

October 21, 1971

RS. 17:13-27 ET AL.

LEGISLATIVE HISTORY OF R.S.17:13-27,-30,-32,-37,-41,-42,-44.

(Credit union - no fine or entrance fee)

copy 2

Related bills introduced (1965-1970)

1969 - A 943 (Horn and others)

1970 - A 335 (Horn)

L.1970 - chap.218 - S 419.

Jan.20 - Introduced by McDermott, La Carte, and Rinaldo.

Apr.23 - Passed Senate, amended (copy enclosed).

Oct.8 - Passed Assembly

No hearings or reports were located.

We searched without success:

N.J.L.J Index.

Clippings located (V.F.-N.J.-Credit) (copy enclosed)

Restriction on credit unions set.	TET	?
Credit union vote delayed in Senate.	TET	3/12/70
Credit union loans easier to come by.	Record	10/20/70

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RSL/EH
Encl.

SENATE, No. 419

STATE OF NEW JERSEY

INTRODUCED JANUARY 20, 1970

By Senators McDERMOTT, LACORTE and RINALDO

Referred to Committee on Banking

AN ACT to amend "An act to provide for the incorporation and regulation of credit unions, and repealing sections 17:13-1 to 17:13-25, inclusive, of the Revised Statutes," approved June 4, 1938 (P. L. 1938, c. 293).

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

1 1. Section 2 of the act of which this act is amendatory
2 (C. 17:13-27) is amended to 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 more
7 natural persons citizens of this State, may become a credit union
8 and shall be a corporation by the name set forth in its certificate
9 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 and accounts of savings and loan associations organized

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

25 under the laws of the State of New Jersey and Federal Savings
26 and Loan Associations, provided all such shares and accounts are
27 insured by an agency or instrumentality of the United States
28 Government, in an amount not to exceed the amount of the in-
29 surance; provided, that no such credit union shall invest in securi-
30 ties not permitted under the terms of this act; and provided, that
31 investments, other than in loans to members, shall be made only
32 from funds not needed for loans to members except when the board
33 of directors of any such credit union deems it advisable to invest
34 in other securities for the purpose of maintaining the liquidity of
35 such credit union or maintaining a proper balance in its investment
36 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 for-
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 charge fines on delinquent shares; to charge fines on
57 delinquent loans in an amount not to exceed one-tenth of the
58 interest due;

59 (g) to charge an entrance fee or membership fee not to exceed
60 \$0.25 per member;

61 (h) **■** To deposit its funds in national banks, banks or savings
62 banks of this State, central funds of credit unions or central credit
63 unions organized under the laws of this State or of the Federal
64 Government;

65 **■(i)** (g) To have and exercise all the powers of corporations
66 organized under Title 14 of the Revised Statutes not inconsistent
67 with this act;

68 **[(j)]** *(h)* To act as the fiscal agent for the Federal Government,
69 the State of New Jersey, or any of the subdivisions thereof;

70 **[(k)]** *(i)* To sell to members negotiable checks, drafts, money
71 orders and travelers checks, for a reasonable fee, and to cash checks
72 and money orders for members, for a reasonable fee; but credit
73 unions operating under the provisions of this act are not required
74 to be licensed under the provisions of chapter 187 of the laws of
75 1951 (C. 17:15A-1 et seq.) and chapter 273 of the laws of 1964
76 (C. 17:15B-1 et seq.);

77 **[(l)]** *(j)* To purchase land and building for the purpose of pro-
78 viding adequate facilities for the transaction of its business at a
79 cost not to exceed 50% of the amount of its reserves, with the prior
80 approval of the Commissioner of Banking and Insurance.

