

17:9A-246.1 and 17:9A-246.2

LEGISLATIVE HISTORY CHECKLIST

NJSA 17:9A-246.1 and 17:9A-246.2 (Savings banks--exercise same powers as Federal Mutual savings banks)

LAWS 1981 CHAPTER 163

Bill No. S1592

Sponsor(s) Gregorio and others

Date Introduced Nov. 24, 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 May 14, 1981

Senate Feb. 26, 1981

Date of approval June 11, 1981

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

Rules and regulations promulgated by Commissioner of Banking, as mentioned in Section 1 of act:

N.J.A.C. 3:6-1.1 (See 13 NJR 383 (b))

Rules and regulations of Federal Home Loan Bank Board:

12 CFR Part 500

6/22/81

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6-11-81
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SENATE, No. 1592

STATE OF NEW JERSEY

INTRODUCED NOVEMBER 24, 1980

By Senators GREGORIO, BEDELL, WALLWORK and KENNEDY

Referred to Committee on Labor, Industry and Professions

A SUPPLEMENT to "The Banking Act of 1948," approved April 29,
1948 (P. L. 1948, c. 67).

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

1 1. ***[**Every savings bank shall be entitled**]*** *The Commissioner*
2 *of Banking shall have the power to promulgate rules and regulations*
3 *authorizing savings banks** to exercise ***[all]*** **those** powers now
4 or hereafter authorized for Federal mutual savings banks to the
5 same extent as Federal mutual savings banks may exercise those
6 powers***[**, and shall not be subject to any restrictions which are
7 not also imposed on Federal mutual savings banks**]***. **Any such*
8 *regulations shall be in substantial conformity with similar rules and*
9 *regulations of the Federal Home Loan Bank Board.**

1 *2. *The rules and regulations promulgated by the commissioner*
2 *pursuant to section 1 of this supplementary act shall have as their*
3 *objective the placing of savings banks on a substantial competitive*
4 *parity with Federal mutual savings banks.**

1 ***[2.]*** *3.* *This act shall take effect immediately****[**, but shall
2 expire upon the enactment of legislation specifically addressing the
3 question of parity among financial institutions in accordance with
4 recommendations made by a joint committee established pursuant
5 to 1980 Assembly Concurrent Resolution No. 156**]**.*

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

SENATE, No. 1592

STATE OF NEW JERSEY

INTRODUCED NOVEMBER 24, 1980

By Senators GREGORIO, BEDELL, WALLWORK and KENNEDY

Referred to Committee on Labor, Industry and Professions

A SUPPLEMENT to "The Banking Act of 1948," approved April 29, 1948 (P. L. 1948, c. 67).

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

1 1. Every savings bank shall be entitled to exercise all powers
2 now or hereafter authorized for Federal mutual savings banks to
3 the same extent as Federal mutual savings banks may exercise
4 those powers, and shall not be subject to any restrictions which
5 are not also imposed on Federal mutual savings banks.

1 2. This act shall take effect immediately, but shall expire upon
2 the enactment of legislation specifically addressing the question
3 of parity among financial institutions in accordance with recom-
4 mendations made by a joint committee established pursuant to
5 1980 Assembly Concurrent Resolution No. 156.

STATEMENT

At the present time Federal law allows mutual savings banks to convert from State to Federal charters. Conversions have occurred in other states. Although to date no conversion has taken place in New Jersey, such conversions are attractive because Federal mutual savings banks possess powers not yet given by law to New Jersey mutual savings banks. Such conversions will cause a loss of revenue to the State.

This bill is designed to avoid conversions by eliminating any differential in powers between a Federal and State chartered savings bank. The legislation will automatically expire when and if the Legislature comprehensively addresses the problem of parity among State and Federal financial institutions in accordance with recommendations of a study commission appointed pursuant to Assembly Concurrent Resolution No. 156.

ASSEMBLY BANKING AND INSURANCE COMMITTEE

STATEMENT TO

SENATE, No. 1592

STATE OF NEW JERSEY

DATED: MAY 4, 1981

As amended by the Senate Labor, Industry and Professions Committee, Senate Bill No. 1592 would give the Commissioner of Banking the power to promulgate rules and regulations authorizing savings banks to exercise powers now or hereafter authorized for Federal mutual savings banks. Any regulations promulgated by the Commissioner would be required to be in substantial conformity with similar rules and regulations of the Federal Home Loan Bank Board. The rules and regulations promulgated by the commissioner would be directed toward the establishment of competitive parity with the Federally chartered institutions.

This legislation is in response to passage of the Federal Depository Institutions Deregulation and Monetary Control Act (DIDAMCA), P. L. 96-221, which made substantial changes in the powers granted to Federally chartered depository institutions and provided for the creation of Federally chartered mutual savings banks. Mutual savings banks, which have hitherto existed only in a few states, primarily in the east, were traditionally state-chartered institutions only. They are primarily thrift institutions, resembling savings and loan associations, although in New Jersey mutual savings banks have had checking account powers since the turn of the century. The majority of their assets have traditionally been invested in mortgage loans. Unlike savings and loan associations, however, state chartered savings banks have been insured and supervised by the Federal Deposit Insurance Corporation rather than the Federal Home Loan Bank Board.

The Federal mutual savings banks were given a number of powers by DIDAMCA, under the provisions of Senate Bill No. 1592, the Commissioner of Banking could grant the same powers to state chartered institutions by regulation. They include the following powers:

Limited Commercial Mortgage Lending

Commercial Loans (Limited to 5% of assets)

Credit Cards

Trust Powers

Issuing Mutual Capital Certificates

Advance (Overdraft) Loans

Other personal loans

Expanded investment powers

These expanded lending and investment powers, except the right to make commercial, corporate and business loans, were also extended to Federally chartered savings and loan associations. The purpose of expanding the lending authority of the thrift institutions was to make these institutions more flexible in times of extremely high interest rates with respect to their ability to engage in shorter-term, relatively high-interest-rate consumer lending. Previously, thrift institutions had up to 90% of their assets tied up in long term (and relatively low-yield) residential mortgage loans, which created difficulty during periods in which they were forced to pay high rates on savings deposits and certificates.

**SENATE LABOR, INDUSTRY AND
PROFESSIONS COMMITTEE**

STATEMENT TO

SENATE, No. 1592

with Senate committee amendments

STATE OF NEW JERSEY

DATED: FEBRUARY 19, 1981

This bill would give savings banks all powers now or hereafter authorized for Federal mutual savings banks, and would prohibit the imposition of any restrictions on savings banks not imposed on Federal mutual savings banks.

As originally drafted, this bill would have given savings banks automatic on-going parity with Federal mutual savings banks without the review or approval of the New Jersey Legislature or the Department of Banking.

Amendments adopted by the Senate Labor, Industry and Professions Committee authorize the Commissioner of Banking to promulgate rules and regulations creating parity between savings banks and Federal mutual savings banks, rather than permitting automatic on-going parity without departmental review. The regulations would have to be in substantial conformity with similar rules and regulations of the Federal Home Loan Bank Board.

As originally drafted, the bill would have expired upon enactment of legislation specifically addressing the question of parity among financial institutions in accordance with recommendations made by a joint committee established pursuant to 1980 Assembly Concurrent Resolution No. 156. The sunset provision is deleted by amendment.