

17:13-79

LEGISLATIVE HISTORY CHECKLIST

NJSA: 17:13-79

"Credit Union Act of 1984"

LAWS OF: 1984

CHAPTER: 171

Bill No: S1223

Sponsor(s): O'Connor

Date Introduced: February 6, 1984

Committee: Assembly: /////

Senate: Labor, Industry and Professions

Amended during passage: Yes Substituted for A1789 (not attached since identical to S1223)

Date of Passage: Assembly: June 28, 1984 Re-enacted 10-22-84

Senate: June 18, 1984 Re-enacted 10-18-84

Date of Approval: October 31, 1984

Following statements are attached if available:

Sponsor statement: Yes

Committee statement: Assembly No

Senate Yes

Fiscal Note: No

Veto Message: Yes

Message on Signing: No

Following were printed:

Reports: No

Hearings: No

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SENATE, No. 1223

STATE OF NEW JERSEY

INTRODUCED FEBRUARY 6, 1984

By Senator O'CONNOR

Referred to Committee on Labor, Industry and Professions

AN ACT concerning credit unions, supplementing Title 17 of the Revised Statutes, amending N. J. S. 12A:9-203 and N. J. S. 12A:10-104, amending and supplementing P. L. 1968, c. 196, and repealing P. L. 1938, c. 293.

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

1 1. (New section) Sections 2 through **\*\*[47]\*\*** **\*\*46\*\*** of this act  
2 shall be known and may be cited as "The Credit Union Act of 1984."

1 2. (New section) For the purposes of this act:

2 a. "Board" means the board of directors of the credit union.

3 b. "Commissioner" means the Commissioner of Banking.

4 c. "Credit union" means any organization incorporated under  
5 the provisions of this act, or the laws of another state or the  
6 "Federal Credit Union Act," 48 Stat. **\*\*[121E]\*\*** **\*\*1216\*\*** (12  
7 U. S. C. § 1751 et seq.), which is a cooperative association organized  
8 for the purpose of promoting thrift among its members and creating  
9 a fund which will establish a source of credit for them for provident  
10 or productive purposes.

11 d. "Director" means a member of the board of directors.

12 e. "Member" means an owner of a share, deposit, or certificate  
13 in a credit union.

1 3. (New section) Seven or more natural persons, all of whom are  
2 residents of this State, may incorporate a credit union on the terms  
3 and conditions provided for in this act. The incorporators shall  
4 apply to the Commissioner of Banking, on a form supplied by the  
5 commissioner, for permission to incorporate a credit union. A

**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 amendments adopted May 21, 1984.**

**\*\*—Senate amendments adopted in accordance with Governor's recommendations September 20, 1984.**

6 certificate of incorporation, executed by the incorporators, shall be  
7 submitted with the application, as well as a fee of \$25.00. The  
8 certificate shall include:

- 9 a. The proposed name of the credit union, and the street, street  
10 number, and name of the municipality in which it is to be located;
- 11 b. The name and street address of its registered agent, where  
12 process may be served;
- 13 c. The powers which the credit union proposes to exercise;
- 14 d. The group to which membership will be limited;
- 15 e. The number of directors proposed to serve on the board;
- 16 f. The name and address of each of the proposed members, who  
17 shall be at least 30 in number, and the number of shares subscribed  
18 by each;
- 19 g. The original par value of the shares of the corporation, which  
20 shall not be less than \$5.00;
- 21 h. Any other provision not inconsistent with this act or with the  
22 laws of this State for the regulation of the business.

1 4. (New section) The commissioner shall disapprove the appli-  
2 cation if he finds that:

- 3 a. The incorporation of the proposed credit union will not be in  
4 the public interest;
- 5 b. The incorporators do not evidence character, responsibility,  
6 and general fitness;
- 7 c. The provisions contained in the certificate of incorporation for  
8 the regulation of the business and the provisions creating or limit-  
9 ing the powers of the proposed credit union are improper provi-  
10 sions, or will not serve the best interest of the members of the  
11 proposed credit union; or
- 12 d. The conditions of employment or other conditions prevailing  
13 in the group from which the membership is to be drawn are such  
14 as to result in financial instability or otherwise render the orga-  
15 nization of the credit union by them inadvisable.

16 If the application is approved by the commissioner he shall annex  
17 a certificate of approval, and the application shall be filed in the  
18 department.

1 5. (New section) The organizational meeting of the members of  
2 the credit union shall take place within ten days of the filing of the  
3 certificate of incorporation. A written notice, signed by a majority  
4 of the incorporators, shall be given personally or by mail to each of  
5 the members proposed in the certificate of incorporation, designat-  
6 ing the time, place, and purpose of the meeting. The notice shall be  
7 given at least five days before the date on which the meeting is to  
8 be held. At the meeting the members present by majority vote

9 shall elect a board of directors as provided for in section 17 of  
10 this act and shall transact any other business as may properly  
11 come before them.

1 6. (New section) Before the commissioner may issue a certificate  
2 of authority, two of the incorporators shall submit an affidavit to  
3 the commissioner which attests to the following:

4 a. That the certificate of incorporation has been filed with the  
5 commissioner;

6 b. That the shares of the incorporators and thirty members have  
7 been fully paid in cash;

8 c. That the cash paid in is on deposit in a depository institution  
9 in this State without offset, claim or demand against it whatsoever,  
10 and that it is subject to withdrawal on demand.

1 7. (New section) Within 30 days of receipt of the affidavit  
2 required by section 6 of this act, the commissioner shall issue a  
3 certificate of authority for the credit union to begin the transaction  
4 of business provided for in the certificate of incorporation if:

5 a. After an examination, he finds that the facts presented in the  
6 affidavit are true;

7 b. The incorporators have received firm commitment of the  
8 insurance required by section 9 of this act;

9 c. The proposed directors and officers of the credit union possess  
10 the qualifications, experience, and character required for the duties  
11 and responsibilities with which they will be charged.

12 Upon receipt of the certificate of authority, the credit union may  
13 begin transacting business. The commissioner shall file a copy of  
14 the certificate of authority with the certificate of incorporation.

1 8. (New section) a. A credit union may amend its certificate of  
2 incorporation in the following manner:

3 (1) The board shall approve the proposed amendment and direct  
4 that it be submitted to a vote at a meeting of the members;

5 (2) The meeting of the members shall be held upon at least 10  
6 days' notice given personally or by mail;

7 (3) If three-fourths of the members present at the meeting  
8 approve the amendment the amendment shall be deemed to be  
9 adopted.

10 b. Upon adoption by the members, a certificate of amendment  
11 shall be executed in the name of the credit union by its president or  
12 vice president, attested by its secretary, sealed with the corporate  
13 seal, and submitted to the commissioner for his approval. If the  
14 commissioner does not notify the credit union of his disapproval in  
15 writing within 30 days, it shall be deemed approved. If the com-  
16 missioner finds that the amendment does not meet the standards

17 set forth in this act, he shall disapprove it. Upon the commis-  
18 sioner's approval, the amendment to the certificate shall be filed  
19 with the department. No amendment to a certificate of incorpora-  
20 tion shall contain any provision which would not, under the terms  
21 of this act, be permitted in the original certificate.

1 9. (New section) a. No credit union shall be granted a charter  
2 on or after the effective date of this act unless the incorporators  
3 have obtained a commitment for the insurance of its accounts from  
4 the National Credit Union Administration or another insurer  
5 approved by the commissioner.

6 b. The commissioner may make available reports of financial  
7 condition and examination reports to the National Credit Union  
8 Administration or to any qualified insurer and may accept any  
9 report of examination made on behalf of the insurer or insuring  
10 agency. The commissioner may appoint an official of the National  
11 Credit Union Administration or any qualified insuring organiza-  
12 tion as liquidating agent of an insured credit union.

1 10. (New section) a. The name of every credit union incorporated  
2 under this act shall contain the words "Credit Union." No name  
3 shall be adopted by any credit union which is already in use by  
4 another existing credit union of this State or be so similar thereto  
5 as to lead to uncertainty or confusion.

6 b. The use by any person, except corporations established under  
7 this act or affiliates or associations thereof, or by federal law or  
8 by the laws of another state, of a name or title containing the  
9 words "credit union" shall be a crime of the fourth degree.

