



LEGISLATIVE HISTORY CHECKLIST

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LAWS OF: 1998

CHAPTER:133

NJSA: 17:13-81

"Credit Unions -- field of membership"

BILL NO: A2128 (Substituted for S1137 - 1st Reprint)

SPONSOR(S):Bateman and Garrett

DATE INTRODUCED: June 1, 1998

COMMITTEE:

ASSEMBLY: Banking and Insurance

SENATE: ~~~~~

AMENDED DURING PASSAGE:Yes

DATE OF PASSAGE:

ASSEMBLY: September 28, 1998

SENATE:October 22, 1998

DATE OF APPROVAL: November 23, 1998

THE FOLLOWING ARE ATTACHED IF AVAILABLE:

FINAL TEXT OF BILL: 1st Reprint

(Amendments during passage denoted by superscript numbers)

A2128

SPONSORS STATEMENT: *Yes* (Begins on page 5 of original bill)

COMMITTEE STATEMENT:

ASSEMBLY:*Yes*

SENATE:*No*

FLOOR AMENDMENT STATEMENTS: *No*

LEGISLATIVE FISCAL ESTIMATE: *No*

S1137

SPONSORS STATEMENT: *Yes* (Begins on page 5 of original bill)
(Bill and Sponsors Statement identical to A2128)

COMMITTEE STATEMENT:

ASSEMBLY: *No*

SENATE: *Yes*

(Identical to Assembly Statement for A2128)

FLOOR AMENDMENT STATEMENTS: *No*

LEGISLATIVE FISCAL ESTIMATE: *No*

VETO MESSAGE: *No*

GOVERNOR'S PRESS RELEASE ON SIGNING: *No*

THE FOLLOWING WERE PRINTED:

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REPORTS: *No*

HEARINGS: *No*

NEWSPAPER ARTICLES: *No*

[First Reprint]

ASSEMBLY, No. 2128

STATE OF NEW JERSEY
208th LEGISLATURE

INTRODUCED JUNE 1, 1998

Sponsored by:

Assemblyman CHRISTOPHER "KIP" BATEMAN

District 16 (Morris and Somerset)

Assemblyman E. SCOTT GARRETT

District 24 (Sussex, Hunterdon and Morris)

Co-Sponsored by:

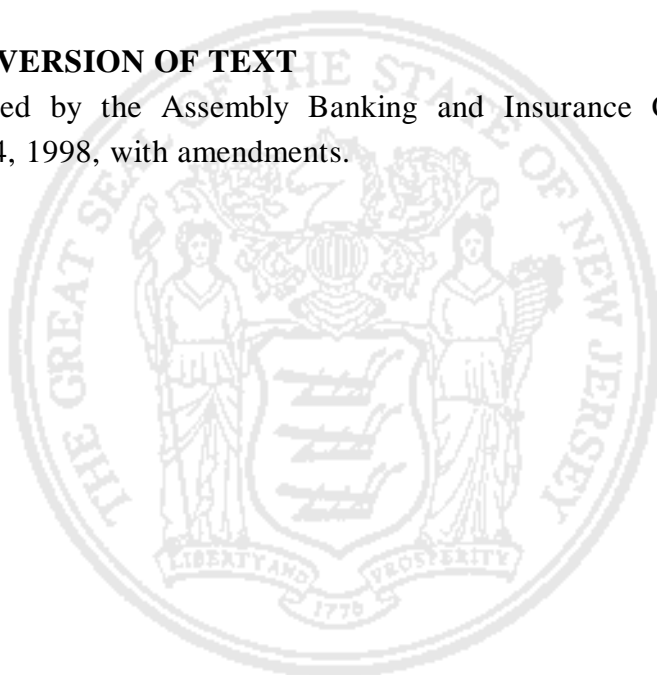
**Assemblymen Doria, Zecker, Roberts, Tucker, Luongo, Barnes, Senators
Kavanaugh, Bryant, O'Connor, Bucco and Lynch**

SYNOPSIS

Permits changes in the field of membership for State chartered credit unions.

CURRENT VERSION OF TEXT

As reported by the Assembly Banking and Insurance Committee on
September 14, 1998, with amendments.



(Sponsorship Updated As Of: 10/23/1998)

1 AN ACT concerning credit union field of membership and amending
2 and supplementing P.L.1984, c.171.

3
4 **BE IT ENACTED** by the Senate and General Assembly of the State
5 of New Jersey:

6
7 1. Section 3 of P.L.1984, c.171 (C.17:13-81) is amended to read
8 as follows:

9 3. a. Seven or more natural persons, all of whom are residents of
10 this State, may incorporate a credit union on the terms and conditions
11 provided for in this act. The incorporators shall apply to the
12 Commissioner of Banking and Insurance, on a form supplied by the
13 commissioner, for permission to incorporate a credit union. A
14 certificate of incorporation, executed by the incorporators, shall be
15 submitted with the application, as well as a fee of ~~[\$25.00]~~ \$50 .

