwithstanding the provisions of P.L.2008, c.22 (C.52:9H-2.1 et al.), there is appropriated from the Long Term Obligation and Capital Expenditure Fund the sum of \$25,000,000 to the Mortgage Stabilization Program Fund for the purposes of the Mortgage Stabilization Program, of which five percent may be used for the purposes of administering the program.

8. (New section) Sections 8 through 14 of P.L. , c. (C. ) (pending before the Legislature as this bill) shall be known and may be referred to as the “New Jersey Housing Assistance and Recovery Program.”

9. (New section) As used in sections 9 through 14 of P.L. , c. (C. ) (pending before the Legislature as this bill):

“Affordable rent” means monthly rent or lease payments that do not exceed 33% of the household’s monthly average gross income.

“Agency” means the New Jersey Housing and Mortgage Finance Agency established pursuant to P.L.1983, c.<sup>1</sup>[111] 530<sup>1</sup> (C.55:14K-1 et seq.).

“Commissioner” means the Commissioner of Community Affairs.

“Homeowner” means the individual who holds legal title to a residential real property that is the individual’s principal dwelling and is in imminent danger of foreclosure.

“Household” means a homeowner and individuals who resided with the homeowner at the time the lease-purchase agreement was executed and continue to reside with the homeowner at the time the agreement of sale is executed.

“HUD” means the United States Department of Housing and Urban Development.

“HUD certified housing counseling agency” means a community-based non-profit organization, as demonstrated by section 501 (c)(3) of the Internal Revenue Code of 1986, 26 U.S.C. s.501(c)(3), which has been certified by the United States Department of Housing and Urban Development as experienced in housing counseling for at least one year prior to receiving certification.

“Fund” means the Housing Assistance and Recovery Program Support Fund established by section 10 of P.L. , c. (C. ) (pending before the Legislature as this bill).

“Lease-purchase agreement” means a use and occupancy agreement approved by the agency whereby the sponsor acquires title to the homeowner’s property and agrees to permit the former homeowner to use and occupy the property for a period not to exceed 36 months at an affordable rent.

“Lender” means the owner of the homeowner’s mortgage.

“Maximum income limit” means a household income that does not exceed 120% of the area median income, as defined for New Jersey in guidelines published annually by the United States Department of Housing and Urban Development, or that does not exceed the New Jersey Housing and Mortgage Finance Agency’s Mortgage Revenue Bond Program income limits, whichever is greater.

“Program” means the “New Jersey Housing Assistance and Recovery Program.”

“Property” means a one-, two- or three-family dwelling that is the primary residence of the household.

“Sponsor” means a non-profit community development corporation, a non-profit housing counseling organization, or a public entity, including a municipality, county, or a municipal or county authority.

“Trained foreclosure prevention and default mitigation counselor” means a housing counselor employed by a HUD certified housing counseling agency who has successfully completed a foreclosure prevention and default mitigation training course provided by a nationally recognized homeownership education and counseling organization such as course HO345d-rq “Foreclosure Intervention and Default Counseling Certification Part I” provided by the NeighborWorks America Center for Homeownership Education and Counseling.

10. (New section) a. There is established in the New Jersey Housing and Mortgage Finance Agency a Housing Assistance and Recovery Program (HARP) Support Fund, for the purpose of providing support and aid to any sponsor who establishes a Housing Assistance and Recovery Program which meets the following requirements. The sponsor shall:

(1) upon application to the commissioner, be certified by the commissioner as eligible to participate in the Housing Assistance and Recovery Program by the commissioner;

(2) employ trained foreclosure prevention and default mitigation counselors or contract with a HUD certified counseling agency that employs trained foreclosure prevention and default mitigation counselors;

(3) provide counseling to the homeowner both before and after the execution of a lease-purchase agreement, which shall include contact information for legal services programs within the county where the property is located;

(4) screen and assess the eligibility of homeowners to repurchase the property and sustain the homeowner’s mortgage payments;

(5) have prior experience in (a) negotiating mortgage debt reduction from lenders, and (b) the purchase of distressed properties; and

