

17:13-75 to 17:13-78

LEGISLATIVE HISTORY CHECKLIST

NJSA 17:13-75 to 17:13-78 (Credit unions--State-chartered -
require share insurance)

LAWS 1982 CHAPTER 86

Bill No. A1366

Sponsor(s) Karcher and others

Date Introduced May 3, 1982

Committee: Assembly Banking and Insurance

Senate Labor, Industry and Professions

Amended during passage Yes ~~XXX~~ Amendments during passage
denoted by asterisks

Date of Passage: Assembly May 24, 1982

Senate June 24, 1982

Date of approval July 23, 1982

Following statements are attached if available:

Sponsor statement Yes ~~XXX~~ (Below)

Committee Statement: Assembly Yes ~~XXX~~

Senate Yes ~~XXX~~

Fiscal Note ~~XXX~~ No

Veto Message ~~XXX~~ No

Message on signing ~~XXX~~ No

Following were printed:

Reports ~~XXX~~ No

Hearings ~~XXX~~ No

Sponsors' statement:

The bill provides that all State chartered credit unions be required to obtain share insurance or, in lieu thereof, liquidate or merge with an insured credit union. Share insurance under the Federal Credit Union Act has been mandatory since 1970 and is deemed necessary in order to adequately protect shareholder's deposits.

6/22/81

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[OFFICIAL COPY REPRINT]
ASSEMBLY, No. 1366

STATE OF NEW JERSEY

INTRODUCED MAY 3, 1982

By Assemblymen KARCHER, KERN, ADUBATO, D. GALLO,
KOSCO, THOMPSON, LESNIAK and KELLY

Referred to Committee on Banking and Insurance

A SUPPLEMENT to "An act to provide for the incorporation and regulation of credit unions, and repealing sections 17:13-1 to 17:13-25, inclusive, of the Revised Statutes," approved June 4, 1938 (P. L. 1938, c. 293; C. 17:13-26 et seq.).

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

1 1. Within 1 year of the effective date of this act, every credit
2 union incorporated under the act to which this act is a supplement
3 shall, as a condition of its authority to do business in this State,
4 apply for insurance on shares and deposits as provided by the
5 National Credit Union Administration under Title II of the Fed-
6 eral Credit Union Act, Pub. L. 91-468 (12 U. S. C. § 1781 et seq.),
7 or alternatively, a form and amount of comparable insurance ap-
8 proved by the Commissioner of Banking.

9 This requirement does not apply to a credit union with shares,
10 deposits, debt and equity capital consisting primarily of funds
11 from other credit unions. The commissioner may establish by
12 regulation which credit unions shall qualify for this exception to
13 the requirement for insurance.

1 2. A credit union which has failed to apply or which has been
2 denied a commitment for such insurance shall within 60 days of
3 the denial of the commitment or 1 year after the date of enactment,
4 whichever is earlier, commence steps to liquidate, or merge with
5 an insured credit union, or apply in writing to the commissioner
6 for an extension of time to obtain an insurance commitment.

**EXPLANATION—Matter enclosed in bold-faced brackets [thus] in the above bill
is not enacted and is intended to be omitted in the law.**

Matter printed in italics thus is new matter.

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

***—Assembly committee amendment adopted May 17, 1982.**

7 The commissioner may grant one or more extensions of time,
8 but not exceeding 1 year in the aggregate, for the credit union to
9 obtain an insurance commitment if there is satisfactory evidence
10 that the credit union has made or is making a substantial effort
11 to achieve the financial condition necessary to effectuate an issu-
12 ance of an insurance commitment.

1 3. No credit union shall be granted a charter by the commissioner
2 on or after the effective date of this act, unless the credit union
3 has obtained a commitment for insurance of its member shares and
4 deposit accounts.

1 4. The commissioner may make available reports of financial
2 condition and examination reports to the National Credit Union
3 Administration or to any qualified insuring organization and may
4 accept any report of examination made on behalf of such agency
5 or organizations. The commissioner may appoint an official of the
6 National Credit Union Administration or any qualified insuring
7 organization as liquidating agent of an insured credit union.

1 5. This act shall take effect ***[180 days after enactment]***
2 **immediately**.

ASSEMBLY BANKING AND INSURANCE COMMITTEE

STATEMENT TO

ASSEMBLY, No. 1366

STATE OF NEW JERSEY

DATED: MAY 17, 1982

Assembly Bill No. 1366 requires State chartered credit unions to obtain share insurance as a condition of doing business in this State. According to the sponsor's statement, share insurance is deemed necessary to adequately protect shareholder's deposits.

Section 1 of the bill requires all State chartered credit unions, except credit unions whose funds consist primarily of funds of other credit unions, to apply for member share and share deposit account insurance from the National Credit Union Administration Board, or such other comparable insurance as may be prescribed by the Commissioner of Banking. The provisions of the bill apply to any credit union established prior to or subsequent to the effective date of the act (see section 3).

Section 2 provides that if an existing credit union fails to apply for share and deposit insurance within 18 months of the bill's enactment, or is denied a commitment for insurance prior thereto, the credit union shall take steps to liquidate, merge with an insured credit union, or apply to the commissioner for an extension of time to obtain an insurance commitment. The commissioner may grant one or more extensions of time, not to exceed an additional 1 year period, in order to permit a credit union to obtain an insurance commitment. An extension shall, however, only be granted if the credit union has made a substantial effort to satisfy the conditions for obtaining an insurance commitment.

Section 4 authorizes the Commissioner of Insurance to:

- (1) make examination and financial conditions reports available to the National Credit Union Administration or other qualified insurer;
- (2) to accept an examination report made on behalf of said organizations; and
- (3) appoint an official of said organizations as a liquidating agent of an insured credit union.

State chartered credit unions are not, at present, required to carry share insurance. Of the 53 State-chartered credit unions in New Jersey, 31 are currently uninsured. Federal credit unions have, since 1970,

been required to have share insurance. The National Credit Union Administration Board is also authorized to provide share insurance to qualifying State chartered credit unions.

As of 1979, 41 States required State chartered credit unions to provide some form of insurance on member savings.

The committee amendment gives immediate effect to the provisions of this act, thus, among other things, making sure that any credit unit chartered on or after the effective date of this act shall have a commitment for share insurance as a precondition for charter approval.

SENATE LABOR, INDUSTRY AND PROFESSIONS
COMMITTEE

STATEMENT TO
ASSEMBLY, No. 1366

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STATE OF NEW JERSEY

DATED: JUNE 14, 1982

This bill requires all State chartered credit unions to obtain share insurance as a condition of doing business in this State. Credit unions which fail to apply for or are denied a commitment for share insurance would, within 60 days of the denial of the commitment or 1 year after the enactment date of this bill, whichever is earlier, have to begin to liquidate, to merge with an insured credit union or to apply in writing to the Commissioner of Banking for an extension of time to obtain an insurance commitment. The commissioner may grant one or more extensions of time to credit unions, but not longer than 1 year in the aggregate, to pursue their efforts to obtain a commitment for share insurance. A new State credit union would be required to have share insurance to be granted a charter by the commissioner. Share insurance could be obtained from the National Credit Union Administration or from a comparable insurance plan approved by the commissioner.

State credit unions whose deposits consist primarily of funds of other credit unions are not required to have share insurance.