

2/8/88

17:12B-278 to 17:12B-280

LEGISLATIVE HISTORY CHECKLIST

NJSA: 17:12B-278 to 17:12B-280 (Savings institutions-- permit reciprocal interstate activities in Central-Atlantic region)

LAWS OF: 1987 CHAPTER: 226

Bill No: A2428

Sponsor(s): Russo and others

Date Introduced: July 24, 1986

Committee: Assembly: Financial Institutions Senate: Labor, Industry and Professions

Amended during passage: Yes Amendments during passage denoted by asterisks.

Date of Passage: Assembly: June 4, 1987 Senate: March 9, 1987

Date of Approval: July 30, 1987

Following statements are attached if available:

Sponsor statement: Yes

Committee statement: Assembly Yes

Senate Yes

Fiscal Note: No

Veto Message: No

Message on Signing: Yes

Following were printed:

Reports: No

Hearings: Yes

974.90 New Jersey. Legislature. Labor, Industry and Professions Committee. B218 Public hearing held 2-26-87. 1987 Trenton.

DEPOSIT COPY DO NOT REMOVE FROM LIBRARY

226 87
7-30-87

[OFFICIAL COPY REPRINT]
SENATE, No. 2428

STATE OF NEW JERSEY

INTRODUCED JULY 24, 1986

By Senators RUSSO, LESNIAK, CODEY, LYNCH, VAN WAGNER,
BASSANO, JACKMAN, O'CONNOR, ORECHIO, CONTILLO,
COWAN, DiFRANCESCO, CARDINALE, DORSEY, GAGLI-
ANO, HURLEY and DALTON

Referred to Committee on Labor, Industry and Professions

AN ACT permitting insured institutions and savings and loan
holding companies to acquire other insured institutions or sav-
ings and loan holding companies and supplementing P. L. 1963,
c. 144 (C. 17:12B-1 et seq.).

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

1 1. As used in this act:

2 a. "Insured institution," "savings and loan holding company,"
3 and "control" shall have the respective meanings set forth in
4 section 408(a) of the "National Housing Act," as amended (12
5 U. S. C. *§* 1730a). "Insured institution" shall also include federal
6 savings banks, whose accounts are insured by the Federal Savings
7 and Loan Insurance Corporation, as defined in 12 CFR 561.1.

8 b. "Savings and loan subsidiary" means an insured institution
9 or savings and loan holding company, more than 50% of the
10 voting ***[share]*** *shares* or members rights of which are owned
11 or controlled, directly or indirectly, by a savings and loan hold-
11A ing company.

12 c. "Central-Atlantic Region" means the states of New Jersey,
13 Delaware, Illinois, Indiana, Kentucky, Maryland, Michigan, Mis-
14 souri, Ohio, Pennsylvania, Tennessee, Virginia, West Virginia,
15 Wisconsin and the District of Columbia.

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 printed in italics *thus* is new matter.

Matter enclosed in asterisks or stars has been adopted as follows:

*—Senate committee amendments adopted February 26, 1987.

16 d. "Insured institution deposits" means the total domestic
17 deposits in insured institutions in each state according to the
18 most recent available statistics of the Federal Savings and Loan
19 Insurance Corporation or the Federal Home Loan Bank System
20 or, if those statistics are not available, from sources designated
21 by the commissioner.

22 e. "Commissioner" means the Commissioner of Banking.

23 f. "Eligible state" means any state which meets either or both
24 of the following conditions:

25 (1) Any state in the Central-Atlantic Region, when at
26 least two of those states, in addition to this State, each of
27 which has at least \$20,000,000.00 in insured institution
28 deposits, have reciprocal legislation in effect; and

29 (2) Any state or territory of the United States, when at
30 least 13 states in addition to this State (for this purpose the
31 District of Columbia is included as a state, but all other
32 territories are excluded), at least four, other than this State,
33 of which are among the 10 states, other than this State, with
34 the largest amount of insured institution deposits, have re-
35 ciprocal legislation in effect.