1 2. Section 5 of the act of which this act is amendatory
2 (C. 17:13-30) is amended to 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

14 (b) Members of a church parish or church congregation or society
15 consisting solely of members of such church parish or of such
16 church congregation; or

17 (c) Persons employed by one or more municipal or regional
18 school boards; or persons employed within a municipality by the
19 municipality itself or by any department thereof; or persons em-
20 ployed by municipalities; or persons employed by any county or
21 department thereof; or employees of the State or any department,
22 board, commission, agency or instrumentality thereof; or employees
23 of any port authority, commission, board, agency or instrumentality
24 created by agreement, treaty, or compact between the State of
25 New Jersey and any other State; or employees of the Federal
26 Government or any department, board, commission, agency or in-
27 strumentality thereof whose place or places of employment are
28 within the State of New Jersey; or

29 (d) Persons who are residents of a well defined **[rural]** *com-*
30 *munity* area having not more than **[2,500]** *10,000 adult* population;

31 **[or]** provided, however, that any corporation, association, or
 32 partnership, the stockholders or members of which are eligible for
 33 membership in any credit union, may become a member thereof
 34 but shall not borrow therefrom *except as provided in bylaws of the*
 35 *credit union*; **[and provided, further, that no corporation, associa-**
 36 **tion, or firm shall be eligible for membership in any credit union**
 37 **when the share liability of such credit union exceeds the principal**
 38 **amount due such credit union on notes and other obligations of**
 39 **members by more than 25% of such principal amount;]** and pro-
 40 vided, further, that membership in any credit union shall be limited
 41 to a group existing under circumstances which will afford the
 42 officers, directors and committees of such credit union reasonable
 43 opportunity to observe the character, financial responsibility and
 44 financial needs of the members thereof; and provided, further, that
 45 the Commissioner of Banking and Insurance shall have power, in
 46 his discretion, notwithstanding the provisions of this act, to author-
 47 ize, on terms, any credit union existing at the time of the taking
 48 effect of this act to continue to accept memberships from the group
 49 to which its membership was limited by the provisions of its charter
 50 and the applicable laws of this State as said charter and said laws
 51 existed prior to the taking effect of this act.

52 (e) Members of any age of the immediate family, defined as the
 53 parents, brothers and sisters, spouse and children of the persons
 54 described in the above paragraphs who live under the same roof
 55 as said persons may become members in the credit union of which
 56 said persons are members; provided, that only such additional
 57 immediate family members who are 16 years of age or over shall
 58 be permitted to borrow from said credit union but not in excess of
 59 their share holdings in the credit union, *unless such loans are fully*
 60 *secured*, except that any such member who is a student may borrow
 61 under any State or Federal plan or any plan approved by the Com-
 62 missioner of Banking and Insurance; and provided further, that
 63 such immediate family members shall not be permitted to act as
 64 comaker or endorser of any member loan except as provided *in the*
 65 *bylaws of the credit union* **[by section 17(e) herein below]**.

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

1 3. Section 7 of the act of which this act is amendatory
 2 (C. 17:13-32) is amended to read as follows:

3 7. The first meeting of the members of each credit union incor-
 4 porated under the provisions of this act shall be called within
 5 10 days after filing of the certificate of incorporation by a notice

6 signed by a majority of the incorporators designating the time,
7 place and purpose of the meeting, which notice shall be given per-
8 sonally or by mail to each of the members proposed in the certificate
9 of incorporation at their respective addresses as shown by said
10 certificate of incorporation. Such notices shall be given at least 5
11 days before the date on which the first meeting shall be held:
12 provided, however, that immediate notice of any meeting held pur-
13 suant to the provisions of this act may be waived in writing by a
14 waiver of notice signed by all of the persons entitled to receive
15 the same and any meeting may be held at the time and place and
16 for the purpose fixed in such waiver of notice. At such first meeting
17 or any adjournment thereof the members present by majority vote
18 and without regard to shares held by each shall elect from their
19 number a board of directors, not less than seven in number, a
20 majority of whom shall be residents of the State of New Jersey
21 and shall transact such other business as may properly come before
22 them. An annual meeting of the members of each such credit union
23 shall be held in **【January】** *the first quarter* of each year on a date
24 to be **【fixed in the bylaws】** *designated by the board of directors* for
25 the election of directors and the transaction of such other business
26 as may properly come before such meeting. Notice of such meeting
27 shall be given to the members of such credit union in the manner
28 prescribed in the bylaws. The bylaws of each such credit union
29 shall prescribe the number of members necessary to a quorum at
30 any such meeting but less than a quorum shall have power to ad-
31 journ any such meeting from time to time. Regular and special
32 meetings of members may be held in the manner prescribed in the
33 bylaws. At all member meetings a member shall have but a single
34 vote without regard to the number of shares such member may own.
35 No member shall be entitled to cast his vote by proxy at any regular
36 or special meeting of members; provided, however, that a member
37 other than a natural person shall have the right to cast a single vote
38 through a delegated agent.

