

17:12B-48 et al

LEGISLATIVE HISTORY CHECKLIST

NJSA 17:12B-48 et al; Repeals 17:12B-150 (Savings & Loan Act--various amendments)

LAWS 1981 CHAPTER 101

Bill No. A2118

Sponsor(s) Bornheimer and others

Date Introduced Oct. 6, 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 Jan. 22, 1981

Senate Feb. 19, 1981

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Following statements are attached if available:

Sponsor statement Yes ~~No~~

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

Hunt Commission Report (referred to in Assembly Committee statement);

/ Pr37.8 U.S. President's Commission on Financial Structure & Regulation.
F49/R29 Report...Dec., 1971. Washington, DC, 1971.

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[SECOND OFFICIAL COPY REPRINT]

ASSEMBLY, No. 2118

STATE OF NEW JERSEY

INTRODUCED OCTOBER 6, 1980

By Assemblymen BORNHEIMER, BURSTEIN, VAN WAGNER,
KARCHER, MAYS, T. GALLO, HURLEY, KAVANAUGH,
SMITH, LITTELL and ORECHIO

Referred to Committee on Banking and Insurance

AN ACT to amend the "Savings and Loan Act (1963)," approved August 30, 1963 (P. L. 1963, c. 144) and repealing section 150 of P. L. 1963, c. 144.

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

1 1. Section 48 of P. L. 1963, c. 144 (C. 17:12B-48) is amended to
2 read as follows:

3 48. Specific powers. Without limiting the generality of the fore-
4 going, every association shall have power to:

5 (1) Have succession by its corporate name for the period limited
6 in its charter or certificate of incorporation, and when no period is
7 limited, perpetually.

8 (2) Sue and be sued in any court.

9 (3) Adopt and use a corporate seal and alter the same.

10 (4) Purchase and otherwise acquire, hold, mortgage, pledge,
11 lease, exchange, sell, convey and otherwise dispose of, any real and
12 personal property, necessary or incidental to its operations and
13 consistent with its powers and purposes.

14 (5) Insure its members' accounts with Federal Savings and Loan
15 Insurance Corporation, and comply with conditions necessary to
16 obtain and maintain such insurance.

17 (6) Become a member of or stockholder in a Federal Home Loan
18 Bank and to that end to comply with all conditions of membership
19 therein.

20 (7) Act as agent for the United States or the State of New
21 Jersey or any instrumentality of either of them, when designated
22 for that purpose, and perform such reasonable duties as such agent
23 as may be required of it.

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

24 (8) Join any cooperative league organized for the purpose of
25 protecting and promoting the welfare of associations and their
26 members and comply with all conditions of membership therein.

27 (9) Borrow money from any source in or out of the State, on the
28 note, bond and mortgage or other obligation of the association
29 upon such terms and conditions as the board may from time to time
30 prescribe by resolution adopted by at least a majority of all the
31 members of the board and duly recorded on the minutes and to
32 pledge, assign or transfer mortgages, owned by the association
33 and the obligations secured by such mortgages, together with the
34 shares, if any, pledged as collateral security therefor, or any real
35 or other personal property, as security for the repayment of money
36 so borrowed. No association shall borrow money if by doing so the
37 aggregate of its indebtedness for borrowed money other than to the
38 Federal Home Loan Bank will exceed 20% of its capital, except
39 with the approval of the commissioner.

40 (10) (Deleted by amendment.)

41 (11) Require an advance payment of interest for a period of 1
42 month on any loan; and accept advance payments of interest, if
43 made at the option of the debtor, for any period on any loan. None
44 of such payments shall be deemed usurious.

45 (12) Where shares are issued, charge an admission fee, not to
46 exceed \$0.25 per share, which shall include the cost of membership
47 or share certificate and account book.

48 (13) Impose charges upon a member for failure to make any pay-
49 ment to the association when due, but only as provided in this
50 paragraph. Where the association issues installment share accounts
51 it may impose such charge upon any member holding such an
52 account or any borrower upon a sinking fund mortgage not in
53 excess of 1% a month upon the amount in arrears, except for the
54 first month's arrearage or the amount by which such first month's
55 arrearage may be increased by subsequent arrearage in which case
56 a charge not in excess of 5% may be imposed. Such charges shall
57 be subject to the further limitations that no such charge shall be
58 deducted from any amount actually paid by a member upon an
59 account nor shall the total of any such charges against any account
60 in any fiscal year exceed the amount that may be charged for
61 failure to make any payments for a 6-month period nor shall any
62 charge for default be made on a charge for default. Otherwise an
63 association may impose a charge for failure to make any required
64 payment to it when due upon any loan or contract for the resale of
65 real estate to a member not to exceed 4% of the amount of each
66 payment in arrears but no more than one such charge may be made

67 with respect to any one payment in arrears. An association may
68 impose a reasonable service charge against any member who
69 tenders to such association, for collection or as payment, a check or
70 other instrument of any type which subsequently is not honored
71 by the institution or person upon which such check or other instru-
72 ment is drawn. None of such charges shall be deemed usurious.

73 (14) Compute interest upon any direct reduction loan, on
74 designated payment dates, and add the same to the unpaid balance
75 of such loan.

76 (15) Act as agent for any person where such agency will further
77 the interests of the association and its members, subject to such
78 limitations as may be prescribed by the commissioner.

79 (16) Upon application to and approval by the commissioner, to
80 act as custodian or trustee within the contemplation of the Federal
81 Self-Employed Individuals Tax Retirement Act of 1962, as amended
82 and supplemented, and the Employee Retirement Income Security
83 Act of 1974 as amended and supplemented, and as custodian, trustee
84 or manager of any such investment fund the authorized invest-
85 ments of which include, but need not be limited to, savings accounts
86 or real estate loans, and the beneficial interests in which may be
87 represented by transferable shares or certificates. Associations
88 exercising the powers authorized by the subsection shall segregate
89 all funds held in such fiduciary capacities from the general assets
90 of the association and shall keep a separate set of books and records
91 showing in detail all transactions made under authority of this
92 subsection. If individual records are kept for each self-employed
93 individual's retirement plan and each such investment fund, then
94 all such funds held in such fiduciary capacities by an association
95 may be commingled for appropriate purposes of investment. No
96 funds held in such fiduciary capacities shall be used by an associa-
97 tion in the conduct of its business; however, such funds may be
98 invested in savings accounts of the association in the event that the
99 custodial, trust or other plan does not prohibit such investment.
100 In granting or refusing the association's application the commis-
101 sioner shall take into consideration the investment policies, amount,
102 type and adequacy of reserves, fidelity bonds and any legally re-
103 quired deposits of the applicant and other pertinent facts and
104 circumstances.

105 (17) Upon compliance with subsection (5) of this section, accept
106 from its members accounts to be repaid upon such terms, not in-
107 consistent with this act, as are approved by the Commissioner of
108 Banking, by regulation or otherwise, provided that no account shall
109 exceed the limitations established by section 78 of P. L. 1963, c. 144

110 (C. 17:12B-78), and provided further that no account shall be
111 accepted or issued in the name of any corporation, association or
112 partnership or in the name of any individual for use in trade or
113 business. An association issuing such accounts may honor demands
114 for withdrawal of such accounts in the form of negotiable checks,
115 drafts or orders in the form of electronic fund transfers and may
116 become a member of a clearing facility and satisfy reasonable con-
117 ditions required for its qualification and pay reasonable expenses
118 therefor. Such accounts may be either interest-bearing or non-
119 interest-bearing; provided, however, that the payment of interest
120 on such accounts be permitted by Federal law. An association
121 accepting accounts pursuant to this subsection shall, at all times,
122 maintain reserves against such accounts as shall be prescribed in
123 regulations issued by the commissioner in accordance with the
124 "Administrative Procedure Act," P. L. 1968, c. 410 (C. 52:14B-1
125 et seq.) but such reserves shall be equal in nature and amount to
126 those required of savings banks in this State against similar
127 accounts. Such reserves shall be maintained in cash or deposits in
128 one or more reserve depositories as authorized by the Commissioner
129 of Banking. Regulations of the commissioner may also provide that
130 associations issuing such type of accounts maintain a general
131 reserve account, Federal insurance reserve account and undivided
132 profits of specified minimum amounts and provide for minimum
133 standards of office facilities in connection therewith. An insured
134 association may impose a reasonable service charge for providing
135 and maintaining such accounts for the benefits of its members.

