

Committee OKs help for some mortgages

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TRENTON — A state Senate committee Monday approved two measures aimed at easing mortgage-market problems for people who took out home loans they can no longer afford to repay as real-estate values are dropping.

Lengthy debate preceded the two votes. One bill would extend the introductory rate for subprime, adjustable-rate mortgages that are verging higher. The second would create a roughly \$30 million fund to provide mortgage counseling and emergency loans.

"This problem is huge," said Sen. Nia Gill, D-Essex, chairwoman of the Senate Commerce Committee.

Citizen Action, an advocacy group, said New Jersey has doubled the number of foreclosed homes from 2006 to this year, from 23,000 then to 50,000 now. It said the state has rocketed from being the 14th-highest in the nation in foreclosures to fifth.

Conflicting arguments in the nationwide crisis say borrowers must be responsible for the loans they incur or that lenders granted souped-up loans deceptively or gave them to applicants who possessed no sound financial footing for buying real estate.

The approved New Jersey measures can next head to the Senate floor.

The first measure, sponsored by Gill, gives a homeowner facing disclosure three years to continue paying at the subprime rate while trying to work out new arrangements with the lender.

While other business advocates objected to the bill, Robert Levy, speaking for the Mortgage Bankers' Association of New Jersey, said his group gave it an OK.

"It helps to stabilize the marketplace. ... A three-year period makes them take stock of their lives," said Levy, adding that banks want to avoid the time-consuming process of foreclosing, maintaining and selling a home.

However, Sen. Gerald Cardinale, R-Bergen, said, "The only redeeming factor is that it is going to die in three years," adding, "It's an experiment."

The second measure, authored by Sen. Ronald Rice, D-Essex, also gives homeowners an added window — six months to negotiate a solution with the foreclosing lender.

It also creates a fund of some \$27 million to \$33 million by plucking \$2,000 from a bank each time it forecloses on a home.

This money would pay for counseling and to make catch-up loans to foreclosed owners, prompting Cardinale to rail against the prospect that advocates for the measure had a conflict of interest. He also complained the same advocates would become unregulated lenders.

"You are in favor, but it creates a pool of money from which you would be paid," Cardinale lectured to Diane Sterner, executive director of the Housing and Community Development Network of New Jersey.

"It does have issues," Gill said of the bill. "But it is worth a full, fair hearing with other senators."