1 11. (New section) A credit union's powers shall include, but  
2 not be limited to, the power to:

3 a. Make contracts;

4 b. Sue and be sued;

5 c. Adopt and use a common seal and alter same;

6 d. Acquire, lease, hold, assign, pledge, hypothecate, sell and  
7 otherwise dispose of property, either in whole or in part, necessary  
8 or incidental to its operations;

9 e. Offer its members and other credit unions, shares, share cer-  
10 tificates, deposits, deposit certificates, or share drafts as provided  
11 in this act;

12 f. Lend its funds to its members as hereinafter provided;

13 g. Borrow money from any source, provided that a credit union  
14 shall notify the commissioner in writing of its intention to borrow  
15 in excess of an aggregate of 50% of its shares and undivided  
16 earnings;

17 h. Discount or sell any of its assets, and purchase the assets of

- 18 another credit union, subject to the approval of the commissioner;
- 19 i. Make deposits and invest in legally chartered banks, savings  
20 banks, savings and loan associations, trust companies, and other  
21 credit unions, including corporate credit unions, and invest funds  
22 as otherwise provided in this act;
- 23 j. Hold membership in other credit unions organized under this  
24 act, and in associations and organizations controlled by or fostering  
25 the interests of credit unions, including a central liquidity facility  
26 organized under state or federal law;
- 27 k. Act as fiscal agent for and receive payment on shares or  
28 deposits, or both, from the federal government, this State, or any  
29 agency or political subdivision thereof;
- 30 l. Have and exercise all the powers of corporations organized  
31 under Title 14A of the New Jersey Statutes which are not incon-  
32 sistent with this act;
- 33 m. Maintain service facilities, including automated terminals  
34 at locations other than its principal office upon the approval of the  
35 commissioner. The maintenance of these facilities shall be reason-  
36 ably necessary to furnish service to its members. A credit union  
37 may join with one or more financial institutions in the operation  
38 of a service facility to meet member needs;
- 39 n. Contract with outside vendors to make insurance and group  
40 purchasing plans available to its members and receive compensa-  
41 tion from the vendors in return for performing administrative  
42 functions on their behalf;
- 43 o. Participate in loans to credit union members jointly with other  
44 credit unions, credit union organizations, or financial institutions,  
45 provided that the originating credit union retains an interest of  
46 at least 10% of the face amount of the loan;
- 47 p. Participate in any guaranteed loan program of the federal or  
48 state government;
- 49 q. Purchase the conditional sales contracts, notes, and similar  
50 instruments of its members;
- 51 r. Purchase and maintain insurance on behalf of any person  
52 who is an officer, director, employee, or agent of the credit union;
- 53 s. Collect, receive and disburse monies in connection with the  
54 providing of negotiable checks, money orders, travelers' checks,  
55 and similar instruments, and for any other purposes which may  
56 provide benefit or convenience to its members, and to charge a  
57 reasonable fee for these services;
- 58 t. Declare dividends to its members, as provided in the bylaws  
59 or by rules and regulations of the commissioner;
- 60 u. Participate in government programs designed to alleviate

61 social and economic problems at the community, state, or regional  
62 levels.

1 12. (New section) The commissioner shall have the power to  
2 make, amend and repeal regulations permitting credit unions to  
3 exercise any power, right, benefit, or privilege permitted to fed-  
4 erally chartered credit unions, provided that the powers, right,  
5 benefit or privilege is not contrary to law. The regulations shall be  
6 in substantial conformity with similar rules or regulations of the  
7 National Credit Union Administration.

1 13. (New section) a. A credit union may change the location of its  
2 office by resolution of the board. A copy of the resolution, attested  
3 by the secretary, shall be forwarded to the commissioner for his  
4 approval. If the resolution is not approved within 30 days by the  
5 commissioner, it shall be deemed to be approved. Upon the approval  
6 of the commissioner, the resolution shall be filed with the depart-  
7 ment.

8 b. Any municipality, school board, county, state department, or  
9 any agency or instrumentality thereof may make facilities available  
10 for use by a credit union as an office or meeting room.

11 c. A credit union may maintain service facilities, or may join  
12 with one or more financial institutions in the operation of a service  
13 facility to meet member needs, including an automated terminal,  
14 if these facilities are reasonably necessary to furnish service to its  
15 members, at locations other than its principal office, upon the  
16 approval of the commissioner.

1 14. (New section) a. The membership of a credit union shall be  
2 limited to and consist of the incorporators and other persons within  
3 the common bond established by the certificate of incorporation who  
4 have paid any required entrance fee or membership fee, or both,  
5 have subscribed to one or more shares, have paid the initial install-  
6 ment thereon, and have complied with any other requirements as  
7 the certificate of incorporation or bylaws specify.

8 b. Credit union membership may include\*\***]**, but is not necessarily  
9 limited to,**]**\*\* groups having a common bond of similar occupation,  
10 association or interest, \*\**or groups who reside within a well-defined*  
11 *neighborhood, community or rural district, and*\*\* members of the  
11A immediate family of those persons\*\***]**, or otherwise, as approved  
11B by the commissioner**]**\*\*.

12 c. Societies and copartnerships composed primarily of persons  
13 who are eligible for membership, and corporations, including coop-  
14 erative organizations, whose stockholders are composed primarily  
15 of persons who are eligible for individual membership may be  
16 admitted to membership. Any entity thus admitted to membership

17 shall not borrow in excess of its shareholdings unless at least 10%  
18 of its members are qualified members of the credit union.

19 d. Members who leave the field of membership may be permitted  
20 to retain their membership in the credit union under reasonable  
21 standards established by the board.

22 e. Members of the credit union shall not be personally or indi-  
23 vidually liable for the payment of the credit union's debts.

1 15. (New section) a. The annual meeting of the members of the  
2 credit union shall be held on a date to be designated by the board for  
3 the election of directors and committee members and the transac-  
4 tion of any other business as may properly come before the meeting.

5 b. Regular and special meetings may be held in the manner  
6 prescribed in the bylaws.

7 c. At all of these meetings a member shall have one vote. No  
8 member may vote by proxy, but a member may vote by absentee  
9 ballot if the bylaws of the credit union so provide.

10 d. The bylaws shall prescribe the number of members which  
11 constitute a quorum, but less than a quorum may adjourn the  
12 meeting from time to time.

13 e. A society, association, copartnership or corporation, having  
14 membership in the credit union, may be represented and have its  
15 vote cast by one of its members or shareholders, if the person has  
16 been so authorized by resolution of the organization's board of  
17 directors.

1 16. (New section) Every credit union shall, by majority vote of its  
2 members, adopt bylaws consistent with the laws of this State. The  
3 bylaws may be amended from time to time. A copy of the bylaws  
4 and all amendments thereto shall be certified by the secretary and  
5 forwarded to the commissioner, but shall not become effective until  
6 approved by the commissioner. If the commissioner does not  
7 approve the bylaws or any amendments thereto within 30 days of  
8 their submission, they shall be deemed approved. Upon the commis-  
9 sioner's approval the bylaws or any amendments thereto shall be  
10 filed with the department.

1 17. (New section) The credit union shall be directed by a board  
2 consisting of an odd number of directors, not less than five in  
3 number, who shall be members and who shall be elected by ballot of  
4 the members at the annual meeting for terms as the bylaws provide,  
5 except that the bylaws shall provide for staggered terms.

6 The directors shall be at least 18 years of age and a majority of  
7 the directors shall be residents of this State. Every director shall  
8 subscribe to an oath in a form prescribed by the commissioner, and  
9 the form shall be filed with the commissioner within five days of its



10 execution. A vacancy on the board shall be filled by the directors  
 11 until the next annual meeting, when it shall be filled by the members  
 12 for the unexpired term. The board or the executive committee shall  
 13 meet at least once a month and upon any other occasions which it  
 14 deems necessary.

1 18. (New section) The board of directors or the members, as  
 2 provided by the bylaws, shall elect a chairman, who shall be a  
 3 member of the board, a vice chairman, a secretary, and a treasurer,  
 4 who shall hold their office at the pleasure of the board or of the  
 5 members, as the case may be. Officers and members of committees  
 6 may be compensated for their services as provided for in the  
 7 bylaws. The commissioner may, at any time, order the compensa-  
 8 tion reduced if in his judgment it is excessive. The board shall  
 9 require any officer or employee having custody of or handling funds  
 10 to give bond with good and sufficient surety in an amount and  
 11 character to be determined by the board in compliance with regula-  
 12 tions prescribed by the commissioner.

13 The commissioner shall promulgate rules and regulations estab-  
 14 lishing the duties of directors.

1 19. (New section) a. The board may appoint an executive com-  
 2 mittee of the board, consisting of not less than three directors,  
 3 which may be authorized to act for the board, as provided in the  
 4 bylaws, except that the executive committee may not:

5 (1) Exercise any powers granted to it while a quorum of the  
 6 board is actually convened for the conduct of business;

7 (2) Declare a dividend, or make any other kind of distribution  
 8 to members;

9 (3) Make, alter, or repeal the bylaws of the credit union;

10 (4) Elect or appoint any officer or director; or

11 (5) Exercise any other power which this act specifically pro-  
 12 vides shall be exercised by at least a majority of all the directors.

13 b. The minutes of the proceedings of the executive committee  
 14 shall be presented to the board at the meeting next following any  
 15 meeting of the executive committee.

