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J O I N T P U B L I C H E A R I N G

before

ASSEMBLY SENIOR CITIZENS COMMITTEE

AND

ASSEMBLY HOUSING COMMITTEE

To consider home equity conversions and property  
tax deferrals for senior citizens

February 21, 1989  
Ridgefield Park Civic Center  
Ridgefield, New Jersey

**MEMBERS OF SENIOR CITIZENS COMMITTEE PRESENT:**

Assemblyman Robert W. Singer, Chairman  
Assemblyman John O. Bennett

**MEMBERS OF HOUSING COMMITTEE PRESENT:**

Assemblyman John V. Kelly, Chairman  
Assemblyman Alex DeCroce

**ALSO PRESENT:**

Norma Svedosh  
Office of Legislative Services  
Aide, Assembly Senior Citizens Committee

John B. Lee  
Office of Legislative Services  
Aide, Assembly Housing Committee

**New Jersey State Library**

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Hearing Recorded and Transcribed by  
Office of Legislative Services  
Public Information Office  
Hearing Unit  
State House Annex  
CN 068  
Trenton, New Jersey 08625



JOHN V. KELLY  
CHAIRMAN

Alex DeCroce  
VICE-CHAIRMAN

STEPHANIE R. BUSH  
DAVID C. SCHWARTZ  
ROBERT C. SHINN, JR.

**New Jersey State Legislature**  
**ASSEMBLY HOUSING COMMITTEE**

STATE HOUSE ANNEX, CN-068  
TRENTON, NEW JERSEY 08625  
TELEPHONE: (609) 984-0231

FEBRUARY 1, 1989

**NOTICE OF A PUBLIC HEARING**

**THE ASSEMBLY SENIOR CITIZENS AND HOUSING COMMITTEES  
ANNOUNCE A PUBLIC HEARING ON SENIOR HOME EQUITY CONVERSION  
AND PROPERTY TAX REFERRAL**

**Tuesday, February 21, 1989  
Beginning at 11:00 A.M.  
Ridgefield Park Civic Center  
159 Park St.  
Ridgefield, New Jersey**

The Assembly Senior Citizens and Housing Committees will hold a joint public hearing on Tuesday, February 21, 1989 at 11:00 A.M. at the Ridgefield Park Civic Center, 159 Park Street, Ridgefield, New Jersey. The purpose of the hearing is to consider home equity conversions and property tax deferral for senior citizens. The committees will hear testimony on the following bills:

- |  |   |
|--|---|
| <b>A-1247<br/>(Rooney/<br/>Kelly)</b>      | <b>Establishes a program of reverse mortgages by the New Jersey Housing and Mortgage Finance Agency, appropriates \$5,000,000.</b>                          |
| <b>A-1599<br/>(Kelly)</b>                  | <b>Creates the Senior and Disabled Citizen Property Tax Relief Loan Fund, appropriates \$10 million from the Casino Revenue Fund.</b>                       |
| <b>A-2032<br/>(Karcher)</b>                | <b>The "Senior Citizens' Reverse Annuity Mortgage Act."</b>   |
| <b>A-4106<br/>Farragher/<br/>Kyrillos)</b> | <b>Provides for property tax deferrals for certain senior and disabled homeowners and appropriates \$5,500,000.</b>   |
| <b>A-4197<br/>(Schuber/<br/>Roma)</b>      | <b>Creates the Senior and Disabled Citizen Property Tax Relief Loan Fund; appropriates \$5 million from the Casino Revenue Fund.<br/>(pending referral)</b> |

Address any questions and requests to testify to Norma Svedosh, (Room 453, [609] 292-1646) or John B. Lee (Room 317), [609] 984-0231, State House Annex, Trenton, New Jersey, 08625. Typed copies of testimony are helpful to the committee (15 copies) just prior to the oral presentation, if at all possible. The chairmen may find it necessary to limit the number of witnesses or the time available for each witness.



ASSEMBLY, No. 1247  
STATE OF NEW JERSEY

Introduced Pending Technical Review by Legislative Counsel  
PRE-FILED FOR INTRODUCTION IN THE 1988 SESSION

By Assemblymen ROONEY and KELLY

AN ACT to establish a program of reverse mortgages under the administration of the New Jersey Housing and Mortgage Finance Agency, providing for the funding thereof, supplementing and amending the "New Jersey Housing and Mortgage Finance Agency Law of 1983," P.L. 1983, c. 530, and making an appropriation.

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

1. (New section) As used in this act:

"Agency" means the New Jersey Housing and Mortgage Finance Agency established by P.L. 1983, c.530 (C. 55:14K-1 et seq.).

"Reverse mortgage" means either a reverse annuity mortgage or a reverse direct payment mortgage as defined and regulated by and pursuant to the "Senior Citizen Homeowner's Income Security Act," P.L. 1979, c.140 (C. 46:10B-16 et seq.).

"Fund" means the Reverse Mortgage Loan Fund established pursuant to section 3 of P.L. .... c.... (C. ....) (now pending before the Legislature as this bill).

2. (New section) a. The agency is hereby authorized and directed to establish a program for making available reverse mortgages, which are hereby declared to be "eligible loans" within the meaning of the "New Jersey Housing and Mortgage Finance Agency Law of 1983," P.L. 1983, c.530 (C. 55:14K-1 et seq.) to persons eligible for such loans under the terms of P.L. 1979, c.140 (C. 46:10B-16 et seq.).

b. The agency shall, in accordance with the provisions of the "Administrative Procedure Act," P.L. 1968, c. 410 (C. 52:14B-1

EXPLANATION—Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

et seq.) adopt and promulgate such rules and regulations as may be necessary or expedient for carrying into effect the program directed by subsection a. of this section.

c. The agency shall, within 90 days from the promulgation of rules and regulations as directed in subsection b. of this section, take steps to effectuate the purposes of P.L. .... c....(C. ....) (now pending before the Legislature as this bill) by scheduling the issuance, over a period of not more than two years, of bonds of not less than \$20,000,000.00 par value.

3. (New section) a. The agency shall establish a Reverse Mortgage Loan Fund, into which shall be paid:

(1) Proceeds of bonds sold pursuant to subsection c. of section 2 of P.L. .... c....(C. ....) (now pending before the Legislature as this bill);

(2) Funds derived from payment of interest on and repayment of principal of eligible loans made under the program established pursuant to subsection a. of section 2 of P.L. .... c....(C. ....) (now pending before the Legislature as this bill);

(3) Money appropriated to the fund by section 5 of P.L. .... c....(C. ....) (now pending before the Legislature as this bill), or by any other act of the Legislature; and

(4) Any income from the investment of moneys in the fund not required for immediate use, pursuant to subsection q. of section 5 of P.L. 1983, c.530 (C. 55:14K-5).

b. Moneys in the fund shall be used for (1) making or purchasing eligible loans in connection with the program established pursuant to subsection a. of section 2 of P.L. .... c....(C. ....) (now pending before the Legislature as this bill), and (2) paying the principal of and interest on bonds issued pursuant to subsection c of section 2 of P.L. .... c....(C. ....) (now pending before the Legislature as this bill). There shall be reserved in the fund sufficient moneys to secure the punctual payment of interest and principal on such bonds; and no moneys in the fund shall be used for any other purpose if such use would reduce the amount reserved for such payment below the maximum amount of principal and interest on bonds maturing and becoming due within two years.

4. Section 3 of P.L. 1983, c.530 (C. 55:14K-3) is amended to read as follows:

3. As used in this act:

a. "Agency" means the New Jersey Housing and Mortgage Finance Agency as consolidated by section 4 of this act, or, if that agency shall be abolished by law, the person, board, body or commission succeeding to the powers and duties thereof or to whom its powers and duties shall be given by law.

b. "Boarding house" means any building, together with any related structure, accessory building, any land appurtenant thereto, and any part thereof, which contains two or more units of dwelling space arranged or intended for single room occupancy, exclusive of any such unit occupied by an owner or operator, including: (1) any residential hotel or congregate living arrangement, but excluding any hotel, motel or established guesthouse wherein a minimum of 85% the units of dwelling space are offered for limited tenure only; (2) a residential health care facility as defined in section 1 of P.L.1953, c. 212 (C. 30:11A-1) or licensed pursuant to P.L.1971, c.136 (C. 26:2H-1 et seq.); (3) any foster home as defined in section 1 of P.L. 1962, c. 137 (C. 30:4C-26.1); (4) any community residence for the developmentally disabled as defined in section 2 of P.L. 1977, c. 448 (C. 30:11B-2); (5) any dormitory owned or operated on behalf of any nonprofit institution of primary, secondary or higher education for the use of its students; (6) any building arranged for single room occupancy wherein the units of dwelling space are occupied exclusively by students enrolled in a full-time course of study at an institution of higher education approved by the Department of Higher Education; and (7) any facility or living arrangement operated by, or under contract with, any State department or agency.

c. "Bonds" mean any bonds, notes, bond anticipation notes, debentures or other evidences of financial indebtedness issued by the agency pursuant to this act.

d. "Continuing-care retirement community" means any work or undertaking, whether new construction, improvement or rehabilitation, which may be financed in part or in whole by the agency and which is designed to complement fully independent

residential units with social and health care services (usually including nursing and medical services) for retirement families and which is intended to provide continuing care for the term of a contract in return for an entrance fee or periodic payments, or both, and which may include such appurtenances and facilities as the agency deems to be necessary, convenient or desirable.

e. "Eligible loan" means a loan, secured or unsecured, made for the purpose of financing the operation, maintenance, construction, acquisition, rehabilitation or improvement of property, or the acquisition of a direct or indirect interest in property, located in the State, which is or shall be: (1) primarily residential in character or (2) used or to be used to provide services to the residents of an area or project which is primarily residential in character. The agency shall adopt regulations defining the term "primarily residential in character", which may include single-family, multi-family and congregate or other single room occupancy housing, continuing-care retirement communities, mobile homes and nonhousing properties and facilities which enhance the livability of the residential property or area; and specifying the types of residential services and facilities for which eligible loans may be made, which may include, but shall not be limited to, parking facilities, streets, sewers, utilities, and administrative, community, educational, welfare and recreational facilities, food, laundry, health and other services and commercial establishments and professional offices providing supplies and services enhancing the area. The term "loan" includes an obligation the return on which may vary with any appreciation in value of the property or interest in property financed with the proceeds of the loan, or a co-ventured instrument by which an institutional lender or the agency assumes an equity position in the property. Any undivided interest in an eligible loan shall qualify as an eligible loan. A reverse annuity mortgage or reverse direct payment mortgage made in conformity with the provisions of the "Senior Citizen Homeowner's Income Security Act," P.L. 1979, c.140 (C. 46:10B-16 et seq.) is an eligible loan within the meaning of this section.

f. "Family" means two or more persons who live or expect to live together as a single household in the same dwelling unit; but any individual who (1) has attained retirement age as defined in section 216a of the federal Social Security Act, or (2) is under a disability as defined in section 223 of that act, or (3) such other individuals as the agency by rule or regulation shall include, shall be considered as a family for the purpose of this act; and the surviving member of a family whose other members died during occupancy of a housing project shall be considered as a family for the purposes of permitting continued occupancy of the dwelling unit occupied by such family.

g. "Gross aggregate family income" means the total annual income of all members of a family, from whatever source derived, including but not limited to, pension, annuity, retirement and social security benefits; except that there may be excluded from income (1) such reasonable allowances for dependents, (2) such reasonable allowances for medical expenses, (3) all or any proportionate part of the earnings of gainfully employed minors, or (4) such income as is not received regularly, as the agency by rule or regulation may determine.

h. "Housing project" or "project" means any work or undertaking, other than a continuing-care retirement community, whether new construction or rehabilitation, which is designed for the primary purpose of providing rental housing of more than 25 dwelling units.

i. "Housing sponsor" means any person, partnership, corporation or association to which the agency has made or proposes to make a loan, either directly or through an institutional lender, for a housing project.

j. "Institutional lender" means any bank or trust company, savings bank, national banking association, savings and loan association, or building and loan association maintaining an office in the State, or any insurance company or any mortgage banking firm or mortgage banking corporation authorized to transact business in the State.

k. "Life safety improvement" means any addition, modification or repair to a boarding house which is necessary to

improve the life safety of the residents of the boarding house, as certified by the Department of Community Affairs.

l. "Life safety improvement loan" means an eligible loan the proceeds of which are to be used to finance, in whole or in part, the construction, acquisition or rendering of life safety improvements at or to boarding houses.

m. "Loan originator" means any bank or trust company, savings bank, national banking association, savings and loan association, or building and loan association maintaining an office in the State, or any insurance company or any mortgage banking firm or mortgage banking corporation authorized to transact business in the State, or any agency or instrumentality of the United States or the State or a political subdivision of the State, which is authorized to make eligible loans.

n. "Municipality" means any city of any class or any town, township, village or borough.

o. "Mutual housing" means a housing project operated or to be operated upon completion of construction, improvement or rehabilitation exclusively for the benefit of the families who are entitled to occupancy by reason of ownership of stock in the housing sponsor, or by reason of co-ownership of premises in a horizontal property regime pursuant to P.L.1963, c. 168 (C.46:8A-1 et seq.); but the agency may adopt rules and regulations permitting a reasonable percentage of space in such project to be rented for residential or for commercial use.

p. "Persons and families of low and moderate income" mean persons and families, irrespective of race, creed, national origin or sex, determined by the agency to require assistance on account of personal or family income being not sufficient to afford adequate housing. In making such determination the agency shall take into account the following: (1) the amount of the total income of such persons and families available for housing needs, (2) the size of the family, (3) the cost and condition of housing facilities available and (4) the eligibility of such persons and families to compete successfully in the normal housing market and to pay the amounts at which private enterprise is providing sanitary, decent and safe housing. In the

case of projects with respect to which income limits have been established by any agency of the federal government having jurisdiction thereover for the purpose of defining eligibility of low and moderate income families, the agency may determine that the limits so established shall govern. In all other cases income limits for the purpose of defining low or moderate income persons shall be established by the agency in its rules and regulations.

q. "Project cost" means the sum total of all costs incurred in the acquisition, development, construction, improvement or rehabilitation of a housing project, which are approved by the agency as reasonable or necessary, which costs shall include, but are not necessarily limited to, (1) cost of land acquisition and any buildings thereon, (2) cost of site preparation, demolition and development, (3) architect, engineer, legal, agency and other fees paid or payable in connection with the planning, execution and financing of the project, (4) cost of necessary studies, surveys, plans and permits, (5) insurance, interest, financing, tax and assessment costs and other operating and carrying costs during construction, (6) cost of construction, reconstruction, fixtures, and equipment related to the real property, (7) cost of land improvements, (8) necessary expenses in connection with initial occupancy of the project, (9) a reasonable profit or fee to the builder and developer, (10) an allowance established by the agency for working capital and contingency reserves, and reserves for any operating deficits, (11) costs of guarantees, insurance or other additional financial security for the project and (12) the cost of such other items, including tenant relocation, as the agency shall determine to be reasonable and necessary for the development of the project, less any and all net rents and other net revenues received from the operation of the real and personal property on the project site during construction, improvement or rehabilitation.

All costs shall be subject to approval and audit by the agency. The agency may adopt rules and regulations specifying in detail the types and categories of cost which shall be allowable if actually incurred in the development, acquisition, construction, improvement or rehabilitation of a housing project.

r. "Retirement family" means one or more persons related by blood, marriage or adoption who live or expect to live together as a single household in the same dwelling unit, provided that at least one of the persons is an individual who (1) has attained retirement age as defined in section 216a of the federal Social Security Act, or (2) is under a disability as defined in section 223 of that act, or (3) such individuals as the agency by rule or regulation shall include; and provided further, that the surviving member of a retirement family whose other members died during occupancy of a continuing-care retirement community shall be considered as a retirement family for purposes of permitting continued occupancy of the dwelling unit occupied by such retirement family.

5. There is hereby appropriated to the Reverse Mortgage Loan Fund established pursuant to subsection a. of section 3 of P.L. .... c....(C. ....) (now pending before the Legislature as this bill) the sum of \$5,000,000.00 out of the Casino Revenue Fund established pursuant to section 145 of P.L. 1977, c.110 (C. 5:12-145).

6. This act shall take effect immediately.

#### STATEMENT

This bill would provide for the New Jersey Housing and Mortgage Finance Agency to initiate a program of reverse mortgages for the benefit of senior citizen homeowners.

A "reverse mortgage" is a loan made against the value of a residential property, so that the homeowner, while remaining in his home, receives periodical payments from the lender, whose loan is secured by equity in the property. Under the "Senior Citizen Homeowner's Income Security Act," P.L. 1979, c. 140 (46:10B-16 et seq.), may be made to senior citizens (at least 60 years of age) in an amount not exceeding 70% of the value of the borrower's residential property. By this means the senior citizen can supplement current income by drawing upon the value which he has accumulated over the years in his property, without being forced to sell and move.

This bill is designed to make such loans more accessible to senior citizens by directing the New Jersey Housing and Mortgage Finance Agency to establish a program for facilitating such loans. The program would be capitalized by a \$20,000,000.00 issue of the agency's bonds, supplemented by a \$5,000,000.00 appropriation out of the Casino Revenue Fund.

The bill amends section 3 of the "New Jersey Housing and Mortgage Finance Law of 1983," P.L. 1983, c. 530 (C. 55:14K-1 et seq.), so as to explicitly declare that reverse mortgages are "eligible loans" for the agency to make or purchase.

**HOUSING**  
**Senior Citizens**

**Establishes program of reverse mortgages by the New Jersey Housing and Mortgage Finance Agency; appropriates \$5,000,000.**



ASSEMBLY, No. 1599  
STATE OF NEW JERSEY

Introduced Pending Technical Review by Legislative Counsel  
PRE-FILED FOR INTRODUCTION IN THE 1988 SESSION

By Assemblyman KELLY

1 AN ACT creating the "Senior and Disabled Citizen Property Tax  
2 Relief Loan Fund." supplementing Title 54 of the Revised  
3 Statutes and making an appropriation therefor.

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

7 1. This act shall be known and may be cited as the "Senior  
8 and Disabled Citizen Property Tax Relief Loan Act."

9 2. As used in this act:

10 a. "Accrued equity" means the fair market value of the  
11 property, less the amount of any liens against the property,  
12 including any lien for any amounts previously borrowed pursuant  
13 to this act. For the purposes of this act, fair market value may  
14 be determined by either using a figure equal to the assessed  
15 value of the property, or by using the value according to a  
16 property appraisal completed by a qualified appraiser within six  
17 months of the date of application for a loan under this act.

18 b. "Director" means the Director of the Division of Taxation  
19 in the Department of Treasury.

20 c. "Eligible resident" means a citizen who:

21 i. resides in a dwelling house owned by him which is a  
22 constituent part of his real property. A resident shall own  
23 the property in fee simple, by himself or together with the  
24 spouse as joint tenants or by tenancy by the entirety. For  
25 the purposes of this act, the requirement of ownership  
26 shall be satisfied by the holding of a beneficial interest in  
27 the dwelling house where legal title thereto is held by  
28 another who retains a security interest in the dwelling;

29 ii. is 65 years of age or older, or a citizen less than 65  
years old who is permanently and totally disabled;

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1           iii. has an annual income from all sources not greater  
3           than \$10,000.00 per year exclusive of any benefits under  
5           (a) the federal Social Security Act (42 U.S.C. § 301 et  
7           seq.), (b) the federal Railroad Retirement Act (45 U.S.C. §  
9           231 et seq.), or any federal pension, disability and  
11          retirement programs, or payments pursuant to any federal  
13          law which provides benefits in whole or in part in lieu of or  
15          to persons excluded from coverage under the federal  
17          Social Security Act or (c) pension, disability or retirement  
19          programs of any state or its political subdivisions, or  
21          agencies thereof for persons not covered under the federal  
23          Social Security Act; but in no case shall the amount of  
25          exclusion under (b) or (c) exceed the maximum amount of  
27          exclusion allowed in similar circumstances under (a). The  
29          income of a married person shall be deemed to include the  
31          income of the spouse during the applicable income year,  
33          except for such portion of that year as the two were living  
35          apart in a state of separation, whether under judicial  
37          decree or otherwise; and

19           iv. is otherwise qualified to receive a deduction against  
21          his property tax under P. L. 1963, c. 172 (C. 54:4-8.40 et  
23          seq.).

23          d. "Fund" means the Senior and Disabled Citizen Property Tax  
25          Relief Loan Fund established pursuant to section 4 of this act.

25          e. "Permanently and totally disabled" means total and  
27          permanent inability to engage in any substantial gainful activity by  
29          reason of any medically determinable physical or mental impairment,  
31          including blindness. For the purposes of this act, the permanently and  
33          totally disabled shall include, but not be limited to, any resident of  
35          this State who is disabled pursuant to the federal Social Security Act  
37          (42 U.S.C. § 416i), the federal "Railroad Retirement Act of 1974," (45  
39          U.S.C. § 231 et seq.) or rated as 60% disabled or higher pursuant to  
any federal law administered by the United States Veterans'  
Administration.

35          For the purposes of this subsection, "blindness" means central  
37          visual acuity of 20/200 or less in the better eye with the use of a  
39          correcting lens. An eye which is accompanied by a limitation in the  
fields of vision such that the widest diameter of the visual field  
subtends an angle no greater than 20 degrees shall be considered as  
having a central visual acuity of 20/200 or less.

1 f. "Pretax year" means the calendar year immediately  
preceding the tax year.

3 3. The surviving spouse of a deceased citizen who during his or  
her life was eligible to apply for a loan pursuant to this act shall be  
5 entitled, so long as he or she remains unmarried and a resident in the  
same dwelling house with respect to which eligibility was associated,  
7 to the same borrowing privileges, upon the same conditions, with  
respect to the same real property, notwithstanding that said surviving  
9 spouse is under the age of 65 and is not permanently and totally  
disabled, provided that the surviving spouse is 55 years of age or older  
11 at the time of the death of the eligible resident.

13 4. There is established within the Casino Revenue Fund a  
special fund to be known as the Senior and Disabled Citizen Property  
Tax Relief Loan Fund. The fund shall be maintained by the  
15 Department of the Treasury in the same manner as other amounts in  
the Casino Revenue Fund. There shall be deposited or credited to the  
17 fund all moneys appropriated thereto by the Legislature, all amounts  
in repayment of loans made therefrom pursuant to this act and any  
19 other moneys made available for the purposes for which the fund is  
established.

21 5. Any eligible resident may apply to the director for an  
annual loan in an amount equivalent to not more than the lesser of  
23 \$1,000.00 or 50% of the eligible resident's property taxes assessed on  
the applicant's residence for the pretax year. A separate written  
25 application shall be filed with the director on or before February 15  
each year in which a loan is sought. The total amount owed at any  
27 time by an eligible resident shall not exceed the accrued equity on the  
property. The loan shall be payable to the fund pursuant to section 11  
29 of this act at a rate of 5% per annum, compounded annually on the  
unpaid balance of the loan.

31 6. Every fact essential to support an application for a loan  
shall exist on October 1 of the pretax year, except as otherwise  
33 provided in this section. Every application shall establish that the  
applicant is or will be on or before December 31 of the pretax year 65  
35 or more years of age or on that date, was permanently and totally  
disabled. The application shall provide for a statement under oath by  
37 the applicant that his income for the pretax year and anticipated  
income for the ensuing year qualifies him for a loan under section 2 of  
39 this act, and shall also include a statement under oath of the amounts  
owed against the property as encumbrances, and to whom such  
41 encumbrances are owed.

1           7. The director shall review each application for a loan within  
 3 60 days of receipt, and shall request any information he deems  
 5 necessary regarding eligibility for the loan, including, but not limited  
 7 to, proof of the applicant's age, physical disability, income, and  
 9 ownership of property. After review of the application, the director  
 shall approve or disapprove each application on or before April 15,  
 pursuant to this act. If the aggregate amount of all loans qualifying  
 for approval exceeds the available amount in the fund, the director  
 shall grant approval giving priority to applicants who have the highest  
 property tax to income ratio.

