

17:9-41

3/4/87

LEGISLATIVE HISTORY CHECKLIST

NJSA: 17:9-41

("Governmental Unit Deposit Protection Act"-- expand types of eligible collateral)

CHAPTER 161

Laws Of: 1986

BILL NO: A2132

Sponsor(s): Donovan, DiGaetano and Charles

Date Introduced: February 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 16, 1986

Senate: October 20, 1986

Date of Approval: December 1, 1986

Following statements are attached if available:

Sponsor statement: Yes

Committee statement: Assembly Yes

Senate Yes

Fiscal Note: No

Veto Message: No

Message on Signing: No

Following were printed:

Reports: No

Hearings: No

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ASSEMBLY, No. 2132**STATE OF NEW JERSEY**

INTRODUCED FEBRUARY 24, 1986

By Assemblywoman DONOVAN, Assemblymen DiGAETANO
and CHARLES

AN ACT to amend "An act concerning security for deposits of governmental units in banks, savings banks and savings and loan associations," approved October 27, 1970 (P. L. 1970, c. 236).

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

1 1. Section 1 of P. L. 1970, c. 236 (C. 17:9-41) is amended to
2 read as follows:

3 1. In this act, unless the context otherwise requires:

4 "Association" means and State or federally chartered savings
5 and loan association;

6 "Capital funds" means (a) in the case of a State bank or national
7 bank, the aggregate of the capital stock, surplus and undivided
8 profits of the bank; (b) in the case of a savings bank, the aggregate
9 of the capital deposits, if any, and the surplus of the savings bank;
10 and (c) in the case of an association, the aggregate of all reserves
11 required by any law or regulation, and the undivided profits, if any,
12 of the association;

13 "Commissioner" means the Commissioner of Banking;

14 "Defaulting depository" means a public depository as to which
15 an event of default has occurred;

16 "Eligible collateral" means (a) obligations [of or guaranteed by
17 the United States, obligations of or guaranteed by the State of
18 New Jersey, obligations of governmental units, including, but not
19 limited to, capital notes, bond anticipation notes, tax anticipation
20 notes and temporary notes or loan bonds (mortgages insured or
21 guaranteed by the United States of America or an instrumentality

**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:

***—Assembly committee amendments adopted May 8, 1986.**

22 thereof as to payment of principal and interest to the extent of such
 23 insurance or guarantee), any other obligations now or hereafter
 24 authorized by law as security for public deposits, and all other
 25 bonds, notes, and obligations in which the State, political subdivi-
 26 sions of the State, their officers, boards, commissions, departments
 27 and agencies may invest, pursuant to an express authorization
 28 under any law authorizing the issuance of such bonds, notes, or
 29 obligations;] of any of the following:

30 (1) *The United States;*

31 (2) *Any agency or instrumentality of the United States, in-*
 32 *cluding but not limited to, the Student Loan Marketing Ad-*
 33 *ministration, the Government National Mortgage Association,*
 34 *the Federal Home Loan Mortgage Corporation, *the Federal*
 35 *National Mortgage Association,* the Federal Housing Ad-*
 36 *ministration and the Small Business Administration;*

37 (3) *The State of New Jersey or any of its political subdivi-*
 38 *sions;*

39 (4) *Any other governmental unit; or*

40 (b) *obligations guaranteed or insured by any of the following,*
 41 *to the extent of that insurance or guaranty:*

42 (1) *The United States;*

43 (2) *Any agency or instrumentality of the United States, in-*
 44 *cluding but not limited to, the Student Loan Marketing Ad-*
 45 *ministration, the Government National Mortgage Association,*
 46 *the Federal Home Loan Mortgage Corporation, *the Federal*
 47 *National Mortgage Association,* the Federal Housing Ad-*
 48 *ministration and the Small Business Administration;*

49 (3) *The State of New Jersey or any of its political subdivi-*
 50 *sions; or*

51 (c) *obligations now or hereafter authorized by law as security*
 52 *for public deposits;*

53 (d) *obligations in which the State, political subdivisions of the*
 54 *State, their officers, boards, commissions, departments and agen-*
 55 *cies may invest pursuant to an express authorization under any*
 56 *law authorizing the issuance of those obligations; or*

57 (e) *any other ***collateral*** *obligations* as may be approved*
 58 *by the commissioner by regulation or by specific approval;*