16 b. The certificate shall include:

17 **[a.]** (1) The proposed name of the credit union, and the street,
18 street number, and name of the municipality in which it is to be
19 located;

20 **[b.]** (2) The name and street address of its registered agent,
21 where process may be served;

22 **[c.]** (3) The powers which the credit union proposes to exercise;

23 **[d. The]** (4) Any ¹natural person,¹ group ¹, or organization¹ or
24 combination of ¹natural persons,¹ groups ¹or organizations permitted
25 pursuant to section 14 of P.L.1984, c.171 (C.17:13-92)¹ to which
26 membership will be limited;

27 **[e.]** (5) The number of directors proposed to serve on the board;

28 **[f.]** (6) The name and address of each of the proposed members,
29 who shall be at least 30 in number, and the number of shares
30 subscribed by each;

31 **[g.]** (7) The original par value of the shares of the corporation,
32 which shall not be less than \$5.00; and

33 **[h.]** (8) Any other provision not inconsistent with this act or with
34 the laws of this State for the regulation of the business.

35 c. (1) The incorporators may provide in the certificate of
36 incorporation that any group, combination of groups ¹, organization,
37 combination of organizations¹ or natural persons permitted to be
38 included in a credit union field of membership pursuant to section 14
39 of P.L.1984, c.171 (C.17:13-92) may be added to the field of
40 membership of the credit union by amendment to the credit union's by-
41 laws, upon approval of the commissioner;

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

Matter underlined thus is new matter.

Matter enclosed in superscript numerals has been adopted as follows:

¹ Assembly ABI committee amendments adopted September 14, 1998.

1 (2) The members of a credit union may amend the certificate of
2 incorporation to provide that any group, combination of groups¹,
3 organization or combination of organizations¹ or natural persons
4 permitted to be included in a credit union field of membership pursuant
5 to section 14 of P.L.1984, c.171 (C.17:13-92) may be added to the
6 field of membership of the credit union by amendment to the credit
7 union's by-laws, upon approval of the commissioner.

8 (cf: P.L.1984, c.171, s.3)

9

10 2. Section 4 of P.L.1984, c.171 (C.17:13-82) is amended to read
11 as follows:

12 4. The commissioner shall disapprove the application if **[he]** the
13 commissioner finds that:

14 a. The incorporation of the proposed credit union will not be in the
15 public interest;

16 b. The incorporators do not evidence character, responsibility, and
17 general fitness;

18 c. The provisions contained in the certificate of incorporation for
19 the regulation of the business and the provisions creating or limiting
20 the powers of the proposed credit union are improper provisions, or
21 will not serve the best interest of the members of the proposed credit
22 union; or

23 d. The conditions of employment or other conditions prevailing in
24 **[the]** any group¹ or organization¹ from which the membership is to be
25 drawn are such as to result in financial instability or otherwise render
26 the organization of the credit union **[by them]** inadvisable.

27 If the application is approved by the commissioner **[he]** the
28 commissioner shall annex a certificate of approval, and the application
29 shall be filed in the department.

30 (cf: P.L.1984, c.171, s.4)

31

32 3. Section 12 of P.L.1984, c.171 (C.17:13-90) is amended to read
33 as follows:

34 12. The commissioner shall have the power to make, amend and
35 repeal regulations permitting credit unions to exercise any power,
36 right, benefit, or privilege permitted to federally chartered credit
37 unions**[],** provided that the powers, right, benefit or privilege is not
38 contrary to law. The regulations shall be in substantial conformity
39 with similar rules or regulations of the National Credit Union
40 Administration**].**

41 (cf: P.L.1984, c.171, s.12)

42

43 4. Section 14 of P.L.1984, c.171 (C.17:13-92) is amended to read
44 as follows:

45 14. a. The membership of a credit union shall be limited to and
46 consist of the incorporators and other persons **[within the common**

1 bond established by] that are members of any group, combination of
 2 groups ¹, organization, combination of organizations or ¹natural
 3 persons specified in the certificate of incorporation , or any group,
 4 combination of groups ¹, organization, combination of organizations¹
 5 or natural person that has been added to the membership by
 6 amendment to the credit union's by-laws, who have paid any required
 7 entrance fee or membership fee, or both, have subscribed to one or
 8 more shares, have paid the initial installment thereon, and have
 9 complied with any other requirements as the certificate of
 10 incorporation or bylaws specify.

