

17:12B-155 ET AL.

LEGISLATIVE HISTORY CHECKLIST

NJSA 17:12B-155 et al.

Laws of 1975 Chapter 313

COPY NO. 2

Bill No. A615

Sponsor(s) Bornheimer

Date Introduced pre-filed

Committee: Assembly Banking & Insurance

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

Amended during passage Yes amendments during passage denoted by asterisks

Date of passage: Assembly Dec. 19, 1974

Senate May 27, 1975

Date of approval Feb. 19, 1976

Following statements are attached if available:

Sponsor statement No

Committee Statement: Assembly No

Senate Yes 2/10/75 and 4/21/75

Fiscal Note No

Veto message No

Message on signing No

Following were printed:

Reports No

Hearings No

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10/4/76

MAY 1977

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ASSEMBLY, No. 615

STATE OF NEW JERSEY

PRE-FILED FOR INTRODUCTION IN THE 1974 SESSION

By Assemblyman BORNHEIMER

AN ACT to amend the "Savings and Loan Act (1963)," approved August 30, 1963 (P. L. 1963, c. 144) and repealing section 161 thereof.

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

1 1. Section 155 of P. L. 1963, c. 144 (C. 17:12B-155) is amended
2 to read as follows:

3 155. Other loans. Other loans may be made as follows:

4 A. Account loans: Loans secured by a pledge of a member's
5 savings account. No such loan shall exceed the withdrawal value
6 of the pledged account, less interest thereon for a period of 6
7 months. ***Interest on such loans shall not be charged at a rate in*
7A *excess of the maximum permitted under the provisions of R. S.*
7B *31:1-1 unless a higher rate is required by any applicable Federal*
7C *regulation that establishes minimum rates that must be charged on*
7D *loans secured by savings accounts; in which event, the interest*
7E *charged shall not be greater than that specified by such Federal*
7F *regulation.***

8 B. Purchase of loans. An association may purchase any mort-
9 gage loan, property repair, alteration, improvement or rehabilita-
10 tion loan, or any other loan which an association is authorized to
11 make.

12 C. Loans secured by a mortgage upon a lease of the fee of real
13 property. Any association may invest in any obligation secured by
14 a mortgage which is a first lien, as defined in section 11 of this act,
15 on a lease of the fee of real property located in this State. The term
16 of the leasehold interest securing such loan shall be not less than
17 50 years from the date such loan is granted, otherwise; such loans

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

18 shall be made pursuant to sections 146 through 154, 167 and 168 of
19 this act.

20 D. Camp meeting leaseholds. An association may invest in any
21 obligation secured by a first mortgage, as defined in section 11 of
22 this act, on any leasehold estate of real estate, in this State, of
23 any camp meeting association, to the extent authorized by, and
24 subject to, the limitations and restrictions contained in R. S. 17:2-1.

25 E. Loans otherwise authorized. An association may make any
26 other loan which it may be authorized to make by any law of this
27 State.

28 F. Loans on apartments ***or units*** established under the
29 “Horizontal Property Act” ***or the “Condominium Act**.*” An
30 association may invest in any obligation secured by a mortgage
31 which is a first lien, as defined in section 11 of this act, on an
32 apartment which is part of a horizontal property regime established
33 under the “Horizontal Property Act^{***}” *or upon a unit which is*
34 *part of a condominium established under the “Condominium Act^{**}.”*

34A All such loans shall be made pursuant to sections 146 through 154,
34B 167 and 168 of this act.

35 G. **[Class I]* [Educational] *[educational]* *Educational**
36 loans. In addition to the authority otherwise granted by law for
37 an association to make loans guaranteed or insured in whole or in
38 part by the United States of America or the State of New Jersey,
39 or any instrumentality or agency of either of them, or for which
40 a commitment to so guarantee or insure has been made, an as-
41 sociation may make any loans so guaranteed or insured or for
42 which a commitment to so guarantee or insure has been made where
43 such loans are made for the purposes of financing the expenses of
44 higher education. Such loans may be made in accordance with the
45 terms and conditions permitted by the guaranteeing or insuring
46 authority, notwithstanding any other provisions of law limiting
47 interest or other charges or prescribing other terms and conditions.