136 (18) *Issue credit cards, extend credit in connection therewith,*
137 *and otherwise engage in or participate in credit card operations*
138 *subject to such regulations as the commissioner may prescribe.*
139 *Any such regulations shall be in substantial conformity with similar*
140 *rules and regulations of the Federal Home Loan Bank Board.*

141 (19) (a) *Apply to the commissioner for permission to act as*
142 *trustee, executor, administrator, guardian, or in any other fiduciary*
143 *capacity in which ***[State banks, trust companies,]*** Federal sav-*
144 *ings and loan associations doing business in this State, ***[or other***
145 *corporations which come into competition with associations]* are*
146 *permitted to act ***[under the laws of this State]***. Associations*
147 *exercising any or all of the powers enumerated in this section shall*
148 *segregate all assets held in any fiduciary capacity from the general*
149 *assets of the association and shall keep a separate set of books and*
150 *records showing in proper detail all transactions engaged in under*
151 *authority of this section. No association shall receive in its trust*
152 *department deposits of current funds subject to check or the deposit*

153 of checks, drafts, bills of exchange, or other items for collection
 154 or exchange purposes. Funds deposited or held in trust by the
 155 association awaiting investment shall be carried in a separate
 156 account and shall not be used by the association in the conduct of
 157 its business unless it shall first set aside in the trust department
 158 United States bonds or other securities approved by the commis-
 159 sioner. In the event of the failure of such association, the owners
 160 of the funds held in trust for investment shall have a lien on the
 161 bonds or other securities so set apart in addition to their claim
 162 against the estate of the association. Whenever the laws of this
 163 State require corporations acting in a fiduciary capacity to deposit
 164 securities with the State authorities for the protection of private or
 165 court trusts, associations so acting shall be required to make similar
 166 deposits and securities so deposited shall be held for the protection
 167 of private or court trusts, as provided by New Jersey law. Associa-
 168 tions in such cases shall not be required to execute the bond usually
 169 required of individuals if New Jersey corporations under similar
 170 circumstances are exempt from this requirement. Associations
 171 shall have power to execute such bond when so required by the laws
 172 of New Jersey. In any case in which the laws of this State require
 173 that a corporation acting as trustee, executor, administrator, or
 174 in any capacity specified in this section, shall take an oath or make
 175 an affidavit, ***[the president, vice president, cashier, or trust]***
 176 *any* officer*, as defined in section 65 of P. L. 1963, c. 144 (C.
 177 17:12B-65)* of such association may take the necessary oath or
 178 execute the necessary affidavit. It shall be unlawful for any associa-
 179 tion to lend any officer, director, or employee any funds held in
 180 trust under the powers conferred by this section. Any officer,
 181 director, or employee making such loan, or to whom such loan is
 182 made, may be fined not more than \$5,000.00, or imprisoned not more
 183 than 5 years, or may be both fined and imprisoned, in the discretion
 184 of the court. In passing upon applications for permission to exer-
 185 cise the powers enumerated in this section, the commissioner may
 186 take into consideration the amount of capital and surplus of the
 187 applying association, whether or not such capital and surplus is
 188 sufficient under the circumstances of the case, the needs of the com-
 189 munity to be served, and any other facts and circumstances that
 190 seem to ***[it]*** *him* proper, and may grant or refuse the applica-
 191 tion accordingly, except that ****[no permit shall be issued]**** **ap-
 192 proval shall not be granted** to any association having a capital
 193 and surplus less than the capital and surplus required by New
 193A Jersey law of State banks, trust companies, and corporations
 193B exercising such powers.

194 (b) Any association desiring to surrender its right to exercise
 195 the powers granted under this section, in order to relieve itself of
 196 the necessity of complying with the requirements of this section,
 197 or to have returned to it any securities which it may have deposited
 198 with the State authorities for the protection of private or court
 199 trusts, or for any other purpose, may file with the commissioner a
 200 certified copy of a resolution of its board of directors signifying
 201 such desire. Upon receipt of such resolution, the commissioner,
 202 after satisfying himself that such association has been relieved in
 203 accordance with State law of all duties as trustee, executor,
 204 administrator, guardian or other fiduciary, under court, private or
 205 other appointments previously accepted under authority of this
 206 section, may in its discretion, issue to such association a certificate
 207 certifying that such association is no longer authorized to exercise
 208 the powers granted by this section. Upon the issuance of such a
 209 certificate by the commissioner, such association (i) shall no longer
 210 be subject to the provisions of this section or the regulations of the
 211 commissioner made pursuant thereto, (ii) shall be entitled to have
 212 returned to it any securities which it may have deposited with the
 213 State authorities for the protection of private or court trusts, and
 214 (iii) shall not exercise thereafter any of the powers granted by
 215 this section without first applying for and obtaining ****[a new per-**
 216 **mit]** **approval**** to exercise such powers pursuant to the pro-
 216A visions of this section.

217 (c) The commissioner is authorized and empowered to promul-
 218 gate such regulations as he may deem necessary to enforce com-
 219 pliance with the provisions of this section and the proper exercise
 220 of the trust powers granted by this section. Any such regulations
 221 shall be in substantial conformity with similar rules and regula-
 222 tions of the Federal Home Loan Bank Board.

223 (20) ***[Issue]*** *In accordance with rules and regulations prom-
 224 ulgated by the commissioner, issue* and sell directly to subscribers
 225 or through underwriters mutual capital certificates. Such certifi-
 226 cates. Such certificates shall constitute part of the general reserve
 226A and net worth of the issuing association. Such certificates—

227 (a) Shall be subordinate to all savings accounts, savings certifi-
 228 cates, and debt obligations;

229 (b) Shall constitute a claim in liquidation on the general re-
 230 serves, surplus, and undivided profits of the association remaining
 231 after the payment in full of all savings accounts, savings certifi-
 232 cates, and debt obligations;

233 (c) Shall be entitled to the payment of dividends; and

234 (d) May have a fixed or variable dividend rate.

235 *The commissioner is authorized and empowered to promulgate*
 236 *such regulations as he may deem necessary with respect to the*
 237 *powers granted by this section. *Any such regulations shall be in*
 237A *substantial conformity with similar rules and regulations of the*
 237B *Federal Home Loan Bank Board.* The commissioner shall provide*
 238 *in his regulations for charging losses to the mutual capital certifi-*
 239 *cate, reserves, and other net worth accounts. *~~Any such regula-~~*
 240 *tions shall be in substantial conformity with similar rules and*
 241 *regulations of the Federal Home Loan Bank Board.]**

242 **(21) If authorized by regulation of the commissioner, exercise*
 243 *any power, right, benefit, or privilege permitted to Federal associa-*
 244 *tions, provided that such power, right, benefit or privilege is not*
 245 *contrary to law. Such regulation shall be in substantial conformity*
 246 *with similar rules and regulations of the Federal Home Loan Bank*
 247 *Board.**

1 2. Section 69 of P. L. 1963, c. 144 (C. 17:12B-69) is amended to
 2 read as follows:

3 69. Loans to officers, directors, attorneys or employees. ~~No loan~~
 4 ~~shall be made by any~~ ~~*[A]*~~ **In accordance with rules and regula-*
 5 *tions promulgated by the Federal Savings and Loan Insurance*
 6 ~~**[Corpoation]**~~ ~~**Corporation**~~, *a* ~~State association may make~~
 7 *or purchase any loan which it is otherwise authorized by law to*
 8 *make or purchase to or from any officer, director, attorney, [or]*
 9 *employee, or any affiliated person of such State State association. [,*
 10 *nor upon the security of any real estate which is owned by a cor-*
 11 *poration or partnership of which he is a stockholder or member, or*
 12 *in the ownership of which he has any direct or indirect legal or*
 13 *equitable interest, except a mortgage loan made for the financing*
 14 *of the home of such officer, director, attorney or employee, or an*
 15 *account loan, or a loan the proceeds of which are used to pay the*
 16 *cost in whole or in part of repairing, altering, improving or re-*
 17 *habilitating the home of such officer, director, attorney or employee,*
 18 *which may be made under the provisions of sections 154, 156 or 157*
 19 *of this act.]* ~~No such association or any affiliate thereof may,~~*
 20 *either directly or indirectly, make a loan to any director or officer*
 21 *of the association or to any affiliated person of such association, or*
 22 *purchase any such loan, unless the terms and conditions of the loan*
 23 *(including but not limited to interest rate, maturity and collateral)*
 23A *are comparable to those terms and conditions then prevailing for*
 23B *for a comparable loan to a nonaffiliated person.*

24 *For purposes of this section, the following terms shall have the*
 25 *following meanings:*

26 "Affiliate" means a corporation, association, partnership or any
 27 type of business organization whatsoever, in which the association
 28 owns at least 20% of the outstanding common stock unless the
 29 association can rebut the presumption of the exercising of signi-
 30 ficant influence.

