

P.L. 2025, CHAPTER 56, *approved May 9, 2025*
Senate, No. 3525 (*Second Reprint*)

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:*

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7 ²**[**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. ¹At 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.¹ 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.

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:

¹Senate SCU committee amendments adopted September 30, 2024.

²Assembly AFI committee amendments adopted December 9, 2024.

1 “Mortgage servicer” means any person, who, for the person or on
2 behalf of a financial institution, receives payments of principal and
3 interest in connection with a mortgage loan, records the payments on
4 the person’s books and records and performs the other administrative
5 functions as may be necessary to properly carry out the mortgage
6 holder’s obligations under the mortgage agreement including, when
7 applicable, the receipt of funds from the mortgagor to be held in
8 escrow for payment of real estate taxes and insurance premiums and
9 the distribution of the funds to the taxing authority and insurance
10 company.

11 "Mortgagor" means a person who borrows money by mortgaging
12 property to a mortgagee as security for a mortgage loan.】²

13
14 ²1. a. A financial institution shall allow mortgagors to:

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

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

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

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

23 b. If, at the time an escrow analysis is performed, the analysis
24 projects an escrow shortage or otherwise results in an increase to
25 escrow amount payments:

26 (1) the financial institution shall:

27 (a) notify the mortgagor of the new contractual mortgage
28 payment pursuant to Regulation E, 12 C.F.R. Part 1005 and
29 Regulation X, 12 C.F.R. Part 1024 and shall adjust the amount of
30 the mortgagor’s recurring payment amount, if any, in accordance
31 with the payment change resulting from the escrow analysis; and

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

35 (2) the mortgagor may elect to submit a payment or payments to
36 the financial institution to reduce or eliminate any projected escrow
37 shortage. A mortgagor that elects to make additional escrow
38 payments pursuant to this paragraph shall notify the financial
39 institution of their intent to make the payments. The payments shall
40 be treated separately and independent of payments applied to the
41 mortgage loan principal pursuant to this section.

42 c. As used in this section:

43 “Biweekly” means occurring every two weeks.

44 “Contractual mortgage payment” means the total amount of the
45 monthly mortgage loan payment, comprised of the principal
46 payment, interest payment, and any additional amounts being
47 collected and held in an escrow account, including for property
48 taxes and homeowners insurance.

1 “Escrow amount” means the amount of any additional funds that
2 are collected by a financial institution pursuant to a mortgage loan
3 and set aside in an escrow account to cover future expenses,
4 including property taxes and homeowners insurance.

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

8 “Interest” means the cost to the mortgagor of the mortgage loan,
9 calculated as a percentage of the mortgage loan balance.

10 “Mortgage loan” means a loan made to a natural person to whom
11 credit is offered or extended primarily for personal, family or
12 household purposes which is secured by a mortgage constituting a
13 lien on real property located in this State on which there is erected
14 or to be erected a structure containing one, two, three, four, five or
15 six dwelling units, a portion of which structure may be used for
16 nonresidential purposes, in the making of which the financial
17 institution relies primarily upon the value of the property.

18 “Mortgage servicer” means any person, who, for the person or
19 on behalf of a financial institution, receives payments of principal
20 and interest in connection with a mortgage loan, records the
21 payments on the person’s books and records and performs the other
22 administrative functions as may be necessary to properly carry out
23 the mortgage holder’s obligations under the mortgage agreement
24 including, when applicable, the receipt of funds from the mortgagor
25 to be held in escrow for payment of real estate taxes and insurance
26 premiums and the distribution of the funds to the taxing authority
27 and insurance company.

28 “Mortgagor” means a person who borrows money by mortgaging
29 property to a mortgagee as security for a mortgage.

30 “Principal” means the outstanding balance of the original
31 mortgage loan, exclusive of interest.

32 “Semi-monthly” means occurring twice each month.²
33

34 2. This act shall take effect on the first day of the sixth month
35 next following enactment and shall apply to mortgage agreements
36 entered into on or after that date.
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41 Requires financial institutions to allow mortgagors to make
42 biweekly and semi-monthly payments and payments to mortgage
43 principal.