11           8. Upon approval of any application for a loan, the director  
 13 shall notify the applicant of the approval and shall prepare and file  
 15 with the appropriate county recording officer a notice of lien for an  
 amount equal to the amount being loaned to the applicant. The lien  
 shall remain active and on file until such time as the loan amount  
 becomes payable pursuant to section 11 of this act, and the lien shall  
 17 have the same priority as a tax lien filed pursuant to R. S. 54:5-6 et  
 seq. The director shall obtain any necessary waivers from the  
 19 applicant extending the period of the lien, if necessary.

21           9. An applicant who is denied a loan pursuant to this act may  
 23 appeal the disapproval by filing a written protest with the director  
 within 30 days of receipt of the notice of disapproval. The director,  
 upon receipt of the protest, shall review the protest, and may  
 25 reconsider the application for approval if the applicant provides  
 additional satisfactory proof of eligibility that was not previously  
 27 provided during the approval process. In the case of an applicant who  
 was eligible, but was not granted approval due to the awarding of  
 loans on a priority basis pursuant to section 7 of this act, the director  
 29 shall so notify the applicant of this fact.

31           10. a. Upon approval of each loan, the director shall, on or  
 before April 15 of each year, notify the municipal tax collector of  
 each municipality where the subject real property of each loan is  
 33 located that the loan has been approved. A municipal tax collector,  
 upon receiving such notification, shall reflect any payment pending or  
 35 received pursuant to this act as a credit against the property taxes  
 assessed against the applicant's residence and shall reflect the  
 37 amount of the credit on the property tax bill.

1           b. On or before August 10 of each year, the State Treasurer  
2 shall transmit a property tax loan relief payment for approved loans  
3 to the municipal tax collector, or other person responsible for the  
4 collection of property taxes, in the municipality where the subject  
5 real property is located. The municipal tax collector shall apply the  
6 payment to the assessed taxes due from the loan recipient for the  
7 remainder of the tax year.

8           11. All amounts borrowed pursuant to this act, including  
9 accrued interest thereon, become payable when:

10           a. The loan recipient dies without a surviving spouse qualified  
11 under section 3 of this act:

12           b. The property which is the subject of the application is  
13 conveyed, or a person other than the loan recipient becomes the  
14 owner of the property; or

15           c. The property which is the subject of the application is no  
16 longer the residence of the loan recipient, except in the case of a loan  
17 recipient required to be absent from the property by reason of health.

18           12. Whenever a circumstance listed in section 11 of this act  
19 occurs, the amounts borrowed pursuant to this act, including accrued  
20 interest thereon, for all years prior to and including the year in which  
21 the circumstance occurs, shall be due and payable to the director on  
22 the 90th day after the date on which the circumstance occurs, except  
23 that when the loan recipient dies, these amounts shall be due and  
24 payable to the director one year after the date of death. The director  
25 shall prepare and file the necessary documents to release the lien on  
26 the subject property upon receipt of final payment. All amounts  
27 received in repayment of loans shall be deposited to the credit of the  
28 Senior and Disabled Citizen Property Tax Relief Loan Fund.

29           13. The director is authorized to promulgate, pursuant to the  
30 "Administrative Procedure Act," P. L. 1968, c. 410 (C. 52:14B-1 et  
31 seq.), rules and regulations as may be necessary to effectuate the  
32 purposes of this act.

33           14. There is appropriated to the Department of Treasury from  
34 the Casino Revenue Fund a sum of \$10,000,000.00 to effectuate the  
35 purposes of this act.

36           15. This act shall take effect immediately and be applicable to  
37 loan applications and taxes payable for the tax year 1987 and  
thereafter.

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## STATEMENT

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This bill establishes within the Casino Revenue Fund a special fund to be known as the "Senior and Disabled Citizen Property Tax Relief Loan Fund." The fund is to finance annual loans to eligible senior or disabled citizen homeowners in an amount equal to 50% of the property taxes assessed against the residence, limited to \$1,000.00 annually.

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Any eligible senior or disabled citizen may apply annually to the Director of the Division of Taxation for a loan and if approved, the applicant will receive a notice of the approval, and the loan amount will be paid directly to the tax collector for credit against the property tax otherwise due on the residence. The loan approval will be reflected on the property tax bill as a reduction of taxes due, in the same manner as is the current \$250.00 property tax deduction for which these same persons are eligible. The loan will be recorded as a lien and is payable, with interest at 5% annually, within 90 days upon conveyance of the residence, or within one year of the death of an applicant unless there is an eligible surviving spouse.

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**SENIOR CITIZENS**

25

**Property Taxes**

27

Creates the Senior and Disabled Citizen Property Tax Relief Loan Fund; appropriates \$10 million from the Casino Revenue Fund.

ASSEMBLY, No. 2032

STATE OF NEW JERSEY

Introduced Pending Technical Review by Legislative Counsel  
PRE-FILED FOR INTRODUCTION IN THE 1988 SESSION

By Assemblyman KARCHER

1 **AN ACT** to establish a reverse annuity mortgage program for  
certain senior citizens in this State, amending N.J.S. 54A:6-10  
3 and P.L. 1977, c. 1-45, and amending and supplementing P.L.  
1983, c. 530.

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

7 1. (New section) This act shall be known and may be cited as  
"The Senior Citizens' Reverse Annuity Mortgage Act."

9 2. (New section) The Legislature finds and declares that:  
a. many senior citizens of this State are being squeezed between  
11 rising living expenses and fixed incomes; b. these citizens  
frequently have considerable assets in the form of equity which  
13 they have built up in their homes; c. establishing programs  
through which senior citizens draw upon the equity in their  
15 homes can ease many of their financial burdens and, in some  
cases, make it possible for them to remain in their homes.  
17 Therefore, the Legislature determines that it is worthy and  
desirable to dedicate moneys from the State's casino gambling  
19 revenues to start a reverse annuity mortgage program which  
would regulate and publicize these mortgages for the State's  
21 senior citizens. Furthermore, the State should assure public  
confidence in these types of arrangements by establishing  
23 comprehensive regulations to govern mortgages issued pursuant  
to the program.

25 3. (New section) For the purposes of this act:

27 a. "Agency" means the New Jersey Housing and Mortgage  
Finance Agency.

EXPLANATION—Matter enclosed in bold-faced brackets [thus] in the  
above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

1       b. "Eligible reverse annuity mortgage lender" means any  
2 State or federally chartered bank, savings bank, savings and loan  
3 association, or mortgage broker licensed pursuant to the  
4 provisions of P.L. 1981, c. 18 (C.17:11B-1 et seq.), which is  
5 declared to be eligible by the executive director pursuant to  
6 sections 9 and 10 of this act.

7       c. "Eligible reverse annuity mortgage" means a reverse annuity  
8 mortgage loan which meets the standards of the New Jersey  
9 State Reverse Annuity Mortgage Program set forth in section 7  
10 of this act or promulgated pursuant to that section.

11       d. "Executive director" means the executive director of the  
12 New Jersey Housing and mortgage Finance Agency.

13       e. "Fund" means the Senior Citizens' Reverse Annuity  
14 Mortgage Fund established by this act.

15       f. "Mortgage originator" means an eligible reverse annuity  
16 mortgage lender which has made a commitment to deliver all  
17 eligible reverse annuity mortgage loans to the agency at a  
18 specified date.

19       g. "Mortgage servicer" means an eligible reverse annuity  
20 mortgage lender who has contracted to service reverse annuity  
21 mortgage loans purchased by the agency.

22       h. "Program" means the New Jersey State Reverse Annuity  
23 Mortgage Program for Senior Citizens established pursuant to  
24 this act.

25       i. "Senior citizen" means a person aged 60 years or more.

26       4. (New section) There is established in the New Jersey  
27 Housing and Mortgage Finance Agency a revolving, nonlapsing  
28 fund to be known as the "Senior Citizens' Reverse Annuity  
29 Mortgage Fund." The source of the original monies in the fund  
30 shall be the dedication of revenues made in section 11 of this  
31 act, and any other appropriations which the Legislature may  
32 make from time to time. Interest received on monies in the  
33 fund, and the repayment of principal and interest on mortgages  
34 owned by the agency, shall be credited to the fund.

35       5. (New section) The Senior Citizens' Reverse Annuity  
36 Mortgage Fund shall be administered by the New Jersey Housing  
37 and Mortgage Finance Agency. The agency shall use the monies  
38 in the fund for the following purposes:

39       a. To purchase from and contract with eligible reverse  
40 annuity mortgage lenders for the purchase and servicing of the  
41 eligible reverse annuity mortgages of those mortgagors whose  
42 applications to the agency for purchase have been approved  
43 pursuant to section 7 of this act;

1       b. To pay reasonable servicing fees to mortgage originators  
and mortgage servicers;

3       c. To pay the costs to the agency of administering the fund  
and the program; and

5       d. To be invested from time to time by the Division of  
Investment in the Department of the Treasury when not being  
7 used for one of the purposes specified in subsection a., b., or c.  
of this section.

9       6. (New section) The agency shall administer a program to be  
known as the New Jersey State Revenue Annuity Mortgage  
11 Program for Senior Citizens. In administering the program, the  
agency shall perform the following acts:

13       a. Promulgate comprehensive regulations governing reverse  
annuity mortgage loans which will insure the safety and  
15 soundness of the system, which will provide reasonable  
compensation to mortgage originators and mortgage servicers;

17       b. Encourage potential reverse annuity mortgage lenders to  
comply with the standards for lenders and mortgages set forth in  
19 the regulations of the program; and

      c. Educate senior citizens about the availability and the  
21 benefits or reverse annuity mortgage loans for senior citizens in  
certain circumstances.

23       7. (New section) The agency may designate the forms on  
which applications for the purchase of eligible reverse annuity  
25 mortgages shall be made. The agency may approve any  
applications which meet the following criteria:

27       a. The reverse annuity mortgage loan is secured by  
residential property in this State which has four or less dwelling  
29 units, and which is owned by a senior citizen who uses the  
property as his principal residence.

31       For the purposes of this subsection, "owned " means the  
ownership of at least one-half interest in the residential  
33 property, which interest may be solely, in common, jointly, or in  
a tenancy by the entireties.

35       b. The proceeds of the mortgage loan have been used to  
purchase for the senior citizen an annuity which complies with  
37 rules and regulations to be issued by the agency.

      c. The mortgage loan complies with all of the rules and  
39 regulations of the program.

      d. The mortgage loan is issued by an eligible reverse annuity  
41 mortgage lender.

1       8. (New section) The executive director shall establish, by  
2 regulation, standards for the selection of eligible reverse  
3 annuity mortgage lenders to participate in the program  
4 established by this act.

5 In formulating eligibility standards for lenders, the executive  
6 director shall consider at least:

7       a. The net worth of the institution or corporation;

8       b. The financial condition of the institution or corporation, as  
9 evidenced by a financial statement;

10       c. The availability of personnel who are knowledgeable about  
11 reverse annuity mortgage loans transactions, including  
12 underwriters, appraisers and attorneys; and

13       d. In the case of a depository institutions, evidence that the  
14 situation has met the lending needs of is community.

15       9. (New section) a. Every institution or company wishing to  
16 become an eligible reverse annuity mortgage lender shall  
17 submit, on a form prescribed by the executive director, an  
18 application containing the information required pursuant to  
19 section 8 of this act and other information as the executive  
20 director may deem necessary. The executive director shall,  
21 within 45 days of the receipt of the application, approve or  
22 disapprove the applicant's participation in the program  
23 established by this act. The executive director may require all  
24 eligible reverse annuity mortgage lender to submit such  
25 additional information from time to time as he may deem  
26 necessary.

27       If the agency finds that an eligible reverse annuity mortgage  
28 lender has failed to submit payments when due, has failed to  
29 service loans according to the terms of the servicing  
30 agreement, has failed to deliver reverse annuity mortgage  
31 loans at the agreed upon delivery date, has failed to uphold any  
32 agreement, has acted improperly, or no longer meets the  
33 standards of eligibility established pursuant to section 8 of this  
34 act, the executive director may suspend or revoke the  
35 lender's status as an eligible reverse annuity mortgage lender.

36       10. (New section) Beginning 180 days after the effective  
37 date of this act, and semiannually thereafter, the New Jersey  
38 Casino Control Commission shall transfer casino revenue funds  
39 into the Senior Citizens' Reverse Annuity Mortgage Fund in an

1 amount sufficient to bring the balance in the Senior Citizens  
Reverse Annuity Mortgage Fund to \$5,000,000.00. Whenever the  
3 balance in the fund exceeds \$8,000,000.00, the agency may, at  
its discretion, return funds to the Casino Revenue Fund provided  
5 that the balance remaining in the fund is at least \$ 5,000,000.00.

7 11. Section 5 of P.L. 1983, c. 530 (C.55:14K-5) is amended to  
read as follows:

9 5. In order to carry out the purposes and provisions of this  
act, the agency, in addition to any powers granted to it  
elsewhere in this act, shall have the following powers:

11 a. To adopt bylaws for the regulation of its affairs and the  
conduct of its business; to adopt an official seal and alter the  
13 seal at pleasure; to maintain another at such place or places  
within the State as it may designate; to sue and be sued in its  
15 own name;

17 b. To conduct examinations of its affairs and to hear  
testimony and take proof, under oath or affirmation, at public or  
private hearings, on any matter material for its information and  
19 necessary to carry out the provisions of this act;

21 c. To issue subpoenas requiring the attendance of witnesses  
and the production of books and papers pertinent to any hearing  
before the agency, or before one or more of the members of the  
23 agency appointed by it to conduct a hearing;

25 d. To apply to any court, having territorial jurisdiction of the  
offense, to have punished for contempt any witness, who refuses  
to obey a subpoena, or who refuses to be sworn in or affirmed to  
27 testify, or who is guilty of any contempt after summons to  
appear;

29 e. To acquire by purchase, gift, foreclosure or condemnation  
any real or personal property, or any interest therein, to enter  
31 into any lease of property and to hold, sell, assign, lease,  
encumber, mortgage or otherwise disclose of any real or  
33 personal property, or any interest therein, or mortgage lien  
interest owned by it or under its control, custody or in its  
35 possession and release or relinquish any right, title, claim, lien,  
interest, easement or demand however acquired, including any  
37 equity or right of redemption, in property foreclosed by it and to  
do any of the foregoing by public or private sale, with or without  
39 public bidding, notwithstanding the provisions of any other law;

41 f. To acquire, hold, use and dispose of its income, revenues,  
funds and moneys;

1 g. To adopt rules and regulations expressly authorized by this  
act and such additional rules and regulations as shall be  
3 necessary or desirable to carry out the purposes of this act.

The agency shall adopt regulations which provide for  
5 consultation with housing sponsors regarding the formulation of  
agency rules and regulations governing the operation of housing  
7 projects and which require the agency to consult with the  
affected housing sponsor prior to taking any and all specific  
9 proposed agency actions relating to the sponsor's housing  
project. The agency shall publish all rules and regulations and  
11 file them with the Secretary of State.

h. To borrow money or secure credit on a temporary,  
13 short-term, interim or long-term basis, and to issue negotiable  
bonds and to secure the payment thereof and to provide for the  
15 rights of the holders thereof;

i. To make and enter into and enforce all contracts and  
17 agreements necessary, convenient or desirable to the  
performance of its duties and the execution of its powers under  
19 this act, including contracts or agreements with qualified  
financial institutions for the servicing and processing of eligible  
21 loans owned by the agency;

j. To appoint and employ an executive director, who shall be  
23 the chief executive officer of the agency, and additional  
officers, who need not be members of the agency as the agency  
25 deems advisable, and to employ architects, engineers, attorneys,  
accountants, construction and financial experts and other  
27 employees and agents as may be necessary in its judgement and  
to determine their qualifications, terms of office, duties and  
29 compensation; and to promote and discharge such officers,  
employees and agents, all without regard to the provisions of  
31 Title 11 of the Revised Statutes, Civil Service;

k. To contract for and to receive and accept gifts, grants,  
33 loans or contributions from any source, of money, property,  
labor or other things of value, to be held, used and applied to  
35 carry out the purposes of this act subject to the conditions upon  
which the grants and contributions may be made, including, but  
37 not limited to, gifts or grants from any department or agency of  
the United States or the State for payment of rent supplements  
39 to eligible families or for the payment in whole or in part of the  
interest expense for a housing project or for any other purpose  
41 consistent with this act;

1 l. To enter into agreements to pay annual sums in lieu of  
taxes to any political subdivision of the State with respect to  
3 any real property owned or operated directly by the agency;

5 m. To procure insurance against any loss in connection with  
its operations, property and other assets (including eligible  
loans) in the amounts and from the insurers it deems desirable;

7 n. To the extent permitted under its contract with the  
holders of bonds of the agency, to consent to any modification  
9 with respect to rate of interest, time and payment of any  
installment of principal or interest, security or any other terms  
11 of any loan to an institutional lender, eligible loan, loan  
commitment, contract or agreement of any kind to which the  
13 agency is a party;

15 o. To the extent permitted under its contract with the  
holders of bonds of the agency, to enter into contracts with any  
housing sponsor containing provisions enabling the housing  
17 sponsor to reduce the rental or carrying charges to persons  
unable to pay the regular schedule of charges where by reason  
19 of other income or payment from the agency, any department  
or agency of the United States or the State, these reductions  
21 can be made without jeopardizing the economic stability of the  
housing project;

23 q. To the extent permitted under its contract with the  
holders of bonds of the agency, to invest and reinvest any  
25 moneys of the agency not required for immediate use, including  
proceeds from the sale of any obligations of the agency, in  
27 obligations, securities or other investments as the agency deems  
prudent. All functions, powers and duties relating to the  
29 investment or reinvestment of these funds, including the  
purchase, sale or exchange of any investments or securities may,  
31 upon the request of the agency, be exercised and performed by  
the Director of the Division of Investment in the Department of  
33 the Treasury, in accordance with written directions of the  
agency signed by an authorized officer, without regard to any  
35 other law relating to investments by the Director of the Division  
of Investment;

37 r. To provide, contract or arrange for, where, by reason of  
the financing arrangement, review of the application and  
39 proposed construction of a project is required by or in behalf of  
a department or agency of the United States, consolidated  
41 processing of the application or supervision or, in the  
alternative, to delegate the process zoning in whole or in part to  
43 any such department or agency;

1 s. To make eligible loans, and to participate with any  
department, agency or authority of the United States or of any  
3 state thereof, this State, a municipality, or any banking  
institution, foundation, labor union, insurance company, trustee  
5 or fiduciary in an eligible loan, secured by a single participating  
mortgage, by separate mortgages or by other security  
7 agreements, the interest each having equal priority as to lien in  
proportion to the amount of the loan so secured, but which need  
9 not be equal as to interest rate, time of rate of amortization or  
otherwise, and to undertake commitments to make such loans;

11 t. To assess from time to time the housing needs of any  
municipality which is experiencing housing shortages as a result  
13 of the authorization of casino granting and to address those  
needs when planning its programs;

15 u. To sell any eligible loan made by the agency or any loan to  
an institutional lender owned by the agency, at public or private  
17 sale, with or without bidding, either singly or in groups, or in  
shares of loans or shares of groups of loans, issue securities,  
19 certificates or other evidence of ownership secured by such  
loans or groups of loans, sell the same to investors, arrange for  
21 the marketing of the same; and to deposit and invest the funds  
derived from such sales in any manner authorized by this act;

23 v. To make commitments to purchase, and to purchase,  
service and sell, eligible loans, pools of loans or securities based  
25 on loans, insured or issued by any department or agency of the  
United States, and to make loans directly upon the security of  
27 such loan, pools of loans or securities;

w. To provide such advisory consultation, training, and  
29 educational services as will assist in the planing, construction,  
rehabilitation and operations of housing including but not limited  
31 to assistance in community development and organization, home  
management and advisory services for residents and to  
33 encourage community organizations and local governments to  
assist in developing housing;

35 x. To encourage research in demonstration projects to  
develop new and better techniques and methods for increasing  
37 the supply, types and financing of housing and housing projects  
in the State and to engage in these research and demonstration

1 projects and to receive and accept contributions, grants or aid,  
2 from any source, public or private, including but not limited to  
3 the United States and the State, for carrying out this purpose;

4 y. To provide to housing sponsors, through eligible loans or  
5 "otherwise, financing, refinancing, financial assistance for fully  
6 completed, as well as partially completed, projects which may  
7 or may not be occupied, if the projects meet all the  
8 requirements of this act, except that, prior to the making of the  
9 mortgage loans by the agency, said projects need not have  
10 complied with section 7a. (9) and 42 of this act;

11 z. To encourage and stimulate cooperatives and other forms  
12 of housing with tenant participation;

13 aa. To promote innovative programs for home ownership,  
14 including but not limited to lease-purchase programs, employer  
15 sponsored housing programs, and tenant cooperatives;

16 bb. To set aside and designate out of the funds that are or  
17 may become available to it for the purpose of financing housing  
18 in this State pursuant to the terms of this act, certain sums or  
19 proportions thereof to be used for the financing of housing and  
20 home-ownership opportunities, including, specifically  
21 lease-purchase arrangements, provided by employers to their  
22 employees through nonprofit or limited-dividend corporations or  
23 associations created by employers for that purpose; and to  
24 establish priority in funding, offer bonus fund allocations, and  
25 institute other incentives to encourage such employer-sponsored  
26 housing and home-ownership opportunities;

27 cc. Subject to any agreement with bondholders, to collect,  
28 enforce the collection of, and foreclose on any property or  
29 collateral securing its eligible loan or loans to institutional  
30 lenders and acquire or take possession of such property or  
31 collateral and sell the same at public or private sale, with or  
32 without bidding, and otherwise deal with such collateral as may  
33 be necessary to protect the interests of the agency therein;

34 dd. To administer and to enter into agreements to administer  
35 programs of the federal government or any other entity which  
36 are in furtherance of the purposes of this act;

37 ee. To do and perform any acts and things authorized by this  
38 act under, through, or by means of its officers, agents or  
39 employees or by contract with any person, firm or corporation;  
[and]

1 ff. To do any acts and things necessary or convenient to carry  
out the powers expressly granted in this act; and

3 gg. To do any act necessary to effectuate the purposes of PL.  
4 1985, c. ....) (C.....) (now pending before the Legislature as  
5 this bill), establishing the New Jersey State Reverse Annuity  
6 Mortgage Program for Senior Citizens.

7 12. N.J.S. 54A:6-10 is amended to read as follows:

8 54A :6-10. Pensions and annuities.

9 Gross income shall not include that part of any amount  
10 received as an annuity under an annuity, endowment, or life  
11 insurance contract which bears the same ratio to such amount as  
12 the investment in the contract as of the annuity starting date  
13 bears to the expected return under the contract as of such date.  
14 Where (1) part of the consideration for an annuity, endowment,  
15 or life insurance contract is contributed by the employer, and (2)  
16 during the three-year period beginning on the date on which an  
17 amount is first received under the contract as an annuity, the  
18 aggregate amount receivable by the employee under the terms  
19 of the contract is equal to or greater than the consideration for  
20 the contract contributed by the employee, then all amounts  
21 received as an annuity, under the contract shall be excluded  
22 from gross income until there has been so excluded all amount  
23 equal to the consideration for the contract contributed by the  
24 employee.

25 Gross income shall not include any amount received as an  
26 annuity purchased pursuant to the New Jersey State Reverse  
27 Annuity Mortgage Program for Senior Citizens, established  
28 pursuant to P.L. 1985, c.....(C.....) (now pending before  
29 the Legislature as the bill).

30 In addition to that part of any amount received as an annuity  
31 which is excludable from gross income as herein provided, gross  
32 income shall not include payments of up to \$10,000.00 for a  
33 married couple filing jointly, \$5,000.00 for a married person  
34 filing separately or \$7,500.00 for a single taxpayer, which are  
35 received as an annuity, endowment or life insurance contract, or  
36 payments of any such amounts which are received as pension,  
37 disability, or retirement benefits, under any public or private  
38 plan, whether the consideration therefor is contributed by the  
39 employee or employer or both, by any person who is 62 years of  
40 age or older or who, by virtue of disability, is or would be  
41 eligible to receive payments under the Federal Social Security  
Act.

1 Gross income shall not include any amount received under any  
public or private plan by reason of a permanent and total  
3 disability.

