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BULLETIN NO. 25-10

TO: ALL STATE CHARTERED BANKS, SAVINGS BANKS, SAVINGS AND LOAN ASSOCIATIONS, CREDIT UNIONS, RESIDENTIAL MORTGAGE LENDERS, AND MORTGAGE SERVICERS SUBJECT TO THE LAWS OF THIS STATE

FROM: JUSTIN ZIMMERMAN, COMMISSIONER

RE: UPDATES TO THE RESIDENTIAL MORTGAGE LENDING ACT PURSUANT TO P.L. 2025, c.56

On May 9, 2025, P.L. 2025, c.56 ("Chapter 56") was signed into law. Chapter 56 supplements the New Jersey Residential Mortgage Lending Act, N.J.S.A. 17:11C-51 to -89 by requiring financial institutions to provide mortgagors with the option of making either biweekly or semi-monthly mortgage payments; and establishing new requirements relating to escrow accounts. The law becomes effective on November 1, 2025, and while financial institutions are encouraged to implement the law as soon as possible for existing mortgage loans, it applies to mortgage loan agreements entered into on or after that date. The New Jersey Department of Banking and Insurance ("Department") is issuing this Bulletin to advise financial institutions of their obligations under Chapter 56.

Chapter 56 requires financial institutions to permit any mortgagor in good standing to elect to make mortgage payments on a biweekly or semi-monthly basis. For semi-monthly payments, the amount must equal one-half of the monthly contractual mortgage payment, inclusive of principal, interest, and escrow. For biweekly payments, the servicer must apply any amounts paid in excess of the total annual contractual payments for principal, interest, and escrow toward the reduction of principal.¹ In the case of an escrow shortfall, the law specifies that excess payments must first be applied to any unsatisfied escrow obligations before being applied to principal.

¹ Chapter 56 provides the following definitions: "**Financial institution**" means a State chartered bank, savings bank, savings and loan association, or credit union, licensed lender, or mortgage servicer subject to the laws of this State. "**Mortgage loan**" means a loan made to a natural person to whom credit is offered or extended primarily for personal, family, or household purposes which is secured by a mortgage constituting a lien on real property located in this State on which there is erected or to be erected a structure containing one, two, three, four, five, or six dwelling units, a portion of which structure may be used for nonresidential purposes, in the making of which the

Chapter 56 further provides that financial institutions must allow mortgagors to make additional payments toward their loan principal at any time without penalty.

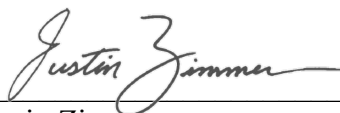
Chapter 56 also imposes certain requirements relating to deficiencies in escrow accounts, including in the case of biweekly and semi-monthly mortgage payment arrangements. If, at the time an escrow analysis is performed, the analysis projects an escrow shortage or otherwise results in an increase to escrow payments, Chapter 56 provides:

- (1) The mortgage servicer must provide notice of the change in mortgage payment as result of the escrow analysis, consistent with applicable federal regulations; adjust the recurring payment accordingly; and apply any excess amounts paid under a biweekly or semi-monthly arrangements first to any unsatisfied escrow obligations before being credited to principal, without penalty; and
- (2) Mortgagors may also elect to make a separate payment to address or eliminate a projected escrow shortage. To do so, the mortgagor must notify the financial institution of their intent to make this payment towards the escrow shortfall. Such a separate payment identified by the mortgage as intended to address the escrow deficiency, must be treated independently from any additional payments made by mortgagors towards the loan principal.

The Department reminds financial institutions that the law requires mortgage servicers to make the necessary systems and operational changes to ensure that they are in compliance with Chapter 56 upon the law taking effect on November 1, 2025. Financial institutions are strongly encouraged to implement changes for existing mortgage loans in addition to mortgage loan agreements entered into on or after November 1, 2025, as required by Chapter 56. Servicers should review their policies and procedures in order to: update disclosures, loan documents and servicing guides to reflect new payment options; train customer service staff to provide information to borrowers regarding available mortgage payment options and how extra payments are applied; and provide clear notices if escrow adjustments change a borrower's monthly payment.

10/31/2025

Date



Justin Zimmerman
Commissioner

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financial institution relies primarily upon the value of the property. **“Contractual mortgage payment”** means the total amount of the monthly mortgage loan payment, comprised of the principal payment, interest payment, and any additional amounts being collected and held in an escrow account, including for property taxes and homeowners insurance. **“Biweekly”** means every

two weeks. **“Semi-monthly”** means twice each month.