48 **[“Class II educational loan” means an installment loan made*
49 *for the purpose of defraying the cost of attendance at a college or*
50 *university of one or more students, or for the purpose of defraying*
51 *the cost of attendance of one or more students at an elementary or*
52 *secondary school. As used herein, “college or university” includes,*
53 *but is not limited to any qualified institution of collegiate grade,*
54 *located in this State or elsewhere which is approved by any regional*
55 *accrediting association recognized by the National Commission on*
56 *Accrediting, or approved by the Board of Higher Education of*
57 *New Jersey; and also includes any “other eligible institution,”*

58 and "any post-secondary nondegree institution of higher educa-
 59 tion" as defined in the "Higher Education Assistance Authority
 60 Law," chapter 72 of Title 18A of the New Jersey Statutes. An
 61 educational loan may consist of a single advance or of two or more
 62 advances made pursuant to an agreement governing, or commit-
 63 ment to make, such loan. No association which has not contracted
 64 with the New Jersey Higher Education Assistance Authority to
 65 make loans under a Federally-sponsored student loan program
 66 shall make Class II educational loans to finance attendance at a
 67 college or university. Before making a Class II educational loan to
 68 finance attendance at a college or university, the association shall
 69 advise the borrower of the existence and provisions of the Feder-
 70 ally-sponsored student loan program and of its readiness to make a
 71 loan to the student under such program, provided the student is
 72 eligible, and shall make a Class II educational loan under this
 73 section only (1) if the student involved is ineligible for a loan under
 74 the Federally-sponsored program or (2) if the borrower is other
 75 than the student, the borrower states that he is desirous of assum-
 76 ing the obligation in place of the student.]*

77 H. Loans on building lots. An association may invest in any
 78 obligation secured by a mortgage which is a first lien on a building
 79 lot, where it is represented by the borrower at the time the loan is
 80 made that he intends to build or have built a dwelling on the build-
 81 ing lot for his own use and occupancy. The amount of such loan
 82 shall not exceed 80% of the value of the real estate as found by
 83 appraisal at the time the loan is granted and shall be a direct
 84 reduction loan as defined in section 5 of this act, which shall require
 85 periodic payments sufficient to pay the principal and interest on
 86 the loan in full over a period of 10 years or less.

1 2. Section 157 of P. L. 1963, c. 144 (C. 17:12B-157) is amended
 2 to read as follows:

3 157. Investments in loans for the purpose of repair, alteration,
 4 improvement, *modernizing,* equipping or rehabilitation of real
 5 estate upon which an association shall not be required to hold a
 6 mortgage lien. *Such a loan shall be known as a "property im-
 7 provement loan."* Any association may make loans subject to the
 8 limitations set forth in sections 159 through 164 (C. 17:12B-159
 9 through C. 17:12B-164) of this act for the repair, alteration, im-
 10 provement, *modernizing,* equipping or rehabilitation of real
 11 estate located in this State, which is used wholly or partially
 12 for dwelling purposes, *[including]* *including* loans for res-
 13 toration, rehabilitation, rebuilding and replacement of properties

14 which have been damaged or destroyed by fire, hurricane, flood,
15 cyclone, tornado or other catastrophe.

1 3. Section 158 of P. L. 1963, c. 144 (C. 17:12B-158) is amended
2 to read as follows:

3 158. Definitions as used in sections 159 through 164
4 (C. 17:12B-159 through C. 17:12B-164) of this act. The following
5 words and phrases as used in sections 159 through 164
6 (C. 17:12B-159 through C. 17:12B-164) of this act, unless a differ-
7 ent meaning is plainly required by the context, shall have the
8 following meanings:

9 (1) *["Repair, alteration, improvement, *equipping* or rehabili-
10 tation loan"]* *"*Property improvement loan*"* means a loan, se-
11 cured or unsecured, the purpose of which, as represented to the
12 association by the borrower, is to enable the borrower to pay the
13 cost in whole or in part of repairing, altering, improving, *modern-*
14 *izing, equipping* or rehabilitating real estate used wholly or par-
15 tially for dwelling purposes *["in which the borrower has an
16 interest,"]* and in connection with which the borrower files with
17 the association, at the time when the loan is made, ["either (a) a
18 copy of the contract pursuant to which such modernization, re-
19 habilitating, altering, repairing or improving has been done or is
20 to be done; or, if the borrower represents there is no such contract,
21 (b)"] a statement, *["sworn to by the borrower,"]* that the proceeds
21A of the loan will be used to pay the cost, in whole or in part, of
22 modernizing, rehabilitating, altering, repairing, *equipping* or im-
23 proving such real property, as the case may be.