Gross income shall not include distributions from an  
5 employees' trust described in Section 401 (a) of the 1954  
Internal Revenue Code, as amended (hereinafter referred to as  
7 "the Code"), which is exempt from tax under Section 501 (a) of  
the Code if the distribution, except the portion representing the  
9 employees' contributions, is rolled over in accordance with  
Section 402 (a) (5) or Section 403 (a) (4) of the Code. The  
11 distribution shall be paid in one or more installments which  
constitute a lump-sum distribution within the meaning of  
13 Section 402 (e) (4) (A) (determined without reference to  
subsection (e) (4) (B)), or be on account of a termination of a  
15 plan of which the trust is a part or, in the case of a  
profit-sharing or stock bonus plan, a complete discontinuance of  
17 contribution under such plan.

13. Section 145 of P.L. 1977, c. 110 (C.5:12-145) is amended  
19 to read as follows:

145. Casino Revenue Fund. a. There is hereby created and  
21 established in the Department of the Treasury a separate special  
account to be known as the "Casino Revenue Fund," into which  
23 shall be deposited all revenues from the tax imposed by section  
144 of this act and the investment alternative tax imposed by  
25 section 3 of P.L. 1984, c. 218 (C.5:12-144.1).

b. The commission shall require at least monthly deposits by  
27 the licensee of the tax established pursuant to subsection a. of  
section 144 of P.L. 1977, c. 110 (C.5:12-144) at such times,  
29 under such conditions and in such depositories as shall be  
prescribed by the State Treasurer. The deposits shall be  
31 deposited to the credit of the Casino Revenue Fund. The  
commission may require a monthly report and reconciliation  
33 statement, to be filed with it on or before the 10th day of each  
month, with respect to gross revenues and deposits received and  
35 made, respectively, during the preceding month.

c. Moneys in the Casino Revenue Fund shall be appropriated  
37 exclusively for reductions in property taxes, rentals, telephone,  
gas, electric, and municipal utilities charges of eligible senior  
39 citizens and disabled residents of the State, and for additional or  
expanded health services or benefits or transportation services

1 or benefits to eligible senior citizens and disabled residents, and  
 3 for funding reverse annuity mortgage programs for eligible  
 5 senior citizens as shall be provided by law. On or about March  
 7 15 and September 15 of each year, the State Treasurer shall  
 9 publish in at least 10 newspapers circulating generally in the  
 State a report accounting for the total revenues received in the  
 Casino Revenue Fund and the specific amounts of money  
 appropriated [there from] therefrom for special expenditures  
 during the preceding six months ending December 31 and June  
 30.

11 14. The executive director of the New Jersey Housing and  
 Mortgage Finance Agency shall establish such rules and  
 13 regulations pursuant to the "Administrative Procedure Act,"  
 P.L. 1968, c. 410 (C.52:14B-1 et seq.) as may be necessary to  
 15 effectuate the provisions of this act.

17 15. This act shall take effect on the 180th day following  
 enactment.

19

#### STATEMENT

21

23 This bill establishes the New Jersey State Reverse Annuity  
 Mortgage Program for Senior Citizens to be administered by the  
 25 New Jersey Housing and Mortgage Finance Agency in the  
 Department of Community Affairs. Start-up money for the  
 27 program would come from a dedication of State casino gambling  
 revenues to form a Senior Citizens' Reverse Annuity Mortgage  
 Fund. The fund would be used to purchase reverse annuity  
 29 mortgage loans.

31

#### HOUSING Public Assistance

33

The "Senior Citizens' Reverse Annuity Mortgage Act."

ASSEMBLY, No. 4106  
STATE OF NEW JERSEY

INTRODUCED JANUARY 10, 1989

By Assemblywoman FARRAGHER, Assemblyman KYRILLOS,  
Assemblywoman Smith, Assemblymen Palaia,  
Bennett and Hendrickson

1 AN ACT concerning the deferral of the payment of certain real  
property taxes by certain residents of the State, amending  
3 R.S.54:5-19, supplementing Title 54 of the Revised Statutes  
and making an appropriation.

5

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

1. (New section) This act shall be known and may be cited as  
9 the "Senior and Disabled Homeowners' Property Tax Deferral  
Act."

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

a. Many of the State's senior and older disabled residents own  
13 their homes mortgage-free, or with small mortgage balances,  
however, many of these residents have low incomes, and their  
15 property taxes impose a heavy burden;

b. The financial burdens imposed upon low income senior and  
17 disabled residents by ever-increasing health care costs and other  
expenses, coupled with rising property taxes, threatens home  
19 ownership among these residents;

c. Many of these residents who wish to remain in their homes  
21 have accrued significant equity in those homes, but their low  
incomes limit their ability to tap that equity;

d. The private financial sector has been slow to devise  
23 approaches that would permit senior and older disabled residents  
to use their primary asset, their home, to borrow funds for  
25 current needs;

e. This State has offered elderly homeowners certain property  
27 tax assistance through deductions and rebates, but these  
programs do not always adequately address the needs of low  
29 income senior and disabled residents; and

f. It is, therefore, in the best interests of the older disabled  
31 and the senior residents of this State, and a compelling public  
purpose, to establish a loan program permitting these residents to  
33 use the equity in their homes to help pay their property taxes.

35 3. (New section) As used in this act:

1 a. "Average residential assessment ratio" means the  
percentage derived by dividing the aggregate residential assessed  
3 valuation within a municipality by the aggregate sales prices of  
residential properties within that municipality, as determined by  
5 the director;

b. "Condominium" means the form of real property ownership  
7 provided for under the "Condominium Act," P.L.1969, c.257  
(C.46:8B-1 et seq.);

9 c. "Director" means the Director of the Division of Taxation  
in the Department of the Treasury;

11 d. "Permanently and totally disabled" means total and  
permanent inability to engage in any substantial gainful activity  
13 by reason of any medically determinable physical or mental  
impairment, including blindness. For purposes of this subsection,  
15 "blindness" means central visual acuity of 20/200 or less in the  
better eye with the use of a correcting lens. An eye which is  
17 accompanied by a limitation in the fields of vision such that the  
widest diameter of the visual field subtends an angle no greater  
19 than 20 degrees shall be considered as having a central visual  
acuity of 20/200 or less;

21 e. "Equalized value" of a parcel of qualified property means  
the assessed valuation of that property, as determined pursuant  
23 to chapter 4 of Title 54 of the Revised Statutes, divided by the  
most recent average residential assessment ratio for the  
25 municipality in which that property is situated;

f. "Horizontal property regime" means the form of real  
27 property ownership provided for under the "Horizontal Property  
Act," P.L.1963, c.168 (C.46:8A-1 et seq.);

29 g. "Municipal bond interest index" means the monthly average  
yield calculated by Standard and Poor's Corporation on selected  
31 domestic municipal bonds, as reported by the United States  
Department of Commerce in the Survey of Current Business or,  
33 in the absence of a Standard and Poor's calculation, any other  
comparable calculation reported in the Survey of Current  
35 Business that the director shall deem appropriate;

h. "Post-tax year" means the calendar year immediately  
37 following the tax year;

i. "Pretax year" means the calendar year immediately  
39 preceding the tax year;

1 j. "Principal residence" means a residence actually and  
continually occupied by a taxpayer as his permanent abode, as  
3 distinguished from a vacation home, property owned and rented  
or offered for rent by the taxpayer, and other secondary real  
5 property holdings;

k. "Property taxes" means the amount of property tax  
7 assessed and levied against a parcel of qualified property  
exclusive of the amount of the homestead rebate received for  
9 the qualified property in the preceding tax year pursuant to  
section 1 of P.L.1976, c.72 (C.54:4-3.80), and exclusive of any  
11 deduction from taxes for the qualified property pursuant to  
section 2 of P.L.1963, c.172 (C.54:4-8.41) and section 2 of  
13 P.L.1963, c.171 (C.54:4-8.11).

l. "Qualified taxpayer" means a taxpayer who:

15 (1) Is a senior citizen, or is 55 years of age or older and  
permanently and totally disabled; and

17 (2) Has an annual income from all sources of less than \$13,650  
if single or, if married, has an annual income from all sources,  
19 combined with that of his spouse, of less than \$16,750;

m. "Qualified property" means:

21 (1) A dwelling house which consists of not more than four  
units, of which not more than one may be used for commercial  
23 purposes, and the land on which it is situated, or the dwelling  
house alone if situated on land owned by a person other than the  
25 owner of the dwelling house;

(2) A manufactured home subject to real property taxation  
27 pursuant to the "Manufactured Home Taxation Act," P.L.1983,  
c.400 (C.54:4-1.2 et seq.), together with the land on which it is  
29 situated, or the manufactured home alone if situated on land  
owned by a person other than the owner of the manufactured  
31 home; and

(3) A condominium unit or a unit in a horizontal property  
33 regime;

n. "Resident" means an individual legally domiciled within  
35 this State for a period of not less than three years immediately  
preceding October 1 of the pretax year. Mere seasonal or  
37 temporary residence within the State, of whatever duration,  
shall not constitute domicile within the State for the purposes of  
39 this act. Absence from this State for a period of 12 months

1 shall be prima facie evidence of abandonment of domicile in this  
State. The burden of establishing legal domicile within the  
3 State shall be upon the claimant;

o. "Senior citizen" means a person who is 65 years of age or  
5 older;

p. "Taxes deferred" means the amount of real property taxes  
7 and special assessments deferred pursuant to this act;

q. "Tax year" means the calendar year in which the general  
9 property tax is due and payable;

r. "Taxpayer" means a resident of this State who has filed a  
11 claim for deferral of tax pursuant to this act; and

s. "Taxpayer's equity" means the equalized value of the  
13 taxpayer's qualified property as determined by the municipal  
tax assessor, less the amount of any liens, judgments or other  
15 encumbrances against that property, except that, if the property  
is appraised at the taxpayer's expense, the taxpayer's equity  
17 shall mean the current market value of the property, less the  
amount of any liens, judgments or other encumbrances against  
19 the property.

4. (New section) a. Subject to the limitations provided for  
21 herein, a qualified taxpayer shall be entitled annually, upon  
proper claim being made therefor, to a deferral of the taxes  
23 assessed and levied against a parcel of qualified property owned  
by the taxpayer, or by the taxpayer and his spouse as joint  
25 tenants or tenants by the entirety, which parcel constitutes the  
taxpayer's principal residence and place of domicile and has  
27 constituted his principal residence and place of domicile for not  
less than three years prior to the date of application for a  
29 deferral of taxes pursuant to this act.

b. There shall be no limitation on the assets of a taxpayer in  
31 order to be entitled to a deferral under this section, except that  
a taxpayer shall not be entitled to a deferral if, within 24  
33 months prior to making a claim therefor, he has made a  
voluntary assignment or transfer of real or personal property, or  
35 any interest or estate in property, for less than adequate  
consideration.

c. A deferral shall not be allowed for taxes assessed and  
37 levied against a parcel of qualified property on which there are  
39 any delinquent, nondeferred property taxes or special

1 assessments, except that a municipality may, upon application  
2 of a taxpayer and subject to the limitations and provisions of  
3 this act, waive this requirement for any unpaid property taxes or  
4 special assessments on the property as may exist at the time the  
5 taxpayer first files a claim for deferral, and may treat these  
6 unpaid taxes or assessments as a current tax liability to be  
7 deferred under the provisions of this act.

8 d. A deferral shall not be allowed for any given tax year if  
9 the amount of taxpayer's equity in the qualified property is less  
10 than 50% of the equalized value of that property for the pretax  
11 year or, if that property is appraised at the taxpayer's expense,  
12 the amount of the taxpayer's equity is less than 50% of the  
13 current market value of the property.

14 e. A deferral shall not be allowed for any given tax year  
15 unless the taxpayer substantiates that the parcel of qualified  
16 property for which the deferral is sought is covered by insurance  
17 against damage or destruction by fire or natural disaster in an  
18 amount adequate to replace the residential structure which  
19 constitutes or is part of the qualified property, as appropriate.

20 5. (New section) a. Except as otherwise provided in  
21 subsection c. of section 4 of this act, the amount of a deferral  
22 for which a taxpayer qualifies pursuant to section 4 of this act  
23 shall not, for any tax year, be less than \$100 or more than the  
24 amount of the taxes and special assessments assessed and levied  
25 against the taxpayer's qualified property for that tax year, less  
26 any deduction or exemption from those taxes or any credit  
27 against those taxes to which the taxpayer is entitled for that tax  
28 year, and less the amount of any homestead rebate which the  
29 taxpayer may reasonably expect to receive during that year.

30 b. The maximum cumulative amount of taxes deferred,  
31 including those deferred pursuant to subsection c. of section 4  
32 of this act, plus interest accumulated pursuant to subsection c.  
33 of this section, shall not, during any given tax year, exceed 50%  
34 of the equalized value of the qualified property for the pretax  
35 year or, if the property is appraised at the taxpayer's expense,  
36 50% of the current market value of the property, except that,  
37 upon application to the director by a taxpayer whose equity  
38 exceeds 50% of the equalized or market value of the qualified  
39 property, as appropriate, and upon approval of that application

1 by the director, the maximum cumulative deferral may be  
increased to 80% of the taxpayer's equity in that property.

3 c. Taxes deferred pursuant to this act shall carry interest at  
a rate of one percentage point below the municipal bond interest  
5 index for the month prior to the month in which a qualified  
taxpayer's initial application for a deferral is approved, and  
7 shall be compounded annually. In the case of a taxpayer who is  
denied a renewal of a previously approved deferral but who is  
9 approved for a subsequent tax year, the rate of interest shall be  
one percentage point below the municipal bond interest index  
11 for the month prior to the month in which the subsequent  
approval is granted.

13 6. (New section) The surviving spouse of a qualified taxpayer  
who during his life received a real property tax deferral  
15 pursuant to this act shall be entitled to the same deferral so  
long as the surviving spouse remains unmarried and a resident of  
17 the same qualified property with respect to which the deferral  
was granted, upon the same conditions, with respect to the same  
19 qualified property, notwithstanding that the surviving spouse is  
under the age of 65 and is not disabled, provided that the  
21 surviving spouse is 55 years of age or older at the time of the  
death of the qualified taxpayer.

23 7. (New section) No deferral shall be allowed except upon  
written application therefor, which application shall be on a  
25 form prescribed by the director and provided for the use of  
claimants hereunder by the governing body of the municipality  
27 constituting the taxing district in which the claim is to be filed,  
and approval of the application as provided in this act. Each  
29 assessor may at any time inquire into the right of a claimant to  
the continuance of a deferral hereunder and for that purpose he  
31 may require, at any time, the filing of a new application or the  
submission of such proof as he shall deem necessary to  
33 determine the right of the claimant to continuance of the  
deferral.

35 8. (New section) An application for a deferral hereunder shall  
be filed with the assessor of the taxing district and a duplicate  
37 shall be filed with the tax collector of the taxing district on or  
before October 1 of the pretax year. The tax collector shall  
39 certify to the assessor the value of any outstanding liens on the

1 property for which the application has been submitted. If an  
2 application meets the requirements set forth in this act, the  
3 assessor shall allow a deferral from the taxes assessed against  
4 the real property as described therein and shall indicate upon  
5 the assessment list and duplicates the approval thereof in such  
6 manner as shall be prescribed by the director.

7 9. (New section) Every fact essential to support a claim for a  
8 deferral hereunder shall exist on October 1 of the pretax year,  
9 except as otherwise provided in this section. Every application  
10 by a claimant shall establish that he is or will be on or before  
11 December 31 of the pretax year 65 or more years of age or as of  
12 that date is permanently and totally disabled, and that he was,  
13 on October 1 of the pretax year: a. a resident of this State for  
14 the period required; b. the owner of the qualified property for  
15 which the deferral is claimed; and c. residing in that qualified  
16 property. The application shall also establish that his  
17 anticipated income, including, where appropriate, the income of  
18 his spouse, for the tax year will not exceed the limits  
19 established in subsection l. of section 3 of this act. In the case  
20 of a claim for a deferral by a person who is permanently and  
21 totally disabled, the application shall include a physician's  
22 certificate verifying the claimant's disability. The director  
23 shall promulgate rules and regulations prescribing the form and  
24 content of the certificate.

25 In the case of claims for a deferral authorized by section 6 of  
26 this act concerning surviving spouses, every application by a  
27 claimant shall establish that he is or will be on or before  
28 December 31 of the pretax year 55 or more years of age and was  
29 55 or more years of age at the time of the death of the  
30 decedent, remains unmarried, and that he was on October 1 of  
31 the pretax year: a. a resident of this State; b. the owner of the  
32 qualified property for which the deduction is claimed; and c.  
33 residing in that qualified property. The application shall also  
34 establish that his anticipated income for the tax year will not  
35 exceed the limits established in subsection l. of section 3 of this  
36 act. The assessor of the taxing district shall establish whether  
37 the deceased spouse of the claimant received a deferral  
38 pursuant to this act.

39 Every application submitted pursuant to this section shall

1 include a title search report indicating all liens, judgments and  
other encumbrances against the qualified property.

3 Except in the case of an appeal filed pursuant to this act, all  
information contained in any application filed pursuant to this  
5 act shall remain confidential.

7 10. (New section) Upon approval of an application for a tax  
deferral, the tax collector shall note in his records the existence  
of a contingent liability for taxes in the amount of the deferral.  
9 In the event the deferral is subsequently disallowed on the basis  
of the taxpayer's income, the transfer of title to the property  
11 to a person not entitled to the deferral, or the failure to meet  
any other prerequisites required by this act for a tax deferral,  
13 the contingent liability shall be reported on any tax search made  
on the property for which the deferral was approved.

15 11. (New section) a. Every person who is allowed a deferral  
shall, except as hereinafter provided, file with collector of the  
17 taxing district on or before February 1 of the post-tax year a  
statement under oath of his income for the tax year and his  
19 anticipated income for the ensuing tax year, as well as any other  
information deemed necessary to establish his right to a tax  
21 deferral for the ensuing tax year. A person may, in lieu of filing  
a post-tax year income statement, provide the collector with  
23 evidence of his eligibility for benefits under the Pharmaceutical  
Assistance to the Aged and Disabled program, pursuant to  
25 P.L.1975, c.194 (C.30:4D-20 et seq.). The collector may grant a  
reasonable extension of time for filing the statement or  
27 evidence required by this section, which extension shall  
terminate no later than March 1 of the post-tax year, when it  
29 shall appear to the satisfaction of the collector, as verified by a  
physician's certificate, that the failure to file by February 1  
31 was due to illness. In any case where an extension is granted by  
the collector, the required statement or evidence shall be filed  
33 or provided, as appropriate, on or before March 1 of the  
post-tax year. A statement filed pursuant to this section shall  
35 be on a form prescribed by the director, and provided for the use  
of persons required to make the statement by the governing  
37 body of the municipality constituting the taxing district in which  
the statement is required to be filed. Each collector may  
39 require the submission of such proof as he shall deem necessary

1 to verify any statement. Upon the failure of a person to file a  
statement or appropriate evidence with the time herein provided  
3 or to submit such proof as the collector deems necessary to  
verify a statement that has been filed, or if it is determined  
5 that the income of a person exceeded the limits established in  
section 4 of this act for the tax year, his tax deferral for the tax  
7 year shall be disallowed and his taxes, to the extent represented  
by the amount of the deferral for the tax year, shall be payable  
9 on or before March 1 of the post-tax year or, where an  
extension of time for filing has been granted no later than 30  
11 calendar days after the expiration of the extension, after which  
date if unpaid, the taxes shall be delinquent, constitute a lien on  
13 the property, and, in addition, the amount of the taxes shall be a  
personal debt of the person.

15 b. If in any year a taxpayer, who previously was permitted a  
tax deferral pursuant to this act, is disqualified for failure to  
17 meet the requirements of this act, no claim for the deferral of  
the collection of taxes on the taxpayer's property shall be  
19 allowed for that tax year. The deferral of the payment of any  
taxes permitted the taxpayer for previous tax years, and of the  
21 accruing interest, shall be continued until the deferred tax  
becomes payable pursuant to section 13 of this act. Nothing in  
23 this subsection shall prevent a taxpayer from filing a claim for  
deferral in any subsequent tax year.

25 12. (New section) a. A claim having been filed with and  
allowed by the assessor on and after the effective date of this  
27 act shall continue in force from year to year thereafter without  
the necessity for further claim so long as the taxpayer shall be  
29 required annually to establish, by post-tax year statement or  
other appropriate evidence, as provided for in this act, his  
31 income for the tax year, his anticipated income for the ensuing  
tax year, and his compliance with all other prerequisites for  
33 eligibility for the tax deferral for the ensuing tax year. The  
assessor may at any time require the filing of a new application  
35 or such proof as he may deem necessary to establish the right of  
the taxpayer to continuance of the deferral. It shall be the duty  
37 of every taxpayer to inform the assessor of any change in his  
status or property which may affect his right to continuance of  
39 the deferral.

1       b. On or before October 1 of the pre-tax year, the collector  
of each taxing district shall submit to the tax assessor of that  
3       district a list of outstanding liens and their dollar amount for  
every property for which a deferral has been granted pursuant to  
5       this act, including the liens for property taxes, and interest  
thereon, deferred to date. The tax assessor shall compare the  
7       list of those properties with their respective equalized or  
market values and disqualify from further property tax deferrals  
9       those properties for which the total of all liens exceeds 50% of  
the equalized or market values, as the case may be, or for which  
11      the liens for property taxes deferred to date exceed 80% of the  
taxpayer's equity therein, as appropriate. Any taxpayer who  
13      has been precluded from eligibility for further property tax  
deferrals shall be so notified.

15      13. (New section) All deferred property taxes, including  
accrued interest thereon, shall become payable when:

17      a. The taxpayer dies without a surviving spouse qualified  
under section 6 of this act, or a surviving spouse so qualified  
19      dies;

21      b. The tax deferred property is conveyed, or some person  
other than the taxpayer becomes the owner of the property; or

23      c. The tax deferred property is no longer the principal  
residence of the taxpayer, except in the case of a taxpayer  
required to be absent from the tax deferred property by reason  
25      of health.

27      14. (New section) Whenever an event listed in section 13 of  
this act occurs, the deferral of taxes for the tax year subsequent  
to the year in which the event occurs shall be disallowed, and  
29      the amounts of deferred property taxes, including accrued  
interest thereon, for all years prior to and including the year in  
31      which the event occurs shall be due and payable to the collector  
90 days after the day on which the event occurs, except that  
33      when the taxpayer dies these amounts shall be due and payable  
to the collector one year after the day of death.

35      If the amounts falling due as provided in this section are not  
paid on the due date, the amounts shall be deemed delinquent as  
37      of that date and the property shall be subject to the provisions  
of article 4 of chapter 5 of Title 54 of the Revised Statutes  
39      (R.S. 54:5-19 et seq.).

1       15. (New section) An aggrieved taxpayer may appeal from the  
2 disposition of a claim for a deferral or disqualification by the  
3 assessor for a deferral under this act under the same procedures  
4 as are provided for appeals from assessments generally.

5       16. (New section) The tax collector of each taxing district  
6 shall annually, at the time of the mailing of the tax bill or  
7 duplicate prior to the date that the third installment of the real  
8 property tax falls due, send to each owner of record of  
9 residential property within the district a written notice on a  
10 form prescribed by the director describing the tax deferral  
11 program and application procedure therefor established by this  
12 act.

13       17. (New section) a. On or before September 1 of the first  
14 tax year for which tax deferrals are granted pursuant to this  
15 act, each municipal tax assessor shall submit to the county  
16 board of taxation a report on the total dollar amount of taxes  
17 deferred in that municipality for the tax year.

18       b. On or before September 15 of that year, the county board  
19 of taxation shall, on a form prescribed by the director, certify  
20 to the director the information received from the municipal  
21 assessors pursuant to subsection a. of this section, including  
22 totals of that information for the county as a whole.

23       c. From the certification received pursuant to subsection b.  
24 of this section, the director shall determine the amount  
25 necessary to reimburse each municipality for deferrals provided  
26 for qualified properties situated within its corporate boundaries,  
27 and shall certify that amount to the State Treasurer. The State  
28 Treasurer, upon certification of the Director of the Division of  
29 Budget and Accounting in the Department of the Treasury, shall,  
30 on or before November 15, pay to the chief financial officer of  
31 each appropriate municipality the amount certified by the  
32 director.

