

31:1-1

LEGISLATIVE HISTORY CHECKLIST

FOR MATERIALS

SEE 46:10B1+

46:10B-2

(Mortgage interest rate - up to 10.75% - set by Commissioner of Banking)

NJSA 31:1-1, 46:10B-1 & 46:10B-2

LAWS OF 1979

CHAPTER 85

Bill No. S3089

Sponsor(s) Bedell and others

Date Introduced February 13, 1979

Committee: Assembly

Senate Labor, Industry and Professions

Amended during passage Yes XX Amendments during passage denoted by asterisks

Date of Passage: Assembly April 23, 1979

Senate February 22, 1979

Date of approval May 10, 1979

Following statements are attached if available:

Sponsor statement	Yes	XX
Committee Statement: Assembly	XXX	No
Senate	XXX	No
Fiscal Note	XXX	No
Veto message	XXX	No
Message on signing	Yes	XX

Following were printed:

Reports	XXX	No
Hearings	Yes	XX

974.90 N.J. Legislature. Assembly.
B218 Banking and Insurance Committee.
1979 Public hearing on A3058,
held 1-30-79. Trenton.
(A3058 similar to S3089)

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9/1/78

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SENATE, No. 3089

STATE OF NEW JERSEY

INTRODUCED FEBRUARY 13, 1979

By Senators BEDELL, KENNEDY, DWYER, GAGLIANO, SHEIL
and FRIEDLAND

Referred to Committee on Labor, Industry and Professions

AN ACT concerning certain loans and amending R. S. 31:1-1 and
P. L. 1968, c. 54.

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

1 1. R. S. 31:1-1 is amended to read as follows:

2 31:1-1. (a) Except as *herein and* otherwise provided by law, no
3 person shall, upon contract, take, directly or indirectly for loan of
4 any money, wares, merchandise, goods and chattels, above the value
5 of \$6.00 for the forbearance of \$100.00 for a year***;*** * * **[**except
6 **that]** (b) ***[the]*** **The** Commissioner of Banking**[**, with the
7 advice of a special advisory board constituted as hereinafter pro-
8 vided,**]** may by regulations adopted, amended and rescinded from
9 time to time, provide that the value which may be taken for any
10 such loans shall be a value more than \$6.00 **[**but not more than
11 **but not more than* ****[\$12.00*]**** *****[**\$10.50**]****
12 ******[***\$11.00***]****** ******\$10.75****** for the forbearance of
12A \$100.00 for a year, as shall be prescribed in such regulation,
13 and after that rate for a greater or less sum or for longer
14 or shorter time. *In no event, however, shall the rate set*
15 *by the commissioner exceed the Monthly Index of Long Term*
16 *United States Government Bond Yields, compiled by the Board*
17 *of Governors of the Federal Reserve System and as published by*
18 *said Board of Governors in the monthly Federal Reserve Bulletin,*
19 *for the second preceding calendar month plus an additional 2-1/2%*
20 *per annum rounded off to the nearest quarter of 1% per annum*
21 ****[***or such rate as is permitted by Federal law to be charged by*
22 *Federally chartered banks, whichever is higher]******. *Within the*
23 *limits as provided by this subsection, and if he finds it to be in the**

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

23A *best interests of the citizens and economy of this State, the com-*
 23B *missioner may establish:*

24 (1) *A rate of interest on loans secured by a first lien on real*
 25 *property on which there is erected or to be erected a structure*
 26 *containing one, two, three, four, five or six dwelling units, a portion*
 27 *of which structure may be used for nonresidential purposes. The*
 28 *commissioner may establish different rates for such loans based*
 29 *upon the ratio of the loan to the appraised value of the real prop-*
 30 *erty*** **[; and]** *** *. With respect to loans covered by this subsec-*
 30A *tion, the commissioner may by regulation provide that any mort-*
 30B *gage commitment outstanding as of the date of an increase in the*
 30C *rate set by the commissioner shall be extended from that date for*
 30D *a period not to exceed 60 days, provided that such extension shall*
 30E *not apply to any commitment which expires beyond the extension*
 30F *period so established.***

31 (2) *A rate of interest on all loans not included within paragraph*
 32 *(1) of this subsection, except as otherwise provided by law.*

33 *If for any reason no such index of long term bonds is compiled*
 34 *or published for any 1 or more months, the commissioner shall*
 35 *determine and publish such an index based upon available statistics.*

36 *In the case of a loan secured by a first lien on real property as*
 37 *described in subsection (1) of this section, beginning in the calendar*
 38 *year following the date of the mortgage loan, and annually there-*
 39 *after, the mortgagee shall notify the mortgagor of the interest*
 40 *rate ceilings established by the commissioner as of the fifteenth*
 41 *day of the month preceding. Such notification shall be given at the*
 42 *same time as the mortgagee gives notice to the mortgagor for*
 43 *Federal Income Tax purposes of the interest paid on the loan in*
 44 *the preceding calendar year.*