11 b. ¹ **[Credit]** Except as otherwise provided in this section, credit¹
 12 union membership ¹ **[may include]** shall be limited to the types of
 13 membership described in one of the following categories¹ :

14 (1) **[groups having]** ¹ **[any]** one¹ group which has a **[common**
 15 bond of] ¹ **[similar]** common bond of¹ occupation¹ **[,]or**¹ association
 16 ¹ **[or interest[,]** or any combination of groups each of which has,
 17 within that group, a similar occupation, association or interest]¹; or

18 (2) ¹ more than one group with each group having within that
 19 group a common bond of occupation or association and a membership
 20 of less than 3,000 members at the time that group is first included
 21 within the field of membership of a credit union made up of more than
 22 one group; or

23 (3)¹ **[groups who reside]** ¹ **[any group which resides]** persons or
 24 organizations, or any combination of organizations¹ within a
 25 well-defined neighborhood, ¹ **[local]** community or rural district **[,]**
 26 ¹ **[or any combination of groups, with each group's members residing**
 27 within a well defined neighborhood, community or rural district]¹; or

28 ¹ **[(3)] (4)** ¹ any combination of ¹ **[groups]** membership fields¹ from
 29 paragraphs (1) ¹ **[and]** ¹ (2) ¹ and (3)¹ of this subsection b. ¹ .
 30 provided, however, that the combining of membership fields pursuant
 31 to this paragraph shall only be used with respect to an existing credit
 32 union and only if, in the determination of the commissioner, it is found
 33 that the combination is necessary to maintain the safety and soundness
 34 of that existing credit union and, with respect to any group eligible to
 35 be part of a credit union pursuant to paragraph (2) or organization
 36 eligible to be part of a credit union pursuant to paragraph (3) of this
 37 subsection which is to be combined, the membership of that group or
 38 organization shall be subject to the same limitation on the number of
 39 members as provided for groups under paragraph (2) of this
 40 subsection¹ ; and

41 ¹ **[(4)] (5)** ¹ members of the immediate family of **[those]** persons
 42 ¹ in a credit union or ¹ in any group ¹ or organization¹ which makes up
 43 the membership of a credit union .

44 c. Societies and copartnerships composed primarily of persons who
 45 are eligible for membership, and corporations, including cooperative

1 organizations, whose stockholders are composed primarily of persons
2 who are eligible for individual membership, may be admitted to
3 membership. Any entity thus admitted to membership shall not borrow
4 in excess of its shareholdings unless at least 10% of its members are
5 qualified members of the credit union.

6 d. Members who leave the field of membership may be permitted
7 to retain their memberships in the credit union under reasonable
8 standards established by the board.

9 e. Members of the credit union shall not be personally or
10 individually liable for the payment of the credit union's debts.

11 f. (1) The commissioner may, by regulation, provide that a credit
12 union may add to its field of membership any natural person who
13 resides in a primary metropolitan statistical area in which the credit
14 union is located and meets at least one of the following criteria:

15 (a) is a person of low income as defined pursuant to 42 U.S.C.
16 sec.5302(a)(20)(A);

17 (b) resides in a low median income census tract as defined by the
18 commissioner pursuant to 12 C.F.R. sec. 228.12; or

19 (c) has been or is the recipient of State or federally funded public
20 assistance.

21 (2) The commissioner may require that a natural person meet more
22 than one of the criteria established under paragraph (1) of this
23 subsection f.;

24 (3) If a natural person who is a member of a credit union has
25 immediate family members living in the same primary metropolitan
26 statistical area as that natural person, a credit union may also add any
27 member of that immediate family to its field of membership;

28 (4) A credit union may establish areas within a primary
29 metropolitan statistical area for purposes of paragraphs (1) and (3) of
30 this subsection f.

31 g. ¹ [A credit union that seeks to add any group, combination of
32 groups or natural persons to its field of membership shall apply to the
33 commissioner for approval. The commissioner shall approve the
34 addition of any group, combination of groups or natural persons to the
35 field of membership unless the commissioner determines that the
36 addition of any group or natural person would adversely affect the
37 safety and soundness of the credit union or the interests of the credit
38 union, its members or the public, except that, if federal law prohibits
39 adding a group numbering 3,000 or more to the field of membership
40 of a federally chartered credit union, the commissioner shall not
41 approve the addition of a group to the field of membership of a State
42 chartered credit union whose number equals or exceeds the number
43 prohibited by federal law.] (1) For a credit union whose field of
44 membership is described under paragraph (2) of subsection b. of this
45 section, the requirement that a group have a membership of less than
46 3,000 members shall not apply if the commissioner determines, in

