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# *Public Hearing*

before

## ASSEMBLY HOUSING AND COMMUNITY DEVELOPMENT COMMITTEE

*“The Committee will receive testimony from invited guests and the public  
concerning foreclosures and vacant properties in the State”*

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**LOCATION:** Kean University  
Union, New Jersey

**DATE:** September 20, 2018  
10:00 a.m.

**MEMBERS OF COMMITTEE PRESENT:**

Assemblyman Benjie E. Wimberly, Chair  
Assemblywoman Annette Chaparro, Vice Chair  
Assemblywoman Mila M. Jasey  
Assemblywoman Shanique Speight  
Assemblywoman Cleopatra G. Tucker  
Assemblywoman Nancy F. Muñoz  
Assemblywoman Holly T. Schepisi



**ALSO PRESENT:**

Chris Jewett  
Joseph Pezzulo  
*Office of Legislative Services  
Committee Aides*

Dorian Stanley  
*Assembly Majority  
Committee Aides*

Kristen Onto  
*Assembly Republican  
Committee Aide*

***Meeting Recorded and Transcribed by  
The Office of Legislative Services, Public Information Office,  
Hearing Unit, State House Annex, PO 068, Trenton, New Jersey***

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BENJIE E. WIMBERLY  
*Chair*

ANNETTE CHAPARRO  
*Vice-Chair*

MILA M. JASEY  
SHANIQUE SPEIGHT  
ROBERT D. CLIFTON  
HOLLY T. SCHEPISI

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**New Jersey State Legislature**  
**ASSEMBLY HOUSING AND COMMUNITY**  
**DEVELOPMENT COMMITTEE**  
STATE HOUSE ANNEX  
PO BOX 068  
TRENTON NJ 08625-0068

**PUBLIC HEARING NOTICE**

**The Assembly Housing and Community Development Committee will hold a public hearing on Thursday, September 20, 2018 at 10:00 AM, 6th Floor, North Avenue Academic Building, Kean University, Union, New Jersey.**

*The public may address comments and questions to Chris Jewett, Joe Pezzulo, Committee Aides, or make bill status and scheduling inquiries to Jaimie Cooper, Secretary, at (609)847-3875, fax (609)633-1228, or e-mail: OLSAideAHO@njleg.org. Written and electronic comments, questions and testimony submitted to the committee by the public, as well as recordings and transcripts, if any, of oral testimony, are government records and will be available to the public upon request.*

**The committee will receive testimony from invited guests and the public concerning foreclosures and vacant properties in the State.**

Those individuals presenting written testimony are asked to provide 15 copies to the committee aides on or prior to the date of the meeting.

Issued 9/10/18

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**ASSEMBLYMAN BENJIE E. WIMBERLY (Chair)** I'd like to welcome you to our second hearing on housing issues here in the State of New Jersey.

And we look forward to some outstanding testimony today.

We have some invited guests; and make sure that if you haven't signed up or filled out a slip, that you can see one of the staff to get that done.

At this time, we're going to have a roll call.

**MR. PEZZULO (Committee Aide):** Assemblywoman Schepisi.

**ASSEMBLYWOMAN SCHEPISI:** Here.

**MR. PEZZULO:** Substituting for Assemblyman Clifton, Assemblywoman Muñoz.

**ASSEMBLYWOMAN MUÑOZ:** Muñoz (indicating pronunciation); here.

**MR. PEZZULO:** Vice Chairwoman Chaparro.

**ASSEMBLYWOMAN ANNETTE CHAPARRO (Vice Chair):** Here; sorry. (laughter)

**MR. PEZZULO:** Chairman Wimberly.

**ASSEMBLYMAN WIMBERLY:** Here.

**MR. PEZZULO:** And also we expect Assemblywoman Speight, Assemblywoman Jasey, and Assemblyman Holley to join us.

**ASSEMBLYMAN WIMBERLY:** Okay.

At this time, we're going to bring forth Alyson Jones from the Administrative Office of the New Jersey Courts. She'll be our first person up there.

Alyson.

And before Alyson starts, we are going to stay very tight on our three-minute period. With Alyson -- I know you have some valuable information, so I will be flexible with you and our invited guests.

**ALYSON JONES, Esq.:** Thank you, Chairman.

**ASSEMBLYMAN WIMBERLY:** Thank you.

**MS. JONES:** Good morning.

My name is Alyson Jones; I am the Legislative Liaison for the New Jersey Judiciary.

Beside me this morning is Michelle Smith; she is Clerk of the Superior Court.

Thank you very much for asking us to come and speak with you about foreclosures this morning.

The word *foreclosure* means many different things to many different people. To us at the Courts, it means something very specific; it is that time period between the filing of the complaint and the Order of Judgement; or resolution of the case, in some other matter, through mediation. We work very hard to ensure that the parties receive due process and have their opportunity to be heard.

So Michelle is going to walk us through the Court process, and talk to you a bit about our statistics, both historical and present -- spoiler alert: the present statistics are quite good, and we are pretty excited about them. And then I'm going to speak to you about the Supreme Court Committee on Residential Foreclosures that is releasing their report today. I believe you all have copies.

So, Michelle.

**MICHELLE M. SMITH, Esq.:** So thank you very much for the opportunity to speak with you this morning.

As Alyson said, my name is Michelle Smith; I am the Clerk of the Superior Court.

Five years ago, on September 21, 2013, I took the position of the Clerk of the Superior Court; and I had 138,969 foreclosures pending on the foreclosure docket with the Courts. We were averaging about 1,360 days from the time of complaint to the time of judgement.

Today, I have 24,335 dockets on the Court; and of those, only 18,259 are residential. And our average time from complaint to judgement is 160 days.

Now, most of the time, people say, "Well, how is that possible? You have different sources that are reporting it takes more than a thousand day in New Jersey to move from complaint to foreclosure." And as Alyson said, in many instances, it's often -- the time clock starts from the time that the payment is missed after 60 days, through to the time that the house goes into sale or goes back to the bank as REO.

We only track and measure between the time of complaint and the time of judgement. New Jersey is unique in that we are a quasi-administrative process. The Supreme Court has established the Office of Foreclosure, which I'm directly responsible for. That office is responsible for uncontested foreclosures, which is approximately -- 95 percent of the matters that are filed with the New Jersey Courts are uncontested. It's only that 5 percent that have triable issues of fact; or they contest the validity or the priority of the mortgage, and are then transferred to a Chancery Judge,

who resolves those legal issues before it's, once again, returned to the Office of Foreclosure for entry of judgement.

We often do not see complaints come into the system for several months -- sometimes several years -- because of Federal and other Fair Foreclosure Compliance measures. Obviously, the transition and the transfers from servicer-to-servicer creates a further impediment and extension of that time; but we're also seeing delays on the tail-end of the foreclosure after the judgement has been issued, with properties moving to Sheriff Sale.

The Chancery Judges typically do grant at least one emergent application for a stay of either eviction or sale. And with extenuating circumstances, if a homeowner comes before the Court and states the reasons why, they would typically also grant those applications if there's a legal reason by which to do so.

As Alyson said, we are very proud of the fact that we reorganized the Court system. All of the Office of Foreclosure was reconstituted and put under my office; and we have streamlined the procedures and changed both the Court rules and other judicial practices to ensure that we were meeting due process rights but, at the same time, not allowing cases to just languish indefinitely.

ASSEMBLYMAN WIMBERLY: Thank you very much, Alyson.

Do we have any questions for Alyson from the Assembly members?

Assemblywoman.

ASSEMBLYWOMAN SCHEPISI: Out of the approximately 138,000 foreclosures that were in the pipeline, have the Courts kept track of how many of those were zombie foreclosures; or do you have any statistics on any of that?

MS. SMITH: No; so we typically don't get the information as to whether or not a home is a zombie foreclosure or vacant and abandoned.

I will tell you, since the vacant and abandoned statute was enacted, I've had less than a thousand applications to participate in that process. Part of that reason is that there's been difficulty adhering to the proofs and providing the documentation that the Court needs in compliance with the statute. But the second part of that is because we no longer have a backlog; it's actually faster to go through a regular residential process than to go through the expedited process and bear the costs.

ASSEMBLYMAN WIMBERLY: Where are we, nationally, at foreclosures now as a state?

MS. SMITH: It's hard to tell. So if you ask me, I think that we are -- we're back around 2002, 2003 numbers, at least from a Court perspective. However, it's hard to tell because of that-- And what's-- Compliance measures, with loss mitigation, Dodd-Frank requirements, Fair Foreclosure requirements, service transfers on the front end, and then sale delays on the backend. So, unfortunately, I don't have it; I can just tell you that -- I can report that the day that the complaint comes in, to the day judgement is issued, the courts' average is 160 days.

ASSEMBLYMAN WIMBERLY: So you see an improvement.

MS. SMITH: A significant improvement.

ASSEMBLYMAN WIMBERLY: That's the point I was just trying to make.

But thank you very much; we appreciate it.

MS. SMITH: You're very welcome.

ASSEMBLYMAN WIMBERLY: Assemblywoman Schepisi.

ASSEMBLYWOMAN SCHEPISI: Thank you.

With respect to the foreclosure actions, are there particular banks, or hedge funds, or portfolios that you're seeing a disproportionate number; or is it just a wide variety of stuff? So are 70 percent Wells Fargo; is it a wide variety of foreclosures?

MS. SMITH: So we do have a variety of them. I wouldn't say that your large lenders are large players any longer. I couldn't tell you-- I could pull the numbers, and I'll let you know what I have for Wells Fargo and Bank of America, larger institutions. Mostly we have servicers that are -- trust funds and the other types of different funds that I would say make up a majority of the docket.

ASSEMBLYMAN WIMBERLY: That information would be great. If you could provide that to OLS, I think everybody would appreciate that.

MS. SMITH: We absolutely can.

ASSEMBLYWOMAN SCHEPISI: Thank you.

ASSEMBLYMAN WIMBERLY: Thank you very much for your testimony, guys.

MS. JONES: You're welcome.

MS. SMITH: You're welcome.

ASSEMBLYMAN WIMBERLY: We appreciate it.

Oh, Alyson--

MS. JONES: Didn't you want to hear about any of the legislative solutions proposed in the report?

ASSEMBLYMAN WIMBERLY: Well, definitely, from you, Alyson; I'm sorry. (laughter)

MS. JONES: I don't have to; you can just read it, if you like. (laughter)

ASSEMBLYMAN WIMBERLY: No, you do, you do. We would appreciate it.

MS. JONES: So in May, 2017, the Chief Justice put together the Supreme Court Committee on Residential Foreclosures. It included members of the bar, judges, sheriffs, advocates like Legal Services, as well as lenders. And we basically broke ourselves into three groups: one to look at education and public information, one to look at improving court processes, and one to look at legislation. There were a lot of bills around the State House at that time, and we tried to review, as a group, as many of them as we possibly could.

The Speaker was a member -- in fact, he was the Chair of the Legislative Subcommittee -- and he's been great in helping guide us into bills based on the discussions and the recommendations that the Subcommittee came up with.

Just briefly, some of those recommendations include revising the Fair Foreclosure Act to deal with that pre-complaint gap. So a homeowner receives a Notice of Intent to Foreclose. And right now, between that notice and when the complaint is actually filed, can be upwards of 18 months. So the suggestion would be to close that window

and say that once you send the Notice of Intent, you must file your complaint within 60 days or serve a new notice. That way no one is blindsided.

Michelle mentioned mediation a little bit. It's been successful, and we'd like to see it continue to be successful; so do some statutory parameters and funding around that.

We also mentioned foreclosure sales. There is, currently, a statute that requires the sheriff to sell a property within 120 days of receipt of the judgement. That is rare; so we would like to find a way, statutorily, to encourage meeting that deadline, while at the same time extending the length of an adjournment from 14 days to 30 to give people a little more time to plan when they get into that situation.

On the vacant and abandoned property statute -- which we originally did in 2012, and then amended in 2013 -- proofs have been an issue, as Michelle mentioned. And the other thing that happened was that the dockets started to pick up; the cases started to move faster. So the benefit of moving into that vacant and abandoned property docket decreased. So we haven't seen it utilized; but we would like to see municipalities issue those ordinance violations when they know that a home is vacant or abandoned.

(buzzer rings)

Oh, there's my timer.

ASSEMBLYMAN WIMBERLY: You can wrap it up. (laughter)

MS. JONES: Okay.

We also would like to ensure that servicers are held to the same standards as banks. As Michelle said, we're seeing, more and more often,

that our docket is fewer banks and more servicers. So that includes not only looking at our Residential Lending Act here in New Jersey and making sure that DOBI has all of the oversight that they need; but also looking at some things like extending the amount of time looking back that condo associations can collect unpaid dues; things like that.

ASSEMBLYMAN WIMBERLY: Thank you, Alyson.

Any questions?

ASSEMBLYWOMAN SCHEPISI: Of course.

ASSEMBLYMAN WIMBERLY: Assemblywoman Schepisi.

ASSEMBLYWOMAN SCHEPISI: Alyson, thank you very much; and Michelle as well.

One of the issues that-- Because I'm also a practicing attorney; and when people come to us and talk to us about some of the issues that they're facing, and wanting to try to work out things before their home is foreclosed upon, we hear that some of the rules that are currently in effect may disincentivize people to do anything other than to try to ride it out and see how long they can stay without making any payment; because lenders have been difficult. Or, you know, I've had clients who have gone to work, got a second job, and then been told, "Well, your income is now such that you don't meet certain thresholds for a mediation, or a workout, or something like that." And so it becomes a very frustrating process for people who are attempting to do the right thing to stay within their homes, and are financially trying to get back on their feet.

Through your experiences, through the cases you've seen, through this report, are there any suggestions or recommendations that you can give to us that, legislatively, we could try to help facilitate so that we're

not incentivizing people to make no payments for two, or three, or four years because they feel that that's their only option.

MS. SMITH: In terms of mediation, we try to eliminate as many of the impediments as we can. So previously, the mediation was administered through the Office of the Public Defender, through the Office of Dispute Resolution. When that Office lost its funding in September of 2017, the Chief Justice reassigned mediation, at least in foreclosure, to me. So my staff is responsible for the mediations.

We really only have two limitations. All of the borrowers on the note need to participate in the mediation, and the matter can't be in bankruptcy. Because, obviously, those create two legal impediments: one based on contract, the other because it's in another court and there is a matter in controversy.

