

# RULE ADOPTIONS

## DEPARTMENT OF BANKING AND INSURANCE

(a)

### DIVISION OF BANKING

#### Notice of Readoption

#### Safe and Sound Methods of Banking

#### Readoption: N.J.A.C. 3:7

Authority: N.J.S.A. 17:1-15.e, 17:9A-256, 17:9A-260, 17:12B-73, 17:12B-171, 17:12B-172, 17:12B-176, and 17:12B-319.

Authorized By: Justin Zimmerman, Commissioner, Department of Banking and Insurance.

Effective Date: April 7, 2025.

New Expiration Date: April 7, 2032.

Take notice that pursuant to N.J.S.A. 52:14B-5.1, the rules at N.J.A.C. 3:7 were scheduled to expire on May 10, 2025. The rules promote safe and sound banking methods.

N.J.A.C. 3:7-1 requires any bank, savings bank, or State association that permits counsel to handle funds to procure an endorsement rider to its fidelity bond procured pursuant to N.J.S.A. 17:9A-115 or 17:12B-73.

N.J.A.C. 3:7-2 requires a bank, savings bank, or State association to periodically review fire insurance policies supporting loans secured by mortgages and real estate owned by them, or use other prudent means instead of periodic review, to protect itself from exposure to loss from insufficient insurance coverage. Additionally, a bank, savings bank, or State association must retain and file closing statements and must annually verify the payment of real estate taxes by its mortgage borrowers.

N.J.A.C. 3:7-3 sets forth, among other things, the definitions of terms used in the subchapter, the time period in which an examination must commence, the requirements for the confirmation of deposits and debts, the exclusions from the confirmation program, the terms governing the confirmation by internal auditors, the provisions for sampling to achieve a satisfactory confirmation level, the performance and frequency of examination scope, and the minimum audit scope to be performed in a bank and savings bank.

N.J.A.C. 3:7-4 remains reserved.

N.J.A.C. 3:7-5 sets forth the definitions of terms used therein and establishes the procedures for every director and executive officer of a bank, savings bank, or State association to submit a "statement of interest" to the Department of Banking and Insurance (Department) that discloses the business interest of the director or officer or his or her family with the institution.

The Department has reviewed N.J.A.C. 3:7 and has determined that the existing rules continue to be necessary, reasonable, and proper for the purpose for which they were originally promulgated. Accordingly, pursuant to N.J.S.A. 52:14B-5.1.c(1), these rules are readopted and shall continue in effect for a seven-year period.

## COMMUNITY AFFAIRS

(b)

### NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY

#### New Jersey Housing and Mortgage Finance Agency Rules

Adopted Amendments: N.J.A.C. 5:80-1.3, 8.4, 13.3, 13.4, 13.6, 13.9, 14.4, 14.5, 14.6, 14.8, 21.1, and 21.2

Adopted New Rule: N.J.A.C. 5:80-21.2

Adopted Repeals: N.J.A.C. 5:80-13.2, 13.8, 14.1, 14.2, 14.3, and 14.7

Proposed: November 18, 2024, at 56 N.J.R. 2215(a).

Adopted: April 4, 2025, by New Jersey Housing and Mortgage Finance Agency, Melanie R. Walter, Executive Director.

Filed: April 5, 2025, as R.2025 d.053, with non-substantial changes not requiring additional public notice and comment (see N.J.A.C. 1:30-6.3).

Authority: N.J.S.A. 55:14K-5.g.

Effective Date: May 5, 2025.

Expiration Date: May 30, 2031.

#### Summary of Public Comment and Agency Responses:

The New Jersey Housing and Mortgage Finance Agency (Agency) received one comment from Jean Public.

1. COMMENT: The commenter states that they are "opposed to most of the changes ... [T]he gov[ernmen]t should not be in the banking business[.]" opining that government-operated businesses are "run poorly compared to private businesses."

RESPONSE: The Agency acts within the scope of the powers granted to it by the Legislature in the New Jersey Housing and Mortgage Finance Agency Law of 1983, N.J.S.A. 55:14K-1 et seq., specifically 55:14K-5. To the extent the commenter objects to those powers authorizing the Agency to engage in the "banking business," the commenter's concerns should be addressed to the Legislature. An evaluation of the merits of governmental enterprises vis-à-vis private businesses is beyond the scope of this rulemaking.

2. COMMENT: "[A]s to subchapter general-opposed[.]"

RESPONSE: The Agency assumes the commenter is referring to proposed amendments at Subchapter 1, General Provisions. Without a basis being stated for the commenter's opposition, the Agency cannot meaningfully respond to the comment. The Agency stands behind and adopts the proposed amendments at Subchapter 1.