1 20. (New section) The members of each credit union shall elect  
 2 an examining committee, composed of at least three members, none  
 3 of whom shall be officers, directors, or members of the credit  
 4 committee. The members of the committee shall be elected for  
 5 staggered terms, and at least one-third of the membership of the  
 6 committee shall be elected by the members at the annual meeting  
 7 each year. Every member of the examining committee shall sub-  
 8 scribe to an oath in a form prescribed by the commissioner. The  
 9 examining committee shall make, or cause to be made, a thorough

10 audit or examination of the condition of the credit union as of  
11 December 31 of each year, and a verification of member accounts at  
12 least once every year. The report of the examining committee shall  
13 be signed and sworn to by the members of the committee and filed  
14 with the board on or before March 31 of each year. The examining  
15 committee shall perform any other duties as may be provided for  
16 in the bylaws of the credit union.

1 21. (New section) a. The examining committee may, by a major-  
2 ity vote of its members, call a special meeting of the members to  
3 consider any violation of this act, the credit union's charter or  
4 bylaws, or any practice of the credit union deemed by the com-  
5 mittee to be unsafe or unauthorized.

6 b. The examining committee may, by a unanimous vote of its  
7 members, suspend any officer, member of the board of directors,  
8 or member of the credit committee for good cause until a meeting  
9 of the members, which shall be held not less than seven nor more  
10 than 21 days after the suspension to ratify the action of the ex-  
11 amining committee.

12 c. Subsequent to ratification by the members, the examining  
13 committee shall refer the matter to the board for appropriate  
14 action.

1 22. (New section) a. If the bylaws provide for a credit committee,  
2 then pursuant to the provisions of the bylaws, the board shall  
3 appoint, or the members shall elect a credit committee of not less  
4 than three nor more than seven members, who shall serve as set  
5 forth in the bylaws. The committee shall approve or deny written  
6 application for loans from members pursuant to and consistent  
7 with the general loan policy and rules and regulations established  
8 by the board for member loans.

9 The credit committee shall elect a chairman and a secretary and  
10 any other officers which it deems necessary. It shall be the duty of  
11 the secretary of the credit committee to keep permanent minutes of  
12 all of its meetings.

13 b. A majority of members of the credit committee shall constitute  
14 a quorum. No member loans shall be approved except at meetings  
15 of the credit committee, and the approval shall be signed by a  
16 majority of those members present.

17 c. If the bylaws provide for a credit committee, the credit com-  
18 mittee may appoint one or more loan officers, to whom it may  
19 delegate the power to approve applications up to the unsecured  
20 limit, or in excess of the unsecured limit if the excess is fully  
21 secured by unpledged shares. Each loan officer shall submit to the  
22 credit committee a record of each application approved or denied

23 by him, at the next meeting of the credit union or within 30 days  
24 of the receipt of the loan application, whichever is earlier. All  
25 applications denied by a loan officer shall be reviewed by the credit  
26 committee. No person shall have the authority to disburse funds  
27 for any loan which has been approved by him as loan officer. Not  
28 more than one member of the credit committee may be appointed  
29 as loan officer.

30 d. If there is no credit committee, a member shall have the right,  
31 upon written request to the board of directors, to review by the  
32 board of a loan application which has been denied by a loan officer.

1 23. (New section) a. A credit union shall issue shares and share  
2 certificates, which shall constitute the capital of the credit union.  
3 Shares may be subscribed to, paid for and transferred in any  
4 manner prescribed by the bylaws. Ownership of shares or share  
5 certificates shall confer membership and voting rights.

6 b. A credit union may accept deposits from and issue deposit  
7 certificates to its members and to other credit unions, subject to  
8 terms, rates, and conditions prescribed by the board and regula-  
9 tions established by the commissioner.

10 c. A credit union may offer special purpose share or deposit  
11 accounts, including, but not limited to, Christmas club accounts and  
12 vacation club accounts, under terms and conditions established by  
13 the board.

14 d. A credit union may offer joint accounts, trust accounts, or  
15 pay-on-death accounts, as provided in the "Multiple-party Deposit  
16 Account Act," P. L. 1979, c. 491 (C. 17:16I-1 et seq.). These ac-  
17 counts may be held as shares, share certificates, deposits, deposit  
18 certificates, or any other form provided by law.

19 e. A credit union may act as trustee or custodian of (1) indi-  
20 vidual retirement accounts authorized by State or federal law;  
21 (2) pension funds of self-employed individuals or of a company  
22 or organization sponsoring the credit union, or (3) other similar  
23 retirement or pension plans; or (4) pension and profit-sharing  
24 plans.

25 f. The board may authorize the payment of dividends from the  
26 undivided earnings. Dividends may be paid at varying rates with  
27 respect to the conditions which pertain to each type of account  
28 including, but not limited to, minimum balance, notice and time  
29 requirements.

1 24. (New section) a. Shares, share certificates, and deposit  
2 certificates may be issued to, and deposits received from, a minor  
3 who may withdraw the shares and deposits, including the dividends  
4 and interest thereon. Deposits and share payments made by a

5 minor and withdrawals thereof by the minor, shall be valid in all  
6 respects.

7 b. No minor may hold office within the credit union until he shall  
8 have reached his eighteenth birthday.

9 c. In exercising his membership privileges with a credit union,  
10 a minor may make all contracts which any other of its members  
11 may make. Any contract of a member who is a minor shall be  
12 binding and enforceable against the member in the same manner  
13 as if he were of full age at the time of entering the contract.

1 25. (New section) a. Shares, share certificates, deposits and de-  
2 posit certificates of a credit union may be withdrawn for payment  
3 to the account holder or to third parties in accordance with proce-  
4 dures established by the board and subject to regulation of the  
5 commissioner. The bylaws may provide for members giving written  
6 notice of withdrawal, not exceeding 30 days. If the funds available  
7 to the credit union are insufficient to pay all withdrawals, then each  
8 member seeking withdrawal shall receive a pro rata share of the  
9 assets of the credit union which are available for withdrawal.

10 b. Any non-member who, by assignment, as a legal representa-  
11 tive, trustee, or otherwise, acquires title to the shares of a member,  
12 may withdraw the shares on the same basis as a member, except  
13 that unless he becomes a member, he shall have no other rights  
14 attendant to membership.

15 c. The board shall have the authority to retire the shares of any  
16 member or group of members in the manner provided in its bylaws.  
17 Shares retired shall be paid in the same manner and subject to  
18 the same conditions as withdrawals.

1 26. (New section) a. A credit union may make loans to its mem-  
2 bers, evidenced by a written instrument, upon terms and upon any  
3 security, including, but not limited to, the endorsement of a note by  
4 a surety, comaker, or guarantor, assignment of an interest in real  
5 or personal property, or assignment of shares, as the board may  
6 provide. The adequacy of any security shall be determined by the  
7 credit committee. No loan shall be made to any member when the  
8 aggregate amount of all that member's loans outstanding exceeds  
9 10% of the credit union's total assets. The board, in its discretion,  
10 may fix a lower amount.

11 b. Notwithstanding the provisions of R. S. 31:1-1 to the contrary,  
12 a credit union may charge, contract for, and receive interest in  
13 loans at a rate or rates agreed to by the credit union and the  
14 member. A credit union may charge late fees and lawful fees paid  
15 to any public officer for filing, recording, or releasing a document,  
16 and may charge collection fees, not to exceed 20% of the principal

17 balance and interest outstanding, which may be added to the prin-  
18 cipal balance of any loan placed for collection after default thereon.

19 c. A credit union shall have a lien on the shares, share certificates,  
20 deposits, deposit certificates, and accumulated interest or dividends  
21 of a member in any individual, joint, or trust account, for any sum  
22 past due the credit union from the member or for any loan endorsed  
23 by him. The credit union shall have a right of immediate set-off  
24 with respect to these accounts.

1 27. (New section) Loans made by credit unions may be payable to  
2 the members in a lump sum or in installments, of the following  
3 types:

4 a. Loans to be repaid in a lump sum by the member;

5 b. Loans to be repaid in two or more installments, which install-  
6 ments are approximately equal in amount;

7 c. A line of credit to be made available to the member by the  
8 credit union, whereby funds may be advanced to the member  
9 pursuant to the member's written authorization and repaid upon  
10 terms as established by the board.

1 28. (New section) a. No credit union may extend credit to any  
2 member of the board, any officer, or member of a committee or to  
3 any related interest of that person unless the extension of credit  
4 is made on substantially the same terms, including interest rates  
5 and collateral, as those prevailing at the time for comparable trans-  
6 actions by the credit union with other members, and does not  
7 involve more than normal risk of repayment or present other  
8 unfavorable features.

9 b. No director, committee member, officer, agent, or employee of  
10 the credit union shall in any manner, directly or indirectly, partici-  
11 pate in the deliberation upon or the determination of any question  
12 affecting his pecuniary interest or the pecuniary interest of any  
13 corporation, partnership, or association other than the credit union,  
14 in which he has a direct or indirect interest.