33       d. Reimbursement for tax deferrals allowed for subsequent  
34 tax years shall be provided pursuant to section 18 of this act.

35       18. (New section) a. Each municipal tax assessor shall, on or  
36 before November 15 of each tax year, submit to the county  
37 board of taxation a list which shall include: (1) the total dollar  
38 amount of taxes deferred in that municipality for the tax year;  
39 (2) the total dollar amount of deferred taxes and accumulated

1 interest which have been repaid during the tax year, plus any  
amounts received during that tax year from the enforcement of  
3 liens pursuant to sections 12 and 14 of this act; and (3) the  
amount of money to be paid to the municipality by the State  
5 Treasurer, equal to the amount by which (1) exceeds (2), or the  
amount of money to be paid to the State Treasurer by the  
7 municipality, equal to the amount by which (2) exceeds (1).

8 b. On or before December 1 of each tax year the county  
9 board of taxation shall, on a form prescribed by the director,  
certify to the director the information received from the  
11 municipal assessors pursuant to section 12 of this act, including  
totals of that information by district and for the county as a  
13 whole.

14 c. From the certification required pursuant to subsection b.  
15 of this section, the director shall determine for each  
municipality either the amount necessary to reimburse the  
17 municipality for the deferrals provided pursuant to this act, or  
the amount of money due to the State by the municipality  
19 pursuant to subsection a. of this section, and shall certify same  
to the State Treasurer on or before December 15 of each year.

20 d. The State Treasurer, upon the certification of the director  
and upon the warrant of the Director of the Division of Budget  
23 and Accounting in the Department of the Treasury shall, where  
appropriate, pay to a municipality the amount necessary to  
25 reimburse the municipality for the deferrals provided pursuant  
to this act in the tax year in equal installments on February 1,  
27 May 1, August 1 and November 1 of the post-tax year.

28 e. If the total dollar amount of deferred taxes and  
29 accumulated interest repaid to a municipality in a tax year  
exceeds the total dollar amount of taxes deferred in the  
31 municipality for that tax year, the excess shall be paid by the  
municipality, on or before December 31 of that tax year, to the  
33 State Treasurer for deposit in the Senior and Disabled  
Homeowners' Property Tax Deferral Fund created pursuant to  
35 section 21 of this act.

36 19. (New section) On or before December 31 of each year,  
37 the director shall forward to each taxpayer a notice detailing  
the status of the taxpayer's deferred tax account. The notice  
39 shall set forth the amount of principal and interest owed in

1 deferred taxes by the taxpayer, and shall also set forth the  
2 doilar amount and percentage of equity in the home which has  
3 been used by the taxpayer in the deferral of his property taxes.

4 20. (New section) All funds that a municipality shall receive  
5 pursuant to this act shall be appropriated by that municipality in  
6 compliance with the "Local Budget Law" (N.J.S.40A:4-1 et  
7 seq.). Notwithstanding any provisions of the "Local Budget  
8 Law," that municipality may anticipate the receipt of the  
9 amount certified to it by the director and may file such  
10 amendments to or corrections of its local budget as may be  
11 required to properly reflect such amount in its budget.

12 21. (New section) There is created in the Department of the  
13 Treasury a nonlapsing, revolving fund called the "Senior and  
14 Disabled Homeowners' Property Tax Deferral Fund." The fund  
15 shall be credited with all moneys appropriated pursuant to this  
16 act, moneys received from municipalities pursuant to section 18  
17 of this act, and moneys received from the investment of moneys  
18 in the fund. Moneys in the fund are to be expended solely to  
19 provide reimbursement to municipalities for taxes deferred  
20 pursuant to this act, except that an amount not to exceed 1% of  
21 the amount appropriated to the fund pursuant to section 29 of  
22 this act may be expended during each fiscal year to defray the  
23 administrative costs of the program established by this act.

24 22. (New section) a. No private lender shall prohibit a  
25 qualified taxpayer from applying for and receiving a tax deferral  
26 pursuant to this act as a condition of entering into a loan  
27 agreement with that taxpayer, where the collateral for the  
28 subject loan is or includes the taxpayer's equity in a parcel of  
29 qualified property.

30 b. No private lender shall refuse to enter into a loan  
31 agreement with a qualified taxpayer, where the collateral for  
32 the subject loan is or includes the taxpayer's equity in a parcel  
33 of qualified property, solely because the taxpayer has been  
34 allowed a tax deferral pursuant to this act, provided that the  
35 taxpayer demonstrates adequate equity in the property to  
36 guarantee payment of the loan and participation in the tax  
37 deferral program.

38 23. (New section) The director shall annually provide the tax  
39 assessor of each municipality in the State with the average

1 residential assessment ratio for that municipality and shall, each  
2 month, provide the tax assessor of each municipality with the  
3 municipal bond interest index for the previous month.

4 24. (New section) The director shall, after consultation with  
5 the Commissioner of Human Services and the Commissioner of  
6 Community Affairs, devise and implement a program of  
7 notifying potentially qualified taxpayers of the tax deferral  
8 provided for in this act.

9 25. (New section) Not later than 12 months following the  
10 effective date of this act, the director shall submit a written  
11 report on the tax deferral program established pursuant to this  
12 act to the Assembly Appropriations Committee and the Senate  
13 Revenue, Finance and Appropriations Committee, which report  
14 shall include, but not be limited to the first-year participation  
15 rate and cost of the program, and projections, for future  
16 participation levels and costs of the program.

17 26. (New section) The director shall, pursuant to the  
18 "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et  
19 seq.), promulgate rules and regulations to effectuate the  
20 purposes of this act.

21 27. R.S.54:5-19 is amended to read as follows:

22 54:5-19. [When] Except in the case where real property tax  
23 payments are deferred pursuant to P.L....., c.....  
24 (C.....) (now pending before the Legislature as this bill),  
25 whenever unpaid taxes or any municipal lien, or part thereof, on  
26 real property, remains in arrears on July first in the calendar  
27 year following the calendar year when the same became in  
28 arrears, the collector or other officer charged by law in the  
29 municipality with that duty, shall subject to the provisions of  
30 the next paragraph, enforce the lien by selling the property in  
31 the manner set forth in this article.

32 The term "collector" as hereinafter used includes any such  
33 officer, and the term "officer" includes the collector.

34 [The] Except in the case provided herein the municipality may  
35 by resolution direct that where unpaid taxes or other municipal  
36 liens, or part thereof, are in arrears for more than one year,  
37 such sale shall include only such unpaid taxes or other municipal  
38 liens as were in arrears in the year designated in such resolution,  
39 and may by resolution, either general or special, direct that

1 there shall be omitted from such sale any or all such unpaid  
taxes, and other municipal liens, or parts thereof, on real  
3 property, upon which regular, equal monthly installment  
payments are being made, in pursuance to such agreement as  
5 may be authorized by said resolution between the collector and  
the owner or person interested in the property upon which such  
7 delinquent taxes may be due; provided, that said agreement shall  
require payment of such installment payments in amounts large  
9 enough to pay in full all delinquent taxes, assessments and other  
municipal liens held by the municipality, in not more than five  
11 years from the date of such agreement; provided, that the  
extension of time for payment of such arrearages herein  
13 authorized shall not apply to any parcel of property which prior  
thereto have been included in any plan theretofore adopted by  
15 any municipality of this State under and pursuant to the  
provisions of any public statute of this State whereunder prior  
17 extensions for the payment of delinquent taxes were authorized;  
provided further, that the right of any person interested in such  
19 property to pay such arrears in such installments shall be  
conditioned on the prompt payment of the installments of taxes  
21 for the current year in which such agreement is made, and all  
subsequent taxes, assessments and other municipal liens imposed  
23 of becoming a lien thereafter, including all installments  
thereafter payable on assessments theretofore levied, and also  
25 the prompt payment of all installments of arrears as  
hereinbefore authorized; and provided further, that in case any  
27 such installment of arrears or any new taxes, assessments or  
other liens are not promptly paid, that is to say, within 30 days  
29 after the date when the same is due and payable, then such  
agreement shall be void, and in any such case the collector, or  
31 other officer charged by law with that duty, shall proceed to  
enforce such lien by selling in the manner in this article  
33 provided.

(cf: P.L.1944, c.108, s.1)

35 28. (New section) There shall annually be appropriated such  
sums as are necessary to effectuate the purposes of this act.

37 29. There is appropriated, from the General Fund to the  
Senior and Disabled Homeowners' Property Tax Deferral Fund,  
39 the sum of \$5,500,000.

1       30. This act shall take effect immediately, and shall apply to  
2 property taxes assessed and levied for each tax year beginning  
3 on or after January 1 next following enactment.

5

#### STATEMENT

7

8       This bill provides for a loan program through which low  
9 income senior and disabled homeowners may, on the strength of  
10 the equity in their homes, defer property tax payments on those  
11 homes, and establishes a "Senior and Disabled Homeowners'  
12 Property Tax Deferral Fund" to provide State reimbursement to  
13 municipalities for taxes deferred.

14       Essentially, the bill provides for the equivalent of annual  
15 home equity loans in the amount of property taxes due from  
16 these homeowners. The loans will be repaid from the estate of a  
17 qualified homeowner upon his or her death, or by the homeowner  
18 upon the transfer of the home to a person who does not qualify.

19       Specifically, the bill applies to any homeowner who is 65 years  
20 of age or older, 55 years of age or older and disabled, or the  
21 surviving spouse of any such person who was allowed a deferral  
22 during his or her lifetime. The bill establishes income limits of  
23 \$13,650 for a single person, and \$16,750 for a married couple.

24       To qualify for a deferral, a homeowner must have at least  
25 50% equity in his home. Deferred taxes will carry interest at  
26 1% below a recognized national average for interest on  
27 tax-exempt public bonds. The bill limits the cumulative  
28 allowable amount of deferrals and interest to 50% of residential  
29 value. A homeowner whose equity exceeds 50% of value may,  
30 with the approval of the Division of Taxation, defer taxes and  
31 interest up to 80% of that equity.

32       The bill provides for annual State reimbursement to  
33 municipalities for the early years of the deferral program. It is  
34 anticipated that, as deferred taxes and interest are repaid, the  
35 program will become self-supporting.

36       The bill appropriates \$5,500,000 for the first year's  
37 reimbursements.

1

PROPERTY TAXES

Senior Citizens

3

Provides for property tax deferrals for certain senior and  
5 disabled homeowners and appropriates \$5,500,000.



ASSEMBLY, No. 4197

STATE OF NEW JERSEY

INTRODUCED FEBRUARY 6, 1989

By Assemblymen SCHUBER and ROMA

1 AN ACT creating the "Senior and Disabled Citizen Property Tax  
2 Relief Loan Fund," supplementing Title 54 of the Revised  
3 Statutes and making an appropriation therefor.

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

7 1. This act shall be known and may be cited as the "Senior and  
8 Disabled Citizen Property Tax Relief Loan Act."

9 2. As used in this act:

10 a. "Accrued equity" means the fair market value of the  
11 property, less the amount of any liens against the property,  
12 including any lien for any amounts previously borrowed pursuant  
13 to this act. For the purposes of this act, fair market value may  
14 be determined by either using a figure equal to the assessed value  
15 of the property, or by using the value according to a property  
16 appraisal completed by a qualified appraiser within six months of  
17 the date of application for a loan under this act.

18 b. "Director" means the Director of the Division of Taxation  
19 in the Department of Treasury.

20 c. "Eligible resident" means a citizen who:

21 i. resides in a dwelling house owned by him which is a  
22 constituent part of his real property. A resident shall own  
23 the property in fee simple, by himself or together with the  
24 spouse as joint tenants or by tenancy by the entirety. For  
25 the purposes of this act, the requirement of ownership shall  
26 be satisfied by the holding of a beneficial interest in the  
27 dwelling house where legal title thereto is held by another  
28 who retains a security interest in the dwelling;

29 ii. is 65 years of age or older, or a citizen less than 65  
30 years old who is permanently and totally disabled;

31 iii. has an annual income from all sources not greater  
32 than \$10,000.00 per year exclusive of any benefits under (a)  
33 the federal Social Security Act (42 U.S.C. § 301 et seq.), (b)  
the federal Railroad Retirement Act (45 U.S.C. § 231 et

New Jersey State Library

1           seq.), or any federal pension, disability and retirement  
3           programs, or payments pursuant to any federal law which  
5           provides benefits in whole or in part in lieu of or to persons  
7           excluded from coverage under the federal Social Security  
9           Act or (c) pension, disability or retirement programs of any  
11          state or its political subdivisions, or agencies thereof for  
13          persons not covered under the federal Social Security Act;  
15          but in no case shall the amount of exclusion under (b) or (c)  
17          exceed the maximum amount of exclusion allowed in similar  
19          circumstances under (a). The income of a married person  
21          shall be deemed to include the income of the spouse during  
23          the applicable income year, except for such portion of that  
25          year as the two were living apart in a state of separation,  
27          whether under judicial decree or otherwise; and

30           iv. is otherwise qualified to receive a deduction against  
32           his property tax under P.L.1963, c.172 (C.54:4-8.40 et seq.).

34           d. "Fund" means the Senior and Disabled Citizen Property Tax  
36           Relief Loan Fund established pursuant to section 4 of this act.

38           e. "Permanently and totally disabled" means total and  
40           permanent inability to engage in any substantial gainful activity  
42           by reason of any medically determinable physical or mental  
44           impairment, including blindness. For the purposes of this act, the  
46           permanently and totally disabled shall include, but not be limited  
48           to, any resident of this State who is disabled pursuant to the  
50           federal Social Security Act (42 U.S.C. § 416i), the federal  
52           "Railroad Retirement Act of 1974." (45 U.S.C. § 231 et seq.) or  
54           rated as 60% disabled or higher pursuant to any federal law  
56           administered by the United States Veterans' Administration.

58           For the purposes of this subsection, "blindness" means central  
60           visual acuity of 20/200 or less in the better eye with the use of a  
62           correcting lens. An eye which is accompanied by a limitation in  
64           the fields of vision such that the widest diameter of the visual  
66           field subtends an angle no greater than 20 degrees shall be  
68           considered as having a central visual acuity of 20/200 or less.

70           f. "Pretax year" means the calendar year immediately  
72           preceding the tax year.

74           3. The surviving spouse of a deceased citizen who during his or  
76           her life was eligible to apply for a loan pursuant to this act shall  
78           be entitled, so long as he or she remains unmarried and a resident

1 in the same dwelling house with respect to which eligibility was  
associated, to the same borrowing privileges, upon the same  
3 conditions, with respect to the same real property,  
notwithstanding that said surviving spouse is under the age of 65  
5 and is not permanently and totally disabled, provided that the  
surviving spouse is 55 years of age or older at the time of the  
7 death of the eligible resident.

4. There is established within the Casino Revenue Fund a  
9 special fund to be known as the Senior and Disabled Citizen  
Property Tax Relief Loan Fund. The fund shall be maintained by  
11 the Department of the Treasury in the same manner as other  
amounts in the Casino Revenue Fund. There shall be deposited or  
13 credited to the fund all moneys appropriated thereto by the  
Legislature, all amounts in repayment of loans made therefrom  
15 pursuant to this act and any other moneys made available for the  
purposes for which the fund is established.

17 5. Any eligible resident may apply to the director for an  
annual loan in an amount equivalent to not more than the lesser  
19 of \$1,000.00 or 50% of the eligible resident's property taxes  
assessed on the applicant's residence for the pretax year. A  
21 separate written application shall be filed with the director on or  
before February 15 each year in which a loan is sought. The total  
23 amount owed at any time by an eligible resident shall not exceed  
the accrued equity on the property. The loan shall be payable to  
25 the fund pursuant to section 11 of this act at a rate of 5% per  
annum, compounded annually on the unpaid balance of the loan.

27 6. Every fact essential to support an application for a loan  
shall exist on October 1 of the pretax year, except as otherwise  
29 provided in this section. Every application shall establish that  
the applicant is or will be on or before December 31 of the pretax  
31 year 65 or more years of age or on that date was permanently and  
totally disabled. The application shall provide for a statement  
33 under oath by the applicant that his income for the pretax year  
and anticipated income for the ensuing year qualifies him for a  
35 loan under section 2 of this act, and shall also include a  
statement under oath of the amounts owed against the property  
37 as encumbrances, and to whom such encumbrances are owed.

7. The director shall review each application for a loan within  
39 60 days of receipt, and shall request any information he deems

1 necessary regarding eligibility for the loan, including, but not  
2 limited to, proof of the applicant's age, physical disability,  
3 income, and ownership of property. After review of the  
4 application, the director shall approve or disapprove each  
5 application on or before April 15, pursuant to this act. If the  
6 aggregate amount of all loans qualifying for approval exceeds the  
7 available amount in the fund, the director shall grant approval  
8 giving priority to applicants who have the highest property tax to  
9 income ratio.

10 8. Upon approval of any application for a loan, the director  
11 shall notify the applicant of the approval and shall prepare and  
12 file with the appropriate county recording officer a notice of lien  
13 for an amount equal to the amount being loaned to the applicant.  
14 The lien shall remain active and on file until such time as the  
15 loan amount becomes payable pursuant to section 11 of this act,  
16 and the lien shall have the same priority as a tax lien filed  
17 pursuant to R. S. 54:5-6 et seq. The director shall obtain any  
18 necessary waivers from the applicant extending the period of the  
19 lien, if necessary.

20 9. An applicant who is denied a loan pursuant to this act may  
21 appeal the disapproval by filing a written protest with the  
22 director within 30 days of receipt of the notice of disapproval.  
23 The director, upon receipt of the protest, shall review the  
24 protest, and may reconsider the application for approval if the  
25 applicant provides additional satisfactory proof of eligibility that  
26 was not previously provided during the approval process. In the  
27 case of an applicant who was eligible, but was not granted  
28 approval due to the awarding of loans on a priority basis pursuant  
29 to section 7 of this act, the director shall so notify the applicant  
30 of this fact.

31 10. a. Upon approval of each loan, the director shall, on or  
32 before April 15 of each year, notify the municipal tax collector  
33 of each municipality where the subject real property of each loan  
34 is located that the loan has been approved. A municipal tax  
35 collector, upon receiving such notification, shall reflect any  
36 payment pending or received pursuant to this act as a credit  
37 against the property taxes assessed against the applicant's  
38 residence and shall reflect the amount of the credit on the  
39 property tax bill.

1       b. On or before August 10 of each year, the State Treasurer  
3 shall transmit a property tax loan relief payment for approved  
5 loans to the municipal tax collector, or other person responsible  
7 for the collection of property taxes, in the municipality where  
the subject real property is located. The municipal tax collector  
shall apply the payment to the assessed taxes due from the loan  
recipient for the remainder of the tax year.

9       11. All amounts borrowed pursuant to this act, including  
accrued interest thereon, become payable when:

11       a. The loan recipient dies without a surviving spouse qualified  
under section 3 of this act;

13       b. The property which is the subject of the application is  
conveyed, or a person other than the loan recipient becomes the  
owner of the property; or

15       c. The property which is the subject of the application is no  
longer the residence of the loan recipient, except in the case of a  
17 loan recipient required to be absent from the property by reason  
of health.

19       12. Whenever a circumstance listed in section 11 of this act  
occurs, the amounts borrowed pursuant to this act, including  
21 accrued interest thereon, for all years prior to and including the  
year in which the circumstance occurs, shall be due and payable  
23 to the director on the 90th day after the date on which the  
circumstance occurs, except that when the loan recipient dies,  
25 these amounts shall be due and payable to the director one year  
after the date of death. The director shall prepare and file the  
27 necessary documents to release the lien on the subject property  
upon receipt of final payment. All amounts received in  
29 repayment of loans shall be deposited to the credit of the Senior  
and Disabled Citizen Property Tax Relief Loan Fund.

31       13. The director is authorized to promulgate, pursuant to the  
"Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et  
33 seq.), rules and regulations as may be necessary to effectuate the  
purposes of this act.

35       14. There is appropriated to the Department of Treasury from  
the Casino Revenue Fund a sum of \$5,000,000.00 to effectuate  
37 the purposes of this act.

39       15. This act shall take effect immediately and be applicable to  
loan applications and taxes payable for the tax year 1990 and  
thereafter.

1

## STATEMENT

3

This bill establishes within the Casino Revenue Fund a special fund to be known as the "Senior and Disabled Citizen Property Tax Relief Loan Fund." The fund is to finance annual loans to eligible senior or disabled citizen homeowners in an amount equal to 50% of the property taxes assessed against the residence, limited to \$1,000.00 annually.

9

Any eligible senior or disabled citizen may apply annually to the Director of the Division of Taxation for a loan and if approved, the applicant will receive a notice of the approval, and the loan amount will be paid directly to the tax collector for credit against the property tax otherwise due on the residence. The loan approval will be reflected on the property tax bill as a reduction of taxes due, in the same manner as is the current \$250.00 property tax deduction for which these same persons are eligible. The loan will be recorded as a lien and is payable, with interest at 5% annually, within 90 days upon conveyance of the residence, or within one year of the death of an applicant unless there is an eligible surviving spouse.

21

23

SENIOR CITIZENS  
Property Taxes

25

Creates the Senior and Disabled Citizen Property Tax Relief Loan Fund; appropriates \$5 million from the Casino Revenue Fund.

27

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\* \* \* \* \*



ASSEMBLYMAN ROBERT W. SINGER (Chairman, Assembly Senior Citizens Committee): Ladies and gentlemen, may I have your attention, please? You are going to have to bear with us a little bit today, because there is no microphone system. These are not public address microphones. These are for taping. This is a hearing, and everything will be taken on tape. So, if someone comes up to testify, or we are speaking, going close to these won't help anything. They are strictly to tape the testimony. I would ask that you be quiet in here, so you will be able to hear everybody. If you wish to speak, please just move outside the hall.

A number of our members are on their way in. Unfortunately, traffic has held a few of them up, but they will be coming in. I don't want you to think that they will not be here.

First of all, let me welcome you to this special joint hearing of the Assembly Senior Citizens Committee and the Assembly Housing Committee. I want to thank you for allowing us to hold this event here in Ridgefield Park.

I would like to take this opportunity to introduce my members who are with me. I am Bob Singer. I am Chairman of the Senior Citizens Committee. To my left is John Bennett, who has so graciously come up with me from Monmouth County. Alex, do you want to introduce yourself?

ASSEMBLYMAN DeCROCE: I am Alex DeCroce. I am a member of the Housing Committee.

ASSEMBLYMAN SINGER: John Kelly is on the way, and so are several other members.

I would like to take this opportunity to talk to you a little bit about the testimony on several new proposals. The first proposal deals with two areas: home equity conversion, commonly known as "reverse mortgages," and property tax deferral. The bills, in one form or another, attempt to address a very special problem facing New Jersey's elderly homeowners -- the high cost of property taxes.

We have heard over and over again that seniors have paid off their mortgages and are being forced to sell their homes because they can't meet the property taxes, or they are being forced to choose between buying food and paying other bills.

Home equity conversion, or reverse mortgages, allow senior homeowners to draw on the equity they have built in their homes to receive cash payments. Property tax deferral allows senior homeowners who have acquired 50% equity in their homes and who meet certain income eligibilities to have the State pay the taxes for them. Keep in mind that the proposals are not a cure-all for what ails senior homeowners. They are just one piece of a bigger solution which calls for all of us to rethink the way we plan for our retirement.

The two Committees came to Ridgefield Park at the invitation of the two host Assemblymen, Pat Schuber and Pat Roma. Assemblyman Schuber and Assemblyman Roma are to be commended for focusing attention on this issue. They represent part of the county which has one of the highest real estate values in the country, so they know firsthand about the difficulties facing senior citizens.

We are going to hear five bills today. Each of these bills' sponsors will testify on their bills. In addition, there are other people here to testify as well. We want to encourage honest discussion. These bills will not be voted on today. Instead, the work session will be used to address and find the concerns about these bills. There is great interest in these proposals on the part of the members of the senior communities. In my particular area of the State -- Ocean County, which is the largest senior citizen county in the State of New Jersey -- this situation is reaching serious proportions. We are hoping certainly today, by working on these bills, that we can come out with some concrete ideas so we will be able to vote at our next session day.

Excuse me for just one second. I have just been passed a note telling me that we are only going to be here until one o'clock, so we will ask the people to testify to please limit their testimony.