24 (2) *["Payment period"]* means the period of time scheduled by
25 the terms of such loan to elapse between the days upon which in-
26 stallment payments are required to be made on such loan, *except*
27 *that, in a case where installment payments are omitted pursuant to*
28 *paragraph (4) of section 159 of P. L. 1963, c. 144 (C. 17:12B-159),*
29 *"payment period" means the period of time scheduled to elapse*
30 *between the days upon which installment payments are required to*
31 *be made during that portion of the term of such loan in which no*
32 *installment payment be omitted.】**

33 (3) "Net proceeds" means the difference between the ["full"]
34 face amount of the note evidencing such loan and ["the amount of
35 interest taken in advance upon such loan"] that part of such face
36 amount which represents precomputed interest.

37 (4) "Loan for equipping" means a loan, the proceeds of which
38 are used to finance those items usually and customarily used in
39 connection with a residential dwelling, whether or not affixed to the

40 *really. The Commissioner of Banking shall have the power, in rela-*
 41 *tion to a "loan for equipping," to adopt, amend, alter or rescind*
 42 *regulations, the requirements of which, in his judgment, are*
 43 *necessary to establish appropriate safeguards. The commissioner,*
 44 *when issuing such regulations, shall, to the extent feasible and*
 45 *after giving consideration to the financial and economic circum-*
 46 *stances and the public welfare, endeavor to promulgate such rules*
 47 *and regulations in substantial conformity with similar rules and*
 48 *regulations of the Federal Home Loan Bank Board as applied to*
 49 *Federal associations.*

50 (5) *"Precomputed interest" means an amount equal to the*
 51 *whole amount of the interest payable on a loan as defined in this*
 52 *section for the period from the making of the loan to the date*
 53 *scheduled by the terms of the loan for the payment of the final*
 54 *installment.*

55 (6) *"Person" means an individual, a partnership and an*
 56 *association.*

57 (7) **["Class II educational loan" means a loan as defined in*
 58 *paragraph G of section 155 of P. L. 1963, c. 144 (C. 17:12B-155).]**
 59 **"Actuarial method" means the method of applying payments*
 60 *made on a debt between principal and interest pursuant to which*
 61 *a payment is applied first to accumulated interest on the principal*
 62 *amount of the loan and the remainder is applied to the unpaid*
 63 *principal balance of the loan in reduction thereof.*

64 (8) *"Precomputed loan" means an installment loan which is*
 65 *evidenced by a note the face amount of which consists of the ag-*
 66 *gregate of the principal amount of the loan so evidenced, and the*
 67 *precomputed interest thereon.*

68 (9) *"Nonprecomputed loan" means an installment loan which*
 69 *is evidenced by a note the face amount of which consists solely of*
 70 *the principal amount of the loan so evidenced.**

1 4. Section 159 of P. L. 1963, c. 144 (C. 17:12B-159) is amended
 2 to read as follows:

3 159. Limitations on such loans.

4 (1) The net proceeds of any **[one]** loan **[made pursuant to this**
 5 **section]** *as defined in section 158 of P. L. 1963, c. 144*
 6 *(C. 17:12B-158) shall not exceed **[\$7,500.00]** ***[\$10,000.00]****
 7 **\$15,000.00* nor shall the aggregate of such net proceeds, taken*
 8 *together with the amount of the unpaid balances owing on all*
 9 *other loans **[to which this section applies]** as defined in section*
 10 *158 of P. L. 1963, c. 144 (C. 17:12B-158) and which are outstand-*
 11 *ing with respect to the same person or real property, exceed*

12 **[\$7,500.00]** ***[\$10,000.00**, except that an association may make
 13 any Class II educational loan for the payment of which any per-
 14 son shall be liable to the association in any capacity if the amount
 15 of the net proceeds of such loan and the amount of the principal
 16 balances owing on all other such loans for the payment of which
 17 such person is liable to the association in any capacity will, in the
 17A aggregate, exceed \$20,000.00.

18 For the purposes of this section, the principal balance owing on a
 19 loan as defined in section 158 of P. L. 1963, c. 144 (C. 17:12B-158)
 20 shall be deemed to be the face amount of the note evidencing such
 21 loan, less the aggregate of all installments paid thereon, and less a
 22 credit computed according to the formula contained in section 163
 23 of P. L. 1963, c. 144 (C. 17:12B-163)]* ***\$15,000.00***.

24 (2) Each such loan shall be evidenced by one or more notes,
 25 bonds or other written evidence of indebtedness, and no security
 26 other than an interest in tangible personal property ***[which is a**
 27 **part of the work]***, or ***[other than]*** a mortgage upon the real
 28 property ***[to be repaired, altered, improved or rehabilitated, or**
 29 **which is purchased with the proceeds of an equipment loan]*** shall
 30 be taken directly or indirectly to secure the same prior to default.
 30A *An interest in real property taken as security for a property im-*
 30B *provement loan shall not be deemed to be a mortgage loan within*
 30C *the meaning of Article X of this act and shall not be subject to*
 30D *the provisions of that article.**

31 (3) No association shall make any such loan at any time the
 32 aggregate amount of such loans outstanding exceeds an amount
 33 equal to **[5%]** 10% of its ***[members' capital]*** **total assets**.

