

17:9A-59.6 and 17:9A-59.11

LEGISLATIVE HISTORY CHECKLIST

NJSA: 17:9A-59.6 and 17:9A-59.11

(Advance loan contracts-  
certain-increase fees and  
credit limits)

LAWS OF: 1984

CHAPTER: 225

Bill No: A1966

Sponsor(s): Kosco and others

Date Introduced: May 14, 1984

Committee: Assembly: Banking and Insurance

Senate: Labor, Industry and Professions

Amended during passage: No

Date of Passage: Assembly: June 28, 1984

Senate: November 19, 1984

Date of Approval: December 26, 1984

Following statements are attached if available:

Sponsor statement: Yes

Committee statement: Assembly Yes

Senate Yes

Fiscal Note: No

Veto Message: No

Message on Signing: Yes

Following were printed:

Reports: No

Hearings: No

ASSEMBLY, No. 1966

STATE OF NEW JERSEY

INTRODUCED MAY 14, 1984

By Assemblymen KOSCO, M. ADUBATO, DEVERIN, LARocca,  
SCHUBER and LOVEYS

AN ACT concerning fee and credit limitations on advance loan contracts and amending P. L. 1959, c. 91.

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

1 1. Section 6 of P. L. 1959, c. 91 (C. 17:9A-59.6) is amended to  
2 read as follows:

3 6. A. Notwithstanding the provisions of R. S. 31:1-1 or any  
4 other law to the contrary, the rate or rates on advance loans shall  
5 be as agreed to by the bank and the borrower. Interest may be  
6 reckoned according to any method authorized by R. S. 31:1-1.

7 The contract may provide that the interest rate may be in-  
8 creased, or may be decreased, or both, from time to time; provided,  
9 however, that no increase in interest shall be effective unless: (a)  
10 at least 90 days prior to the effective date of the first such increase,  
11 or 30 days prior to the effective date of any subsequent increase, a  
12 written notice has been mailed or delivered to the borrower that  
13 clearly and conspicuously describes such change and the indebted-  
14 edness to which it applies and states that the incurrence by the  
15 borrower or another person authorized by him of any further in-  
16 debtedness under the plan to which the agreement relates on or  
17 after the effective date of the increase specified in the notice shall  
18 constitute acceptance of the increase and (b) either the borrower  
19 agrees in writing to the increase or the borrower or another person  
20 authorized by him incurs such further indebtedness on or after the

**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.

21 effective date of the increase stated in the notice. The provisions  
 22 of this paragraph permitting an increase in a rate of interest shall  
 23 not apply in the case of an agreement which expressly prohibits  
 24 changing of interest rates or which provides limitations on changing  
 25 of interest rates which are more restrictive than the requirements  
 26 of this paragraph. If the contract provides for the possibility of  
 27 an increase or decrease, or both, in the rate, that fact shall be  
 28 clearly described in plain language, in at least 8-point bold face  
 29 type on the face of the contract.

30 B. For the purposes of this section, charges for premiums ad-  
 31 vanced by the bank for credit life insurance, or credit accident and  
 32 health insurance, or both, shall be treated as part of the principal  
 33 balance owing on an advance loan, but no such charge shall be  
 34 included in determining the maximum permissible indebtedness as  
 35 limited by section 11 of this act.

36 C. Notwithstanding the provisions of any other law to the con-  
 37 trary, a bank which issues a credit card in connection with an  
 38 advance loan contract in effect between the bank and the borrower  
 39 as authorized by this act may charge the borrower a fee not ex-  
 40 ceeding \$15.00 per annum on an annual or monthly basis; *except*  
 41 *that, if under the advance loan contract, the bank may lend the*  
 42 *borrower an amount of \$5,000.00 or more, the bank may charge the*  
 43 *borrower a fee not exceeding \$50.00 per annum on an annual or*  
 44 *monthly basis. The charge so made (1) may be collected in advance,*  
 45 *(2) shall be in addition to and not in substitution of any other fee*  
 46 *or charge authorized by this act, and (3) shall not be deemed to be*  
 47 *an interest charge.*