For the most part, we're flexible with allowing people to participate in the process. We do have other Court rules and practices, particularly where people are represented. But some of the things that you talk about are solely within the discretion of the lender. So if they get the proofs, or they say that a person doesn't meet or over-exceeds a threshold, it essentially is up to the plaintiff and the lender to decide whether or not they want to do that.

I think the unique dynamic between the lender and the servicer further creates and complicates matters, because there often is a lack of communication that exists between the two, which delays the decisions, which ultimately ends up in a "no."

And so we've been doing our best to try to get people to the table as quickly as possible. Because my metrics show that the quicker

people come -- to the time that they default into mediation -- the greater the likelihood that it ends up in a loan modification.

I am starting, however, to track those loan modifications that end in a subsequent default; and that number is going up. So despite the fact that homeowners enter these loan modifications, they're not sustainable modifications. So I'm not certain what can be done. We can't do anything from a Court perspective; but I don't know what can be done from a legislative perspective.

ASSEMBLYWOMAN SCHEPISI: And, if I may, just with respect to that, that's some of the feedback I've been receiving -- where people are entering into -- if they're even able to enter into the loan modifications. Because I've had clients who have been told that their credit score was too high to be given a loan modification; or that they were -- because they are picking up this extra income by going out to try to meet their obligations, that they have now fallen outside of the parameters. And then, I've also been told by some people that they've entered into loan modification agreements, knowing that they're not going to be able to afford it because, essentially, it's going to eat up 90 percent of their after-tax income. And when you look at their property taxes and their mortgage payments, they can make one, but not the other; and they can't figure out how to get outside of that loop. But they view it as the only way to, potentially, continue staying in their house for a period of time.

So it's-- I think we're going to see more of those defaults, because people have entered into these agreements predicated on, literally, there isn't a 5 percent window of increased expenses that they would be able to afford, and are finding themselves back in the same situation.

MS. SMITH: And we're typically seeing that that circumstance, that you've just talked about, takes place pre-complaint.

ASSEMBLYWOMAN SCHEPISI: Right.

MS. SMITH: So that may be part of the reason why the complaint is delayed getting to the court system. We typically don't see that post-complaint, because obviously there's a lot more, kind of, scrutiny over them, and we look at them very closely. And if I was mediating, and I had a concern like that, I would be talking to the Chancery Judge to say, "I don't feel comfortable with this; this is 90 percent of their income as they provided the proofs." Because the Court has also said trial modifications, after a certain period of time, become permanent modifications. So I wouldn't necessarily want something that appears unequitable on its face to end up being the case. .

So those usually take place pre-complaint; and now we're seeing complaints where those prior loan modifications are defaulted on, the complaint moves forward, and they get the original date from the time of the first default. And because there was a trial--

ASSEMBLYMAN WIMBERLY: And I'm not cutting you off, but at this point we're on number one.

ASSEMBLYWOMAN SCHEPISI: Sorry.

ASSEMBLYMAN WIMBERLY: So we're going to try to move on.

But we have one more question for you.

Assemblywoman Speight.

ASSEMBLYWOMAN SPEIGHT: Good morning.

MS. SMITH: Good morning.

ASSEMBLYWOMAN SPEIGHT: What happens when their home forecloses and they file for bankruptcy, or they default and file for bankruptcy?

MS. SMITH: The minute they file for bankruptcy, the matter is stayed with the Courts. We don't have jurisdiction at that point, until the pendency of the bankruptcy issue is resolved.

So once I get notification-- That's the key component; I must get notification. Once I get notification, that matter is stayed with the New Jersey Court System -- on our system; because it's a little antiquated, it's marked as *closed*. But there is no judgement issued; if a judgement was issued during that time, it's vacated by the Court, because we have no jurisdiction to move forward until the bankruptcy is resolved.

ASSEMBLYWOMAN SPEIGHT: Okay. Does the bank offer any assistance at that point; or are they just hands-off?

MS. SMITH: As far as I understand, the homeowner, at any point in time, can file for a loan modification. They can simply request the forms, provide them, and they would engage in loss mitigation.

The lenders here in New Jersey have taken a strict stance that if they get that request, they're in loss mitigation; they don't move forward with the pendency of the foreclosure until that loss mitigation has resolved.

The Courts have taken a little bit of a different perspective on that, and said, "You can move through the process up until judgement. You can't have judgement issued." But at that point, the foreclosure is stayed, pending that loss mitigation as well.

ASSEMBLYWOMAN SPEIGHT: Okay; thank you.

MS. SMITH: You're welcome.

ASSEMBLYMAN WIMBERLY: Thank you.

We have one more question for you.

MS. SMITH: Sure.

Assemblywoman Muñoz.

ASSEMBLYWOMAN MUÑOZ: Yes; a technical question.

You talked about *servicers*. That's a phrase that I don't -- I'm not familiar with. Can you define what that is, and give us an example? You said that rather than the large banks, it's *servicers* that have these mortgages. Can you please explain that to us?

MS. SMITH: So I can enter into a loan with a bank or an entity that's giving me the money. They then hire an agent to be able to manage the property; manage the loan. At times, those -- they transfer in bulk, for pennies on the dollar, from one entity, to another, to another. And so then a mortgage gets assigned through that process. Sometimes it's through MERS; sometimes it's independent.

ASSEMBLYWOMAN MUÑOZ: Sometimes it's through *what*?

MS. SMITH: MERS; the *Mortgage Electronic Registration System*, I think it is.

ASSEMBLYWOMAN MUÑOZ: Okay.

MS. SMITH: And essentially with -- once that happens, essentially titling has to change as well. So assignments need to be filed with the Courts so we know who is the legal entity to make decisions, to be responsible. Some of the legislation would require these transfers to be recorded with -- DOBI is the recommendation. So that this way it's clear who's responsible, who you should be speaking to. Because oftentimes, what will happen -- as a homeowner, I'm in foreclosure. I speak to my

original lender, because I think that I've done my mortgage with ABC Bank. But really, it's Jones Industry that has my loan, and Alyson is the person I need to speak to. And if they spoke to me, I couldn't enter a binding decision. And so those are some of the challenges that we have.

ASSEMBLYWOMAN MUÑOZ: And those entities are -- are they federally regulated or statewide regulated? Or could Holly and I open up a company and just do this? I mean, are there regulations in place?

MS. SMITH: There are some. I don't believe it's as stringent as if I was the original lender.

ASSEMBLYWOMAN MUÑOZ: So that might be something that you would recommend; or is that--

MS. SMITH: It is recommended through the Committee's report.

ASSEMBLYWOMAN MUÑOZ: Okay; thank you.

MS. SMITH: You're welcome.

ASSEMBLYMAN WIMBERLY: Thank you very much, ladies; we appreciate your testimony.

MS. JONES: Thank you.

MS. SMITH: Thank you.

ASSEMBLYMAN WIMBERLY: Very insightful.

Next we have Maryann Flanigan and Dawn Miller from Legal Services of New Jersey.

**MARYANN FLANIGAN, Esq.:** Good morning.

Maryann Flanigan, Legal Services of New Jersey.

**DAWN K. MILLER, Esq.:** And Dawn Miller, Legal Services.

ASSEMBLYMAN WIMBERLY: Can you introduce yourself again; I'm sorry.

ASSEMBLYWOMAN MUÑOZ: Yes, we couldn't hear you.

MS. FLANIGAN: Maryann Flanigan, Legal Services of New Jersey.

MS. MILLER: Dawn Miller, Legal Services of New Jersey.

MS. FLANIGAN: So good morning; and thank you, Mr. Chair and Committee, for having us today.

First, I actually just want to, really quickly, address a couple of points that came up in the last testimony.

So regarding issues with modifications and homeowners -- what we've seen, mostly, is that the homeowner does everything they need to do to get everything that the servicers are requiring to process this loan modification. It's the servicers that tend to create a lot of runaround and a lot of obstacles; and homeowners get very frustrated.

And there's a set of really great Federal laws called *RESPA*. And a lot of the cases we take, we end up asserting *RESPA* claims, which -- these claims arise because the servicer is creating issues and creating problems, not processing the loan modification within the required timeframe, not issuing a decision within the required timeframe.

We have clients we represented where we have submitted to the servicer everything that they require; and then they still sent our client a letter -- they didn't even send it to Counsel, they sent it to our client -- saying, "Hey, we still need X, Y, and Z from you." And we have records of sending it to them.

So what we really believe is that it's usually not the homeowner's fault that this modification isn't going through. They get approved and they're in the trial plan; they do everything they need to do. And the servicer is the one creating a lot of problems; and, ultimately, sometimes forcing the homeowner into foreclosure, despite their best attempts to avoid it.

The other point I want to address is bankruptcy and foreclosures. So when a homeowner enters into bankruptcy, wherever they are in foreclosure -- as long as it's prior to the sheriff sale, it will stay the foreclosure. And in the bankruptcy they may be able to do a little modification. They have to apply. The servicer may or may not approve them for the modification. There is no requirement that they approve them; there's no right to a modification. It's really specific to the lender, the pool that the loan is in, and other factors.

If they can't get a loan modification, in a Chapter 13 bankruptcy they may be able to do what's called a *repayment plan* over a period of up to 60 months, where they can repay the arrears on top of their monthly payment. For a lot of people, that's not affordable. But we have had clients where we represented them in Chapter 13s, and it has worked out in a home-saving solution.

So I just wanted to address those points.

But now I'm going to get to our testimony.

Legal Services of New Jersey is the statewide system for providing free, civil legal assistance to those least able to afford the help of an attorney. Our Foreclosure Defense Project is, by far, New Jersey's largest provider of legal defense for families facing foreclosure. Through our

hotline, website, and outreach, we have provided legal assistance in nearly 8,600 cases in the past 10 years. We have assisted even more residents through educational materials, which are accessed through our website.

With funding from the 2014 Settlement Agreement between the U.S. Department of Justice, six states, and Bank of America, Legal Services of New Jersey created a Foreclosure Defense Project of significant size, which has allowed us to provide representation in a substantial number of cases. LSNJ's current Foreclosure Unit is a continuation of targeted legal work and advocacy that began at LSNJ in 2002.

Through our Foreclosure Defense Project, we have seen many troubling trends and issues related to improper practices and illegal conduct by servicers, loan originators, brokers, and other involved parties. Based upon our experience, LSNJ would be very delighted to provide perspectives concerning any legislative proposals that the Committee might decide to consider after today's testimony.

We will present one concrete legislative proposal today. To set the stage, we will share a few stories about some of the disturbing trends that our Foreclosure Unit has encountered. In some cases we are able to resolve the legal issue; and in others, current law does not offer protection that would address the client's needs.

Client 1 is a 73-year-old widowed reverse mortgage homeowner who lives alone and suffers from depression related to very traumatic events that occurred during his lifetime within his immediate family. He almost lost his home to foreclosure over approximately \$4,000 in tax advances.

Client 2 is an 82-year-old widowed African American reverse mortgage homeowner, who suffers from dementia and other serious health

ailments, including terminal breast cancer. She owes approximately \$13,000 in tax advances, and is at risk of losing her home to foreclosure despite her attempts to work something out with her loan servicer.

Based on these and other experiences, we propose that the New Jersey Housing and Mortgage Finance Agency's Hardest Hit Fund should clarify or amend HHF guidelines so that New Jersey reverse mortgage borrowers are eligible for assistance. LSNJ will provide language and work with legislative staff on this proposal, if it is requested.

The NJ HMFA's Hardest Hit Fund HomeSaver Program assists eligible homeowners by providing forgivable grants of up to \$50,000 in financial assistance to help bring their household monthly payment to an affordable level. The Hardest Hit Funds are utilized to facilitate a default cure, refinance, recast, or permanent modification of the first mortgage loan.

Currently, reverse mortgage borrowers are excluded from assistance because reverse mortgages are not fully amortizing. Senior citizen reverse mortgage borrowers are a uniquely vulnerable population with regard to foreclosure and related risks of homelessness. Property tax defaults are a common reason for reverse mortgage foreclosures in New Jersey, and scores of reverse mortgage borrowers would benefit from Hardest Hit Funds to cure default.

Many other states have allowed Hardest Hit funds to be used for reverse mortgage property tax defaults, including California's Reverse Mortgage Assistance Pilot Program; Florida's Elderly Mortgage Assistance Program; Illinois' Reverse Mortgage Assistance Program; Michigan's Step Forward program; Ohio's Save the Dream program; Oregon's Reverse

Mortgage Benefit; Rhode Island's Hardest Hit Fund; and the District of Columbia's HomeSaver Program.

We offer one additional story that frames another problem.

Client 3 is a 55-year-old separated woman, who has suffered from several strokes. She moved into a property near her family, under a rent-to-own lease agreement. Her city inspector recently declared the home uninhabitable, and informed her that the property will require tens of thousands of dollars in repairs. The landlord just informed her that he's doubling the monthly rent payment.

Legal Services of New Jersey also suggests that legislative attention may be required in areas involving unscrupulous contracts that require payments under the pretext of tenancy rent, but contain other provisions which make the agreements unfair and deceptive toward consumers. LSNJ is energetically challenging these practices in litigation, and we believe this is an area which is ripe for a hearing.

Above all, we urge this Committee to resist any importunings to alter New Jersey's critical laws which help provide a strong net of protection for the state's middle- and lower-income homeowners. The New Jersey Fair Foreclosure Act, Consumer Fraud Act, and entire system of judicial foreclosure provide essential rights to residents who otherwise would be far more likely to lose their homes.

We would welcome any opportunity to provide information and analysis concerning the effect of any such proposals.

Thank you for hearing our statement.

ASSEMBLYMAN WIMBERLY: We definitely welcome your input. And obviously, you can contact our office, OLS, or our Majority

Office, or any of our members for any suggestions. But I do welcome it; and I will have my Chief of Staff speak to you after you have completed it.

MS. FLANIGAN: Okay; thank you.

MS. MILLER: Thank you.

ASSEMBLYMAN WIMBERLY: Thank you, ladies.

MS. MILLER: No questions?

ASSEMBLYMAN WIMBERLY: Go ahead.

MS. MILLER: No, I just-- Any questions; if there were any questions.

ASSEMBLYWOMAN SCHEPISI: One super-quick one.

MS. MILLER: Okay.