34 (4) Each **[such]** ***[repair, alteration, improvement, equipping**
 35 **or rehabilitation]*** loan **as defined in section 158 of this act*
 35A *(C. 17:12B-158)** shall be repayable in regular monthly install-
 36 ments over a period not exceeding **[61 months, and]** ***[7 years and**
 37 **1 month]*** **15 years and 32 days** subsequent to the making of
 38 such loan ***[and, with respect to a Class II educational loan, 10**
 39 **years and 1 month subsequent to the making of such loan. A**
 40 **Class II educational loan shall be deemed to be made each time**
 41 **an advance is made thereon]***. The **[the]** amount of any install-
 42 ment shall not be greater or less than any other installment,
 43 except that the last installment may be not more than \$1.00
 44 more or less than any previous installment. *An association*
 45 *which makes a loan as defined in section 158 of P. L. 1963,*
 45A *c. 144 (C. 17:12B-158) shall not require that more than one*
 46 *installment be payable in any one payment period, except that the*

47 *last two installments may be payable in the same payment period.*
 48 *Every such loan shall provide for payment periods of equal dura-*
 49 *tion measured in terms of weeks or months, except that the period*
 50 *scheduled to elapse between the making of the loan and the date*
 51 *when the first installment is scheduled to be paid, hereinafter in this*
 52 *paragraph referred to as "the initial payment period" may be*
 53 *longer than any other payment period, but may not exceed 60 days.*
 54 *Any such loan may provide for the omission of installments during*
 55 *any period not exceeding 93 days in any one 12-month period.*
 56 *When the period during which installments are so omitted falls*
 57 *within or coincides with the initial payment period as hereinabove*
 58 *defined, the initial payment period may be longer than any other*
 59 *payment period, but may not exceed 93 days. Except as herein*
 60 *otherwise expressly provided, no payment period shall be shorter*
 61 *than 1 week or longer than 1 month.*

62 (5) Nothing in this section shall prevent an association from
 63 making a loan **[under the provisions of this section,]** *as defined in*
 64 *section 158 of P. L. 1963, c. 144 (C. 17:12B-158), the proceeds of*
 65 *which will be applied in whole or in part to the repayment at or*
 66 *before final maturity of a loan theretofore made under the pro-*
 67 *visions of this section. ***[Subject to the limitations imposed by para-***
 68 *graph (1) of this section, no association shall make a loan as de-*
 69 *defined in section 158 of P. L. 1963, c. 144 (C. 17:12B-158) for the*
 70 *payment of which any person shall be liable to the association in*
 71 *any capacity if the amount of the net proceeds of such loan and the*
 72 *amount of the principal balances owing on all other loans as defined*
 73 *in section 158 of P. L. 1963, c. 144 (C. 17:12B-158) for the payment*
 74 *of which such person is liable to the association in any capacity will,*
 75 *in the aggregate, exceed \$20,000.00.]**

76 (6) An association which makes a loan **[pursuant to this section]**
 77 *as defined in section 158 of P. L. 1963, c. 144 (C. 17:12B-158) may,*

78 (a) When the payment of such loan is secured, and provision is
 79 made by law for the filing or recording of the instrument of
 80 security or notice or abstract thereof, require compliance with such
 81 provision and retain the cost of such recording or filing out of the
 82 proceeds of the loan **but shall make no other charges in connec-*
 82A *tion with the preparation of such mortgage or other security*
 82B *instruments**; and

83 (b) When the maturity of the unpaid balance of the loan is
 84 accelerated, in accordance with the terms of the instrument
 85 evidencing the obligation, charge interest at ***[the legal rate,]***
 86 **a rate not exceeding the rate charged on the loan,** from the

86A date such acceleration takes place, upon [the amount of the
 87 unpaid principal balance of the loan; provided, however, whenever
 88 the provisions of section 163 (C. 17:12B-163) of this act apply such
 89 interest charge shall only be made upon] the difference between the
 90 amount of the unpaid principal balance of the loan, and the amount
 91 of credit given pursuant to section 163 (C. 17:12B-163);

92 *~~Otherwise~~* ~~no~~ *~~an~~* No association [shall make any
 93 further interest or other charge or demand, in connection with
 94 such loan, other than those expressly authorized by sections 159
 95 through 164 (C. 17:12B-159 through C. 17:12B-164) of this act,
 96 except as permitted in section 48 (C. 17:12B-48) (13) of this act.]

