

17:12B-48

LEGISLATIVE HISTORY CHECKLIST

WISA 17:12B-48 (Savings & loan associations--allow checking accounts)

LAWS OF 1979 CHAPTER 258

Bill No. A63

Sponsor(s) Codey, Curran and Orechio

Date Introduced Pre-filed

Committee: Assembly Banking and Insurance

Senate Labor, Industry and Professions; Revenue, Finance & Appropriations

Amended during passage Yes  Amendments during passage denoted by asterisks

Date of Passage: Assembly June 26, 1978

Senate Dec. 3, 1979

Date of approval Dec. 24, 1979

Following statements are attached if available:

Sponsor statement Yes  (Below)

Committee Statement: Assembly Yes

Senate Yes

Fiscal Note  No

Veto message  No

Message on signing  No

Following were printed:

Reports Yes

Hearings Yes

Sponsor's statement:

This bill provides for interest-bearing or noninterest-bearing accounts in saving and loan associations which would be subject to withdrawal by check, draft or other negotiable order, provided that the payment of interest be consonant with the provisions of Federal law.

(over)

6/1/78

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N.J. Public hearing:

974.90 N.J. Legislature. Senate. Labor, Industry and Professions Committee.  
B218 Public hearing on A63, held Nov. 9, 1978. Trenton, 1978.  
1978 (Note: Public hearing of 4-27-78, referred to in Legislative  
Index, was not held).

Reports cited in Assembly Committee statement:

Pr37.8 U.S. President's Commission on Financial Structure and Regulation.  
F49 Report... December, 1972. Washington, DC, 1972.  
R29

Y4.B22/1: U.S. Congress. House. Committee on Banking, Currency and Housing.  
F49/17 Financial institutions and the nation's economy (FINE):  
compendium of papers prepared for the FINE study. June, 1976.  
Washington, DC, 1976.  
(See Book I, Part 2).

Y4.B22/1: U.S. Congress. House. Committee on Banking, Currency and Housing.  
F49/12 Financial institutions and the nation's economy (FINE):  
Discussion principles. November, 1975. Washington, DC, 1975.

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[SECOND OFFICIAL COPY REPRINT]

ASSEMBLY, No. 63

STATE OF NEW JERSEY

PRE-FILED FOR INTRODUCTION IN THE 1978 SESSION

By Assemblyman CODEY, Assemblywoman CURRAN and Assemblyman ORECHIO

AN ACT to **\*\*[amend the "Savings and Loan Act (1963)," approved August 30, 1963 (P. L. 1963, c. 144).]\*\*** **\*\*\*[\*\*establish parity in certain respects between banks and savings and loan associations with regard to demand deposits and taxation, and amending and supplementing P. L. 1975, c. 170.\*\*]\*\*** **\*\*\* amend the "Savings and Loan Act (1963)," approved August 30, 1963 (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) of which this  
2 act is amendatory is amended to 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 the Federal Savings and  
15 Loan Insurance Corporation, and comply with conditions necessary  
16 to obtain and maintain such insurance.

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

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 Jersey  
21 or any instrumentality of either of them, when designated for that  
22 purpose, and perform such reasonable duties as such agent as may  
23 be required of it.

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 upon  
29 such terms and conditions as the board may from time to time pre-  
30 scribe 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 and  
33 the obligation secured by such mortgages, together with the shares,  
34 if any, pledged as collateral security therefor, or any real or other  
35 personal property, as security for the repayment of money so  
36 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) \*~~Take from its members, a premium for priority or privi-~~  
41 ~~lege of loan or acquisition of real estate and no premium so taken~~  
42 ~~shall be deemed usurious. The rate of premium may be agreed upon~~  
43 ~~or be determined by action.]~~ \* *(Deleted by amendment.)* \*

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

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

51 (13) Impose charges upon a member for failure to make any pay-  
52 ment to the association when due, but only as provided in this para-  
53 graph. Where the association issues installment share accounts it  
54 may impose such charge upon any member holding such an account  
55 or any borrower upon a sinking fund mortgage not in excess of 1%  
56 a month upon the amount in arrears, except for the first month's  
57 arrearage or the amount by which such first month's arrearage may  
58 be increased by subsequent arrearage in which case a charge not in  
59 excess of 5% may be imposed. Such charges shall be subject to the