ASSEMBLYMAN WIMBERLY: And you would not be legitimate without Holly Schepisi asking you a question. (laughter)

ASSEMBLYWOMAN SCHEPISI: No; actually I found your testimony to be very helpful; thank you. Because it's kind of what I'm seeing as well.

Do you know if anybody has any statistics, or has been keeping track in the state of the number of reverse mortgages being taken out for purposes of paying property taxes? Because I'm hearing that the numbers of seniors in New Jersey who are trying to take advantage of reverse mortgages has gone up, as have the foreclosures as a result. I'm trying to figure out if a large number of those are pertaining solely to people trying to stay in their homes and pay their property taxes, and getting caught in the cycle.

MS. FLANIGAN: I don't know specifically who may or may not be keeping track of it. I would imagine the information could probably

be obtained through, like, a FOIA or OPRA request, because they're all issued through HUD, they are all insured by HUD.

But, you know, it's interesting -- prior to 2014, any senior citizen could take out a reverse mortgage without any financial assessment of whether they could afford it. So a lot of people think reverse mortgages don't require any payments; but a homeowner does have to pay the property taxes and the homeowner insurance, otherwise they default and they end up in foreclosure.

And prior to 2014, these senior citizens were giving up all their equity; and nobody -- no broker, no bank -- nobody was actually making sure they could afford the ongoing costs. Which is why you have so many people with these huge property tax defaults now, because they could never afford it.

ASSEMBLYWOMAN SCHEPISI: Okay.

MS. MILLER: We have also--

ASSEMBLYMAN WIMBERLY: That's an excellent question; and that is a major concern.

Thank you.

And we have one more question for you.

MS. FLANIGAN: We have seen an increase in the number of reverse homeowners with those problems. And it is something that we will look into. And if we find the statistics, we'll get them for you.

ASSEMBLYWOMAN SCHEPISI: Thank you.

ASSEMBLYMAN WIMBERLY: We have one more question.

MS. FLANIGAN: Sure.

ASSEMBLYMAN WIMBERLY: Co-Chair.

ASSEMBLYWOMAN CHAPARRO: Thank you; thank you for your testimony.

I'm not familiar with the mortgage world or an attorney that -- you know, with all this jargon. So I can only imagine how the consumer feels when there are so many different ways of you obtaining the money -- just not in your best interest.

So that whole servicer thing -- that really has me very confused. Because you walk into a bank; and somehow I'm not understanding-- If you walk into a bank to get a mortgage, how this servicer comes into play; and that's not where the consumer went. So how did it get lost in the shuffle, and how does a bank go, "Okay, now you're with the servicer."

So I'm confused; I'm trying to figure this out, and how we clean it up. I could only imagine someone who just wants the dream of buying a home and keeping the home -- where it all gets lost. So there is a lot of work that we have to do.

And we just finished having a hearing about affordable housing; so it really puts a lot on the State to provide affordable housing when this is also in the equation, where these people can also become homeless. And then the affordable housing -- when they're just trying to maintain their home that they worked so hard for.

So we will definitely be looking to you to guide us.

So thank you.

MS. FLANIGAN: Thank you. We welcome the opportunity.

ASSEMBLYMAN WIMBERLY: Thank you, ladies; we appreciate it.

Next we have Staci Berger, Housing and Community Development Network of New Jersey.

**S T A C I B E R G E R:** Good morning.

I'm Staci Berger; I'm the President and CEO at the Housing and Community Development Network of New Jersey.

Thank you to the Committee, and especially to the Chairman, for the opportunity to testify this morning about this important issue.

I handed out a series of legislative proposals that have been before the General Assembly and the Senate for a bit. There is actually one missing, which I apologize for. It's one of the substantial pieces of legislation.

As some of you know, one of our staff has been out for a bit; and so I'm flying a bit -- flying a little solo today.

That's the Residential Transformation Act, which I'll get to in a minute.

Just for background: The Network is the State's largest HUD-certified funded housing counseling intermediary; say that 10 times fast. That means that we supervise and provide training and technical assistance for about a dozen other nonprofit housing counseling organizations around the state; and provide direct funding, through HUD, to them. All of them are members of the Network; and we represent about 150 nonprofit community development corporations that do housing development, economic development, job training, homelessness services, and other support services in communities around New Jersey. And we have about another hundred or so private sector partners, including some of the lenders

that have been caught up in this foreclosure crisis. Although most of them that work with us are eager to resolve this.

So the Network has a stake in this for a couple of reasons. One, because our members are seeing folks come in the door all the time looking for assistance. There just has not been that kind of assistance for the last decade, and I'll talk about that in a minute.

And second, because they work in the neighborhoods that have been blighted and destroyed by the foreclosure crisis, and want to be part of solving the problem that is affecting our communities around the state.

So for the foreclosure crisis, the Chairman asked earlier how do we compare to other states. We are number one in foreclosures, in both zombie foreclosures as well as standard foreclosures. So whichever kind you like, we have both. And we have seen that impact in the rental market, where folks who formerly owned a home now can't afford to stay in their home; and therefore, have to rent in order to keep their kids in the area that they are in school, or want to be near their job or near their family.

And so we're putting increased pressure on the rental housing market, which we know continues to be a problem here in New Jersey. We rank number six, according to the National Low-Income Housing Coalition, for an affordable place for folks to rent a two-bedroom apartment. To do that, you need to make somewhere in the neighborhood of \$65,000 a year. The housing wage for a two-bedroom rental is about \$16.50 an hour, working 52 weeks for the year. So housing here is very expensive; and the foreclosure crisis is making it worse for folks in the rental market, because people who had previously been able to afford to own their home now no

longer can stay there, and so they have to rent. And so that creates a second problem for folks looking to make New Jersey their home.

Assemblywoman, did you have a question? You looked like you were ready to ask--

ASSEMBLYWOMAN SCHEPISI: No; I was getting the hair out of my face. (laughter)

ASSEMBLYMAN WIMBERLY: She's getting ready, though (laughter), so don't get her started.

MS. BERGER: Okay; I want to be credible here. If I don't get a question from the Assemblywoman, evidently it's--

ASSEMBLYMAN WIMBERLY: She's just relaxing; she's taking notes.

MS. BERGER: Okay, that's great. We're happy to have a dialogue about it.

So just for a few things that we've heard in this conversation. You know, New Jersey does have -- we are a judicial state, like our neighbor across the Hudson River. New York is also a judicial state. They are not in the same boat; their foreclosure crisis, and the foreclosure crisis in many of our similar sister states, is really in the rearview mirror for other folks. The reason that New Jersey continues to suffer from this problem is because we have not had a robust series of policy and program interventions at the State level. The original Hardest Hit Fund -- that was adopted in the early part of the Christie Administration -- was, to be generous, poorly designed and badly administered; and that's being nice about it. It really allowed for banks to get repaid from the TARP funding that they had been assessed. It was a self-fulfillment program, and did not require banks to renegotiate

those loans in order to get folks to be current on their mortgage. And so that created a pool of people who were either unable to get the help that they needed, or the help that they needed was simply not available. So there were folks who just left New Jersey because they couldn't get the help that they were entitled to; and left their homes vacant and abandoned, and that created a whole new series of problems.

So we think that there are a couple of ways to help solve the foreclosure crisis. In addition to the specific legislation, I just want to give you some broad categories.

One is providing high quality--

ASSEMBLYMAN WIMBERLY: Staci, if you could wrap it up here; we are--

MS. BERGER: Sure.

One is providing high-quality housing counseling, both pre-purchase and in foreclosure crisis. When people first get notified that they are behind, they need to be able to access foreclosure counseling immediately. And that's something that I know the State is moving towards; the HMFA just rolled out program. But there are a number of bills -- including some of which Assemblywoman Jasey and you, as well, Chairman, are on -- to provide funding for high-quality housing counseling and really using the foreclosure hook as a way to get banks to pay into that system.

Second, would be the Residential Transformation Act, which the Senate moved on, on Monday, and we hope that this Committee will move on as well. That would allow homes that have been foreclosed and are vacant to be transformed into deed-restricted, affordable homes in those

neighborhoods, which we think is a great way to match homes that don't have people with people who don't have homes. It doesn't really seem like rocket science, but that bill has been hanging around for about seven years. Governor Christie absolutely vetoed it three times; and we think that that would be a good way for us to address both the housing affordability crisis and the foreclosure crisis.

There are ReStart opportunities; New Jersey Community Capital, which is one of our partners; and I think other folks are going to talk about it as well. That allows nonprofit community development financial institutions, CDFIs, to purchase those homes, rehabilitate them, and sell them to new homeowners.

Last, just in terms of the judicial piece -- we would probably not support changes to make the system faster. One of the things we want is for people to stay in their home for as long as possible to figure out how to make sure that they can change their loan so that they can stay in their home. Because it is extremely confusing -- to the Vice Chairwoman's point -- as a consumer, most people have no idea how the industry works, and what their rights are, and how they can access help. So we want to make sure that people can stay in their home as long as possible.

I won't bore you by reading the whole page of legislation, but I am happy to answer any questions; and to work with any and all of you to make sure that that legislation moves forward.

ASSEMBLYMAN WIMBERLY: Thank you, Staci.

Do we have any questions?

ASSEMBLYWOMAN SCHEPISI: (laughter) I have to do it.

MS. BERGER: She has to.

ASSEMBLYMAN WIMBERLY: She has to do it. Listen--

ASSEMBLYWOMAN SCHEPISI: Staci, thank you.

And I know a lot of the organizations that you work with, and this is such a complex issue. And it's not going to change overnight.

And one of my biggest areas of concern is that it's a never-ending cycle, where the numbers that we are getting for the State obligations on affordable housing are driven a lot by the pre-foreclosed properties, which are increasing the numbers as well, that the Courts are putting forth for the total obligation of affordable housing in the state. Because they're taking into account the loss of those homes, the income ratios, and everything else.

You're shaking your head "no."

MS. BERGER: I'm not sure that that's accurate. I'm not an expert on where the numbers come from, but I don't know that I would agree with that premise -- that the foreclosed homes that are not deed-restricted have an impact on the numbers. I'm not an attorney, so you probably want to save that question for somebody who negotiates those things.

ASSEMBLYWOMAN SCHEPISI: Yes; so, well, it's a very complex formula; but those items--

MS. BERGER: But it's based on need, right?

ASSEMBLYWOMAN SCHEPISI: Based on need; based upon the fact that -- people's income ratios, as compared to what their paying. So with a lot of the foreclosures, we're seeing that people can afford either their mortgage payments or their property tax payments. But in a lot of communities, with the increase in the property taxes, people are finding

that they can't pay both anymore, including people who have been in their homes for 20, 25, 30 years who, all of sudden, their property tax payments are equaling their mortgage payments; and that's contributing to a lot of these foreclosures as well.

But my question for you is--

MS. BERGER: That's not been-- That's not really been the experience that our members have seen from folks. A large chunk of people were impacted by Superstorm Sandy, and it took three years for the Governor to sign a bill to keep the -- former Governor Christie -- to sign a bill to protect those folks and make sure that they could amortize their mortgage. They were paying banks; their property taxes were not an issue, as much as paying banks to keep their homes.

So I would say that in our--

ASSEMBLYWOMAN SCHEPISI: Come up to Bergen County. Because in Bergen County, you have people who are living in homes that should be--

ASSEMBLYMAN WIMBERLY: Assemblywoman.

ASSEMBLYWOMAN SCHEPISI: I'm sorry; okay.

ASSEMBLYMAN WIMBERLY: I don't want to cut you off--

ASSEMBLYWOMAN SCHEPISI: Right.

MS. BERGER: And I don't know where the question is, either.

ASSEMBLYMAN WIMBERLY: --but I don't want to get a back-and-forth in a debate of what situation-- I don't think there's a one-size Bergen, compared to Superstorm Sandy victims. So let's keep it just at a question, and then we're going to move on, Staci.

So thank you.

ASSEMBLYWOMAN SCHEPISI: Right now, the model that's going on in the entire state for providing affordable housing is a one-size-fits-all. Almost every project that's been approved-- Let me finish before you shake your head, please. Most of the projects that are being approved throughout the state right now are just rental projects. There are very few affordable home projects that are taking place in the state. There are very few projects that are allowing people home ownership, as opposed to rental for affordable options. Would you at least agree with that?

MS. BERGER: No.

ASSEMBLYWOMAN SCHEPISI: Okay; can you--

MS. BERGER: I don't know what that has to do with the foreclosure bills we're talking about.

ASSEMBLYWOMAN SCHEPISI: I'm going to get to it.

MS. BERGER: Okay.

ASSEMBLYWOMAN SCHEPISI: But could you explain to me, real quickly, where you're seeing home ownership opportunities under the affordable housing being built for people?

MS. BERGER: Sure. Where I live in Piscataway, we were the first town to sign an agreement; most of it is home ownership. I know a lot of the towns have negotiated agreements with a number of our members to build with Habitat for Humanity chapters. There are some rental homes, and there are some home ownership opportunities. We think everybody should have the ability to choose the kind of home that they want to live in, whether it's an apartment, or it's a single-family home, or it's a condominium. I wouldn't place a judgement -- a value judgement on

whether a rental home is better than a single-family home for home ownership. That's not our role.

ASSEMBLYWOMAN SCHEPISI: Okay; because my office has been keeping track of these numbers.

MS. BERGER: So have we.

ASSEMBLYWOMAN SCHEPISI: So I would love to see where--

MS. BERGER: But I don't know why one is better than the other.

ASSEMBLYWOMAN SCHEPISI: No, and I'm not--

MS. BERGER: So I don't know what the premise of your question is.

ASSEMBLYWOMAN SCHEPISI: That's not what I said. I'm actually--

MS. BERGER: Then I don't understand what you're asking.

ASSEMBLYMAN WIMBERLY: Assemblywoman, is there a specific question that you want to just get to?

ASSEMBLYWOMAN SCHEPISI: I'm just confused, because I've--

MS. BERGER: Well, I'm confused as well. So maybe--

ASSEMBLYWOMAN SCHEPISI: Yes, because I've been--

ASSEMBLYMAN WIMBERLY: Maybe you guys could have a sidebar on this, because we want to move on.