31 "Affiliated person" means the following:

32 1. Any corporation or organization (other than the association
 33 or a majority-owned subsidiary of the association) of which such
 34 person is an officer or partner or is directly or indirectly, either
 35 alone or together with one or more members of his immediate
 36 family, the beneficial owner of 10% or more of any class of equity
 37 securities;

38 2. Any trust or other estate in which such person has a substantial
 39 beneficial interest or as to which such person serves as a trustee
 40 or in a similar fiduciary capacity;

41 3. A spouse of a director or senior officer of the association or an
 42 affiliate of the association;

43 4. A member of the immediate family of a director or senior
 44 officer of an association or an affiliate of an association;

45 "Immediate family" of any natural person means the following
 46 (whether by the full or half blood or by adoption):

47 1. Such person's spouse, father, mother, children, brothers, sisters
 48 and grandchildren;

49 2. The father, mother, brothers and sisters of such person's
 50 spouse; and

51 3. The spouse of a child, brother or sister of such person.

52 "Officer" means the president, any vice-president, the secretary,
 53 the treasurer, the comptroller, and any other person who partici-
 54 pates in major policy-making functions of the association.]*

1 3. Section 78 of P. L. 1963, c. 144 (C. 17:12B-78) is amended to
 2 read as follows:

3 78. Limitation upon accounts. No savings member shall hold
 4 an account or accounts in any one State association with an agggre-
 5 gate participation value exceeding \$20,000.00 or 1% of the capital
 6 of the State association, whichever is greater: [but in no case in
 7 excess of \$150,000.00;] provided, however, that such limitation shall
 8 not apply to—

9 (a) An account or deposit held as provided in section 80 or
 10 section 241 of this act; or

11 (b) An account or deposit which is pledged as security for the
 12 repayment of money due such State association; or

13 (c) An installment share account**, or any account opened as
 13A the result of the maturity of an installment share account**; or

14 (d) An account, or deposit other than an installment share
 15 account, which exceeds the aforesaid limitation at the time of the
 16 enactment of this statute, but no additions other than dividends or
 17 interest shall be made thereto; or

18 (e) Where such excess results from the addition of dividends or
 19 interest to any such account, or from the acquisition of an account
 20 by gift, will or inheritance; or from the acquisition of an account or
 21 deposit previously held as collateral security for the payment of
 22 an obligation; or from the acquisition by one State association of
 23 the assets of another association; or

24 (f) Where such excess results from a reduction in the capital of
 25 the association.

26 The board may provide for any lesser limitation than set forth
 27 in this section, and any person or persons authorized by it, may
 28 refuse to accept any account and may limit the amount of payments
 29 which may be received on any account.

1 4. Section 146 of P. L. 1963, c. 144 (C. 17:12B-146) is amended to
 2 read as follows:

3 146. Investments in mortgage loans. Investments in mortgage
 4 loans may be made subject to the conditions and limitations of
 5 this act.

6 Each mortgage loan, made under the provisions of sections 147
 7 through 149 of this act, shall be a direct reduction, sinking fund, or
 8 straight mortgage loan. Each such loan shall be evidenced by an
 9 obligation and secured by a mortgage ***["which shall be a first lien"]***
 10 on real estate **["in this State, as defined in section 11 of this act,**
 11 **or outside of this State if located within 50 miles of the principal**
 12 **office of the association"]**. Such loans shall be secured by real
 13 estate used or to be used wholly or partially for dwelling pur-
 14 poses**[""]; or for business or commercial purposes. If used or to be**
 15 **used solely for business or commercial purposes, the loan shall be**
 16 **secured by a mortgage which shall be a first lien on real estate as**
 17 **defined in section 11 of this act***, and shall be subject to the limita-
 18 **tion established by subsection L. of section 155 of P. L. 1963, c. 144**
 19 **(C. 17:12B-155)***. The granting of such loans shall be without
 20 discrimination of any nature including, but not limited to, interest
 21 rates, terms and duration, because of race, creed, color, national
 22 origin or ancestry.

1 5. Section 147 of P. L. 1963, c. 144 (C. 17:12B-147) is amended
 2 to read as follows:

3 147. Each direct reduction loan, as defined in section 5 of this
 4 act, made in accordance with the provisions of this section, shall
 5 require periodical payments sufficient to pay the principal and

6 interest of the loan in full in a period of 40 years or less. Any
 7 association may by agreement with the borrowing member reduce
 8 the amount of periodical payments, provided that the amount of
 9 the periodical payments thereafter required shall be sufficient to
 10 pay the balance of the loan and interest thereon within a period
 11 of 40 years or less from the time of making such agreement. The
 12 amount of such direct reduction loan, less the withdrawal value of
 13 any account which may be pledged as collateral security therefor,
 14 shall not exceed **[80%]** 90% of the value of such real estate as
 15 found by appraisal at the time such loan is granted; *provided,*
 16 *however, where mortgage guaranty insurance is issued incident to*
 17 *such loan pursuant to the provisions of the Mortgage Guaranty*
 18 *Insurance Act, P. L. 1968, c. 248 (C. 17:46A-1 et seq.), the per-*
 19 *centage of the value of such real estate may exceed 90%.*

1 6. Section 148 of P. L. 1963, c. 144 (C. 17:12B-148) is amended
 2 to read as follows:

3 148. Each sinking fund loan, as defined in section 5 of this act,
 4 shall require periodical payments, at least monthly, on an account
 5 pledged as collateral security for such loan which shall be sufficient
 6 to pay such loan in a period of 35 years or less. Any association
 7 may by agreement with the borrowing member provide for the
 8 application of such account to the principal of the loan and for a
 9 reduction in the periodical payments required on an account there-
 10 after; provided, however, that such periodical payments thereafter
 11 required shall be sufficient to retire the loan within a period of 35
 12 years or less, from the time of the making of such agreement. The
 13 amount of any sinking fund loan, less the withdrawal value of any
 14 account which may be pledged as collateral security therefor, shall
 15 not exceed **[80%]** 90% of the value of such real estate as found
 16 by appraisal at the time when the loan is granted.

1 7. Section 149 of P. L. 1963, c. 144 (C. 17:12B-149) is amended
 2 to read as follows:

3 149. Straight Mortgage Loans. Each straight mortgage loan, as
 4 defined in section 5 of this act, shall be limited to a term not to
 5 exceed **[3]** 5 years and the amount of any such straight mortgage
 6 loan shall not exceed ***[50%]*** *60%* of the value of the property
 7 as found by appraisal at the time the loan is granted ***[or 3 years if**
 8 *the amount of such straight mortgage loan does not exceed 60% of*
 9 *the value of the property as found by appraisal at the time the loan*
 10 *is granted]** *Interest shall be payable at least semiannually*.

11 An association may renew any straight mortgage loan held by
 12 it for periods not exceeding **[3]** 5 years each and for an amount
 13 not in excess of ***[50%]*** *60%* of the value of the real estate as

14 found by appraisal at the time of any such renewal *~~for periods~~
 15 ~~not exceeding 3 years each and for an amount not excess of 60% of~~
 16 ~~the value of the real estate as found by appraisal at the time of any~~
 17 ~~such renewal. The total amount invested in straight mortgage~~
 18 ~~loans by any association shall not exceed ~~10%~~ 20% of its assets~~
 19 ~~at the time any such investment is made]*.~~

1 8. Section 150 of P. L. 1963, c. 144 (C. 17:12B-150) is repealed.

1 9. Section 151 of P. L. 1963, c. 144 (C. 17:12B-151) is amended to
 2 read as follows:

3 151. Construction loans. A mortgage loan may be made subject
 4 to the provisions of sections 146 through 149 of this act, for the
 5 purpose of enabling the borrower to make improvements to real
 6 property owned by such borrower and to construct a building or
 7 buildings upon such real property, under the following conditions
 8 and limitations:

9 (1) The appraisal committee acting under the provisions of
 10 section 167 of this act shall include the values of the following items
 11 in rendering such appraisal:

12 (a) The value of the proposed building or buildings to be
 13 constructed.