1 29. (New section) Funds not used in loans to members may be  
2 invested:

3 a. In securities, obligations, or other instruments of or issued by  
4 or fully guaranteed as to principal and interest by the United  
5 States of America or any agency thereof or in any trust or trusts  
6 established for investing directly or collectively in the same;

7 b. In obligations of any state of the United States, the District  
8 of Columbia, the Commonwealth of Puerto Rico, and the several  
9 territories organized by Congress, or any political subdivision  
10 thereof;

11 c. In certificates of deposit or passbook-type accounts issued by  
12 a state or federally chartered bank, savings bank, or savings and  
13 loan association;

14 d. In loans to or in shares or deposits of other credit unions,  
15 corporate central credit unions, or a central liquidity facility  
16 established under any state or federal law;

17 e. In shares, stocks, loans or other obligations of any organiza-  
18 tion, corporation, or association membership or ownership of which  
19 is primarily confined or restricted to credit unions, or organiza-  
20 tions of credit unions, and the purpose of which is to strengthen or  
21 advance the development of credit unions or credit union orga-  
22 nizations;

23 f. In shares of a cooperative society organized under the laws  
24 of this State or of the laws of the United States in a total amount  
25 not exceeding 10% of the shares, deposits, and surplus of the  
26 credit union.

1 30. (New section) When no transaction has occurred in a mem-  
2 ber's share or deposit account for 12 months and his whereabouts  
3 are unknown, as verified by the return of a certified letter addressed  
4 to him at his last known address, all sums due to the member shall  
5 be credited to a special reserve account. If the sums are not re-  
6 claimed within a five year period, they shall escheat to the State  
7 and be forwarded to the Treasurer of the State of New Jersey.

1 31. (New section) a. Immediately before the payment of each  
2 dividend, the gross earnings of the credit union shall be determined,  
3 and from this amount there shall be set aside, as a regular reserve  
4 against contingencies, sums in accordance with the following  
5 schedule:

6 (1) A credit union in operation for more than four years and  
7 having assets of \$500,000.00 or more shall set aside:

8 (a) 10% of gross income until the regular reserve shall equal  
9 4% of the total of outstanding loans and risk assets; then

10 (b) 5% of gross income until the regular reserve shall equal  
11 6% of the total of outstanding loans and risk assets.

12 (2) A credit union in operation less than four years or having  
13 assets of less than \$500,000.00 shall set aside:

14 (a) 10% of gross income until the regular reserve shall equal  
15 7½% of the total of outstanding loans and risk assets, then

16 (b) 5% of gross income until the regular reserve shall equal  
17 10% of the total of outstanding loans and risk assets.

18 (3) Whenever the regular reserve falls below the stated per cent  
19 of the total of outstanding loans and risk assets, it shall be  
20 replenished by regular contributions in any amounts as may be  
21 needed to maintain the stated reserve.

22 b. The Commissioner of Banking may decrease the reserve re-  
23 quirement set forth in subsection a. of this section when in his  
24 opinion a decrease is necessary or desirable. The Commissioner of  
25 Banking may also require special reserves to protect the interests  
26 of members either by regulation or for an individual credit union  
27 in any special case.

1 32. (New section) a. Any credit union may, with the approval of  
2 the commissioner, merge with another credit union under the  
3 existing charter of the continuing credit union, pursuant to any  
4 plan agreed upon by the majority of the board of each credit union  
5 joining in the merger, approved by the affirmative vote of a major-  
6 ity of the members of the merging credit union present at a meeting  
7 of its members duly called for that purpose, and consented to by  
8 any government agency or other organization insuring the accounts  
9 of the credit union.

10 b. The commissioner may approve a merger according to the  
11 plan agreed upon by the majority of the board of each credit  
12 union even if approved by less than a majority of the entire mem-  
13 bership, if he finds upon the written and verified application filed  
14 by the board that:

15 (1) Notice of the meeting called to consider the merger was  
16 mailed to each member entitled to vote upon the question;

17 (2) The notice disclosed the purpose of the meeting and prop-  
18 erly informed the membership that approval of the merger might  
19 be sought pursuant to this section; and

20 (3) A majority of the votes cast upon the question were in favor  
21 of the merger.

22 c. After agreement by the board and approval by the members  
23 of the merging credit union, the chairman and secretary of the  
24 credit union shall, execute a Certificate of Merger, which shall  
25 set forth all of the following:

26 (1) The time and place of the meeting of the board at which the  
27 plan was agreed upon;

28 (2) The vote in favor of the adoption of the plan;

29 (3) A copy of the resolution or other action by which the plan  
30 was agreed upon;

31 (4) The time and place of the meeting of the members at which  
32 the plan agreed upon was approved; and

33 (5) The vote by which the plan was approved by the members.

34 d. The certificate and a copy of the plan of merger agreed upon  
35 shall not become effective until approved by the commissioner.  
36 If the commissioner has not notified the credit union of his action  
37 within sixty days of receipt, the merger shall be deemed to be

38 approved. Upon the commissioner's approval, the Certificate of  
39 Merger shall be filed with the department.

40 e. Upon filing of the Certificate of Merger with the department,  
41 all property, property rights, and members' interest of the merged  
42 credit union shall vest in the surviving credit union, without deed,  
43 endorsement, or other instrument of transfer, and all debts, obli-  
44 gations and liabilities of the merged credit union shall remain in  
45 effect;

46 f. This section shall be construed, whenever possible, to permit  
47 a credit union organized under any other act to merge with one  
48 incorporated under this act, or to permit one incorporated under  
49 this act to merge with one organized under any other act.

1 33. (New section) Every credit union shall submit a report in  
2 writing to the commissioner, on a form prescribed by the commis-  
3 sioner, of its condition at the close of business on the thirty-first  
4 day of December. The report shall be submitted to the commis-  
5 sioner on or before January 31 of each year. The report shall be  
6 verified by the oath of the president and the treasurer of the credit  
7 union, and the statement of assets and liabilities shall be verified  
8 by the oath of the examining committee that the statement is a true  
9 and correct statement of the condition of the credit union based on  
10 the audit or examination made by the examining committee as of  
11 the December thirty-first preceding the report. The credit union  
12 shall furnish the commissioner with any other reports as he may  
13 deem advisable. Any false statement or oath shall be deemed to be  
14 perjury.

1 34. (New section) a. Every credit union shall be subject to the  
2 supervision and examination of the commissioner\*\*[, except that no  
3 examination shall be necessary if the records of the credit union  
4 are examined by a certified public accountant]\*\* \*\*. *In lieu of*  
4A *making an examination of a credit union, the commissioner may*  
4B *accept the examination of a certified public accountant who has*  
4C *examined the records of the credit union and\*\* who files an opinion*  
5 of his examination with the commissioner. If an examiner deems  
6 it advisable, he may verify the liabilities of the credit union to its  
7 members by an inspection and verification of their accounts. The  
8 commissioner shall promptly communicate the results of each  
9 examination to the president of the credit union examined, who  
10 shall present the report to the board at the next regular meeting  
11 or a special meeting if the commissioner so directs. The action  
12 taken by the board shall be communicated by the president to the  
13 commissioner within five days.



14 b. The officers, directors and employees of the credit union under  
15 examination shall exhibit its books, papers, records, documents, and  
16 securities to the commissioner or his representative and shall act  
17 to facilitate the examination. The commissioner or his representa-  
18 tive may administer an oath to any person whose testimony is  
19 required on any examination and may compel by subpoena the  
20 appearance of any person for the purpose of examination or for  
21 the production of books, papers, records, documents and securities.  
22 The subpoena may be served by any police officer or constable of  
23 the municipality in which the person resides. If any person fails to  
24 obey the subpoena, give testimony, answer questions or produce any  
25 books, papers, records, documents, securities or other things which  
26 may be required by the commissioner, the Superior Court may  
27 compel the person to do so.

28 c. A person who shall willfully testify falsely to a material matter  
29 upon an oath administered by the commissioner or his representa-  
30 tive upon an investigation or inquiry, or in regard to a report made  
31 by the commissioner, shall be guilty of perjury.

1 35. (New section) Every credit union examined by the commis-  
2 sioner shall pay the actual expenses of the examination, and the  
3 commissioner may maintain an action against any credit union to  
4 recover the fees and expenses herein provided for.

1 36. (New section) If it appears to the commissioner that any  
2 credit union has violated its certificate of incorporation, bylaws, or  
3 any law of this State, or if he determines that the credit union is  
4 conducting its business in an illegal, unsafe, or unauthorized  
5 manner, he shall direct the credit union to discontinue the illegal,  
6 unsafe, or unauthorized conduct of business. The order shall be  
7 sent to the president of the credit union. The president shall  
8 present the order to the board at its next regular meeting or at a  
9 special meeting if a special meeting is ordered by the commissioner.  
10 The action taken by the board with respect to the commissioner's  
11 order shall be communicated by the president to the commissioner  
12 within five days.

