

17:13-27 et al

LEGISLATIVE HISTORY CHECKLIST

MSA 17:13-27 et al (Credit Unions--State & Federal-operating parity)

LAWS OF 1977 CHAPTER 232

Bill No. S1519 (S3072-1975)

Sponsor(s) Horn

Date Introduced June 10, 1976

Committee: Assembly Banking & Insurance

Senate Labor, Industry & Professions

Amended during passage  Yes  No

Date of Passage: Assembly June 27, 1977

Senate May 2, 1977

Date of approval September 23, 1977

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  No

Hearings  No

Sponsor's Statement:

The purpose of these amendments is to give the Commissioner of Banking the authority to create a parity or equality of operating powers between the State and Federally chartered credit unions.

DO NOT WRITE IN THESE SPACES

822

9/1/78

SENATE, No. 1519

STATE OF NEW JERSEY

INTRODUCED JUNE 10, 1976

By Senator HORN

Referred to Committee on Labor, Industry and Professions

AN ACT concerning credit unions and amending P. L. 1938, c. 293  
and P. L. 1968, c. 196 supplementary thereto.

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

1 1. Section 2 of P. L. 1938, c. 293 (C. 17:13-27) is amended to  
2 read as follows:

3 2. Upon executing, recording and filing a certificate of incorpora-  
4 tion as hereinafter provided and upon compliance with the pro-  
5 visions of this act and upon approval of the Commissioner of  
6 Banking **[and Insurance]** as hereinafter provided, any seven or  
7 more natural persons citizens of this State, may become a credit  
8 union and shall be a corporation by the name set forth in its cer-  
9 tificate of incorporation with the following powers:

10 (a) To receive the savings of its members as payments on shares,  
11 including the right to conduct Christmas accounts, vacation ac-  
12 counts, and other such thrift accounts within the membership;

13 (b) To make loans to its members for provident or productive  
14 purposes;

15 (c) To make loans to any other credit union operating under the  
16 provisions of this act or of the Federal Credit Union Act; provided,  
17 however, that the aggregate of all loans to other credit unions shall  
18 not exceed 25% of its share liability, and no credit union shall loan  
19 to any other credit union more than 25% of the share liability of  
20 such other credit union;

21 (d) To invest in or purchase any security in which savings banks  
22 of this State are authorized by law to invest, including those in-  
23 vestments which are restricted by law to savings banks alone; and  
24 shares, certificates and accounts of savings and loan associations  
25 organized under the laws of the State of New Jersey and Federal

**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 Savings and Loan Associations, provided all such shares, cer-  
27 tificates and accounts are insured by an agency or instrumentality  
28 of the United States Government, in an amount not to exceed the  
29 amount of the insurance; provided, that no such credit union shall  
30 invest in securities not permitted under the terms of this act; and  
31 provided, that investments, other than in loans to members, shall be  
32 made only from funds not needed for loans to members except when  
33 the board of directors of any such credit union deems it advisable  
34 to invest in other securities for the purpose of maintaining the  
35 liquidity of such credit union or maintaining a proper balance in  
36 its investment portfolio;

37 (e) To charge, contract for and receive interest on loans at a  
38 rate not to exceed 1% per month; and such interest shall not be  
39 payable in advance, or compounded, and shall be computed on  
40 unpaid balances; provided, that no further or other charge or  
41 amount whatsoever for examination, service, brokerage, commis-  
42 sion or otherwise shall be directly or indirectly charged, contracted  
43 for or received on loans, in addition to the interest herein provided  
44 for, except the lawful fees, if any, actually and necessarily paid  
45 out on any such transaction to any public officer for filing or record-  
46 ing or releasing in any public office any instrument securing the  
47 loan, which fees may be collected when the loan is made, or at any  
48 time thereafter, and except on actual sale of the security in fore-  
49 closure proceedings or upon entry of judgment; and attorneys'  
50 fees not to exceed 20% but with a minimum fee of \$10.00, may be  
51 added to the principal amount of any loan of any such credit union  
52 resolved into judgment or placed in the hands of any attorney for  
53 collection after default thereon and such addition to the principal  
54 amount shall be collectible in any court of competent jurisdiction  
55 in addition to the court costs;