14 (b) The value of the land.

15 (c) The value of improvements to be made to the land.

16 (2) An association may advance moneys on such loan as the
 17 land is improved and as the construction of a building or buildings
 18 proceeds thereon. Where such loan is a straight mortgage loan, the
 19 proceeds of which are used or to be used in pursuance of a plan
 20 to improve the mortgaged real estate it may, notwithstanding the
 21 limitations of section 149 of this act, be made in an amount not
 22 to exceed 80% of the value of such real estate as found by ap-
 23 praisal at the time the loan is granted and for a term of not more
 24 than ~~3~~ 5 years, and provided further that such a loan may be
 25 renewed for a further period of not more than 1 year.

26 (3) At no time shall a greater sum be advanced on account of
 27 such land than is authorized by either the appraiser or appraisers,
 28 provided for in section 167 of this act, or an officer of the associa-
 29 tion, designated for that purpose by the board, and such committee
 30 or officer shall certify that such advancement is warranted by the
 31 state of improvements to the land or the state of completion of
 32 the construction on such land; provided, however, that at no time
 33 shall the association advance moneys in excess of 80% of the value
 34 of the land and of the construction completed at the time of such
 35 advance.

36 For the purpose of complying with the provisions of sections
37 146 through 149 of this act limiting the term of a mortgage loan,
38 a loan made under the provisions of this section shall be deemed
39 to have been made when the final advance is made to the borrower
40 or 18 months from the date of the mortgage securing such loan,
41 whichever is earlier.

1 10. Section 152 of P. L. 1963, c. 144 (C. 17:12B-152) is amended
2 to read as follows:

3 152. The commissioner may adopt, amend, alter or rescind regula-
4 tions permitting insured associations, in addition to the powers
5 to make mortgage loans hereinabove set forth, to make **[first]**
6 mortgage loans to a greater percentage of appraised value or for
7 a longer term of years, or both, than is otherwise limited by this
8 act and to make any other loan or investment for a purpose not
9 specifically authorized by this act, but nothing herein shall author-
10 ize the commissioner to adopt a regulation which would permit
11 such associations to make any kind of loan or investment which
12 Federal associations are not specifically authorized to make. Any
13 loans or investments legally made under the provisions of regula-
14 tions adopted under the authority granted by this section shall
15 be legal loans or investments if they conform with the regulations
16 in effect at the date of closing or purchase of said loan or invest-
17 ment, notwithstanding the subsequent amendments, alterations, re-
18 scissions or repeals of the regulations in effect at the date of such
19 closing or purchase.

1 11. Section 153 of P. L. 1963, c. 144 (C. 17:12B-153) is amended
2 to read as follows:

3 153. The commissioner shall have power, in relation to loans or
4 investments described in section 152, to set forth in such regulations
5 the requirements which in his judgment are necessary to establish
6 appropriate safeguards. The commissioner may also establish a
7 requirement that an insured association shall meet minimum re-
8 serve requirements which may be set forth in such regulations, in
9 order to be eligible to make loans or investments under the provi-
10 sions of section 152 of this act. The commissioner, when issuing such
11 regulations, shall to the extent feasible and after giving considera-
12 tion to the financial and economic circumstances and the public
13 welfare, endeavor to promulgate such rules and regulations in sub-
14 stantial conformity with similar rules and regulations of the
15 Federal Home Loan Bank Board as applied to Federal associations.
16 **[In no event shall an insured association make any loan or invest-**
17 **ment under the provisions of section 152 of this act when the total**
18 **of all loans or investments held, under the provisions of such**
19 **section, exceeds an amount equal to 25% of its total assets.]**

1 12. Section 155 of P. L. 1963, c. 144 (C. 17:12B-155) is amended
2 to read as follows:

3 155. Other loans. Other loans may be made as follows:

4 A. Account loans. Loans secured by a pledge of a member's sav-
5 ings account. No such loan shall exceed the withdrawal value of the
6 pledged account, less interest thereon for a period of 6 months.
7 Interest on such loans shall not be charged at a rate in excess of
8 the maximum permitted under the provisions of R. S. 31:1-1 unless
9 a higher rate is required by any applicable Federal regulation that
10 establishes minimum rates that must be charged on loans secured
11 by savings accounts; in which event, the interest charged shall not
12 be greater than that specified by such Federal regulation.

13 B. Purchase of loans. An association may purchase any mortgage
14 loan, property repair, alteration, improvement or rehabilitation
15 loan, or any other loan which an association is authorized to make.

16 C. Loans secured by a mortgage upon a lease of the fee of real
17 property. Any association may invest in any obligation secured
18 by a mortgage [which is a first lien, as defined in section 11 of
19 this act,] on a lease of the fee of real property [located in this
20 State]. The term of the leasehold interest securing such loan shall
21 be no less than 50 years from the date such loan is granted; other-
22 wise, such loans shall be made pursuant to sections 146 through
23 154, 167 and 168 of this act.

24 D. Camp meeting leaseholds. An association may invest in any
25 obligation secured by a first mortgage, as defined in section 11 of
26 this act, on any leasehold estate of real estate, in this State, of any
27 camp meeting association, to the extent authorized by, and subject
28 to, the limitations and restrictions contained in R. S. 17:2-1.

29 E. Loans otherwise authorized. An association may make any
30 other loan which it may be authorized to make by any law of this
31 State.

32 F. Loans on apartments or units established under the "Hori-
33 zontal Property Act" or the "Condominium Act." An association
34 may invest in any obligation secured by a mortgage [which is a first
35 lien, as defined in section 11 of this act,] on an apartment which
36 is part of a horizontal property regime established under the
37 "Horizontal Property Act" or upon a unit which is part of a condo-
38 minium established under the "Condominium Act." All such loans
39 shall be made pursuant to sections 146 through 154, 167 and 168 of
40 this act.

41 G. Educational loans. In addition to the authority otherwise
42 granted by law for an association to make loans guaranteed or
43 insured in whole or in part by the United States of America or
44 the State of New Jersey, or any instrumentality or agency of either

45 of them, or for which a commitment to so guarantee or insure has
46 been made, an association may make any loans so guaranteed or
47 insured or for which a commitment to so guarantee or insure has
48 been made where such loans are made for the purposes of financing
49 the expenses of higher education. Such loans may be made in ac-
50 cordance with the terms and conditions permitted by the guarantee-
51 ing or insuring authority, notwithstanding any other provisions
52 of law limiting interest or other charges or prescribing other terms
53 and conditions.

54 H. Loans on building lots. An association may invest in any
55 obligation secured by a mortgage which is a first lien on a building
56 lot, where it is represented by the borrower at the time the loan is
57 made that he intends to build or have built a dwelling on the
58 building lot for his own use and occupancy. The amount of such
59 loan shall not exceed 80% of the value of the real estate as found
60 by appraisal at the time the loan is granted and shall be a direct
61 reduction loan as defined in section 5 of this act, which shall require
62 periodic payments sufficient to pay the principal and interest on
63 the loan in full over a period of 10 years or less.

64 I. Mobile homes. An association may invest in mobile or manu-
65 factured home chattel paper by making or by buying loans or in-
66 stallment sales contracts on mobile or manufactured homes.

67 J. Consumer loans.

68 (1) An association may invest in or make installment loans upon
69 the same terms and conditions prescribed for banks in accordance
70 with Article 12 of the "Banking Act of 1948," P. L. 1948, c. 67 (C.
71 17:9A-1 et seq)*, subject to the limitation established in subsection
71A L. of this section*.

72 (2) In addition, *subject to the limitation established in sub-
73 section L. of this section,* an association may invest in or make
74 secured or unsecured loans for personal, family, or household
75 purposes to the extent and under the conditions permitted by the
76 rules and regulations adopted by the commissioner from time to
77 time. *The rate of interest on such loans shall not be in excess of
78 the rate of interest provided for in section 160 of P. L. 1963, c. 144
78A (C. 17:12B-160) or in excess of any rate of interest for such loans
78B as may be otherwise authorized by law.* The commissioner shall
78C promulgate such rules and regulations in substantial conformity
78D with similar rules and regulations of the Federal Home Loan Bank
78E Board.