The first person we are going to have speak is a very special person to us. He is the Speaker of the General Assembly, a person who has always led with the concerns of seniors upmost in his mind as we deal with many things. I can tell you, as Chairman of the Senior Citizens Committee, he has paid special attention to senior needs. So, with no further ado, I would like to introduce the Speaker of the General Assembly, Chuck Hardwick.

**S P E A K E R C H U C K H A R D W I C K:** Thank you very much. Mr. Chairman, members of the Committee, ladies and gentlemen: I first of all want to commend these two Committees for coming together for a joint hearing, because it highlights housing as an issue, and it highlights the needs of senior citizens. And when you bring housing and senior citizens together, with the complex issue of property taxes, we are confronting a major crisis in our State.

In reviewing the bills you are considering today, I am struck by several points that I would like to impress upon these two important Committees. One of them is a real answer that we simply have to continue to pursue in the Assembly; that is, to reduce property taxes for everyone in the first place. There is not enough money around, there is not a means around for property taxes to escalate and for us to then pay them and exempt senior citizens from them. We simply have to be able to control property taxes.

I recently received a letter -- I don't have the author's permission to use her name, so I won't -- and I would like to just read you a few highlights from it. This is from Westfield, New Jersey, my hometown. As it starts out, she says some nice things about me, and I'll skip that. But then she

says: "We want to stay in Westfield, but the local property tax is too heavy for those of us whose pensions are based on much lower salaries. The highest annual salary my husband ever received was \$26,000. We have lived in our present home for 30 years, and in the town of Westfield for 41 years. We built our present home for approximately \$55,000. One local bank would not loan us the money for the mortgage. They told us we couldn't afford to build it, and couldn't afford to live in it.

"We now realize the truth of the fact that we cannot afford to live in it, for our local property taxes are now 10 times higher than the original taxes. Our property is assessed at \$267,000, but it is not worth that to us until we sell it. Our local property tax is one and a half times greater than our Federal Income Tax. There are those of us 70 years of age who find this to be an excessive burden.

"We have gone to the local tax authorities and protested bitterly about our local property tax burden, and have been told that the tax is determined primarily by State law. It is my understanding that local property tax in the State of New Jersey is one of the highest in the United States, and I hope all of you in positions of authority will work to lower this.

"My husband joins me in wishing you best wishes," and so forth. I think this is a problem that is true in Bergen County. It's true in Union County; it's true in Ocean County, and Morris, and elsewhere in our State, that senior citizens, faced with declining incomes and rising property taxes are unable to meet that burden.

We have passed, in our house, important legislation to reduce taxes. The State mandate/State pay proposal which says that if the State government feels so strongly about the need for a new program that it wants to mandate it, then State government should provide the funds to pay for it. We have a local cap law to control local government spending, but we

continue to provide exemptions to that cap law, and local government spending has thus been able to continue to grow.

Recently, thanks to the help of the members of this Committee, we passed, through the Assembly, a very important bill that would return to municipalities the gross receipts and franchise tax, which is a tax that is placed on utilities, and is earmarked for aid to municipalities. Over the last few years, starting with the previous administration, and leading through this administration, State government has been siphoning off those funds. Last year, it took \$150 million to use for State operations. I believe, and I know you believe, that that money should be returned to lower property taxes, which would directly help senior citizens.

So, let's emphasize that we are working every way possible to reduce property taxes, and I hope the other house -- the Senate -- will enact similar proposals.

As I review the bills you have this morning, I think for those seniors who believe in reverse mortgages and want to participate in that program, it is an excellent idea. I do have some reservations about one aspect of it, though, and that is where the funds should come from. We have made a commitment to the seniors of this State that the Casino Revenue Fund would be used for specific senior and disabled programs, and it is very tempting for us in State government to continue borrowing from those funds. I am glad you have seniors here today who are going to testify on their views regarding further use of the Casino Revenue Funds. If we get on the path that every time we have a senior program, we will tap into that-- I think it is very important that that not be done, unless the senior citizen community and their representatives support that extension and participate in the decision-making.

I know we passed Chairman Kelly's bill earlier in our house -- the Senate did not move it -- for reverse mortgages. When these two Committees do their work again and you have

appropriate hearings and you send those bills back to me, as Speaker, looking for them to be posted by the full Assembly, I want you to know that I will give them expeditious consideration. They will come before the Assembly in very short order, so our seniors will know that we are doing everything we can to enable them to continue living out their lives in peace and security. They are entitled; they deserve the right to live out their lives in our State in peace and security. If they are worried about losing their homes because they can't pay the taxes on them, if they are worried about having to move to another community because they can no longer afford property taxes, then it is simply incumbent upon us to help them to find a way to avoid that.

So I commend the Committee members who are here -- the two Chairmen who are working together on this very, very important issue, and pledge to do everything I can as the Speaker to make this a successful venture.

Thank you very much.

ASSEMBLYMAN SINGER: Thank you, Mr. Speaker. Do any of the Committee members have any comments to the Speaker at all? (no response)

Mr. Speaker, I would like to share just one brief comment with you on that. Your concerns about the Casino Revenue Fund and everything else, I think, are right on the mark. The Casino Revenue Fund represents about 2% of the overall budget -- the \$13 billion. We're talking about \$200 million. To deplete that and use that as a catchall for all senior programs certainly is not fair and not reasonable. We have to be very, very careful about how we use that money. I agree with you on that 100%.

I would also say to you, as you have said here, this is a problem that is statewide. In our particular area of the State, what is affecting seniors tremendously are the rising school taxes. We are looking, in our particular area, at 30

cents to 40 cents per \$100 of assessed evaluation, going up this year alone, because of not full funding of schools and everything else like that. That is becoming a critical situation in our area, where seniors are becoming anti-education, which is not their goal, and not their means any which way to think that way, but we are forcing them, really, into being in serious situations because of rising taxes due to the schools' shortfall. That is something we have to address also.

I certainly think you are right on the money, and we appreciate it very much.

SPEAKER HARDWICK: Well, be sure to emphasize on Chairman Kelly's bill-- As I understand the thinking on the bill, should any senior sign up for the reverse mortgage program, and he or she lives longer than all of the projections say they are expected to, they will never lose their home as a result of declining equity; that, after a number of years, if the equity vanishes, they may continue living out their lives at home, and not lose it because of their inability to pay the taxes. Some of the seniors I have talked to are worried about the possibility that should they go into a reverse mortgage program somewhere down the road, what happens if that money runs out? They are entitled; they deserve to know that if they signed up for that program, and have property taxes deducted from their equity and paid for out of a revolving fund, they will never lose their home for not being able to pay taxes.

That should allow them to improve their standard of living, give them more money to spend now to improve the quality of their lives, and be assured that no senior should ever lose his or her home because of property taxes. That is a commitment we should make to the people of this State, those who sign up under that program in particular.

ASSEMBLYMAN SINGER: You know, Mr. Speaker, just on that one point, the banking institutions would not want to get

involved in it unless that was part of it. There is no way a bank wants to be party to taking -- or putting a senior out of a home. So you're right, that has to be part of this package, or it is not going to go anyplace.

SPEAKER HARDWICK: And get the message out to seniors that if they sign up, they will not lose their homes because they are being confiscated for nonpayment of property taxes.

ASSEMBLYMAN SINGER: Any other questions? (no response) Thank you, Mr. Speaker. We appreciate your taking time out of your busy schedule to be with us today. Thank you.

SPEAKER HARDWICK: Thank you, and good luck to you today.

ASSEMBLYMAN SINGER: Thank you for the donuts, also.

Now to the hometown Assemblyman, Assemblyman Pat Schuber.

A S S E M B L Y M A N W I L L I A M " P A T " S C H U B E R:  
Mr. Chairmen -- Bob and Jack -- and members of the General Assembly: Let me first indicate to you my appreciation to you for coming here to hold this joint hearing of the two Committees on Senior Citizens and Housing.

As you know, both Assemblyman Roma and myself have been working with a cross section of church groups in Bergen County, especially in the Ridgfield Park/Bogota area -- the Ecumenical Council of Churches here -- on one particular issue -- the reverse mortgage issue, which Speaker Hardwick has spoken about in his remarks. I want to publicly thank them for bringing this matter to the public's attention, for the purpose of providing meaningful relief to the senior population of Bergen County and, as a result of that, to the senior population of all of New Jersey, on the cruel burden that is imposed by the property tax.

There are key representatives of that group here who will testify later on with regard to that issue. It was a promise that we made to them at their last meeting, that we

would bring a joint hearing of both Committees here to take testimony and to offer an analysis of the reverse mortgage issue to them, because that truly was the issue they were concerned about. I am very, very pleased to see them represented here today. We thank you, also, for coming up here on what turns out, unfortunately, to be a really nasty day weather-wise, but I think a great day from a public policy point of view.

The issue here before us, is simply the issue of the property tax and its cruel burden. There is no doubt in our minds that it will probably be the number one economic priority of this State for the next several years, to the extent that we cannot continue, as a State, to rely on the property tax to raise revenues for the necessary local services and expect people to be able to stay in their houses.

I don't think there is any group that is hit harder with the issue of that tax than the senior citizens. We all know the issue of the property taxes being inequitable and unfair. Again, the group that is hit the most, and the most cruelly, is the senior citizens.

There have been a number of programs out there that have been utilized, or promoted to address this particular issue, but I think the one that provides meaningful interim relief is the issue of the reverse mortgage. I am very, very complimentary and supportive of Assemblyman Rooney, who has really been the forerunner of that legislatively, and who will testify in a few minutes with regard to his legislation, because this will allow us to address, probably, that inequity that exists whereby the senior who has lived in his community for so many years, is basically cash poor but property rich. It will give him, through this type of program, an opportunity to utilize that equity in his home -- his or her home -- to provide the money to pay those taxes, or to have those taxes paid, and to allow them to stay in their homes.

We have found, in talking to the various senior clubs -- Pat and I -- and talking with different senior citizen organizations, that most seniors have lived in their communities for many years, number one. Number two, they raised their children in their particular community. Number three, they really don't want to move from that particular community. They have many friends and relations in that area, and they would rather stay in an area that they are more familiar with, than to have to move because of economic reasons to some other area of the State, or the country.

I think we as a society, and we as a State, if we are to have any compassion in our policy-- I think it is up to us, especially those of us in the Legislature, to provide a program that will allow those individuals to stay within the homes that they have built, and to help them to continue to serve the communities that they also helped to build.

Therefore, I am here to support, very wholeheartedly, Assembly Bill No. 1247, Assemblyman Rooney's bill and Assemblyman Kelly's bill, which provides for the establishment, through the HMFA, of a statewide reverse mortgage program for senior citizen homeowners. It provides for seed money of \$5 million, and the establishment of a \$20 million issuance of Agency bonds for the purpose of continuing that program.

I would say a few words about my legislation, and Pat's legislation -- Assembly Bill No. 4197 -- which will provide for an appropriation from the Casino Revenue Fund of money for the start-up of a reverse mortgage program, again on a statewide basis.

We have read in the paper on a number of occasions of various banks that are talking about getting involved with this, but there is a concern about whether that is going to be statewide or not. I think the only way that can be done -- because the seniors of the entire State are affected -- is for it to be centralized, or coordinated at least through some

centralized agency. I think the HMFA, as Assemblyman Rooney has promoted, is a very good way to do that.

We congratulate him. We offer our support for that. I would ask the Committee to look favorably on that bill, and also on A-4197, because after all, the Casino Revenue Fund is a Fund that was established with a tax on the casino gross receipts, for the purpose of providing relief to our senior citizens. I think there can be no greater relief sought than that some portion of that Fund be utilized somehow for housing, and the ability to allow our seniors to stay in their homes, if they choose to do so.

I thank you very much for your attention. I would urge your support, at your next public meeting, of these two pieces of legislation. And I urge you to listen carefully to the witnesses from around this area, who are going to testify later after the legislators, who have been active in the organizations that are promoting this legislation.

Thank you, Bob.

ASSEMBLYMAN SINGER: Thank you very much for those right-on-the-mark comments. Are there any questions from any members of the Committee? (no response) Thank you, Pat.

ASSEMBLYMAN SCHUBER: Thank you very much.

ASSEMBLYMAN SINGER: I would now like to call on one of the men who has been very active on this particular issue, Assemblyman Rooney.

A S S E M B L Y M A N J O H N E. R O O N E Y: Thank you, Mr. Chairman. I think the Chairman of this Committee well remembers -- or both Chairmen remember -- about September of 1987, when we had a similar hearing down in -- I think it was Bloomfield. A lot of the testimony that we have heard, or that we will hear today will be very similar to the testimony we heard then. There is a problem with seniors being able to remain in their homes. The syndrome of cash poor/house rich is very evident in all of the hearings we have heard.

Back at that time, I decided there was a definite need for this, and we have been trying for the last two years to get the legislation through the Assembly, and possibly through the Senate. This year, I am proud to say, even the Governor has gotten on-board. In his State of the State Address this year, I was very, very humbled by the fact that the Governor of our fair State cited my legislation, co-sponsored by Assemblyman Kelly, as the way to go for the reverse annuity mortgages.

Let me explain the difference between this and commercial mortgages, and let me explain also, for the Committee's benefit, the hazards of some of the commercial mortgages. There are mortgages available to seniors today commercially -- reverse annuity mortgages. The problem with that is, I had evidence that was given to me -- and I will go through that with you -- that these particular mortgage companies were going out and telling seniors that they would never have to worry another day in their lives. They would get a monthly income, and for that they would just give up, or they would be paying-- I think back three years ago, the rate was between a 13% and 14% interest rate. Seniors were promised so much a month, and then that money would be taken out of the value of the house either when the estate was settled or the senior decided to sell that particular house.

Well, there were little wrinkles that were added to it that, to me, were actually usury on the part of these lending institutions. They turned around, and along with these high interest rates -- because they were about two points higher than the commercial rate available then-- They turned around, and said to the senior, "Oh, by the way, from the date that you signed this mortgage, we are going to take 100% of the growth in the value of your home." The appreciation was taken away from the senior as of the date that they signed that particular mortgage.

The next thing we found -- and I have five instances of this that I reported to the Attorney General's Office in the past-- The next thing we found was that the evaluation of that particular property was done by the mortgage company's assessor, or appraiser. They were given numbers-- I will give you some examples. This goes back to 1986 values. In Tenafly, a gentleman was told that his house was worth \$121,500. Gentlemen and ladies of this Committee, in Tenafly, you can't buy a doghouse for \$121,500. There were two instances in Tenafly. I don't have the actual value, but it was in the same area.

In New Milford, a home was valued at \$121,000. In Fair Lawn, a home was valued at \$80,000. In Fort Lee, a home was valued at \$145,000. These are all 1986 valuations. So, the senior was not only told that 100% of their value was taken away from them at that point -- from that point on -- but they were also given low valuations of their properties. A lot of the seniors didn't know better, because they had bought these homes at \$5000 or \$10,000, and maybe they were looking at their property taxes where the valuation for the town showed that it was \$121,000. Maybe that was the reason they were conned, and I believe it was a con job. So they lost this.

When Assemblyman Randall and myself, just two weeks ago, went to Westwood House, up in our district, and we were talking to seniors about the legislation this Committee was doing for the senior citizens-- I just brought this particular instance to mind: Right after that meeting, we were approached by one of the seniors who lived in Westwood House. She said, "Mr. Rooney, you hit the nail right on the head." She said, "I am going through a case right now trying to recoup my money, because they took my valuation away." They undervalued the property. She lost, in about a five-year period -- not even five, I'm sorry, a three-year period -- because she decided to cash out. She lost over \$50,000 in appreciation in her home.

She lives in Westwood House. I can have her testify at a later date.

These are the things that happen. I don't mind people making a profit, but I think the law that allowed reverse annuity mortgages on the commercial end, left the door wide open to usury, and there has been that abuse. A lot of the seniors in my district, where I have gone to the senior centers, are deathly afraid of this reverse annuity mortgage program, predominantly because of the commercial ones that have been out there.

This bill actually takes it out of the realm, or could bring it back into the realm of commercial, but with the State looking over their shoulder. My original intent-- I have a companion bill in the Housing Committee that would help low- and moderate-income people, again by using the State power of borrowing, taking low-interest loans, and then going out to the commercial institutions, and instead of -- instead of taking housing and subsidizing housing, we would subsidize people, as we are doing in this reverse annuity mortgage program. We are not subsidizing housing; we are not interrupting the flow of the normal taxes that are happening in the community. What we are doing is saying, "This person is entitled to some help," and this is the way to do it, using the borrowing power of the State.

I am very proud of the legislation; I am very proud to have the Chairman of the Housing Committee as my co-sponsor. It has been a long time in coming. I think we need this legislation desperately right now. The original idea of going through the Casino Revenue Fund was something that I thought of as I was sitting in your seat, Mr. Singer, as the Chairman of this Committee, because the two issues that the senior citizens of this State told me they wanted, as far as the casino funds were concerned, were the health issue and the housing issue. This certainly satisfies that particular aspect -- the housing end of it. We are going to help people remain in their homes.

I really appreciate the time of this Committee. Anything that is the Committee's will, as far as merging the bills, or having the bills changed-- We do have a Committee substitute proposed for Assembly Bills No. 1247 and 2032.

I will be happy to take any questions from the Committee, and/or my co-sponsor.

**ASSEMBLYMAN JOHN V. KELLY (Chairman, Assembly Housing Committee):** Mr. Rooney, you know I run a savings and loan, and that is like a bad word lately. I don't even want to talk about them, but I do run one. I would be interested in knowing which institutions were guilty of these heinous crimes against seniors. I would like to know their names, and I would publicly like to rip their hide out.

**ASSEMBLYMAN ROONEY:** Mr. Kelly, it was the same one that came before our Committee at that particular time. It was the same one.

**ASSEMBLYMAN KELLY:** What is the name?

**ASSEMBLYMAN ROONEY:** American Home Mortgage.

**ASSEMBLYMAN KELLY:** A mortgage company?

**ASSEMBLYMAN ROONEY:** American Home Mortgage Company.

**ASSEMBLYMAN KELLY:** That is the only one doing it right now. Okay. Were there any banks, savings and loans?

**ASSEMBLYMAN ROONEY:** I don't know if there were banks or savings and loans. This American Home Mortgage is the one that these instances were taken from.

**ASSEMBLYMAN KELLY:** Okay. But there were no banks or savings and loans guilty?

**ASSEMBLYMAN ROONEY:** No particular banks. It may have been--

**ASSEMBLYMAN KELLY:** Because I would like to rip their hide out if they were part of that.

**ASSEMBLYMAN ROONEY:** --part of the package that the bank wasn't even aware of. The bank may have held the paper. As you know, many banks do.

ASSEMBLYMAN KELLY: Okay, you answered my question. It is a mortgage company that was involved.

ASSEMBLYMAN ROONEY: American Home Mortgage is the one that--

ASSEMBLYMAN KELLY: I think we should publicize that, and let everybody know to stay away from these characters.

ASSEMBLYMAN ROONEY: Well, what was interesting was that at our hearing in Bloomfield, there were people who came to testify on behalf of that company, saying it was a great deal. When we looked into it-- September was when the hearings were. October or November was when I got these numbers -- the end of October, 10/27/87 -- and I reported them to the Attorney General's Office. In fact, I even spoke to The Bergen Record at that time to request some investigation. Nothing has ever been done. I talked to the Attorney General's Office at least three times in the last year-and-a-half on this, requesting that something be done. It has not happened.

ASSEMBLYMAN KELLY: Okay, thank you.

ASSEMBLYMAN SINGER: John, just before you go, I would like to share something with you. Number one is, yes, we will be merging the bills at our next Committee meeting. They are going to be up at our next Committee meeting. You know that Alan Karcher has also had a bill in on this for a time, and you know that this bill has not just been laying dormant. We have been working on this bill with staff in Trenton, and finally it has gotten to the point where everybody has signed off and is satisfied with what is happening.

You certainly have carried the flag on this -- or the torch, or however you want to put it -- through this past year, and before that, and we appreciate that very, very much. I am satisfied that we have reached a stage where I think all the questions have been answered. Everyone is happy with the bill in its present form. Unless we hear something extraordinary, we are going to be holding a special meeting just to merge

these bills and pass them out, so that Chuck will have the opportunity to post it.

Again, I want to thank you for your work on this.

ASSEMBLYMAN ROONEY: Thank you very much. I can't say anything more to thank the Committee for helping enormously. You have been very, very responsive and helpful in getting the substitutes worked out.

The other thing is, if we can't get this one passed, then I don't know what's wrong, because the Governor has already come out in favor of the bill, and said that this is the way to do it, through the Casino Revenue Fund.

ASSEMBLYMAN SINGER: John, we have a gentleman who is dying to ask you one question, so maybe--

ASSEMBLYMAN ROONEY: Yes?

G A B E C A R D I E L L O: (speaking from audience) Mr. Rooney, I want to thank you very much for paying attention to this matter. But I would also like to know, what do we need the \$5 million for, if the banks are going to handle this loan -- this mortgage? What do we have to go to the Casino Fund for?

ASSEMBLYMAN ROONEY: I can answer that. Basically, it is a loan. This is a loan from the Casino Revenue Fund, the way I envisioned it originally. The other thing is, it takes time to do a bond issue. The HMFA is going to have to put it out on bond issue, and that takes some time. We want to start the program immediately upon passage. That is why the \$5 million would be necessary -- to start the program.

ASSEMBLYMAN KELLY: It will go back.

ASSEMBLYMAN ROONEY: It will go back into the Fund.

ASSEMBLYMAN KELLY: It is only a temporary loan.

ASSEMBLYMAN ROONEY: Yeah.

MR. CARDIELLO: Okay.

ASSEMBLYMAN ROONEY: So, we are not taking the money. It is something that is going to be revolving.

Are there any other questions? (no response)

ASSEMBLYMAN SINGER: Thank you, John. Thank you very much.

ASSEMBLYMAN ROONEY: Thank you, Mr. Chairman; thank you, members of the Committee.

ASSEMBLYMAN SINGER: I would like to call next one of the rising stars in the General Assembly, Pat Roma -- Assemblyman Roma.

A S S E M B L Y M A N P A T R I C K J. R O M A: Thank you, Mr. Chairman, members of the Committee. Thank you for being here.

As was indicated earlier, a number of comments were made concerning property taxes, and we understand the rising costs. I have been very close to senior citizens with respect to a number of programs.

UNIDENTIFIED SPEAKER FROM AUDIENCE: Louder.

ASSEMBLYMAN SINGER: You have to speak up a little bit, Pat.

ASSEMBLYMAN KELLY: You have to speak up a little. That's not a microphone.

ASSEMBLYMAN SINGER: They can't hear you back there.

UNIDENTIFIED SPEAKER FROM AUDIENCE: We're senior citizens. You have to speak up. (laughter)

ASSEMBLYMAN ROMA: Okay. I have a tendency to be soft-spoken. Can everybody hear me now? (affirmative response)

I have been involved in a number of groups -- the Association of Retired People -- and I have had an opportunity to speak to them. I think what Assemblymen Schuber and Rooney spoke about, is extremely important. You can't spend a house when the property taxes are going up. People have property, but they don't have the available income.

We talk about the rising taxes. We talk about school taxes; we talk about property taxes. I would like to commend the Assembly and Speaker Hardwick for taking the initiative on A-4100 and A-3745. But we need to go a little further. That is the purpose of being here today, and I want to thank you.

Many of the people we have spoken to in the past, in particular the Interfaith Council, have spearheaded this movement. It is extremely important that we do something. I had the occasion downstairs to talk to a young lady. She would not give me her age, but we were kidding as we were talking about the different problems facing us. I thought about my parents. My parents are, presumably, in the range of senior citizens. And as we talk about the different issues that face us, it is very realistic. We talk about living in a community all of your life. We talk about the fact that we are close to our family members, and it is important to keep in contact with all of the family members, to keep in contact with the different neighbors, the roots of the community, the people you have known all your life. And now all of a sudden, after living in the community all of your life, you are faced with the growing taxes, be it school taxes, property taxes, or any number of different types of taxes we have, and that is really the issue we are facing with these different bills.