3. COMMENT: "[A]s to subchapter 13 [I] oppose 2, 3, 4, 5 and 6[.]"

RESPONSE: Without a basis being stated for the commenter's opposition, the Agency cannot meaningfully respond to the comment. The Agency stands behind and adopts the proposed amendments and repeals at Subchapter 13.

4. COMMENT: "[A]s to subchapter 14 [I] opposed [sic] 7, 8, 9, 10, 11[.]"

RESPONSE: Without a basis being stated for the commenter's opposition, the Agency cannot meaningfully respond to the comment. The Agency stands behind and adopts the proposed amendments and repeals at Subchapter 14.

5. COMMENT: "[A]s to subchapter 21 ... [I] oppose 12, 13, 14, 15[.]"

RESPONSE: Without a basis being stated for the commenter's opposition, the Agency cannot meaningfully respond to the comment. The Agency stands behind and adopts the proposed amendments and new rule at Subchapter 21.

6. COMMENT: "[A]s to social impact[,] the result will be higher taxes for [New Jersey] citizens."

RESPONSE: The Agency disagrees with the commenter's position that the amendments, new rule, and repeals will result in higher taxes for New Jersey citizens. As stated in the notice of proposal, the rulemaking is primarily intended to clarify, simplify, and update practices related to the Agency's single-family loan programs. Additionally, as the Agency is largely self-supporting, there is no basis for supposing the changes will result in increased taxes.

7. COMMENT: "[A]s to economic impact, the results will be higher taxes for [New Jersey] citizens."

RESPONSE: The Agency disagrees with the commenter's position that the amendments, new rule, and repeals will result in higher taxes for New Jersey citizens. As stated in the notice of proposal, the rulemaking is primarily intended to clarify, simplify, and update practices related to the Agency's single-family loan programs. Additionally, as the Agency is largely self-supporting, there is no basis for supposing the changes will result in increased taxes.

#### Federal Standards Statement

The Agency finds that the adopted amendments, new rule, and repeals do not exceed any known standards or requirements imposed by Federal law. Accordingly, a Federal standards analysis is not required.

Full text of the adopted amendments and new rule follows (addition to proposal indicated in boldface with asterisks \*thus\*):

### SUBCHAPTER 1. GENERAL PROVISIONS

#### 5:80-1.3 General definitions

The following words and terms, when used in this chapter, shall have the following meanings, unless the context clearly indicates otherwise.

...

"Mortgage Purchase Agreement" means an agreement entered into between a mortgage seller and the Agency pursuant to which the mortgage seller agrees to deliver and sell to the Agency and the Agency agrees to purchase single-family mortgage loans.

"Mortgage Servicing Agreement" means an agreement entered into between a mortgage servicer or sub-servicer or other person acceptable to the Agency and the Agency pursuant to which the mortgage servicer or sub-servicer or other person agrees to service mortgage loans purchased by the Agency from such mortgage seller pursuant to a Mortgage Purchase Agreement.

...

"Single-family home improvement loan" means an eligible loan for the rehabilitation or improvement of a unit or structure that contains no more than four dwelling units where at least 90 percent of the structure or single dwelling unit is devoted to residential use and at least one such dwelling unit is owner-occupied.

"Single-family mortgage loan" means any mortgage loan for a structure that contains no more than four dwelling units, at least one of which is owner-occupied and may include an owner-occupied single dwelling unit within a condominium or cooperative apartment. Those areas which are non-residential in use shall not exceed those specified by the Federal Housing Administration Property Standards for one or two living units as in effect from time to time.

...

### SUBCHAPTER 8. OCCUPANCY REQUIREMENTS REGARDING INCOME

#### 5:80-8.4 Special Multiple Family Units within housing projects located in municipalities affected by casino gaming

(a)-(c) (No change.)

(d) A single-family is deemed to exist among two or more individuals if those individuals have a joint personal economic relationship, other than their mutual interest in renting the same dwelling unit. Joint ownership of personal assets, commingling of personal accounts, economic dependency among the individuals, and/or the joint filing of income tax returns shall be evidence of a joint personal economic relationship.

(e)-(f) (No change.)

### SUBCHAPTER 13. MAKING OR PURCHASING ELIGIBLE LOANS FOR SINGLE-FAMILY MORTGAGES

#### 5:80-13.2 (Reserved)

#### 5:80-13.3 Adoption of Policy and Procedures for Participating Lenders Guide and Mortgage Purchase Agreement

The Agency may adopt an appropriate Policy and Procedures for Participating Lenders Guide (Seller's Guide) and Mortgage Purchase Agreement describing and regulating the participation of lenders proposing to sell mortgage loans to the Agency, which shall consider, among other things, the amounts of the commitments requested by the various mortgage sellers, the financial strength and stability of the mortgage seller, the mortgage loan originating and servicing activity, and the ability of the mortgage seller to originate and/or service single-family mortgage loans pursuant to the terms and conditions of the Seller's Guide and Mortgage Purchase Agreement.