1 2. Section 11 of P. L. 1959, c. 91 (C. 17:9A-59.11) is amended to  
 2 read as follows:

3 11. No bank shall make any advance loan for the payment of  
 4 which any person shall be liable in any capacity to the bank if  
 5 the making of such loan would cause the liability in any capacity  
 6 of such person to the bank on all advance loans to exceed  
 7 ~~[\$15,000.00]~~ \$25,000.00, exclusive of interest, insurance premiums  
 8 and other charges.

1 3. This act shall take effect immediately.

---

#### STATEMENT

Premium credit cards are becoming increasingly popular with higher income individuals to whom they are targeted. These cards typically offer a wide array of services including higher credit lines, special checks providing direct access to accounts, travel and

other benefits. There is characteristically an annual membership fee attached.

New Jersey financial institutions have been inhibited in offering such customers this type of service because of the statutory limit of \$15.00 on annual credit card fees. The premium card is often used for convenience, so the financial institution's ability to earn interest income is diminished. As a result, New Jersey institutions do not offer premium credit cards to their customers. New Jersey residents lose the convenience of dealing with an in-state bank and are forced to look out-of-state for this service. The potential to cross-sell other financial services is, thereby, lost to New Jersey institutions as well as the benefit inherent in the extension of credit. As a result, New Jersey financial institutions are placed at a competitive disadvantage in respect to other retail services as well as premium credit cards.

This bill will permit New Jersey financial institutions to compete with out-of-state competitors allowing them to offer a viable product. Unlike the statutes in other states, the higher fee is only assessed to more affluent credit card holders whose contract is over \$5,000.00. New Jersey residents will benefit as the need to look out-of-state for this service will be eliminated.

In addition, this bill raises the maximum amount for which banks may make advance loans from \$15,000.00 to \$25,000.00.

---

21 effective date of the increase stated in the notice. The provisions  
 22 of this paragraph permitting an increase in a rate of interest shall  
 23 not apply in the case of an agreement which expressly prohibits  
 24 changing of interest rates or which provides limitations on changing  
 25 of interest rates which are more restrictive than the requirements  
 26 of this paragraph. If the contract provides for the possibility of  
 27 an increase or decrease, or both, in the rate, that fact shall be  
 28 clearly described in plain language, in at least 8-point bold face  
 29 type on the face of the contract.

30 B. For the purposes of this section, charges for premiums ad-  
 31 vanced by the bank for credit life insurance, or credit accident and  
 32 health insurance, or both, shall be treated as part of the principal  
 33 balance owing on an advance loan, but no such charge shall be  
 34 included in determining the maximum permissible indebtedness as  
 35 limited by section 11 of this act.

36 C. Notwithstanding the provisions of any other law to the con-  
 37 trary, a bank which issues a credit card in connection with an  
 38 advance loan contract in effect between the bank and the borrower  
 39 as authorized by this act may charge the borrower a fee not ex-  
 40 ceeding \$15.00 per annum on an annual or monthly basis; *except*  
 41 *that, if under the advance loan contract, the bank may lend the*  
 42 *borrower an amount of \$5,000.00 or more, the bank may charge the*  
 43 *borrower a fee not exceeding \$50.00 per annum on an annual or*  
 44 *monthly basis. The charge so made (1) may be collected in advance,*  
 45 (2) shall be in addition to and not in substitution of any other fee  
 46 or charge authorized by this act, and (3) shall not be deemed to be  
 47 an interest charge.

1 2. Section 11 of P. L. 1959, c. 91 (C. 17:9A-59.11) is amended to  
 2 read as follows:

3 11. No bank shall make any advance loan for the payment of  
 4 which any person shall be liable in any capacity to the bank if  
 5 the making of such loan would cause the liability in any capacity  
 6 of such person to the bank on all advance loans to exceed  
 7 **[\$15,000.00]** \$25,000.00, exclusive of interest, insurance premiums  
 8 and other charges.