ASSEMBLYWOMAN SCHEPISI: Yes, because I've been--

MS. BERGER: We want to make sure people can afford to live in a home of their choice in a neighborhood -- in a community of their

choice, in a neighborhood that they like. And so whether they live in a single-family home, or they live in a multi-family home, or in an apartment building, or condominium there are specific rental protections, tenant protections for buildings that are being foreclosed on, that are multi-family, that had not previously been enforced. And so that's an important thing for the Committee to just know -- that the State of New Jersey has the best tenant protections for folks facing foreclosures. Because we do have a third of our New Jersey residents do rent their home. So it's important that folks know that just because their apartment building is being foreclosed on -- which does happen, and sometimes small, multi-family homes are foreclosed -- that those folks are not forced out; that they have the right to stay in that building. And that's not something that the Christie Administration, for example, when they eliminated the Office of the Public Advocate, they eliminated that education program.

ASSEMBLYMAN WIMBERLY: Staci, at this point, I appreciate all of the information.

MS. BERGER: Sure.

ASSEMBLYMAN WIMBERLY: I'm going to ask Assemblywoman Schepisi--

ASSEMBLYWOMAN SCHEPISI: I'm going to ask a question, yes.

ASSEMBLYMAN WIMBERLY: --just get to a specific question. Then we have a comment by Assemblywoman Jasey.

And we appreciate you, so I'm not cutting you short.

MS. BERGER: Sure; I'm happy to answer any questions, now or later, Assemblywoman. I'm just not sure what the question is.

ASSEMBLYMAN WIMBERLY: Thank you.

ASSEMBLYWOMAN SCHEPISI: Yes, I think you're kind of missing what I've been saying.

But with respect to the current properties that are out there, and the current programs that we have, through HMFA funding, through the stuff that's available, my point is we haven't been funding a lot of opportunities for home ownership, as opposed to rentals in the current state of what's going on in New Jersey. And just doing some calculations, for some of these foreclosed properties -- for people who are attempting to stay in their homes, who may need transitional aid rather than permanent aid -- the average unit for a pure affordable unit being built through HMFA funding right now is about \$250,000 for a 600-square-foot unit. Which, if we kind of converted the program and looked at ways to provide rental assistance for people to stay in their homes to stabilize, to be able to not have their home foreclosed upon -- that could provide up to 18.5 years of rental subsidies for a family to stay in a home.

And I was just wondering whether or not your organization, in working with all these nonprofit partners, has looked at any alternatives such as that, that you would support, or that you would -- whether or not at the Federal level, State level -- if there's any flexibility for funding to go that way, rather than just building new units all over the state.

MS. BERGER: There's a lot in that question.

I don't want to go over my time.

ASSEMBLYMAN WIMBERLY: I would agree with you that that question is pretty loaded.

MS. BERGER: Chairman, can I just-- Can I take a-- Yes; can I just take a chunk, a little--

ASSEMBLYMAN WIMBERLY: If you could take a little snip of time so we can wrap it up here.

MS. BERGER: So to go backwards: I don't think that there's a lot-- I mean, maybe I'm wrong, but I don't think there's a lot of help coming from the Federal government any time soon. I'm just sort of glad we have a Federal government.

The mortgage bills that are on here -- the mortgage assistance pilot program -- there a number of pieces of legislation that would provide additional funding for homeowners who are struggling. But I don't think that HMFA -- I know that HMFA is not the only funder of affordable home development in New Jersey. There are lots of private sector funders; so I don't know where exactly you're getting your numbers from. So maybe we could sit down and talk about the kind of proposal you're suggesting, because it's not something--

ASSEMBLYMAN WIMBERLY: Staci, I suggest that you guys sit down--

MS. BERGER: Yes.

ASSEMBLYMAN WIMBERLY: --and go where-- Because--

MS. BERGER: I think that that would probably be best.

ASSEMBLYMAN WIMBERLY: Because we probably could go back--

MS. BERGER: Because I'm not sure where you're getting those--

ASSEMBLYMAN WIMBERLY: --and forth with this, and I don't want us to--

MS. BERGER: Yes, I don't want to say "no" to something that might be helpful; but I also wouldn't be in a position to say "yes" to something that I've not actually looked at.

ASSEMBLYMAN WIMBERLY: No, no; no, we get it.

But at this time, I do have a comment. Assemblywoman Jasey.

ASSEMBLYWOMAN JASEY: Yes.

I simply want to thank the Chairman for calling this hearing; and say that after the last eight years I'm really excited, believe it or not, to be getting back to the work that we started some time ago.

I have no questions for you because, unfortunately, we have heard this all before. And the problems and the pent-up demand continue to rise. So I think with the one-pager that you gave us, and other legislation that we can consider, I think, Chairman, we're going to have the opportunity to move forward and to finally begin to take care of these home ownership and rental issues that our constituents have been suffering from.

And the whole time I've been listening to all the testimony this morning so far, I'm thinking -- I have pictures in my head of constituents from my District who have been struggling and most of whom have lost their homes. And yes, some of them have left the state because they simply could not afford to stay here any longer.

So the issue of affordable housing -- whether it's rental or home ownership -- is one of the top, if not the top problems that we have to resolve; and we have to do it soon if we hope to hold on to our citizens here in New Jersey.

So thank you; thank you, and everyone else, who's working this.

MS. BERGER: You're very welcome, Assemblywoman. Thank you for your leadership. We think that if we solve the foreclosure crisis, it will really lead to a huge impact in the issue of people being able to afford a home here in the state.

ASSEMBLYMAN WIMBERLY: Thank you, Staci.

MS. BERGER: Thank you very much, Chairman.

ASSEMBLYMAN WIMBERLY: We appreciate your testimony; thank you very much.

Next we have Josh Mann, of the New Jersey Builders Association; with Jeff, who has no need to testify. He's in support; right Jeff? You're in support?

J E F F K O L A K O W S K I: Absolutely; I'm in favor of everything.  
(laughter)

ASSEMBLYMAN WIMBERLY: All right; Jeff Kolakowski is also with us today.

Guys, I'm going to ask you-- I've been a little bit lenient on the time. If we can, kind of, make everything concise.

And I know we have your written report--

MR. KOLAKOWSKI: Absolutely. Thank you very much.

ASSEMBLYMAN WIMBERLY: --so give the Assemblymembers a chance to ask any questions they have.

MR. KOLAKOWSKI: We're glad to be with you again; glad to continue to serve as a resource.

ASSEMBLYMAN WIMBERLY: You're always there.

MR. KOLAKOWSKI: Very happy that you're having a hearing, and hearing about this.

Back in 2008, when we were hitting the bottom of the economic crisis, we formed a little working group to start developing legislation and solutions to the foreclosure crisis.

I have with me, here, today, one of the architects behind one of the bills that Ms. Berger just mentioned, the Reality Residential Transformation Foreclosure Act. So I'm just going to kick it over to Josh and let him go. He's currently a real estate developer with Iron Ore Properties; a managing member. Previous to that, he had 15 years experience as a land use and redevelopment attorney. He's an expert in distressed assets. And again, he was, kind of, the architect behind that piece of legislation.

So I'll just kick it over to him.

**JOSH MANN, Esq.:** Yes, I actually took it as a badge of honor that the Governor vetoed it three times, because I knew it was a good idea then. It still is a good idea.

It's a really good idea because, what happens is-- And let me kind of get to a bottom line, in terms of the economics of it -- why it works.

I think we all agree, and a lot of us here agree, that something has to be done. The reason why this works is, for example, a single piece of property might not necessarily be worth a lot. And lenders often are hesitant to finish the foreclosure, because they're worried about the fact that they're going to be "stuck with the property." You could have leaking oil tanks in some of the older buildings. A lot of times, after four years or five years through a foreclosure process -- no matter what some people are

testifying to here today -- the house generally becomes in pretty bad shape. So the costs of the rehabilitation become great.

When you're able to pool these assets together, you create an economic incentive and an economic model that has the potential of working. So you're not only creating affordable housing, but you're also getting these properties back on the tax rolls, you're getting people living in them, and you're doing something that--

I'm trying to respect the time limit; that's why I'm skipping ahead in my own head, Mr. Chairman. My apologies.

ASSEMBLYMAN WIMBERLY: Take your time, but hurry up.  
(laughter)

MR. MANN: Fair enough, fair enough.

At the end of the day, the legislation grants enough flexibility to this corporation that would be created under the HMFA to look at all of these deals on an individual and collective basis so that it can work and it is financeable. It's always nice to pass legislation that sounds good; we want to do something that actually works. We at the Builders Association, when we came up with this-- And I've testified before, I can't even think of how many committees, about this. This can work. There are financial models already in place in the private markets which allow for this. And we believe this is a great way to not only help clear the backlog, but also create a lot of affordable housing in a lot of different communities across the State of New Jersey.

I think I was under three minutes, Mr. Chairman.

ASSEMBLYMAN WIMBERLY: You did an excellent job.

You did such a good job, I'm going to let somebody other than Assemblywoman Schepisi go first on any questions. (laughter)

No questions, guys?

Assemblywoman Schepisi.

ASSEMBLYWOMAN SCHEPISI: I'm actually one of the people who has come around to this idea, as I've kind of delved more into some of the issues in the state and what's driving the huge numbers; notwithstanding some testimony as to the affordability crisis.

Two questions: In designing this, what do you see as the biggest barriers or issues in implementation? And two, how do we ensure-- Because one of the stated purposes of affordable housing, and Mount Laurel, and COAH, and everything behind it, is to ensure integration within communities. How do we make sure that we have a proper ratio between suburban and urban, and not just have lenders or servicers wanting to dump their urban properties for this to occur; but also to participate with suburban foreclosed homes?

MR. MANN: Well, first of all, I don't think this is really *dumping properties*. I think this is creating value.

But the biggest impediment is always Federal regulation, right? Because it's very difficult for federally chartered banks to make deals with homeowners because of their need for reserves, and their need -- and the various regulations that affect how banks do business. And often, a lot of times the banks are so big that you might have the local lender who is saying "yes." One thing we think that that is a val that should be modified. You have another department that looks at a 10-year-old appraisal and says, "Well, no, no, no; that's not really what it's worth."

So you have certain issues with Federal regulations that prevent us, frankly, statewide, from doing this at all. When you're able to pool and move a lot of these homes off of their balance sheets, the banks no longer have to reserve against them -- right? -- and where an individual property might not have the value, or there's too much risk because of various factors for it. When you can purchase 30 of them, let's say, it makes more sense for the private markets to jump in and do it; because you're not only spreading the risk, but you're creating potential value in terms of the pool and how you're able to manage that.

ASSEMBLYWOMAN SCHEPISI: So it's a portfolio model.

MR. MANN: It's worked very well for a lot of funds that have done this nationally. Doing this makes it easier for them to get to them. And when people say *funds*, I don't know why people get afraid of that. Because at the end of the day, they're not shackled by certain regulations; and a lot of times, they're more able to make a deal with the homeowner because they don't have a lot of the reserves and other things that keep banks from making deals with homeowners.

ASSEMBLYMAN WIMBERLY: Any more questions?

ASSEMBLYWOMAN JASEY: Just another comment.

ASSEMBLYMAN WIMBERLY: Yes.

ASSEMBLYWOMAN JASEY: I would be remiss if I did not say how proud I am of you, Josh; having known you since you were about 7.

MR. MANN: That's correct.

ASSEMBLYWOMAN JASEY: It's great to see our young people stay in the state, become contributing members; and I look forward to supporting this legislation.

MR. MANN: That's very kind; thank you.

ASSEMBLYMAN WIMBERLY: Thank you, guys; we appreciate your testimony.

Next, we have Timothy Martin, from MBI-GluckShaw.

If you could just introduce yourself again.

**TIMOTHY J. MARTIN, Esq.:** Yes, please.

Thank you; and I very much appreciate this opportunity.

My name is Tim Martin. This guy on my left, here, is named Tom Martin; and believe it or not, we are not related at all. (laughter)

I'm here testifying on behalf -- representing the Community Associations Institute of New Jersey; that is the Institute that represents your homeowners associations and your condominium associations.

Tom, here, is an attorney that has been representing many of those communities for a very long period of time. We have a, sort of, unique kind of angle on this morning's topic, and that is, what happens to a homeowners or condominium association when you have a zombie foreclosure; particularly, what happens to all your neighbors. And that's picking up the freight for the empty unit.

And by the way, when you hear *condo* or *homeowners association*, you're thinking pool, tennis courts, all that stuff. A lot of us are affordable housing where, you know, 8, 12, 10 units in Newark or Hoboken. And that's not an easy cost to absorb when it goes on for 4, 5, 10 years.

So Tom, here, has represented many associations in trying to figure out what to do when this thing happens.

So I'm going to turn it over to him, hopefully.

T H O M A S C. M A R T I N, Esq.: Okay; thank you, Tim. I appreciate it.

And I appreciate the time of the Committee here this morning.

My name is Tom Martin; again, no relation to Tim. I'm a partner in the law firm Price, Meese, Shulman & D'Arminio in Woodcliff Lake, New Jersey; practicing about 21 years here in the State of New Jersey.

A major part of my practice is representing common interest ownership associations. Your high-rise associations, your mid-rise, your garden apartment-style, more or less; many of which have a component of affordable housing, mid-level housing; and senior citizens, as well, on a fixed income.

And I'd like to speak for a few minutes about-- Again, this is about the zombie foreclosures; properties that have been abandoned. They're sitting fallow or empty for quite some period of time.

And just to digress for a moment-- A community association is a nonprofit entity. There's a volunteer board that serves without pay, elected by the unit owners, to administer the common elements to make sure that those things are in place. And what that does is it preserves the equity of all of the unit owners -- that the roof is proper, the grounds are done properly, etc., etc., windows, façade, etc. And they set a budget based on -- I'm just going to use as an example -- 100 paying unit owners, okay? But usually there are a lot more. And when you have a-- Twenty years ago, when a foreclosure -- from the very beginning, when they stopped paying the mortgage and stopped paying the maintenance fees, until a Sherriff's Deed is actually recorded, that's the end of the process. When that entire process took a year-and-a-half, two years, an association would

say, "Oh, good; okay. This unit is in foreclosure; good, okay, there's light at the end of the tunnel." Okay? Because now, when you have two, three, four units that are not paying the maintenance, they're not paying the mortgage, I, as a paying unit owner, have to pay more to make up the difference.