#### 5:80-13.4 Execution of mortgage purchase agreement, term sheet, or fact sheet

The Agency and each mortgage seller will enter into a Mortgage Purchase Agreement stating the conditions pursuant to which sellers will originate and the Agency will purchase mortgage loans financed pursuant to this section. The Agency's current Seller's Guide and Mortgage Purchase Agreement are available on the Agency's website at [https://www.nj.gov/dca/hmfa/lenders/docs/len\\_sellerguide\\_07012024.pdf](https://www.nj.gov/dca/hmfa/lenders/docs/len_sellerguide_07012024.pdf) and [https://www.nj.gov/dca/hmfa/lenders/docs/len\\_mortgage\\_purchase\\_agreement.pdf](https://www.nj.gov/dca/hmfa/lenders/docs/len_mortgage_purchase_agreement.pdf), respectively. The Agency will provide a term sheet or fact sheet for each mortgage program, which shall set forth the terms of all loans and other requirements. All loans must conform to the requirements of the term sheet or fact sheet, which shall be incorporated into the Mortgage Purchase Agreement by reference.

#### 5:80-13.5 Eligible neighborhoods

The Agency may designate special areas of the State in which the purchase of mortgage loans by the Agency will best effectuate the general purposes of the Act and the objectives of expansion of supply of funds in the State available for single-family mortgage loans, provision of additional housing needs to remedy the shortage of adequate housing in the State and elimination of substandard dwellings. If the Agency makes such a designation, special allocations and conditions may be imposed or waived for single-family mortgage loans in these areas.

#### 5:80-13.6 Limitations on loans

The Agency may set limitations on the principal amounts of mortgage loans, the purchase prices of homes to be financed, or upon the incomes of homebuyers in any area in order to effectuate the purposes of the Act.

#### 5:80-13.8 Purchase of Agency bonds

No mortgage seller (including any related person thereof, as defined at Section 103(b)(6)(C) of the Internal Revenue Code) shall, pursuant to any arrangement, formal or informal, purchase the bonds of the Agency in an amount related to the amount of the mortgage loans to be purchased from such mortgage seller (or related person, as aforesaid) by the Agency.

### SUBCHAPTER 14. MAKING OR PURCHASING ELIGIBLE LOANS FOR SINGLE-FAMILY HOMES

#### 5:80-14.1 Unsecured single-family home improvement loans

Single-family home improvement loans, if offered by the Agency and which are not secured by a mortgage on the property being improved or rehabilitated, shall be limited to loans specified in the term sheet or fact sheet for each single-family home improvement loan program fully insured pursuant to the Federal Housing Administration Title I Property Improvement Loan Program.

#### 5:80-14.2 Eligibility requirements

The Agency may designate income and other limitations with respect to persons eligible to receive single-family home improvement loans and with respect to the use of proceeds of single-family home improvement loans by such persons, which limitations may vary according to geographical area, in order that the purchase of single-family home improvement loans by the Agency shall best effectuate the general

purpose of the Act and the objectives of expansion of the supply of funds in the State available for single-family home improvement loans, provision of additional housing needed to remedy the shortage of adequate housing in the State, and elimination of substandard and energy inefficient dwellings. The Agency may set limitations on the principal amounts of single-family home improvement loans to effectuate the aforesaid purposes of the Act.

#### 5:80-14.3 Regulation of points charged by mortgage sellers

The Agency may regulate, limit, or prohibit the charge or collection of any commitment fee, premium, bonus, points, or other fees in connection with the origination of single-family home loans by a mortgage seller on loans to be purchased by the Agency.

#### 5:80-14.4 Purchase of Agency bonds

No mortgage seller (including any related person thereof, as defined at Section 103(b)(6)(C) of the Internal Revenue Code) shall, pursuant to any arrangement, formal or informal, purchase the bonds of the Agency in an amount related to the amount of the single-family home improvement loans to be purchased from such mortgage seller (or related person, as aforesaid) by the Agency.

### SUBCHAPTER 21. TRANSFER OF SERVICING OF SINGLE-FAMILY MORTGAGE LOANS

#### 5:80-21.1 General applicability

(a) The rules set forth at N.J.A.C. 5:80-21.1, 21.2, 21.3, and 21.4 shall apply to all servicers of Agency single-family mortgage program loans upon:

- 1.-2. (No change.)
  3. Sale or transfer of the portfolio of Agency loans to another servicer;
  - or
  4. (No change.)
- (b) (No change.)