1 37. (New section) Whenever it appears to the commissioner:

2 a. That a credit union has violated its charter or any law of this  
3 State; or

4 b. That a credit union is conducting its business in an unsafe or  
5 unauthorized manner; or

6 c. That a credit union has refused to submit its books, papers,  
7 records, documents, securities, or anything else to the inspection of  
8 the commissioner or his representative; or

9 d. That any officer or director of a credit union has refused to  
 10 be examined under oath with respect to the affairs of the credit  
 11 union or has refused to answer questions under oath or to produce  
 12 any books, papers, records, documents, securities, or any other  
 13 thing in his possession, custody or control requested by the com-  
 14 missioner; or

15 e. That a credit union has suspended payment of its obligations;  
 16 or

17 f. That an examination or report provided for by this act dis-  
 18 closes facts from which the commissioner shall have reason to  
 19 conclude that a credit union is in an unsound or unsafe condition to  
 20 transact business or is insolvent or that it is unsafe or that it is  
 21 inexpedient for it to continue business; or

22 g. That a credit union has neglected or refused to observe an  
 23 order of the commissioner issued pursuant to this act;

24 He shall have the authority to institute an action in the Superior  
 25 Court or to take possession of the property and business of the  
 26 credit union.

1 38. (New section) In any action instituted in the Superior Court  
 2 pursuant to section 37 of this act, the court may enjoin the credit  
 3 union from the transaction of any further business or the transfer  
 4 or disposal of its property in any manner whatsoever, and the  
 5 court may appoint a receiver with the power to sue for, collect,  
 6 receive and take into his possession all of the goods and chattels,  
 7 rights and credits, moneys and effects, lands and tenements, books,  
 8 papers, choses in action, bills, notes and property of every descrip-  
 9 tion belonging to the credit union and to sell, convey and assign  
 10 the same and hold and dispose of the proceeds thereof under the  
 11 direction of the court, or the court may enjoin excessive expenses  
 12 of management, remove one or more of the officers, directors, em-  
 13 ployees or agents of the credit union and grant other relief or  
 14 correction as the facts demand. The court may proceed in a sum-  
 15 mary manner or otherwise.

1 39. (New section) Whenever the commissioner shall take pos-  
 2 session of the property and business of a credit union pursuant to  
 3 section 37 of this act, he shall retain possession until the property  
 4 and business of the credit union may be returned by him to the  
 5 management of its board on terms satisfactory to him, except the  
 6 commissioner shall have the authority to institute an action in  
 7 the Superior Court as provided by this act while in possession  
 8 of the property and business of the credit union, in which case he  
 9 shall retain the possession of the property and business of the  
 10 credit union until otherwise ordered by the court. The commissioner

11 may, if he deems it advisable and in the best interest of the mem-  
12 bers, permit the voluntary dissolution of the credit union and  
13 surrender to its officers and directors any powers which may be  
14 necessary to effect a dissolution as provided in this act, but in this  
15 case the trustees in dissolution to be appointed by the members  
16 shall be persons satisfactory to the commissioner and the bonds  
17 to be given by them shall be approved as to form, sufficiency and  
18 amount by the commissioner.

1 40. (New section) Upon taking possession of the property and  
2 business of a credit union, the commissioner may, pending the  
3 return of its property and business to the management of its board  
4 or the order or judgment of the Superior Court in an action insti-  
5 tuted under sections 37 and 38 of this act or its dissolution as  
6 herein provided, continue the operation of the business of the credit  
7 union. For that purpose, the commissioner shall have and may  
8 exercise every authority and power theretofore conferred by law,  
9 by the provisions of its certificate of incorporation and by its by-  
10 laws upon its board and committees and upon all and any of its  
11 officers, directors and committee members. However, this section  
12 shall not be construed to deprive any credit union at any time of  
13 title to its property, and all transfers and conveyances of property  
14 to the credit union during the commissioner's possession thereof  
15 shall be made in its name and all transfers and conveyances of  
16 property from the credit union shall be made in the name of the  
17 credit union, under its seal or otherwise as the circumstances may  
18 require, by the commissioner. Any act or thing done by the credit  
19 union, during the commissioner's possession as aforesaid, over the  
20 signature of or by order of the commissioner shall be construed to  
21 be the act of the credit union and shall be valid and effectual in  
22 law if the statutes of this State, the certificate of incorporation of  
23 the credit union or its bylaws shall have authorized its board,  
24 committees, any director thereof, any committee member thereof  
25 or any officer thereof to do or perform any act. The commissioner  
26 shall not be obligated to carry on the business of the credit union  
27 in possession unless he deems it proper and expedient so to do but  
28 may, during his possession thereof, conserve its assets until a  
29 time as he shall determine it expedient and proper to continue  
30 the business or until otherwise directed by the Superior Court in  
31 an action instituted pursuant to sections 39 and 40 of this act or  
32 until its dissolution.

1 41. (New section) The commissioner may, under his hand and  
2 official seal, appoint one or more special assistant deputy commis-  
3 sioners as agent or agents to assist him in the operation of the

4 business or conservation of the assets of any credit union in his  
5 possession; and the commissioner may, from time to time, delegate  
6 to any special assistant deputy commissioner the powers conferred  
7 on him by this act with respect to the operation of the business or  
8 conservation of the assets of the credit union in his possession as  
9 he may deem necessary. The commissioner may employ counsel,  
10 other expert assistance, or any other persons as shall in his opinion  
11 be needed for the continuation of the business or conservation of  
12 the assets of any credit union, and the compensations and salaries  
13 of all special assistant deputy commissioners, attorneys, expert  
14 assistants and other persons together with all other costs and ex-  
15 penses of a continuation of the business or conservation of the  
16 assets of the credit union shall be fixed by the commissioner and  
17 paid by the credit union and shall, until paid, constitute a prior  
18 claim against its assets. The commissioner shall require from  
19 special assistant deputy commissioners and other employees any  
20 security for the faithful performance of their respective duties as  
21 he may deem proper. Upon taking possession of any credit union  
22 the commissioner shall have power to terminate the employment  
23 of any employee of a credit union and no officer or director shall  
24 thereafter and until notified by the commissioner resume the exer-  
25 cise of any power in the management of the business or conduct  
26 of the affairs of the credit union. The commissioner shall have  
27 authority to call meetings of members for any purpose. The mem-  
28 bers present at any meeting may, by majority vote, and notwith-  
29 standing the provisions of the bylaws or certificate of incorpora-  
30 tion of the credit union, and without showing cause, declare vacant  
31 the office of any director or committee member of the credit union  
32 and appoint a successor to fill the vacancy thus arising.

1 42. (New section) Upon taking possession of the property and  
2 business of any credit union, the commission shall give notice of  
3 this fact to all banks, trust companies, corporations, associations  
4 and individuals holding any assets of the credit union. No bank,  
5 trust company, corporation, association or individual who knows  
6 of the commissioner's taking possession or who has been notified  
7 pursuant to this section shall have a lien or charge for any payment,  
8 advance or clearance made thereafter or liability incurred there-  
9 after against any of the assets of the credit union in his possession  
10 unless the payment, advance, clearance or liability has been au-  
11 thorized by the commissioner. Upon the commissioner's taking  
12 possession of the property and business of the credit union all  
13 judgments, decrees, levies and executions against the property of  
14 the credit union shall be thereafter stayed until otherwise directed

15 by the Superior Court or until the property and business of the  
16 credit union has been returned to the management of its board.

1 43. (New section) Whenever any credit union or a member  
2 thereof deems itself or himself aggrieved by the commissioner's  
3 taking possession of that credit union, that credit union or member  
4 may at any time after the commissioner's taking possession, insti-  
5 tute an action in the Superior Court to enjoin further proceedings.  
6 The court may proceed in a summary manner or otherwise.

1 44. (New section) a. A credit union may elect to dissolve volun-  
2 tarily and liquidate its affairs in the manner prescribed in this  
3 section.

4 b. The board shall adopt a resolution recommending the credit  
5 union be dissolved voluntarily, and directing that the question of  
6 liquidation be submitted to the members.

7 c. Within 10 days after the board decides to submit the question  
8 of liquidation to the members, the chairman shall notify the com-  
9 missioner and any government agency or other organization insur-  
10 ing member accounts thereof in writing, setting forth the reasons  
11 for the proposed liquidation. Within 10 days after the members  
12 act on the question of liquidation, the chairman shall notify the  
13 commissioner and any government agency or other organization  
14 insuring member accounts, in writing, as to the action of the mem-  
15 bers on the proposal.

16 d. As soon as the board decides to submit the question of  
17 liquidation to the members, payments on shares, share certificates,  
18 deposits, deposit certificates, withdrawal of shares, making any  
19 transfer of shares to loans and interest, making investments of any  
20 kind, and granting loans shall be suspended pending action by  
21 members on the proposal to liquidate. On approval by the members  
22 of the proposal, all business transactions shall be permanently dis-  
23 continued. Necessary expenses of operation shall, however, con-  
24 tinue to be paid on authorization of the board or liquidating agent  
25 during the period of liquidation.