79 K. Advance loans. An association may make advance loans upon
80 the same terms and conditions prescribed for banks in accordance
81 with Article 12A of the "Banking Act of 1948," P. L. 1948, c. 67
82 (C. 17:9A-1 et seq.).

83 **L. Limitations on loans and investments. Loans or investments*
 84 *in the following subsections shall not exceed, in the aggregate for*
 85 *each subsection, 20% of the assets of the association, provided that*
 86 *the commissioner may, by regulation, establish an amount in excess*
 87 *of 20% for each subsection if such excess amount is in conformity*
 88 *with Federal law or rule or regulation of the Federal Home Loan*
 89 *Bank Board:*

90 (1) *Loan secured by a first lien on real estate which are solely for*
 91 *business or commercial purposes, as authorized by this act;*

92 (2) *Secured or unsecured loans for personal, family, or household*
 93 *purposes, and commercial paper and corporate debt securities; pro-*
 94 *vided, however, that no percentage of assets limitation shall apply*
 95 *to the issuance of credit cards or the extension of credit therewith,*
 96 *the investment in property improvement loans as defined in section*
 97 *158 of P. L. 1963, c. 144 (C. 17:12B-158), or the investment in*
 98 *advance loans as defined in subsection K. of this section.**

1 13. Section 157 of P. L. 1963, c. 144 (C. 17:12B-157) is amended
 2 to read as follows:

3 157. Investments in loans for the purpose of repair, alteration,
 4 improvement, *construction, adding to*, modernizing, equipping or
 5 rehabilitation of real estate upon which an association shall not be
 6 required to hold a mortgage lien. Such a loan shall be known as a
 7 "property improvement loan." Any association may make loans
 8 subject to the limitations set forth in sections 159 through 164
 9 (C. 17:12B-159 through C. 17:12B-164) of this act for the repair,
 10 alteration, improvement, *construction, adding to*, modernizing,
 11 equipping or rehabilitation of real estate **[located in this State]**,
 12 which is used wholly or partially for dwelling purposes, including
 13 loans for restoration, rehabilitation, rebuilding and replacement
 14 of properties which have been damaged or destroyed by fire, hurri-
 15 cane, flood, cyclone, tornado or other catastrophe.

1 14. Section 158 of P. L. 1963, c. 144 (C. 17:12B-158) is amended
 2 to read as follows:

3 158. Definitions as used in sections 159 through 164
 4 (C. 17:12B-159 through C. 17:12B-164) of this act.

5 The following words and phrases as used in sections 159 through
 6 164 (C. 17:12B-159 through C. 17:12B-164) of this act, unless a
 7 different meaning is plainly required by the context, shall have
 8 the following meanings:

9 (1) "Property improvement loan" means a loan, secured or
 10 unsecured, the purpose of which, as represented to the association
 11 by the borrower, is to enable the borrower to pay the cost in whole

12 or in part of repairing, altering, improving, *constructing, adding*
13 *to*, modernizing, equipping or rehabilitating real estate used
14 wholly or partially for dwelling purposes and in connection with
15 which the borrower files with the association, at the time when the
16 loan is made, a statement, that the proceeds of the loan will be
17 used to pay the cost, in whole or in part, of modernizing, rehabili-
18 tating, altering, *constructing, adding to*, repairing, equipping or
19 improving such real property, as the case may be.

20 (2) (Deleted by amendment.)

21 (3) "Net proceeds" means the difference between the face
22 amount of the note evidencing such loan and that part of such
23 face amount which represents precomputed interest.

24 (4) "Loan for equipping" means a loan, the proceeds of which
25 are used to finance those items usually and customarily used **by the*
26 *borrower** in connection with a residential dwelling, whether or not
27 affixed to the realty. The Commissioner of Banking shall **[have*
28 *the power,]**** in relation to a "loan for equipping," **[to]**** adopt,
29 amend, alter or rescind regulations, the requirements of which, in
30 his judgment, are necessary to establish appropriate safeguards.
31 The commissioner, when issuing such regulations, shall, to the
32 extent feasible and after giving consideration to the financial and
33 economic circumstances and the public welfare, endeavor to pro-
34 mulgate such rules and regulations in substantial conformity with
35 similar rules and regulations of the Federal Home Loan Bank
36 Board as applied to Federal associations.

37 (5) "Precomputed interest" means an amount equal to the whole
38 amount of the interest payable on a loan as defined in this section
39 for the period from the making of the loan to the date scheduled
40 by the terms of the loan for the payment of the final installment.

41 (6) "Person" means an individual, a partnership, *a business,*
42 *a corporation* and an association.

43 (7) "Actuarial method" means the method of applying payments
44 made on a debt between principal and interest pursuant to which
45 a payment is applied first to accumulated interest on the principal
46 amount of the loan and the remainder is applied to the unpaid
47 principal balance of the loan in reduction thereof.

48 (8) **[Precomputed]*** Precomputed* loan" means an install-
49 ment loan which is evidenced by a note the face amount of which
50 consists of the aggregate of the principal amount of the loan so
51 evidenced, and the precomputed interest thereon.

52 (9) "Nonprecomputed loan" means an installment loan which
53 is evidenced by a note the face amount of which consists solely of
54 the principal amount of the loan so evidenced.

1 15. Section 159 of P. L. 1963, c. 144 (C. 17:12B-159) is amended
2 to read as follows:

2A 159. Limitations on such loans.

3 (1) *~~["The net proceeds of any loan for equipping as defined in~~
4 ~~section 158 of P. L. 1963, c. 144 (C. 17:12B-158) shall not exceed~~
5 ~~\$15,000.00 nor shall the aggregate of such net proceeds of loans for~~
6 ~~equipping, taken together with the amount of the unpaid balances~~
7 ~~owing on all other loans as defined in section 158 of P. L. 1963, c. 144~~
8 ~~(C. 17:12B-158) and which are outstanding with respect to the~~
9 ~~same [person or] real property, exceed \$15,000.00.]"~~ * *(Deleted by*
9A *amendment.)**

10 (2) Each such loan shall be evidenced by one or more notes,
11 bonds or other written evidence of indebtedness, and no security
12 other than an interest in tangible personal property, or a mortgage
13 upon the real property shall be taken directly or indirectly to
14 secure the same prior to default. An interest in real property taken
15 as security for a property improvement loan shall not be deemed
16 to be a mortgage loan within the meaning of Article X of this act
17 and shall not be subject to the provisions of that article.

18 (3) *~~["No association shall make any such unsecured loan at any~~
19 ~~time the aggregate amount of such unsecured loans outstanding~~
20 ~~exceeds an amount equal to [10%] 20% of its total assets.]"~~ *
20A *(Deleted by amendment.)**

21 (4) Each loan as defined in section 158 of this act (C. 17:12B-158)
22 shall be repayable in regular *~~["monthly]"~~ installments **payable at*
23 *least quarterly** over a period not exceeding ~~[15]~~ 20 years and 32
24 days subsequent to the making of such loan. The amount of any
25 installment shall not be greater or less than any other installment,
26 except that the **first installment or** last installment*, *or first and*
27 *last installments** may be *~~["not more than \$1.00 more or less than~~
28 ~~any previous installment]"~~ * *in an amount other than that of a*
29 *regular installment, but any such installment shall not be less than*
30 *one-half of, nor more than one and one-half times the amount of the*
31 *regular installment**. An association which makes a loan as defined
32 in section 158 of P. L. 1963, c. 144 (C. 17:12B-158) shall not require
33 that more than one installment be payable in any one payment
34 period, except that the last two installments may be payable in the
35 same payment period. Every such loan shall provide for payment
36 periods of equal duration measured in terms of weeks or months,
37 except that the period scheduled to elapse between the making of
38 the loan and the date when the first installment is scheduled to be
39 paid, hereinafter in this paragraph referred to as "the initial pay-

40 ment period" may be longer than any other payment period, but
 41 may not exceed ***[60]*** *120* days. Any such loan may provide for
 42 the omission of installments during any period not exceeding ***[93]***
 43 *120* days in any one 12-month period. When the period during
 44 which installments are so omitted falls within or coincides with the
 44A initial payment period as hereinabove defined, the initial payment
 44B period may be longer than any other payment period, but may not
 44C exceed ***[93]*** *120* days. ***[E**except as herein otherwise expressly
 44D provided, no payment period shall be shorter than 1 week or longer
 44E than 1 month.]*

45 (5) Nothing in this section shall prevent an association from
 46 making a loan as defined in section 158 of P. L. 1963, c. 144
 47 (C. 17:12B-158), the proceeds of which will be applied in whole or
 48 in part to the repayment at or before final maturity of a loan
 49 theretofore made under the provisions of this section.