(6) receive a commitment from a regulated financial institution or a government entity for a line of credit or other financing mechanism to purchase properties under a housing assistance and recovery program.

b. The lease-purchase agreement shall:

(1) include terms and conditions under which the sponsor shall convey the property to the homeowner at the expiration of the agreed upon use and occupancy period;

(2) enable the homeowner to continue to live in the property during the use and occupancy period for an affordable rent; and

(3) include a provision that the property will be sold back to the homeowner at a price not to exceed the price at which the sponsor purchased the property, plus any reasonable sponsor funded repair and maintenance costs.

c. Monies from the fund may be allocated solely for:

(1) appraisal of the property to determine current market value;

(2) construction and rehabilitation of the property to ensure compliance with all codes and standards;

(3) payment of property taxes accrued during sponsor's ownership of the property;

(4) maintenance of property insurance, including, but not limited to landlord liability and fire insurance coverage;

(5) payment of no more than \$25,000 toward the difference between the appraised value and the purchase price of the property; and

(6) any other activity the agency deems necessary to effectuate the purposes of the program.

d. No money allocated from the fund shall be used for the purchase of real property, other than as provided for in paragraph (5) of subsection c. of this section.

e. The agency shall conduct a quarterly audit of all funds received and expended for the program. The agency shall issue an annual report at the end of State fiscal year detailing the result of the quarterly audits for the prior State fiscal year. The annual report shall be completed no more than 60 day after the end of the State fiscal year. The annual report shall be provided to the commissioner and, pursuant to section 2 of P.L.1991, c.164 (C.52:14-19.1), to the Legislature and made available to the public on the Department of Community Affairs website.

11. (New section) A sponsor who receives monies from the fund and the homeowner shall execute a lease-purchase agreement, not to exceed a term of 36 months, that includes the following:

a. The terms and conditions under which the sponsor shall convey the property to the homeowner or other member of the household upon termination of the use and occupancy period;

b. Provisions permitting the homeowner and other members of the household to remain in the property during the use and occupancy period in exchange for an affordable rent; and

c. A provision that the property will be sold back to the homeowner or to another member of the household at a price not to exceed the price at which the sponsor purchased the property plus reasonable sponsor maintenance costs.

12. (New section) The Department of Community Affairs shall notify the agency in the event a sponsor fails to maintain compliance with the department's certification process.

13. (New section) The commissioner and the agency are authorized to promulgate rules and regulations, pursuant to the provisions of the “Administrative Procedure Act,” P.L.1968, c.410 (C.52:14B-1 et seq.), to effectuate this program.

14. (New section) Notwithstanding the provisions of P.L.2008, c.22 (C.52:9H-2.1 et al.), there is appropriated from the Long Term Obligation and Capital Expenditure Fund the sum of \$15,000,000 to the Housing Assistance and Recovery Program (HARP) Support Fund, for the purposes of effectuating the New Jersey Housing Assistance and Recovery Program, of which five percent may be used for the purposes of administering the program.

<sup>1</sup>[15. (New section) a. A creditor filing a notice of intention to foreclose on a covered mortgage loan, pursuant to the “Fair Foreclosure Act,” P.L.1995, c.244 (C.2A:50-53 et seq.), shall file within 30 days of that notice an initial foreclosure report with the Department of Banking and Insurance on a form prescribed by the department by regulation, which shall include but not be limited to:

(1) the terms of the mortgage, including interest rate, rate adjustments, prepayment fees, negative amortization, and such other terms as the department may specify;

(2) the date of the mortgage;

(3) the maker of the mortgage;

(4) the current holder and servicer of the mortgage, including contact information for a responsible individual employed by the servicer;

(5) all efforts made by the creditor to negotiate any modifications to the mortgage or payments required under it with the borrower; and

(6) the amount due on the mortgage, including interest and penalties.

b. A creditor filing an initial foreclosure report as required by subsection a. of this section shall file a quarterly supplementary foreclosure report on each quarterly anniversary of filing the notice of intention to foreclose, up until the entry of judgment of foreclosure. The quarterly supplemental report shall set forth:

(1) the status of foreclosure proceedings;

(2) the amount due on the mortgage, including interest and penalties;