26 e. For a credit union to enter voluntary liquidation, approval  
27 by a majority of the members in writing or by a two-thirds majority  
28 of the members present at a regular or special meeting of the  
29 members is required. Where authorization for liquidation is to  
30 be obtained at a meeting of the members, notice in writing shall  
31 be given to each member, by first class mail at least 10 days prior  
32 to the meeting.

33 f. A liquidating credit union shall continue in existence for the  
34 purpose of discharging its debts, collecting on loans and distribut-  
35 ing its assets, and doing all acts required in order to wind up its

36 business and may sue and be sued for the purpose of enforcing  
37 the debts and obligations until its affairs are fully concluded.

38 g. The board or the liquidating agent shall use the assets of the  
39 credit union to pay: (1) expenses incidental to liquidation including  
40 any surety bond that may be required; (2) any liability due non-  
41 members; and (3) deposits and deposit certificates as provided  
42 in this act. Assets then remaining shall be distributed to the mem-  
43 bers proportionately to the shares held by each member as of the  
44 date dissolution was voted.

45 h. As soon as the board or the liquidating agent determines that  
46 all assets from which there is a reasonable expectancy of realiza-  
47 tion have been liquidated and distributed as set forth in this section,  
48 they shall execute a Certificate of Dissolution, on a form prescribed  
49 by the commissioner, and file the same, together with all pertinent  
50 books and records of the liquidating credit union, with the com-  
51 missioner, whereupon the credit union shall be dissolved.

1     \*\*[45. (New section) a. A credit union organized under the law of  
2 another state may conduct business as a credit union in this State  
3 with the approval of the commissioner, if he finds that the out-of-  
4 state credit union.

5     (1) Is a credit union organized under laws similar to this act;

6     (2) Is financially solvent;

7     (3) Has account insurance comparable to that required for  
8 credit unions incorporated under this act;

9     (4) Is effectively examined and supervised by the supervisory  
10 authority of the state in which it is organized; and

11     (5) Needs to conduct business in this State to adequately serve  
12 its members in this State.

13 b. The out-of-state credit union shall agree to:

14     (1) Grant loans at rates not in excess of the rates permitted  
15 for credit unions incorporated under this act;

16     (2) Comply with the same consumer protection provisions that  
17 credit unions incorporated under this act shall obey;

18     (3) Designate and maintain an agent for the service of process  
19 in this State, which agent shall file a notice of his designation with  
20 the commissioner; and

21     (4) File with the commissioner copies of all reports required to  
22 be filed with the supervisory authority of the state in which it is  
23 organized.

24 c. Nothing in this section shall authorize the commissioner to  
25 conduct examinations of an out-of-state credit union. The com-  
26 missioner shall take reasonable steps as are necessary to insure  
27 that the supervisory authority of the state in which the credit

28 union is organized adequately examines and otherwise regulates  
29 the credit union.】\*\*

1     \*\*【46.】\*\* \*\*45\*\* (New section) A credit union organized under  
2 the provisions of this act may convert to operation as a federal  
3 Credit Union, or a federal Credit Union may convert to a credit  
4 union operating under the provisions of this act, without under-  
5 going dissolution or liquidation.

1     \*\*【47.】\*\* \*\*46.\*\* (New section) a. A Credit Union Advisory  
2 Council is created which shall consult with, advise, and make recom-  
3 mendations to the commissioner on matters pertaining to the  
4 chartering, operation and supervision of credit unions.

5     b. The council shall consist of five persons to be appointed by  
6 the Governor, *\*with the advice and consent of the Senate,\** who are  
7 members of State chartered credit unions within the State. Three  
8 members of the council shall have had a minimum of three years'  
9 experience as a credit union officer or director or a similar manage-  
10 ment position. Appointments to the council shall be for terms of  
11 five years except that four of the initial apointments shall be for  
12 terms of four, three, two, and one years respectively, so that in each  
13 subsequent year one member shall be appointed to a full term.

14     c. All members shall serve until their successors have been ap-  
15 pointed and qualified. In the event a vacancy occurs, the appoint-  
16 ment to fill the vacancy for the unexpired term shall be in the man-  
17 ner of the original appointment.

18     d. The chairman of the council shall be elected annually and  
19 from the members thereof.

20     e. The initial meeting of the council shall be called by the com-  
21 missioner. Thereafter, regular meetings shall be held at times and  
22 places as shall be determined by the chairman, the commissioner,  
23 or a majority of the council members. The council may establish  
24 its own procedures and practices.

25     f. Expenses of the council shall be borne by the credit unions.

1     \*\*【48.】\*\* \*\*47.\*\* N. J. S. 12A:9-203 is amended to read as  
1A follows:

2     12A:9-203. Attachment and Enforceability of Security Interest;  
3 Proceeds; Formal Requisites.

4     (1) Subject to the provisions of 12A:4-208 on the security  
5 interest of a collecting bank and 12A:9-113 on a security interest  
6 arising under the Chapter on Sales, a security interest is not en-  
7 forceable against the debtor or third parties with respect to the  
8 collateral and does not attach unless

9     (a) The collateral is in the possession of the secured party pur-  
10 suant to agreement, or the debtor has signed a security agreement

11 which contains a description of the collateral and in addition, when  
 12 the security interest covers crops growing or to be grown or timber  
 13 to be cut, a description of the land concerned; and

14 (b) Value has been given; and

15 (c) The debtor has rights in the collateral.

16 (2) A security interest attaches when it becomes enforceable  
 17 against the debtor with respect to the collateral. Attachment  
 18 occurs as soon as all of the events specified in subsection (1) have  
 19 taken place unless explicit agreement postpones the time of attach-  
 20 ing.

21 (3) Unless otherwise agreed a security agreement gives the  
 22 secured party the rights to proceeds provided by 12A:9-306.

23 (4) A transaction, although subject to this chapter, is also sub-  
 24 ject to the provisions of those statutes set forth as saved from  
 25 repeal by this subtitle in section 12A:10-104, and in case of con-  
 26 flict between the provisions of this chapter and any such statute  
 27 so saved from repeal, the provisions of such statute control.  
 28 Failure to comply with any such applicable statute has only the  
 29 effect which is specified therein.

30 (5) *In case of conflict between this chapter and the provisions*  
 31 *of "The Credit Union Act of 1984," P. L. , c. (C. )*  
 32 *(now pending before the Legislature as Senate Bill No. 1223 of*  
 33 *1984) concerning a transaction subject to this chapter and also*  
 34 *subject to the provisions of "The Credit Union Act of 1984," the*  
 35 *provisions of "The Credit Union Act of 1984" shall control.*

1 \*\*[49.]\*\* \*\*48.\*\* N. J. S. 12A:10-104 is amended to read as  
 1A follows:

2 12A:10-104. Statutes saved from repeal.

3 The following statutes and parts of statutes and all amendments  
 4 thereof are hereby specifically saved from repeal and shall remain  
 5 effective as provided in section 12A:9-203:

6 Uniform Act for Simplification of Fiduciary Security Transfers  
 7 1959 laws, chapter 200 (14:18-1 through 14:18-12),

8 The Banking Act of 1948

9 1948 laws, chapter 67, § 54 (17:9A-54), § 55 (17:9A-55), § 59  
 10 (17:9A-59),

11 Small Loan Law

12 R. S. 17:10-1 through R. S. 17:10-26, 1958 laws, chapter 107  
 13 supplementing the same,

14 Provident Loan Associations

15 R. S. 17:11-1 through R. S. 17:11-12, 1953 laws, chapter 353  
 16 (17:11-13 through 17:11-18)

17 Savings and Loan Act



18 1946 laws, chapter 56, § 78 (17:12A-78), § 79 (17:12A-79),  
 19 **【Credit Unions**  
 20 1938 laws, chapter 293, § 1 through 44 (17:13-26 through  
 21 17:13-69)】 (*Deleted by amendment, P. L. , c.* ),  
 22 Safe Deposit Companies Law  
 23 R. S. 17:14-1 through R. S. 17:14-8,  
 24 Investment Companies Law  
 25 1938 laws, chapter 322, § 1 through 20 (17:16A-1 through  
 26 17:16A-20),  
 27 Retail Installment Sales Act of 1960  
 28 1960 laws, chapter 40 (17:16C-1 through 17:16C-61),  
 29 Home Repair Financing Act  
 30 1960 laws, chapter 41 (17:16C-62 through 17:16C-94),  
 31 Usury Law  
 32 R. S. 31:1-1 through R. S. 31:1-6,  
 33 Assignment or Purchase of Wages Law  
 34 R. S. 34:11-25, R. S. 34:11-26.  
 35 Motor Vehicle Certificate of Ownership Law  
 36 R. S. 39:10-1 through R. S. 39:10-25,  
 37 Pawnbrokers and Dealers in Secondhand Goods Law  
 38 R. S. 45:22-1 through R. S. 45:22-34, 1939 laws, chapter 55, § 1  
 39 through 7 (45:22-35 through 45:22-41),  
 40 Chattel Mortgages Included in Realty Mortgages  
 41 R. S. 46:28-10,  
 42 R. S. 46:28-14,  
 43 Bridge Companies Law  
 44 R. S. 48:5-18,  
 45 Railroads Law  
 46 R. S. 48:12-18,  
 47 Street Railways Law  
 48 R. S. 48:15-15.