Obviously, I support the concept that we have in the bills, in particular the Rooney/Kelly measures, and also the outgrowth, the Schuber/Roma bills. We need some type of relief, certainly a creative mechanism. Mr. Chairman, you have been very sensitive with many of the issues you have, and with all of the Committee initiatives. I would like to lend my full support in terms of all of these bills, because we certainly have a number of people coming to us, asking, "How will I be able to afford the property taxes? How will I be able to live in my community?" That is what we want to do.

We have a group of people who have reached a point in life, who have done so much to help out, who have contributed to the very fabric of life, and we, as the Legislature, we, as government, have a moral obligation. We have a legal obligation, also, to help these people. I would like to not only lend my support, but hope that at the very next hearing,

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after hearing from the various people we have here today, that we will be able to vote out these measures, or a combination of the measures, in order to help these good people to continue to live with us.

Thank you, Mr. Chairman.

ASSEMBLYMAN SINGER: Thank you, Pat. Thank you for those kind words. Are there any comments from any members of the Committee? (no response) Thank you, Pat.

Next I would like to call on someone who has come a long way to be with us today, Assemblywoman Clare Farragher, from Monmouth County.

**A S S E M B L Y W O M A N C L A R E M. F A R R A G H E R:**  
Good morning.

ASSEMBLYMAN SINGER: Good morning, Clare.

ASSEMBLYMAN KELLY: Good morning.

ASSEMBLYWOMAN FARRAGHER: It's never too long; never too long. We'll go anywhere.

We have heard a lot this morning from the earlier speakers about the problems of the rising property taxes forcing people out of their homes. I have been in the Assembly just two years. One of the things that I believed should be addressed by the State of New Jersey, was something that I saw happening in my own town, where I am a municipal official. And that is, the people who were coming into the collector's office trying to arrange time payments because, as one man said, "It is not my fault that my house got valuable."

So, we have a proposal -- A-4106 -- which is sponsored by Assemblyman Joe Kyrillos and myself. If enacted, it would be known as the "Senior and Disabled Homeowners Property Tax Deferral Act." It is a little bit different from the reverse mortgages, in that it is totally funded by the State. It is designed in such a way that it would obviate the need for an expensive title search, which some of the reverse mortgages would require, and it also takes into account the handicapped person.

What would happen is, the home equity would be the basis for determining whether the property taxes could be deferred. The amount of equity-- The amount of income would be established by \$13,650 for a single person, and \$16,750 for a married couple. Those numbers were chosen specifically because they would tend to be about an average across the State. I think, if I am not mistaken, those are the limits for PAAD, are they not?

ASSEMBLYMAN SINGER: Yes, they are.

ASSEMBLYWOMAN FARRAGHER: Okay. To qualify, the homeowner has to have at least 50% equity in his home. The deferred taxes would be paid by the State, and would carry interest at 1% below a recognized national average for interest -- that is yet to be determined -- for the interest on tax-exempt public bonds. It would limit the cumulative allowable amount of deferrals and interest to 50% of the residential value. So, if you reached that limit, you would have to have the approval of the Division of Taxation up to 80% of the equity of the home. The State would reimburse the municipalities, and then as the program went on, deferred taxes and the interest would be repaid when the dwelling unit was no longer the principal residence of the senior, either through death or a move or a sale or a transfer. Then that would be paid back to the State. It is anticipated that after the initial \$5 million appropriation from the General Fund -- not the Casino Revenue Fund -- the bill would then be self-supporting.

It is a very sad thing. I have come to know of instances of seniors committing suicide, particularly women who have become widowed. Their pensions are greatly reduced, and they just can't cope any more. It is a tragedy in our State which, I think, we've got to address. I think it is our obligation as a government body. Government should do for the people what the people cannot do for themselves. If we want to

keep our State an interesting and viable place, it is important that we help our seniors -- our older people -- so that they can stay here, and be a resource.

I have seen so many who have had to leave and go south, and they are miserable. They don't see their families -- their children, their grandchildren -- and they are really unhappy. I see this as a small thing that the State can do, that would greatly benefit the entire State as a whole.

ASSEMBLYMAN SINGER: Clare, may I just ask you one question?

ASSEMBLYWOMAN FARRAGHER: Sure.

ASSEMBLYMAN SINGER: The only concern I have with this particular piece of legislation is, unlike Assemblyman Rooney's, which has a catch-all in it that no one can be forced out of their house, what happens if the person, for argument's sake, is retired 25 years -- went into the program 25 years ago -- and has used up 80% of the equity in his house against taxes? What then happens? In other words, when you have reached the point where you don't have any more equity, yet you still have taxes going, does that mean that the State comes in and sells the house for taxes?

ASSEMBLYWOMAN FARRAGHER: I would think that since-- I had not considered that, because you're talking about a senior who has retired, and now it's 25 years later, and that would make them -- figuring on 65, which is the age in this bill -- 90, and-- I don't know.

ASSEMBLYMAN SINGER: Clare, I think statistics that I have seen have shown that by the year 2000, there will be a million or a million-and-a-half people above the age of 100 in the United States. We are reaching a situation in my particular area where people retired-- Leisure Village, the first retirement community in the State of any consequence, is 26 years old. Now you have many people there in their late '80s to their early '90s. So I am only saying to you--

Granted a person reaching 65 wouldn't normally have to tap into that, but I am only saying to you, in some areas of the State where their house may be worth \$300,000, or \$250,000, and they only paid \$10,000 or \$15,000 for it, and those taxes might be \$7000 or \$8000 a year, 10 years, or 15 years, builds up pretty fast.

I am only saying to you, is there anything in that bill-- Are we just going to say, when it reaches that stage-- I presume the State is going to have to take some kind of a lien against the property.

ASSEMBLYWOMAN FARRAGHER: Yes.

ASSEMBLYMAN SINGER: So I am only saying to you, at that time, when the person doesn't have any more money, but the taxes are still ongoing-- Are you saying that we are going to go to that person and we are going to sell the house?

ASSEMBLYWOMAN FARRAGHER: No, the bill doesn't say that.

ASSEMBLYMAN SINGER: But, what is going to happen?

ASSEMBLYWOMAN FARRAGHER: Basically, to qualify, they would have to satisfy-- There is a mechanism set up to determine if they are qualified. The assessor must certify the value of the home, and then the collector certifies either the age or the disability factor. So they would have to requalify, and if they ever reach that limit--

ASSEMBLYMAN SINGER: I understand that, Clare, but I just want to-- Again, we may not have a problem with that, but I want us to understand that what we are saying is, somewhere in the future, if it should happen, and the person reaches 80% of the value of the house -- which means that there is only 20% of it left -- and they still have their taxes and they don't have the money to pay the taxes, therefore we are going to say that they are going to have to sell the home.

ASSEMBLYWOMAN FARRAGHER: Yes, that would happen.

ASSEMBLYMAN SINGER: Okay, I just want that clearly understood. I didn't want that--

ASSEMBLYWOMAN FARRAGHER: That would have to be.

ASSEMBLYMAN SINGER: Okay.

UNIDENTIFIED MEMBER OF STAFF: Why don't we look into it? Why don't we give it some more study? Why don't we research that and go into it in a little more detail?

ASSEMBLYWOMAN FARRAGHER: It is a good point. It is not addressed in the bill. I had not taken--

ASSEMBLYMAN SINGER: That is the only point of the bill that I would just want to maybe fine-tune before our next meeting, where we are going to vote these bills out.

ASSEMBLYWOMAN FARRAGHER: The other thing that I considered after going through the bill-- I considered a situation where a family might have those income levels, and might have a handicapped child, or an illness, where if we applied a spend-down provision, for example, that would make the window of opportunity greater. I learned of a case in Millstone Township where the woman has cancer, and she is going to have to give up her house because the deductibles -- meaning the deductibles and whatever on her medical insurance -- have eaten up what she would normally pay for her taxes. That is something that is not addressed in the bill.

ASSEMBLYMAN SINGER: How old is the woman?

ASSEMBLYWOMAN FARRAGHER: She's 67, I think.

ASSEMBLYMAN SINGER: Jack?

ASSEMBLYMAN KELLY: Yes. I question this \$13,000 and this \$16,000. That is rather low, I think, because that is total income you are talking about.

ASSEMBLYWOMAN FARRAGHER: Well, yeah, they are the PAAD limits.

ASSEMBLYMAN KELLY: I know what it is, but it seems to me that you are going to cut out a lot of seniors, because I don't think too many in those categories actually own houses.

I could be wrong. I would like to get the statistics on it. But I don't think you are being fair to the guy who struggled for many, many years to own a house, and now suddenly he is in a position where he has a minor pension of \$10,000, and he is going to lose out on this completely, which isn't fair.

ASSEMBLYWOMAN FARRAGHER: These were beginning numbers, Assemblyman Kelly.

ASSEMBLYMAN KELLY: Okay, but we ought to make them higher, I think.

ASSEMBLYWOMAN FARRAGHER: We just needed a benchmark to start from, and we decided on the PAAD limit, because evidence of PAAD eligibility could be proven to the collector, and that would simplify the approval.

ASSEMBLYMAN KELLY: I know, but it is still not fair for the man or woman who has a small pension and Social Security to be cut out of this. It isn't right.

ASSEMBLYWOMAN FARRAGHER: Someone like my mother, when the day comes when my father is no longer here. He took his maximum pension from the New York City Police Department. That stops when he dies, and she will then rely totally on the Social Security benefit that is left. And of course, my father -- God bless him -- is 70 years old, and he still works part-time. They are still putting away extra for that day. But that is probably the most tragic area, the widows with the reduced pensions, who just simply can't make it.

ASSEMBLYMAN KELLY: Thank you.

ASSEMBLYMAN SINGER: Again, Clare, I want to commend you. Certainly your bill is a step in the right direction. We will be combining those bills. There are three bills: There is Assemblyman Kelly's bill, Pat Schuber's and Pat Roma's bill, and your bill and Assemblyman Kyrillos' bill. They are all around the same subject. We will be combining those together, merging them together, and coming out with one bill, which hopefully we will all get full credit for.

ASSEMBLYWOMAN FARRAGHER: I think that probably is the best way to go, since there are good elements in each and every one of them. Some hybrid of all of them will probably be what will work the best.

ASSEMBLYMAN SINGER: And we are going to come back with some type of an answer to that question that I spoke to you about. Maybe we will be able to incorporate that in the bill.

ASSEMBLYWOMAN FARRAGHER: There are some technical points that were not addressed in A-4106, which I have copious notes on. I will convey those proposed amendments to staff, so that they can make those changes. What I did was, I sat down with the tax collector from Freehold Township -- Bob Farrell -- and he, with his expertise, went over the bill with me, and pointed out to me some areas that needed some work. We will be happy to send that in to staff.

ASSEMBLYMAN SINGER: Thank you, Clare. Any other questions? (no response) Again, thank you for coming up, Clare. We appreciate it very much.

ASSEMBLYWOMAN FARRAGHER: You're very welcome.

MR. CARDIELLO: (speaking from audience) I have a question.

ASSEMBLYMAN SINGER: Yes, sir?

MR. CARDIELLO: If these people can't pay their taxes, how are they going to maintain a home -- the repairs, alterations that may come up, a leak in the roof? Are you going to get the property go down?

ASSEMBLYMAN KELLY: Certain counties have ways you can get money for--

ASSEMBLYMAN SINGER: Community block grants.

ASSEMBLYMAN KELLY: There are block grants for that type of a problem.

UNIDENTIFIED SPEAKER FROM AUDIENCE: Federal money.

ASSEMBLYMAN KELLY: There's not much, but there is money available for people in certain income brackets.

ASSEMBLYMAN SINGER: I think it is fair to also understand that these people do have other incomes. The question, for example -- and we are seeing it in our particular area -- is that property taxes have risen at such a fast rate, that they just don't have the money to keep up with that. In my particular town, the proposed budget, between the fire tax, the school tax, and the municipal tax-- We are looking at 51 cents per \$100 just the valuation going up, in one shot. That means that if a person has a \$100,000 house, or a \$200,000 house, you are talking about a substantial increase in one year. Those are the kinds of things that people are having problems dealing with.

But I think we are looking down the road a little bit also. The person who retires at today's dollars may be fine, but what are those dollars going to be 10 or 15 years from now? That is why we are really looking into the future, to be able to help out a little bit with it. I don't envision these houses going downhill because people don't have enough money to keep them up. They just can't afford to keep them up, heat them, pay all the bills, and pay the taxes. I think that is the thing we are looking into a little bit.

MR. CARDIELLO: May I give you a possible solution?

ASSEMBLYMAN SINGER: That's what we're here for.

MR. CARDIELLO: Why don't we just abolish the income tax and the sales tax for anybody over 65? This would put money in their pockets.

ASSEMBLYMAN SINGER: A different issue. Thank you.

ASSEMBLYWOMAN FARRAGHER: May I say something about those other proposals? There have been a lot of other proposals for ways to help seniors in the property tax situation, which is particularly bad in the suburban areas. My town is looking at a 70-cent increase. It is difficult enough for those of us who are able-bodied and out working, but for the seniors it is devastating. There are "For Sale" signs all over our area.

The proposals that I have seen advanced for helping seniors-- Probably the one that I have seen the most is the one which would freeze property taxes at a certain level for those who have reached age 65.

ASSEMBLYMAN KELLY: She's off the bill.

ASSEMBLYMAN SINGER: I think that's my bill.

MR. CARDIELLO: Good.

ASSEMBLYWOMAN FARRAGHER: Okay. There is one small problem with that: Somebody has to pick up the difference. Okay? What you would do, if you put that in, would be to drive the young families out. They would not be able to afford it. So what we're looking for, is some kind of a balance that helps the seniors, but does not hurt the younger people.

ASSEMBLYMAN SINGER: You're right, Clare.

ASSEMBLYWOMAN FARRAGHER: I think these bills do that.

ASSEMBLYMAN SINGER: Again, thank you for coming down.

ASSEMBLYWOMAN FARRAGHER: You're welcome. Thank you, Mr. Chairman.

ASSEMBLYMAN SINGER: We would now like to hear from Emily Templeton, Department of Community Affairs. We thank you for being so patient with us, Emily. How are you this morning?

E M I L Y T E M P L E T O N: Fine, thank you. I am Emily Templeton. I am representing the Department of Community Affairs this morning.

The Department of Community Affairs appreciates the initiative of the members of the Senior Citizens Committee and the Housing Committee, as well as the work of the legislators who have introduced the property tax deferral legislation under consideration at this public hearing. The senior property tax deferral is a concept that permits seniors who are house rich and cash poor to tap into the equity in their homes to defer payment of at least a portion of their property taxes.

As you know, Governor Kean highlighted the importance of this issue in his State of the State Address. At that time,

he outlined briefly a property tax deferral program similar to the legislation on the agenda here today. The Governor's staff is currently working on draft legislation that addresses this issue. The Department's position on the details of the legislation in this joint Committee meeting will be reflected in the Governor's draft property tax deferral legislation.

This hearing offers an important opportunity for the people of New Jersey to express their concerns on this issue. We appreciate the opportunity to come and listen to people's concerns, to take note of questions, and to express our support for property tax deferrals for New Jersey's senior citizens.

ASSEMBLYMAN SINGER: Emily, thank you. Are there any questions of Emily? (no response)

Just one thing, Emily. I hope you are going to be our spokesman with the Governor when these bills are on his desk, to get him to sign them. Okay?

MS. TEMPLETON: We will.

ASSEMBLYMAN SINGER: Thanks a lot. We appreciate it.

The next person is someone I have had the pleasure of working with for a number of years in Trenton. Unfortunately, we lost him. Jack D'Ambrosio, Executive Director, Housing Authority of Bergen County. Jack, it is a pleasure to see you again.

JACK D'AMBROSIO: Thank you.

ASSEMBLYMAN SINGER: We miss you in Trenton.

MR. D'AMBROSIO: That's good to hear, and I miss working with all of you. It is very nice to appear before you again. It seems like time passes, but the issues remain the same.

I have come here today to talk with you, not theoretically, not hypothetically. I come with really no statistics. But instead, I come to tell you what I hear in the community from our older citizens at local meetings, and over the phone; that is, that some of our seniors are afraid. They

are afraid of high auto insurance premiums; they are afraid of high medical insurance premiums; but most of all, they are afraid of not being able to continue to live in a home that for many years has been their home -- for most of their lives. It is a sense of fear that they do not deserve, and that we cannot allow to continue.

Most of our seniors have worked hard all their lives; for many, very long lives. They worked hard to be secure in their own homes, in their own communities, communities that have been built through their strength. They have been looking forward to living those promised golden years. But for many, that sense of security is now being challenged, and some are being forced to consider selling their homes, because they cannot afford to pay the very high property taxes.

The problem is here, and I commend you, the members of this Committee, and the sponsors of this legislation we are hearing today, for recognizing the problem now; for recognizing its importance. I have not studied the various bills sufficiently so that I can comment on which are stronger or better. However, generally, I support the concepts greatly.

Reverse mortgages can serve an invaluable purpose, if properly regulated and if sufficient protections are offered. To those who are critical of them, I say, "Don't be too quick to criticize." Times have changed. Children are no longer living just around the corner, and seniors are very willing to take care of themselves with dignity, but we must give them the ability to do so in today's world, a world that they may not have planned for. Let's allow them to decide for themselves what is best for them. They have been able to make those decisions all their lives.

Tax payment assistance programs are a very sound idea. We must make sure that risks are minimized, and that every senior who enters the program fully understands the program. Education is the key to the success of any program,

and we should allocate dollars to whatever extent necessary to allow for that education. And with any such program, I ask that you consider raising the income eligibility levels, so that we do not create another gap that I believe so many residents of Bergen County will fall into, unless those minimums are raised.

Having served as Executive Director of the Housing Authority of Bergen County for almost a year now, I can say that I have become very much aware, and sadly concerned, about the lack of housing opportunities for a good number of the people of Bergen County, as well as the rest of New Jersey. While I have your ear as legislators, I would just like to mention -- to reiterate the tremendous need for greater help for those first-time home buyers, that single person or couple who want desperately to continue to live in Bergen County, but are being forced to move elsewhere. I ask you for your help in creating programs that will put an end to this forced displacement.

While solutions to the problems faced by first-time home buyers may take more time to develop, the subject of our discussion today is far less complicated. Let's provide a way for our seniors to remain in their own homes, by passing legislation of the kind we are discussing here today. It is what our seniors want to do, and it is what I believe they should be able to do.

Thank you.

ASSEMBLYMAN SINGER: Thank you, Jack. Do any members have any questions? Jack--

ASSEMBLYMAN KELLY: I've got one.

ASSEMBLYMAN SINGER: Oh, I'm sorry.

ASSEMBLYMAN KELLY: What figure are you talking about?

MR. D'AMBROSIO: Pardon me?

ASSEMBLYMAN KELLY: What figure are you recommending? I am just curious. You said you want to increase the income limits.

MR. D'AMBROSIO: Yes. I just saw the figures that are being proposed when I saw the bill for the first time, which I must say was not too long ago -- a couple of days ago. We are trying now to work with the Bergen County Office on Planning, to see what the figures should be. I think we have done a study where some 43,000 seniors could possibly fit into such a program in Bergen County, but we haven't really looked at what dollar figure that would fall at. It is a dollar figure that I am anxious to study.

ASSEMBLYMAN KELLY: Okay. Thank you.

ASSEMBLYMAN SINGER: Jack, do you think the Housing Authority of Bergen County is going to do anything to help us on the tax issue at all?

MR. D'AMBROSIO: Well, interestingly, I have been exploring, for the past few months-- In fact, about six or seven months ago, at an executive session with my Board, I mentioned this idea I had. So they support trying to do something in this area very much. We have, with the Housing Authority, certain administrative moneys that we accumulate through various programs we administer. While I would not want to take away from the mission of building affordable housing, which we will continue to do, I think we may want to also explore the opportunity to use some of that funding we have to maybe work jointly with the private sector in possibly administering a program which they -- the seniors -- might be able to tap into for interest-free loans, or low-cost loans, in order to meet their taxes. Then we would work to have those loans satisfied when the home is sold, or the estate takes the home over.

ASSEMBLYMAN SINGER: That raises an idea. Any other questions? (no response) Jack, again thank you. It was a pleasure seeing you again.

MR. D'AMBROSIO: Thank you very much. It was good seeing all of you. Thanks.

ASSEMBLYMAN SINGER: Next we will have Frank Power, Bergen County Division on Aging.

F R A N K P O W E R: Good morning. I guess it is just after noon, so good afternoon, everybody.

I wish to convey that the Director of the Bergen County Division on Aging is at the annual reorganization meeting of the Advisory Council today. Otherwise, she would be here. She has asked me to speak on her behalf.

I think this is the fourth time that I have spoken on this publicly at a hearing. I remember the first time was with Assemblyman Kelly on a blistering hot night -- I think in '86, August sometime -- where we got stuck on the Parkway. That was, I believe, in '86.

I wish to speak on behalf of Ms. Gloria Layne and myself. We have been working in Bergen County, for about four years, to try to get tax deferral on the public program, either by the county or by the State. I wish to have these remarks entered into the record as they stand. I am not going to read the entire thing through, but I do want to make a couple of things clear.

The Advisory Council of the Division on Aging has formally proposed, by resolution, that we get something going, either on a State level or on a county level. We have 55,000 owner-occupied senior citizens' dwellings in this State. We have approximately 10% of the seniors in the State, in Bergen County. The main complaint that seniors have is high taxes.

I have spoken to more than 300 seniors in-depth, taken public depositions, attended all the sessions of the Governor's Task Force on Senior Housing Options, and was very active, particularly in the Subcommittee on Tax Deferral. We believe that in Bergen County, tax deferral is the answer. It is a loan. It is an eminently acceptable financial practice. It is not charity. It allows seniors to pay their bills ultimately from their own resources. It alleviates the quarterly tax

worries, and provides discretionary moneys for needed commodities.

I would like to make just two remarks: One, tax reform is a vital issue. I think some seniors have, or will raise that issue. My remarks do not address that, because this is a hearing on tax deferral. But it is a tax justice issue.

Secondly, tax relief. In Bergen County, about one out of every five houses is occupied by a senior citizen. So tax relief, in the sense of forgiveness, or lessening of the moneys that seniors would pay, would be quite divisive in the communities, and we are not addressing those particular things.

I want to make three simple principles: If tax deferral is going to work, you have to keep it simple. This complex idea must be made as simple as possible for the seniors to understand it, or else they are not going to go into the program. Across the nation, we studied many tax deferral programs. The number of seniors who enter the program, percentage-wise, is relatively small, and yet this is a tremendous, potentially successful way of dealing with some major problems.

So, I believe that the simple pool of the 250 tax deferral-- Keep it in the Division on Taxation. Don't go outside that agency. Keep the percentage, whatever you come up to, level. Don't have it based on something that may change. If it is 5%, fine; if it is 6%, 7%, 8%, so when you are explaining to seniors that this is the tax, this is the interest, that will remain throughout the course of the loan.

Secondly, you must make it worthwhile. Eighty-five dollars a month, I don't think will do, particularly for the seniors in Bergen. It should be in the vicinity of \$275 or \$300 a month, I believe, to make the seniors pick up and use it at the rates that we want to have them use it, to make it a clear -- well, a way out for many of them.

The principle must be the same. It should be some kind of principle on the ratio of the loan to the value of the property. We have to explain this to seniors who are 85, 75, and 65. And you have to have some clear principle of explanation. They have to understand the loan ratio to the value of their property by the counselor, and I have been working in this area for three and a half years. Once they understand this, if the principle is the same, it is the same when they are 75 or 85, and it won't have to be explained over and over again.

Keep it flexible. The previous speaker, with regard to A-4106-- In that bill, it is 50% -- that the tax program will deal with 50% of the equity. The reason for that is this: A flexible program allows future home equity conversion to be used for the things that are happening in Connecticut, happening in Maryland, and happening in Virginia. For example, the second biggest problem that seniors will tell you about, after taxes, is, how are they going to pay for their health care, particularly long-term care? We worked out in the Subcommittee on Tax Deferral that 30% -- that 30% of the equity would be there for other programs; for example, a home improvement program. There are many programs, particularly as Mr. Kelly pointed out, in other counties -- Bergen has an excellent one -- where there is almost no interest, or very low interest, totally deferred. Unless this is a flexible program, if it is locked in one lane -- a tax lane without the flexibility -- the seniors then will not be able to take a no-cost, or very low-cost loan to improve their house, to get the roof fixed, or to put in a new boiler. So it is essential, I believe, that that flexibility be built in.