45 **[The special advisory board herein provided for shall consist of**
 46 **the members of the Banking Advisory Board as constituted pur-**
 47 **suant to Article 43 of the Banking Act of 1948, P. L. 1948, c. 67, plus**
 48 **two additional persons appointed by the Governor with the advice**
 49 **and consent of the Senate, one of whom shall be an officer of an**
 50 **association as defined in section 5 (3) of the Savings and Loan**
 51 **Act (1963), P. L. 1963, c. 144, and the other of whom shall be an**
 52 **officer of a life insurance company incorporated under the laws of**
 53 **this State. The two additional persons so appointed shall hold**
 54 **office for a term of 1 year.]**

55 (c) *When, however, pursuant to any such contract, interest or*
 56 *discount is taken or reserved for a period of less than 1 year, or*
 57 *when interest is required to be paid at intervals of less than 1 year,*

58 such interest or discount may be computed on a daily basis, or on a
59 monthly basis, or on a combination of both such bases when the
60 period for which interest or discount is taken or reserved contains
61 1 or more months and 1 or more days; and, in any such case, a day
62 shall be deemed to be a 1/360 part of a year, and a month shall
63 be deemed to be a 1/12 part of a year, regardless of the number of
64 days contained in such month. Any computation of interest or
65 discount made on any such basis shall constitute a compliance with
66 this section, and any such basis may be applied regardless whether
67 the principal debt is payable in more than or less than 1 year from
68 the time of making the loan.

69 **[(b)]** (d) In making, amending and rescinding regulations pur-
70 suant to subsection **[(a)]** (b) of this section, the Commissioner of
71 Banking **[and the special advisory board]** shall consider the gen-
72 eral state of the economy, the discount rates prescribed by the
73 Federal Reserve Bank of New York and the Federal Reserve Bank
74 of Philadelphia, the advance rate as prescribed by the Federal
75 Home Loan Bank of New York, the availability of funds for loans,
76 studies and statistics published by the Federal Home Loan Bank
77 Board and other agencies of the United States and of this State,
78 and such other factors and bases for determination as the commis-
79 sioner **[and the board]** may deem pertinent. The rate established
80 by any such regulations shall reasonably reflect prevailing market
81 conditions, regionally and nationally, based upon the studies,
82 statistics and factors considered, and shall remain in force until
83 such time as such regulation is rescinded or such rate is increased
84 or decreased by a subsequent regulation. Any such regulation shall
85 have prospective effect only, **[and any rate established in excess**
86 **of 8% shall apply only to loans secured by real estate on which**
87 **there is erected or to be erected a structure containing one, two,**
88 **three, four, five or six dwelling units, a portion of which structure**
89 **may also be used for nonresidential purposes]** **and any rate estab-*
89A *lished in excess of 8% shall apply only to loans secured by real*
89B *estate on which there is erected or to be erected a structure contain-*
89C *ing one, two, three, four, five or six dwelling units, a portion of*
89D *which structure may also be used for nonresidential purposes*.*

90 (e) Notwithstanding the provisions of paragraph (a) or (b) of
91 this section, contracts for the following classes or types of loans
92 may provide for any rate of interest which the parties agree upon,
93 and interest at any such rate may be taken, notwithstanding that
94 it exceeds a rate limited by paragraph (a) or (b) of this section:

95 (1) Loans in the amount of \$50,000.00 or more, except loans

96 where the security given is a [mortgage] *first lien* on real property
97 [consisting of a lot of land upon which there is constructed or in
98 the course of construction a dwelling house of three family units
99 or less] *on which there is erected or to be erected a structure con-*
100 *taining one, two, three, four, five or six dwelling units, a portion of*
101 *which structure may be used for nonresidential purposes.* The
102 rate of interest stated in such contract upon the origination of such
103 loans may be taken notwithstanding that payments thereon reduce
104 the amount outstanding to less than \$50,000.00;

105 (2) Loans or advances of credit made by savings and loan
106 associations, banking institutions, or any Department of Housing
107 and Urban Affairs or Federal Housing Administration approved
108 mortgagees which are subsequently purchased, in whole or in part,
109 by the Federal Housing Administration, Veterans Administration,
110 Farmers Home Administration, Federal National Mortgage As-
111 sociation, Government National Mortgage Association, Federal
112 Home Loan Mortgage Corporation, and any successor thereof or
113 by any organization authorized by the Emergency Home Finance
114 Act of 1970 to purchase such loans or by any State or Federal
115 Governmental or quasi-governmental organizations.

116 If such loan is not purchased within 395 days from the date the
117 loan instruments are executed, the maximum rate of interest which
118 may be charged on such loan shall not be in excess of that autho-
119 rized by the commissioner under the provisions of this section and
120 such rate of interest, if in excess of that rate, shall be reduced to
121 the rate in effect at the date of the execution of the loan instru-
122 ments. No such reduction shall change the maturity date of the
123 loan without the written consent of the borrower nor shall such
124 reduction affect the lien of the mortgage which secures the loan.

125 (f) Any provision in a mortgage commitment contracted prior to
126 the effective date of this act providing for an increase in interest
127 rates to be charged based on the highest lawful interest rate shall
128 be null and void.