50 (6) An association which makes a loan as defined in section 158
 51 of P. L. 1963, c. 144 (C. 17:12B-158) may,

52 (a) When the payment of such loan is secured, and provision is
 53 made by law for the filing or recording of the instrument of security
 54 or notice or abstract thereof, require compliance with such provi-
 55 sion and retain the cost of such recording or filing out of the
 56 proceeds of the loan but shall make no other charges in connection
 57 with the preparation of such mortgage or other security instru-
 58 ments; and

59 (b) When the maturity of the unpaid balance of the loan is
 60 accelerated, in accordance with the terms of the instrument evi-
 61 dencing the obligation, charge interest at a rate not exceeding the
 62 rate charged on the loan, from the date such acceleration takes
 63 place, upon the difference between the amount of the unpaid
 64 principal balance of the loan, and the amount of credit given
 65 pursuant to section 163 (C. 17:12B-163);

66 No association shall make any further interest or charge or
 67 demand, in connection with such loan, other than those expressly
 68 authorized by sections 159 through 164 (C. 17:12B-159 through
 69 C. 17:12B-164) of this act, except an association may charge
 70 interest at a rate not exceeding the rate charged on the loan upon
 71 each installment in arrears for the period from the date that
 72 default in the payment of such installment occurs to the date that
 73 payment of such installment is made; or, if the maturity of the
 74 unpaid balance of the loan is accelerated, as provided in this
 75 section, to the date upon which such acceleration takes place. In
 76 lieu of providing for interest pursuant to this paragraph (b), such

77 instrument may provide that on any installment in arrears for more
78 than 15 days, the association may make a late charge which shall
79 not exceed 5% of such installment, or \$5.00 whichever is the lesser;
80 provided that only one such late charge shall be made on any
81 one installment and that no such late charge shall be made upon
82 any installment scheduled, by the terms of such instrument, to
83 fall due upon a date subsequent to the date upon which the
84 maturity of the unpaid balance of the loan is accelerated as pro-
85 vided by this section.

86 (c) No person who is a party to the instrument evidencing the
87 loan shall be released or discharged from liability to the association
88 by reason of the association's extending the time for the payment
89 of an installment or installments owing or due upon such loan, or by
90 reason of the association's waiver of any term or condition of the
91 instrument evidencing such loan, or of the instrument intended to
92 secure payment thereof.

93 (d) All parties to the instrument evidencing the loan may waive
94 presentation for payment, demand for payment, protest and notice
95 of protest, nonpayment, dishonor, and the association's election
96 to accelerate the maturity of the unpaid balance of the loan.

97 For the purposes of this section,

98 (i) "Unpaid principal balance" of a loan means the face
99 amount of the note evidencing such loan, less the aggregate of
100 all installments paid thereon, plus the cost of any insurance
101 paid for by the association pursuant to paragraph (f) of
102 subsection (6) of this section, after crediting against such cost
103 the amount of the return premium, if any, received by the
104 association on cancellation of prior insurance paid for by the
105 borrower or the cost of which was retained out of the proceeds
106 of the loan;

107 (ii) "Unpaid balance" of a loan means the unpaid principal
108 balance of such loan, plus unpaid interest and late charges,
109 if any.

110 (e) Require one or more comakers or endorsers of the instrument
111 evidencing a loan, or one or more guarantors of payment of the
112 loan;

113 (f) When the payment of such loan is secured, require that such
114 security be insured for the benefit of the association against such
115 loss or damage as the association may require, and may retain out
116 of the proceeds of such loan the premium for such insurance. If
117 such insurance expires, lapses, or is canceled and other insurance
118 by insurers and in amounts satisfactory to the association is not
119 furnished to the association without lapse of coverage, the associa-

120 tion may, but shall be under no duty to, obtain insurance upon such
 121 security, and the cost thereof, less the amount of the return pre-
 122 mium, if any, received by the association on cancellation of prior
 123 insurance paid for by the borrower, or the cost of which was
 124 retained out of the proceeds of the loan, shall be added to and
 125 become part of the principal of such loan, payable upon demand
 126 with interest at the legal rate; and, in default of such payment
 127 within 30 days after such demand, the entire unpaid balance of
 128 the loan shall, at the election of the association become immediately
 128A due and payable;

129 (g) Upon institution of a suit for the collection of a loan in
 130 default, charge a collection fee, in addition to court costs allowable
 131 by law, equal to 10% of the unpaid balance of the loan, but in no
 132 case shall such collection fee exceed \$100.00;

133 (h) Extend the scheduled due date of any loan and defer the
 134 scheduled due date of any or all installment payments, or reduce
 135 the amount of any or all installments and may, as a consideration
 136 therefor, make a total additional charge not to exceed the amount
 137 ascertained under the provisions of section 160 (C. 17:12B-160).

1 16. Section 165 of P. L. 1963, c. 144 (C. 17:12B-165) is amended
 2 to read as follows:

3 165. Other investments, securities. A State association may
 4 invest as follows:

5 (1) Obligations of the United States. In obligations of or guar-
 6 anteed as to principal and interest by the United States of America.

7 (2) Federal Home Loan Bank Stock. In stock of the Federal
 8 Home Loan Bank, of which it is eligible to be a member; and in
 9 other obligations of any Federal Home Loan Bank or banks or of
 10 the Federal Home Loan Bank System.

11 (3) Participation in mortgage loans.

12 **[(a)]** In the investment in participating interests in mortgage
 13 loans. The mortgage which secures payment of any such par-
 14 ticipating interest shall be a lien upon real estate **[in this State**
 15 **used or to be used wholly or partially for dwelling purposes]** and
 16 shall conform with the limitations, conditions and requirements
 17 set forth in this article regulating direct reduction mortgage and
 18 straight mortgage loans, with respect to priority of lien, the
 19 percentage of such loan to be the appraised value of the mortgaged
 20 property, and the terms of repayment of such loan *or in conformity*
 21 *with the limitations, conditions and requirements set forth in rules*
 22 *and regulations of the Federal Savings and Loan Insurance Corpo-*
 23 *ration*. Such participating interest shall entitle the State associa-

24 tion to share all money and other benefits derived from such
25 mortgage loan, or incidental thereto, prorata with, or with prefer-
26 ence and priority over, the holder of any other participating
27 interest therein.

28 **[(b) In addition to the participating interests in mortgage loans**
29 **permitted under paragraph (a) of this subsection, any insured**
30 **State association may participate in mortgage loans to the extent**
31 **and under the conditions permitted by the rules and regulations**
32 **adopted by the commissioner from time to time. To the extent**
33 **feasible and to the extent compatible with local conditions relevant**
34 **to financial and economic circumstances and the public welfare, the**
35 **commissioner shall endeavor to promulgate such rules and regula-**
36 **tions in substantial conformity with similar rules and regulations**
37 **of the Federal Savings and Loan Insurance Corporation.]**

38 (4) Accounts of other associations. In accounts of any insured
39 State association of this State and of any Federal association whose
40 principal office is located in this State; provided, that no such
41 investment shall be made in excess of the amount for which such
42 account is insured by the Federal Savings and Loan Insurance
43 Corporation.

44 (5) Savings banks' investments. In any investment in which
45 savings banks of New Jersey are or shall be authorized to invest
46 by any law of this State, other than investments which are, or
47 which hereafter shall be, specifically designated and regulated by
48 this act; provided, however, no funds may be invested pursuant to
49 this subsection which are required for authorized loans to members.

50 (6) Loans on securities. In loans upon obligations secured by the
51 pledge of any security designated in subsections (1) and (5) of this
52 section; provided, that any loan made on an obligation designated
53 in subsection (1) of this section shall not exceed the market value
54 of the obligation pledged as collateral and any loan made on the
55 security designated in subsection (5) of this section, shall not
56 exceed 80% of the market value of the security pledged as col-
57-67 lateral and provided further, that no funds may be invested
68 pursuant to this subsection which are required for other authorized
69 loans to members.

70 (7) Central and other service corporations.

