

17:11A-49

LEGISLATIVE HISTORY CHECKLIST

NJSA 17:11A-49 (Secondary mortgage loan act--permit both spouses to take out life insurance)

LAWS 1980 CHAPTER 180

Bill No. A1198

Sponsor(s) Baer and others

Date Introduced Feb. 25, 1980

Committee: Assembly Commerce, Industry & Professions; Banking & Insurance

Senate Labor, Industry and Professions

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

Date of Passage: Assembly May 19, 1980

Senate Nov. 24, 1980

Date of approval Dec. 31, 1980

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

17:11A-49
1980
CHAPTER 180

[OFFICIAL COPY REPRINT]
ASSEMBLY, No. 1198

STATE OF NEW JERSEY

INTRODUCED FEBRUARY 25, 1980

By Assemblymen BAER, BURSTEIN, BORNHEIMER
 and PATERNITI

Referred to Committee on Commerce, Industry and Professions

AN ACT to amend the "Secondary Mortgage Loan Act" approved
 September 23, 1970 (P. L. 1970, c. 205).

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

1 1. Section 16 of P. L. 1970, c. 205 (C. 17:11A-49) is amended to
 2 read as follows:

3 16. A borrower shall not be compelled to purchase credit life or
 4 accident and health insurance in connection with a secondary
 5 mortgage loan. If, however, the borrower elects to obtain such
 6 insurance, **[he]** *the borrower *or borrowers** shall, in a separate
 7 instrument, consent thereto, in writing, and, provided further:

8 a. The insurance shall be obtained in accordance with ***[chapter**
 9 **169, P. L. 1958]*** **the provisions of N. J. S. 17B:29-4**, and the
 10 regulations promulgated by the commissioner pursuant thereto.

11 b. **[For the purpose of this section, the word "debtor" as**
 12 **defined in chapter 169, P. L. 1958, means, if more than one person**
 13 **is obligated for the payment of a secondary mortgage loan, the**
 14 **person whose signature appears on the first line provided for the**
 15 **signatures of borrowers on a promissary note evidencing the**
 16 **borrower's indebtedness, said person to be the only person for**
 17 **whom such insurance is obtained.]** *deleted by amendment.*

18 c. The premium for any such insurance shall be deducted from
 19 the amount of the secondary mortgage loan requested by the
 20 borrower.

21 d. Nothing in this act or in any other law of this State shall pro-
 22 hibit a licensee or any employee, affiliate, subsidiary, or associate
 23 of said licensee, from collecting the premium or identifiable charge
 24 for insurance permitted by this act and from receiving or retaining

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

25 any dividend, or any other gain or advantage resulting from such
26 insurance; subject, however, to the authority of the commissioner
27 to promulgate such rules and regulations with regard to such
28 dividend, gain or advantage as he may deem necessary, including
29 the authority to reduce the rate of interest to be charged by a
30 particular licensee to borrowers in consideration of the benefit to
31 said licensee from such dividend, gain or advantage.

1 2. This act shall take effect on the sixtieth day following enact-
2 ment.

25 any dividend, or any other gain or advantage resulting from such
26 insurance; subject, however, to the authority of the commissioner
27 to promulgate such rules and regulations with regard to such
28 dividend, gain or advantage as he may deem necessary, including
29 the authority to reduce the rate of interest to be charged by a
30 particular licensee to borrowers in consideration of the benefit to
31 said licensee from such dividend, gain or advantage.

1 2. This act shall take effect on the sixtieth day following enact-
2 ment.

STATEMENT

This bill amends the New Jersey "Secondary Mortgage Loan Act" to eliminate a provision which has the impact of discriminating against women. Current law provides that only one borrower may have the opportunity to elect to purchase credit life or accident and health insurance in connection with a secondary mortgage loan. This provision ignores the economic realities of life today. In many families both spouses are employed and they jointly contribute to the payment of household expenses. The outdated restriction on access to insurance in the secondary mortgage area denies wage earners freedom of choice.

The purpose of such insurance is to guarantee that the borrower will be free of the mortgage liability in the event of death or disability. Since both spouses may be working and contributing to the payment of the second mortgage the death or disability of either spouse could impact upon the family's ability to repay their obligation. Each should have the right to obtain insurance to cover that contingency. This bill establishes that equal access by repealing the current prohibition.

It should be noted that no such discriminatory limitation on access to insurance exists in conjunction with first mortgages.

A1198(1980)

ASSEMBLY BANKING AND INSURANCE COMMITTEE

STATEMENT TO

ASSEMBLY, No. 1198

with Assembly committee amendments

STATE OF NEW JERSEY

DATED: MAY 5, 1980

This legislation amends the Secondary Mortgage Loan Act to permit joint borrowers to obtain credit life and credit health insurance. Recently, the legislature amended the law governing credit life insurance (N. J. S. 17B:29-4) to permit either borrower or both borrowers to purchase credit life and credit health insurance in cases where two individuals are jointly obligated for the loan. The Secondary Mortgage Loan Act, however, specifically prohibits insurance to be purchased by more than one borrower. Assembly Bill No. 1198, which conforms the Secondary Mortgage Loan Act to the provisions of N. J. S. 17B:29-4, has been reported by the Banking and Insurance Committee in recognition of the fact that many loans are made based on the income of more than one individual in a household, and that the co-borrower is entitled to credit life insurance protection. The committee has amended the legislation to correct a statutory reference, substituting "N. J. S. 17B:29-4" for "Chapter 169, P. L. 1958," as the latter has been repealed.

SENATE LABOR, INDUSTRY AND PROFESSIONS
COMMITTEE

STATEMENT TO

ASSEMBLY, No. 1198

STATE OF NEW JERSEY

DATED: OCTOBER 9, 1980

This bill amends the Secondary Mortgage Loan Act to delete the present restriction which permits only one borrower to obtain credit life insurance in connection with the loan. By implication, removal of the restriction is intended to permit the purchase of joint credit life insurance by more than one borrower.

This legislation is intended to permit the purchase of joint credit life insurance by borrowers in recognition of the fact that many loans are made based on the income of more than one individual in a household, and that the coborrower is entitled to credit life insurance protection.

A-1198, sponsored by Assemblyman Byron Baer (D- Bergen) which permits any borrower on a secondary mortgage loan to purchase credit life insurance or accident and health insurance in connection with the secondary mortgage.

The insurance, by its terms, will pay off a portion or the balance of the mortgage if the person insured dies or becomes ill or disabled and unable to pay the loan.

The bill is another step in the state's efforts to modernize the statutes to accommodate the existence of two-wage-earner households.

Under prior law, only one borrower (the person whose signature appears first on the promisory note) could obtain such insurance. Usually, that person was the husband, so that if he died or was disabled the mortgage or portion of it was paid off. If the wife was also a contributor to the mortgage payments and died or became disabled, her husband did not receive a similar advantage.

A-1229, sponsored by Assemblyman James R. Hurley (R-Cumberland) which exempts property acquired by gift, devise or bequest from equitable devise at the time of divorce.

A statement issued by the Governor on signing the bill is attached.

#####