1 4. Section 12 of the act of which this act is amendatory (C.
2 17:13-37) is amended to read as follows:

3 12. (a) Any person may become a member of any such credit
4 union upon payment of **【an entrance fee of \$0.25, payment of】** an
5 initial installment on a share or shares, acceptance of his member-
6 ship by the proper authorities of such credit union in the manner
7 prescribed in its bylaws and compliance with any other qualifica-
8 tions required by the bylaws; provided, however, that no person
9 may become a member of such credit union who is not within the
10 group to which membership shall have been limited by the terms of

11 its charter. Shares may be issued in joint tenancy with right of
12 survivorship with any persons designated by the credit union mem-
13 ber, but no joint tenant shall be permitted to vote, obtain loans, or
14 hold office, unless he is within the field of membership and is a
15 qualified member. Minors over the age of 16 years may become
16 members and enjoy all of the rights and privileges and incur all of
17 the obligations and liabilities of members, including the right to vote
18 but he may not hold office until he shall have reached his twenty-first
19 birthday; and, notwithstanding legal disabilities to which they
20 might otherwise be subject, either by statute or otherwise, any
21 minor may make any and all contracts, in exercising his membership
22 privileges with the credit union of which he is a member, which any
23 other of its members could make with it and any such contract of a
24 member who is a minor shall be binding and enforceable against
25 such member in the same manner as if he were of full age at the
26 time of entering any such contract. Any nonmember who may, by
27 assignment, as legal representative, trustee, or otherwise, acquire
28 title to the shares of a member shall be entitled to withdraw such
29 shares on the same basis as a member would be entitled to withdraw
30 them but, unless he shall become a member, he shall have no other
31 rights of membership. The pledging of shares in whole or in part
32 by a member shall not terminate his rights as a member. Any mem-
33 ber of any such credit union may be expelled at any meeting of the
34 board of directors of which he shall have had notice by a two-thirds
35 vote of the members of the board present at such meeting and a
36 member who has been expelled may be reinstated under like condi-
37 tions. Upon termination of membership in any such credit union in
38 any manner the balance, if any, credited to the account of the mem-
39 ber at the time of termination shall be paid to the person or persons
40 entitled to receive it in the same manner and subject to the same
41 conditions as if the member had withdrawn from such credit union.
42 Any member of any such credit union whose membership has been
43 terminated by withdrawal, expulsion or otherwise, upon the pay-
44 ment of the balance credited to his account shall have no further
45 rights against such credit union. No credit union shall, by reason of
46 having issued shares to its members be construed to be a capital
47 stock corporation or to have capital. The contract of membership
48 in any such credit union shall be deemed to be expressed by its
49 bylaws, its certificate of incorporation and the applicable laws gov-
50 erning such credit union; but such contract of membership may be
51 changed insofar as such laws are concerned by the Legislature,
52 insofar as its certificate of incorporation is concerned by an amend-

53 ment thereof and insofar as its bylaws are concerned by an amend-
 54 ment of its bylaws or the adoption of new bylaws in whole or in part
 55 and no such change in its certificate of incorporation, in the laws
 56 governing it or in its bylaws shall be construed to be an unpairment
 57 of the obligation of contract or a taking of property of any member;
 58 and membership in every such credit union shall be deemed to be
 59 subject to that hazard. When a member's whereabouts are unknown
 60 for 12 months, all sums due him may be credited to a special reserve
 61 account of the credit union, after return of registered letter sent to
 62 the last known address. The member shall have 5 years to reclaim
 63 the proceeds after which they shall be turned over to the Treasurer
 64 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 16 of the act of which this act is amendatory (C.
 2 17:13-41) is amended to 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. No dividends shall
20 be declared in excess of 6% of the share value.