#### 5:80-21.2 Servicer and sub-servicer compliance requirements

Servicers and sub-servicers proposing to service mortgage loans made or acquired by the Agency shall comply with the terms of any contract entered into with the Agency and with the Agency's Policy and Procedures for Participating Lenders (Seller's Guide) and Mortgage Program Servicing Guide. The Seller's Guide and the Mortgage Program Servicing Guide are both available on the Agency's website at [https://www.nj.gov/dca/hmfa/lenders/docs/len\\_sellersguide\\_07012024.pdf](https://www.nj.gov/dca/hmfa/lenders/docs/len_sellersguide_07012024.pdf) and [https://www.nj.gov/dca/hmfa/lenders/docs/len\\_servicingguide.pdf](https://www.nj.gov/dca/hmfa/lenders/docs/len_servicingguide.pdf), respectively.

#### 5:80-21.3 Agency review and approval of transfer

(a) No servicer may enter into any transfer as specified at N.J.A.C. 5:80-21.1 without obtaining prior written consent of the Agency. Approval of all transfers shall be made by the Executive Director.

(b) In order for a transfer to be approved, the successor servicer must meet all of the requirements set forth at the Agency's current Seller's Guide and, if applicable, form of Mortgage Servicing Agreement, including the following:

1. Have a demonstrable ability to service an Agency portfolio of the size to be transferred;
  - 2.-7. (No change.)
  8. Provide evidence of fidelity insurance, errors and omission insurance, and other insurance required by the Agency;
  - 9.-10. (No change.)
- (c) (No change.)

Recodify existing 5:80-21.3, 21.4, and 21.5 as \*21.4, 21.5, and 21.6\*  
(No change in text.)

(a)

### GARDEN STATE HISTORIC PRESERVATION TRUST FUND

#### Notice of Readoption

#### Garden State Historic Preservation Trust Fund Grants Program

#### Readoption: N.J.A.C. 5:101

Authority: N.J.S.A. 13:1B-15.114.c and 13:8C-42.

Authorized By: New Jersey Historic Trust, Peter Lindsey, P.E., Chair.

Effective Date: March 31, 2025.

New Expiration Date: March 31, 2032.

Take notice that, pursuant to N.J.S.A. 52:14B-5.1, the rules at N.J.A.C. 5:101 were scheduled to expire on June 5, 2025. The rules provide the procedures and criteria through which the New Jersey Historic Trust (Trust) makes grants for the planning, preservation, improvement, restoration, stabilization, rehabilitation, and protection of historic properties. The Garden State Historic Preservation Trust Fund Grants Program was established by the Garden State Preservation Trust Fund Act (Act), N.J.S.A. 13:8C-1 et seq. Properties must be owned by the applicant organization or leased on a long-term lease basis. The minimum term required of a lease arrangement is 15 years.

The New Jersey Historic Trust, a body corporate and politic, in but not of, the Department of Community Affairs, is a nonprofit historic preservation organization created to preserve and protect New Jersey's historic resources. A 15-member board of trustees governs the Trust. Twelve members are private citizens appointed by the Governor. Three members serve ex-officio, representing the State Treasurer, the Commissioner of the Department of Community Affairs, and the Commissioner of the Department of Environmental Protection.

The rules establish eligibility criteria for these historic preservation grants. These criteria define who is eligible to obtain a grant; what types of property can be the subject of an activity funded by a grant; and what activities are eligible for funding.

The rules consist of five subchapters. Subchapter 1 sets forth the general provisions, including the definitions that should be used to interpret the rules.

Subchapter 2 sets forth rules that govern the application procedure and eligibility for historic preservation grants. These rules include provisions about applications, properties, and activities that are eligible to receive grants; procedures for the management of historic sites, capital grants, emergency intervention grants, acquisitions of easements, and special project grants; and also include provisions on the availability of matching funds.

Subchapter 3 sets forth rules that establish the parameters for the allocation of historic preservation grant funds. This subchapter sets forth the criteria for reviewing and ranking applications for grants and guidelines for the commencement of, and payment for, projects, as well as rules that govern grant amounts.

Subchapter 4 states what must occur in the event that a qualifying site for historical preservation has an easement.

Finally, Subchapter 5 sets forth the content and placement of signage that must be placed on a historic property receiving grant funds after those funds have been appropriated.

The Board of the New Jersey Historic Trust has reviewed the rules and has determined that they should be readopted without change. The rules are necessary, reasonable, and proper for the purpose for which they were originally promulgated. Therefore, pursuant to P.L. 2011, c. 45, these rules are readopted and shall continue in effect for a seven-year period.