1 2. Section 1 of P. L. 1968, c. 54 (C. 46:10B-1) is amended to read
2 as follows:

3 1. As used in this act:

4 (a) "Mortgage loan" means a loan secured by an interest in real
5 property consisting of land upon which is erected or to be erected,
6 in whole or in part with the proceeds of such loan, a [one-family,
7 2-family, 3-family or 4-family dwelling, in which the mortgagor or
8 his immediate family resides on origination of such mortgage loan
9 or at the time of prepayment thereof,] *structure containing one,*
10 *two, three, four, five or six dwelling units, a portion of which*

11 *structure may be used for nonresidential purposes* and upon which
12 interest is taken or contracted for at a rate in excess of \$6.00 for
13 the forbearance of \$100.00 for a year;

14 (b) "Mortgagor" includes any person other than a corporation
15 liable for the payment of a mortgage loan, and the owner of the
16 real property which secures the payment of a mortgage loan;

17 (c) "Prepayment" of a mortgage loan means the payment in
18 full of the balance owing on a mortgage loan at any time prior to
19 the time limited for the final payment of such loan in an instrument
20 evidencing such loan.

1 3. Section 2 of P. L. 1968, c. 54 (C. 46:10B-2) is amended to read
2 as follows:

3 2. Prepayment of a mortgage loan may be made by or on behalf
4 of a mortgagor at any time, and the holder of the mortgage loan
5 shall be entitled to charge and collect a fee for the exercise of the
6 right of such prepayment according to the following schedule:

7 (a) If prepayment is made within the first **[year]** *6 months* from
8 the date of such mortgage loan, the prepayment fee shall not
9 exceed 3% of the balance due on the mortgage loan as of the date
10 of prepayment of the mortgage loan;

11 (b) If prepayment is made on or after **[1 year]** *6 months* from
12 the date of the mortgage plan, but within **[2 year]** *12 months* from
13 such date, the prepayment fee shall not exceed 2% of the balance
14 due on the mortgage loan as of the date of prepayment of the
15 mortgage loan;

16 (c) If prepayment is made on or after **[2 years]** *12 months*
17 from the date of the mortgage loan, but within **[3 years]** *18 months*
18 from such date, the prepayment fee shall not exceed 1% of the
19 balance due on the mortgage loan as of the date of prepayment of
20 the mortgage loan;

21 (d) If prepayment is made on or after **[3 years]** *18 months* from
22 the date of the mortgage loan, no fee shall be charged or collected
23 therefor.

1 4. This act shall take effect immediately*****[****, and shall expire
2 *January 1, 1980**]***.*

SENATE, No. 3089

STATE OF NEW JERSEY

INTRODUCED FEBRUARY 13, 1979

By Senators BEDELL, KENNEDY, DWYER, GAGLIANO, SHEIL
and FRIEDLAND

Referred to Committee on Labor, Industry and Professions

AN ACT concerning certain loans and amending R. S. 31:1-1 and
P. L. 1968, c. 54.

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

1 1. R. S. 31:1-1 is amended to read as follows:

2 31:1-1. (a) Except as *herein and* otherwise provided by law, no
3 person shall, upon contract, take, directly or indirectly for loan of
4 any money, wares, merchandise, goods and chattels, above the value
5 of \$6.00 for the forbearance of \$100.00 for a year; **[except that]**
6 (b) the Commissioner of Banking**[,** with the advice of a special
7 advisory board constituted as hereinafter provided,**]** may by regu-
8 lations adopted, amended and rescinded from time to time, provide
9 that the value which may be taken for any such loan shall be a
10 value more than \$6.00 **[but not more than \$9.50]** for the forbear-
11 ance of \$100.00 for a year, as shall be prescribed in such regulation,
12 and after that rate for a greater or less sum or for longer or shorter
13 time. *In no event, however, shall the rate set by the commissioner*
14 *exceed the Monthly Index of Long Term United States Government*
15 *Bond Yields, compiled by the Board of Governors of the Federal*
16 *Reserve System and as published by said Board of Governors in*
17 *the monthly Federal Reserve Bulletin, for the second preceding*
18 *calendar month plus an additional 2-1/2% per annum rounded off*
19 *to the nearest quarter of 1% per annum or such rate as is permitted*
20 *by Federal law to be charged by Federally chartered banks, which-*
21 *ever is higher. Within the limits as provided by this subsection,*
22 *and if he finds it to be in the best interests of the citizens and*
23 *economy of this State, the commissioner may establish:*

24 (1) *A rate of interest on loans secured by a first lien on real*
25 *property on which there is erected or to be erected a structure*

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

26 containing one, two, three, four, five or six dwelling units, a portion
27 of which structure may be used for nonresidential purposes. The
28 commissioner may establish different rates for such loans based
29 upon the ratio of the loan to the appraised value of the real prop-
30 erty; and

31 (2) A rate of interest on all loans not included within paragraph
32 (1) of this subsection, except as otherwise provided by law.

33 If for any reason no such index of long term bonds is compiled
34 or published for any 1 or more months, the commissioner shall
35 determine and publish such an index based upon available statistics.