1 writing and in accordance with the guidelines and regulations issued
2 pursuant to paragraph (2) of this subsection, that the group could not
3 feasibly or reasonably establish a new single common-bond credit
4 union pursuant to paragraph (1) of subsection b. of this section,
5 because:

6 (a) the group lacks sufficient volunteer and other resources to
7 support the efficient and effective operation of a single common-bond
8 credit union;

9 (b) the group does not meet the criteria that the commissioner
10 has determined to be important for the likelihood of success in
11 establishing and managing a new single common-bond credit union,
12 including the demographic characteristics such as geographical
13 location of members, diversity of ages and income levels, and other
14 factors that may affect the financial viability and stability of a single
15 common-bond credit union; or

16 (c) the group would be unlikely to operate a safe and sound
17 single common-bond credit union.

18 (2) The commissioner shall promulgate regulations pursuant to the
19 "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et
20 seq.), setting forth the criteria that the commissioner shall apply in
21 determining whether a credit union may be established as provided
22 pursuant to paragraph (2) of subsection b. of this section, which
23 regulations shall be directed at assuring substantial parity between the
24 field of membership standards and requirements of State and federal
25 credit unions.¹

26 (cf: P.L.1984, c.171, s.14)

27

28 5. (New section) A credit union that has been approved to include
29 more than one group within its field of membership prior to the
30 effective date of this act may continue to operate in accordance with
31 that approval, provided however, that any change to its field of
32 membership after the effective date of this act shall be subject to the
33 provisions of this act.

34

35 6. This act shall take effect immediately.

ASSEMBLY, No. 2128

STATE OF NEW JERSEY 208th LEGISLATURE

INTRODUCED JUNE 1, 1998

Sponsored by:

Assemblyman CHRISTOPHER "KIP" BATEMAN

District 16 (Morris and Somerset)

Assemblyman E. SCOTT GARRETT

District 24 (Sussex, Hunterdon and Morris)

Co-Sponsored by:

Assemblymen Doria, Zecker, Roberts, Tucker, Luongo and Barnes

SYNOPSIS

Permits changes in the field of membership for State chartered credit unions.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 9/15/1998)

A2128 BATEMAN, GARRETT

2

1 AN ACT concerning credit union field of membership and amending
2 and supplementing P.L.1984, c.171.

3

4 **BE IT ENACTED** by the Senate and General Assembly of the State
5 of New Jersey:

6

7 1. Section 3 of P.L.1984, c.171 (C.17:13-81) is amended to read
8 as follows:

9 3. a. Seven or more natural persons, all of whom are residents of
10 this State, may incorporate a credit union on the terms and conditions
11 provided for in this act. The incorporators shall apply to the
12 Commissioner of Banking and Insurance, on a form supplied by the
13 commissioner, for permission to incorporate a credit union. A
14 certificate of incorporation, executed by the incorporators, shall be
15 submitted with the application, as well as a fee of ~~[\$25.00]~~ \$50 .

16 b. The certificate shall include:

17 [a.] (1) The proposed name of the credit union, and the street,
18 street number, and name of the municipality in which it is to be
19 located;

20 [b.] (2) The name and street address of its registered agent,
21 where process may be served;

22 [c.] (3) The powers which the credit union proposes to exercise;

23 [d. The] (4) Any group or combination of groups to which
24 membership will be limited;

25 [e.] (5) The number of directors proposed to serve on the board;

26 [f.] (6) The name and address of each of the proposed members,
27 who shall be at least 30 in number, and the number of shares
28 subscribed by each;

29 [g.] (7) The original par value of the shares of the corporation,
30 which shall not be less than \$5.00; and

31 [h.] (8) Any other provision not inconsistent with this act or with
32 the laws of this State for the regulation of the business.

33 c. (1) The incorporators may provide in the certificate of
34 incorporation that any group, combination of groups or natural
35 persons permitted to be included in a credit union field of membership
36 pursuant to section 14 of P.L.1984, c.171 (C.17:13-92) may be added
37 to the field of membership of the credit union by amendment to the
38 credit union's by-laws, upon approval of the commissioner;

39 (2) The members of a credit union may amend the certificate of
40 incorporation to provide that any group, combination of groups or
41 natural persons permitted to be included in a credit union field of
42 membership pursuant to section 14 of P.L.1984, c.171 (C.17:13-92)

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

Matter underlined thus is new matter.

1 may be added to the field of membership of the credit union by
2 amendment to the credit union's by-laws, upon approval of the
3 commissioner.