(3) a description of all efforts made by the creditor during the preceding 90 days to negotiate any modifications to the mortgage or payments required under it with the borrower; and

(4) any alternatives to foreclosure, including any sales or conveyances, and any modifications to the mortgage or payments required under it, entered into between the creditor and the borrower.

c. The creditor shall provide a copy of the initial foreclosure report and the quarterly supplemental foreclosure report to the court and to the borrower, and shall also provide a copy of the reports to a qualified counseling entity upon submission by the entity of a letter signed by the borrower authorizing release of the reports to the entity.

d. Within three months of the effective date of this act, the Department of Banking and Insurance shall adopt and promulgate forms for the initial and supplementary foreclosure reports required under this section.]<sup>1</sup>

<sup>1</sup>15. (New section) a. A creditor that institutes a mortgage foreclosure action in the Superior Court of New Jersey shall report to the Department of Banking and Insurance, on a quarterly basis and on a form promulgated by the department, information about the number of mortgage foreclosure actions filed by the creditor in the State.

b. The Department of Banking and Insurance shall produce a report, on a quarterly basis; detailing information about mortgage foreclosures filed by creditors in each county of the State,

and shall make the report available to the public on its website. The report shall describe the type of mortgage being foreclosed on based on the following categories:

- (1) prime rate mortgages foreclosed upon;
- (2) subprime rate mortgage foreclosed upon;
- (3) fixed rate mortgages foreclosed upon;
- (4) adjustable rate mortgages foreclosed upon;
- (5) nonconforming mortgages, as defined by Fannie Mae, Freddie Mac, or their successors;
- (6) mortgages insured by the Federal Housing Administration foreclosed upon;
- (7) mortgages insured by the Veteran's Administration foreclosed upon; and
- (8) any other category of classification the department deems appropriate to effectuate the purpose of this section.

c. The Department of Banking and Insurance, pursuant to the Administrative Procedure Act," P.L.1986, c.410 (C.52:14B-1, et seq) shall adopt regulations necessary to effectuate the purpose of this section.<sup>1</sup>

<sup>1</sup>16. (New section) a. A creditor that files, pursuant to the "Fair Foreclosure Act," P.L.1995, c.244 (C.2A:50-53 et seq.), a complaint of foreclosure on a high risk mortgage loan, shall grant the borrower a six month period of forbearance to pursue a loan workout, loan modification, refinancing, or other alternative through mediation sponsored by the Administrative Office of the Courts. During the six month forbearance period, the interest rate on the covered mortgage loan shall not increase and the creditor shall take no further action to pursue foreclosure of the property. Nothing in this subsection shall constitute a limitation on the ability of the creditor and borrower to participate in mediation sponsored by the Administrative Office of the Courts or enter into an agreement as a result of that mediation pursuant to subsection b. of this section.

As used in this section:

"Forbearance" means a period of six months during which the judicial foreclosure proceedings filed by the creditor against the borrower are suspended; however the borrower is obligated to continue making monthly mortgage payments.

"High Risk Mortgage" means the first mortgage loan that has one or more of the following characteristics:

- is an interest only mortgage with a future interest reset rate;
- has a reset mortgage interest rate that increases the interest rate;
- contains a payment option plan or a "pick a payment" plan;
- contains a negative amortization schedule;
- is a subprime mortgage;
- contains an enforceable prepayment penalty; or
- is a high cost home loan as defined by the "New Jersey Home Ownership Security Act of 2002," P.L.2003, c.64 (C.46:10B-28).

b. Upon filing of a complaint for foreclosure, and the beginning of the six month forbearance period, the borrower and creditor shall participate in mediation sponsored by the Administrative Office of the Courts.

c. If the borrower ceases to occupy the property at any time subsequent to the period of forbearance under this section, the creditor may notify the court, and upon notification the period of forbearance shall be deemed to have ended.

d. The provisions of this section shall expire two years following the effective date of this P.L. , c. (pending before the Legislature as this bill).<sup>1</sup>

