

17:13B-1 and 17:13B-2

LEGISLATIVE HISTORY CHECKLIST

NJSA 17:13B-1 and 17:13B-2 ("State Bank Parity Act")

LAWS 1981 CHAPTER 4

Bill No. A1786

Sponsor(s) Burstein

Date Introduced June 12, 1980

Committee: Assembly Banking and Insurance

Senate Labor, Industry and Professions

Amended during passage Yes ~~No~~ Amendments during passage denoted by asterisks

Date of Passage: Assembly Sept. 29, 1980

Senate Nov. 10, 1980

Date of approval Jan. 23, 1981

Following statements are attached if available:

Sponsor statement Yes ~~No~~ (Below)

Committee Statement: Assembly Yes ~~No~~

Senate Yes ~~No~~

Fiscal Note ~~Yes~~ No

Veto Message ~~Yes~~ No

Message on signing Yes ~~No~~

Following were printed:

Reports ~~Yes~~ No

Hearings ~~Yes~~ No

Sponsor's statement:

This bill would provide parity for State chartered banks with nationally chartered banks with respect to interest rates. This bill would encourage New Jersey banking institutions who have voluntarily decided to remain subject to the State Banking Department to remain a State chartered banking institution and maintain the dual banking system. It provides parity with Federal law.

(over)

See Federal regulations re: interest rates in:
12 C.F.R. 7.7310

H 1-23-81 81

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ASSEMBLY, No. 1786

STATE OF NEW JERSEY

INTRODUCED JUNE 12, 1980

By Assemblyman BURSTEIN

Referred to Committee on Banking and Insurance

AN ACT concerning loans made and interest rates charged by banking institutions and supplementing *["An act concerning banking and banking institutions (Revision of 1948)" approved April 29, 1948, (P. L. 1948, c. 67, C. 17:9A-1 et seq.)]* *Title 17 of the Revised Statutes*.

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

1 1. This act shall be known as "The State Bank Parity Act".

1 *["2. Any banking institution may take, receive, reserve, and
2 charge on any loan or discount made, or upon any notes, bills of
3 exchange, or otherwise evidences of debt, interest at the rate
4 allowed to other lenders by the laws of this State, or at a rate of
5 1% in excess of the discount rate on 90-day commercial paper in
6 effect at the Federal Reserve Bank of New York, whichever may be
7 the greater.]"

1 *2. Notwithstanding any provisions of R. S. 31:1-1 or any other
2 statute to the contrary, any bank, savings bank, savings and loan
3 association or credit union may charge a rate of interest on any
4 class or type of loan at the rate of interest permitted to any other
5 lender by the laws of this State on that class or type of loan.
6 Nothing in this act shall authorize any lender to make any loan
7 it is not authorized by law to make, nor shall anything in this act
8 apply to loans secured by a first lien **[or]** **on** real estate
9 on which there is erected or to be erected a structure containing
10 one, two, three, four, five, or six dwelling units, a portion of which
11 structure may also be used for nonresidential purposes.*

1 3. This act shall take effect immediately.

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

ASSEMBLY BANKING AND INSURANCE COMMITTEE

STATEMENT TO

ASSEMBLY, No. 1786

with Assembly committee amendments

STATE OF NEW JERSEY

DATED: JUNE 23, 1980

This legislation would give state chartered banks, savings banks, savings and loan associations, and credit unions the same "most-favored-lender" authority that national banks presently enjoy. By the provisions of 12 U.S.C. 85, national banks may take interest at the rate allowed by the laws of any state, or one point over the Federal Reserve discount rate on 90-day commercial paper, whichever is higher. The Comptroller of the Currency, who supervises national banks, has interpreted this to mean that national banks may charge interest not only at the rate permitted by state law to banking institutions but also at the rate for a similar type of loan made by any licensed lender, i.e. at the rate permitted to the "most-favored-lender." In practice, a national bank may charge interest on any type of loan at the highest rate allowed to any lender in the state making any similar type of loan. Thus, in certain cases, national banks may now use the rate permitted to be charged by secondary mortgage loan licensees, small loan companies (this rate will now apply to bank credit cards because of legislation passed last year), or home repair contractors. This legislation, therefore, provides parity to state-chartered institutions.

The Banking and Insurance Committee has amended the legislation in several respects. The title has been amended to place the law in Title 17 because these institutions are chartered under that title and the interest rates in question are governed by that title. The reference to Title 31 on line 1 in the original draft has been expanded to include the interest rates in other titles, notably Title 17. Furthermore, as originally drafted, the legislation did not make clear that rates of other lenders may be used according to the *type* of loan which is made; therefore a lending institution may use the rate of another lender only in cases in which the loans are substantially the same in character.

SENATE LABOR, INDUSTRY AND PROFESSIONS
COMMITTEE

STATEMENT TO
ASSEMBLY, No. 1786
with Senate committee amendments

STATE OF NEW JERSEY

DATED: OCTOBER 9, 1980

The Assembly Banking and Insurance Committee statement adequately explains the provisions of the bill. The Senate Labor, Industry and Professions Committee made one technical amendment to the bill.

FROM THE OFFICE OF THE GOVERNOR

FOR IMMEDIATE RELEASE

FOR FURTHER INFORMATION

JANUARY 23, 1981

PATRICK SWEENEY

Governor Brendan Byrne today signed the following bills:

A-1472, sponsored by Assemblyman Vincent Ozzie Pellecchia (D-Bergen), which amends the "Local Public Contracts Law."

The Local Public Contracts Law requires that all contracts be for a period of one year or less, subject to certain exceptions. The exceptions include such things as insurance contracts, data processing and food service contracts, which may be for up to three years, fuel contracts up to two years and garbage collection and disposal contracts up to five years.

To that list of exceptions, this bill adds contracts for on-site inspections undertaken by private agencies pursuant to the State Uniform Construction Code Act. These contracts can be for any time not to exceed three years.

A-1667, sponsored by Assemblyman Albert Burstein (D-Bergen), which prohibits the use of funds from a minor's estate for his support unless his parents, or those obligated to provide for his support, are unable to do so.

This bill is an amendment to one of the probate bills passed last year (A-6, now P.L. 1979, C.494,S1).

A-1786, also sponsored by Assemblyman Burstein, which is designated "The State Bank Parity Act," designed to permit state banking institutions, savings and loan associations and credit unions to have the "most-favored lender" status enjoyed by federal banks.

The bill is a response to a ruling by the Comptroller of Currency enabling national banks to charge interest at the rate made by any licensed lender in the state for a similar type of loan. Thus, the rate will depend on the type of loan involved rather than the nature of the lender.

A-1900, sponsored by Assemblyman Walter Rand (D-Camden), which will extend by one month the time for the boards of education to have the districts' annual audits completed.

Formerly, the law required that the audits be completed within three months after the close of the school fiscal year, which is October 1. This deadline was fixed in 1951. Since that time school finances have become much more complicated.

A-2213, sponsored by Assemblyman James R. Hurley (R-Cumberland), which validates certain proceedings for the issuance of school district bonds.

This validation act is designed to correct a serious procedural defect involving a proposed issuance of bonds by the Board of Education of the Township of Commercial.

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