56 (f) To deposit its funds in national banks, banks, savings and  
57 loan associations organized under the laws of the State of New  
58 Jersey and Federal savings and loan associations, or savings  
59 banks of this State, central funds of credit unions or central credit  
60 unions organized under the laws of this State or of the Federal  
61 Government;

62 (g) To have and exercise all the powers of corporations orga-  
63 nized under [Title 14] *Title 14A* of the [Revised] *New Jersey*  
64 Statutes not inconsistent with this act;

65 (h) To act as the fiscal agent for the Federal Government, the  
66 State of New Jersey, or any of the subdivisions thereof;

67 (i) To sell to members negotiable checks, drafts, money orders

68 and travelers checks, for a reasonable fee, and to cash checks and  
 69 money orders for members, for a reasonable fee; but credit unions  
 70 operating under the provisions of this act are not required to be  
 71 licensed under the provisions of P. L. 1951, c. 187 (C. 17:15A-1  
 72 et seq.) and P. L. 1964, c. 273 (C. 17:15B-1 et seq.);

73 (j) To purchase land and building for the purpose of providing  
 74 adequate facilities for the transaction of its business at a cost not  
 75 to exceed 50% of the amount of its reserves, with the prior approval  
 76 of the Commissioner of Banking [and Insurance];

77 (k) *The Department of Banking of the State of New Jersey, or*  
 78 *what every agency may in the future be charged with the operation*  
 79 *of State chartered credit unions, shall have the power in relation*  
 80 *to loans or investments authorized under this act, to promulgate*  
 81 *rules and regulations in substantial conformity with similar rules*  
 82 *and regulations under the Federal Credit Union Act and under the*  
 83 *regulations promulgated by the administrator of the National*  
 84 *Credit Union Association.*

1 2. Section 5 of P. L. 1938, c. 293 (C. 17:13-30) is amended to  
 2 read as follows:

3 5. The membership of any such credit union shall be limited to  
 4 a group composed of:

5 (a) Persons employed by a common employer; or persons having  
 6 a common bond of association by belonging to the same labor union  
 7 or fraternal or benevolent association affiliated with a national  
 8 labor union or national fraternal or benevolent association, or a  
 9 labor union or fraternal or benevolent or civil service association  
 10 organized under the laws of the State of New Jersey for at least  
 11 5 years, provided that such labor union or fraternal or benevolent  
 12 or civil service association has a membership of at least 200 mem-  
 13 bers; or *employees of organizations operating in a compact busi-*  
 14 *ness community, industrial park or shopping center; or employees*  
 15 *of organizations which are members of a State or National trade*  
 16 *association; or*

17 (b) Members of a church parish or church congregation or so-  
 18 ciety consisting solely of members of such church parish or of such  
 19 church congregation; or

20 (c) Persons employed by one or more municipal or regional  
 21 school boards; or persons employed within a municipality by the  
 22 municipality itself or by any department thereof; or persons em-  
 23 ployed by municipalities; or persons employed by any county or  
 24 department thereof; or employees of the State or any department,  
 25 board, commission, agency or instrumentality thereof; or employees  
 26 of any port authority, commission, board, agency or instrumental-

27 ity created by agreement, treaty, or compact between the State of  
28 New Jersey and any other state; or employees of the Federal  
29 Government or any department, board, commission, agency or in-  
30 strumentality thereof whose place or places of employment are  
31 within the State of New Jersey; or

32 (d) Persons who are residents of a well defined rural area having  
33 not more than 2,500 population; provided, however, that any corpo-  
34 ration, association, or partnership, the stockholders or members of  
35 which are eligible for membership in any credit union, may become a  
36 member thereof but shall not borrow therefrom except as provided  
37 in bylaws of the credit union; and provided, further, that member-  
38 ship in any credit union shall be limited to a group existing under  
39 circumstances which will afford the officers, directors and commit-  
40 tees of such credit union reasonable opportunity to observe the  
41 character, financial responsibility and financial needs of the mem-  
42 bers thereof; and provided, further, that the Commissioner of Bank-  
43 ing [and Insurance] shall have power, in his discretion, not with-  
44 standing the provisions of this act, to authorize, on terms, any  
45 credit union existing at the time of the taking effect of this act to  
46 continue to accept memberships from the group to which its mem-  
47 bership was limited by the provisions of its charter and the ap-  
48 plicable laws of this State as said charter and said laws existed  
49 prior to the taking effect of this act.

