

52:27D-73 thru 92

December 28, 1970

LEGISLATIVE NOTES ON R.S. 52:27D-73 thru 52:27D-92
(Urban Loan Authority - Loan guaranteed)

(1970 amendment)

L. 1970, Chapter 65 - S830

Introduced April 30 by Schiaffo, Knowlton, Woodcock & others.
Not amended during passage.
No statement.

No clippings located at:

N.J.--Business
N.J.--Credit
N.J.--Loans

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SENATE, No. 830

STATE OF NEW JERSEY

INTRODUCED APRIL 30, 1970

By Senators SCHIAFFO, KNOWLTON, WOODCOCK, ITALIANO,
WALLWORK, WALDOR, DOWD, LACORTE, DICKINSON and
HAGEDORN

(Without Reference)

AN ACT to amend "An act to provide for guaranteed or insured bank loans to certain qualified persons for the purposes of establishing or reestablishing themselves in small businesses or professions, and to promote the development of urban areas through the provision of capital loans to qualified businessmen in depressed areas and providing appropriations therefor," approved December 2, 1969 (P. L. 1969, c. 202).

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

1 1. Section 2 of P. L. 1969, chapter 202 (C. 52:27D-73) is amended
2 to read as follows:

3 2. The following terms whenever used or referred to in this act
4 shall have the following respective meanings for the purposes of
5 this act, except in those instances where the context clearly indicates
6 otherwise:

7 (a) "Act" shall mean this act and any amendments and supple-
8 ments thereto and any rules and regulations promulgated there-
9 under.

10 (b) "Authority" shall mean the New Jersey Urban Loan Au-
11 thority created by this act.

12 (c) "Business incentive loan" shall mean a loan, guaranteed or
13 insured **[.]** *by the authority* pursuant to the provisions of sections
14 17 or 18 of this act.

15 (d) "Business Incentive Loan and Guarantee Fund" shall mean
16 the fund for the insurance and guarantee of business incentive loans
17 created pursuant to section 6 of this act.

18 (e) "Commissioner" shall mean the Commissioner of the State
19 Department of Community Affairs.

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

20 (f) "Department" shall mean the State Department of Com-
21 munity Affairs.

22 (g) "Direct loan" shall mean a loan made by the authority out
23 of the urban loan fund to a qualified loan client in a qualified loan
24 area.

25 **[g]** (h) "Qualified loan area" shall mean a region, county, munic-
26 ipality or parts thereof which is determined by the authority, in
27 accordance with rules and regulations adopted by the authority, to
28 be in need of capital loan assistance pursuant to this act.

29 **[h]** (i) "Qualified loan client" shall mean any person, group,
30 association, partnership, cooperative or corporation which is:

31 (1) Unable to obtain the necessary financing on reasonable terms
32 from any other source, and

33 (2) Qualified by training, aptitude or experience, or employing
34 persons who are qualified by training, aptitude, or experience, to
35 establish, operate and maintain the business enterprise for which a
36 loan is sought, and

37 (3) Either:

38 (a) A resident of a qualified loan area, or the majority
39 ownership of which is vested in residents of the qualified loan
40 area, or

41 (b) Establishing or expanding a business which will employ
42 a majority of residents of a qualified loan area.

43 **[i]** (j) "Security" means an instrument subject to the provi-
44 sions of article 8 of Title 12A of the New Jersey Statutes.

45 **[j]** (k) "Urban Loan Fund" shall mean the Revolving Urban
46 Loan Fund created by this act.

1 2. Section 3 of P. L. 1969, chapter 202 (C. 52:27D-74) is amended
2 to read as follows:

3 (a) There is hereby established in the Department of Community
4 Affairs a body corporate and politic, with corporate succession, to
5 be known as the New Jersey Urban Loan Authority. The authority
6 shall consist of three members, all ex officio, who shall be the Com-
7 missioner of the Department of Banking **[and Insurance]**, the State
8 Treasurer, and the Commissioner of Community Affairs, who shall
9 be the chairman. The functions, powers and duties of the authority
10 may be exercised only upon a vote of a majority of its members.
11 The authority shall be exempt from the provisions of Title 17 of
12 the Revised Statutes and any regulations thereunder.