4 (cf: P.L.1984, c.171, s.3)

5

6 2. Section 4 of P.L.1984, c.171 (C.17:13-82) is amended to read
7 as follows:

8 4. The commissioner shall disapprove the application if **[he]** the
9 commissioner finds that:

10 a. The incorporation of the proposed credit union will not be in the
11 public interest;

12 b. The incorporators do not evidence character, responsibility, and
13 general fitness;

14 c. The provisions contained in the certificate of incorporation for
15 the regulation of the business and the provisions creating or limiting
16 the powers of the proposed credit union are improper provisions, or
17 will not serve the best interest of the members of the proposed credit
18 union; or

19 d. The conditions of employment or other conditions prevailing in
20 **[the]** any group from which the membership is to be drawn are such
21 as to result in financial instability or otherwise render the organization
22 of the credit union **[by them]** inadvisable.

23 If the application is approved by the commissioner **[he]** , the
24 commissioner shall annex a certificate of approval, and the application
25 shall be filed in the department.

26 (cf: P.L.1984, c.171, s.4)

27

28 3. Section 12 of P.L.1984, c.171 (C.17:13-90) is amended to read
29 as follows:

30 12. The commissioner shall have the power to make, amend and
31 repeal regulations permitting credit unions to exercise any power,
32 right, benefit, or privilege permitted to federally chartered credit
33 unions**],** provided that the powers, right, benefit or privilege is not
34 contrary to law. The regulations shall be in substantial conformity
35 with similar rules or regulations of the National Credit Union
36 Administration**].**

37 (cf: P.L.1984, c.171, s.12)

38

39 4. Section 14 of P.L.1984, c.171 (C.17:13-92) is amended to read
40 as follows:

41 14. a. The membership of a credit union shall be limited to and
42 consist of the incorporators and other persons **[within the common**
43 **bond established by]** that are members of any group, combination of
44 groups or natural persons specified in the certificate of incorporation
45 , or any group, combination of groups or natural person that has been
46 added to the membership by amendment to the credit union's by-laws.

1 who have paid any required entrance fee or membership fee, or both,
2 have subscribed to one or more shares, have paid the initial installment
3 thereon, and have complied with any other requirements as the
4 certificate of incorporation or bylaws specify.

5 b. Credit union membership may include :

6 (1) 【groups having】 any group which has a 【common bond of】
7 similar occupation, association or interest【,】 or any combination of
8 groups each of which has, within that group, a similar occupation,
9 association or interest; or

10 (2) 【groups who reside】 any group which resides within a
11 well-defined neighborhood, community or rural district 【,】 or any
12 combination of groups, with each group's members residing within a
13 well defined neighborhood, community or rural district; or

14 (3) any combination of groups from paragraphs (1) and (2) of this
15 subsection b.; and

16 (4) members of the immediate family of 【those】 persons in any
17 group which makes up the membership of a credit union .

18 c. Societies and copartnerships composed primarily of persons who
19 are eligible for membership, and corporations, including cooperative
20 organizations, whose stockholders are composed primarily of persons
21 who are eligible for individual membership, may be admitted to
22 membership. Any entity thus admitted to membership shall not borrow
23 in excess of its shareholdings unless at least 10% of its members are
24 qualified members of the credit union.

25 d. Members who leave the field of membership may be permitted
26 to retain their memberships in the credit union under reasonable
27 standards established by the board.

28 e. Members of the credit union shall not be personally or
29 individually liable for the payment of the credit union's debts.

30 f. (1) The commissioner may, by regulation, provide that a credit
31 union may add to its field of membership any natural person who
32 resides in a primary metropolitan statistical area in which the credit
33 union is located and meets at least one of the following criteria:

34 (a) is a person of low income as defined pursuant to 42 U.S.C.
35 sec.5302(a)(20)(A);

36 (b) resides in a low median income census tract as defined by the
37 commissioner pursuant to 12 C.F.R. sec. 228.12; or

38 (c) has been or is the recipient of State or federally funded public
39 assistance.

40 (2) The commissioner may require that a natural person meet more
41 than one of the criteria established under paragraph (1) of this
42 subsection f.;

43 (3) If a natural person who is a member of a credit union has
44 immediate family members living in the same primary metropolitan
45 statistical area as that natural person, a credit union may also add any
46 member of that immediate family to its field of membership;

1 to that credit union's field of membership.

2 Under the bill, the incorporators may provide in the certificate of
3 incorporation that a new group, combination of groups or a natural
4 person may be added to the field of membership by amendment to the
5 credit union's bylaws, upon approval of the commissioner. In addition,
6 the bill permits the members of an existing credit union to amend its
7 certificate of incorporation to provide for the addition of a new group,
8 combination of groups or a natural person to its field of membership
9 by amendment to its bylaws, upon approval of the commissioner.