50 (e) Members of any age of the immediate family, defined as the  
51 parents, brothers and sisters, spouse and children *and unremarried*  
52 *widows or widowers of such persons* of the persons described in  
53 the above paragraphs [who live under the same roof as said per-  
54 sons] may become members in the credit union [of which said  
55 persons are members]; provided, that only such additional im-  
56 mediate family members who are 16 years of age or over shall  
57 be permitted to borrow from said credit union but not in excess of  
58 their share holdings in the credit union, unless such loans are fully  
59 secured, except that any such member who is a student may borrow  
60 under any State or Federal plan or any plan approved by the Com-  
61 missioner of Banking [and Insurance]; and provided further, that  
62 such immediate family members shall not be permitted to act as  
63 comaker or endorser of any member loan except as provided in the  
64 bylaws of the credit union.

65 (f) Employees of any credit union organized under this act may  
66 become members of the credit union by which they are employed  
67 and enjoy all of the rights and privileges permitted members.

1 3. Section 9 of P. L. 1938, c. 293 (C. 17:13-34) is amended to  
2 read as follows:

3 9. The members of each credit union shall elect from the member-  
4 ship, for terms to be provided in the bylaws, a committee, not less  
5 than three nor more than five in number, which shall be known as  
6 the credit committee. It shall be the exclusive duty of the credit  
7 committee to receive written applications for loans from members  
8 of any such credit union, pass on the same and order the proper  
9 officers of such credit union, in writing, to disburse such loans out  
10 of available funds; provided, however, that this section shall not  
11 be construed to take away from the board of directors its control  
12 over the general loaning policy of any such credit union or its  
13 power to make general regulations pertaining to loans. At all  
14 meetings of any such credit committee a majority of the members  
15 thereof shall constitute a quorum; and no member loan shall be  
16 ordered to be disbursed by any such credit committee unless the ap-  
17 plication therefor shall have been approved, in writing, by all of the  
18 members of the credit committee present at the meeting at which  
19 such loan was considered. No member loans shall be approved ex-  
20 cept at meetings of the credit committee and the committee shall  
21 appoint a chairman and a secretary and such other officers as it  
22 deems necessary. It shall be the duty of the secretary of any such  
23 credit committee to keep permanent minutes of all of its meetings.  
24 The credit committee may appoint one or more loan officers, and  
25 delegate to him or them the power to approve loans up to the un-  
26 secured limit, or in excess of such limit if such excess is fully  
27 secured by unpledged shares. Each loan officer shall furnish to the  
28 credit committee a record of each loan approved or not approved  
29 by him within 7 days of the filing of the application therefor. All  
30 loans not approved by a loan officer shall be acted upon by the  
31 credit committee. No individual shall have authority to disburse  
32 funds of the credit union for any loan which has been approved by  
33 him in his capacity as a loan officer. Not more than one member of  
34 the credit committee may be appointed as a loan officer. The credit  
35 committee may approve in advance upon its own motion or  
36 upon application by a member, a line of credit, and loans may be  
37 granted to such member within the limit of such line of credit.  
38 Where a line of credit has been approved, applications for loans  
39 need no further consideration as long as the aggregate obligation  
40 does not exceed the limit of such line of credit. The credit com-  
41 mittee shall, at least once **[a year]** *each 2 years*, review all lines  
42 of credit **[and any]** *prior to the expiration date thereof and may*  
43 *at its discretion act to extend the expiration date or to increase the*  
44 *amount of a line of credit.* A line of credit shall expire if the mem-  
45 ber becomes more than 60 days delinquent in his obligations to the  
46 credit union.

1 4. Section 12 of P. L. 1938, c. 293 (C. 17:13-37) is amended to  
2 read as follows:

3 12. (a) Any person may become a member of any such credit  
4 union upon payment of an initial installment on a share or shares,  
5 acceptance of his membership by the proper authorities of such  
6 credit union in the manner prescribed in its bylaws and compliance  
7 with any other qualifications required by the bylaws; provided, how-  
8 ever, that no person may become a member of such credit union who  
9 is not within the group to which membership shall have been limited  
10 by the terms of its charter. Shares may be issued in joint tenancy  
11 with right of survivorship with any persons designated by the credit  
12 union member, but no joint tenant shall be permitted to vote, obtain  
13 loans, or hold office, unless he is within the field of membership and  
14 is a qualified member. Minors over the age of 16 years may become  
15 members and enjoy all of the rights and privileges and incur all of  
16 the obligations and liabilities of members, including the right to  
17 vote but he may not hold office until he shall have reached his  
18 **[twenty-first]** *eighteenth* birthday; and, notwithstanding legal dis-  
19 abilities to which they might otherwise be subject, either by statute  
20 or otherwise, any minor may make any and all contracts, in exercis-  
21 ing his membership privileges with the credit union of which he is  
22 a member, which any other of its members could make with it and  
23 any such contract of a member who is a minor shall be binding and  
24 enforceable against such member in the same manner as if he were  
25 of full age at the time of entering any such contract. Any non-  
26 member who may, by assignment, as legal representative, trustee,  
27 or otherwise, acquire title to the shares of a member shall be entitled  
28 to withdraw such shares on the same basis as a member would be  
29 entitled to withdraw them but, unless he shall become a member,  
30 he shall have no other rights of membership. The pledging of shares  
31 in whole or in part by a member shall not terminate his rights as  
32 a member. Any member of any such credit union may be expelled  
33 at any meeting of the board of directors of which he shall have had  
34 notice by a two-thirds vote of the members of the board present  
35 at such meeting and a member who has been expelled may be re-  
36 instated under like conditions. Upon termination of membership  
37 in any such credit union in any manner the balance, if any, credited  
38 to the account of the member at the time of termination shall be  
39 paid to the person or persons entitled to receive it in the same  
40 manner and subject to the same conditions as if the member had  
41 withdrawn from such credit union. Any member of any such credit  
42 union whose membership has been terminated by withdrawal,

43 expulsion or otherwise, upon the payment of the balance credited  
44 to his account shall have no further rights against such credit  
45 union. No credit union shall, by reason of having issued shares to  
46 its members be construed to be a capital stock corporation or to  
47 have capital. The contract of membership in any such credit union  
48 shall be deemed to be expressed by its bylaws, its certificate of  
49 incorporation and the applicable laws governing such credit union;  
50 but such contract of membership may be changed insofar as such  
51 laws are concerned by the Legislature, insofar as its certificate of  
52 incorporation is concerned by an amendment thereof and insofar  
53 as its bylaws are concerned by an amendment of its bylaws or the  
54 adoption of new bylaws in whole or in part and no such change in  
55 its certificate of incorporation, in the laws governing it or in its  
56 bylaws shall be construed to be an impairment of the obligation  
57 of contract or a taking of property of any member; and member-  
58 ship in every such credit union shall be deemed to be subject to  
59 that hazard. When a member's whereabouts are unknown for 12  
60 months, all sums due him may be credited to a special reserve  
61 account of the credit union, after return of **[registered]** *a certified*  
62 letter sent to the last known address. The member shall have 5  
63 years to reclaim the proceeds after which they shall be turned over  
64 to the Treasurer of the State of New Jersey;

65 (b) When either, or both, or one or more of the two or more  
66 persons in whose name a joint tenancy account is maintained, makes  
67 a payment or payments to such joint account, or causes a payment  
68 or payments to be made to such joint account, such person or per-  
69 sons shall be conclusively presumed to intend to vest in the other or  
70 others a present beneficial interest in each payment so made, and  
71 in the moneys to the credit of the joint account from time to time  
72 to the end that, upon the death of any such person or persons, all  
73 the right and title of the person so dying in and to the moneys to the  
74 credit of the joint account on his death, less all proper set-offs and  
75 charges, shall, at such death, vest solely and indefeasibly in the  
76 survivor or survivors.

77 (c) A credit union which makes any payment pursuant to this  
78 section prior to service upon the credit union of an order of court  
79 restraining such payment, shall, to the extent of each payment so  
80 made, be released from all claims of each of the two or more persons,  
81 their legal representatives, and all others claiming by, from, through  
82 or under them, or any of them.