1 **\*\*【50.】\*\*** **\*\*49.\*\*** Section 10 of P. L. 1968, c. 196 (C. 17:13-73) is  
 2 amended to read as follows:

3 10. **【(a)】** *a.* One hundred or more credit unions operating under  
 4 provisions of this act, or operating in this State under the pro-  
 5 visions of the federal Credit Union Act may organize a *nonprofit*  
 6 single *corporate* central credit union whose membership shall be  
 7 limited to:

- 8 (1) Credit unions operating under the provisions of this act or  
 9 operating in this State under the provisions of the federal Credit  
 10 Union Act, and organizations composed of such credit unions;
- 11 (2) Employees of the *corporate* central credit union;
- 12 (3) Employes of the New Jersey Credit Union League;

13 (4) Persons who are members of credit unions in this State  
 14 which have entered or are about to enter into voluntary or in-  
 15 voluntary dissolution or liquidation;

16 (5) Children of members of any New Jersey credit union which  
 17 does not provide educational loan services, may, with the approval  
 18 of such credit union, become members of the **【Central Credit**  
 19 **Union】** *corporate central credit union* for the sole purpose of  
 20 securing educational loans which are guaranteed by a State or  
 21 federal agency, and such membership shall terminate when the  
 22 educational loan is repaid;

23 (6) Employees of small business groups defined as having less  
 24 than 100 people, which groups are located in the State of New  
 25 Jersey;

26 (7) Any agency or association organized as a stock company,  
 27 mutual association or membership corporation, or trade association  
 28 which is organized to service or assist credit unions;

29 (8) Central credit unions operating under the provisions of the  
 30 federal Credit Union Act or under the laws of any state of the  
 31 United States and credit unions operating in any other state of  
 32 the United States.

33 **【(b)】** *b.* Each credit union **【or】**, credit union organization, *or*  
 34 *association* becoming a member of the *corporate* central credit  
 35 union shall designate one member authorized by the board of  
 36 directors as the voting representative of the credit union. Such  
 37 voting representative is eligible for office in the *corporate* central  
 38 credit union in the same manner as if he were a member thereof.

39 **【(c)】** The central credit union shall have all the rights and  
 40 powers of any other credit union organized under this act, and in  
 41 addition, shall have the power to obtain through purchase the  
 42 assets and liabilities of any credit union operating in this State  
 43 which enters into liquidation; and shall have the power to invest in  
 44 and grant loans to associations of credit unions, central funds of  
 45 credit unions, or organizations chartered to provide exclusive  
 46 service to credit unions as provided for hereinbelow notwithstand-  
 47 ing any of the provisions of this act regulating credit unions. **】** *c.*  
 48 *(Deleted by amendment, P. L. . . . , c. . . . )*

49 **【(d)】** The Central Credit Union organized under this paragraph  
 50 shall have the authority to make loans to other credit unions orga-  
 51 nized under this act or operating in this State under the provisions  
 52 of the federal Credit Union Act or to central credit unions operat-  
 53 ing under the provisions of the federal Credit Union Act or under  
 54 the laws of any state of the United States to an aggregate amount  
 55 90% of its assets. **】** *d.* *(Deleted by amendment, P. L. . . . , c. . . . )*

56 [(e) Funds of the Central Credit Union not used in loans to mem-  
 57 bers may also be invested in the capital shares, obligations, or pre-  
 58 ferred stock issues of any agency or association organized as a stock  
 59 company, mutual association or membership corporation, pro-  
 60 vided the membership or the stockholdings, as the case may be, of  
 61 such agency or association, are confined or restricted to credit  
 62 unions or organizations of credit unions, and provided such agency,  
 63 association, or corporation is organized to service or otherwise  
 64 assist credit unions;] *e. (Deleted by amendment, P. L. , c. .)*

65 [(f) The Central Credit Union organized under this act shall  
 66 have the power to borrow money from any source and to issue notes  
 67 or debentures.] *f. (Deleted by amendment, P. L. , c. .)*

1 \*\*[51.]\*\* \*\*50.\*\* (New section) The corporate central credit  
 2 union shall be subject to all parts of "The Credit Union Act of  
 3 1984," P. L. , c. , sections 2 to \*\*[47]\*\* \*\*46\*\* (C.  
 4 to C. ) (now pending before the Legislature as Senate  
 5 Bill No. 1223 of 1984) not inconsistent with these amendatory and  
 6 supplementary sections.

7 A corporate central credit union shall be a nonprofit association,  
 8 the purpose of which is:

9 a. To assist in the management of the liquidity of its member  
 10 credit unions through interlending and investment and related  
 11 services;

12 b. To act as an intermediary for the movement of credit union  
 13 funds between member credit unions and other corporate credit  
 14 unions;

15 c. To obtain funds from other credit union organizations, finan-  
 16 cial intermediaries, and other sources;

17 d. To foster and promote, in cooperation with other state, re-  
 18 gional, and national central credit unions and credit union organi-  
 19 zations or associations, the economic security, growth and develop-  
 20 ment of member credit unions; and

21 e. To perform any other financial services or benefit to its mem-  
 22 bers which are authorized by the commissioner.

1 \*\*[52.]\*\* \*\*51.\*\* (New section) The corporate central credit  
 2 union shall have the power to:

3 a. Accept shares or deposits from its members, other state,  
 4 regional or national corporate credit unions, and credit union  
 5 organizations or associations;

6 b. Make loans to credit unions, to other state, regional or national  
 7 corporate credit unions, organizations or associations of credit  
 8 unions, and to other members;

9 c. Establish lines of credit for members and participate with  
10 other credit unions in making loans to its members under the terms  
11 and conditions determined by the board of directors of the corpor-  
12 ate central credit union;

13 d. Invest in the shares of, or make deposits in, credit unions;

14 e. Buy and sell any form of marketable debt obligations of  
15 domestic or foreign corporations or of federal, state or local  
16 governments or other instrumentalities;

17 f. Borrow from any source, without limitation, accept demand  
18 deposits from any source, and issue notes or debentures;

19 g. Acquire or sell the assets and assume the liabilities of a  
20 member;

21 h. Enter into agreements with credit unions to discount or pur-  
22 chase loans made pursuant to government guaranteed loan pro-  
23 grams, real estate loans made by members, or any obligations of  
24 the United States or any agency thereof held by members; and

25 i. Exercise any powers or privileges conferred upon a federal  
26 corporate credit union, subject to the approval of the commissioner.

1 **\*\*[53.]\*\*** **\*\*52.\*\*** (New section) The corporate central union  
2 may enter into agreements for the purpose of:

3 a. Participating in any state or federal central liquidity facility  
4 or central financial system for credit unions;

5 b. Aiding credit unions in establishing concentrated lines of  
6 credit with other financial institutions; and

7 c. Acting as a depositor and transmitter of funds to carry out  
8 these agreements.

1 **\*\*[54.]\*\*** **\*\*53.\*\*** (New section) The corporate central union shall  
2 have a right of immediate setoff against the balances of the share  
3 and deposit accounts of each member for any amounts due from the  
4 member to the corporate central credit union. The corporate cen-  
5 tral credit union shall have a lien on all share and deposit accounts  
6 of each member in the amount of the total indebtedness of the  
7 member to the corporate central credit union. The lien created  
8 herein shall attach to those accounts and be effective whenever the  
9 member is indebted to the corporate central credit union. The lien  
10 shall have priority over any interests of all members and un-  
11 secured creditors of the member credit unions of the corporate  
12 central credit union. The board of directors of the corporate cen-  
13 tral credit union may require and accept additional security for  
14 loans to a member in the form of a pledge, assignment, hypo-  
15 thecation or mortgage of any assets of the member or a guarantor.

1 **\*\*[55.]\*\*** **\*\*54.\*\*** (New section) a. The board of the corporate

2 central credit union shall meet at least every 30 days as provided in  
2A the bylaws.

3 b. The annual meeting of the members of the corporate central  
4 credit union shall be held at such time as prescribed in the bylaws.  
5 Each corporate member shall be entitled to one vote irrespective  
6 of the number of shares held by the member.

1 **\*\*[56.]\*\*** **\*\*55.\*\*** (New section) The corporate central credit  
2 union shall be exempt from the regular reserve requirements of this  
3 act, but shall be required to establish and maintain a reserve to  
4 meet losses, in accordance with regulations prescribed by the  
5 commissioner.