1 3. This act shall take effect immediately.

---

#### STATEMENT

Premium credit cards are becoming increasingly popular with  
 higher income individuals to whom they are targeted. These cards  
 typically offer a wide array of services including higher credit  
 lines, special checks providing direct access to accounts, travel and

A1966(1984)

other benefits. There is characteristically an annual membership fee attached.

New Jersey financial institutions have been inhibited in offering such customers this type of service because of the statutory limit of \$15.00 on annual credit card fees. The premium card is often used for convenience, so the financial institution's ability to earn interest income is diminished. As a result, New Jersey institutions do not offer premium credit cards to their customers. New Jersey residents lose the convenience of dealing with an in-state bank and are forced to look out-of-state for this service. The potential to cross-sell other financial services is, thereby, lost to New Jersey institutions as well as the benefit inherent in the extension of credit. As a result, New Jersey financial institutions are placed at a competitive disadvantage in respect to other retail services as well as premium credit cards.

This bill will permit New Jersey financial institutions to compete with out-of-state competitors allowing them to offer a viable product. Unlike the statutes in other states, the higher fee is only assessed to more affluent credit card holders whose contract is over \$5,000.00. New Jersey residents will benefit as the need to look out-of-state for this service will be eliminated.

In addition, this bill raises the maximum amount for which banks may make advance loans from \$15,000.00 to \$25,000.00.

---

ASSEMBLY BANKING AND INSURANCE COMMITTEE

STATEMENT TO

ASSEMBLY, No. 1966

STATE OF NEW JERSEY

DATED: MAY 21, 1984

Assembly Bill No. 1966 enables financial institutions authorized to make advance loans on credit cards to charge higher fees for loan contracts of \$5,000.00 or more, and to increase the maximum amount that can be loaned under advance loan contracts.

This bill authorizes eligible financial institutions:

- (1) To charge a per annum fee not to exceed \$50.00 on advance loans on credit cards, if the contract allows the borrowing of \$5,000.00 or more; and
- (2) To increase the limits on any advance loan from \$15,000.00 to \$25,000.00.

The current fee limit of up to \$15.00 per annum would continue to apply to contracts limiting the amount of advance loans on credit cards to under \$5,000.00.

SENATE LABOR, INDUSTRY AND PROFESSIONS  
COMMITTEE

STATEMENT TO  
**ASSEMBLY, No. 1966**

**STATE OF NEW JERSEY**

DATED: SEPTEMBER 13, 1984

This bill amends "The Advance Loan Law of 1968" and provides for the following:

1. Increases the limits on any advance loan from \$15,000.00 to \$25,000.00; and
2. Allows financial institutions which are authorized to make advance loans on credit cards to charge a per annum fee of \$50.00 or less for such an advance loan contract, if the contract allows the borrowing of \$5,000.00 or more.

The current fee limit of not more than \$15.00 per annum would continue to apply to contracts which limit the amount of advance loans on credit cards to under \$5,000.00.





# OFFICE OF THE GOVERNOR NEWS RELEASE

CN-001  
Contact: PAUL WOLCOTT  
609-292-8956

TRENTON, N.J. 08625  
Release: THURS., DEC. 27, 1984

Governor Thomas H. Kean has signed legislation which will permit financial institutions to charge a maximum \$50 annual fee on advance loan contracts with credit lines over \$5,000. The bill also raises the aggregate advance loan contract credit line ceiling from \$15,000 to \$25,000.

The bill, A-1966, was sponsored by Assemblyman Louis F. Kosko, R-Bergen. Under the terms of the bill the current maximum fee of \$15 will still apply to advance loan contracts with credit lines of \$5,000 or less. An advance loan contract allows a bank to lend money to approved customers upon the customer's written authorization.

"This bill will bring New Jersey law into line with laws in surrounding states, and give our banks the opportunity to compete more effectively with banks in neighboring states," Kean said.

# # # #