1 5. Section 13 of P. L. 1938, c. 293 (C. 17:13-38) is amended to  
2 read as follows:



3 13. The shares of every credit union may be withdrawn by the  
4 member upon giving such written notice, not exceeding 30 days,  
5 as its [constitution] *bylaws* shall provide. Upon withdrawal from  
6 any such credit union, the amount credited upon such shares, less  
7 fines or other obligations of the withdrawing member to such credit  
8 union, shall be paid to the withdrawing member in the manner  
9 hereinafter provided. This section shall not be construed to prevent  
10 a reduction of the share liability of any such credit union to its  
11 members for the purpose of providing for losses or anticipated  
12 losses or reserving against them. Withdrawals shall be paid in the  
13 order in which notices of withdrawal shall have been filed. One-half  
14 of the net receipts of any such credit union in each fiscal month  
15 shall be made available so far as necessary for the payment of  
16 withdrawals and additional sums may be made available; and the  
17 words "net receipts" as used in this section shall be construed  
18 to mean the moneys, other than borrowed moneys, received by  
19 any such credit union less moneys used for operating expenses,  
20 moneys used to pay creditor obligations, moneys used for the con-  
21 servation, preservation or protection of the property and assets  
22 of such credit union and moneys reserved for any of such purposes.  
23 If at the end of any fiscal month the funds of any such credit  
24 union required to be made available together with such other funds,  
25 if any, made available for such purpose by the board of directors  
26 shall be insufficient to pay all withdrawals then due and payable,  
27 the board of directors shall, so far as possible, pay out of such  
28 funds, on account of the sum due to each member who has filed  
29 notice of withdrawal, in the order in which the notices have been  
30 filed, a sum equivalent to the value of one share or the balance due,  
31 whichever is less, and if the available funds shall not thereby be  
32 exhausted or become inadequate, shall, so far as possible, again  
33 pay on account of the sum due to each withdrawing member, in  
34 said order, a sum equivalent to the value of one share or the  
35 balance due to such member, whichever is less, and shall repeat  
36 the process until the available funds shall become inadequate or  
37 exhausted; and subsequent available funds, when available, shall  
38 be applied to the payment of then existing withdrawal obligations  
39 in the same manner beginning with the withdrawal of the member  
40 next following the one on whose account the last such payment was  
41 made; and, in the event that any such member shall have filed  
42 more than one notice of withdrawal, his place in the order of pay-  
43 ment shall be as of the date and time of the first notice filed by him  
44 and he shall not be entitled to receive any moneys on account of the  
45 subsequent withdrawals until the first one shall have been paid out.

46 No member to whom any such credit union shall be obligated for  
47 the payment of a withdrawal shall have the right to bring suit  
48 against such credit union to recover the withdrawal value of his  
49 shares or any part thereof so long as the funds of such credit union  
50 shall be applied as required by this section.

1 6. Section 16 of P. L. 1938, c. 293 (C. 17:13-41) is amended to  
2 read as follows:

3 16. (a) At least annually the board of directors of each such  
4 credit union may declare a dividend from the net earnings, or from  
5 undivided profits. No dividend shall be declared until a written  
6 financial statement of the credit union shall have been submitted to  
7 and approved by the board showing such profits to have been earned  
8 since the last declaration of dividends or to have been transferred  
9 from undivided profits. Dividends shall be paid on all fully paid  
10 shares outstanding at the close of the dividend period. Shares with-  
11 drawn during the dividend period shall receive a proportionate part  
12 of said dividend based on the number of months of the dividend  
13 period that the shares have been in the credit union, provided that  
14 the member's account has not been closed because of withdrawal.  
15 Shares paid in full during the dividend period shall be entitled to  
16 a proportionate part of said dividends calculated from the first day  
17 of the month following such payment in full, except that dividend  
18 credit for a month may be accrued on shares which are or become  
19 fully paid during the first 5 days of that month. *The board of*  
20 *directors of any such credit union may elect to pay dividends on*  
21 *shares or other thrift accounts calculated from the date of payment*  
22 *to the end of the dividend period or to the date of withdrawal pro-*  
23 *vided that at least one share remains in the member's account at*  
24 *the close of the dividend period.* No dividends shall be declared in  
25 excess of ~~6%~~ 7% of the share value.

26 (b) No dividend shall be declared unless the reserve fund shall  
27 be equal to or in excess of the sum of 10% of the unpaid balances  
28 of all loans contractually delinquent more than 2 months and less  
29 than 6 months; plus 25% of the unpaid balances on all loans con-  
30 tractually delinquent 6 months and less than 12 months; plus 100%  
31 of the unpaid balances on all loans contractually delinquent 12  
32 months or more; provided, further, that if the reserve fund does  
33 not equal the amount required as hereinabove set forth then there  
34 shall be set aside in a special reserve for delinquent loans an amount  
35 which, when added to the reserve funds, shall equal the sum re-  
36 quired in accordance with the schedule hereinabove set forth. The  
37 transfer to the special reserve for delinquent loans shall be made

38 on December 31 of each year, or at the close of the dividend period,  
 39 from undivided profits or net earnings before any declaration of  
 40 dividends. No deductions shall be made from the special reserve for  
 41 delinquent loans except that any excess in such fund at the close of  
 42 the next succeeding dividend period may be returned to undivided  
 43 profits accounts.