13 (b) There is hereby created an Urban Loan Advisory Council
14 which shall consist of the Commissioner of Banking **[and Insur-**
15 **ance]**, the State Treasurer, the Commissioner of the Department of
16 **[Conservation and Economic Development]** *Environmental Pro-*

17 *tection*, the Commissioner of the Department of Labor and Indus-
 18 try, and three representatives of the public, who shall be appointed
 19 by the Governor with the advice and consent of the Senate, and who
 20 shall serve for a term of 2 years, and the Commissioner of the De-
 21 partment of Community Affairs, who shall be chairman. Vacancies
 22 shall be filled in the same manner as the original appointments. All
 23 members of the council shall serve without compensation, but shall
 24 be reimbursed for the actual expenses incurred in attending the
 25 meetings of the council and in the performance of their duties under
 26 this act. The council shall meet at least once annually and at the
 27 call of the chairman at such other times as he shall determine. It
 28 shall be the duty of the council to consult with and advise the au-
 29 thority in the performance of its functions under this act.

1 3. Section 5 of P. L. 1969, chapter 202 (C. 52:27D-76) is amended
 2 to read as follows:

3 5. The authority shall be authorized to perform the following
 4 functions and exercise the following powers, in addition to other
 5 functions, powers, and duties vested in it by this act or by any other
 6 provision of law:

7 (a) To make loans to qualified loan clients to assist them to
 8 establish, operate or maintain a particular business enterprise. In
 9 lieu of an evidence of indebtedness, the authority may purchase
 10 securities *issued* by a qualified loan client;

11 (b) To sue and be sued;

12 (c) To sell to any person, corporation or association, securities
 13 and evidences of indebtedness of any qualified loan client of the
 14 authority, with such indorsements or guarantees as the authority
 15 may determine;

16 (d) To provide technical, managerial and business assistance and
 17 expertise to loan applicants and qualified loan clients;

18 (e) To waive interest payments, forgive indebtedness, negotiate,
 19 renegotiate and otherwise administer loans granted by it, all as
 20 provided in section 27 of this act;

21 (f) To guarantee and insure loans made by private financial in-
 22 stitutions subject to Title 17 of the Revised Statutes to qualified
 23 loan clients, as provided in sections 17 and 18 of this act, upon pay-
 24 ment of such fees, if any, or upon such terms, as the authority may
 25 determine;

26 (g) To assist any qualified loan client in qualifying for, bidding
 27 on, and executing any public work or contract, including, but not
 28 limited to, the provision of security, performance bonds, and such
 29 other sureties as are necessary for such work or contract;

30 (h) To apply for and accept grants and loans from the Federal
31 Government or any agency thereof, or from any foundation, corpo-
32 ration, association or individual, and comply with the terms, condi-
33 tions, and limitations thereof, for any of the purposes of the au-
34 thority; and to assist any qualified loan client in applying and
35 qualifying for such grants and loans pursuant to this act;

36 (i) To adopt, amend, modify or rescind rules and regulations for
37 the performance of its functions;

38 (j) To make and enter into contracts or agreements with qualified
39 financial institutions subject to Title 17 of the Revised Statutes for
40 the servicing and processing of loans made pursuant to this act;

41 (k) To appoint, retain and employ an executive director and such
42 additional officers as the authority deems advisable, and appoint,
43 retain and employ such attorneys and accounting, financial, market-
44 ing, and production experts and such other employees, agents, or
45 experts as may be necessary in its judgment, to fix their compensa-
46 tion, terms of office and dates, and to promote and discharge such
47 officers, employees, and agents or experts, all without regard to the
48 provisions of Title 11, Civil Service, of the Revised Statutes;

49 (l) To invest any moneys held and not required for immediate
50 use or disbursement, at the discretion of the authority, in such
51 obligations as are authorized by law for the investment of trust
52 funds in the custody of the State Treasurer;

53 (m) To call to its assistance and avail itself of the services of
54 such employees of any State department or agency as it may require
55 and as may be available;

56 (n) To establish an office or offices at such location or locations
57 throughout the State as the authority shall determine;

58 (o) To enter into any and all agreements or contracts, execute
59 any and all instruments, and do and perform any and all acts or
60 things necessary, convenient, or desirable for the purposes of the
61 authority or to carry out any of its powers;

62 (p) To assist any qualified loan client by any means authorized
63 pursuant to this act in qualifying for or securing the status of
64 licensee or assignee pursuant to any trademark, copyright or patent
65 issued pursuant to Federal and State law;

66 (q) To allocate such funds as are appropriated to the authority
67 between the business incentive loan and guarantee fund and the
68 urban loan fund created pursuant to this act and among such other
69 funds as it may deem necessary and proper to the exercise of its
70 powers under this act;

71 (r) To sell shares of, or participations in, loans made, insured or
72 guaranteed, pursuant to this act; said shares shall be legal invest-

73 ments for any financial institution subject to Title 17 of the Revised
74 Statutes; and

75 (s) To subsidize the interest payments and carrying charges on
76 any loan guaranteed or insured pursuant to sections 17 and 18 of
77 this act, so that the cost of borrowing to the qualified loan client
78 shall be within the limits established in section 8 of this act.