<sup>1</sup>[16.] 17.<sup>1</sup> (New section) a. A creditor serving a notice of intention to foreclose on a mortgage on residential property in this State shall serve the public officer of the municipality in

which the property is located, or, if the municipality has not designated a public officer pursuant to P.L.1942, c.112 (C.40:48-2.3 et seq.), the municipal clerk, with a copy of the notice at the same time it is served on the owner of the property. <sup>1</sup>[The copy served on the public officer or municipal clerk shall include the full name and contact information of an individual located within the State who is authorized to accept service on behalf of the creditor] In the event that the property being foreclosed is an affordable unit pursuant to the “Fair Housing Act,” then the creditor shall identify that the property is subject to the “Fair Housing Act.” The copy served on the public officer or municipal clerk shall include the full name and contact information of an individual located within the State who is authorized to accept service on behalf of the creditor<sup>1</sup>.

b. If a residential property becomes vacant at any point subsequent to the creditor’s filing the notice of intention to foreclose, but prior to vesting of title in the creditor or any other third party, and the property is found to be a nuisance or in violation of any applicable State or local code, the local public officer or municipal clerk shall notify the creditor, which shall have the responsibility to abate the nuisance or correct the violation in the same manner and to the same extent as the title owner of the property, to such standard or specification as may be required by the public officer or municipal clerk.

c. If the municipality expends public funds in order to abate a nuisance or correct a violation on a residential property in situations in which the creditor was given notice pursuant to the provisions of subsection b. of this section but failed to abate the nuisance or correct the violation as directed, the public officer or municipal clerk shall have the same recourse against the creditor as it would have against the title owner of the property, including but not limited to the recourse provided under section 23 of P.L.2003, c.210 (C.55:19-100).

<sup>1</sup>[17.] 18.<sup>1</sup> (New section) A consumer reporting agency or any other business entity shall not sell to, or exchange with, a third party, unless the third party holds an existing mortgage loan on the property, the existence of a credit inquiry arising from a consumer mortgage loan application when the sale or exchange is triggered by an inquiry made in response to an application for credit. This section shall not apply to information provided by a mortgage originator or servicer to a third party providing services in connection with the mortgage loan origination or servicing; a proposed or actual securitization; secondary market sale, including sales of servicing rights; or similar transaction related to the consumer mortgage loan.

<sup>1</sup>19. Section 8 of P.L.1983, c.530 (C.55:14K-8) is amended to read as follows:

8. a. Admission to housing projects constructed, improved or rehabilitated under this act shall be limited to families whose gross aggregate family income at the time of admission does not exceed six times the annual rental or carrying charges, including the value or cost to them of heat, light, water, sewerage, parking facilities and cooking fuel, of the dwellings that may be furnished to such families, or seven times those charges if there are three or more dependents. There may be included in the carrying charges to any family for residence in any mutual housing project constructed, improved or rehabilitated with a loan from the agency an amount equal to 6% of the original cash investment of the family in the mutual housing project and, to the extent authorized by the agency where not included in the carrying charges, the value or cost of repainting the apartment and replacing any fixtures or appliances. Notwithstanding the provisions of this section, no family or individual shall be eligible for admission to any housing project constructed, improved or rehabilitated with a loan from the agency, whose gross aggregate family income exceeds such amount as shall be established from time to time by the agency, by rules or regulations promulgated hereunder; except that with respect to any project financed by an agency loan insured or guaranteed by the United States of America or any agency

or instrumentality thereof, the agency may adopt the admission standards for such projects then currently utilized or required by the guarantor or insurer.

The provisions of this subsection shall not apply to any housing project that the agency determines is necessary to promote the long term development and viability of a neighborhood and spur its revitalization or is situated in a qualified municipality that is constructed, improved or rehabilitated on or after the date upon which the commissioner determines that the municipality fulfills the definition of a qualified municipality pursuant to section 4 of P.L.2002, c.43 (C.52:27BBB-4).