36 g. "Eligible insured institution" means an insured institution:

37 (1) Located in an eligible state which has reciprocal legis-
38 lation in effect, other than this State;

39 (2) Which is not directly or indirectly controlled by an
40 insured institution or a savings and loan holding company
41 which is not located in an eligible state; and

42 (3) Which has at least 75% of the total aggregate deposits
43 of the insured institution and the savings and loan sub-
44 sidiaries of any savings and loan holding company directly or
45 indirectly controlling the insured institution, if any, in an
46 eligible state or states.

47 h. "Eligible savings and loan holding company" means a sav-
48 ings and loan holding company:

49 (1) Located in an eligible state which has reciprocal leg-
50 islation in effect, other than this State;

51 (2) Which is not directly or indirectly controlled by a sav-
52 ings and loan holding company which is not located in an
53 eligible state; and

54 (3) Which has at least 75% of the total aggregate deposits
55 of its saving sand loan subsidiaries in savings and loan sub-
56 sidiaries located in an eligible state or states.

57 i. "Location" or "located," when referring to an insured insti-
58 tution, means the state in which the amount of aggregate deposits
59 of all of its offices in that state is greater than the amount of
60 aggregate deposits of all its offices in any one other state or
61 foreign jurisdiction; when referring to a savings and loan holding
62 company, "location" or "located" means the state in which the
63 amount of aggregate deposits of all of its savings and loan sub-
64 sidiaries in that state is greater than the amount of aggregate
65 deposits of all of its savings and loan subsidiaries in any one
66 other state or foreign jurisdiction.

67 j. "Reciprocal legislation" means statutory law of a state of
68 the United States, including the District of Columbia, which
69 authorizes or permits an insured institution or a savings and
70 loan holding company, or both, located in this State to acquire
71 insured institutions or savings and loan holding companies, or
72 both, located in that state on terms and conditions substantially
73 the same as the terms and conditions pursuant to which an in-
74 sured institution or a savings and loan holding company located
75 in that state may acquire insured institutions or holding com-
76 panies, or both, located in this State. The fact that the law of that
77 other state imposes limitations or restrictions on the acquisition
78 of insured institutions or savings and loan holding companies,
79 or both, located in that state by an insured institution or savings
80 and loan holding company, or both, located in this State shall not
81 necessarily mean that the law of that state is not reciprocal
82 legislation; provided, however, that if the law of the other state
83 limits acquisitions by an insured institution or a savings and
84 loan holding company, or both, located in this State to insured
85 institutions or savings and loan holding companies, or both,
86 which are not in competition with insured institutions or savings
87 and loan holding companies, or both, located in or chartered by
88 that state or to insured institutions or savings and loan holding
89 companies which do not have customary deposit and commercial
90 loan powers, the law of that other state shall not be reciprocal
91 legislation. If the reciprocal legislation of that other state imposes
92 limitations or restrictions on the acquisition or ownership of an
93 insured institution or savings and loan holding company located
94 in that state by an insured institution or savings and loan holding
95 company, or both, located in this State, substantially the same
96 limitations and restrictions shall be applicable to the eligible in-
97 sured institution or eligible savings and loan holding company,
98 or both, located in that other state with respect to its acquisition

99 of insured institutions or savings and loan holding companies,
100 or both, located in this State.

1 2. a. Notwithstanding the provisions of any other law of this
2 State, an eligible insured institution or eligible savings and loan
3 holding company may acquire and retain control of an insured
4 institution or savings and loan holding company or insured insti-
5 tutions or savings and loan holding companies located in this
6 State providing the following conditions are complied with:

7 (1) At the time of the acquisition of control of the insured
8 institution or savings and loan holding company or insured
9 institutions or savings and loan holding companies located
10 in this State, the insured institution or savings and loan
11 holding company is an eligible insured institution or eligible
12 savings and loan holding company located in an eligible
13 state which has reciprocal legislation in effect.