60 further limitations that no such charge shall be deducted from any  
61 amount actually paid by a member upon an account nor shall the  
62 total of any such charges against any account in any fiscal year ex-  
63 ceed the amount that may be charged for failure to make any pay-  
64 ments for a 6-month period nor shall any charge for default be made  
65 on a charge for default. Otherwise an association may impose a  
66 charge for failure to make any required payment to it when due  
67 upon any loan or contract for the resale of real estate to a member  
68 not to exceed 4% of the amount of each payment in arrears but no  
69 more than one such charge may be made with respect to any one  
70 payment in arrears. An association may impose a reasonable  
71 service charge against any member who tenders to such association,  
72 for collection or as payment, a check or other instrument of any type  
73 which subsequently is not honored by the institution or person upon  
74 which such check or other instrument is drawn. None of such  
75 charges shall be deemed usurious.

76 (14) Compute interest upon any direct reduction loan, on desig-  
77 nated payment dates, and add the same to the unpaid balance of  
78 such loan.

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

82 (16) Upon application to and approval by the commissioner, to  
83 act as custodian or trustee within the contemplation of the Federal  
84 Self-Employed Individuals Tax Retirement Act of 1962, as amended  
85 and supplemented, and the Employee Retirement Income Security  
86 Act of 1974 as amended and supplemented, and as custodian, trustee  
87 or manager of any such investment fund the authorized investments  
88 of which include, but need not be limited to, savings accounts or real  
89 estate loans, and the beneficial interests in which may be represented  
90 by transferable shares or certificates. Associations exercising the  
91 powers authorized by the subsection shall segregate all funds held in  
91A such fiduciary capacities from the general assets of the association  
92 and shall keep a separate set of books and records showing in detail  
93 all transactions made under authority of this subsection. If individ-  
94 ual records are kept for each self-employed individual's retirement  
95 plan and each such investment fund, then all such funds held in such  
96 fiduciary capacities by an association may be commingled for appro-  
97 priate purposes of investment. No funds held in such fiduciary  
98 capacities shall be used by an association in the conduct of its busi-  
99 ness; however, such funds may be invested in savings accounts of  
100 the association in the event that the custodial, trust or other plan  
101 does not prohibit such investment. In granting or refusing the

102 association's application the commissioner shall take into consid-  
 103 eration the investment policies, amount, type and adequacy of  
 104 reserves, fidelity bonds and any legally required deposits of the  
 105 applicant and other pertinent facts and circumstances.

106 (17) *Upon compliance with subsection (5) of this section, accept*  
 107 *from its members accounts to be repaid upon such terms, not in-*  
 108 *consistent with this act, as are approved by the Commissioner of*  
 109 *Banking, by regulation or otherwise, provided that no account shall*  
 110 *exceed the limitations established by section 78 of P. L. 1963, c. 144*  
 111 *(C. 17:12B-78)\*, and provided further that no account shall be ac-*  
 111A *cepted or issued in the name of any corporation, association or*  
 111B *partnership or in the name of any individual for use in trade*  
 111C *or business\*. An association issuing such accounts may honor*  
 112 *demands for withdrawal of such accounts in the form of negotiable*  
 113 *checks, drafts or orders in the form of electronic fund transfers*  
 114 *and may become a member of a clearing facility and satisfy rea-*  
 115 *sonable conditions required for its qualification and pay reasonable*  
 116 *expenses therefore. Such accounts may be either interest-bearing*  
 117 *or noninterest-bearing; provided, however, that the payment of*  
 118 *interest on such accounts be permitted by Federal law. An associa-*  
 119 *tion accepting accounts pursuant to this subsection shall, at all*  
 120 *times, maintain reserves against such accounts as shall be pre-*  
 121 *scribed in regulations issued by the commissioner in accordance*  
 122 *with the "Administrative Procedure Act," P. L. 1968, c. 410*  
 123 *(C. 52:14B-1 et seq.) but such reserves shall be equal in nature*  
 124 *and amount to those required of savings banks in this State against*  
 125 *similar accounts. Such reserves shall be maintained in cash or*  
 126 *deposits in one or more reserve depositories as authorized by the*  
 127 *Commissioner of Banking. Regulations of the commissioner may*  
 128 *also provide that associations issuing such type of accounts main-*  
 129 *tain a general reserve account, Federal insurance reserve account*  
 130 *and undivided profits of specified minimum amounts and provide*  
 131 *for minimum standards of office facilities in connection therewith.*  
 132 *An insured association may impose a reasonable service charge for*  
 133 *providing and maintaining such accounts for the benefits of its*  
 134 *members.*

1 \*\*\*[\*\*2. Section 2 of P. L. 1973, c. 31 (C. 54:10D-2) is amended  
 2 to read as follows:

3 2. Definitions. For the purposes of this act, unless the context  
 4 requires a different meaning:

5 a. "Director" means the Director of the Division of Taxation  
 6 of the Department of Treasury, State of New Jersey.

