

17:12B-75

August 5, 1969

Legislative Notes on R.S. 17:12B-75  
(Savings & Loan Assns. - account holders - credit & classify accounts)  
*(1969 Amendments)*

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No similar bills were introduced in previous years.

L. 1969, Chapter 28 - S560  
Introduced March 10, 1969 by White and others.  
Not amended during passage.  
There was a statement made. (Copy enclosed)

This bill was listed as "approved" in:

974.905 New Jersey Association of Realtor Boards  
R286 New Jersey Realtor  
Vol. 11 - No. 4 Date-April 1969 - page 3.

The following bill is listed as one of several in the "legislative program" of the New Jersey Savings League. *(Copy of explanation enclosed)*

S560 Savings and Loan Guide - March 1969  
974.905  
S26

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SENATE, No. 560

STATE OF NEW JERSEY

INTRODUCED MARCH 10, 1969

By Senators WHITE, MILLER, ITALIANO, FARLEY  
FORSYTHE and TANZMAN

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 75 of the act of which this act is amendatory  
2 (C. 17:12B-75) is amended to read as follows:

3 75. Each State association shall operate upon one of the [fol-  
4 lowing membership] plans[:] *set forth in this section; and the*  
5 *by-laws of each State association shall designate under which of*  
6 *said plans it shall operate.*

7 Plan 1. The nonshare plan described in section 76.

8 Plan 2. The share plan described in section 77.

9 Plan 3. The plan upon which it was operating on April 4, 1946,  
10 providing it has been continually operating on that plan.

11 [Any State association may, at any time hereafter, change from  
12 the plan upon which it shall then be operating to Plan 1 or 2, and  
13 may make such change in plan applicable only to those member-  
14 ships established after such change, continuing, concurrently, to  
15 operate upon the plan upon which it previously operated with re-  
16 spect to those memberships established prior to such change. The  
17 by-laws of each State association shall designate which of said  
18 plans it elects to operate under.]

19 Plan 4. *Any insured association may, at any time, elect to raise*  
20 *its capital by accepting savings deposits, provided that:*

21 (1) *The by-laws of the association so permit; and*

22 (2) *Such by-laws shall be approved at a regular or special meet-*  
23 *ing of the members of the association as provided in sections 114,*  
24 *115 and 116 of this act.*

**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 *Holders of savings deposits shall be creditors of the association*  
 26 *and shall have equal priority with other ordinary general creditors*  
 27 *in the event of the dissolution and liquidation of the association,*  
 28 *and the by-laws shall so provide.*

29 *Savings members at the time of the adoption of Plan 4 who do*  
 30 *not transfer such accounts to savings deposits shall, nevertheless,*  
 31 *have equal rights with those who hold savings deposits.*

32 *The by-laws shall contain such other provisions as may be re-*  
 33 *quired by the commissioner and by the Federal Savings and Loan*  
 34 *Insurance Corporation.*

35 *The provisions of section 79 shall not apply to associations*  
 36 *operating under Plan 4, but the evidence of a savings deposit*  
 37 *issued to the member shall have the approval of the commissioner*  
 38 *and the Federal Savings and Loan Insurance Corporation.*

39 *Where, under the provisions of this act or of any law of this*  
 40 *State, the word "account" is used to describe a savings account*  
 41 *in a savings and loan association, it shall be deemed to be inclusive*  
 42 *of a "savings deposit."*

43 *Any State association may, at any time hereafter, change from*  
 44 *the plan upon which it shall then be operating to Plan 1 or 2 and*  
 45 *may make such change in plan applicable only to those member-*  
 46 *ships established after such change, continuing, concurrently, to*  
 47 *operate upon the plan upon which it previously operated with re-*  
 48 *spect to those memberships established prior to such change.*

1 2. Section 130 of the act of which this act is amendatory  
 2 (C. 17:12B-130) is amended to read as follows:

3 130. (a) At least annually and after determination of the net  
 4 income for the accounting period and the establishment of reserves  
 5 required or permitted by this act, the board of each State associ-  
 6 ation shall determine by resolution, the rate or rates of dividend,  
 7 if any, which shall be declared for each class of account. Such  
 8 dividends shall be taken only from the net income or from the  
 9 undivided profits account. Dividends shall be apportioned to mem-  
 10 bers' accounts upon a compound interest plan. Dividends shall  
 11 be made available to members by adding the same to their ac-  
 12 counts, except where otherwise provided by this act, but in no  
 13 event shall dividends be made available to the members earlier  
 14 than the eighth calendar day prior to the closing of the period  
 15 for which said dividends are paid.