14 (2) (a) The eligible insured institution shall have more
15 than 50% of the total aggregate deposits of the insured in-
16 stitution and the savings and loan subsidiaries of any savings
17 and loan holding company directly or indirectly controlling
18 the insured institution, if any, in insured institutions located
19 in an eligible state or states each of which has reciprocal
20 legislation in effect.

21 (b) The eligible savings and loan holding company shall
22 have more than 50% of the total aggregate deposits of its
23 savings and loan subsidiaries in savings and loan subsidiaries
24 located in an eligible state or eligible states each of which
25 has reciprocal legislation in effect.

25A **b. It is not the intent of this act, and nothing in this act shall*
25B *be deemed to permit acquisitions in any form that would result*
25C *in branching into New Jersey of insured institutions or savings*
25D *and loan holding companies.**

26 **[b.]* *c.** Nothing in this act shall be deemed to eliminate, re-
27 duce or waive any rights of any savings member, borrowing mem-
28 ber or shareholders of the insured institution or savings and loan
29 holding company being acquired pursuant to any applicable law
30 regarding those rights.

31 **[c.]* *d.** In the event an eligible insured institution or eligible
32 savings and loan holding company which controls an insured in-
33 stitution or savings and loan holding company or insured institu-
34 tions or savings and loan holding companies in this State and in one
35 or more eligible states shall cease to be an eligible insured institu-
36 tion or eligible savings and loan holding company (1) as a result

37 of obtaining control of an insured institution or savings and loan
 38 holding company or insured institutions or savings and loan
 39 holding companies located in a state which is not an eligible
 40 state or this State, or (2) as a result of having control of it
 41 obtained by an insured institution or savings and loan holding
 42 company or insured institutions or savings and loan holding
 43 companies which is not an eligible insured institution or eligible
 44 savings and loan holding company, the insured institution or
 45 savings and loan holding company shall within one year make
 46 such divestitures as are necessary to comply with the provisions
 47 of this act. The commissioner shall promulgate regulations to
 48 provide a procedure for divestiture.

49 ***[d.]*** *e.* Notwithstanding the provisions of this act, an insured
 50 institution or savings and loan holding company shall not be re-
 51 quired to divest its control of any insured institution or savings and
 52 loan holding company as a result of any subsequent change in,
 53 or invalidity of, the laws of this State, another state or the United
 54 States or as a result of a state ceasing for any other reason to be
 55 an eligible state.

1 3. a. Notwithstanding the provisions of any law of this State,
 2 an insured institution or savings and loan holding company lo-
 3 cated in this State may acquire an insured institution or savings
 4 and loan holding company located in any eligible state other than
 5 this State.

6 b. Nothing in this act or in any other law of this State shall be
 7 deemed to prohibit or limit an insured institution or savings and
 8 loan holding company located in this State from acquiring an in-
 9 sured institution or savings and loan holding company or insured
 10 institutions or savings and loan holding companies located in any
 11 jurisdiction other than an eligible state, which acquisition is other-
 12 wise permitted by applicable law of the United States or any
 13 other state, provided that, if the insured institution or savings
 14 and loan holding company becomes an insured institution or sav-
 15 ings and loan holding company not located in this State, it shall
 16 comply with the provisions of this act if it is to continue to control
 17 an insured institution or savings and loan holding company or in-
 18 sured institutions or savings and loan holding companies located in
 19 this State.

1 4. This act shall take effect on the 30th day after enactment but
 2 section 2 of this act shall remain inoperative until such time as
 3 the commissioner determines that the number of eligible states,
 4 as defined in and required by subsection ***[g.]*** *f.* of section 1
 5 of this act, has been established.

BANKING AND FINANCIAL INSTITUTIONS

Permits savings institutions to engage in reciprocal interstate activities in the Central-Atlantic Region.