Lastly, the consumer safeguards. I refer you to the report of the Task Force for the safeguards. There are several pages of safeguards with regard to consumers for these programs.

I will say three things about these bills. Are you still considering A-1247 and A-2032?

ASSEMBLYMAN SINGER: Frank, we are going to be substituting both sets of bills for one bill. In other words, we are taking parts of all three bills in one area, and two bills in another area, to come up with a Committee substitute.

MR. POWER: Okay. I am going to let that go, because I think that's out.

A-1599 and A-4197: About 19,000 Bergen County owner-occupied households would be involved. That is about 35% -- about a third of the lowest income seniors in Bergen County. This would go a long way toward solving this particular difficulty. It is not what a lot of Bergen County seniors want; they want the moneys higher. But since I worked on the State level -- which I did for a year -- I can understand that Bergen County has to adjust its levels to the other counties in the State. So I believe that particular level would be satisfactory.

However, the \$1000 is too small. I would urge you to consider instead of \$1000, or 50%, whichever is lesser, to whichever is greater, so it wouldn't be a \$1000 maximum. It could be \$1500 or \$2000, if that was 50% of the senior citizen's property tax in certain sections of New Jersey, and certainly in Bergen County, which is very frequently the case.

Of all these bills, the best bill by a margin is A-4106, with the proviso that has already been raised. It allows maximum-- This bill is really the recommendation of the Task Force on Senior Housing Options' Tax Deferral Committee. I would go with that.

Lastly, for simplicity, I believe the 6% interest-- It should be a little bit higher interest, if you want to work in some kind of an insurance factor; for completeness, A-4106, and the consumer safeguards.

I would like simply to address one more thing that has come up. You have to have some kind of an insurance factor. You can't deal with Mrs. O'Malley, and say, "Well, we don't know what will happen when you're 85." The Connecticut program has said clearly, up-front, that there will be no foreclosure. I believe that is the minimum we have to do. I understand the economics of it make it difficult to say that we will guarantee that the taxes will always be paid as long as you live in that house, because many seniors are living longer and longer and longer. However, I believe that can be addressed through an insurance mechanism.

There is an insurance program federally, which I don't think is applicable to the State program, but the notion of some moneys, perhaps, coming from either general revenues or from casino revenues, or from an up-front amount of money from the senior initially, to work into some kind of an insurance factor that the actuaries can work out, would allow us to say to Mrs. O'Malley, "As long as you just use tax deferral, you will not be foreclosed, and we will always pay your taxes."

I think that is one of the key things to make the bills suitable for many seniors. Many seniors will resist, I think, utilizing this program if that is not done.

I want to commend all of you for working on behalf of the seniors, particularly the Bergen County seniors. We ask you to try very hard to raise the levels of moneys that could be paid out per month, from about \$90 to at least \$200, and preferably \$300.

Thank you.

ASSEMBLYMAN SINGER: Any comments?

ASSEMBLYMAN KELLY: I've got a comment. On your list line in your report here -- or your testimony -- it says: "Seniors will be much more prone to take a tax deferral where guarantees are made of no foreclosures" -- which I sort of agree with. They also want something left for their heirs.

I've got a mother who is 86 years old, and she is concerned about her heirs. I think you should tell seniors, "Once you have educated your children, you've done your job. You should enjoy life to the fullest, and stop worrying about your heirs." That is my honest opinion. Too many seniors are concerned about their heirs. I say: "The hell with their heirs." Their heirs should be concerned about them, really, not the other way around. I just get annoyed when I hear seniors worrying about-- My mother is a perfect example.

MR. POWER: Well, I don't disagree.

ASSEMBLYMAN KELLY: I think it is foolish. Enjoy life. Tell them that.

MR. POWER: Mr. Kelly, I don't disagree with you personally, but the fact is, many, many seniors do not share that opinion.

ASSEMBLYMAN SINGER: Yeah, but, Frank, I think what Assemblyman Kelly has said has put into thought what we all have to start thinking about. We can no longer think, in today's society, without future thinking. We have to change our thinking for seniors. No one ever thought that when a person retired they were going to live 25 or 30 years. We just didn't think that way.

And by the way, that is a problem I have with some of your statements. I think you have to understand what deferred tax payments are for, and what reverse annuity mortgages are for. They are for two different cases. The person who just says, "Wait a second, I am making it all right, but I need a little help with my taxes," is a tax deferrer. I don't expect that person to ever really eat up all of the equity in their house with that.

Reverse annuity mortgage is saying, "Wait a second, I need some money to get along." If you are thinking that these bills are going to be everything, and a cure-all, they are not going to be. We are in a serious financial position in this

State right now. We are going to have to beg to get the money to start these programs, and I think they are a help in that direction. But I have to tell you something: Within the next several years, we are going to see that if government doesn't react to it, we are in big trouble -- a whole change in what seniors are.

Someone made a comment before that their parent is 70 years old and still working. My dad is 78 and still working. I mean, there is going to be a change in what we are talking about. I don't think age 65 is going to be the key age. I am very concerned that if a person aged 65 comes and says, "I am just retired, and I have to buy into a reverse annuity mortgage," or, "I've got to buy into a tax deferral," at that stage-- If that is the case, we've got serious problems.

I envision this program for the person who has been retired for a little while, who is suddenly finding out that the income he or she has coming in, because of inflation, because of everything else, is being eaten away. And now he is 76 years old, and he has been retired for eight or nine years, and he can't make it. That is who I envision a lot of this is being brought in for. If we are looking at a person who is aged 65, who has just retired, saying, "Boom, I need this right away," we're in trouble, because we are never going to be able to have that money down the road.

Part of the problem we have to understand is, municipalities cannot afford -- and that was said by Clare Farragher, and is very true, because I am also a Deputy Mayor of an Urban Aid town-- In my town, 29% of the community is senior citizens. If we stop taking tax payments from that segment of our community, we are going to go bankrupt. So the problem is, if we say we are guaranteeing it forever, somebody has to pay, and that is what we don't want to get. We never want to put the senior against the non-senior in this State. If we do that -- I think you know, and you have experienced it -- that is a problem.

I think that part of our rethinking is going to have to be: What age group is really going to tap into this? I have to tell you, I think we are going to see a whole change in that. We were talking about having a meeting. A lot of programs -- not all of them, but some programs -- tap in at 55. Those things are going to be things of the past. We can't consider a person 55 years old a senior today. I don't consider them seniors, and I don't think we will be able to in anything we do.

So, we are going to have to make some changes in them. I appreciate your comments, and I understand them. I think this is a beginning. I think these bills will be the forerunner of things that you want to see come in the future. If we can get these bills in place, we can start seeing it, because the Connecticut program, I think you know, has not been the most successful either. Part of it has been because there is a lot of fear on the part of the seniors -- and you said it right -- as to what they are doing. Their concerns are for their heirs, and with whether or not they have enough money.

We are going to have to fine-tune this, show them that this works, and then come back and start to do some of the things you have asked us to do. At least that is my thinking on this.

I certainly appreciate your comments. I think you are really on the mark with what you are saying, too.

MR. POWER: Thank you.

ASSEMBLYMAN SINGER: The next person to testify will be Bernard Winstock, New Jersey Coordinating Council of Older Organized Citizens.

**B E R N A R D W I N S T O C K:** I want to thank you very much for giving me the opportunity.

We've got two distinct bills here, and I think we really should get the under tarding of this. The first bill, and we approve -- when I say, "we," I mean the Council, the

Morris County Council, and others -- A-4106. Now, it has been brought out that there are some problems with A-4106, but there is nothing that can't be rectified. We just increased the PAAD limit. Possibly, in a bill such as this, we may consider that the PAAD limit would be the money that would be considered, so that if the PAAD goes up later on again, the income limitation would be raised.

I would say this: I would suggest to the Committee that they contact California and Oregon. California and Oregon were the first states to pass legislation regarding the state paying the taxes to the communities. Several years ago, I got copies of these bills and gave them to Senator John Dorsey and Assemblyman Rodney Frelinghuysen, and suggested that they check them out. Maybe this Committee should check with California and Oregon to see what their experience has been, and whether or not they changed the original bills at all. It would give you a pretty good idea of how these bills are working. If it is working in those states, certainly it would tend--

We approve of this idea because property taxes have been going up, and they can run anywhere from-- Bob Singer said \$7000 or \$8000 a year. So if you have an income on which you were barely able to make it, even if it were \$200 or \$300 per month, that would be a great deal of help in doing a few things that you can't do now.

Assembly Bill 4106, I think, is a good bill. Again, there is the income limitation, and the few other things that have been discussed. The bill on reverse mortgages bothers us. I heard Assemblyman Rooney. Now, I remember several years ago, I was invited down to the Marriott in Saddle Brook. They had a seminar that the State Department of Insurance and Community Affairs and all were sponsoring. They were going over this reverse mortgage. This was when it first came out. The mortgage companies were there, very interested.

What has happened in the past couple of years -- and I think a lot of you are aware of it -- is that these mortgage companies have been hounding seniors to go ahead and take one. They have some pretty smart boys and girls on telephones, saying, "Let me come out and see you. I have a great deal for you." They are con men, because there is only one type of reverse mortgage that should be approved, and I think it should be illegal for anything else; that is, if I want to take a reverse mortgage, fine, but it should be clearly understood that the house will be appraised by a real estate appraiser, not by the lending institution.

And secondly, whatever the interest rate is, fine, but it is up to me whether I want to do it or not. But it should be clearly understood that if later on I change my mind and decide, "Well, my friends have gone, and I want to go to Florida, or Arizona," or whatever, I can sell my house, pay back the mortgage, but I am entitled to whatever the price of my house is at the time I sell it.

Normally, we would expect that the house would increase in value. There is the possibility -- we have had bad times -- that the house might decrease. But whatever the selling price-- Assemblyman Rooney brought out the home mortgage company. This is one of the groups that was done, one of the groups that was peddling this. What they do, again, is appraise your property. They tell you what they think it is worth, and you sign an agreement that when it is sold, in the future, their appraisal is what the price is as far as you are concerned. If it has gone up \$20,000 or \$30,000, that is their money.

The second type is, they got a little generous, and they said, "Well, we won't take all of the increase. We'll be nice people. We'll only take part of it, say, 50%, and we are going to give you 50%. Aren't we nice peop'le?" We think this should be prohibited. We think that reverse mortgages are

fine; there is nothing wrong with them, but again, providing it is very clearly understood.

I think the bill should also include that before a reverse mortgage can be signed, the senior must get help. In other words, they should go to their county department on aging. Every county now, in their departments on aging, is working to set up someone who understands this. In our county, for example, I am Secretary of the Morris County Council, and we put in our newsletter, or actually in the minutes of our meetings, several times, advice to seniors that, "Look, you have rights; you have information available." The Bar Association has come up with a scheme whereby any senior can call the Bar Association -- we give them the numbers -- and a lawyer will discuss things with you and give you free advice. Now, if you need extra help, and can't afford it, in most cases the Bar Association will help with either no cost, or very little cost.

Again, we want some safeguards. Whatever the price made by the assessor, fine, but it has to be assessed by a private real estate person. The seller who makes the commitment, or the borrower, is entitled to any increase in value on that piece of property when it is sold. In that case, to us, a reverse mortgage is nothing more than a mortgage. Most of us, if we have a house-- A lot of us are fortunate enough to have a house. I came to Jersey about 10 years ago, so I carry a mortgage. But it's true, a lot of my friends who have lived here for 40 or 50 years, their houses are free and clear.

The two systems are entirely different. The reverse mortgage is one method. Having the State pay the real estate taxes to the community in which you live is an entirely separate thing. Both of them are fine. Both of them will tend to address needs, because some of us will have different needs.

I appreciate very much the opportunity. As I said, knowing the Committee, I'm sure that you people will dig into some of these things that have been brought out. We need protection. I'm telling you, it's all right. Someone like me, I bounce around here and I work with the Advisory Committee. We do a lot, so I understand these things. But I have an awful lot of friends who are 80 and 90 years old, and they don't understand. There are a lot of widows, and believe me, they are very frustrated. They don't understand. Some sweet-talking guy gets ahold of them, or some gal gets ahold of them, and they get conned terribly. I would appreciate your considering this. Let's take the con out of it.

Thank you very much.

ASSEMBLYMAN SINGER: Thank you, Mr. Winstock. We appreciate your comments, and will certainly take them into consideration.

The next person we would like to have is Lou Schwartz, from AARP. Good morning, Lou. How are you this morning?

L O U I S S C H W A R T Z: I also want to thank you for the opportunity to testify before you. I also want to thank you for coming up to Bergen County, my county; as a matter of fact, my neighboring town. I would also like to welcome you from my Town Council, of which I am a member.

I think the bills and the testimony have stated pretty well the need for both the reverse mortgage and the tax deferment. Let me give you one little instance of my own: I bought my house 30 years ago. Last year, I paid off my mortgage. Now I have a house free and clear. My mortgage was \$100 a month. My taxes are \$3000 a year; three times the amount of my mortgage. So you hardly know the difference when you finish paying off your mortgage. The problem exists very strongly.

Taxes, of course, are our big problem, because New Jersey, as I understand it, is the second highest state in the

country relying upon property taxes. That is the big reason why we have this problem. I hope both the Assembly and the Senate will seriously consider the SLERP Report, and do something about bringing the property taxes down.

I want to give you some information you may not be aware of. I understand the Federal government has a Reverse Mortgage Demonstration Program.

ASSEMBLYMAN SINGER: We are aware of that, Lou.

MR. SCHWARTZ: You are aware of it.

ASSEMBLYMAN SINGER: By the way, the reason why they have that, is that it has not been successful throughout the country. They are trying to stimulate some success in the Program. You know that.

MR. SCHWARTZ: That's why it is a demonstration program.

An important point was made here on reverse mortgages. The independent companies--

ASSEMBLYMAN SINGER: By the way, we are trying to see that New Jersey's would be a demonstration program.

MR. SCHWARTZ: Oh, that would be great. We were aware, several years ago -- about four or five years ago -- when they started the reverse mortgage programs by independent finance organizations, about the problems the senior would face with con jobs. We set up an organization -- Frank Power, by the way, was the head of it in Bergen County-- It was started by the AARP and the Bergen County Division on Aging and the State Division on Aging. It was called, "CHISC," which meant Consumer Housing Information for Senior Citizens. The idea behind it was, before anyone fell into a reverse mortgage without understanding it, there should be some counseling.

ASSEMBLYMAN SINGER: Just one thing on that, Lou. You know, Mr. Winstock brought up that same point. In the bills, we refer to the Department to promulgate the rules and regulations that must be approved by the Legislature. We

presumed that those things such as counseling, those things such as people thoroughly understanding what they were doing, and all of the other things we discussed would be in the rules and regulations prior to anything going down. So there is a safeguard in the bills that the Department is going to promulgate these rules and regulations, and they must be approved by the Legislature. So it isn't just that they are going to be able to go out and do that. There will be this whole series of protections put into these regulations.

MR. SCHWARTZ: I raise this because I see Assembly Bill No. 1247 has that as a Home Equity Demonstration Loan Fund, to set up such an organization on a broader scale than we were able to do on a voluntary basis. We have been doing it now on a voluntary basis, and it is quite limited. Any bill that would help broaden this counseling information would be a very welcome bill.

We are strongly in favor, by the way, and the AARP has always been, of the reverse mortgage principle and the tax deferment. Some of the things I am bothered by, are the following:

I am worried about the income level being too low, so that very few people can take advantage of it. And there is a question about whether there should be any income level. I say, it's a question from the point of view that the broader amount of people you have involved -- like with any insurance program -- the better you can work out an annuity system. In Social Security, we are constantly going out to bring more people in, so it becomes easier to run because you have a broader number of people involved.

Assemblyman Rooney worries about using up the equity. If we have it as broad as possible, and it is based upon insurance, as was mentioned before, so that those who leave it earlier leave enough money in there for those who can carry on longer, I think it would be helpful.

Secondly, the appreciation does go up, or has been going up, unless the country fails. Generally, I don't know -- it will have to be figured out -- whether you really run out of the equity over that long period of time. But we have had now, in the last 30 years, of course, such a tremendous increase in equity, that the equity alone would carry it through.

What I am concerned about also is, when you set a low limit-- Take PAAD. Every year, the Federal government increases the amount of Social Security, usually below the rate of inflation. This year it was 4%. But do you know what happens every year? They increase it. PAAD, I understand-- Twenty-five thousand people got knocked off that program, just because it went up 4%. In other words, the value of their money didn't increase. They can buy more for that 4%, but they are losing the PAAD.

ASSEMBLYMAN SINGER: Lou, I don't think that figure is correct -- 25,000.

MR. SCHWARTZ: Where did I hear it from?

ASSEMBLYMAN SINGER: Twenty-five hundred.

MR. SCHWARTZ: Twenty-five hundred, oh, that's a little different.

ASSEMBLYMAN SINGER: Yes, there is a little difference. (laughter)

ASSEMBLYMAN KELLY: In any event, it shouldn't be any.

ASSEMBLYMAN SINGER: It shouldn't be any, we understand that, but I wanted to--

MR. SCHWARTZ: But anyway, there is no reason why even those 2500 people--

ASSEMBLYMAN SINGER: You're right.

MR. SCHWARTZ: --should get knocked off. The same thing would happen with this program. If you pin it to a definite level, without some kind of a COLA increase -- taking into account the COLA increase -- you will be facing this problem.

In general, however, as I say, we are strongly in favor of these programs. The testimony that Frank Power gave was also worked out in the committees between the AARP and the Division on Aging, and we would like to see them started.

ASSEMBLYMAN SINGER: Wait one second, Lou.

ASSEMBLYMAN KELLY: Mr. Schwartz-- That's right -- Schwartz?

ASSEMBLYMAN SINGER: Yes, it is.

ASSEMBLYMAN KELLY: You said you are in favor of all the SLERP recommendations. Is that an AARP, or a personal opinion?

MR. SCHWARTZ: The AARP is not in favor of all of the SLERP recommendations.

ASSEMBLYMAN KELLY: Okay, because I have one that I don't like. I don't like the one where they want to take the Ford bill--

MR. SCHWARTZ: No, no, that's the point. The point we are making on SLERP is, before you take the Ford bill, before you take all those bills out, have your substitute ready. So when I say we are in favor of it, we are in favor of that principle.

ASSEMBLYMAN KELLY: Okay, because I don't trust the State of New Jersey or the local politicians. I like my rebate coming right to me, because I will spend it best. I trust nobody with my rebate.

MR. SCHWARTZ: That's the AARP's point. Don't touch that area, until you put in a substitute that works. I don't even trust -- as a member of the Town Council, and so are you -- what will happen to property taxes even after you take some of it away. It might jump up there anyway.

ASSEMBLYMAN KELLY: You're right.

MR. SCHWARTZ: So that's a problem. But there are certain elements of the property tax that we would like to see eliminated as quickly as possible.

ASSEMBLYMAN KELLY: Okay.

ASSEMBLYMAN SINGER: We appreciate it, Lou. Good comments; we always appreciate your comments.

Now we will have the two people who are mostly responsible for us coming up today, Sister Sebastian and Reverend Stephen Bouman. They are from the Interfaith Action Council.

REVEREND STEPHEN BOUMAN: (speaking from audience) Thank you. We have brought with our testimony pennies for each of you. Sister Sebastian is going to refer to them.

ASSEMBLYMAN KELLY: I hope you bring your prayers, too.

SISTER SEBASTIAN: I am speaking this afternoon on behalf of the Bogota Ecumenical Committee of the Interfaith Action Council. First of all, we want to thank our own Assemblyman, Pat Schuber, and the Chairpersons of both the Senior Citizens and Housing Committees for arranging this hearing today.

No doubt you have seen our pennies. The sad fact is, there are too many senior citizens in our communities -- in Bogota and communities across the State -- who are pinching pennies because they cannot afford to stay in their homes. Between rising costs for medical bills, insurance bills, food, and doctors' bills, the skyrocketing increase in property taxes in our communities is threatening many older homeowners who may be forced to sell their homes because they can no longer afford to stay in the community where they were born, or raised their children, or worked, or worship.

We are here today to offer our support for the measures before your Committees to create a statewide property tax deferral program to help these older homeowners stay in our communities. Quite honestly, we think it is an injustice that while many large companies get huge tax breaks to move into our communities, many seniors, who have lived here for years, may

be forced to get out of our communities because they cannot afford to pay their own rising property taxes.

The Interfaith Action Council believes something must be done. Last June, we read a report filed by the State's Department of Community Affairs, which endorsed the idea of a property tax deferral program. We wanted to be certain that this report just didn't sit on a shelf and collect dust. Seventeen other states have established tax deferral plans, and we feel one should be established in New Jersey.

In September of last year, 125 people met with County Executive William D. McDowell, Senator Cardinale, and Freeholders Charlotte Vandervalk and Linda Baer. They supported the plan. In December, we met with Assemblyman Pat Schuber and Assemblyman Robert Singer, Chairman of the Senior Citizens Committee, to continue our campaign to create this program. It was then that Assemblyman Schuber invited us to work with him to arrange a joint hearing of these two Committees which we see here today. In addition, we have contacted county officials to let them know we would also like to see a local Bergen countywide program to benefit as many senior citizens as possible. And now we are here this afternoon.

Of course, we understand that a statewide program will have income eligibility guidelines. The Department of Community Affairs initially proposed an eligible homeowner be at least 65 years of age, with a household income of \$13,650 for a single person, and \$16,750 for a couple. As the legislation proposed today is reviewed by others in the months ahead, our Committee and the organization look forward to additional discussions about the income guidelines for the statewide deferral program in the future.

Just this month, the Bergen County Freeholders have begun considering a county-based plan, funded privately through either Boiling Springs Savings and Loan of Rutherford or

Capital Holding Corporation of Louisville, Kentucky. We support the creation of this privately funded deferral plan, too. We are especially pleased that Freeholders Vandervalk and Baer, who came to our meeting last September, have continued their commitment to create the best tax deferral plans possible to help the widest number of people in our communities.

We believe a county-based plan can give more seniors with various incomes the chance to benefit from the program. We have already contacted Freeholders Vandervalk and Baer to support their efforts, and to recommend that we arrange another community meeting in order to give people a chance to meet with officials from Boiling Springs Savings and Loan about the program, and to learn what they can expect from this plan to help them to stay in their homes.

We believe both the statewide legislation before you today and the countywide plan proposed locally are options which should be made available to the hard-pressed, financially strapped seniors who built neighborhoods and raised families across our State.

In a moment, I will ask that others from our organization share with you their thoughts and experiences. I only want to ask, however, that as they speak, you remember these pennies. I hope you will remember how many older citizens are pinching their pennies to stay in their homes, to remain in our communities, and to continue to live with dignity and pride for the rest of their lives.

Thank you for hearing our testimony.

ASSEMBLYMAN SINGER: Thank you, Sister. Reverend?

REVEREND BOUMAN: Those of you who are from the Interfaith Action Council, we really appreciate your coming. Why don't you just stand up, so we can see who you are? Some have gone for lunch, but we appreciate them being with us.

My statement is very brief. My name is Stephen Bouman, and I am Pastor of Trinity Lutheran Church in Bogota.

I am speaking on behalf of the Bogota Ecumenical Committee of the Interfaith Action Council, and also as the counselor of the 20 Lutheran Churches in the Meadowlands area. I, too, want to thank our own Assemblyman Schuber and all of you who have arranged to hold this hearing in Bergen County today.

I have had sustained presence with older adults during the eight years of my ministry in New Jersey. In conversations with hundreds of older adults, with fellow clergy and people working in the helping professions, I can tell you from experience what you already know: The housing crisis and fear and trauma it causes senior citizens is real and pervasive. I have brought food and comfort to homeless senior citizens living in motels along Route 46 because they cannot afford housing. Members of my parish and parishes of the Interfaith Action Council and neighboring Lutheran parishes continually say good-bye to long-time members who can no longer afford rising taxes or attendant escalating rents.

Several weeks ago, a family in their '60s moved from my parish to a trailer home in Pennsylvania after a fruitless search for affordable housing when they could no longer afford to maintain their homes. There are at least five couples or individual senior citizens in my parish right now who must make decisions soon about where they will live.