And I've been at -- every association has an annual meeting. I've been at many of these annual meetings where unit owners who-- I mean, they're doing everything the State of New Jersey has asked them to do. They've landed moderate- or low-income housing, which is no small feat in New Jersey. They're employed; they're addressing a family. If they're on a fixed income, maybe they're addressing grandchildren, and paying their taxes. They're paying their mortgage; they're paying their maintenance fee.

And they come to me and say--

ASSEMBLYMAN WIMBERLY: Mr. Martin, you may want to get to your point.

MR. THOMAS MARTIN: Yes.

ASSEMBLYMAN WIMBERLY: Because you're-- Yes.

MR. THOMAS MARTIN: The point-- And they know they have to pay more, and it's very frustrating to them.

I, as a lawyer, have tried to work through various solutions with courts; things of that nature. And I have been told that if there was a law specifically on point -- and we believe there is one before the Assembly right now, with a companion bill in the Senate -- that can address this issue by helping to really foster the expediting of foreclosures to address the zombie foreclosure issue; and with a component that, in fact, if the bank is not

going to use that process, to allow a court to appoint a receiver -- called the *special fiscal agent* -- to, in essence, rent out the property for a period of time, to therefore pay down the arrears to the association. And again, it's a nonprofit, so it's really to all the other paying unit owners. Because I can tell you they are quite concerned. And I have seen many of them approach me, and say, "Why do I have to pay more for years?" Because this can take four, five, six years.

And we submit -- I would respectfully submit that there is a legislative solution that we have worked on and tried to bring to the attention of the Assembly, with a bill that's pending; and with a companion bill that is also in the Senate.

And I thank you again for your time and attention to this. Because, again, this is the -- these are the people who are paying. "Wait a minute; why do I have to pay more while this is in a zombie foreclosure situation?"

Thank you.

ASSEMBLYMAN WIMBERLY: And can you give us that Bill, please?

MR. THOMAS MARTIN: Yes; it's Assembly Bill 2085; and the Senate companion Bill is S-1243.

MR. TIMOTHY MARTIN: So if I could dumb it down for a second; because I'm the dumb one.

ASSEMBLYMAN WIMBERLY: But we're going to ask you to dumb it down very fast. Your time is up.

MR. TIMOTHY MARTIN: Yes, I will.

There are two specific remedies that are most often pursued by these associations. One is to allow that association to essentially become -- not a landlord, but sort of a landlord, on behalf of the bank and rent out that unit while it is unoccupied. So the bank gets some, you know, mortgage out of it, and the association gets the fees.

The other is to call that lender, that had the opportunity to expedite a foreclosure, but hasn't yet -- to call it essentially *an owner* -- sort of an owner. And that is -- then you have a responsibility to your neighbors to take care of the association fees so that they don't have to pick up the freight. I mean, if you want the unit, that's fine; but we still have to find a way to mow the lawn, and pave the streets, and keep your next door neighbors whole.

And so occasionally courts have agreed to that; they just haven't done it statewide. So if you have an opportunity in Hoboken to do that, but you don't have the opportunity in Washington to do that, you know, how fair is that? Why should one part of the state have a remedy that's not available to the rest of the state? And that's sort of--

ASSEMBLYMAN WIMBERLY: I don't think you guys are going to get an argument with that from any of us at this point in time.  
(laughter)

MR. TIMOTHY MARTIN: Well--

ASSEMBLYMAN WIMBERLY: And we--

MR. TIMOTHY MARTIN: If we didn't have an argument with that, I'd be out of a job five years in.

ASSEMBLYMAN WIMBERLY: And that's why we're here, so-

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MR. TIMOTHY MARTIN: Yes.

ASSEMBLYMAN WIMBERLY: I mean, of course that.

But do we have any questions, as we wrap up? No?

Assemblywoman Schepisi.

ASSEMBLYWOMAN SCHEPISI: Sure.

It's a technical question -- and please tell Gail Price I say "hi." I love your partner. (laughter)

With respect to apartments, it's a non-issue. But I know a lot of bylaws of condos and co-ops oftentimes have specific provisions regarding rentals, if it's not owner-occupied. Would this legislation supersede the bylaws, or is that something that has been built into the proposed legislation, or is that something we also need to take a look at?

MR. THOMAS MARTIN: Generally speaking, when you're talking about-- You know, there's a hierarchy here; so Federal law trumps the State law, the State law trumps what essentially is a contract. (Indiscernible) is a contract. It has to be pursuant to State law; so the State law would control that.

ASSEMBLYWOMAN SCHEPISI: Right. But I haven't read these bills -- if we don't specifically say it, or spell out that, notwithstanding, whatever bylaws-- I just don't want certain condo or co-op associations, if we do this, to then come forward and say, "Well, you know, our bylaws preclude this, and so therefore you can't do it."

MR. THOMAS MARTIN: That's one way to look at it.

ASSEMBLYWOMAN SCHEPISI: Okay.

MR. THOMAS MARTIN: But I don't think that they would be opposing -- I don't think they would be raising that as an issue. Because

it's a solution that -- provides a solution for the unit owners who are paying more to make up that difference.

ASSEMBLYWOMAN SCHEPISI: Right; okay.

ASSEMBLYMAN WIMBERLY: Thank you guys; we appreciate it.

MR. THOMAS MARTIN: Thank you very much; we appreciate it.

ASSEMBLYMAN WIMBERLY: Next we have E. Robert Levy, Mortgage Bankers Association. (no response)

Then next we have Phyllis Salowe-Kaye, New Jersey Citizens Action.

**PHYLLIS SALOWE - KAYE:** Thank you.

First I'd like to thank Chairman Wimberly and the Assembly Housing Committee for inviting me to testify today.

My name is Phyllis Salowe-Kaye; and for the last 32 years I've been the Executive Director of New Jersey Citizen Action, a statewide progressive grassroots organization that fights for social, racial, and economic justice for all.

We combine issue advocacy, organizing, and education, with the provision of free financial empowerment services, reaching over 13,000 people last year across the state, including our home ownership counseling and our foreclosure prevention programs.

I want to begin by just saying I support LSNJ's testimony and the Housing and Community Development Network. And I'll try not to repeat anything that they mentioned.

This is a time when being the leader of the pack is not a really good thing. While the actual number of foreclosure filings in New Jersey has decreased compared to filings at the same time last year, and in other parts of the state, Citizen Action -- which is the state's largest statewide HUD-certified counseling agency -- continues to receive an incredibly high volume of calls and visits from homeowners who are facing sheriff sales and/or evictions. Most have exhausted State and Federal remedies, have been unable to maintain modification plans, or have simply waited too long for help or didn't know where to go.

And now as the housing market in New Jersey has grown stronger, lenders are now moving quickly to sell properties to investors, who come to these auctions with money in their pockets -- cash -- purchasing bundles of properties, putting in a small amount of money to rehab them, and then flipping them over and making huge profits while putting existing families out of their homes.

In addition to these homeowners trying to remain in their properties, far too many other distressed homeowners have already walked away from their homes, seeing no solution to their horrific situations; leaving thousands of vacant and abandoned properties across our Garden State. Clearly not a good way to improve our neighborhoods.

Last Friday was the 10th anniversary of the Wall Street crash. We look back on the government intervention that shored up the banking system, but left behind millions of homeowners who endured job loss, loss of financial security, and who are still struggling to survive, even today.

For many, faith in homeownership, the financial markets, and the government's social safety net have yet to be restored.

The good news is that we now have a Legislature and an Administration that have shown a commitment to improving this bleak situation. And I will use my remaining time to make specific suggestions about how we can improve this situation in New Jersey, even as Wall Street continues to exert incredible pressure in D.C. to remove the protections of Dodd-Frank and the Consumer Financial Protection Bureau. So it's a great time for you all to come together and try and fix things in New Jersey.

Number one: During the last Administration, New Jersey's Attorney General was absent from the table when other states joined together, taking action against bad lenders for wrongdoings they had committed. Millions of dollars of settlement funds were disbursed across the country, providing relief for homeowners who were victims of fraudulent practices. The actual homeowners got some relief. Also, millions of dollars of money went into increased homeownership counseling to HUD-certified agencies, and much-needed financing for the purchase of vacant and abandoned properties by CDFIs and nonprofit housing developers. Unfortunately, New Jersey sat this out, for the most part, in the last eight years. LSNJ and Citizen Action did receive some of this settlement money, but very meager amounts; and nothing compared to what went to our neighbors in New York, or states like Ohio.

So what we need now is for the Attorney General to aggressively sit at the table and be part of these settlements. Right now, there are millions of dollars remaining in settlement funds -- from banks like the Royal Bank of Scotland and Deutsche Bank -- that are yet to be distributed. Those monies have to come to New Jersey. We're number one, and they should.

Also, currently the FHA -- the Federal Housing Administration -- holds thousands of delinquent or foreclosed mortgages. We need the New Jersey Housing Mortgage Finance Agency to work in partnership with New Jersey Community Capital, a CDFI with a long track record of dealing with vacant and abandoned properties, to purchase at least 1,000 FHA loans that are available through their ReStart program, and work together to keep families in their homes while preserving our neighborhoods.

Number three: The increase in the Affordable Housing Trust Fund is not enough; \$15 million is far too little to do a good job.

Also, HMFA recently reinstated the Foreclosure Mediation Assistance Program. It's a good program; however, when it was originally introduced in New Jersey, the program included free legal assistance to homeowners facing foreclosure, as well as foreclosure prevention counseling by approved HUD counseling agencies, that would allow counselors to actually participate -- not be just on the phone -- in the mediation sessions with the lenders and the investors. So the FMAP program should be expanded to improve these services.

The New Jersey Housing Mortgage Finance Agency currently administers some of the Hardest Hit Fund programs, including HomeSaver. HMFA should expand the underwriting criteria for the New Jersey HomeSaver program to include homeowners who are being foreclosed on properties because they may no longer have a mortgage, but they owe on their Home Equity Lines of Credit, HELOCs. We cannot put those people into these existing State programs.

ASSEMBLYMAN WIMBERLY: Phyllis, can we ask you to wrap it up? And I know you have already submitted written testimony.

MS. SALOWE-KAYE: Sure, sure.

I will give you testimony; it has other suggestions about what can be done.

Principal write-downs are the final thing that should be mandated by lenders. We have done principal write-downs of as much as \$175,000 to some of our distressed borrowers. Funding should be established, whether it's from the foreclosing lenders, to provide this and to also force principal write-downs.

So I thank you.

ASSEMBLYMAN WIMBERLY: Thank you.

Do we have any questions for Phyllis?

ASSEMBLYWOMAN SCHEPISI: Just a real quick one.

ASSEMBLYMAN WIMBERLY: Yes.

ASSEMBLYWOMAN SCHEPISI: Going back to your statement that New Jersey, kind of, sat out on the settlements; and that the Attorney General didn't participate.

I am a little bit confused -- and if you could, maybe, provide us with subsequent data on that -- because I know at one point we received the seventh-largest settlement out of all of the states in the country that participated. I think it was \$838 million. And then, in the past several years, there were a lot of individual settlements, including \$45 million just with PHH Mortgage; there was another sizable settlement with HSPC.

So just to, kind of, have the data on what you said, because my data was a little bit different,

MS. SALOWE-KAYE: Yes. The large settlement that you're referring to was the big, first settlement, where 49 states participated.

There were many, many cases where other states intervened, and New Jersey's Attorney General did not. Some of the settlement money that you're talking about came when individual banks -- I know that's how we got it -- individual banks, when there was a settlement, would talk to the attorneys who were doing it, and direct funds into certain places.

Other money came from national organizations that intervened, like the Urban League or the National Community Reinvestment Coalition. And some of that money trickled down into individual people and individual organizations in the state. Legal Services testified that they also did. We need to be at the table every single time; and especially today, with Royal Bank of Canada (*sic*) and with Deutsche Bank.

ASSEMBLYWOMAN SCHEPISI: How many of the foreclosed properties in New Jersey have Royal Bank of--

MS. SALOWE-KAYE: Doesn't matter. They are servicing -- I don't know how many. But those funds could be directed into New Jersey.

ASSEMBLYWOMAN SCHEPISI: Would you mind just providing, kind of, for us--

MS. SALOWE-KAYE: I don't have those statistics of how many foreclosures are--

ASSEMBLYWOMAN SCHEPISI: No, no, no. But the current-- The settlements that we may not have participated in, or the ones that the State should participate in -- can you provide that to us?

MS. SALOWE-KAYE: I don't have a listing of the ones you haven't; I just know what the-- I know that many, many other states have participated; our Attorney General had not. I can tell you about the Royal Bank, and I can tell you about Deutsche Bank.

ASSEMBLYMAN WIMBERLY: No, no, that's fine, Phyllis. Maybe that's something we should direct towards our offices.

All right.

ASSEMBLYWOMAN SCHEPISI: Yes, okay.

ASSEMBLYMAN WIMBERLY: Thank you very much for your testimony.

We're going to come up in groups of threes now, as we take on continued testimony.

We have Reverend Doctor Charles Boyer, Salvation and Social Justice; Renée -- excuse me if I don't get this right -- Koubiadis, from Anti-Poverty Network of New Jersey; and Marilyn English, We Are The People of Essex.

**REVEREND DR. CHARLES F. BOYER:** I'm Charles Boyer; Salvation and Social Justice. I'm also the Chair of the New Jersey Conference of the African Methodist Episcopal Church Social Action Commission.

I thank the Chair and the Committee for holding this.

I only have a few brief comments, because so many folks in here are experts and you all know the issue.

I just wanted to state, unequivocally, for many faith leaders, particularly black faith leaders, this is a moral and racial justice issue. We know the history; we know that a lot of people of color were disproportionately put into some very bad loans. Which means that it must be looked at in some kind of reparative justice framework. If you have any questions on what that looks like, please talk to Phyllis; she can break that down better.

But some of the things, in particular, that I'm concerned about not only are the ones who are no longer in the homes, but people who are left behind in the communities. In cities like Passaic, where the median household income is only \$30-something-thousand dollars, the tax burden is almost \$10,000 -- trying to make up for the lost tax revenue of the homes that are now lost.

So what that does is, it now places an extreme burden on the folks who are left behind. And to have those enormous burdens there and not hold the lenders accountable to bring some type of ease to these communities and the existing folks who are there, will ultimately just exacerbate the issue.

Also, how we deal with folks who, under normal circumstances, would have been put in better loans. We need to retroactively look at that and hold these lenders accountable for all of that. There are some bills out there that I think address some of these issues. But I just want to be very clear for the record and very short, that please -- I beg of you all -- to let's not forget the massive racial injustice that is certified; and that we must look at this from a reparative standpoint to some degree.