97 **shall make any further interest or charge or demand, in connec-*
 98 *tion with such loan, other than those expressly authorized by*
 99 *sections 159 through 164 (C. 17:12B-159 through C. 17:12B-164)*
 99A *of this act, except an association* may charge interest at* *~~the~~
 99B *legal rate** **a rate not exceeding the rate charged on the loan**
 99C *upon each installment in arrears for the period from the date that*
 99D *default in the payment of such installment occurs to the date that*
 100 *payment of such installment is made; or, if the maturity of the un-*
 101 *paid balance of the loan is accelerated, as provided in this section,*
 102 *to the date upon which such acceleration takes place. In lieu of pro-*
 103 *viding for interest pursuant to this paragraph (b), such instrument*
 104 *may provide that on any installment in arrears for more than 15*
 105 *days, the association may make a late charge which shall not exceed*
 106 *5% of such installment, or \$5.00 whichever is the lesser; provided*
 107 *that only one such late charge shall be made on any one installment*
 108 *and that no such late charge shall be made upon any installment*
 109 *scheduled, by the terms of such instrument, to fall due upon a date*
 110 *subsequent to the date upon which the maturity of the unpaid*
 111 *balance of the loan is accelerated as provided by this section.*

112 (c) *No person who is a party to the instrument evidencing the*
 113 *loan shall be released or discharged from liability to the associa-*
 114 *tion by reason of the association's extending the time for the pay-*
 115 *ment of an installment or installments owing or due upon such*
 116 *loan, or by reason of the association's waiver of any term or con-*
 117 *dition of the instrument evidencing such loan, or of the instrument*
 118 *intended to secure payment thereof.*

119 (d) *All parties to the instrument evidencing the loan* *~~shall~~*
 120 **may* waive presentation for payment, demand for payment, pro-*
 121 *test and notice of protest, nonpayment, dishonor, and the associ-*
 122 *ation's election to accelerate the maturity of the unpaid balance*
 123 *of the loan.*

123A *For the purposes of this section,*

124 (i) "unpaid principal balance" of a loan means the face
 125 amount of the note evidencing such loan, less the aggregate of
 126 all installments paid thereon, plus the cost of any insurance
 127 paid for by the association pursuant to paragraph (f) of sub-
 128 section (6) of this section, after crediting against such cost the
 129 amount of the return premium, if any, received by the ***[bank]***
 130 ***association*** on cancellation of prior insurance paid for by
 131 the borrower or the cost of which was retained out of the
 131A proceeds of the loan;

132 (ii) "unpaid balance" of a loan means the unpaid principal
 133 balance of such loan, plus unpaid interest and late charges, if
 134 any.

135 (e) Require one or more comakers or endorsers of the instru-
 136 ment evidencing a loan, or one or more guarantors of payment of
 137 the loan;

138 (f) When the payment of such loan is secured, require that such
 139 security be insured for the benefit of the association against such
 140 loss or damage as the association may require, and may retain out
 141 of the proceeds of such loan the premium for such insurance. If
 142 such insurance expires, lapses, or is canceled and other insurance
 143 by insurers and in amounts satisfactory to the association is not
 144 furnished to the association without lapse of coverage, the associa-
 145 tion may, but shall be under no duty to, obtain insurance upon such
 146 security, and the cost thereof, less the amount of the return
 147 premium, if any, received by the association on cancellation of
 148 prior insurance paid for by the borrower, or the cost of which was
 149 retained out of the proceeds of the loan, shall be added to and
 150 become part of the principal of such loan, payable upon demand
 151 with interest at the legal rate; and, in default of such payment
 152 within 30 days after such demand, the entire unpaid balance of the
 153 loan shall, at the election of the association become immediately due
 154 and payable;

155 (g) Upon institution of a suit for the collection of a loan in
 156 default, charge a collection fee, in addition to court costs allowable
 157 by law, ***[as follows: on the first \$1,000.00 of indebtedness,]***
 158 ***equal to* 10%***; and on the excess over \$1,000.00, **7 1/2%***
 159 ***of the unpaid balance of the loan,*** but in no case shall such col-
 160 lection fee exceed \$100.00;

160A (h) Extend the scheduled due date of any loan and defer the
 161 scheduled due date of any or all installment payments, or reduce the
 162 amount of any or all installments and may, as a consideration
 163 therefor, make a total additional charge not to exceed the amount

164 ascertained under ***[either of the following methods of computation**
 165 **at the respective rates indicated by the following options:**