59 “Event of default” means issuance of an order of a supervisory
 60 authority or of a receiver restraining a public depository from
 61 making payments of deposit liabilities;

62 “Governmental unit” means any county, municipality, school
 63 district or any public body corporate and politic created or
 64 established under any law of this State by or on behalf of any one

65 or more counties or municipalities, or any board, commission, de-
 66 partment or agency of any of the foregoing having custody of
 67 funds;

68 “Maximum liability” of a public depository means with respect
 69 to any event of default, a sum equal to 5% of the average daily
 70 balance of collected public funds held on deposit by the depository
 71 during the six-month period ending on the last day of the month
 72 next preceding the occurrence of such event of default;

73 “Net deposit liability” means the deposit liability of a defaulting
 74 depository to a governmental unit after deduction of any deposit
 75 insurance with respect thereto;

76 “Obligations” means any bonds, notes, capital notes, bond antici-
 77 pation notes, tax anticipation notes, temporary notes, loan bonds,
 78 *mortgage related securities,* or mortgages;

79 “Public depository” means a State bank, a national bank, a sav-
 80 ings bank or an association located in this State, the deposits of
 81 which are insured by the Federal Deposit Insurance Corporation or
 82 the Federal Savings and Loan Insurance Corporation, as the case
 83 may be, and which receives or holds public funds on deposit;

84 “Public funds” means the funds of any governmental unit, but
 85 does not include deposits held by the State of New Jersey Cash
 86 Management Fund;

87 “Valuation date” means December 31 and June 30.

1 2. This act shall take effect immediately.

BANKING AND FINANCIAL INSTITUTIONS

Expands the type of additional eligible collateral for government
 deposits under the “Governmental Unit Deposit Protection Act.”

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 66 partment or agency of any of the foregoing having custody of
 67 funds;

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STATEMENT

This bill expands the type of additional eligible collateral for government deposits under the "Governmental Unit Deposit Protection Act." It includes sound instruments under the United States government, its agencies and instrumentalities. This bill also permits the Commissioner of Banking, who oversees maintenance of collateral, to qualify additional types of collateral as conditions warrant. The bill recognizes the increasing types of new sound

BANKING AND FINANCIAL INSTITUTIONS

Expands the type of additional eligible collateral for government deposits under the "Governmental Unit Deposit Protection Act."

A2132 (1986)

ASSEMBLY FINANCIAL INSTITUTIONS COMMITTEE

STATEMENT TO

ASSEMBLY, No. 2132

with Assembly committee amendments

STATE OF NEW JERSEY

DATED: MAY 8, 1986

This bill, as amended by the Assembly Financial Institutions Committee, would clarify current law by listing certain specific types of obligations as being acceptable "eligible collateral" under the "Governmental Unit Deposit Protection Act," P. L. 1970, c. 236 (C. 17:9-41 et seq). It authorizes public depositories to invest in obligations of the Student Loan Marketing Administration, the Government National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Federal Housing Administration, the Small Business Administration. The committee amendments added the Federal National Mortgage Association to this list.

In addition, this legislation authorizes the Commissioner of Banking to approve other unspecified types of collateral as eligible collateral, either by regulation or by specific approval. It therefore establishes a flexible mechanism for recognizing new types of obligations as being appropriate for eligible collateral under the "Governmental Unit Deposit Protection Act."

The committee amendments added "mortgage related securities" to the list of types of obligations which could serve as eligible collateral (provided of course that the other requirements for eligible collateral set forth in the act are fulfilled). This amendment would include those organizations which sell securities representing a share of the organization and invest the proceeds in mortgages.

SENATE LABOR, INDUSTRY AND PROFESSIONS
COMMITTEE

STATEMENT TO

ASSEMBLY, No. 2132

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STATE OF NEW JERSEY

DATED: SEPTEMBER 22, 1986

This bill amends the "Governmental Unit Deposit Protection Act," and expands the type of additional obligations that may be used as eligible collateral for funds deposited by counties, municipalities, school districts and other public bodies in banks, savings banks and savings and loan associations which act as public depositories. The bill authorizes these public depositories to use as collateral obligations of the Student Loan Marketing Administration, the Government National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Federal Housing Administration and the Small Business Administration. In addition, the bill authorizes the Commissioner of Banking to approve other obligations as eligible collateral, either by regulation or by specific approval, and thereby establishes a flexible mechanism for including new types of obligations as eligible collateral under the "Governmental Unit Deposit Protection Act."