10 Under the bill, if federal law prohibits the addition of a group which
11 numbers 3,000 or more to the field of membership of a federally
12 chartered credit union, the similar prohibition shall apply with respect
13 to State chartered credit unions.

ASSEMBLY BANKING AND INSURANCE COMMITTEE

STATEMENT TO

ASSEMBLY, No. 2128

with committee amendments

STATE OF NEW JERSEY

DATED: SEPTEMBER 14, 1998

The Assembly Banking and Insurance Committee reports favorably and with committee amendments Assembly Bill No. 2128.

As amended, Assembly Bill No. 2128 provides a basic change in the definition of the field of membership of credit unions. Under the bill, the field of membership of a credit union may be composed of: (1) any group which has a similar common bond of occupation or association; (2) more than one group with each group having within that group a common bond of occupation or association and a membership of less than 3,000 members at the time that group is first included within the field of membership of a credit union made up of more than one group; (3) persons or organizations, or any combination of organizations within a well-defined neighborhood, local community or rural district; (4) any combination of membership fields from (1), (2) and (3), provided, however, that the combining of membership fields shall only be used with respect to an existing credit union and only if, in the determination of the commissioner, it is found that the combination is necessary to maintain the safety and soundness of that existing credit union and, with respect to any group or organization eligible to be part of a combined credit union the number of members of that group or organization shall be less than 3,000; and (5) members of the immediate family of persons in a credit union or of any member of any group or organization which makes up the membership of a credit union. In addition, the Commissioner of Banking and Insurance may, by regulation, provide that any natural person who lives in the same primary metropolitan statistical area in which a credit union is located and who meets certain low income criteria may become a member of that credit union. Members of the immediate family of a natural person added to a credit union's field of membership, who live in the same primary metropolitan statistical area as the natural person, may also be added to that credit union's field of membership.

Under the bill, the incorporators may provide in the certificate of incorporation that any group, combination of groups, organization, combination of organizations or a natural person may be added to the

field of membership by amendment to the credit union's bylaws, upon approval of the commissioner. In addition, the bill permits the members of an existing credit union to amend its certificate of incorporation to provide for the addition of a new group, combination of groups, organization, combination of organizations or a natural person to its field of membership by amendment to its bylaws, upon approval of the commissioner.

The bill also provides certain circumstances under which the numerical limitation on each group which is to be part of a multi-group credit union does not apply. The commissioner is to make this determination in writing and in accordance with the guidelines and regulations the commissioner is required to issue under the bill.

The committee amended the bill to more closely parallel changes made in federal law regarding membership fields. More specifically, provision is made for credit unions whose membership is made up of more than one group as long as each group has within it a common bond of occupation or association and a membership which is less than 3,000 members at the time the group is first included within the field of membership of a credit union that has more than one group. The numerical limitation will not apply if the Commissioner of Banking and Insurance determines that a group could not feasibly or reasonably establish and operate a new single common-bond credit union. In addition, under special circumstances with respect to an existing credit union, the commissioner may make a determination that, in order to insure the safety and soundness of an existing credit union, a credit union formed by a combination of types of membership fields may be permitted.

SENATE, No. 1137

STATE OF NEW JERSEY
208th LEGISLATURE

INTRODUCED JUNE 4, 1998

Sponsored by:

Senator WALTER J. KAVANAUGH

District 16 (Morris and Somerset)

Senator WAYNE R. BRYANT

District 5 (Camden and Gloucester)

Co-Sponsored by:

Senators O'Connor, Bucco and Lynch

SYNOPSIS

Permits changes in the field of membership for State chartered credit unions.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 7/31/1998)

1 AN ACT concerning credit union field of membership and amending
2 and supplementing P.L.1984, c.171.

3
4 **BE IT ENACTED** by the Senate and General Assembly of the State
5 of New Jersey:

6
7 1. Section 3 of P.L.1984, c.171 (C.17:13-81) is amended to read
8 as follows:

9 3. a. Seven or more natural persons, all of whom are residents of
10 this State, may incorporate a credit union on the terms and conditions
11 provided for in this act. The incorporators shall apply to the
12 Commissioner of Banking and Insurance, on a form supplied by the
13 commissioner, for permission to incorporate a credit union. A
14 certificate of incorporation, executed by the incorporators, shall be
15 submitted with the application, as well as a fee of ~~[\$25.00]~~ \$50 .