36 In the case of a loan secured by a first lien on real property as
37 described in subsection (1) of this section, beginning in the calendar
38 year following the date of the mortgage loan, and annually there-
39 after, the mortgagee shall notify the mortgagor of the interest
40 rate ceilings established by the commissioner as of the fifteenth
41 day of the month preceding. Such notification shall be given at the
42 same time as the mortgagee gives notice to the mortgagor for
43 Federal Income Tax purposes of the interest paid on the loan in
44 the preceding calendar year.

45 [The special advisory board herein provided for shall consist of
46 the members of the Banking Advisory Board as constituted pur-
47 suant to Article 43 of the Banking Act of 1948, P. L. 1948, c. 67, plus
48 two additional persons appointed by the Governor with the advice
49 and consent of the Senate, one of whom shall be an officer of an
50 association as defined in section 5 (3) of the Savings and Loan
51 Act (1963), P. L. 1963, c. 144, and the other of whom shall be an
52 officer of a life insurance company incorporated under the laws of
53 this State. The two additional persons so appointed shall hold
54 office for a term of 1 year.]

55 (c) When, however, pursuant to any such contract, interest or
56 discount is taken or reserved for a period of less than 1 year, or
57 when interest is required to be paid at intervals of less than 1 year,
58 such interest or discount may be computed on a daily basis, or on a
59 monthly basis, or on a combination of both such bases when the
60 period for which interest or discount is taken or reserved contains
61 1 or more months and 1 or more days; and, in any such case, a day
62 shall be deemed to be a 1/360 part of a year, and a month shall
63 be deemed to be a 1/12 part of a year, regardless of the number of
64 days contained in such month. Any computation of interest or
65 discount made on any such basis shall constitute a compliance with
66 this section, and any such basis may be applied regardless whether
67 the principal debt is payable in more than or less than 1 year from
68 the time of making the loan.

69 [(b)] (d) In making, amending and rescinding regulations pur-
70 suant to subsection [(a)] (b) of this section, the Commissioner of
71 Banking [and the special advisory board] shall consider the gen-
72 eral state of the economy, the discount rates prescribed by the
73 Federal Reserve Bank of New York and the Federal Reserve Bank
74 of Philadelphia, the advance rate as prescribed by the Federal
75 Home Loan Bank of New York, the availability of funds for loans,
76 studies and statistics published by the Federal Home Loan Bank
77 Board and other agencies of the United States and of this State,
78 and such other factors and bases for determination as the commis-
79 sioner [and the board] may deem pertinent. The rate established
80 by any such regulations shall reasonably reflect prevailing market
81 conditions, regionally and nationally, based upon the studies,
82 statistics and factors considered, and shall remain in force until
83 such time as such regulation is rescinded or such rate is increased
84 or decreased by a subsequent regulation. Any such regulation shall
85 have prospective effect only, [and any rate established in excess
86 of 8% shall apply only to loans secured by real estate on which
87 there is erected or to be erected a structure containing one, two,
88 three, four, five or six dwelling units, a portion of which structure
89 may also be used for nonresidential purposes].

90 (e) Notwithstanding the provisions of paragraph (a) or (b) of
91 this section, contracts for the following classes or types of loans
92 may provide for any rate of interest which the parties agree upon,
93 and interest at any such rate may be taken, notwithstanding that
94 it exceeds a rate limited by paragraph (a) or (b) of this section:

95 (1) Loans in the amount of \$50,000.00 or more, except loans
96 where the security given is a [mortgage] *first lien* on real property
97 [consisting of a lot of land upon which there is constructed or in
98 the course of construction a dwelling house of three family units
99 or less] *on which there is erected or to be erected a structure con-*
100 *taining one, two, three, four, five or six dwelling units, a portion of*
101 *which structure may be used for nonresidential purposes.* The
102 rate of interest stated in such contract upon the origination of such
103 loans may be taken notwithstanding that payments thereon reduce
104 the amount outstanding to less than \$50,000.00;

105 (2) Loans or advances of credit made by savings and loan
106 associations, banking institutions, or any Department of Housing
107 and Urban Affairs or Federal Housing Administration approved
108 mortgagees which are subsequently purchased, in whole or in part,
109 by the Federal Housing Administration, Veterans Administration,
110 Farmers Home Administration, Federal National Mortgage As-

111 sociation, Government National Mortgage Association, Federal
 112 Home Loan Mortgage Corporation, and any successor thereof or
 113 by any organization authorized by the Emergency Home Finance
 114 Act of 1970 to purchase such loans or by any State or Federal
 115 Governmental or quasi-governmental organizations.

116 If such loan is not purchased within 395 days from the date the
 117 loan instruments are executed, the maximum rate of interest which
 118 may be charged on such loan shall not be in excess of that autho-
 119 rized by the commissioner under the provisions of this section and
 120 such rate of interest, if in excess of that rate, shall be reduced to
 121 the rate in effect at the date of the execution of the loan instru-
 122 ments. No such reduction shall change the maturity date of the
 123 loan without the written consent of the borrower nor shall such
 124 reduction affect the lien of the mortgage which secures the loan.

125 (f) Any provision in a mortgage commitment contracted prior to
 126 the effective date of this act providing for an increase in interest
 127 rates to be charged based on the highest lawful interest rate shall
 128 be null and void.