166 *Option 1. The additional charge shall be computed on the amount*
 167 *of the scheduled installment or installments extended, deferred or*
 168 *reduced for the period or periods for which each installment or part*
 169 *thereof is extended, deferred or reduced, at the rate of 1% per*
 170 *month.*

171 *Option 2. The association may, by written agreement, renew the*
 172 *entire unpaid balance owing on an installment loan and may make a*
 173 *charge therefor at the rate charged on the loan so renewed, from the*
 174 *date of renewal to the maturity of the final installment;*

175 *(i) Enter into an agreement or commitment to make a Class II*
 176 *educational loan consisting of a single advance or of two or more*
 177 *advances. When there are two or more advances, the principal*
 178 *amount of the loan immediately following an advance shall be in a*
 179 *sum equal to the principal amount owing on such loan immediately*
 180 *before such advance, plus the principal amount of the advance then*
 181 *being made]* *the provisions of section 160 (C. 17:12B-160)*.**

1 5. Section 160 of P. L. 1963, c. 144 (C. 17:12B-160) is amended
 2 to read as follows:

3 160. Charges on such loans ***[for periods up to 37 months]***.

4 (1) The maximum charge which **[may be made to the borrower**
 5 **in connection with such loan for interest, discount or other fees and**
 6 **charges in connection with said loan and which may be taken in**
 7 **advance on the full amount of such loan to the date of maturity of**
 8 **the final installment shall not, except as limited by section 161**
 9 **(C. 17:12B-161) of this act, exceed an amount determined by**
 10 **application of the formula.**

$$11 \quad \quad \quad .11784A (P + 1)$$

$$12 \quad \quad \quad I = \frac{\quad}{\quad}$$

$$13 \quad \quad \quad 2N + .11784 (P + 1)$$

14 in which "I" represents the maximum amount of interest which
 15 may be taken in advance: "A" represents the full amount of the
 16 loan; "P" represents the number of payment periods contained in
 17 the period from the date of the making of the loan to and including
 18 the date of maturity of the final installment; and "N" represents,
 19 to the nearest whole number, the number of payment periods con-
 20 tained in a calendar year.

21 (2) An association may make such a loan in such an amount that
 22 the net proceeds thereof shall equal a predetermined sum and may,
 23 except as limited by section 161 (C. 17:12B-161) of this act take
 24 interest in advance upon the full amount of such loan to the date on

25 maturity of the final installment. The full amount of such loan shall
 26 not exceed the aggregate of the net proceeds and the amount of
 27 interest which may be taken in advance, as determined by the
 28 application of the formula

$$29 \quad I = \frac{.11784A (P + 1)}{30 \quad \quad \quad 2N}$$

31
 32 in which "A" represents the amount of the predetermined net
 33 proceeds, and "P", "I" and "N" have the same meanings as set
 34 forth in subsection (1) of this section. **]** *an association may con-*
 35 *tract for and receive ***[interest]*** on loans as defined in section 158*
 36 *of P. L. 1963, c. 144 (C. 17:12B-158) shall not exceed ***[the fol-***
 36A *lowing:*

37 (a) *On the first \$10,000.00 of the principal sum owing on all such*
 38 *loans for the payment of which a person is liable to the association*
 39 *in any capacity, 1% per month;*

40 (b) *On the excess over \$10,000.00 of the principal sums owing on*
 41 *all loans as defined in section 158 of P. L. 1963, c. 144*
 42 *(C. 17:12B-158) for the payment of which a person is liable to the*
 43 *association in any capacity, 3/4 of 1% per month.*

44 *Interest on installment loans shall be calculated according to the*
 45 *actuarial method. In calculating such interest, it shall be assumed*
 46 *that all scheduled payments will be made when due. In contracting*
 47 *for and collecting such interest, differences in the lengths of months*
 48 *may be disregarded. All scheduled installments of principal and*
 49 *interest shall be applied as if they were received when due**]*** *an*
 50 *amount calculated according to the actuarial method at a rate not*
 51 *exceeding *****[1 1/4% per month]***** ***12% per annum*** on*
 52 *the unpaid balance of the principal***; provided, however, that the*
 53 *Commissioner of Banking, with the advice of the special advisory*
 54 *board created pursuant to P. L. 1970, c. 205, s. 11 (C. 17:11A-44),*
 55 *may, by regulation adopted, amended and rescinded from time to*
 56 *time, provide that the rate of interest which may be contracted for*
 57 *and received on any such loan may be more than the rate above set*
 58 *forth but not more than 15% per annum, as shall be established by*
 59 *such regulation. For the purpose of establishing rates as provided*
 60 *by this subsection, the commissioner may, with the advice of the*
 61 *special advisory board referred to above and within the limits pre-*
 62 *scribed by this subsection, establish the rate applicable to such*
 63 *loans. In adopting, amending and rescinding regulations pursuant*
 64 *to this subsection, the commissioner and the special advisory board*
 65 *shall consider the general state of the economy, the discount rates*