STATEMENT

This bill authorizes and establishes regional reciprocal interstate activities among eligible insured institutions or eligible savings and loan holding companies, or both, as defined and included in section 1 of this bill. It permits these insured institutions or savings and loan holding companies to acquire insured institutions or savings and loan companies on a reciprocal interstate basis under certain conditions and limitations contained in the provisions of this bill. The commissioner shall have the authority to promulgate regulations for enforcement of the provisions of this bill.

A Central-Atlantic Region is established when any two states, each of which has at least \$20,000,000,000.00 in deposits, among Delaware, District of Columbia, Illinois, Indiana, Kentucky, Maryland, Michigan, Missouri, Ohio, Pennsylvania, Tennessee, Virginia, West Virginia and Wisconsin (in addition to New Jersey) permit a defined insured institution or savings and loan holding company located in New Jersey to acquire an insured institution or savings and loan holding company in those states.

When at least 13 states, including at least four of the 10 largest by total deposits, as defined in section 1 of this bill, permit an insured institution or savings and loan holding company located in New Jersey to acquire insured institutions or savings and loan holding companies located in such other states, New Jersey would permit insured institutions or savings and loan holding companies in those states to acquire New Jersey insured institutions or savings and loan holding companies, and would offer similar reciprocity to any other state, on a national basis.

The rapid development recently of interstate operations of financial institutions can be expected to continue and to have significant effects on the business of savings institutions in New Jersey by reason of the economic, regulatory, financial and technological forces that affect the business.

It is in the best interests of the economy of this State and its public to enable savings institutions in New Jersey to remain sound, strong and competitive with financial institutions located elsewhere.

As an increasing number of states authorize financial institutions in their states to conduct interstate operations in some form, insured institutions and savings and loan holding companies in

this State would be disadvantaged if not permitted to combine on a regional, reciprocal basis with similar insured institutions or savings and loan holding companies in other states.

This bill authorizes the identical Central-Atlantic Region and similar regional interstate provisions as provided in P. L. 1964, c. 4.

BANKING AND FINANCIAL INSTITUTIONS

Permits savings institutions to engage in reciprocal interstate activities in the Central-Atlantic Region.

ASSEMBLY FINANCIAL INSTITUTIONS COMMITTEE

STATEMENT TO

SENATE, No. 2428

[OFFICIAL COPY REPRINT]

STATE OF NEW JERSEY

DATED: MAY 21, 1987

This bill permits the interstate operations of state or federally chartered savings and loan associations or federally chartered savings banks and savings and loan holding companies on a regional or national, reciprocal basis under certain circumstances.

The bill supplements the "Savings and Loan Act (1963)" P. L. 1963, c. 144 to establish a Central-Atlantic region for the interstate operation of insured institutions and savings and loan holding companies consisting of New Jersey, Delaware, Illinois, Indiana, Kentucky, Maryland, Michigan, Missouri, Ohio, Pennsylvania, Tennessee, Virginia, West Virginia, Wisconsin, and the District of Columbia. It provides that if any two of these states, excluding New Jersey, with \$20 billion in insured institution deposits adopt legislation permitting New Jersey based savings and loan associations, savings banks, or savings and loan holding companies, or both, to acquire this type of depository institution or savings and loan holding company, or both, in their state, then the region would be established. When the region is established, if any state in the region adopts or has adopted legislation permitting New Jersey institutions or savings and loan holding companies to acquire the same type of depository institution or savings and loan holding company in its state, then the depository institutions or companies in that state could acquire institutions or savings and loan holding companies in New Jersey.

The bill provides that if at least 13 states, excluding New Jersey and including four of the 10 largest states in the nation, as determined by deposits of like institutions (also excluding New Jersey), permit savings and loan associations, federally chartered savings banks or savings and loan holding companies located in New Jersey to acquire like institutions or savings and loan holding companies located in those states,

New Jersey would permit savings and loan associations, federally chartered savings banks or savings and loan holding companies to acquire the same type of institution located in New Jersey and would offer similar reciprocity to any other state on a national basis.