If nothing else -- and I guess maybe that is the point of the pennies -- I want to dispel the myth that because Bergen County is one of the wealthier counties in the State, all the older adults in the county must be on easy street and in no need of help to maintain their homes. That is simply not true. People on fixed incomes are in dire need of help, and are very interested in the proposals you are considering today. I wish you could have been at a hearing last year concerning appeals to recent reevaluations of property taxes in Bogota which pushed our tax rate to the highest in Bergen County. People, and older adults were, and are in anguish.

They are house rich and cash poor. Our older adults built the parishes and neighborhoods which my generation enjoys today. They deserve the chance to remain a part of the fabric of their communities.

Thank you for the opportunity to testify.

ASSEMBLYMAN SINGER: Reverend, you and the Sister, we thank you very much. We certainly appreciate it. And I do agree with you, it has to be a partnership of both counties and the State together, to put this thing on the right track. Thank you very much.

Ed Hubschmitt? I'm sorry. Can we just go through the list? We are trying to get everyone in.

EDWARD HUBSCHMITT: Yes. I think mine is three and a half minutes.

ASSEMBLYMAN SINGER: Okay, Ed.

MR. HUBSCHMITT: I am Ed Hubschmitt. I am from the Advisory Council for the Office on Aging in Passaic County. These are my thoughts, although people will agree with me, I'm sure.

The senior citizens have suddenly been hurt from a new source. Up until now, health care has kept us within the shadow of the poor house. But now we have real estate taxes. There is a big difference between health care and taxes. If you're lucky or healthy, you beat the health costs, but no way, no one, beats death or taxes.

Taxes in Wanaque, where I live, have gone up this year -- 1989 -- by \$297. Since I retired in 1980, taxes have increased 226%. The average yearly real estate tax in Ringwood, our neighbor, is \$4500. Payments will be more than \$1000 a quarter. No one could have foreseen this in 1980.

We, the 77,000 senior citizens of Passaic County, are asking this Committee to release A-1599 -- don't ask me why -- the Senior and Disabled Citizen Property Tax Relief Loan Fund. Sixteen states have property tax deferral programs. New Jersey

has none. It may serve a purpose, and set a precedent we can improve on.

Assembly Bill 4106, the Senior and Disabled Homeowners' Property Tax Deferral Act uses the PAAD figures for eligibility. I'm sure many of us, after deducting our taxes, will have an income that would make us eligible for the PAAD. Our annual cost of living increase in Social Security payments does not take into consideration our local taxes.

We are not in favor of A-4106. We would like our legislators to consider a homeowner in a different light than a low-income senior citizen. In order to become a homeowner, it took an industrious and reliable person, who sacrificed through life to own his home free and clear.

When most of us retired, we had an adequate income, but now, through inflation, and the expense of our modern life styles, governments of all kinds have become more expensive -- local, county, State, and Federal.

We don't feel our homes should be re-mortgaged to pay taxes. Reverse mortgage bills -- A-2032 and A-1247 -- do not fit our problems. All taxes have been based on the ability to pay. We are asking our legislators to look at where the money is -- to the entertainment field, casinos, sports, baseball, football, Michael Jackson, all these -- the entertainment-- There is so much money in there that it's pitiful, and here we are, we've got to mortgage our homes to pay for government. I think you should look at that.

Senior citizens need help now, in 1989. Thank you.

ASSEMBLYMAN SINGER: Thank you, Ed. Thank you for your comments.

Next, Chanola Alston. How are you today?

C H A N O L A A L S T O N: Thank you. I am from the State Commission on Aging, and also from the Advisory Council for Passaic County.

I have listened very faithfully, and I go down to hear other bills in Trenton. One of the big things that didn't come up, is the emotional value of an older person staying where they want to, or where they have bought their homes. This is the greatest shock yet for an older person: to be uprooted. You have not only your family there, you have your love, you have your very existence. It is a traumatic shock to have to move to a new community when you are older, unless you have some roots already there.

Tax reduction is a very, very important thing. I don't want to go over any of the good things that have already been said, but having been a victim-- I am a senior citizen, unattached. I have no husband, no children, no parents. I have a home in Passaic County. In 1987, my taxes were \$925; in '88, my taxes were \$1806. Therefore, my tax bill went up 48%. My income went up 4-3/4%. That included my Social Security. Therefore, you can see that we are in very, very bad shape, when you take a 48% increase in taxes, and a 4-3/4% increase in income. Those are some of the things the older people have had to contend with.

Now, coming to the local level, the definite increase in school taxes has been a big thing. I think sometimes our school boards forget that they are handling public funds, instead of private funds, something like the Dalton School in New York City, if you know what I am talking about. You can have even horseback riding for your child, music appreciation, even if the child doesn't have any idea about music. These are some of the things which no doubt are good, but can we afford them? I think sometime you need to think about the poor citizens -- senior citizens -- who have seen their income go down. How are they going to keep their taxes up?

The reverse mortgage is good. With the number of people our politicians and our local people have to put up with, you have to have more than one option. One of the

options is-- All of the things are good, but when you attach an income level that is so low as you have talked about today, that is really defeating its purpose before you get started, because \$16,000 is really chicken feed. You pay \$5 just taking a child to get a frankfurter and a soda now practically. If you take two of them, you're already gone. We hear people talking about increases in salary of \$50,000 and \$60,000. You're just living, because the cost of living out there is just terrific now, and it's terrific for us, too.

The person who is above the poverty level, is much worse off than the person who is below the poverty level. Therefore, we are in the squeeze. We are above the poverty level, but we are not up to the rich level where we can live good. Therefore, we are asking that all of the things you have discussed today-- We want to be a part of it. We want to see it worked out.

The Family Counseling Service is very good, because as we grow older-- People have the idea that we need to leave something for the heirs. I don't know. Most of my friends who have relatives say, "I want to leave that for my grandchild." I don't have a grandchild, but I say, "Why not go out and spend it up. You're not going to live but so much longer no way. Leave the tax bill. It will be paid. If it isn't, what difference does it make?"

So, we have to think of the schools. We have to think about how we are going to support the State buildings. But I appreciate our officials, our Governor, and all of our legislative aides that work so hard. We senior citizens certainly appreciate it.

We are doing our very best, but please find a way to reduce the taxes at the source. That will also give us a chance to use the reverse mortgage -- those who want to. Also, there has to be some way to reduce the taxes at the source. Of all things, in any program that is going to be worthwhile,

there is a need for a State supervisor to be looking over the shoulders of the bankers, which come with the mortgages in reverse. We know they will come by and underestimate your property, because they know what is going to happen.

So, please continue. I certainly appreciated this chance to talk with you. Please think of the fact that as you grow older -- and you will either die young or you will grow older -- it is an emotional shock to leave the community and the loved ones you have created through the years, unless it is your own option.

I thank you.

ASSEMBLYMAN SINGER: Thank you, Ms. Alston. I appreciate your serving on the Commission on Aging. You do a fine job there, and we thank you very much.

I know John Tergis is not here. I don't see him. Joseph Riordan, United Senior Action? Is he here? (no response) No, okay. Gregg Dunlop, from the Hackensack Zoning Board? (no response) No, okay. (Mr. Schwartz makes an indiscernible comment from the audience)

Lou, there is one young lady sitting behind you who raised her hand before. I promised to have her speak. Yes, you wanted to say something?

C H R I S T I N E D A R B Y: (speaking from audience) I get speechless when I have to speak in front of a group, but this time I made up my mind that I am going to say what I have to say.

Recently, I had to move from my low-rent apartment which was with a family member because they had a job move. My rent was \$300. In order to find an apartment now, it is \$675. I just moved two weeks ago. My income is too high to get help -- as the nice lady there stated before -- and it is a predicament.

I am saying, not just for myself, but for other seniors, we need housing. I called Hackensack. They told me,

"If you live in town, for public housing you can get on a five-year list. If you live out of town, there is an eight-year list." So I had to go and take the plunge, and find a place to live.

That's it. Thank you.

ASSEMBLYMAN SINGER: Just in response a little bit to what you're saying, the housing crisis for seniors throughout the entire State has been a severe problem because of the cutbacks at the Federal level. We have not seen a lot of new construction of Federal housing. We have not seen the growth of the Section 8 existing program for many senior citizens, which worked so well in our area.

But the problem has always been -- and we continue to fight it -- the question, as Ms. Alston said so well, of the haves and the have nots. The haves are the ones who qualify for all of these programs because the eligibility is by their income, and the have nots are the ones who don't. One dollar, five dollars, a thousand dollars doesn't make one person wealthier or more comfortable than the other person. It is a shame.

We're trying, but you have to understand-- Unfortunately, our restraints are how many dollars we have to work with. The fact is, on a sliding scale, whether you are retired on \$15,000 or \$20,000 or \$25,000, that many of these programs you would be able to buy into, based on your ability to pay-- In other words, a person who is retired on \$25,000 would have to pay more than a person who is retired on \$15,000. It has really been a question of dollars and cents.

We understand, for example, the PAAD, which has an income eligibility of \$13,650 for single, and \$16,750 for married-- There are a lot of inequities in that. The problem is, we only have "X" amount of dollars to work with, so we buy into these programs based on the dollars we have to work into, not because we think a person making \$14,000, or a family

making \$17,000 is in better shape. That is all the dollars we are able to spend on these things. We are trying to change that, but it is a long process.

MR. CARDIELLO: (speaking from audience) May I make a suggestion, Mr. Singer?

MS. DARBY: Just a second, please, please.

MR. CARDIELLO: I'm in trouble.

MS. DARBY: I have spoken to many seniors in Bogota. They said that if there was affordable housing, they would leave their homes; as long as they could stay in the vicinity, they would be happy to move into an apartment. They would have no more maintenance or anything.

ASSEMBLYMAN DeCROCE: Did you approach your county authority, the fellow who was here this morning -- Mr. D'Ambrosio, I believe?

MR. DARBY: No, I didn't speak to him.

ASSEMBLYMAN DeCROCE: Well, you should speak to him. He might have an avenue you could approach.

MS. DARBY: I have a lease now for a year.

ASSEMBLYMAN SINGER: Two quick things, because we are running past our time. Lou, did you want to say something, and then this other gentleman?

MR. SCHWARTZ: (speaking from audience) I forgot to mention this. We are opposed to using the casino funds.

ASSEMBLYMAN SINGER: The bills were changed not to do that. Yes, one quick question?

MR. CARDIELLO: Some of these seniors-- I think it would be wise for them to start-- (remainder of comment indiscernible; no microphone) I think some of the senior people could move together -- three or four women. Buy one house and--

ASSEMBLYMAN SINGER: We have some bills in, not to do that exactly, but to allow seniors to rent out rooms to other seniors. There are a number of bills that do that. Shared Housing Programs, they are called. Yes?

J A N E G A R N E R: (speaking from audience) I just want to thank you. I didn't think anyone gave a damn about seniors.

ASSEMBLYMAN SINGER: We do.

MS. GARNER: I was very happy to see you all. I wish you lots of luck. (indiscernible) happens to be a neighbor of mine. I have been going with her to every damned senior location. I don't believe this. You really are trying. I wish you luck. I hope you can do something.

We need more money to live on. That's all.

ASSEMBLYMAN SINGER: Thank you. The last point. We have to go.

MR. CARDIELLO: (speaking from audience) I am a Past President of a labor union. (remainder of sentence indiscernible; no microphone) I found out where the money was leaking out of the organization, and I went to the Internal Revenue Service and I went over to the Justice Department, and I told them-- (remainder of sentence indiscernible)

Now, where is all this money leaking out that is causing these problems? This is what you have to look at, because I went through the Depression in the '20s, I went through World War II, I have been through Korea and Vietnam. I have been in all of these situations, and now I am getting to the age where I may lose my home. Why? Why do I have to suffer? I am an American, born and raised in this country, like many of these other people. Now I am in the senior group and I have to hear about people who can't pay their bills.

Why did this get out of hand? Where is all this money leaking out of the organization, which is controlled by the people in Trenton and down in Washington, D.C.? (remainder of comments indiscernible)

ASSEMBLYMAN KELLY: When is the last time a union went for a 4% raise?

MR. CARDIELLO: Excuse me. I am not in a union.

ASSEMBLYMAN KELLY: Okay, you're a union representative.

MR. CARDIELLO: I have been out of the union for a lot of years.

ASSEMBLYMAN KELLY: Okay, I'm asking you a question now: When is the last time a union representative was satisfied with a 4% raise? I am the Mayor of the Town of Nutley, and all they want are 6%, 7%, and 10% raises. I haven't seen a 4% raise in the 20 years I have been in politics.

MR. CARDIELLO: Well, stop them.

ASSEMBLYMAN KELLY: How do you stop them?

MR. CARDIELLO: Just tell them they will have to start paying their own pensions, if they want them. They are going to start paying for their own insurance, hospitalization, and things of that nature. Go after their pocketbooks the way I do.

ASSEMBLYMAN KELLY: I agree with you. You get the unions to do that, and I'll join you, sir.

MR. CARDIELLO: You're in a position to need their help. (two or three people speaking at once here; indiscernible)

ASSEMBLYMAN SINGER: I think that issue is a little bit bigger issue than we can solve today.

Again, we thank you for allowing us to come here today to at least hear your thoughts.

(HEARING CONCLUDED)



**APPENDIX**



TESTIMONY BY FRANK POWER

on behalf of

GLORIA LAYNE, DIRECTOR  
THE BERGEN COUNTY DIVISION ON AGING

at the

PUBLIC HEARING OF THE  
ASSEMBLY SENIOR CITIZENS AND  
HOUSING COMMITTEES REGARDING  
SENIOR HOME EQUITY CONVERSION AND TAX DEFERRAL

TUESDAY, FEBRUARY 21, 1989

RIDGEFIELD PARK CIVIC CENTER





COUNTY OF BERGEN  
DEPARTMENT OF HUMAN SERVICES  
DIVISION ON AGING

Administration Building • Court Plaza South • 21 Main St. • Hackensack, N.J. 07601-7000  
(201) 646-2625

William D. McDowell  
County Executive

Joan M. Wright  
Director  
Department of Human Services  
Gloria Layne  
Division Director

Good Morning.

I am speaking on behalf of Gloria Layne, the Director of the Bergen County Division on Aging and, of course, in my own capacity as a senior staff member whose area is housing, especially home equity conversion. Mrs. Layne, her Director, Joan Wright of the Bergen County Department of Human Services, County Executive, Mr. McDowell and Freeholder Vandervalk have given considerable attention to this concept of home equity conversion as a way to help alleviate the serious financial challenges that beset Bergen County senior home-owners. In my capacity as a senior housing specialist, I have spoken at various public hearing, served on the Governor's Task Force on Senior Housing Options representing the New Jersey Association of Area Agencies on Aging. I attended nearly all the sessions of the Task Force, usually in Trenton for about a year. Finally I have spoken in depth to Bergen Seniors by the hundreds and have taken official depositions for state hearing on seniors in Bergen who enjoy the benefits of home equity conversion.

The Bergen County Division on Aging is the federally mandated Area Agency on Aging with official responsibilities to foster the goals of the Older Americans Act of 1965, As Amended, among the 160,000 senior citizens of Bergen County. Bergen County has the largest number of seniors in any county and as a rule of thumb has about 10% of the seniors in the State of New Jersey. Several of the primary goals of the Older Americans Act are being compromised and jeopardized by the harsh financial circumstances facing our county's 55,000 senior owner occupied households. For example, it has become increasingly difficult to retire with dignity and honor in Bergen County because what was supposed to be adequate income has proved not to be. The goal of suitable and affordable housing, the American Dream, has become a nightmare to all too many senior homeowners whose worthy goal, is scarcely achievable when constant worry about meeting the tax bill forces many seniors to compromise the care of their teeth, healthy socialization and nutritious food. However, I'm sure Bergen Seniors will bring those difficulties to your attention better than I.

Since the main complaint senior homeowners have is their high taxes, I would like to make three brief remarks about tax reform, tax relief and tax deferral. Tax reform is a justice issue; the mix of income, sales, property, and corporate taxes is obviously an important issue. Nonetheless, it is not the issue here, though efforts to change the mix more equitably for seniors are obviously worthy. Second, Tax relief is what many seniors want and are calling for. However, as many as 20% of the homes in Bergen County are owned by seniors. Municipalities must continue to meet their responsibilities and tax relief in the sense of tax forgiveness and charity is fraught with divisiveness.

Tax deferral we believe is the answer, Tax deferral is a loan; it is an eminently acceptable financial practice. It is not a charity, it allows seniors to pay their bills ultimately from their own resources. It alleviates quarterly tax worries: it provides discretionary monies for needed commodities. For this reason the Bergen County Division on Aging Advisory Council three years ago passed a resolution that the Division should work hard to make tax deferral a reality for Bergen County seniors. Tax deferral we believe is the best way to help seniors achieve their overwhelming first choice: to "age in place" - to live out their lives in their own homes with sufficient income to purchase needed services.

At this point I intend to sketch briefly the principles needed to make property tax deferral work: then I shall briefly comment on the bills in question regarding these principles. Finally, I will make some specific recommendations regarding the principles, the bills in question and their application to New Jersey seniors generally and Bergen senior specifically.

The principles are three: keep the program simple so that it is as easily understood as possible: keep it flexible so that other programs such as home improvement loans, home health care equity lines, or long term care insurance can be piggy-backed onto the program if and when that is desired, needed and available. Finally, maintain adequate consumer safeguards such as adequate disclosure and counselling at the origination of the loan.

Keep it simple.. Seniors will resist a program that is too complex especially as they are reluctant to undertake new financial obligations on their house and they remember and fear the foreclosures of the thirties. Therefore, keeping the proposed program within one agency the Tax division, one easily understandable pool of eligibility the \$250 property tax deduction. Keep the interest low and constant as 5% or 6% compounded annually. Make it worthwhile, \$85 a month won't do it.

Keep the loan clearly related to their own home and their own tax needs. An arbitrary ceiling of \$1,000 or an extraneous goal of helping urban communities such as Garfield the only municipality that would be served under the Governor's recent proposal confuses the issue. Counselors will have to explain loan to value ratio anyway. therefore the amount borrowed should be clearly within that context. For example, a younger senior with very meager resources and high taxes will have to consider the long payout period with the effects of the compounding of interest. This is the same principle that a senior must understand at 65, 75, or 85.

Keep it flexible. Under present home equity conversion programs, especially the private ones, subsequent liens are very difficult. A 50% loan to value ratio allows for other liens more easily. Home improvement liens are often desirable and available at very low interest deferred payment. These obviously can repair the roof or replace a boiler and maintain both the value of the house and the quality of life. Other states are addressing the costs of home health care from home equity conversion. New Jersey may also. Credits of \$5,000 per year may be given and available when needed. LTC insurance may be reasonably available and save the state much money.

Consumer Safeguards are outlined in the Final Report of the Task Force on Seniors Housing Options and need not be repeated here. However, the program should be truly voluntary and treated as a loan and not income. It should not jeopardize seniors homeowners access to public benefit programs.

Now consideration of the bills.

A-1247 and A-2032 and the substitute bill for them as yet unnumbered are far less worthy of consideration than the property tax deferral bills in my opinion. Seniors use extra money to pay taxes anyway. The NJHMFA option seems unclear, costly, and cumbersome. At the meeting of the Task Force for Senior Housing Options, I had the distinct impression shared by other colleagues that the NJHMFA was not the way to go. I still have that opinion.

A-1599 and A-4197 are worthy of due consideration. The eligibility is clear and proper. About 19,000 Bergen County senior owner occupied household would be eligible. The major flaw is the \$1,000 maximum amount. It's not fair. Seniors with the same income could have quite different percentages of their taxes deferred. Using the greater (not lesser) of \$1,000 or 50% seems more equitable. Both bills should beware allowing people under 55 from utilizing tax deferral as the nature of home equity Conversion is trampled thereby. \$5 million will probably be adequate initially, though \$10 million may allow a low interest rate to be kept the some kind of set aside for insurance to guarantee that foreclosure will not be done no matter what.

Assembly, No. #4106 seems to be the best bill. It is more carefully crafted. It basically presents that recommendations of the Tax Deferral Sub-committee of the Task Force on Senior Housing Options. It fails, however, the test of simplicity in two areas: Municipal bond index is not as good as a fixed low percentage. The eligibility using PAAD guidelines is not as good as those eligible for the \$250 deduction. PAAD may be altered by the new federal catastrophic legislation. The major advantage is that it allows substantial property tax deferral. For seniors, \$200 or even \$300 will seem worth the effort and risk. The 5.5 million from general revenues can be augmented from Casino Revenues to keep down the interest and still maximize the amounts deferred.

In conclusion, for the 19,000 potentially eligible Bergen County senior owner occupied households, the following is recommended.

A combination of the elements in bills- A-1599, A-4197 and A-4106 based on the principles of simplicity and flexibility seems best.

1. For simplicity the eligibility pools and low fixed interest rates of A-1599 and A-4197 should be utilized. Seniors are used to the tax collector, and the \$250 deduction. The relate better of course, to low fixed interest- 5% - 6%.

2. For flexibility (and for completeness) A-4106 should be utilized. The 50% loan to value ratio incorporated in A-4106 comes from the Tax Deferral Sub-Committee discussion of the Task Force on Senior Options. It is basically my reasoning that carried the committee. Building in a 30% share of the equity from the beginning for alternate opportunities for Home equity conversion as in A-4106 is crucial. It's the equity in their homes that is sufficient to pay for home health care- the second most serious problem for many seniors.

3. Consumer safeguards

Seniors will be much more prone to take a tax deferral loan where guarantees are made of no fore closures. They also want something left for their heirs. The program should strive to achieve these goals as well.

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**Testimony of the New Jersey Housing and Mortgage Finance Agency  
before the Assembly Senior Citizens Committee  
for the Public Hearing on Senior Home Equity Conversion and Property Tax Referral  
Tuesday, February 21, 1989**

The proposed bill is the Assembly Committee Substitute for A-1247 - an Act to establish a Home Equity Conversion Demonstration Fund and A-2032 - the Senior Citizens' Reverse Annuity Mortgage Act. During the past six months, Agency and DCA staff have worked closely with staffs of the Assembly Senior Citizens Committee and the sponsors to work out this new proposal which we feel can work. The bill establishes a Home Equity Demonstration Loan Fund to provide loans to elderly homeowners without relocating them from their home. The New Jersey Housing and Mortgage Finance Agency is authorized to establish a program for the disbursement of the loans. The proposed bill requires the agency to develop a plan for the distribution of the funds in cooperation with the Department of Community Affairs' Division on Aging. The plan shall include counseling and outreach services regarding the financial aspects of the program for the elderly homeowner.

The proposed bill authorizes the agency to set up the Home Equity Conversion Demonstration Loan Fund. The bill appropriates \$4,750,000 to the agency, of which a maximum of \$750,000 shall be used for administrative costs. The bill appropriates \$250,000 to the Division on Aging for the provision of counseling and outreach services. The proposed bill mandates the agency to submit an annual report and future plan of action.

The New Jersey Housing and Mortgage Finance Agency supports the intent of the bill. The bill intends to assist homeowners in meeting their cost of living by lending them cash on the equity of their home. The bill conforms to the recommendations of the Task Force convened by the Commissioner of the Department of Community Affairs in 1986 to recommend options for elderly homeowners who are forced to sell their home to meet the rising cost of living. This "house-rich and cash-poor" population numbers about 922,000 in the state. About 85 percent of them have paid off their mortgages. As per the census data, 50,000 elderly homeowners have a yearly income of less than \$5,000\*. After analyzing and evaluating the existing reverse mortgage programs, the task force recommended that home equity conversion transactions be made available as they can be of immense help to older homeowners. The proposed bill translates the recommendations of the task force into enabling legislation for home equity conversion instruments to help elderly homeowners meet their rising expenses without being forced to sell their home. The enactment of the proposed bill will not only prevent the homelessness of elderly homeowners, but will also improve their quality of life by enabling them to remain in their lifelong residence where they feel comfortable and secure as they use the equity in their home to meet expenses.

\*New Jersey Task Force On Housing Options For Senior Citizens: Home Equity Conversion Study, June 1988.

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