16 b. The certificate shall include:

17 **[a.]** (1) The proposed name of the credit union, and the street,
18 street number, and name of the municipality in which it is to be
19 located;

20 **[b.]** (2) The name and street address of its registered agent,
21 where process may be served;

22 **[c.]** (3) The powers which the credit union proposes to exercise;

23 **[d. The]** (4) ~~Any group or combination of groups~~ to which
24 membership will be limited;

25 **[e.]** (5) The number of directors proposed to serve on the board;

26 **[f.]** (6) The name and address of each of the proposed members,
27 who shall be at least 30 in number, and the number of shares
28 subscribed by each;

29 **[g.]** (7) The original par value of the shares of the corporation,
30 which shall not be less than \$5.00; and

31 **[h.]** (8) Any other provision not inconsistent with this act or with
32 the laws of this State for the regulation of the business.

33 c. (1) The incorporators may provide in the certificate of
34 incorporation that any group, combination of groups or natural
35 persons permitted to be included in a credit union field of membership
36 pursuant to section 14 of P.L.1984, c.171 (C.17:13-92) may be added
37 to the field of membership of the credit union by amendment to the
38 credit union's by-laws, upon approval of the commissioner;

39 (2) The members of a credit union may amend the certificate of
40 incorporation to provide that any group, combination of groups or
41 natural persons permitted to be included in a credit union field of
42 membership pursuant to section 14 of P.L.1984, c.171 (C.17:13-92)

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

Matter underlined thus is new matter.

1 may be added to the field of membership of the credit union by
2 amendment to the credit union's by-laws, upon approval of the
3 commissioner.

4 (cf: P.L.1984, c.171, s.3)

5

6 2. Section 4 of P.L.1984, c.171 (C.17:13-82) is amended to read
7 as follows:

8 4. The commissioner shall disapprove the application if **[he]** the
9 commissioner finds that:

10 a. The incorporation of the proposed credit union will not be in the
11 public interest;

12 b. The incorporators do not evidence character, responsibility, and
13 general fitness;

14 c. The provisions contained in the certificate of incorporation for
15 the regulation of the business and the provisions creating or limiting
16 the powers of the proposed credit union are improper provisions, or
17 will not serve the best interest of the members of the proposed credit
18 union; or

19 d. The conditions of employment or other conditions prevailing in
20 **[the]** any group from which the membership is to be drawn are such
21 as to result in financial instability or otherwise render the organization
22 of the credit union **[by them]** inadvisable.

23 If the application is approved by the commissioner **[he]** , the
24 commissioner shall annex a certificate of approval, and the application
25 shall be filed in the department.

26 (cf: P.L.1984, c.171, s.4)

27

28 3. Section 12 of P.L.1984, c.171 (C.17:13-90) is amended to read
29 as follows:

30 12. The commissioner shall have the power to make, amend and
31 repeal regulations permitting credit unions to exercise any power,
32 right, benefit, or privilege permitted to federally chartered credit
33 unions**],** provided that the powers, right, benefit or privilege is not
34 contrary to law. The regulations shall be in substantial conformity
35 with similar rules or regulations of the National Credit Union
36 Administration**].**

37 (cf: P.L.1984, c.171, s.12)

38

39 4. Section 14 of P.L.1984, c.171 (C.17:13-92) is amended to read
40 as follows:

41 14. a. The membership of a credit union shall be limited to and
42 consist of the incorporators and other persons **[within the common**
43 **bond established by]** that are members of any group, combination of
44 groups or natural persons specified in the certificate of incorporation
45 , or any group, combination of groups or natural person that has been
46 added to the membership by amendment to the credit union's by-laws.

1 who have paid any required entrance fee or membership fee, or both,
2 have subscribed to one or more shares, have paid the initial installment
3 thereon, and have complied with any other requirements as the
4 certificate of incorporation or bylaws specify.

5 b. Credit union membership may include :

6 (1) 【groups having】 any group which has a 【common bond of】
7 similar occupation, association or interest【,】 or any combination of
8 groups each of which has, within that group, a similar occupation,
9 association or interest; or

10 (2) 【groups who reside】 any group which resides within a
11 well-defined neighborhood, community or rural district 【,】 or any
12 combination of groups, with each group's members residing within a
13 well defined neighborhood, community or rural district; or

14 (3) any combination of groups from paragraphs (1) and (2) of this
15 subsection b.; and

16 (4) members of the immediate family of 【those】 persons in any
17 group which makes up the membership of a credit union .

18 c. Societies and copartnerships composed primarily of persons who
19 are eligible for membership, and corporations, including cooperative
20 organizations, whose stockholders are composed primarily of persons
21 who are eligible for individual membership, may be admitted to
22 membership. Any entity thus admitted to membership shall not borrow
23 in excess of its shareholdings unless at least 10% of its members are
24 qualified members of the credit union.

25 d. Members who leave the field of membership may be permitted
26 to retain their memberships in the credit union under reasonable
27 standards established by the board.