44 (c) The board of directors may provide for an interest refund  
 45 proportioned to the interest paid during the dividend period by  
 46 borrowers.

1 7. Section 17 of P. L. 1938, c. 293 (C. 17:13-42) is amended to  
 2 read as follows:

3 17. Loans to members of any such credit union shall be subject  
 4 to the following conditions:

5 (a) All member loans shall be evidenced by note. Loans may be  
 6 made to members for provident or productive purposes and upon  
 7 such security and terms as the bylaws may provide and the credit  
 8 committee shall approve at rates of interest not to exceed 1% per  
 9 month on the unpaid balances, such rate to include the credit  
 10 union's total income on a loan.

11 (b) Applications for loans shall be made on forms prescribed by  
 12 the credit committee, which shall set forth the purpose for which  
 13 the loan is desired, the security, if any, offered, and such other data  
 14 as may be required. Every loan shall be evidenced by a written  
 15 instrument.

16 (c) No loan shall be made to any member which causes such  
 17 member to become indebted to the credit union in an aggregate  
 18 amount, upon loans made to such member which is in excess of  
 19 \$250.00 or 5% of the credit union's shares and reserves, whichever  
 20 is greater, and no loan shall be made to any member which would  
 21 exceed 2½% of the credit union's shares and reserves, or  
 22 ~~[\$2,500.00]~~ \$3,500.00, whichever is less, unless such excess over  
 23 2½% or ~~[\$2,500.00]~~ \$3,500.00 is adequately secured. In addition  
 24 to generally accepted types of security, the endorsement of a  
 25 note by a comaker or assignment of shares or of wages, in manner  
 26 consistent with the laws of this State, shall be deemed security  
 27 within the meaning of this act. The adequacy of all securities shall  
 28 be within the determination of the credit committee or loan officer  
 29 subject to the provisions of this act and of the credit union's  
 30 bylaws.

31 (d) No loan shall be made to a director, officer or member of the  
 32 credit committee which exceeds the amount of his shares unless the  
 33 loan shall have been approved by a majority vote of a joint meet-  
 34 ing at which a majority of the members of the credit committee and

35 a majority of the members of the board of directors are present.  
36 No director or member of the credit or examining committee may  
37 endorse for borrowers from the credit union.

38 (e) A member may receive a loan in one sum, or in fixed install-  
39 ments and may pay the whole or any part of the loan on any day  
40 on which the office of the credit union is open for business.

1 8. Section 25 of P. L. 1938, c. 293 (C. 17:13-50) is amended to  
2 read as follows:

3 25. Every credit union shall be subject to the inspection and  
4 supervision of the Department of Banking [and Insurance] and  
5 the Commissioner of Banking [and Insurance] shall, either person-  
6 ally or by a person appointed by him, visit and examine every such  
7 credit union at least once in each 2 years, or more often if he  
8 shall deem it expedient, *except that such an examination shall not*  
9 *be required to be made if the credit union records are examined*  
10 *by a certified public accountant who files an opinion of his exam-*  
11 *ination with the Commissioner of Banking.* When deemed advisable  
12 the examiner shall verify the liabilities of such credit union to its  
13 members by an inspection and verification of their accounts. The  
14 commissioner shall promptly communicate the result of each exam-  
15 ination to the president of the credit union examined, who shall  
16 present the same to its board of directors at the next regular meet-  
17 ing or a special meeting if the commissioner shall so direct. The  
18 action taken thereon by the board shall thereupon be promptly  
19 communicated by the president to the commissioner.

20 The officers, directors and employees of the credit union under  
21 examination shall exhibit its books, papers, records, documents and  
22 securities to the commissioner, or the person appointed by him to  
23 conduct the examination, and shall otherwise facilitate the same.  
24 The commissioner and every examiner may administer an oath  
25 to any person whose testimony is required on any examination and  
26 may compel the appearance of any person for the purpose of  
27 examination or the production of books, papers, records, docu-  
28 ments, securities or things, by subpoena. The subpoena may be  
29 served by any police officer or constable of the municipality in  
30 which such person resides.