66 *prescribed by the Federal Reserve Bank of New York and the*
 67 *Federal Reserve Bank of Philadelphia, the advance rate as pre-*
 68 *scribed by the Federal Home Loan Bank of New York, the avail-*
 69 *ability of funds for loans, studies and statistics published by the*
 70 *Federal Home Loan Bank Board and other agencies of the United*
 71 *States and of this State, and such other factors and bases for*
 72 *determination as the commissioner and the board may deem*
 73 *pertinent. The rate established by any such regulation shall*
 74 *reasonably reflect prevailing market conditions, regionally and*
 75 *nationally, based upon the studies, statistics and factors considered,*
 76 *and shall remain in force until such time as such regulation is*
 77 *rescinded or such rate is increased or decreased by a subsequent*
 78 *regulation. Any such regulation shall have prospective effect*
 79 *only**.* *****[***This subsection shall not limit or restrict the manner*
 80 *of contracting for the interest charge, whether by way of add-on,*
 81 *discount or otherwise, so long as the interest rate does not exceed*
 82 *that permitted by this subsection.]**** *In the case of a precomputed*
 83 *loan, the interest may be computed on the assumption that all*
 84 *scheduled payments will be made when due, and all scheduled in-*
 85 *stallment payments made on a precomputed loan may be applied as*
 86 *if they were received on their scheduled due dates. In the case of*
 87 *nonprecomputed loans, all installment payments shall be applied no*
 88 *later than the next day, other than a public holiday, after the date*
 89 *of receipt, and a day shall be counted as one-three-hundred-sixty-*
 90 *fifth of a year*.*

1 6. Section 162 of P. L. 1963, c. 144 (C. 17:12B-162) is amended
 2 to read as follows:

3 162. Schedules of charges.

4 The **[**commissioner**]** *Commissioner of Banking* may prepare and
 5 distribute to such associations as shall make a request therefor, a
 6 schedule or schedules **[**based upon the formulas contained in
 7 sections 160 and 161 (C. 17:12B-160 and C. 17:12B-161) of this
 8 act,**]** *to be used in ascertaining precomputed interest*, or he may
 9 approve a subsisting schedule or schedules **[**based upon the said
 10 formulas**]**, and interest taken **[**in advance**]** pursuant to such
 11 schedule or schedules shall constitute a complete compliance with
 12 the provisions of **[**such sections.**]** *section 160 of P. L. 1963, c. 144*
 13 *(C. 17:12B-160)*. A copy of such schedule or schedules, certified
 14 by the commissioner, shall be evidence in all courts and places.

1 7. Section 163 of P. L. 1963, c. 144 (C. 17:12B-163) is amended
 2 to read as follows:

3 163. Rebates on prepayment.

4 When the unpaid balance owing upon a loan [to which this
 5 section applies] as defined in section 158 of P. L. 1963, c. 144
 6 (C. 17:12B-158) is repaid in full or the maturity of the unpaid loan
 7 is accelerated before the date scheduled for the payment of the
 8 final installment, the association shall allow a credit on account of
 9 the *precomputed* interest [taken in advance], the amount of which
 10 shall not be less than the amount determined by the application of
 11 the formula

$$12 \qquad \qquad \qquad C = \frac{AN}{D} \text{ in which}$$

13
 14
 15 "C" represents the amount of the credit to be given; "A" repre-
 16 sents the amount of *precomputed* interest [taken in advance];
 17 "D" is determined by ascribing to each payment period included
 18 in the period for which interest was [taken in advance,] *precom-*
 19 *puted*, reckoning from the day upon which the loan was made, the
 20 cardinal number descriptive of the number of payment periods
 21 scheduled, by the terms of the loan, to elapse from the beginning of
 22 each such payment period, to the date to which interest was [taken
 23 in advance,] *precomputed*, and the total of all the cardinal numbers
 24 so ascribed constitutes the quantity "D"; and "N" represents the
 25 difference between the quantity "D" and the total of all the
 26 cardinal numbers ascribed to the payment periods which have
 27 elapsed, in whole or in part, from the making of the loan, to the day
 28 upon which such repayment is made, or to the day upon which the
 29 maturity of the unpaid balance of such loan is accelerated, as the
 30 case may be.