The bill contains anti-leapfrog provisions which prohibit an eligible depository institution or savings and loan holding company in an eligible state which has reciprocity with New Jersey from purchasing a like institution or savings and loan holding company in New Jersey if it is directly or indirectly controlled by a savings and loan association, federally chartered bank, or savings and loan holding company which is not located in an eligible state; if, in the case of an eligible type of institution, less than 75% of the total aggregate deposits of the institution and the savings and loan subsidiaries of any savings and loan holding company directly or indirectly controlling the institution are located in an eligible state or states or if, in the case of a savings and loan holding company, less than 75% of the total aggregate deposits of its savings and loan subsidiaries are located in savings and loan subsidiaries located in an eligible state or states; or if, in the case of a depository institution, 50% or less of the total aggregate deposits of the institution and the savings and loan subsidiaries of any savings and loan holding company directly or indirectly controlling the institution in like institutions located in an eligible state or states with reciprocal legislation in effect or if, in the case of a savings and loan holding company, 50% or less of the total aggregate deposits of its savings and loan subsidiaries are located in savings and loan subsidiaries located in an eligible state or states each of which has reciprocal legislation in effect. If any savings and loan association, federally chartered savings bank or savings and loan holding company ceases to meet these tests after it has acquired an institution of the same type or savings and loan holding company in New Jersey, it must make any divestitures as are necessary to comply with the provisions of this bill within one year. The commissioner must promulgate regulations to provide a procedure for divestiture. However, an institution or savings and loan holding company would not be required to divest as a result of any subsequent change in, or invalidity of, the laws of this State, another state or the United States or as a result of a state ceasing for any other reason to be an eligible state.

Lastly, the bill preserves the rights of savings members, borrowing members and shareholders of the institution or savings and loan holding company being acquired under the provisions of the bill. The provisions of the bill do not apply to the acquisition of any eligible depository institution or savings and loan holding company located in New Jersey by a like institution or savings and loan holding company located in New Jersey.

The Senate Labor, Industry and Professions Committee made technical amendments to the bill and also amended the bill to provide that nothing in the bill shall be deemed to permit acquisitions that would result in the branching into New Jersey of state or federally chartered savings and loan associations or federally chartered savings banks or savings and loan holding companies which are domiciled in a state other than New Jersey.

SENATE LABOR, INDUSTRY AND PROFESSIONS
COMMITTEE

STATEMENT TO

SENATE, No. 2428

with Senate committee amendments

STATE OF NEW JERSEY

DATED: FEBRUARY 26, 1987

This bill permits the interstate operations of insured institutions and savings and loan holding companies on a regional or nation, reciprocal basis under certain circumstances. Insured institutions include federal savings and loan associations, federal savings banks, State building and loans, State savings and loan or homestead associations and cooperative banks which are insured by the Federal Savings and Loan Insurance Corporation and federal savings banks which are insured by the Federal Deposit Insurance Corporation.

The bill supplements the "Savings and Loan Act (1963)" to establish a Central-Atlantic region for the interstate operation of insured institutions and savings and loan holding companies consisting of New Jersey, Delaware, Illinois, Indiana, Kentucky, Maryland, Michigan, Missouri, Ohio, Pennsylvania, Tennessee, Virginia, West Virginia, Wisconsin, and the District of Columbia. If any two of these states, excluding New Jersey, with \$20 billion in insured institution deposits adopt legislation permitting New Jersey based insured institutions or savings and loan holding companies, or both, to acquire insured institutions or savings and loan holding companies, or both, in their state, then the region would be established. When the region is established, if any state in the region adopts or has adopted legislation permitting New Jersey insured institutions or savings and loan holding companies to acquire insured institutions or savings and loan holding companies in its state, then insured institutions or savings and loan holding companies in that state could acquire insured institutions or savings and loan holding companies in New Jersey.