31 If any person shall fail to obey the subpoena, give testimony,  
32 answer questions or produce any books, papers, records, documents,  
33 securities or things, as required, the Superior Court may upon  
34 ex parte application compel him to do so.

35 A person who shall willfully and corruptly testify falsely to a  
36 material matter upon oath administered by the commissioner or

37 examiner upon such investigation or inquiry, or in regard to a  
 38 report made to the commissioner, shall be guilty of perjury and  
 39 punished accordingly.

1 9. Section 10 of P. L. 1968, c. 196 (C. 17:13-73) is amended to  
 2 read as follows:

3 10. (a) One hundred or more credit unions operating under  
 4 provisions of this act, or operating in this State under the pro-  
 5 visions of the Federal Credit Union Act may organize a single  
 6 central credit union whose membership shall be limited to:

7 (1) Credit unions operating under the provisions of this act or  
 8 operating in this State under the provisions of the Federal Credit  
 9 Union Act, *and organizations composed of such credit unions;*

10 (2) Employees of the central credit union;

11 (3) Employees of the New Jersey Credit Union League;

12 (4) Persons who are members of credit unions in this State  
 13 which have entered or are about to enter into voluntary or in-  
 14 voluntary dissolution *or liquidation;*

15 (5) *Children of members of any New Jersey credit union which*  
 16 *does not provide educational loan services, may, with the approval*  
 17 *of such credit union, become members of the Central Credit Union*  
 18 *for the sole purpose of securing educational loans which are*  
 19 *guaranteed by a State or Federal agency, and such membership*  
 20 *shall terminate when the educational loan is repaid;*

21 (6) *Employees of small business groups defined as having less*  
 22 *than 100 people, which groups are located in the State of New*  
 23-24 *Jersey;*

25 (7) *Any agency or association organized as a stock company,*  
 26 *mutual association or membership corporation, or trade association*  
 27 *which is organized to service or assist credit unions;*

28 (8) *Central credit unions operating under the provisions of the*  
 29 *Federal Credit Union Act or under the laws of any state of the*  
 30 *United States and credit unions operating in any other state of*  
 30A *the United States.*

31 (b) Each credit union *or credit union organization* becoming a  
 32 member of the central credit union shall designate one member  
 33 authorized by the board of directors as the voting representative  
 34 of the credit union. Such voting representative is eligible for  
 35 office in the central credit union in the same manner as if he were a  
 36 member thereof.

37 (c) The central credit union shall have all of the rights and  
 38 powers of any other credit union organized under this act, and in  
 39 addition, shall have the power to obtain through purchase the

40 assets and liabilities of any credit union operating in this State  
41 which enters into liquidation; and shall have the power to invest in  
42 and grant loans to associations of credit unions, central funds of  
43 credit unions, or organizations chartered to provide exclusive  
44 service to credit unions as provided for hereinbelow notwith-  
45 standing any of the provisions of this act regulating credit unions.

46 (d) The Central Credit Union organized under this paragraph  
47 shall have the authority to make loans to other credit unions orga-  
48 nized under this act or operating in this State under the provisions  
49 of the Federal Credit Union Act *or to central credit unions operat-*  
50 *ing under the provisions of the Federal Credit Union Act or under*  
51 *the laws of any state of the United States* to an aggregate amount  
52 of 90% of its assets.

53 (e) Funds of the Central Credit Union not used in loans to mem-  
54 bers may also be invested in the capital shares, obligations, or pre-  
55 ferred stock issues of any agency or association organized as a stock  
56 company, mutual association or membership corporation, pro-  
57 vided the membership or the stockholdings, as the case may be, of  
58 such agency or association, are confined or restricted to credit  
59 unions or organizations of credit unions, and provided such agency,  
60 association, or corporation is organized to service or otherwise  
61 assist credit unions;

62 (f) The Central Credit Union organized under this act shall  
63 have the power to borrow money from any source and to issue notes  
64 or debentures.

1 10. This act shall take effect immediately.

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#### STATEMENT

The purpose of these amendments is to give the Commissioner of Banking the authority to create a parity or equality of operating powers between the State and Federally chartered credit unions.