1 4. Section 6 of P. L. 1969, chapter 202 (C. 52:27D-77) is amended
2 to read as follows:

3 6. [(a) All capital and revenue of the authority shall be allocated
4 to an incentive loan guarantee and insurance fund, hereinafter
5 referred to as the "incentive loan fund," an urban loan fund, and
6 such other accounts as may be necessary to meet the obligations
7 of the authority under this act. Such amounts as the authority
8 shall estimate are not needed for its current operations shall be
9 invested and reinvested by the State Treasurer in the manner
10 provided by law and the revenues therefrom shall, in turn, be
11 allocated to the fund to which the appropriations were allocated
12 pursuant to this act;]

13 [(b)] (a) There is hereby established a business incentive loan
14 guarantee and insurance fund, *hereinafter referred to as the "in-*
15 *centive loan fund,"* [and] an urban loan fund, *and such other funds*
16 *as may be necessary to meet the obligations of the authority under*
17 *this act,* which shall consist of:

18 (1) All moneys appropriated and made available by the Legis-
19 lature of this State and allocated for inclusion therein by the
20 authority;

21 (2) All proceeds of the sale of securities and evidences of in-
22 debtedness which are owned by the authority as a result of loans
23 or purchases made from the fund;

24 (3) Notwithstanding the provisions of any other act or part
25 thereof, any and all moneys which the authority shall receive in
26 repayment of principal and interest on loans or sale of securities;
27 and

28 (4) Any other moneys available to the authority from any source
29 or sources.

30 The authority is hereby authorized to use the moneys held in
31 [either] *these* [fund] *funds,* or any portion thereof, to carry out
32 the purposes of this act.

33 (b) *Such amounts as the authority shall estimate are not needed*
34 *for its current operations shall be invested and reinvested by the*
35 *authority in such obligations as are authorized by law for the in-*
36 *vestment of trust funds in the custody of the State Treasurer.*

37 (c) The authority may not, in any manner, directly or indirectly,
38 pledge the credit of the State and such guarantees or insurance
39 as are provided pursuant to this act shall in no event exceed the
40 amount of the appropriations therefor.

1 5. Section 8 of P. L. 1969, chapter 202 (C. 52:27D-79) is amended
2 to read as follows:

3 8. Loans made, guaranteed, or insured by the authority shall
4 be subject to the following terms and conditions:

5 (a) The loan period shall not exceed 10 years.

6 (b) The interest rate on the loan shall be established by the au-
7 thority, but in no event at less than 1%, nor more than the then
8 current [prime] lending rate in the qualified loan area. Interest
9 payments shall be made according to a schedule to be determined
10 by the authority.

11 (c) The loan may be evidenced by bonds, notes, or other evidence
12 of indebtedness which may be subordinate to such other claims
13 against the qualified loan clients as the authority shall determine,
14 and which shall be in a form approved by the authority, containing
15 such other terms and conditions as are required by the authority.

16 (d) The business venture for which the loan is made must be
17 reasonably calculated to provide more than temporary alleviation
18 of the depressed conditions in the qualified loan area.

19 (e) The qualified loan client must present evidence satisfactory
20 to the authority that the funds loaned to it by the authority or
21 funds whose repayment is guaranteed or insured by the authority
22 have in fact been used only for the purposes contemplated by the
23 authority in granting, guaranteeing, or insuring the loan. Failure
24 to do so shall render the loan immediately due and payable.

25 (f) The authority must certify that the training, aptitude, or
26 experience of the qualified loan clients leads the authority to
27 believe that there are reasonable prospects for ultimate repayment
28 of the loan to be granted, guaranteed, or insured. No loan under
29 this act shall be made if the total amount outstanding and com-
30 mitted (by participation or otherwise) to the qualified loan client
31 from the revolving fund established herein would exceed \$250,000.00.

32 No security may be purchased by the authority in lieu of an
33 evidence of indebtedness, which authorizes or empowers the au-
34 thority to vote in, administer, or otherwise participate in the
35 management and control of the qualified loan client by proxy or
36 otherwise. In no event may the sum of the total amount of such
37 purchases made in lieu of an evidence of indebtedness pursuant to
38 this section and the total amount of any loans outstanding exceed
39 \$250,000.00 for any qualified loan client.