1 2. Section 1 of P. L. 1968, c. 54 (C. 46:10B-1) is amended to read
 2 as follows:

3 1. As used in this act:

4 (a) "Mortgage loan" means a loan secured by an interest in real
 5 property consisting of land upon which is erected or to be erected,
 6 in whole or in part with the proceeds of such loan, a [one-family,
 7 2-family, 3-family or 4-family dwelling, in which the mortgagor or
 8 his immediate family resides on origination of such mortgage loan
 9 or at the time of prepayment thereof,] *structure containing one,*
 10 *two, three, four, five or six dwelling units, a portion of which*
 11 *structure may be used for nonresidential purposes* and upon which
 12 interest is taken or contracted for at a rate in excess of \$6.00 for
 13 the forbearance of \$100.00 for a year;

14 (b) "Mortgagor" includes any person other than a corporation
 15 liable for the payment of a mortgage loan, and the owner of the
 16 real property which secures the payment of a mortgage loan;

17 (c) "Prepayment" of a mortgage loan means the payment in
 18 full of the balance owing on a mortgage loan at any time prior to
 19 the time limited for the final payment of such loan in an instrument
 20 evidencing such loan.

1 3. Section 2 of P. L. 1968, c. 54 (C. 46:10B-2) is amended to read
 2 as follows:

3 2. Prepayment of a mortgage loan may be made by or on behalf
 4 of a mortgagor at any time, and the holder of the mortgage loan
 5 shall be entitled to charge and collect a fee for the exercise of the

6 right of such prepayment according to the following schedule:

7 (a) If prepayment is made within the first **[year]** *6 months* from
8 the date of such mortgage loan, the prepayment fee shall not
9 exceed 3% of the balance due on the mortgage loan as of the date
10 of prepayment of the mortgage loan;

11 (b) If prepayment is made on or after **[1 year]** *6 months* from
12 the date of the mortgage plan, but within **[2 year]** *12 months* from
13 such date, the prepayment fee shall not exceed 2% of the balance
14 due on the mortgage loan as of the date of prepayment of the
15 mortgage loan;

16 (c) If prepayment is made on or after **[2 years]** *12 months*
17 from the date of the mortgage loan, but within **[3 years]** *18 months*
18 from such date, the prepayment fee shall not exceed 1% of the
19 balance due on the mortgage loan as of the date of prepayment of
20 the mortgage loan;

21 (d) If prepayment is made on or after **[3 years]** *18 months* from
22 the date of the mortgage loan, no fee shall be charged or collected
23 therefor.

1 4. This act shall take effect immediately.

STATEMENT

This bill would replace the current fixed upper limit on the Commissioner of Banking's authority to establish the usury rate with a floating limit. The new limit would be the Monthly Index of Long Term United States Government Bond Yields for the second preceding calendar month plus an additional 3% per annum rounded off to the nearest quarter of 1% per annum. The floating limit would allow the commissioner the discretion necessary to set a usury rate consistent with the current economic situation.

The bill would permit the commissioner to establish different rates for residential mortgages, depending upon the ratio of the loan to the appraised value of the real property. It would also permit the commissioner to establish a separate rate for non-residential loans.

The bill clarifies and makes uniform the definition of a residential loan.

The bill also eliminates the special bank advisory board.

ASSEMBLY AMENDMENTS TO

SENATE, No. 3089

[OFFICIAL COPY REPRINT]

STATE OF NEW JERSEY

ADOPTED FEBRUARY 26, 1979

Amend page 1, section 1, line 11, omit "\$12.00", insert "\$10.50".

Amend page 1, section 1, line 20, omit "or such rate as is permitted by Federal law to be".

Amend page 1, section 1, line 21, omit "charged by the Federally chartered banks, whichever is higher".

Amend page 2, section 1, line 30, omit "; and", insert ". With respect to loans covered by this subsection, the commissioner may by regulation provide that any mortgage commitment outstanding as of the date of an increase in the rate set by the commissioner shall be extended from that date for a period not to exceed 60 days, provided that such extension shall not apply to any commitment which expires beyond the extension period so established."

Amend page 5, section 4, line 1, after "immediately", insert ", and shall expire January 1, 1980".

SENATE AMENDMENTS TO
SENATE, No. 3089

STATE OF NEW JERSEY

ADOPTED FEBRUARY 22, 1979

Amend page 1, section 1, line 5, omit “;”, insert “.”.

Amend page 1, section 1, line 6, after “(b)”, omit “the”, insert “The”.

Amend page 1, section 1, line 10, after “\$9.50”], insert “but not more than \$12.00”.

Amend page 3, section 1, line 89, after “purposes”], insert “and any rate established in excess of 8% shall apply only to loans secured by real estate on which there is erected or to be erected a structure containing one, two, three, four, five or six dwelling units, a portion of which structure may also be used for nonresidential purposes”.

STATEMENT

The intent of this amendment is to limit interest on home mortgage loans to 12% and to insure that the present interest limitation remains in effect for loans other than home mortgage loans.

SENATE AMENDMENTS TO
SENATE, No. 3089

[OFFICIAL COPY REPRINT]

Assembly amendments adopted February 26, 1979

STATE OF NEW JERSEY

ADOPTED APRIL 26, 1979

Amend page 1, section 1, line 11, omit "\$10.50", insert "\$11.00".