Thank you.

ASSEMBLYMAN WIMBERLY: Thank you, Reverend Boyer.

**RENÉE WOLF KOUBIADIS:** Good morning.

I'm Renée Koubiadis, the Executive Director of the Anti-Poverty Network of New Jersey.

Thank you, Chairman Wimberly, and Vice Chair Chaparro, and members of the Committee, for the opportunity to testify.

The Anti-Poverty Network is deeply concerned that we have not adequately addressed the issues that have created and sustained the foreclosure crisis for so many of our residents; especially people of color, as Reverend Doctor Boyer said.

We have led the nation for far too long in the number of foreclosures since the Great Recession, with an 11-year high of over 23,000 bank-owned homes last year. What was largely lost during this time, as Reverend Doctor Boyer just said, is the acknowledgement that black and Latino households were disproportionate victims of the predatory lending practices that led to the Great Recession.

The loss of homes to foreclosure has been about three times higher in predominantly black and Latino neighborhoods, compared to predominantly white neighborhoods. New Jersey continues to face the highest risk of continued foreclosures in the nation, with many of these homes located in high-minority communities.

And it's widely known that home ownership is the single biggest source of wealth building in our country. The recession only expanded the gap between whites and blacks in wealth. The foreclosure crisis hit black households worse because it gutted home values, further decreasing access to equity. In the years to come foreclosures will continue to hurt the capacity of people of color to create wealth.

While people were forced from their homes with underwater mortgages, they were left with the reality that New Jersey, as Staci Berger said, is the sixth-highest rental market in the country. These families may continue to struggle, paying a higher percentage of their income towards

housing than they might have otherwise, if we had offered solutions earlier in the crisis to stave off foreclosures.

At the same time some families may have become functionally homeless, doubling and tripling up in others' homes. However, our state, at the same time, over the last few years, instituted compliance reviews at county boards of social services for people applying for emergency assistance and other types of assistance, which increased denials of these applications significantly; and many people who sought assistance were turned away.

New Jersey is one of the most segregated states in the United States. Segregation between blacks and whites has grown by about 20 percent, and between Hispanics and whites nearly 50 percent, since the early 2000s. With the kinds of setbacks, and inability to build wealth already mentioned, the capability of people of color to gain access to non-inclusionary communities in our state is more severely limited.

And with the average time to foreclosure at the end of last year almost 1,300 days, that leaves plenty of time for interventions that could aid the people of our state who are struggling. The alternatives of homelessness and higher rents leaving little money for other basic necessities could put an even further drain on our public programs that is costlier to our state in the long run.

And I just wanted to lastly say I support the solutions that Staci Berger offered you in her written testimony. These are solutions that would help before, during, and after the foreclosure process.

And I also wanted to touch on something that the folks from the Judiciary were talking about earlier, in terms of the Office of Dispute

Settlement. We lost our Public Advocate and that Office -- from what I understand -- last year, because the long-time Director had retired; and it was a way to save money in our State budget because there was no identifiable person to really take on that role at that time.

And we have produced a paper, last year, that outlines why we should recreate the Office of the Public Advocate, including that Office of Dispute Settlement, to help with the mediation process and give people more assistance in this process. And in the last budget we had estimated that we were already spending a number of dollars -- \$14.6 million, I want to say -- in that current budget towards offices that used to be part of the Public Advocate. And it would only cost an additional \$4.6 million to recreate the whole Office of the Public Advocate and put it all back together.

ASSEMBLYMAN WIMBERLY: We will ask that question to the Administration--

MS. KOUBIADIS: Okay.

ASSEMBLYMAN WIMBERLY: --about the vacancy. So we will address that office.

Thank you very much.

MS. KOUBIADIS: Thank you.

**M A R I L Y N N E N G L I S H:** Hi; Marilyn English. I'm also with the Coalition for Due Process, and I am a former Wall Street banker, and a licensed lender.

I haven't heard anyone in this room discussing the fraud that is destroying our state, and our mortgages, and our foreclosures. Every single loan that I have looked at, every single person who has come to me -- and I

look at their papers -- everything is fraud. We have trusts that have closed in 2006, and they're in assignments now in 2018, 2017. You can't assign a loan to a dead trust. The loan is null and void.

The judges -- there is no due process in New Jersey, none at all. There is no discovery. The Constitution doesn't exist; the judges are doing whatever they want. If you have -- 95 percent of the people do not argue; 5 percent do argue, and their answers are stricken, or they are made into non-contested cases.

So we have a major problem in New Jersey. And I will gladly look at anyone's files; I've offered to look in-- I've told Trenton -- I will look in their files; I could find the fraud in four-and-a-half seconds. I was trained by one of the best banks in the world, J.P. Morgan; not Chase, J.P. Morgan before Chase. And I'm really good at what I do, and it is disgusting what's happening here.

And going into affordable housing -- when we have people who were in their homes-- And I have stories of how people lost their homes; one was because of a flood. We also have HUD requirements that are not adhered to in New Jersey. It's a Federal violation; you're supposed to go -- after 90 days being delinquent, you are supposed to have a face-to-face meeting to work out a payment plan. We're not doing that. Other states are, but not New Jersey.

You're supposed to have approval by the Secretary of HUD before you can foreclose. That's not being done.

We send out-- We're working with Menendez, we're working with Booker; we send out letters to the banks and say, "Did you -- can you

give us a copy of this HUD loan that you did, and how you had the personal meeting?" Never hear a word.

We have Wells Fargo -- we met with Wells Fargo with Reverend Slaughter; we met personally with them. I gave them a couple of cases; they said they were going to do an audit, and that they would get back to us. They didn't do an audit. I've done audits; I've had people who have done audits. And there is massive fraud in this state.

And I think every one of you -- if you have a mortgage, or had a mortgage, make sure you get your original note. Because I paid off my loan, but I found out it's still open.

And that brings me to Mortgage Electronic Registration Systems. That is not licensed in New Jersey, as a lender or a mortgagee. They cannot discharge, they cannot lend. They're breaking the law. I have a loan that says I gave a mortgage to Mortgage Electronic Registration Systems. It didn't happen. I found out from Freddie Mac the loan was sold; Freddie Mac only sells defaulted debt. So they put my performing loan into a default.

So everyone should protect themselves. Go and get your original notes, wherever they are, and I will probably find out that 50 percent don't exist, because they sold them so many times that no one knows where anything is.

And I'm telling you, I've been doing this since 2004. And I've been on TV several times; and it just sickens me what is happening in this state, and no one is doing a thing about it.

And every day -- I have a woman here now who -- she had a modification; she had two jobs. She lost one job, so she went into a

modification. She was paying the modification fine; then Wells Fargo calls her and tells her, “Well, you have a title issue, so we can’t work with you anymore.” And they stole her house, after 50 years of being in the family.

I have another case--

ASSEMBLYMAN WIMBERLY: Ms. English, we would love to hear every case; and obviously, your testimony is pertinent to so many residents here in New Jersey.

And at this time I’m going to open it up for any questions for any of our panel.

Assemblywoman.

MS. ENGLISH: I know Mila.

ASSEMBLYWOMAN JASEY: Well, it’s more than troubling to hear what you’re saying.

Can you give us -- not now -- but can you give us, in writing, some of the cases, or some of what you’ve been working on, and flag the issues -- I started writing them down, but I couldn’t keep up -- in terms of the violations that you say are being unchecked? And can you describe what you mean by *fraud*, in writing for us, so that we can follow up on it?

MS. ENGLISH: Sure.

I did meet at your office with Mary, and several other people. And we had one case where they signed a loan five times.

ASSEMBLYWOMAN JASEY: Right.

MS. ENGLISH: It’s like selling your car five times. And Mary found the fraud on the second assignment.

ASSEMBLYWOMAN JASEY: Yes.

MS. ENGLISH: And the judges don't care; it's perfectly fine.  
And that's one of the issues we're having.

So thank you, Mila, for allowing us to use your office.

ASSEMBLYWOMAN JASEY: Thank you.

ASSEMBLYMAN WIMBERLY: Yes, if you could, we will have somebody from our staff talk to you, so we can address some of these issues.

MS. ENGLISH: Sure; and I'll talk to anyone; I'll look at any files you want me to look at.

ASSEMBLYMAN WIMBERLY: We appreciate it.

MS. ENGLISH: Okay; thank you.

ASSEMBLYMAN WIMBERLY: Any more questions? (no response)

Thank you very much.

MS. ENGLISH: Thank you very much.

ASSEMBLYMAN WIMBERLY: Thank you.

Next, we have Michael Affuso from NJBankers; and Ajay Kajla.

A J A Y K A J L A: Kajla (indicating pronunciation).

ASSEMBLYMAN WIMBERLY: Kajla; thank you.

M I C H A E L A F F U S O, Esq.: Thank you, Mr. Chairman, and members of the Committee.

The notice went out that it was *invited guests*; and I wasn't invited, so I'm not as prepared as would have liked to have been.

But I really just want to answer a couple of questions and just flag a couple of issues.

First of all, this--

ASSEMBLYMAN WIMBERLY: Don't take it personally.

MR. AFFUSO: Yes, sir.

ASSEMBLYMAN WIMBERLY: We have more hearings to come; so you can be an invited guest, if you choose.

MR. AFFUSO: I understand, sir.

ASSEMBLYMAN WIMBERLY: Just contact our office.

MR. AFFUSO: Backing onto the comments of the Judiciary -- they have 18,000 properties that are in foreclosure. I represent, probably, a quarter of that docket. And I represent from the largest banks -- Bank of America -- to the smallest banks. So really, 75 percent of the foreclosure docket has nothing to do with banks anymore; and that's really, I think, what the Committee has to come to grips with.

New Jersey Bankers Association supports Senator Cruz-Perez's Bill, and we're looking to support Assemblywoman Timberlake's Bill. We think that these Bills are important to move the ball forward.

But what I really want to highlight is this question of the government sponsored enterprises, the GSEs, that are Fannie Mae and Freddie Mac. They buy 80 percent of the mortgages, if not more; they take them, repackage them, and sell them.

So to get at Assemblywoman Chaparro's questions of how does this occur with the servicer.

So you walk into a bank or you walk into a mortgage broker; you get a loan. In the loan document, you sign a piece of paper that says, "This loan might be assigned." And more than likely, it will be assigned. I represent very small banks that hold the loans on their books, so that you repay the loan and it gets repaid directly to the bank. But most of the loans are assigned. And, generally, when they're assigned, they are assigned to

Fannie Mae and Freddie Mac. As I said, they're the purchasers of 80 percent of the mortgages.

So without that system, if you have a bank that is worth -- let's just say \$100 million, and they lend out all \$100 million. Now they have no money to lend. If they take the \$100 million, lend it out, and then sell those mortgages to Fannie and Freddie for \$105 million -- because they're going to get -- Fannie and Freddie are willing to pay more money because they're going to get the stream of income from those mortgages. Now they have \$105 million; so now they can lend out \$105 million. And that's really the way the system works.

But what the interesting issue-- Or I think the problem raised here, with the transfer of mortgages, is not unique to New Jersey; and it just is, right now, the way the system operates to continually create backflow of money into the state, and to allow for that kind of lending. So that's really how that happens. And basically what happens at that point is, you have a servicer that services for Fannie Mae and Freddie Mac, or whoever they then take that mortgage and package it to. And I can guarantee you that our State pension fund is buying mortgage-backed securities, because they're deemed to be *safe*.

So essentially, this debt turns into a bond that many pension funds buy, and are sold on the open market on Wall Street. So I just wanted to, kind of, put a finer point on that.

And then just on the foreclosure issues -- we've been sending letters to every mayor for the past five years; we've copied the Legislature on these mayor letters that we send every quarter. Really, as far as the property maintenance goes, with the banks that I represent -- they represent

a scintilla of the problems. You know, it really is the Greentrees, Nation Stars, etc., that are the folks that I'm seeing with property maintenance problems.

ASSEMBLYMAN WIMBERLY: Thank you very much.

At this time, we have a question for you.

Vice Chair.

ASSEMBLYWOMAN CHAPARRO: Yes.

Okay; I'm glad that you touched on that, because that was really -- it was bothering me.

But I just have a question or you.

So I go to the bank; I sit down with an employee; he's going to sit down, and he's the face, or she's the face, I see. He goes over the terms; and there's -- I don't know where that is, where it says, "It may be serviced out;" and you said, chances are it's just going to be serviced out. It doesn't say it *will* be serviced out, it says it *may* be.

What I am agreeing to, with that banker, and that little line-- Does the whole thing go with them, or is that servicer now going to say, "Oh, that was the bank; now we took over;" and it's a whole other term that I don't even know what I'm agreeing to, other than the fact that it may leave the bank and go somewhere else?

So that's the part I have a problem with. That's like signing a lease and saying "Here's my landlord," but he may not be your landlord sometime down the road. And then he comes in, or she comes in, and says, "I have new rules," or, "This is how I'm handling things." And now I don't have a face anymore, it's just a name.

So that's where I was confused by that, and thought it was not a fair way of doing business for the consumer.

And remember, I had a conversation with a live person in front of me, who's securing everything for me and making me feel safe. But there's that one little term that, after that, if I have a problem, is that person going to see me and talk to me about it? Or is he just going to say, "Here, call this number. They now have your loan."

That's the part I'm not really happy with, and need to know how we can fix that -- where if, whatever you said to me at that bank is the same terms, same kind of service that I'm going to get with the servicer, whoever that is. Because it's just a line--

MR. AFFUSO: Well, the question-- There are two issues, though, right?

ASSEMBLYWOMAN CHAPARRO: Yes.

MR. AFFUSO: The question of service, like *service* service; not service of the loan--

ASSEMBLYWOMAN CHAPARRO: Okay.

MR. AFFUSO: --in terms. The terms are the terms; the terms are the contract that you've agreed to. And if you've agreed to, you know, \$100,000 at 5 percent over 30 years, it's not going to change, all right? And generally, it's your payment; and you're agreeing to either escrow for insurance, and you're definitely agreeing to escrow for taxes, and you're agreeing on the payment and the interest rate and the amount you received.

That's the contract; that is what it is, and it will not change.

The question of the touch of the person -- that most certainly is going to change, if it gets serviced out.

