

[Second Reprint]

**SENATE, No. 3525**

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**STATE OF NEW JERSEY**

**221st LEGISLATURE**

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INTRODUCED JUNE 28, 2024

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**Assemblymen Venezia, Marengo, Atkins, Wimberly and Senator Ruiz**

**SYNOPSIS**

Requires financial institutions to allow mortgagors to make biweekly and semi-monthly payments and payments to mortgage principal.

**CURRENT VERSION OF TEXT**

As reported by the Assembly Financial Institutions and Insurance Committee on December 9, 2024, with amendments.

(Sponsorship Updated As Of: 3/24/2025)


1 AN ACT concerning financial institutions servicing mortgages and  
 2 supplementing P.L.2009, c.53 (C.17:11C-51 et seq.).

3  
 4 **BE IT ENACTED** *by the Senate and General Assembly of the State*  
 5 *of New Jersey:*

6  
 7 <sup>2</sup>1. a. A financial institution shall allow mortgagors to:

8 (1) make biweekly mortgage payments, in which any amount paid  
 9 in excess of the total annual mortgage payments due shall be applied to  
 10 the mortgage loan principal;

11 (2) make bimonthly mortgage payments in the amount of half of  
 12 the total monthly mortgage payment due; and

13 (3) pay additional amounts to the mortgage loan principal, without  
 14 the imposition of any penalty. 

15 b. <sup>1</sup>At the time of an escrow analysis, if increases in property  
 16 taxes or insurance premiums result in increased required escrow  
 17 payments, then the financial institution shall:

18 (1) advise the mortgagor of the new biweekly or bimonthly  
 19 mortgage payments; and

20 (2) apply any additional amounts paid by the mortgagor first to any  
 21 unsatisfied escrow payments and then to the mortgage loan principal,  
 22 without the imposition of any penalty.

23 c. <sup>1</sup>As used in this section:

24 “Bimonthly” means occurring twice each month.

25 “Biweekly” means occurring every two weeks.

26 “Financial institution” means a State chartered bank, savings bank,  
 27 savings and loan association, or credit union, licensed lender, or  
 28 mortgage servicer subject to the laws of this State.

29 “Mortgage loan” means a loan made to a natural person to whom  
 30 credit is offered or extended primarily for personal, family or  
 31 household purposes which is secured by a mortgage constituting a lien  
 32 on real property located in this State on which there is erected or to be  
 33 erected a structure containing one, two, three, four, five or six dwelling  
 34 units, a portion of which structure may be used for nonresidential  
 35 purposes, in the making of which the financial institution relies  
 36 primarily upon the value of the property.

37 “Mortgage servicer” means any person, who, for the person or on  
 38 behalf of a financial institution, receives payments of principal and  
 39 interest in connection with a mortgage loan, records the payments on  
 40 the person’s books and records and performs the other administrative  
 41 functions as may be necessary to properly carry out the mortgage  
 42 holder’s obligations under the mortgage agreement including, when  
 43 applicable, the receipt of funds from the mortgagor to be held in  
 44 escrow for payment of real estate taxes and insurance premiums and

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

Matter underlined thus is new matter.

Matter enclosed in superscript numerals has been adopted as follows:

<sup>1</sup>Senate SCU committee amendments adopted September 30, 2024.

<sup>2</sup>Assembly AFI committee amendments adopted December 9, 2024.

1 the distribution of the funds to the taxing authority and insurance  
2 company.

3 "Mortgagor" means a person who borrows money by mortgaging  
4 property to a mortgagee as security for a mortgage loan. **J**<sup>2</sup>

5

6 <sup>2</sup>1. a. A financial institution shall allow mortgagors to:

7 (1) for mortgagors who are in good standing on the mortgage:

8 (a) make biweekly mortgage payments, in which any amount  
9 paid in excess of the total annual contractual mortgage payments  
10 due shall be applied to the mortgage loan principal; and

11 (b) make semi-monthly mortgage payments in the amount of  
12 half of the total monthly contractual mortgage payment due; and

13 (2) pay additional amounts to the mortgage loan principal,  
14 without the imposition of any penalty.

15 b. If, at the time an escrow analysis is performed, the analysis  
16 projects an escrow shortage or otherwise results in an increase to  
17 escrow amount payments:

18 (1) the financial institution shall:

19 (a) notify the mortgagor of the new contractual mortgage  
20 payment pursuant to Regulation E, 12 C.F.R. Part 1005 and  
21 Regulation X, 12 C.F.R. Part 1024 and shall adjust the amount of  
22 the mortgagor's recurring payment amount, if any, in accordance  
23 with the payment change resulting from the escrow analysis; and

24 (b) apply any additional amounts paid by the mortgagor first to  
25 any unsatisfied escrow payments and then to the mortgage loan  
26 principal, without the imposition of any penalty; and

27 (2) the mortgagor may elect to submit a payment or payments to  
28 the financial institution to reduce or eliminate any projected escrow  
29 shortage. A mortgagor that elects to make additional escrow  
30 payments pursuant to this paragraph shall notify the financial  
31 institution of their intent to make the payments. The payments shall  
32 be treated separately and independent of payments applied to the  
33 mortgage loan principal pursuant to this section.

34 c. As used in this section:

35 "Biweekly" means occurring every two weeks.

36 "Contractual mortgage payment" means the total amount of the  
37 monthly mortgage loan payment, comprised of the principal  
38 payment, interest payment, and any additional amounts being  
39 collected and held in an escrow account, including for property  
40 taxes and homeowners insurance.

41 "Escrow amount" means the amount of any additional funds that  
42 are collected by a financial institution pursuant to a mortgage loan  
43 and set aside in an escrow account to cover future expenses,  
44 including property taxes and homeowners insurance.

45 "Financial institution" means a State chartered bank, savings  
46 bank, savings and loan association, or credit union, licensed lender,  
47 or mortgage servicer subject to the laws of this State.

- 1       “Interest” means the cost to the mortgagor of the mortgage loan,  
2       calculated as a percentage of the mortgage loan balance.
- 3       “Mortgage loan” means a loan made to a natural person to whom  
4       credit is offered or extended primarily for personal, family or  
5       household purposes which is secured by a mortgage constituting a  
6       lien on real property located in this State on which there is erected  
7       or to be erected a structure containing one, two, three, four, five or  
8       six dwelling units, a portion of which structure may be used for  
9       nonresidential purposes, in the making of which the financial  
10       institution relies primarily upon the value of the property.
- 11       “Mortgage servicer” means any person, who, for the person or  
12       on behalf of a financial institution, receives payments of principal  
13       and interest in connection with a mortgage loan, records the  
14       payments on the person’s books and records and performs the other  
15       administrative functions as may be necessary to properly carry out  
16       the mortgage holder’s obligations under the mortgage agreement  
17       including, when applicable, the receipt of funds from the mortgagor  
18       to be held in escrow for payment of real estate taxes and insurance  
19       premiums and the distribution of the funds to the taxing authority  
20       and insurance company.
- 21       “Mortgagor” means a person who borrows money by mortgaging  
22       property to a mortgagee as security for a mortgage.
- 23       “Principal” means the outstanding balance of the original  
24       mortgage loan, exclusive of interest.
- 25       “Semi-monthly” means occurring twice each month.<sup>2</sup>  
26
- 27       2. This act shall take effect on the first day of the sixth month  
28       next following enactment and shall apply to mortgage agreements  
29       entered into on or after that date.