Amend page 5, section 4, lines 1-2, omit ", and shall expire January 1, 1980".

STATEMENT

These amendments rectify some overly stringent provisions adopted as amendments by the Assembly in February that might inadvertently negate the intent of the legislation to make mortgage money available to home buyers.

The first amendment limits the authority of the Commissioner of Banking to set an interest ceiling to within the 11% level. The Senate had originally passed the bill at 12%; Assembly amendments set the maximum at 10.5%.

The second amendment eliminates the proposed expiration date of January 1, 1980, since it now appears unrealistic to expect interest rates to drop sharply over the course of this year. *

FROM THE OFFICE OF THE GOVERNOR

MAY 11, 1979

FOR FURTHER INFORMATION

FOR IMMEDIATE RELEASE

KATHRYN FORSYTH

Governor Brendan Byrne today signed a bill replacing the maximum interest rate on mortgages with a floating limit to be set by the Commissioner of Banking up to 10.75%.

The bill, S-3089, sponsored by Senator Eugene Bedell (D-Monmouth) also makes the following changes in the lending statutes:

-- permits the Commissioner to set different rates depending on the type of loan involved, and to vary the interest rate on residential mortgages depending on the down payment;

-- sets an eight per cent limit on any loan subject to the act which is not a residential mortgage loan;

-- provides that the Commissioner may issue regulations extending any outstanding mortgage commitment for a period not to exceed 60 days, permitting him, in effect, to extend the 9.5 per cent mortgage commitments for 60 days;

-- requires the mortgagee to notify the mortgager of the interest rate ceiling established by the Commissioner by the 15th day of the month preceeding the date on which the mortgagee notifies the mortgager of the amount of interest paid on the loan during the preceeding calendar year;

-- eliminates the Special Advisory Board on Interest and Usury Rates;

-- and shortens the period during which pre-payment of mortgages are subject to penalty. Under prior law, there was a three per cent penalty during the first year, a two per cent penalty during the second year, a three per cent penalty during the third year and no penalty thereafter. This bill shortens the periods to six months, one year and 18 months respectively.

The bill is effective immediately.

###

ADDRESS BEFORE JOINT SESSION OF THE LEGISLATURE
MT. HOLLY, N.J.
NOVEMBER 19, 1979

INTRODUCTION

I AM HONORED TO BE STANDING IN FOR GOVERNOR WILLIAM LIVINGSTON WHO WAS GOVERNOR OF NEW JERSEY DURING THE FALL LEGISLATIVE SESSION OF 1779 WHICH WE ARE COMMEMORATING HERE TODAY.

(HE SUCCEEDED WILLIAM FRANKLIN, THE BASTARD SON OF BENJAMIN FRANKLIN)

I NOTE THAT THE LEGISLATURE OF 1779 TOOK A NUMBER OF DECISIVE ACTIONS AT THAT MEETING.

IT IMPOSED A BOUNTY TO ENCOURAGE THE RETURN OF STRAY HORSES, CATTLE AND SHEEP TO THEIR OWNERS. IT PLACED AN EMBARGO ON THE EXPORT OF PROVISIONS SUCH AS WHEAT, FLOUR AND RYE TO PREVENT THEIR FALLING INTO THE HANDS OF THE ENEMY, AND ESTABLISHED THE STATE SUPREME COURT.

IT ALSO GRANTED A DIVORCE, RAISED CONSTABLES' FEES, GRANTED AN EXCLUSIVE BLUBBER SALES FRANCHISE AND APPROPRIATED 3.375 MILLION POUNDS.

UNFINISHED BUSINESS

THE MEETING HERE IS LARGELY CEREMONIAL, AND TIMED TO CELEBRATE A PAST EVENT IN NEW JERSEY HISTORY.

BUT THIS SESSION CAN BE MEANINGFUL FOR THE FUTURE IF WE DECIDE HERE, AS A GOVERNMENT, THAT WE WILL FINALLY ADDRESS SEVERAL SIGNIFICANT LEGISLATIVE REFORMS WHICH HAVE CONSUMED A GOOD DEAL OF LEGISLATIVE TIME AND STUDY IN IN THE PAST TWO YEARS.

CONSTITUTIONAL BASIS

WE HAVE USED THIS TIME, NOVEMBER THROUGH JANUARY, PRODUCTIVELY IN THE PAST. LAST YEAR, FOR INSTANCE, WE PASSED LEGISLATION TO MAINTAIN AND CONTINUE THE POPULAR PHARMACEUTICAL ASSISTANCE PROGRAM FOR THE AGED.

IN PREVIOUS YEARS, WE TOOK THIS OPPORTUNITY TO APPROVE MANY IMPORTANT FINANCIAL AND POLICY ACTIONS. IN 1976 THE FALL LEGISLATIVE SESSION INCLUDED APPROVAL OF A PRECEDENT - SETTING "SPILL COMPENSATION AND CONTROL ACT," AS WELL AS, A SUPPLEMENTAL APPROPRIATION AND OTHER MEASURES.