16 Notwithstanding any other provision of this act, the board of any  
 17 State association, may by resolution, authorize the payment of  
 18 dividends on amounts withdrawn from savings accounts between  
 19 the dates as of which such association regularly distributes earnings

20 on savings accounts【; provided that, the savings account from which  
 21 an amount is withdrawn upon which such earnings are to be dis-  
 22 tributed, shall have been outstanding for a period of not less than  
 23 6 months; and】. provided 【further,】 that dividends paid on any  
 24 amount so withdrawn, shall not be paid for any greater portion of  
 25 the dividend period than that during which such amount remains in  
 26 such association, nor at a rate in excess of the rate at which earn-  
 27 ings, exclusive of any reward profit, are distributed on savings  
 28 accounts for the dividend period in which such amount is so with-  
 29 drawn.

30 (b) State associations issuing installment share accounts may  
 31 declare dividends to accounts of other classes at a rate less than,  
 32 but no more than, the rate declared to installment share accounts for  
 33 the same period, unless the board has adopted a reward profit plan  
 34 in which event all dividends, except those provided for under the  
 35 reward profit plan, shall be declared at the same rate. Notwith-  
 36 standing any other provisions of this act, a State association may  
 37 apportion dividends to installment share accounts at other than a  
 38 regular dividend period for the purpose of maturing such accounts;  
 39 provided, however, that the amount of dividends so apportioned  
 40 shall be no greater than the pro rata share of income for the current  
 41 period applicable for dividend purposes to such accounts.

42 (c) Notwithstanding any other provisions of this act, a State  
 43 association may, if its by-laws so provide, exclude from dividends,  
 44 either or both of the following classes of accounts:

45 (1) Those having a participation value of less than \$50.00.  
 46 Such accounts may be placed in, or transferred to, an account  
 47 designated as a "nondividend account;" provided, however,  
 48 that the State association shall maintain a list of the names of  
 49 the savings members and the amounts credited to such savings  
 50 members in such "nondividend account."

51 (2) Those which are issued under a plan whereby they will  
 52 be withdrawn within 24 months from the date upon which they  
 53 are issued, or it may credit dividends to such accounts accord-  
 54 ing to a schedule which it may establish, provided that such  
 55 schedule shall not result in the crediting of dividends to any of  
 56 such accounts at a rate greater than that applicable to any class  
 57 of accounts, other than those described in subsection (c) of this  
 58 section.

1 3. Section 133 of the act of which this act is amendatory  
 1A (C. 17:12B-133) is amended to read as follows:

1B 133. 【In order to stimulate systematic and long term savings to  
 2 provide funds for the financing of homes and to make other author-

3 ized investments, the commissioner may adopt regulations permit-  
 4 ting associations to pay an additional dividend to be called a “re-  
 5 ward profit” for regular, periodic payments to a savings account or  
 6 for the maintenance of a savings account for a specified minimum  
 7 period of time, or both. The regulations may provide for minimum  
 8 and maximum time periods and for the minimum participation value  
 9 that shall be required to be eligible for such reward profit and shall  
 10 set forth such other requirements for eligibility for such reward  
 11 profit as deemed appropriate by the commissioner. Eligible ac-  
 12 counts may be classified as to type and the reward profit may be at  
 13 different rates for different classes of accounts, but in no event shall  
 14 it exceed a rate of 1% per annum, computed on the participation  
 15 value of the member’s eligible account in the same manner as regu-  
 16 lar dividends are computed.

17 The commissioner may from time to time amend or rescind exist-  
 18 ing regulations by adopting superseding regulations.

19 Any association may, by resolution of its board, establish a re-  
 20 ward profit plan in accordance with the regulations adopted by the  
 21 commissioner. Any association adopting a reward profit plan may  
 22 at any time abolish such reward profit plan by resolution of its  
 23 board, in which event it shall pay or credit to the account of each  
 24 member who is eligible under such plan any amount that may be  
 25 carried in reserve for reward profit due but not yet payable, and to  
 26 which such member would have been entitled had the association  
 27 continued such plan.】

28 Any association which may have adopted a reward profit *or bonus*  
 29 plan under previous law or regulations of the commissioner may  
 30 continue such plan, except if it adopts 【the】 a plan 【provided for  
 31 under regulations or superseding regulations of the commissioner  
 32 in accordance with this section,】 *otherwise permitted by law or*  
 33 *regulations of the commissioner and approved by its board of*  
 34 *directors*, in which case the previously adopted plan shall be dis-  
 35 continued as to any new accounts, but may be continued as to those  
 36 accounts participating therein at the date of adoption of the new  
 37 plan.