But here's the issue. If you want to end that, you can end it. Nobody will buy mortgages in New Jersey; nobody will get mortgages in New Jersey. Because at the end of the day, there's a discrete amount of money that banks can lend to people, right? So if you take -- in West Orange, on the top of the hill, is Glen Rock Savings Bank. Don't ask me why Glen Rock Savings Bank is in West Orange; but it's there. It's a \$100 million bank. And what that means is, they have \$100 million in loans.

So if the cost of a home in West Orange is \$500,000, Glen Rock Savings Bank can, at one time, lend to 200 people; and that's it, no more. Fold it up; wait until everybody comes back and pays you back, and then you can lend to more people.

If you can take this money, and say, "Look, I have an agreement; I have a contract here. And this contract has a certain amount of value to it" -- because not only are you going to get the money back on the contract, you're going to get the interest on the contract -- "and I'm going to sell it to somebody else; and that somebody else is going to package it and sell it as a bond." Glen Rock Bank can get their money back that they've lent to the original person, with some profit; they can then take that money and re-lend it out.

ASSEMBLYWOMAN CHAPARRO: That gave me a headache, but-- (laughter)

MR. AFFUSO: It gives me a bigger headache.

ASSEMBLYWOMAN CHAPARRO: I'm going to say this; I'm going to say this.

This is just-- You have to keep it as simple for me as possible, because I'm going to act like the consumer.

What I'm getting at is, yes, that mortgage is, maybe, \$100,000 in payments; and as long as you keep to those terms-- That's nice; I agreed to the terms. But the servicer -- if he disagrees that I sent that payment on time, or if I have a question -- and that's where the discrepancy starts coming in -- I agreed to the amount, to the payment, to everything. But I am going to tell you I did send that check; I want that -- I did that-- And we're trying to have a discussion; and now it's like-- Somebody testified where they are representing someone, and submitted everything; and that servicer -- sending it to their client saying, "We need this." Those are the games I'm talking about. It's not about the amount that you agreed to, and you're willing to pay; it's about the service and the games that are going to be played in jamming people up. That's what I'm talking about.

So that's where--

MR. AFFUSO: I understand. And you know, as was testified before, I don't-- Sometimes I'm reticent of coming and speaking. Not because I don't like the Committee, but because I catch a lot of flak--

ASSEMBLYMAN WIMBERLY: But you want to be invited; so you're going to be invited next time. (laughter) So make it clear; be prepared for the next one.

MR. AFFUSO: Exactly; I kicked the door in.

But I catch a lot of flak that the servicers should be catching. And I've encourage the Legislature-- I, too, sat on this foreclosure committee. I encourage the Legislature -- not because I'm the bank lobbyist. But if you really think through the strategy of where the Legislature should be -- if you're articulating what you're articulating -- exempt FDIC and NCUA institutions from a bill. Make the servicer come

here. Because what happens is, you put me in the bill, then they know I'm going to come here and I'm going to argue, and they're going to get my air cover. If you exempt me, I don't show up; and if I don't show up, they either have to show their face, or they have to meet the consequences of the bill.

ASSEMBLYWOMAN CHAPARRO: Okay; I have one better for you.

That's fine; we can do that, maybe we'll work on that and do that. But it's the bank that has the big sign saying, "Mortgages; come on in," right?

MR. AFFUSO: Sure; absolutely.

ASSEMBLYWOMAN CHAPARRO: So we have to work together to make it something very transparent; and where the banks are doing the right thing, and that it's very clear. And then we do our part to make sure that the servicers are here, front and center, and being accountable for what their actions are.

So I agree with you -- you are the guy who has to come here. But your bank is also the one marketing, saying, "Come on in; we have all these great loans that we're going to ship out." But you don't say that.

So that's why you are the face; you are the face.

MR. AFFUSO: Well, we actually do, though--

ASSEMBLYWOMAN CHAPARRO: But we have to work with it.

MR. AFFUSO: You sign a document saying you agree to do this; and again, this is bigger than this question. But often the Legislature has consumer protection bills that come before us. And what it becomes is

*more notice, more notice, more notice, more notice.* Now, I'm a lawyer; I represent banks. Have *I* read all of my own closing information? No, I have not.

ASSEMBLYWOMAN CHAPARRO: Right.

MR. AFFUSO: This is just one of, probably, the 42 things that either you sign or initial in order to close on a loan, because they're deemed *consumer protections*. When you get to a point that you have so much consumer protection that it just becomes white noise-- You know, in my opinion, you want to look at what used to be called *the truth in lending*; you want to look at the four boxes and make sure what you've agreed to are the most important things, because that's really what you're paying on.

But this question that people don't know -- they do know they're signing it; they just don't know what they're signing. And in New Jersey, the tradition -- especially in northern New Jersey -- is to do a closing with a lawyer. The lawyer is certainly telling them, "Sign here, sign here, sign here, sign here." This just means they could have signed the mortgage.

Well, nobody cares what that really means until you have, what you're saying, a *customer service servicing issue*. And now they want to go to their local bank and say, "What's the deal here? Why is this?"

ASSEMBLYWOMAN CHAPARRO: I don't agree with you that they know what they're signing. I don't agree with that. Maybe some do; but I don't agree that they know what they're signing.

There's a lot of terms; and if you're not in the banking business, you do not know those terms. You are going by what the banker is telling you what it means.

So I wouldn't necessarily say that, because I don't even agree with the term *buyer beware* -- that once you buy a property, you have to find

out, you know, that there's an oil tank -- "Oh, I didn't know." But the seller knows; but because you're buying, you have to be (indiscernible) it and it's your responsibility to know all this. I don't agree with that either. But I don't think that that's a fair statement to say that once you sign, you're responsible, and you knew what you were signing. I think that's the whole point of counseling and making sure that people know what they're getting into.

Because there are many constituents who I know who have mortgages; and they tell them to refinance them because they're down on their luck. And they know, deep down, they can't afford it. But the bank is telling them, "Oh, you can pay your bills off; it just goes up a little bit more. Everything is going to be fine; it's stress off of you." Of course the person who is hurting is going to want to hear that; they want to hear that.

So that's like you're baiting them to get into more debt. And then when they can't pay, "Oh, well, you signed; you know, you knew what you were getting into." That's not fair.

So I know there's a lot of work to be done, and I know there's blame to go everywhere. So we can't just point the finger at one entity; but we do have to shine the light, and shake it up, and change it.

So that's all.

Thank you.

ASSEMBLYMAN WIMBERLY: Assemblywoman Schepisi.

ASSEMBLYWOMAN SCHEPISI: Thank you.

Thank you for coming.

One of the big practicalities of anything that we do is understanding that a lot of the banks are Federal, and we don't have jurisdiction.

But you do represent 25 percent of what, you said, happened to be the foreclosed properties going through the process.

You listened to Josh Mann's testimony regarding the Real Estate Transformation Act (*sic*). My question to you is, if we were to implement something such as that, or some permutation of it, would your clients voluntarily buy in? Would they participate, would they be interested in, kind of, becoming community partners on some of these programs, or even pilots, where we could take foreclosed properties, have some sort of public-private partnership, if need be, and transform them into deed-restricted ongoing affordable housing in our communities?

MR. AFFUSO: We support that bill; we've supported that bill for however long that bill has been in the Legislature, through the three vetoes.

I have had groups that have vociferously hated the bill, calling me all summer on my cell phone because of that bill, because they assumed that a banking entity was a more conservative organization; and this bill was, certainly, more progressive.

And I will personally do everything I can to hold the hands of banks that can do this, and are willing to do it, to bring them to the table. Because we do believe that this is important.

And I also want to point-- And Assemblywoman, we will do it.

ASSEMBLYWOMAN SCHEPISI: Okay.

MR. AFFUSO: I can't promise you that I could get everybody to do it, but I will promise you this: That I will put forth every effort that I can to make this work, because we have to get to some solutions somewhere.

ASSEMBLYWOMAN SCHEPISI: And that's good to hear. Because as a Republican, I'm willing to, kind of, cross party lines and support this as well. But I want to make sure--

ASSEMBLYMAN WIMBERLY: Leave that on the record; can we make sure we have that on the record? (laughter)

ASSEMBLYWOMAN SCHEPISI: But I want to make sure that we have buy-in, where we're not just doing this for optics. But that it's a true solution, and something that will work; or at least be a pathway to having alternates of work within our state.

ASSEMBLYMAN WIMBERLY: Thank you.

MR. AFFUSO: Yes.

ASSEMBLYWOMAN SCHEPISI: Okay.

ASSEMBLYMAN WIMBERLY: And like it or not, you have become an invited guest today (laughter). So you've made the roster.

MR. AFFUSO: Thank you, Mr. Chairman.

ASSEMBLYMAN WIMBERLY: Good afternoon -- or morning still; I'm not sure.

Go ahead.

MR. KAJLA: My name is Ajay Kajla, and thank you for giving me this opportunity.

And I am representing myself, and the due process of law.

And as Mila said, she wanted to know: What is fraud? So I'm going to give you a very peculiar case in which everything you can imagine is out there, okay?

So I heard from Alyson -- 95 percent go uncontested. The same was my case, in the beginning. And, in 2014, I found out about the fraud; and that's when I started discussing with the bank, okay?

First, let me tell you about myself. I used to be professor in computer science. And then I used to be a (indiscernible) officer of a small company; and then-- I had a very great home, okay? And this problem with the real estate started.

So I went to Senator Menendez and asked for the modification; and then I went for a short sale. And nothing worked. Then, in 2014, I found out the reason behind it did not work was the bank never owned the loan. The only way out for them was to foreclose and get a clear deed and title.

Now I want to show how it happened.

So first thing, most of you are lawyers there -- you must own the property to actually foreclose, okay? That means you must own the mortgage and the note. So they never owned it; so they created, after the foreclosure was filed -- they created -- post-dated. Since 1872, the law of the United States is simple: You own it before you file the foreclosure. So nothing matters; okay.

Then they go ahead and wait until they get the Judiciary to agree: Now we're going to foreclose. I waited; I didn't know anything about it. I only wanted a short sale, get out, then use \$15,000 to \$18,000 forced-placed insurance I could never get back. If every year you put in \$18,000

instead of \$3,000, how can you get a modification? You can't; you are out of luck.

Then I started to find out all the issues. The first one -- I want to ask you this question. Does December 7, 2007 come after January 31, 2008? I mean, our judges created a new calendar; beautiful. They write it; go ahead and we will give you the decision. Fine; okay.

So I fought against that; nothing happens. Then I was forced to file bankruptcy just to avoid the foreclosure and the sheriff's sale.

So in that, the bank goes, eight years later, and creates another assignment just to avoid the bankruptcy court issues; eight years later. They don't have to do that. I don't find out, until after the foreclosure, the bankruptcy judge issues the stay order relief. Then I find out -- they get a stay order relief under a different plaintiff; beautiful. In the foreclosure -- State court -- they are going under Plaintiff A, all the way to the sheriff's sale. And then, in bankruptcy court, they are using Plaintiff B. Okay? And they don't tell anybody. And then they say at the sheriff's sale, "Now we are transferring the property from Plaintiff A to Plaintiff B." Beautiful. I find that out this year, okay?

So now, you tell me -- no laws, no due process. Then I file a motion to the judge, "Give me my rights under the 5th Amendment and the 14th Amendment; just due process." They strike it down, "Sorry, no due process for you," okay? So that is where we are.

I heard from Alyson -- due process. Where is it? I ask a simple motion. Give me my due process.

So the point I'm trying to make is, we have a big problem.

Then I came into a Committee several months ago. I said, "Here is this." Simple thing; you can fix it in one shot. Take all the foreclosures -- two months, we will know where everything stands. That means we will analyze it, tell us where the faults are, give homeowners their rights. That is called due process of law. Ninety-five percent of homeowners don't even know. I never knew a court, other than to go and pay a parking ticket; 35 years never went to court.

Now, you tell me -- my family is destroyed just because of this whole mess. And to a certain extent a person, who could make a quarter-of-a-million dollars or more, today is on welfare. You tell me, okay? How much stress is that? I can go and make money; I have the capability to make millions, okay? But this is where I come in here, in front of this Committee, to fight it, for the people who have not been given their due process or rights.

And that is the most important part there, okay? How do I feel in this situation? Nobody can help me. And I come to all of you -- nothing. This is really a riot. I go to (indiscernible) meeting every time. I see people crying; I'm crying. This Committee has to just provide a due process. That's all I want. If I am given due process -- where the chips fall, everybody will be happy.

I hear him (indicates). What I heard from the whole -- everything here today, a person whose home is foreclosing is already guilty. Give it to the bank. Five percent fight; look at them -- 95 percent don't even know what a foreclosure is, okay?

So you tell me that a person who has never seen a court stairs, comes here and sees the mess we are on. I don't want to live in New Jersey

anymore, and I know that I can do that. But I want to fight until I am evicted, okay? Maybe some of you will hear that there are people who care for others. I don't think -- none of you-- I see that you're listening, but there is no caring here.

ASSEMBLYMAN WIMBERLY: I'm going to ask you to wrap up, at that point.

MR. KAJLA: Thank you.

ASSEMBLYMAN WIMBERLY: And I don't think you can judge anybody's caring or emotion.

MR. KAJLA: No, no, no. The point--

ASSEMBLYMAN WIMBERLY: I think each of us, every day, in many of our districts, deal with your situation every day.

MR. KAJLA: Yes.

ASSEMBLYMAN WIMBERLY: I know, during my time as an elected official, I've heard every case possible. So I'm very compassionate to those needs, be it a neighbor, be it a relative, or whatever it may be. And we want to be part of the solution; that's why we're having this hearing.

MR. KAJLA: Yes, and the solution is very simple, sir. I'm going to tell you -- it only says take all the foreclosure cases-- I've written it down and gave it to you four months ago. I used to be a project manager; and I did a lot of things. It's a very simple thing. Take the case, look at what is what; agree with the Judiciary how they are going to rule; and tell the homeowner that this is the issue--

ASSEMBLYMAN WIMBERLY: Sir, sir -- I'm going to have one of my staff members see you after we wrap up here, and we'll talk offline, all right?

MR. KAJLA: Thank you; thank you.

Thank you, sir.

ASSEMBLYMAN WIMBERLY: That is our last testimony.

At this time, I'm going to ask any Assemblymembers to close out with any comments.