IN THE FALL OF 1977 THE LEGISLATURE APPROVED A PROVISION FOR A SINGLE HOMESTEAD REBATE AND OTHER MAJOR LEGISLATION.

AND WE KNOW WHAT NOW REMAINS UNDONE.

AUTO INSURANCE REFORM

FOR MOST OF THE YEAR, WE HAVE WORKED -- SOMETIMES QUIETLY AND OTHER TIMES ROBUSTLY -- ON THE ISSUE OF AUTO INSURANCE REFORM.

WE KNOW OF THE PROBLEMS. YOUNG PEOPLE AND OLD ARE PENALIZED -- NOT FOR THEIR DRIVING RECORDS BUT BECAUSE OF WHERE THEY LIVE, WHAT KIND OF WORK THEY DO AND HOW OLD THEY ARE. WE CANNOT LET THAT CONTINUE.

THOUSANDS, LITERALLY HUNDREDS OF THOUSANDS, ARE UNFAIRLY PLACED IN THE ASSIGNED RISK PLAN DESPITE WHAT THE INSURANCE INDUSTRY RECOGNIZES AS GOOD DRIVING RECORDS.

THERE, FOR NO REASON OF THEIR OWN MAKING, PEOPLE ARE OFTEN BURDENED WITH INADEQUATE SERVICE AND SOMETIMES WITH HIGHER RATES. WE CANNOT LET THAT CONTINUE.

WE KNOW THE OPTIONS. THEY HAVE BEEN STUDIED, DEBATED AND THRASHED OUT IN LEGISLATIVE COMMITTEES, SPECIAL TASK FORCES, IN THE MEDIA AND INDEED IN YOUR CAMPAIGNS.

A JOINT UNDERWRITING ASSOCIATION CAN REPLACE THE ANTIQUATED ASSIGNED RISK, SO THAT ALL GOOD DRIVERS CAN OBTAIN INSURANCE IN THE VOLUNTARY MARKET. ONLY BAD DRIVERS WOULD BE PENALIZED.

CLASSIFICATION, TERRITORIES, AND RATING SYSTEMS CAN BE MADE LESS ARBITRARY, AND COSTS CAN BE CUT THROUGH STRONGER ANTI-FRAUD EFFORTS AND THROUGH MEANINGFUL, LONG OVERDUE REFORM IN THE NO-FAULT SYSTEM. THIS WILL RESULT IN SERIOUSLY INJURED VICTIMS OF ACCIDENTS RECEIVING JUST COMPENSATION FROM OUR COURTS WHILE PROVIDING FIRST PARTY BENEFITS AND COMPENSATION FOR MONETARY LOSS TO THESE LESS SERIOUSLY INJURED.

WE MUST ACT IN THE INTEREST OF THE PUBLIC AND NOT SUCCEED TO THE PRESSURES OF SPECIAL INTEREST LOBBYISTS.

THE CITIZENS OF NEW JERSEY ARE LOOKING TO US FOR ACTION. LET'S GET ON WITH IT.

CIVIL SERVICE REFORM

AGAIN, WITH THE CIVIL SERVICE SYSTEM, WE KNOW THE PROBLEMS. WE KNOW THAT HIGHLY QUALIFIED PEOPLE CAN, AND HAVE, SCORED AS HIGH AS 99 IN CIVIL SERVICE TESTS AND YET HAVE BEEN BYPASSED FOR OTHERS WHO BARELY MAKE THE PASSING GRADE OF 70.

WE KNOW THERE ARE OTHER FAULTS IN THE SYSTEM: THAT THE SO-CALLED MERIT SYSTEM DOES LITTLE TO CORRECT POOR PERFORMANCE AND TO REWARD OUTSTANDING PERFORMANCE.

WE KNOW WHAT CAN AND SHOULD BE DONE. THERE HAS BEEN A CONSULTANT REPORT, AND AN ADMINISTRATIVE REPORT; A LEGISLATIVE COMMITTEE HEARING WAS HELD FULLY A YEAR AGO. LET'S GET ON WITH THIS, TOO. I BELIEVE THAT PREFERENCE FOR VETERANS IN THE ASSEMBLY COMMITTEE VERSION OF THE BILL REPRESENTS A JUST RECOGNITION OF THE SERVICE THE VETERANS HAVE DELIVERED TO OUR FELLOW CITIZENS WHILE NOT DESTROYING THE INCENTIVES FOR WOMEN AND OTHER NON VETERANS TO ASPIRE TO CAREER ADVANCEMENT.

WHAT IS TO BE GAINED BY FURTHER DELAY THAT WOULD RESULT FROM STARTING THE PROCESS OVER AGAIN IN JANUARY?.

SUPPLEMENTAL APPROPRIATION

WE ALSO ASK FOR YOUR CONSIDERATION OF A RELATIVELY SMALL SUPPLEMENTAL APPROPRIATION TO COVER THREE AREAS: \$12.5 MILLION NOT INCLUDED IN THE 1979-80 BUDGET FOR SALARIES AND OTHER BENEFITS RESULTING FROM NEGOTIATED CONTRACTS, \$10 MILLION TO MEET UNANTICIPATED STATE GOVERNMENT COSTS ESPECIALLY IN FUEL AND UTILITIES, AND TO FUND OTHER NEEDED PROGRAMS FOR OUR LESS PRIVILEGED YOUTH; AND \$4.5 MILLION FOR PUBLIC TRANSIT SUBSIDIES DUE TO REDUCED FEDERAL SUBSIDIES.