REFERENCE USE ONLY

ASSEMBLY BANKING AND INSURANCE COMMITTEE

STATEMENT TO

**SENATE, No. 1519**

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**STATE OF NEW JERSEY**

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DATED: MAY 9, 1977

This legislation amends New Jersey law governing credit unions. Its primary purpose is to establish parity between State-chartered and federally chartered credit unions.

The Department of Banking would be given the power to promulgate regulations governing loans and investments which are in substantial conformity with similar rules and regulations promulgated pursuant to the Federal Credit Union Act. The act provides that a credit union may be formed by individuals in a compact business community, industrial park or shopping center, or employee of organizations which are members of a state or national trade association.

The dividend ceiling for such accounts would be raised from 6% to 7%. The maximum unsecured loan would be raised from \$2,500.00 to \$3,500.00. Examinations by the Department of Banking would not be required to be made if the credit union records are examined by a certified public accountant who files an opinion of his examination with the Commissioner of Banking.

REFERENCE USE ONLY

SENATE LABOR, INDUSTRY AND  
PROFESSIONS COMMITTEE

STATEMENT TO

SENATE, No. 1519

STATE OF NEW JERSEY

DATED: APRIL 25, 1977

Senate Bill No. 1519 amends the law regulating credit unions to create parity or equality of operating powers between state and federally-chartered credit unions.

Section one of the bill would grant the Banking Commissioner authority to promulgate rules and regulations governing state-chartered credit unions in substantial conformity to rules and regulations governing federally-chartered credit unions.

The remainder of Senate Bill No. 1519 amends specific sections of the statutory law in order further to bring about parity. For example, section two of the bill expands on the qualifications for membership in a state-chartered credit union to include employees of organizations operating in a compact business community, industrial park or shopping center, employees of organizations which are members of a State or national trade association, and unremarried widows and widowers in the immediate family of persons otherwise qualified to be members.

Section 3 of the bill would require a credit union's credit committee to review a member's line of credit each 2 years prior to the expiration date thereof, rather than once a year, as now required, and would permit the credit committee to extend the expiration date or increase the amount of a line of credit.

Section 6 of Senate Bill No. 1519 would allow the board of directors of a credit union to pay dividends on shares or other thrift accounts calculated from the date of payment to the end of the dividend period or to the date of withdrawal, provided that at least one share remain in the member account at the close of the dividend period. The maximum allowable dividend payment would be increased from 6% to 7%.

Section 7 of the bill raises the maximum amounts which a credit union could lend its members and section 8 eliminates the required biennial examination of a credit union's records by the Banking Commissioner if the records are examined by a certified public accountant who files an opinion of his examination with the commissioner.



Finally, section nine expands on the eligibility of persons and associations which can join or be part of a single central credit union of one hundred or more credit unions and would permit such central credit union to make loans to central credit unions operating under the Federal Credit Union Act or the laws of any other state.

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FROM THE OFFICE OF THE GOVERNOR

FOR IMMEDIATE RELEASE

FOR FURTHER INFORMATION

SEPTEMBER 23, 1977

ANNE BURNS

Governor Brendan Byrne Friday signed the following bill in a public ceremony at Monroe, The Calculator Company in Morris Plains.

S-1519, sponsored by Senators John Horn, Raymond Zane, Eugene Bedell, John Fay, Frank Dodd, Edward J. Hughes, and James H. Wallwork, which amends the law regulating credit unions.

The bill authorizes the Department of Banking to promulgate rules and regulations governing state-chartered credit unions which conform to similar rules and regulations under the Federal Credit Union Act.

The bill expands the qualifications for membership in a state-chartered union to include individuals in a compact business community, industrial park or shopping center, employees of organizations which are members of a state or national trade association, and unremarried widows and widowers of former members.

Under this legislation, the period of time for the review of lines of credit is extended to two years instead of the previous once a year requirement, and the age at which a member may become an elected officer is reduced from 21 to 18.

The bill also increases the maximum dividend rate from 6 per cent to 7 per cent and the maximum unsecured loan from \$2,500 to \$3,500.

The bill will allow examination of credit union records by a C.P.A. rather the Department of Banking.

This legislation is intended to enable state-chartered credit unions to become more competitive with credit unions chartered under the Federal Credit Union Act and other financial institutions.

SEP 23 1977

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