7 b. "Savings institution" means any [State or Federally-char-  
8 tered building and loan association, savings and loan association  
9 or] savings bank.

10 c. "Subsidiary investment" means ownership (1) of at least  
11 80% of the total combined voting power of all classes of stock of  
12 the subsidiary entitled to vote and (2) of at least 80% of each class,  
13 if any, of nonvoting stock.

14 d. "Net income" means total income from all sources, whether  
15 within or without the United States, and shall include the gain or  
16 loss derived from the employment of capital or labor, or from both  
17 combined, as well as profits gained or losses realized through sale  
18 or conversion of capital assets, less costs, bad debts, ordinary and  
19 necessary business expenses or other expenses incurred in the pro-  
20 duction of such income. For the purpose of this act, the amount of  
21 a taxpayer's net income shall be deemed prima facie to be equal in  
22 amount to the taxable income, before net operating loss deduction  
23-24 and special deductions, which the taxpayer is required to report  
25 to the United States Treasury Department for the purpose of  
26 computing its Federal income tax; provided, however, that in the  
27 determination of such net income,

28 (1) (a) Net income shall exclude 100% of dividends which were  
29 included in computing such taxable income for Federal income tax  
30 purposes, paid to the taxpayer by one or more subsidiaries owned  
31 by the taxpayer to the extent of 80% or more ownership of invest-  
32 ment described in subsection c. of this section. With respect to  
33 other dividends, net income shall not include 50% of gross divi-  
34 dends included in computing such taxable income for Federal  
35 income tax purposes.

36 (b) Net income shall also exclude

37 (i) Interest or dividends on obligations or securities of the  
38 State of New Jersey, its political subdivisions and authorities;  
39 and

40 (ii) Interest or dividends on obligations of any authority,  
41 commission, instrumentality, territorial possessions of the  
42 United States which by the laws of the United States are  
43 exempt from State income taxes.

44 (2) In arriving at net income for purposes of this act, savings  
45 institutions shall be allowed the same deductions for bad debts as  
46 allowed in computing their Federal taxable income.

47 (3) Net income shall be determined without the exclusion, deduc-  
48 tion or credit of:

49 (a) The amount of any specific exemption or credit allowed in  
50 any law of the United States imposing any tax on or measured by  
51 the income of savings institutions;

52 (b) Any part of any income from dividends or interest on any  
 53 kind of stock, securities or indebtedness, except as provided in sub-  
 54 section d.(1) of this section;

55 (c) Taxes paid or accrued to the United States on or measured by  
 56 profits or income, or the tax imposed by this act, or any tax paid  
 57 or accrued with respect to subsidiary dividends excluded from net  
 58 income as provided in subsection d.(1) of this section;

59 (d) Net operating losses sustained during any year or period  
 60 other than that covered by the report;

61 (4) The director may, whenever necessary to properly reflect the  
 62 net income of any taxpayer, determine the year or period in which  
 63 any item of income or deduction shall be included, without being  
 64 limited to the method of accounting employed by the taxpayer.

65 e. "Tax year" means the calendar or fiscal year on the basis  
 66 of which the taxpayer is required to report for Federal income tax  
 67 purposes.

68 f. "Taxpayer" means savings institution, as herein defined, sub-  
 69 ject to taxation under this act.

70 g. "Financial business" means all business enterprise which  
 71 employs moneyed capital with the object of making profit by its  
 72 use as money; buying and selling exchange; making of or dealing  
 73 in secured loans and/or discounts; dealing in securities and shares  
 74 of corporate stock by purchasing and selling such securities and  
 75 stock without recourse, either upon the order and for the account  
 76 of customers or for its own account; receiving moneys for deposit  
 77 and payment of interest thereon; and all other business in which  
 78 financial institutions as such generally engage in.\*\*\*

1 \*\*\*[3. Section 4 of P. L. 1973, c. 31 (C. 54:10D-4) is amended  
 2 to read as follows:

3 4. When tax payable; returns. The tax imposed by this act upon  
 4 savings banks[, savings and loan associations and building and  
 5 loan associations,] shall be due and payable with respect to any  
 6 fiscal or calendar accounting years ending in 1973 and thereafter  
 7 to be computed as herein provided, on a report which shall be filed  
 8 on or before the fifteenth day of the fourth month after the close of  
 9 such fiscal or calendar accounting year or 105 days after the effec-  
 10 tive date of this act whichever is later. In the case of a taxpayer  
 11 whose fiscal accounting period ends at any time during the calendar  
 12 year 1973, its first return due under this act, shall be based upon  
 13 its net income from January 1, 1973 to the end of said fiscal year,  
 14 and shall be filed on or before the fifteenth day of the fourth month  
 15 after the close of such fiscal year and the tax thereunder shall be  
 16 due and payable at said time. Each taxpayer shall, together with



17 the payment of tax due hereunder, duly execute and file a tax  
 18 return with the director, in such form and containing such informa-  
 19 tion as he may prescribe, which return shall truly and accurately  
 20 set forth its liability under this act.】\*\*\*

1 \*\*\*【4. Section 3 of P. L. 1945, c. 162 (C. 54:10A-3) is amended  
 2 to read as follows:

3 3. The following corporations shall be exempt from the tax  
 4 imposed by this act:

5 (a) Corporations subject to a tax under the provisions of article  
 6 2 of chapter 13 of Title 54 of the Revised Statutes, or to a tax  
 7 assessed upon the basis of gross receipts other than the Retail  
 8 Gross Receipts Tax Act, or insurance premiums collected;

9 (b) Corporations which operate regular route autobus service  
 10 within this State under operating authority conferred pursuant to  
 11 R. S. 48:4-3, provided, however, that such corporations shall not  
 12 be exempt from the tax on net income imposed by section 5 (c) of  
 13 P. L. 1945, c. 162 (C. 54:10A-5(c));

14 (c) Railroad, canal corporations, savings banks, production  
 15 credit associations organized under the Farm Credit Act of 1933,  
 16 agricultural cooperative associations incorporated or domesticated  
 17 under or subject to chapter 13 of Title 4 of the Revised Statutes  
 18 and exempt under Subtitle A, Chapter 1 F, Part III, Section 521  
 19 of the Federal Internal Revenue Code【, or building and loan or  
 20 savings and loan associations】;

21 (d) Cemetery corporations not conducted for pecuniary profit  
 22 or any private shareholder or individual;

23 (e) Nonprofit corporations, associations or organizations estab-  
 24 lished, organized or chartered, without capital stock, under the  
 25 provisions of Titles 15, 16 or 17 of the Revised Statutes, or under  
 26 a special charter or under any similar general or special law of  
 27 this or any other State, and not conducted for pecuniary profit of  
 28 any private shareholders or individual;

29 (f) Corporations subject to a tax under the provisions of P. L.  
 30 1940, c. 4, or P. L. 1940, c. 5, or any statute or law imposing a  
 31 similar tax or taxes;

32 (g) Nonstock corporations organized under the laws of this  
 33 State or of any other state of the United States to provide mutual  
 34 ownership housing under Federal law by tenants, provided, how-  
 35 ever, that the exemption hereunder shall continue only so long as  
 36 the corporations remain subject to rules and regulations of the  
 37 Federal Housing Authority and the Commissioner of the Federal  
 38 Housing Authority holds membership certificates in the corpora-  
 39 tions and the corporate property is encumbered by a mortgage

40 deed or deed of trust insured under the National Housing Act  
 41 (48 Stat. 1246) as amended by subsequent Acts of Congress. In  
 42 order to be exempted under this subsection, corporations shall  
 43 annually file a report on or before August 15 with the commis-  
 44 sioner, in the form required by the commissioner, to claim such  
 45 exemption, and shall pay a filing fee of \$25.00;

46 (h) Corporations not for profit organized under any law of this  
 47 State where the primary purpose thereof is to provide for its  
 48 shareholders or members housing in a retirement community as  
 49 same is defined under the provisions of the "Retirement Com-  
 50 munity Full Disclosure Act" (P. L. 1969, c. 215).】\*\*\*

1 \*\*\*【5. Section 8 of P. L. 1975, c. 170 (C. 54:10A-36) is amended  
 2 to read as follows:

3 8. As used in this act, "banking corporation" means a bank as  
 4 defined in section 1 of "The Banking Act of 1948," c. 67, and also  
 5 means a national bank; "*association*" means an association as  
 6 defined in section 5 of the "*Savings and Loan Act (1963)*", P. L.  
 7 1963, c. 144 (C. 17:12B-5); "*credit union*" means a credit union as  
 8 defined in section 1 of P. L. 1938, c. 293 (C. 17:13-26).】\*\*\*

1 \*\*\*【6. (New section) Every association and credit union as de-  
 2 fined in section 8 of P. L. 1975, c. 170 (C. 54:10A-36) shall pay an  
 3 annual franchise tax in the year 1980 and each year thereafter as  
 4 provided in the Corporation Business Tax Act, P. L. 1945, c. 162  
 5 (C. 54:10A-1 et seq.) for the privilege of exercising its corporate  
 6 franchise in this State or for the privilege of doing business, em-  
 7 ploying or owning capital or property, or maintaining an office  
 8 in this State.】\*\*\*

1 \*\*\*【7. (New section) a. For the purposes of this act the initial  
 2 privilege period of each association and credit union which files on  
 3 the basis of a calendar year for Federal tax purposes shall be the  
 4 calendar year 1979, and the initial privilege period for each asso-  
 5 ciation and credit union which files on the basis of a fiscal year for  
 6 Federal income tax purposes shall be that period, or part thereof,  
 7 which commences January 1, 1979, and ends with the close of such  
 8 fiscal year. Thereafter, the privilege period of each association and  
 9 credit union shall coincide with the accounting period used for  
 10 Federal income tax purposes. From and after January 1, 1980, no  
 11 association or credit union shall be subject to "The Savings Insti-  
 12 tution Tax Act," P. L. 1973, c. 31 (C. 54:10D-1 et seq.), and no  
 13 banking corporation, association, or credit union shall be subject  
 14 to the provisions of the "Business Personal Property Tax Act,"  
 15 P. L. 1966, c. 136 (C. 54:11A-1 et seq.); provided, however, that  
 16 this shall not eliminate any liability for taxes payable pursuant to

17 the provisions of P. L. 1973, c. 31 or P. L. 1966, c. 136 as of the  
18 effective date of this act.

19 b. The taxes collected from associations and credit unions pur-  
20 suant to this section shall be apportioned one-half thereof to the  
21 State, one-quarter thereof to the several counties of the State, and  
22 one-quarter thereof to the several local taxing districts of the  
23 State in which one or more associations or credit unions have one  
24 or more offices. Each county shall be paid by the State a sum equal  
25 to that proportion of one-quarter of the total tax collected by the  
26 State pursuant to this section from each association or credit union  
27 having one or more offices in such county, which the total deposit  
28 balances at all offices of such association or credit union in such  
29 county at the close of business on the day preceding the assessment  
30 date bear to the total deposit balances of such association or credit  
31 union in the State at the close of business on the day preceding the  
32 assessment date. Each local taxing district in which one or more  
33 associations or credit unions have one or more offices shall be  
34 paid by the State a sum equal to that proportion of one-quarter of  
35 the total tax collected by the State pursuant to this act from each  
36 such association or credit union which the total deposit balances at  
37 all offices of such association or credit union in such district at the  
38 close of business on the day preceding the assessment date bear  
39 to the total deposit balances at all offices of such association or  
40 credit union in the county where such district is located, as such  
41 deposit balances stood at the close of business on the day preceding  
42 the assessment date. The amount due to each county and each local  
43 taxing district shall be certified by the Director, Division of Taxa-  
44 tion on or before June 1, 1979, and annually thereafter, by the State  
45 Treasurer to the counties and to the local taxing districts entitled  
46 thereto, setting forth in detail the amount of tax received, the  
46A names of the associations and credit unions from which the tax was  
46B received, the aggregate amount thereof, and the basis of appor-  
47 tionment.

48 c. This section shall be applicable with respect to income derived  
49 on and after January 1, 1979 and with respect to net worth deter-  
50 mined at the close of any calendar or fiscal accounting period  
51 ending after December 1, 1978.】\*\*\*

1 \*\*\*【8. (New section) The Director of the Division of Taxation in  
2 the Department of the Treasury shall prescribe such regulations as  
3 may be convenient or necessary to effect an orderly transition from  
4 taxation of associations and credit unions under "The Savings  
5 Institution Tax Act" to taxation under the "Corporation Business  
6 Tax Act."\*\*\*】\*\*\*

1 \*\*【2.】\*\* \*\*\*【\*9.\*】\*\*\* \*\*2.\*\* This act shall take effect \*【im-  
2 mediately】\* \*\*【\*November 1, 1978\*】\*\* \*\*immediately\*\*.