GUBERNATORIAL CAMPAIGN SPENDING CEILINGS

I ALSO ASK THAT YOU PLACE A CEILING ON THE AMOUNT OF MONEY THAT CAN BE SPENT ON GUBERNATORIAL CAMPAIGNS. THE MEASURE NOW BEFORE A SENATE COMMITTEE CALLS FOR A \$900,000 LIMIT ON GUBERNATORIAL PRIMARY CANDIDATES AND \$1.8 MILLION IN THE GENERAL ELECTION.

SCI VETO

TODAY, I AM RETURNING FOR YOUR CONSIDERATION THE BILL EXTENDING THE LIFE OF THE STATE COMMISSION OF INVESTIGATION. I ASK THAT YOU RECONSIDER THE PROVISION CALLING FOR ADVICE AND CONSENT ON THE TWO GOVERNOR'S APPOINTMENTS TO THE COMMISSION, AND THEN RETURN THE BILL TO ME PROMPTLY

MORTGAGE RATE

IN ADDITION, WE HAVE TODAY ON THE BOOKS AN OUT-DATED PROCEDURE FOR REGULATING MORTGAGE INTEREST RATES.

AS IT STANDS, THE BANKING COMMISSIONER MUST RETURN TO THE LEGISLATURE REPEATEDLY FOR APPROVAL TO CHANGE THE MORTGAGE RATE CEILING

TO REFLECT CURRENT MARKET CONDIDTIONS.

THE CEILING OF 10.75 PER CENT SET BY LAW IN NEW JERSEY IS UNREALISTIC AT A TIME WHEN OTHER INTEREST RATES ARE DRAMATICALLY HIGHER.

THE PRIME INTEREST RATE IS ABOUT 15 PER CENT, FOR EXAMPLE. FEDERALLY BACKED MORTGAGES TODAY RUN ABOUT 13 OR 14 PER CENT.

MORTGAGES GRANTED THROUGH THE VETERANS ADMINISTRATION TODAY CARRY A MORTGAGE RATE OF 11 - 1/2 PER CENT, PLUS 1/2 PER CENT FOR INSURANCE AND EIGHT TO 10 "POINTS". EFFECTIVELY, THIS IS ABOUT A 13 PER CENT V.A. MORTGAGE.

HOPEFULLY, THIS HIGH INTEREST SITUATION WILL NOT LAST LONG. BUT IN THE MEANTIME, OUR BANKING COMMISSIONER MUST RESPOND AND ADJUST THE RATE TO ASSIST THOSE PEOPLE WHO CANNOT BUY OR SELL THEIR HOMES BECAUSE MORTGAGES SIMPLY ARE NOT AVAILABLE UNDER THE CEILING WE HAVE SET.

I RECOMMEND THAT THE CEILING BE LIFTED AND THE STATE COMMISSIONER OF BANKING HAVE THE AUTHORITY TO EXERCISE HIS AUTHORITY CAREFULLY AND CAUTIOUSLY TO MAKE MORTGAGE MONEY AVAILABLE IN NEW JERSEY.

WE ALSO MUST EXAMINE OPTIONS, BOTH LEGISLATIVELY AND ADMINISTRATIVELY FOR OTHER TYPES OF FINANCING THAT WILL KEEP THE OPTION OF HOME OWNERSHIP AVAILABLE TO NEW JERSEY CITIZENS OF MODERATE MEANS.

ADDITIONAL MEASURES

FINALLY, THERE ARE A FEW OTHER MEASURES TO CONSIDER. THE DEPARTMENT OF ENVIRONMENTAL PROTECTION REQUESTS THE APPROPRIATION OF \$52 MILLION FROM THE GREEN ACRES FUNDS PREVIOUSLY APPROVED BY REFERENDUM.

ALSO A HIGH PRIORITY ISSUE IS THE OIL AND CHEMICAL SPILL COMPENSATION FUND TO PARTIALLY ADDRESS THE PROBLEM OF TOXIC WASTES.

CONCLUSION

WE CAN LEAVE A LEGACY OF GOOD GOVERNMENT FOR YEARS TO COME. LET US RESOLVE AS OUR FOREFATHERS DID 200 YEARS AGO THAT WE SHOULD NOT FEAR POWERFUL FORCES OF FOREIGN OPPRESSIVE NATIONS. WE CAN LEAD THIS GREAT STATE INTO A NEW ERA OF NATIONAL LEADERSHIP.

IN THE REMAINING FEW WEEKS ALLOTTED TO US, WE CAN -- AND MUST -- USE OUR TIME TO THE FULLEST AND RESOLVE THESE PROBLEMS WHICH OUR CITIZENS EXPECT US TO RESOLVE.

THIS IS OUR CHALLENGE AND THIS IS OUR RESPONSIBILITY.

THANK YOU.