

LEGISLATIVE HISTORY CHECKLIST

NJSA 17:12B-128

Laws of 1975 Chapter 237

Bill No. A1061

Sponsor(s) Gorman, Stewart & Herman

Date Introduced Jan. 31, 1974

Committee: Assembly Banking & Insurance

Senate Labor, Industry & Professions

Amended during passage  No

Date of passage: Assembly May 9, 1974

Senate April 28, 1975

Date of approval October 24, 1975

Following statements are attached if available:

Sponsor statement  No

Committee Statement: Assembly  No

Senate Yes

Fiscal Note  No

Veto message  No

Message on signing  No

Following were printed:

Reports  No

Hearings  No

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MAY 1977

ASSEMBLY, No. 1061

STATE OF NEW JERSEY

INTRODUCED JANUARY 31, 1974

By Assemblymen GORMAN, STEWART and HERMAN

Referred to Committee on Banking and Insurance

AN ACT to 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 128 of P. L. 1963, c. 144 (C. 17:12B-128) is amended  
2 to read as follows:

3 128. General reserve, bad debt reserves and Federal insurance  
4 reserve accounts.

5 (a) A general reserve account shall mean a reserve account  
6 established and maintained for the purpose of absorbing losses.  
7 Each State association shall establish such a general reserve  
8 account.

9 (b) A bad debt reserve account shall mean a reserve account  
10 established for the purpose of absorbing losses due to bad debts,  
11 which may be established by each State association in addition to  
12 the general reserve account defined in subsection (a) of this section,  
13 but the establishment of such bad debt reserve account shall not  
14 prohibit a State association from charging losses due to bad debts  
15 to the general reserve account or any other available reserve ac-  
16 count or the undivided profits account.

17 (c) "Federal insurance reserve account" shall mean a reserve  
18 account established and maintained by an insured association in  
19 accordance with the requirements of the Federal Savings and Loan  
20 Insurance Corporation. Any insured association may maintain  
21 such reserve account separately or may designate its general re-  
22 serve account or the bad debt reserve account, or both, as its  
23 Federal insurance reserve account.

24 (d) At the end of each accounting period and before the declara-  
25 tion of any dividends, each State association shall transfer to the  
26 general reserve account an amount equal to 5% of the State as-  
27 sociation's net income for such accounting period, less any amounts  
28 transferred for such period to the bad debt reserve account; pro-

29 vided, however, that the provisions of this subsection shall not  
30 apply to any insured association, as defined in section 5 of this act.

31 (e) Any State association may at any time, in the discretion of  
32 its board, transfer additional amounts beyond those required by  
33 the provisions of this section, to any of the reserve accounts here-  
34 inbefore mentioned, provided, that any amount transferred to the  
35 general reserve account in excess of the minimum amount set forth  
36 in this section may be used for the purposes of meeting the require-  
37 ments of paragraph (d) of this section in subsequent accounting  
38 periods within 5 calendar years from the year such excess amount  
39 was transferred to the State association's reserve accounts; pro-  
40 vided, however, if the State association is an insured association,  
41 as defined in section 5 of this act, the time within which such excess  
42 amounts may be used to meet the requirements of subsection (d) of  
43 this section shall be the time permitted for such purposes under  
44 the regulations promulgated by the Federal Savings and Loan In-  
45 surance Corporation.

46 (f) Additions to any of the reserve accounts hereinbefore men-  
47 tioned, whether required or discretionary, may be made by transfer  
48 from the net income of the period for which such transfer is made,  
49 from the undivided profits account or from any other unapportioned  
50 profits.

51 (g) No transfer to the general reserve account, required by sub-  
52 section (d) of this section, shall be required to be made so long as  
53 either:

54 (1) the amount held in all reserve accounts of the State associa-  
55 tion plus the undivided profits account, equals or exceeds an amount  
56 equal to 6% of the State association's capital; or

57 (2) the State association is an insured association, as defined in  
58 section 5 of this act, and has complied with the reserve requirements  
59 promulgated by the Federal Savings and Loan Insurance Corpora-  
60 tion for such accounting period.

61 (h) The board of a State association may, in its discretion, au-  
62 thorize transfers, in whole or in part, from the bad debt reserve  
63 account to the general reserve account or to the Federal insurance  
64 reserve account and in addition the board may from time to time,  
65 in its discretion, authorize the transfer of all or a part of the general  
66 reserve account to the Federal insurance reserve account *and,*  
67 *provided further, that when the amount held in the general reserve*  
68 *account exceeds 6% of the State association's capital because of a*  
69 *decline in capital, the board of the State association, with the ap-*  
70 *proval of the commissioner, may authorize the transfer of amounts*  
71 *in excess of 6% of capital to the undivided profits account.*

1 2. This act shall take effect immediately.

SENATE LABOR, INDUSTRY, AND  
PROFESSIONS COMMITTEE

STATEMENT TO  
ASSEMBLY, No. 1061

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STATE OF NEW JERSEY

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DATED: APRIL 7, 1975

Savings and loan associations are now required by the Savings and Loan Act to maintain reserves for losses in connection with loans and other investments. Five percent of the net earnings in each accounting period must be placed in the association's general reserve until it equals 6% of the association's total deposits. Once funds are placed in this account, they cannot be taken out except to meet losses on investments.

Assembly Bill No. 1061 would permit an association to transfer from its general reserve to its undivided profits account those amounts in excess of 6% of the association's savings when the percentage becomes more than 6% because of a shrinkage in savings.

Thus, certain associations that have developed high reserve ratios, because withdrawals have exceeded savings, would be able, with the approval of the Commissioner of Banking, to transfer excesses in the general reserve to pay dividends to shareholders.