1 **\*\*[57.]\*\*** **\*\*56.\*\*** (New section) The corporate credit union shall  
2 be exempt from the share and deposit insurance requirements of  
3 "The Credit Union Act of 1984," P. L. , c. sections 2 to  
4 **\*\*[47.]\*\*** **\*\*46.\*\*** (C. to C. ) (now pending  
5 before the Legislature as Senate Bill No. \*1223\* of 1984).

1 **\*\*[58.]\*\*** **\*\*57.\*\*** The commissioner shall promulgate any rules  
2 and regulations which he deems necessary to effectuate the purposes  
3 of this act.

1 **\*\*[59.]\*\*** **\*\*58.\*\*** P. L. 1938, c. 293 (C. 17:13-26 to 17:13-71) is  
2 repealed. P. L. 1982, c. 86 (C. 17:13-75 to 17:13-78) is saved from  
3 repeal.

1 **\*\*[60.]\*\*** **\*\*59.\*\*** This act shall take effect 90 days following  
2 enactment.

2 from the share and deposit insurance requirements of "The Credit  
 3 Union Act of 1984," P. L. , c. sections 2 to 47 (C.  
 4 to C. ) (now pending before the Legislature as Senate  
 5 Bill No. of 1984).

1 58. The commissioner shall promulgate any rules and regula-  
 2 tions which he deems necessary to effectuate the purposes of this  
 3 act.

1 59. P. L. 1938, c. 293 (C. 17:13-26 to 17:13-71) is repealed.

2 P. L. 1982, c. 86 (C. 17:13-75 to 17:13-78) is saved from repeal.

1 60. This act shall take effect 90 days following enactment.

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#### STATEMENT

This bill repeals P. L. 1938, c. 293 (C. 17:13-26 to 17:13-71), which provides for the chartering and regulation of credit unions and establishes a new body of law governing credit unions in its place. P. L. 1968, c. 196 (C. 17:13-73 and 74), which establishes a central credit union, is amended and supplemented to clarify and augment the powers of the central credit union. P. L. 1982, c. 86 (C. 17:13-75 to C. 17:13-78), which required credit unions incorporated under P. L. 1938, c. 293 to obtain insurance, is saved from repeal.

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SENATE LABOR, INDUSTRY AND PROFESSIONS  
COMMITTEE

STATEMENT TO

**SENATE, No. 1223**

**STATE OF NEW JERSEY**

DATED: APRIL 12, 1984

This is a complete revision of the present law governing credit unions, P. L. 1983, c. 293 (C. 17:13-26 to 17:13-71). It is a modernization and simplification of the body of law relating to the chartering and regulation of credit unions.

The revision incorporates a streamlined chartering procedure which is similar to that of other depository institutions. The bill permits state chartered credit unions to exercise powers which are consonant with those exercised by federally chartered credit unions, while preserving the member-oriented type of governance which is traditional to credit unions. The revision provides somewhat broader criteria for membership in credit unions than has existed in the past; groups forming credit unions will no longer be required to have a common bond of similar occupation, association or interest; the bill permits the Commissioner of Banking to issue charters to groups which have other types of relationships.

The bill provides for the board of directors of credit unions to establish an executive committee, which may be authorized to act for the board, although there is some statutory proscription of their power. There is also provision for the establishment of an examining committee and a credit committee, which is to oversee the credit union's lending activities.

The bill establishes the type of deposit accounts which the credit union may offer to its members, and the conditions under which funds may be withdrawn from the accounts. Loans may be made to members on an installment basis, on a revolving basis, or repayable in a lump sum. The bill authorizes credit unions to collect recording fees and collection fees on loans which are in default. Any rate of interest may be charged on a credit union loan which is agreed to by the credit union and the borrower. Loans may be made to officers and directors on substantially the same terms as those prevailing at the time for comparable transactions with other members.

The bill provides a schedule for reserves against contingencies, which may be modified by the Commissioner of Banking in his discretion.

Mergers would have to be agreed to by the board of both credit unions, and by the membership of the merging credit union.

Annual reports would be required to be submitted by every credit union to the commissioner who would be required to examine every credit union at least once every two years unless the credit union has been examined by a certified public accountant who files an opinion of his examination with the commissioner.

The bill contains many of the same provisions which exist in present law with respect to the commissioner's enforcement powers, and establishes procedures for voluntary liquidations of credit unions.

The bill would permit out of state credit unions to conduct business in New Jersey if they are chartered in a state with similar credit union laws. The bill also provides for conversion from a state to a federal charter and a federal to a state charter.

The legislation creates a Credit Union Advisory Council which would consult with, advise, and make recommendations to the commissioner on matters pertaining to the chartering, operation, and supervision of credit unions.

The bill amends section 10 of P. L. 1968, c. 196 (C. 17:13-73) to change the designation of the present central credit union to the corporate central credit union and to modify and restate its powers. The corporate central credit union would provide services to its member credit unions, including financial services.

The bill repeals P. L. 1983, c. 293, which is the existing credit union law. P. L. 1982, c. 86, which required credit unions incorporated under P. L. 1983, c. 293 to obtain deposit insurance is saved from repeal.

This law revision is intended to modernize the existing credit union law, incorporating certain changes which have occurred over the past several years with respect to laws governing federally chartered credit unions.

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September 13, 1984

SENATE BILL NO. 1223 (OCR)

To the Senate:

Pursuant to Article V, Section I, Paragraph 14 of the Constitution, I herewith return Senate Bill No. 1223 (OCR) with my objections and recommendations for amendment.

This bill, entitled "The Credit Union Act of 1984," revises the law pertaining to the incorporation and regulation of State chartered credit unions. Senate Bill No. 1223 (OCR) also repeals current law, P.L. 1938, c.293 (C.17:13-26 through 17:13-71). The primary purpose of this act is to modernize the law pertaining to State chartered credit unions to incorporate important innovative changes that currently exist within the federal law governing federally chartered credit unions.

I support the general purpose of Senate Bill No. 1223 (OCR). Modernizing the law governing State chartered credit unions will encourage groups having reasonable common bonds to form credit unions and will create an incentive for federally chartered credit unions doing business in this State to become State chartered credit unions. Although I support the concepts expressed within Senate Bill No. 1223 (OCR), there exist a few problems with this bill that require that I return Senate Bill No. 1223 (OCR) to you with my recommendations for amendment.

Section 14b of Senate Bill No. 1223 (OCR) must be amended to clarify the scope of credit union membership. Section 14b provides that credit union membership may include, but is not necessarily limited to, groups having a common bond of similar occupation, association or interest, members of the immediate family of those persons, or otherwise, as approved by the Commissioner.

I am concerned that Section 14b, by not limiting credit union membership to groups having the common bonds that are enumerated within the subsection, could prompt the formation of credit unions having unreasonable common bonds of membership. For this reason, I recommend that Section 14b be amended to delete the language "but is not necessarily limited to" from the section.

STATE OF NEW JERSEY  
EXECUTIVE DEPARTMENT

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In addition, Section 14b is also deficient in that it neglects to include one group for which credit unions are very important; that is the group having a common bond of a well-defined neighborhood, community or rural district. For many of these individuals, a credit union represents the only avenue by which they may take advantage of savings and investment vehicles with which to build a better life. Accordingly, I recommend that Section 14b also be amended to include, as an eligible group, persons having a common bond of a well-defined neighborhood, community or rural district.

By amending Section 14b in the manner that I have outlined above, the scope of credit union membership will be clarified. Additionally, as amended, Section 14b will coincide with the pertinent provision within federal law, 12 U.S.C. sec. 1759.

Section 34, pertaining to credit union examinations, must be amended to clarify the language within the section. Section 34 currently provides that an examination by the Commissioner of Banking shall not be necessary if a certified public accountant makes an examination and then files an opinion with the Commissioner. This language could be interpreted as still giving the Commissioner the privilege of performing an examination. However, the above language could also be interpreted as foreclosing the Commissioner from making an examination if the certified public accountant files an opinion. Accordingly, I recommend that Section 34 be amended to ensure that the Commissioner of Banking may have the choice either of examining a credit union or of accepting the opinion of a certified public accountant.

I am also concerned with Section 45 pertaining to out-of-state credit unions. Section 45 provides that a credit union organized under the laws of another state may do business as a credit union of this State if it satisfies certain enumerated conditions. This provision is in opposition to our current State policy regarding interstate banking operations. Our current policy mandates that financial institutions in our State may not operate interstate. Section 45, although pertaining to out-of-state credit unions, is contrary to current State policy as it would allow these entities to conduct business interstate. As such, I recommend that Section 45 be deleted from this act until such time as our State policy regarding interstate banking operations changes.

STATE OF NEW JERSEY  
EXECUTIVE DEPARTMENT

September 13, 1984

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I am concerned that Section 14b, by not limiting credit union membership to groups having the common bonds that are enumerated within the subsection, could prompt the formation of credit unions having unreasonable common bonds of membership. For this reason, I recommend that Section 14b be amended to delete the language "but is not necessarily limited to" from the section.