b. The agency shall by rules and regulations provide for the periodic examination of the income of any person or family residing in any housing project constructed, improved or rehabilitated with a loan from the agency. If the gross aggregate family income of a family residing in a housing project increases and the ratio to the current rental or carrying charges of the dwelling unit becomes greater than the ratio prescribed for admission in subsection a. of this section but is not more than 25% above the family income so prescribed for admission to the project, the owner or managing agent of the housing project shall permit the family to continue to occupy the unit. The agency or (with the approval of the agency) the housing sponsor of any housing project constructed, improved or rehabilitated with a loan from the agency, may terminate the tenancy or interest of any family residing in the housing project whose gross aggregate family income exceeds by 25% or more the amount prescribed herein and which continues to do so for a period of six months or more; but no tenancy or interest of any such family in any such housing project shall be terminated except upon reasonable notice and opportunity to obtain suitable alternate housing, in accordance with rules and regulations of the agency; and any such family, with the approval of the agency, may be permitted to continue to occupy the unit, subject to payment of a rent or carrying charge surcharge to the housing sponsor in accordance with a schedule of surcharges fixed by the agency. The housing sponsor shall pay the surcharge to the municipality granting tax exemption, but only up to an amount that together with payments made to the municipality in lieu of taxes and for any land taxes equals 25% of the total rents or carrying charges of the housing project for the current and any prior years that the project has been in operation.

The provisions of this subsection shall not apply to any housing project situated in a qualified municipality that is constructed, improved or rehabilitated on or after the date upon which the commissioner determines that the municipality fulfills the definition of a qualified municipality pursuant to section 4 of P.L.2002, c.43 (C.52:27BBB-4).

c. For projects on which the agency has made a loan and financed the loan with the proceeds of bonds issued prior to January 1, 1973, any remainder of the surcharge, or the total surcharge if tax exemption has not been granted, shall be paid into the housing finance fund securing the bonds issued to finance the project for the use of the agency; for projects financed on or after January 1, 1973, any remainder of the surcharge, or the total surcharge if tax exemption has not been granted, shall be paid to the agency.

d. Any family residing in a mutual housing project required to remove from the project because of excessive income as herein provided shall be discharged from liability on any note, bond or other evidence of indebtedness relating thereto and shall be reimbursed, in accordance with the rules of the agency, for all sums paid by the family to the housing sponsor on account of the purchase of stock or debentures as a condition of occupancy or on account of the acquisition of title for such purpose.

The provisions of this subsection shall not apply to any housing project situated in a qualified municipality that is constructed, improved or rehabilitated on or after the date upon which the commissioner determines that the municipality fulfills the definition of a qualified municipality pursuant to section 4 of P.L.2002, c.43 (C.52:27BBB-4).

e. The agency shall establish admission rules and regulations for any housing project financed in whole or in part by loans authorized hereunder which shall provide priority categories for persons displaced by urban renewal projects, highway programs or other public works, persons living in substandard housing, persons and families who, by reason of family income, family size or disabilities, have special needs, elderly persons and families living under conditions violative of minimum health and safety standards.

The provisions of this subsection shall not apply to any housing project situated in a qualified municipality that is constructed, improved or rehabilitated on or after the date upon which the commissioner determines that the municipality fulfills the definition of a qualified municipality pursuant to section 4 of P.L.2002, c.43 (C.52:27BBB-4).<sup>1</sup>  
(cf: P.L.2002, c.108, s.15)

<sup>1</sup>[18.] 20.<sup>1</sup> Section 2 of P.L.1988, c.29 (C.54A:6-22) is amended to read as follows:

2. Gross income shall not include payments and benefits directly received by a taxpayer under homeless persons' assistance programs, including but not limited to assistance in obtaining housing, temporary shelter and short-term financial assistance, as may be established pursuant to subsection h. of section 24 of P.L. 1944, c. 85 (C. 52:27C-24), or benefits, including imputed income, received pursuant to the "Mortgage Stabilization and Relief Act," P.L. , c. (C. ) (pending before the Legislature as this bill).  
(cf: P.L.1988, c.29, s.2)

<sup>1</sup>[19.] 21.<sup>1</sup> This act shall take effect immediately, but sections 3 through 5, sections 7 through 12, and sections 14 through <sup>1</sup>[18] 20<sup>1</sup> shall remain inoperative until the first day of the third month next following the date of enactment.