28 e. Members of the credit union shall not be personally or
29 individually liable for the payment of the credit union's debts.

30 f. (1) The commissioner may, by regulation, provide that a credit
31 union may add to its field of membership any natural person who
32 resides in a primary metropolitan statistical area in which the credit
33 union is located and meets at least one of the following criteria:

34 (a) is a person of low income as defined pursuant to 42 U.S.C.
35 sec.5302(a)(20)(A);

36 (b) resides in a low median income census tract as defined by the
37 commissioner pursuant to 12 C.F.R. sec. 228.12; or

38 (c) has been or is the recipient of State or federally funded public
39 assistance.

40 (2) The commissioner may require that a natural person meet more
41 than one of the criteria established under paragraph (1) of this
42 subsection f.;

43 (3) If a natural person who is a member of a credit union has
44 immediate family members living in the same primary metropolitan
45 statistical area as that natural person, a credit union may also add any
46 member of that immediate family to its field of membership;

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6

1 to that credit union's field of membership.

2 Under the bill, the incorporators may provide in the certificate of
3 incorporation that a new group, combination of groups or a natural
4 person may be added the to field of membership by amendment to the
5 credit union's bylaws, upon approval of the commissioner. In addition,
6 the bill permits the members of an existing credit union to amend its
7 certificate of incorporation to provide for the addition of a new group,
8 combination of groups or a natural person to its field of membership
9 by amendment to its bylaws, upon approval of the commissioner.

10 Under the bill, if federal law prohibits the addition of a group which
11 numbers 3,000 or more to the field of membership of a federally
12 chartered credit union, the similar prohibition shall apply with respect
13 to State chartered credit unions.

SENATE STATE GOVERNMENT, BANKING AND FINANCIAL
INSTITUTIONS COMMITTEE

STATEMENT TO

SENATE, No. 1137

with committee amendments

STATE OF NEW JERSEY

DATED: SEPTEMBER 17, 1998

The Senate State Government, Banking and Financial Institutions Committee reports favorably and with committee amendments Senate Bill No. 1137.

As amended, Senate, No. 1137, provides a basic change in the definition of the field of membership of credit unions. Under the bill, the field of membership of a credit union may be composed of: (1) any group which has a similar common bond of occupation or association; (2) more than one group with each group having within that group a common bond of occupation or association and a membership of less than 3,000 members at the time that group is first included within the field of membership of a credit union made up of more than one group; (3) persons or organizations, or any combination of organizations within a well-defined neighborhood, local community or rural district; (4) any combination of membership fields from (1), (2) and (3), provided, however, that the combining of membership fields shall only be used with respect to an existing credit union and only if, in the determination of the commissioner, it is found that the combination is necessary to maintain the safety and soundness of that existing credit union and, with respect to any group or organization eligible to be part of a combined credit union the number of members of that group or organization shall be less than 3,000; and (5) members of the immediate family of persons in a credit union or of any member of any group or organization which makes up the membership of a credit union. In addition, the Commissioner of Banking and Insurance may, by regulation, provide that any natural person who lives in the same primary metropolitan statistical area in which a credit union is located and who meets certain low income criteria may become a member of that credit union. Members of the immediate family of a natural person added to a credit union's field of membership, who live in the same primary metropolitan statistical area as the natural person, may also be added to that credit union's field of membership.

Under the bill, the incorporators may provide in the certificate of incorporation that any group, combination of groups, organization,

combination of organizations or a natural person may be added to the field of membership by amendment to the credit union's bylaws, upon approval of the commissioner. In addition, the bill permits the members of an existing credit union to amend its certificate of incorporation to provide for the addition of a new group, combination of groups, organization, combination of organizations or a natural person to its field of membership by amendment to its bylaws, upon approval of the commissioner.

The bill also provides certain circumstances under which the numerical limitation on each group which is to be part of a multi-group credit union does not apply. The commissioner is to make this determination in writing and in accordance with the guidelines and regulations the commissioner is required to issue under the bill.

COMMITTEE AMENDMENTS

The committee amended the bill to more closely parallels changes recently made (August 1998) in federal law regarding membership fields. More specifically, provision is made for the establishment of credit unions whose membership is made up of more than one group as long as each group has within it a common bond of occupation or association and a membership which is less than 3,000 members at the time the group is first included within the field of membership of a credit union that has more than one group. The numerical limitation will not apply if the Commissioner of Banking and Insurance determines that a group could not feasibly or reasonably establish and operate a new single common-bond credit union. In addition, under special circumstances with respect to an existing credit union, the commissioner may make a determination that, in order to insure the safety and soundness of an existing credit union, that credit union may continue its operations by permitting the combination of more than one type of membership field.