71 (a) In the capital stock, securities, debentures or other obliga-
72 tions of a single corporation organized under the laws of the State
73 of New Jersey, the entire capital stock of which corporation shall
74 be open to, subscribed for, and issued to State associations of this
75 State and such Federal associations that have their principal

76 offices in this State; provided, however, that the original capital
77 stock of such corporation shall aggregate at least \$200,000.00 from
78 subscriptions and payments by at least 10 of the aforementioned
79 associations; and provided further, that no association, afore-
80 mentioned, may invest its funds under this subsection in an amount
81 exceeding 5% of its assets at the time of such subscription, payment
82 or investment, except with the approval of the commissioner.

83 (b) In the capital stock, securities, debentures or other obliga-
84 tions of any corporation organized under the laws of the State of
85 New Jersey, if the entire capital stock of such corporation is
86 available for purchase only by State associations of this State and
87 such Federal associations that have their principal offices in this
88 State; provided, however, that no association aforementioned may
89 make any investment under this subsection in an amount exceeding
90 ~~1%~~ 3% of its assets, except with the approval of the commis-
91 sioner.

92 (8) Federal corporations. In the capital stock, securities, deben-
93 tures or other obligations of any corporation created by Act of
94 Congress in which such investment may be open to associations
95 and which shall afford advantages or safeguards to associations.

96 (9) In any other investment in which an association is, or shall
97 be, authorized to invest by any law of this State.

98 (10) Participation in loans or investments. In a participating
99 interest in any loan or investment which an association is autho-
100 rized to make.

101 (11) *State securities. Investments in the general obligations of*
102 *any State or any political subdivision thereof.*

103 (12) *Loans to financial institutions, brokers and dealers. Loans to*
104 *financial institutions with respect to which the United States or*
105 *any agency or instrumentality thereof has any function of exam-*
106 *ination or supervision, or to any broker or dealer registered with*
107 *the Securities and Exchange Commission, secured by loans, obliga-*
108 *tions, or investments in which the association has the statutory*
109 *authority to invest directly.*

110 (13) *Investment companies. An association may invest in, redeem,*
111 *or hold shares of certificates in any open-end management invest-*
112 *ment company which is registered with the Securities and Exchange*
113 *Commission under the Investment Company Act of 1940 and the*
114 *portfolio of which is restricted by such management company's*
115 *investment policy, changeable only if authorized by shareholder*
116 *vote, solely to any such investments as an association by law or*
117 *regulation may, without limitation as to percentage of assets,*

118 *invest in, sell, redeem, hold, or otherwise deal with. The commis-*
 119 *sioner may prescribe rules and regulations to implement the provi-*
 120 *sions of this subsection and shall promulgate such rules and*
 121 *regulations in substantial conformity with similar rules and regu-*
 122 *lations of the Federal Home Loan Bank Board.*

123 *(14) Commercial paper and corporate debt securities. ***[An]****
 124 **Subject to the limitation of subsection L. of section 155 of P. L.*
 125 *1963, c. 144 (C. 17:12B-155), an** association may invest in, sell or
 126 hold commercial paper and corporate debt securities, as defined and
 127 approved pursuant to rules and regulations promulgated by the
 128 commissioner. The commissioner shall promulgate such rules and
 129 regulations in substantial conformity with similar rules and regula-
 130 tions of the Federal Home Loan Bank Board.

1 ***[18.]*** *17.* Section 168 of P. L. 1963, c. 144 (C. 17:12B-168) is
 2 amended to read as follows:

3 168. Limitation on amounts of real estate loans and investments.
 4 No State association shall loan upon the security of, nor invest in
 5 any contract for the resale of, any one property, more than
 6 \$35,000.00 or an amount equal to 2½% of its assets whichever
 7 amount is greater. **[**The total amount owing to a State association
 8 upon all such loans and investments in excess of \$35,000.00 shall
 9 not exceed 35% of the aggregate amount owing to it on all of its
 10 mortgage loans at the time any such loan or investment in excess
 11 of \$35,000.00 is made.**]**

12 *Notwithstanding the above limits, the commissioner may adopt,*
 13 *amend, alter or rescind regulations permitting associations to make*
 14 *loans for a greater amount or to increase the percentage limitation*
 15 *hereinabove set forth. The commissioner may give consideration to*
 16 *the size of the association, its reserves and current economic condi-*
 17 *tions in issuing such regulations. Any loans or investments legally*
 18 *made under the provisions of regulations adopted under the author-*
 19 *ity granted by this section shall be legal loans or investments if*
 20 *they conform with the regulations in effect at the date of closing or*
 21 *purchase of said loan or investment, notwithstanding the subse-*
 22 *quent amendments, alterations, rescissions or repeals of the regu-*
 23 *lations in effect at the date of such closing or purchase.*

1 ***[19.]*** *18.* Section 169 of P. L. 1963, c. 144 (C. 17:12B-169) is
 2 amended to read as follows:

3 169. Restrictions on investments. **[**(1) No State associations shall
 4 make any of the investments authorized by this act, except invest-
 5 ments in account loans, obligations of or guaranteed as to principal
 6 and interest, by the United States of America, stock of the Federal

7 Home Loan Bank of which it is eligible to be a member; and in
 8 other obligations of any Federal Home *Loan* Bank or banks, or the
 9 Federal Home Loan Bank System, or obligations of any agency or
 10 instrumentality of the United States of America, if and so long as,
 11 the sum of its cash on hand and in the banks and the value of its
 12 investments in obligations of the United States of America and of
 13 agencies and instrumentalities of the United States of America, is
 14 less than 5% of its capital.】 **(1) No uninsured State association*
 14A *shall make any of the investments authorized by this act, except in-*
 14B *vestments in account loans, obligations of or guaranteed as to*
 14C *principal and interest by the United States of America, stock of the*
 14D *Federal Home Loan Bank Board of which it is eligible to be a*
 14E *member; and any other obligations of any Federal Home Loan*
 14F *Bank Board System or obligations of any agency or instrumentality*
 14G *of the United States of America, if and so loan as, the sum of its*
 14H *cash on hand in the banks and the value of its investments in obliga-*
 14I *tions of the United States of America and of agencies and instru-*
 14J *mentalities of the United States of America, is less than 5% of its*
 14K *capital.**

15 【(2)】 **(2)** No State association shall make any of the invest-
 16 ments authorized by this act, except investments in obligations of,
 17 or guaranteed as to principal and interest by the United States of
 18 America, stock of the Federal Home Loan Bank of which it is
 19 eligible to be a member; and in other obligations of any Federal
 20 Home Loan Bank or banks, or the Federal Home Loan Bank
 21 System, or obligations of any agency or instrumentality of the
 22 United States of America, at any time when any application for
 23 withdrawal remains unpaid in whole or in part, 90 days after the
 24 date of the filing thereof.

1 *【20.】* **19.** This act shall take effect immediately.

3 169. Restrictions on investments. [(1) No State associations shall
 4 make any of the investments authorized by this act, except invest-
 5 ments in account loans, obligations of or guaranteed as to principal
 6 and interest, by the United States of America, stock of the Federal
 7 Home Loan Bank of which it is eligible to be a member; and in
 8 other obligations of any Federal Home *Loan* Bank or banks, or the
 9 Federal Home Loan Bank System, or obligations of any agency or
 10 instrumentality of the United States of America, if and so long as,
 11 the sum of its cash on hand and in the banks and the value of its
 12 investments in obligations of the United States of America and of
 13 agencies and instrumentalities of the United States of America, is
 14 less than 5% of its capital.]

15 [(2)] No State association shall make any of the investments
 16 authorized by this act, except investments in obligations of, or
 17 guaranteed as to principal and interest by the United States of
 18 America, stock of the Federal Home Loan Bank of which it is
 19 eligible to be a member; and in other obligations of any Federal
 20 Home Loan Bank or banks, or the Federal Home Loan Bank
 21 System, or obligations of any agency or instrumentality of the
 22 United States of America, at any time when any application for
 23 withdrawal remains unpaid in whole or in part, 90 days after the
 24 date of the filing thereof.

1 20. This act shall take effect immediately.

STATEMENT

The enactment of the Federal Depository Institutions Deregulation and Monetary Control Act of 1980, Act of March 31, 1980 (Public Law 96-221), greatly increased the powers and privileges of Federal savings and loan associations and has called attention to the fact that both newly enacted and previously existing Federal law has granted Federal associations many powers and privileges which have not been specifically authorized for State-chartered associations by existing New Jersey law.