21 (b) No dividend shall be declared unless the reserve fund shall
22 be equal to or in excess of the sum of 10% of the unpaid balances
23 of all loans contractually delinquent more than 2 months and less
24 than 6 months; plus 25% of the unpaid balances on all loans con-
25 tractually delinquent 6 months and less than 12 months; plus 100%
26 of the unpaid balances on all loans contractually delinquent 12
27 months or more; provided, further, that if the reserve fund does
28 not equal the amount required as hereinabove set forth then there
29 shall be set aside in a special reserve for delinquent loans an amount
30 which, when added to the reserve funds, shall equal the sum re-
31 quired in accordance with the schedule hereinabove set forth. The
32 transfer to the special reserve for delinquent loans shall be made
33 on December 31 of each year, or at the close of the dividend period,
34 from undivided profits or net earnings before any declaration of
35 dividends. No deductions shall be made from the special reserve for
36 delinquent loans except that any excess in such fund at the close of
37 the next succeeding dividend period may be returned to undivided
38 profits accounts.

39 (c) The board of directors may provide for an interest refund
40 proportioned to the interest paid during the dividend period by
41 borrowers.

1 6. Section 17 of the act of which this act is amendatory (C.
2 17:13-42) is amended to 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 union's
10 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 mem-
17 ber to become indebted to the credit union in an aggregate amount,
18 upon loans made to such member which is in excess of \$250.00 or 5%
19 of the credit unions shares and reserves, whichever is greater, [or
20 in excess of \$1,000.00] *and no loan shall be made to any member*
21 *which would exceed 2 1/2 of the credit union's shares and reserves,*
22 *or \$2,500.00, whichever is less,* unless such excess over [\$1,000.00]
23 *2 1/2% or \$2,500.00* is adequately secured. In addition to generally
24 accepted types of security, the endorsement of a note by a comaker
25 or assignment of shares or of wages, in manner consistent with the
26 laws of this State, shall be deemed security within the meaning of
27 this act. The adequacy of all securities shall be within the determi-
28 nation of the credit committee or loan officer subject to the provi-
29 sions of this act and of the credit union's bylaws.

30 (d) No loan shall be made to a director, officer or member of the
31 credit committee which exceeds the amount of his shares unless the
32 loan shall have been approved by a majority vote of a joint meet-
33 ing at which a majority of the members of the credit committee and
34 a majority of the members of the board of directors are present.
35 No director or member of the credit or examining committee may
36 endorse for borrowers from the credit union.

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

1 7. Section 19 of the act of which this act is amendatory (C.
2 17:13-44) is amended to read as follows:

3 19. [All entrance fees and fines collected by any such credit union
4 together with at] *At least 15% of the net earnings of each [year]*
5 *dividend period, before the declaration [or apportionment] of any*
6 *dividends [or profits], shall be set aside, subject to terms and con-*
7 *ditions specified in the bylaws, as a reserve; provided, however, that*
8 *when the regular reserve thus established shall equal 10% of the*
9 *total amount [of member's shareholdings] of unpaid balances of*
10 *loans, other than loans to other credit unions, no further transfer*
11 *of net earnings to such regular reserve shall be required except*
12 *that such amounts not in excess of 15% of the net earnings as may*
13 *be needed to maintain this 10% ratio shall be transferred. Any such*
14 *credit union shall have the additional right, by transfer from un-*
15 *divided profits, to create specific reserves to provide against any*
16 *contingency or loss anticipated by the board of directors. A central*

17 *credit union organized under the provisions of 17:13-73 shall set*
18 *aside in its regular reserve account 5% of the net earnings of each*
19 *dividend period; provided, however, that when the regular reserve*
20 *account shall equal 10% of the total amount of unpaid balances of*
21 *loans to natural members, no further transfer of net earnings shall*
22 *be required except that such amounts not in excess of 5% of the*
23 *net earnings as may be needed to maintain this 10% ratio shall be*
24 *transferred.*

1 8. This act shall take effect immediately.

SENATE AMENDMENTS TO
SENATE, No. 419

—•—
STATE OF NEW JERSEY
—•—

ADOPTED APRIL 9, 1970

Amend page 1, section 1, line 24, after the word “shares” insert “, certificates”.

Amend page 2, section 1, line 26, after the word “shares” insert “, certificates”.

Amend page 2, section 1, line 61, between the words “banks” and “or” insert “, savings and loan associations organized under the laws of the State of New Jersey and Federal savings and loan associations,”.

Amend page 3, section 2, line 29, after “**[rural]**” insert “rural” and omit “com-”.

Amend page 3, section 2, line 30, omit “munity”; after “**[2,500]**” insert “2,500” and omit “10,000 adult”.

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