38 *The board of an association may classify savings deposits and*  
 39 *savings accounts as to notice, amount and term, and may determine*  
 40 *to pay different rates of earnings with respect to savings deposits*  
 41 *and savings accounts in different classes. All accounts of the same*  
 42 *type and class shall be paid the same rate of earnings. Such earn-*  
 43 *ings of dividends may be described as interest.*

1 4. Section 136 of the act of which this act is amendatory  
 2 (C. 17:12B-136) is amended to read as follows:

3 136. A State association operating pursuant to Plan [L] 1 or  
4 Plan 4 as [defined] set forth in section [76] 75 of this act, may pay  
5 the amount requested in the withdrawal application, when the same  
6 is presented, or may require notice, prior to the payment of any  
7 withdrawal application, of not more than 90 calendar days, *pro-*  
8 *vided that associations classifying accounts as to notice shall,*  
9 *with respect to such accounts, only pay withdrawals in accordance*  
10 *with the notice agreement set forth in the evidence of account*  
11 *issued to the member, notwithstanding any other requirements or*  
12 *limitations of this section.* Any such State association requiring  
13 notice prior to the payment of any withdrawal application, shall  
14 immediately notify the commissioner of its action.

15 When such State association requires notice from an account  
16 holder, it shall require the same notice from any account holder who  
17 subsequently presents a withdrawal application, until all applica-  
18 tions for which notice has been required, have been paid in full.

19 Every withdrawal application not paid when presented, shall be  
20 numbered, dated and filed, by any such State association, in the  
21 order of its actual receipt, and shall be paid in such order.

1 5. This act shall take effect immediately.

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#### STATEMENT

This act authorizes State-chartered savings and loan associations to extend to account holders creditor status similar to that which is authorized for account holders of Federally chartered savings and loan associations under the provisions of the Housing Act of 1968 and regulations of the Federal Home Loan Bank Board. This act also authorizes State-chartered associations to classify their accounts as to amount and term in the same manner authorized for Federally-chartered associations by the Housing Act of 1968 and regulations of the Federal Home Loan Bank Board.

The following bill is listed as one of several in the "legislative program" of the New Jersey Savings League

S-560

Senator John L. White and Senators John L. Miller, Frank C. Italiano, Frank S. Farley, Edwin B. Forsythe and Norman Tanzman, introduced this bill, which provides a method for making account holders, depositors and general creditors of the insured associations. The purpose is to provide parity with the Federally chartered associations which have this legal right.

The Housing Act of 1968, enacted by the Congress of the United States, made basic changes in the types of savings plans and instruments Federally chartered associations could offer. Among these changes were provisions permitting Federal associations to issue savings deposits and making savings depositors and account holders general creditors of the association. The provisions for determining the rate of return on various classes of accounts (all sub-

ject, of course, to the rate control ceilings) were also made much more flexible.

Substantially all the Federally chartered associations in New Jersey have taken the necessary legal steps to amend their charters to provide for these new types of savings plans and instruments. Under the rules of the Federal Home Loan Bank Board, they cannot become effective until June 1, 1969. One of the reasons for this was to give the various state legislatures time to act upon comparable provisions for state chartered institutions.

This bill would provide that a state chartered association could, by appropriate amendment to its by-laws and the approval of the Commissioner of Banking and Insurance and the Federal Savings and Loan Insurance Corporation, adopt a similar plan of operation and provide for similar flexibility in rates of return on accounts. This legislation is essential for the future well-being of the state chartered savings and loan system. The plan recognizes the basic change in the savings business and efforts by the Administration in Washington to permit greater

flexibility in savings and loan operations, in view of the great need for mortgage money in the country. The Under Secretary of the Treasury, Charles Walker, in very recent testimony before the Joint Economic Committee, commented on the need to make the thrift industry more competitive. This is a step in that direction.

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March 1969

974.905  
526

BILL: ASSEMBLY

SENATE 560

YEAR 1969

APPROVED

OPPOSED

SOURCE: New Jersey Association of Realtor Boards  
974.905 New Jersey Realtor  
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Page 3

4-18-69 L7/JH