31 The commissioner may prepare and distribute to such associa-
 32 tions as shall make a request therefor, a schedule or schedules
 33 based upon the formula specified in this section for use in deter-
 34 mining the credit to be allowed pursuant to this section, and allow-
 35 ance of interest made as provided in such schedule shall constitute
 36 a complete compliance with this section. A copy of such schedule,
 37 duly certified by the commissioner, shall be evidenced in all courts
 38 and places.

39 This section shall not apply where the amount of the credit to be
 40 allowed is less than \$1.00[, nor where there is a default and
 41 acceleration is employed as part of a collection procedure in
 42 accordance with the terms of the instrument evidencing the obliga-
 43 tion and such default is subsequently cured and the loan
 44 reinstated]. *The unpaid balance of a nonprecomputed loan may
 45 be paid in whole or in part at any time.

46 *If an association knowingly violates any provision of sections*
47 *159 through 164 of this act (C. 17:12B-159 through C. 17:12B-164),*
48 *the association shall forfeit the entire interest which the note or*
49 *other evidence of debt carries with it, or which has been agreed to*
50 *be paid thereon, and the borrower, or his legal representatives,*
51 *may recover back, in an action against the association, twice the*
52 *amount of interest received by the association on such loan, pro-*
53 *vided such action is commenced within 2 years from the date such*
54 *violation occurred. The amount of any interest credit allowed*
55 *pursuant to section 163 of this act, shall not be deemed to be in-*
56 *terest received by the association for the purposes of this section.**

1 8. Section 161 of P. L. 1963, c. 144 (C. 17:12B-161) is repealed.

1 9. This act shall take effect immediately.

SENATE REVENUE, FINANCE AND
APPROPRIATIONS COMMITTEE

STATEMENT TO
ASSEMBLY, No. 615

[SECOND OFFICIAL COPY REPRINT]

STATE OF NEW JERSEY

DATED: FEBRUARY 10, 1975

It is the purpose of this bill to amend the "Savings and Loan Act (1963)" in expanding the type of loan to be made and increasing the interest rate allowable on such loans.

The type of loan now allowed in the statute includes repair, alteration, improvement, or rehabilitation. This is expanded to include modernizing and equipping loans. Thus loans for the purpose of modernizing an older home are allowable. This would include reequipping kitchens, or adding additional rooms.

The amount of such loans is increased from the current limit of \$7,500.00 to a maximum of \$15,000.00. The type of security for such loans is modified permitting an association to take an interest in personal property or a mortgage upon the real property. Currently an association is limited to an interest in the real or personal property which is part of the work. The payback period is extended from the current maximum of 61 months to a maximum of 15 years and 32 days.

The rate and method of charging interest is also addressed in the bill. The current statute expresses the interest rate in an algebraic formula with a yield of between 9.05% to 11.69% depending on the length of the payback period. As provided in the bill the rate of interest would be $1\frac{1}{4}\%$ per month on the unpaid balance.

Further the maximum amount an association can invest in these "property improvement loans" is increased from 5% of members capital to 10% of total assets. This will increase the associations investment capacity in this type of loan by an approximate 230%. The combination of investment capacity and increased interest rates together with comparatively short term notes will probably operate to significantly increase association investment in the new "property improvement loans" perhaps at the cost of decreased investment in first mortgages.

SENATE LABOR, INDUSTRY AND
PROFESSIONS COMMITTEE

STATEMENT TO
ASSEMBLY, No. 615

[SECOND OFFICIAL COPY REPRINT]

STATE OF NEW JERSEY

DATED: APRIL 21, 1975

It is the purpose of this bill to amend the "Savings and Loan Act (1963)" in expanding the type of loan to be made and increasing the interest rate allowable on such loans.

The type of loan now allowed in the statute includes repair, alteration, improvement, or rehabilitation. This is expanded to include modernizing and equipping loans. Thus loans for the purpose of modernizing an older home are allowable. This would include reequipping kitchens, or adding additional rooms.

The amount of such loans is increased from the current limit of \$7,500.00 to a maximum of \$15,000.00. The payback period is extended from the current maximum of 61 months to a maximum of 15 years and 32 days.

The rate and method of charging interest is also addressed in the bill. The current statute expresses the interest rate in an algebraic formula with an effective rate of between 9.05% to 11.69% depending on the length of the payback period. As provided in the bill the rate would be 12% simple interest with the provision that the Commissioner of Banking, with the advice of the Special Advisory Board created pursuant to R. S. 31:1-1, could increase the rate to 15%.

Further the maximum amount an association can invest in these "property improvement loans," is increased from 5% of members capital to 10% of total assets.