The purpose of the amendment to the Savings and Loan Act (1963), P. L. 1963, c. 144, is to create parity between State-chartered savings and loan associations and Federal savings and loan associations.

A 2118 (1981)

ASSEMBLY BANKING AND INSURANCE COMMITTEE

STATEMENT TO

ASSEMBLY, No. 2118

with Assembly committee amendments

STATE OF NEW JERSEY

DATED: NOVEMBER 24, 1980

This legislation makes a number of changes to the Savings and Loan Act (P. L. 1963, c. 144) to provide parity between State chartered and federally chartered savings and loan associations in response to the recently enacted Federal Depository Institutions Deregulation Act (Public Law 96-221), which made substantial changes in the powers accorded to thrift institutions. As amended by the Assembly Banking and Insurance Committee, Assembly Bill No. 2118 contains the following provisions:

Credit Cards: The bill permits savings and loan associations to issue credit cards subject to the regulation of the Commissioner of Banking, provided that the regulations are substantially in conformity with the regulations of the Federal Home Loan Bank Board.

Trust Powers: The bill permits savings and loan associations to assume trust powers to the same extent permitted to federal savings and loan associations. Associations acting in this fiduciary capacity would be required to keep all such accounts and records separate from their other funds. Associations would be required to deposit securities with State authorities in connection with such trust accounts to the same extent required of other fiduciaries. The right of an association to execute such powers would be determined by the commissioner; the capital and surplus required as a prerequisite for engaging in trust activities would be required to be the same as prescribed for State banks, trust companies, and other corporations. The commissioner would be empowered to promulgate regulations relative to the establishment of such trust activities, which would be required to conform to any federal regulations which might be promulgated.

Mutual Certificates: Associations would be permitted to issue and sell to subscribers mutual capital certificates, which would constitute part of the general reserve and net worth of the issuing association. The certificates would be subordinate to all savings accounts, savings certificates, and debt obligations, and in the event of a liquidation, would constitute a claim on the general reserves, surplus, and undivided profits of the association after the payment of the abovementioned obligations. The mutual certificates would be permitted to have a fixed or variable dividend rate.

Loans to Officers: The legislation would permit an association to make loans or purchase loans which it is otherwise authorized by law to make from any officer, director, attorney, or other affiliated person in accordance with rules and regulations established by the Federal Savings and Loan Insurance Corporation which govern such loans.

Limitations on Accounts: The legislation eliminates the present \$150,000.00 limitation that is presently established for any member holding one or more accounts in any association. Members would be permitted to hold accounts of \$20,000.00, or 1% of the capital of the association, whichever is greater.

Mortgage Lending Authority: The legislation permits associations to make certain loans for business or commercial purposes; if a loan is made solely for business or commercial purposes, the loan must be secured by a first lien on real estate, and that class of loan could not constitute more than 20% of the assets of the association, or a higher percentage which might be set by the commissioner in accordance with a change in Federal law or regulation governing asset limitations. The legislation also eliminates the present prohibition against lending outside the State if the mortgaged property is more than 50 miles from the principal office of the association; any out-of-state lending would be permitted.

Straight Mortgage Loans: The term of straight (unamortized) mortgage loans is raised by the legislation from 3 to 5 years if the amount of the loan is not in excess of 60% of the value of the mortgaged property. Interest on straight mortgage loans would be required to be paid at least semiannually. The term of construction loans is extended by the bill from 3 years to 5 years.

Limitation on Certain Mortgage Loans as a Percentage of Assets: The legislation removes the restriction that loans made in excess of the permissible loan-to-value ratio be limited to 25% of an association's assets.

Leasehold and Condominium Mortgages: The legislation removes the requirement that an association make only first lien mortgages on leaseholds and condominiums; they would therefore be permitted to make second mortgage loans on these properties.

Other Permissible Loans: The bill provides that associations would be permitted to make loans on mobile homes, installment loans under Art. 12 of the Banking Act of 1948 (P. L. 1948, c. 67), advance (overdraft checking) loans, and other secured or unsecured loans for personal, family, or household purposes under rules and regulations promulgated by the commissioner which are in conformity with the rules and regulations of the Federal Home Loan Bank Board. Secured or unsecured loans for personal, family, or household purposes would be

subject to a limitation of 20% of the assets of the association, or a higher percentage of assets which might be set by the commissioner in accordance with a change in Federal law or regulation governing asset limitation.

Home Improvement Loans: In addition to their present powers, associations would be permitted to make home improvement loans for construction. The permissible term for such loans would be extended from 15 to 20 years. Loans for equipping would be limited to \$15,000.00.

Additional Investment Powers: The legislation expands the permissible investments of savings and loan associations. Associations could invest up to 3% of their assets, instead of the present 1%, in service corporations. In addition, they would be permitted to invest in general obligations of the State or any political subdivision, make loans to financial institutions, brokers, or dealers (which would permit investment in Federal funds), invest in open-end management investment companies subject to the regulation of the commissioner, and invest in commercial paper and corporate debt securities subject to the rules and regulations of the Federal Home Loan Bank Board. Investment in commercial paper and corporate debt securities would be subject to a limitation of 20% of the assets of the association, unless the limitation were raised by the commissioner in response to an increase provided by Federal law or regulation. The present limitation on the amount of any single mortgage loan is also removed, and the limitation on such lending left to the regulation of the commissioner.

This legislation is part of a package of bills released by the Assembly Banking and Insurance Committee in response to significant changes in banking law and regulation which have taken place on the Federal level. The Federal Depository Institutions Deregulation Act (DIDAMCA) made substantial changes in the powers of various Federally chartered financial institutions as well as significant changes in the relationship of the several kinds of depository institutions.

The Federal legislation significantly increased the powers of Federally chartered thrift institutions. Savings and loan associations have traditionally concentrated their lending powers in the area of residential mortgages. During the past decade, however, periods of exceedingly high interest rates and the emergence of competitors such as money market funds have resulted in increased interest on the part of Federal regulators and others to give associations more flexibility with respect to their lending activities and to insure their financial integrity. Earlier, the Hunt Commission had made similar recommendations.

In response of this, the Federal Depository Institutions Deregulation Act granted savings and loan associations consumer lending powers similar to those traditional exercised by banks. In addition, it expanded

the permissible investments of savings and loan associations in instruments other than loans, provided for the exercise of trust powers by associations, and permitted associations to make limited commercial and business loans which were first liens on real property.

The Assembly Banking and Insurance Committee has released this legislation as part of a package of bills; in part, this is a means of preserving the dual Federal-State banking system. Assembly Bill No. 2118 is designed to provide benefits to State-chartered savings and loan associations which are similar to those granted to Federal associations, thereby permitting the State and Federal associations to compete on an equal basis.

While preserving the traditional role of the Legislature in establishing policy for State-chartered financial institutions, the Banking and Insurance Committee has amended the bill to grant certain discretionary authority to the Commissioner of Banking to promulgate regulations which are consonant with Federal regulations. The Banking and Insurance Committee has also added an amendment which would permit the commissioner to promulgate rules and regulations to provide parity for State-chartered institutions in circumstances where additional powers granted to Federally-chartered institutions are not contrary to, or in conflict with, New Jersey statutory law.

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SENATE LABOR, INDUSTRY AND PROFESSIONS
COMMITTEE

STATEMENT TO
ASSEMBLY, No. 2118
with Assembly committee amendments

STATE OF NEW JERSEY

DATED: JANUARY 26, 1981

This legislation makes a number of changes to the Savings and Loan Act (P. L. 1963, c. 144) to provide parity between State chartered and Federally chartered savings and loan associations in response to the recently enacted Federal Depository Institutions Deregulation Act (Public Law 96-221), which made substantial changes in the powers accorded to thrift institutions. As amended by the Assembly Banking and Insurance Committee, Assembly Bill No. 2118 contains the following provisions:

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This legislation is part of a package of bills released by the Senate Labor, Industry and Professions Committee in response to significant changes in banking law and regulation which have taken place on the Federal level. The Federal Depository Institutions Deregulation Act (DIDAMCA) made substantial changes in the powers of various Federally chartered financial institutions as well as significant changes in the relationship of the several kinds of depository institutions.

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The bill was further amended on the Assembly floor to exempt accounts opened as a result of the maturity of an installment share account from the \$20,000.00 limitation on accounts held in any one State association. Other floor amendments were technical in nature.