Yes, Assemblywoman Tucker; yes.

ASSEMBLYWOMAN TUCKER: Thank you, Chairman, for having this hearing.

As you know, as this County is one of the largest counties in the foreclosure process -- so all we are asking for, in Essex County, is due process. We're asking for a forensic audit of the Wells Fargo Bank; because, as you know, if you've heard it all on the news -- the different things that have been happening to people who have mortgages under the Wells Fargo situation and the banks. So we want to make sure that New Jersey -- the people who live in New Jersey who have mortgages under Wells Fargo and foreclosures get due process, and have their forensic audit. Because a lot of the paperwork, a lot of the documents -- they don't seem to have records of who holds the mortgages and they give the people the runaround.

And sometimes the reason some people get in foreclosures -- maybe they're ashamed to come up and say they're losing their houses. So we have to work out a solution where we can come up and talk to people -- where you need to go before you get to the foreclosures or sheriff's sales. We need to do something more to educate people in our communities about their due process, and what happens when you get your mortgages and they're sold to different other companies, and you can't trace down the

property paperwork who has your mortgage; and what are all the other steps that go into it.

And I think if we could get -- have some more hearings, and talk about this more, and ask for due process for the State of New Jersey. Because we have -- other cities and other states have made significant progress; and we are behind, and we need to step up and represent the people in the State of New Jersey. (applause)

ASSEMBLYMAN WIMBERLY: Thank you, Assemblywoman.  
Assemblywoman Speight.

ASSEMBLYWOMAN SPEIGHT: Thank you, Chairman, for having this housing meeting.

I know you stated, I believe last week, that we were about to start having these meetings throughout the State of New Jersey. Thank you for having it close to my home. (laughter)

Just like Assemblywoman Cleo said, we definitely need due process throughout the state, and definitely for Essex County. A lot of our constituents in Essex County are suffering. And as you know, I'm a Sheriff's Officer; and we're closely -- and seeing a lot of our constituents suffering with this issue. So we have to do all that we can to make sure that our constituents make it through this process, and we help them each and every day, because they cannot struggle like this.

And I will say, we have homeless issues, low income issues. And they're being put out of their houses. And I'm not one of those Sheriff's Officers who enjoy putting notices on anyone's door. So it's heartbreaking to me to even have to do that process. So that's not something that I do enjoy.

So thank you.

ASSEMBLYMAN WIMBERLY: Assemblywoman Jasey.

ASSEMBLYWOMAN JASEY: Thank you Chairman.

Just a couple of comments.

I have served on the Housing Committee since I first joined the Assembly in 2007. And I am really excited that we are going to restart the work that we started with A-500, when that was signed. There was so much hope and so much excitement about changing the landscape here in the State of New Jersey so that anyone who wanted to live here could find a place that they could afford. And there are a lot of pent-up demands, certainly.

The other comment I want to make has to do with financial literacy. Because on the Ed Committee, on the Higher Ed Committee, we are talking all the time about the need for financial literacy among our young people, as well as our adult populations. And I know that Legal Services would probably agree with this; I know that the Network agrees with this -- and we've made a little bit of progress with the financial literacy course that's required in high school now. And I know that from talking to young people who are beginning to get an idea of what credit is, and what their responsibilities are. But, clearly, we need to do a lot more.

And so I look forward to working with the banking community, and the others who are working in this area, to make sure that homeowners, before they buy, really know what they're getting into; renters understand what their responsibilities are, so that we can avoid some of the problems that we're hearing about today.

And to the gentleman who testified -- I certainly do hope that we're able to find some help for you to achieve due process.

MR. KAJLA: That will be really appreciated.

This is for all of us--

ASSEMBLYWOMAN JASEY: Yes.

MR. KAJLA: --all the people here. And that is simply asking that-- Check it out; that's all we are saying.

ASSEMBLYWOMAN JASEY: Yes.

MR. KAJLA: It doesn't take much.

ASSEMBLYWOMAN JASEY: Thank you, sir.

MR. KAJLA: Yes, thank you.

ASSEMBLYMAN WIMBERLY: Vice Chair.

ASSEMBLYWOMAN CHAPARRO: Wow; a lot has been said, and there is a lot more for us to touch.

When I got on this Committee I was very excited; I have a lot to learn. I know that-- You know, I grew up in Hoboken when, you know, when Hoboken wasn't this booming, popular-- Everybody was, like, "Ooh, Hoboken; you must be rich." Ah, no. But it's just one of those towns that just picked up so quickly.

Constituents come to me all the time. Affordable housing -- it's top on the list always. You know, there are so many different things. And you think you have a grasp on what's going on out there until you get so many constituents, so many groups that are talking to you about one topic, and you go, "Whoa; I did not know all of this takes place." And it's so broad; when you say the words *affordable housing, foreclosure* -- there's a lot that goes into it.

And we don't want to point fingers at everybody. You know, I know banks get a bad rep, and I know there are people who banks have been very helpful to them. So we do know there are, case-by-case; but when something happens in a population, a specific population, and people are wronged in so many ways, and it's the same topic -- then we have to look into it.

But across the board-- I am so grateful for the Chairman to -- once he started saying about these hearings, I was excited because I'm going to learn a lot; I'm going to listen to different groups of people from the entire state, not just my District. It's important; it's important that we listen, that we're compassionate, and that we try to find solutions, bipartisan solutions, because it affects all of us.

And it's heartbreaking to hear stories like yours; and we want to do the right thing. And I know it takes long; because sometimes people tell me, "I want to create a bill, and let's get this going." And then they say, "Where is it at; where is it at?" And it takes time, which is something for me -- something new for me, too. It takes a lot of time. But we will get there, and we can't lose focus.

The group that is up here cares. We do care, we want to make a difference in our community. But it has to be statewide; what works in my District may not work in another District. So we do have to give and take and do the right thing. It's the humane thing to do on so many levels. It all ties in: homelessness, foreclosure -- everything -- affordable housing; it all ties in.

And we want to work with the banks; we want to work with our constituents; we want to work with our-- Bipartisan -- go across the

aisle, and just work together. Because the bottom line, it's about people. It's not about the color of people, the religion, any of that. It's just about people. Your neighbors -- we want to be good neighbors.

So I am really excited about this. I know we're touching on many topics, and we have to regroup. We have to take all our hearings, all our transcripts, read them all and regroup, and do the right thing.

So I'm really excited about working together. And we really need to come to the table together, and not argue about different things and what our perspectives are; but just really come together.

So I'm looking forward to it.

Thank you, Chair,

ASSEMBLYMAN WIMBERLY: Thank you, Vice Chair.

Assemblywoman Schepisi.

ASSEMBLYWOMAN SCHEPISI: Thank you.

ASSEMBLYMAN WIMBERLY: She's a little shy, so if she's short, you can talk to her online. (laughter)

ASSEMBLYWOMAN SCHEPISI: Speaking about being diligent and processes taking a long time -- I mean, thanks to the Chairman-- For several years, I've been begging for these sorts of hearings to take place in the state because we do need to address these issues.

And Chairman Wimberly, to his credit, stepped up to the plate and has been holding these hearings around the state. And I think it's very productive and something that we need to do.

On the foreclosure crisis -- it seems that, in New Jersey, it's being driven by several different things: predatory lending practices, historically, which we need to address differently than we address the other

foreclosure reasons. We have those who are in foreclosure because they need temporary assistance, and they fell onto hard times, whether or not it be because of a medical crisis, a divorce, loss of job. And we don't have adequate programs in the State right now to help address those classes of people either.

We also have an entirely different category. We heard testimony regarding seniors who are going out and taking reverse mortgages. And there's a whole host of people in this state who are being priced out of their homes that they would have ordinarily been able to stay in. But as their property tax burden keeps rising, they find themselves in a situation of not being able to afford both. And I've seen it, personally, with clients who have come to me and said, "You know, I can pay my property taxes; but for my ranch in River Vale, New Jersey, my mortgage payment and my property taxes are now the same. Because for my 1,500-square-foot home, I'm paying \$16,000 a year in property taxes."

And so it's really reached-- I see Staci Berger shaking her head back there. It's a reality; I will bring you up to River Vale, New Jersey, and bring you around to take a look.

And so it's one of these things whereby I think our policies have helped create some of the zombie foreclosures, some of the zombie properties; rather than coming up with smart policy that can help keep people within their homes, rather than just go out and build, all over the state, new product.

And so I would love to see-- We did hear testimony from the Reverend about how one of the big issues, as well, within some of these communities where you have zombie foreclosures is escalating tax burdens

on people who remain behind as people are leaving. We're also seeing, in the way that we're building stuff, that because of billions of dollars of pilot agreements that are going out, we're creating the same sort of inequities in some of these communities.

And so I'd much rather see us work together to come up with, maybe, some outside-of-the-box programs that could allocate some type of relief programs to keep people in their homes; to alleviate some of these property tax burdens to allow people to get on their feet. And whether or not it's mortgage or rental assistance in their home, or property tax abatements in lieu of pilot agreements, or something in conjunction with, I think we need to start thinking about that as well.

So thank you.

ASSEMBLYMAN WIMBERLY: Assemblywoman Muñoz.

ASSEMBLYWOMAN MUÑOZ: Thank you very much.

I'd just like to put on the record that I am substitute on this Committee; but I am very pleased to have been asked to come here today and to listen to all your concerns and your testimony.

And I have to-- It's kind of nice to be the last one to speak, because then you can see what other people have to say.

But you know, I would agree, absolutely, that we have to do more in this state about financial literacy, and what we are signing and knowing what we're signing. It's an important part of our education for our youngsters; but it also important, as Holly just said, for our seniors to know what they're signing when they take out reverse mortgages, and across our generations.

I think that one of the things we heard about today is transparency, and what we know about what is happening within the system. And that crosses all forms of government -- that we must have transparency to understand what it is that is happening; what the government in New Jersey has the ability to do, as well as within the constraints of the Federal government.

And I also-- You know, we talk so much, and we didn't really address it today -- is about affordability; affordability in the State of New Jersey, and the fact that New Jersey is not affordable to most -- to many, many people in the state. And it's not just the mortgages, but it is that property tax bill. And, you know, I just heard this morning on the radio about what makes a middle class person in New Jersey. And the numbers, depending on whether you live in South Jersey or North Jersey -- the North Jersey people live under a much higher cost of living than they do in the South.

And I also bring in another perspective on the housing issue, as my job as a nurse and as the wife of a trauma surgeon who worked at the Trauma Center in Newark. And I recently attended a lecture; it's called the *Eric Muñoz Memorial Trauma Lecture*. And a woman -- a physician from San Francisco General Hospital came to present data about what it is that we can do to stop the cycle of violence, the cycle of gun violence across this nation. And there were many programs and many initiatives; but the last thing that she stated was that we have to be able to provide housing within their communities. You know, we need to look at ways, where the violence is taking place, that we take these properties, and that we can

figure out a way to use these properties -- to re-do the properties, and allow housing so people can stay in the communities.

Because one of the things that drives the violence -- and this is documented, evidence-based literature -- is that without proper housing, the violence keeps perpetuating itself. So we seem to never bring that part up when we talk about the housing issue, and I think it's really important. And you can look for that data because it is documented, it's in the literature.

So again, I thank you, Chairman Wimberly, for having these hearings. This is my second one that I've attended as a substitute. I am happy to participate because, as we all know, this affects all the people of New Jersey. Not certain groups; it affects everybody. It affects the constituents in District 21, which I represent; it affects the constituents of the people who represent the urban areas, the rural areas, and the suburban areas.

So again, we will work together, in a bipartisan manner, to look at these issues to see what we can do to solve some of these issues. We cannot, ever, solve all of them; but we will try to do everything we can to solve some of them.

So again, thank you, Chairman; and thank you all, everyone, who participated, for giving us your stories and/or your anecdotes -- which is a story, actually -- and your data points, which are important for us to have.

So thank you.

ASSEMBLYMAN WIMBERLY: Once again, on behalf of the Housing Committee, I'd like to thank everybody for coming out.

Everybody's testimony has been valuable today.

In particular, when it comes to foreclosures and zombie properties, the one issue that we do have to address here in the State of New Jersey is segregation. And across the board, you know, Assemblywoman Muñoz, you said that -- we shouldn't have to worry about, you know, gun violence. Just because a person doesn't have a good house, or a situation that goes out in health issues, that goes out in education. A person shouldn't have to live a certain way because of their zip code, you know? I know if you take Johnny from Paterson and you put him in a good, productive environment in Bergen County, or somewhere else that's highly affluent, he becomes a better student, he feels better about himself, and he becomes a more productive citizen.

So the issue of segregation is something that we really need to address and be realistic about. It doesn't take any hearings or anything like that; it takes common sense. You can look at any data that shows that if we compile people in a certain area, back to public housing where we just stockpiled people in certain housing issues, that becomes a violent situation; that becomes a nonproductive situation; it becomes health issues; it becomes safety; it becomes educational issues.

So we will continue to address these issues.

I want to thank Dr. Dawood Farahi, from Kean University, for having us today; Valerie Winslow, Director of Conferences and Events Services.

And Assemblyman Jamel Holley was with us earlier; he came and, obviously, we were here today. And our initial reason was we wanted to pay tribute to the late, great Jerry Green, Assemblyman Jerry Green, by being here in Union County. Initially, it was supposed to be in Plainfield,

but it didn't work out. But I'm sure he's looking down and knowing that we're going to keep moving on the issue of housing, and fair housing in particular, here in the State of New Jersey.

Our next hearing will be October 16, 10 a.m., at Camden County College; and we will address mold and lead issues.

I wanted to make it clear, when we get to the end of the year that does not mean we're going to stop hearings. So we do have four hearings set up for -- it will be four for 2018. In the new calendar year, I would like to get to other sections of New Jersey.

So just because we didn't get to you in 2018, we will address other areas. I know Assemblywoman Schepisi has areas in Bergen that I want to have a hearing at. I think we wrap up, this year, in November, at William Paterson University.

And then, in January, we will reset hearings that continue on affordable housing, landlord-tenant issues; and there are so many issues that come here. You know, the predatory practices, in particular, when it comes to our seniors -- you know, that's something that we have to address and have a hearing on. And we have to find an area that is impacted the most, so we can have these hearings.

So at this time, I thank everybody for coming out; and this meeting is adjourned.

**(HEARING CONCLUDED)**