1 6. Section 9 of P. L. 1969, chapter 202 (C. 52:27D-80) is amended
2 to read as follows:

3 9. (a) Upon approval by the authority of an incentive loan
4 application any bank may make the loan as approved and upon
5 the terms and conditions required under this act;

6 (b) Any financial corporation, under the supervision of the De-
7 partment of Banking **[and Insurance]** and any national bank or
8 savings and loan association organized under the laws of the United
9 States and doing business in this State, which are hereinafter
10 referred to as "any bank," may, any other provision of law to the
11 contrary notwithstanding, make incentive loans under this act,
12 pursuant to such rules and regulations, not inconsistent herewith,
13 and using such forms, as the authority may prescribe; and

14 (c) Any application for a business incentive loan made under
15 this act shall be submitted to the authority for its approval. The
16 authority shall approve the application only if the loan is found
17 to be consistent with the purposes of this act and the limitations
18 imposed hereunder.

1 7. Section 10 of P. L. 1969, chapter 202 (C. 52:27D-81) is
2 amended to read as follows:

3 10. Any bank making an incentive loan shall cooperate with the
4 **[commissioner]** *authority* in supervising the use of the credit in
5 accordance with its purposes.

1 8. Section 11 of P. L. 1969, chapter 202 (C. 52:27D-82) is
2 amended to read as follows:

3 11. Each incentive loan made under this act shall:

4 (a) Be evidenced by a note or other obligation approved by the
5 **[commissioner]** *authority*.

6 (b) Bear interest at a rate not exceeding the maximum legal
7 rate of interest per annum upon the unpaid balance.

8 (c) Be payable in the manner prescribed by the authority, but
9 not later than 10 years from the date of the loan;

10 (d) Be secured in the manner prescribed by the authority.

1 9. Section 13 of P. L. 1969, chapter 202 (C. 52:27D-84) is
2 amended to read as follows:

3 13. Subject to such rules and regulations as the **[commissioner]**
4 *authority* may prescribe, any incentive loan made under and pur-
5 suant to the provisions of this act for a period of less than **[5]** 10
6 years may be extended or refinanced in the discretion of the bank
7 without affecting the obligation of the authority hereunder; pro-
8 vided, provision is made for complete discharge of the obligation,
9 and interest thereon, not later than **[6]** 10 years from the date
10 of the original loan. Except as the **[commissioner]** *authority* may

11 prescribe in the terms of any instrument creating a lien required
12 under the provisions of this act, installments may not be accelerated
13 on any incentive loan unless at any time in the option of the
14 borrower.

1 10. Section 15 of P. L. 1969, chapter 202 (C. 52:27D-86) is
2 amended to read as follows:

3 15. Every bank shall, prior to, or simultaneously with the sub-
4 mission for approval of its initial loan, elect to have all incentive
5 loans made and to be made by such bank either insured in accor-
6 dance with the provisions of section 17 hereof or guaranteed in
7 accordance with the provisions of section 18 thereof. Notice of
8 such election shall be made on such form as the **[commissioner]**
9 *authority* shall prescribe.

1 11. Section 16 of P. L. 1969, chapter 202 (C. 52:27D-87) is
2 amended to read as follows:

3 16. Any bank which has elected to have its approved incentive
4 loans guaranteed by the authority in accordance with the provisions
5 of section 18 hereof, may at any time elect to have all of its ap-
6 proved incentive loans then outstanding and all approved incentive
7 loans thereafter to be made by it insured in accordance with the
8 provisions of section 17 hereof. Notice of such election shall be
9 made on such form as the **[commissioner]** *authority* shall prescribe.

1 12. Section 19 of P. L. 1969, chapter 202 (C. 52:27D-90) is
2 amended to read as follows:

3 19. The sum total of all reserve funds set aside by the authority
4 in accordance with the provisions of section 17 together with such
5 amount as the **[commissioner]** *authority* may set aside, out of
6 the guaranty and insurance fund, to meet the payment by the
7 authority of approved notes submitted to it for purchase in accor-
8 dance with the provisions of section 18 shall in no event be less
9 than 20% of the total face amount of all approved incentive loans
10 from time to time outstanding.

1 13. Section 21 of P. L. 1969, chapter 202 (C. 52:27D-92) is
2 amended to read as follows:

3 21. Every bank which has made or which may hereafter make
4 any approved incentive loan or loans shall, in consideration of the
5 guaranty or insurance as herein provided, pay to the authority an
6 amount equal to **[10% of all interest received by it]** *at least 1/4 of*
7 *1% per year of the amount of the principle obligation of the loan*
8 *outstanding at any time, without taking into account delinquent*
9 *payments or prepayments, on [all] each such [loans] loan to be*
10 *payable at such time or times and in such manner as the authority*
11 *may prescribe.*

1 14. This act shall take effect immediately.