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Proposed New Jersey Legislation Seeks to Transform Foreclosed Homes into Affordable Housing

By Brian P. Kowalski and Michael C. Barnes

On February 9, 2012, New Jersey Senators Raymond Lesniak and Barbara Buono introduced legislation to both address the increase in foreclosed homes in New Jersey and help local municipalities meet their obligation to provide affordable housing. The proposed legislation, titled the “New Jersey Residential Foreclosure Transformation Act,” is intended to provide a mechanism for local municipalities and the State to convert vacant foreclosed homes into affordable housing for low and moderate income New Jersey residents.

The bill would establish the “New Jersey Foreclosure Relief Corporation” as a temporary entity within the New Jersey Housing and Mortgage Finance Agency. The Foreclosure Relief Corporation would be empowered to work with qualified community development financial institutions to purchase foreclosed properties from institutional lenders and convey those properties as affordable housing. Municipalities in which the properties are located will have a right of first refusal to purchase the property and dedicate it as affordable housing. Municipalities that exercise their right and dedicate the property for affordable housing will receive a two-for-one credit against their affordable housing obligations. A municipality may use any available funding source to purchase eligible properties, except funds that are dedicated to another purpose by law, covenant or other obligation. If a municipality does not exercise its right to purchase the property, then the Foreclosure Relief Corporation may use funds deposited in the municipality’s affordable housing trust fund to purchase the eligible property and convey it to another public agency, a community development corporation, a developer or a qualifying household.

Saul Ewing’s Public Finance Practice will be monitoring developments related to the New Jersey Residential Foreclosure Transformation Act. In the event the legislation is passed, our lawyers

will be available to help municipalities understand the law and take full advantage of the new program. For more information on the proposed legislation, please contact Brian P. Kowalski (609-452-5046, bkowalski@saul.com), Partner in the Public Finance Practice of Saul Ewing LLP, or any other member of the Saul Ewing LLP Public Finance Practice.

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