ASSEMBLY BANKING AND INSURANCE COMMITTEE

STATEMENT TO

**ASSEMBLY, No. 63**

with Assembly committee amendments

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**STATE OF NEW JERSEY**

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DATED: MAY 31, 1978

This legislation would permit insured savings and loan associations to offer checking accounts to their customers.

The proposal to grant savings and loan associations the authority to provide third party payment services is an outgrowth of the recommendations made in the 1972 report of the Presidential Commission on Financial Structure and Regulation (the Hunt Commission). The commission recommended substantial changes in the regulatory structure governing financial institutions. It noted that the present structure, established in the 1930's and virtually unchanged since then, is no longer adequate in view of the economic changes and technological advances of the post-war period.

Originally, commercial banks and thrift institutions (savings banks and savings and loan associations) had separate, but complementary, functions. Commercial banks were permitted to offer third party payment services and a wide range of other services, including corporate loans, which made up a substantial portion of a bank's loan portfolio. Thrift institutions, on the other hand, were mutual (as opposed to stock) institutions which offered savings accounts and loaned money for residential mortgages, which made up about 90% of their loan portfolio. To attract savers' funds, and thereby insuring an adequate source of funds for housing, these institutions were permitted to pay a higher rate of interest on savings passbook accounts than were commercial banks.

Over the last decade the distinctions between these two types of financial institutions have gradually become somewhat blurred. Some savings and loan associations have converted from mutual to stock institutions and thrift institutions have begun offering additional services to their customers. The Hunt Commission suggested that this trend should continue, and recommended that the thrift institutions be permitted to offer certain additional services now permitted only to commercial banks. The commission noted that savings and loan associations needed increased flexibility to insure an adequate and steady supply of funds to meet the nation's demand for housing funds.

The Hunt Commission report was supplemented in 1975 by a study conducted by the House Subcommittee on Financial Institutions Supervision, Regulation and Insurance. This study, called the FINE (Financial Institutions and the Nation's Economy) Study, also recommended that thrift institutions be permitted to offer demand deposits to their customers.

In New Jersey, mutual savings banks, which also are permitted to pay a higher rate of interest on savings passbook accounts than are commercial banks, have been offering checking account services to their customers since the turn of the century. Thus, this legislation would establish parity among all state-chartered thrift institutions.

This legislation permits savings and loan associations to offer checking accounts to their customers. The accounts could be established on such terms, not inconsistent with the act, as are approved by the Commissioner of Banking. The bill establishes a ceiling of \$150,000.00 on accounts.

Demands for withdrawal could be honored in the form of negotiable checks, drafts, or orders in the form of electronic fund transfers. Associations would be permitted to become members of a clearing facility. The bill provides that the accounts may be interest bearing or non-interest bearing if the payment of interest on such accounts be permitted by Federal law.

Reserves would be required to be maintained against such accounts as prescribed by the commissioner, provided that such reserves are equal in nature and amount to those required of savings banks.

The committee has amended the bill to prohibit such accounts from being held by corporations or used in business, and has eliminated subsection (10) of Section 48 of the Savings and Loan Act of 1963 to prohibit savings and loan associations from charging points on mortgage loans. The committee has amended the effective date of the act, changing it to November 1, 1978, which is the date on which Federal regulations take effect, permitting commercial banks to transfer funds automatically from savings accounts to checking accounts to cover overdrafts.

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SENATE REVENUE, FINANCE AND APPROPRIATIONS  
COMMITTEE

STATEMENT TO  
**ASSEMBLY, No. 63**

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[SENATE REPRINT]

with Committee amendments

**STATE OF NEW JERSEY**

DATED: JUNE 14, 1979

This bill would permit insured savings and loan associations to offer checking accounts to their customers through an amendment of the Savings and Loan Act.

Committee amendments restore the bill to the form in which it passed the Assembly. This deletes all the amendments regarding taxation adopted by the Senate Labor, Industry and Professions Committee. This is found necessary because these amendments are the technical equivalent of a revenue measure which, by constitutional requirement, must originate in the Assembly.