When at least 13 states, excluding New Jersey and including four of the 10 largest states in the nation by insured institution deposits (also excluding New Jersey), permit insured institutions or savings and loan holding companies located in New Jersey to acquire insured institutions or savings and loan holding companies located there, New Jersey would permit insured institutions or savings and loan holding companies to acquire New Jersey insured institutions or savings and loan holding companies, and would offer similar reciprocity to any other state on a national basis.

The bill contains anti-leapfrog provisions which prohibit an insured institution or savings and loan holding company in an eligible state which has reciprocity with New Jersey from purchasing an insured institution or savings and loan holding company in New Jersey if it is directly or indirectly controlled by an insured institution or savings and loan holding company which is not located in an eligible state; if, in the case of an insured institution, less than 75% of the total aggregate deposits of the insured institutions and the savings and loan subsidiaries of any savings and loan holding company directly or indirectly controlling the insured institution are located in an eligible state or states or if, in the case of a savings and loan holding company, less than 75% of the total aggregate deposits of its savings and loan subsidiaries are located in savings and loan subsidiaries located in an eligible state or states; or if, in the case of an insured institution, 50% or less of the total aggregate deposits of the insured institution and the savings and loan subsidiaries of any savings and loan holding company directly or indirectly controlling the insured institution in insured institutions located in an eligible state or states with reciprocal legislation in effect or if, in the case of a savings and loan holding company, 50% or less of the total aggregate deposits of its savings and loan subsidiaries are located in savings and loan subsidiaries located in an eligible state or states each of which has reciprocal legislation in effect. In any insured institution or savings and loan holding company ceases to meet these tests after it has acquired an insured institution or savings and loan holding company in New Jersey, it must make such divestitures as are necessary to comply with the provisions of this bill within one year. The Commissioner of Banking must promulgate regulations to provide a procedure for divestiture. However, an insured institution or savings and loan holding company would not be required to divest as a result of any subsequent change in, or invalidity of, the laws of this State, another state or the United States or as a result of a state ceasing for any other reason to be an eligible state.

Lastly, the bill preserves the rights of savings members, borrowing members and shareholders of the insured institution or savings and loan holding company being acquired under the provisions of the bill. The provisions of the bill do not apply to the acquisition of any insured institution or savings and loan holding company located in New Jersey by an insured institution or savings and loan holding company located in New Jersey.

The committee made technical amendments to the bill and also amended the bill to provide that nothing in the bill shall be deemed to permit acquisitions that would result in branching into New Jersey of insured institutions or savings and loan holding companies.

974 aol
661



OFFICE OF THE GOVERNOR NEWS RELEASE

CN-001

Contact: JOHN SAMERJAN
609-292-8956 OR 292-6000 EXT. 207

TRENTON, N.J. 08625

Release: THUR., JULY 30, 1987

Governor Thomas H. Kean today signed the following legislation:

S-2428, sponsored by Senator John F. Russo, D-Ocean and Assemblyman Louis Kosco, R-Bergen, permits savings and loan associations to engage in interstate banking.

The legislation authorizes the acquisition of New Jersey savings and loan associations by out of state savings institutions located in a state which has adopted interstate banking legislation.

Similar legislation covering the State's commercial banks was adopted in 1986.

Interstate banking will commence first on a regional basis then on a national basis. The two-step process is triggered when other states adopt legislation allowing New Jersey savings and loans to acquire institutions in their states.

The legislation is effective 30 days after enactment. Two states in the Central Atlantic region, Ohio and Pennsylvania, have enacted reciprocal legislation.

S-3121, sponsored by Senator Raymond Lesniak, D-Union and Assemblyman Louis Kosco, R-Bergen and Alan Karcher, D-Middlesex, known as the "Savings and Loan Oversight Bill" is companion legislation to the interstate banking bill. This legislation increases the supervisory, examination and oversight responsibilities of the Department of Banking with respect to savings and loans and their future acquisition of out-of-state institutions.

- more -