

31:1-1

LEGISLATIVE HISTORY CHECKLIST

NJSA 31:1-1 (Home mortgages-9 1/2 % interest maximum)

Laws of 1973 Chapter 328

Bill No. A-2578

Sponsor(s) M. Horn & others

Date Introduced Sept. 10, 1973

Committee: Assembly Banking

Senate -

Amended during passage Yes No Amendments during passage denoted by asterisks

Date of passage: Assembly Nov. 26, 1973

Senate Nov. 29, 1973

Date of approval Dec. 20, 1973

Following statements are attached if available:

Sponsor statement Yes No

Committee Statement: Assembly Yes No

Senate Yes No

Fiscal Note Yes No

Veto message Yes No

Message on signing Yes No

Following were printed:

Reports Yes No

Hearings Yes No

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See N.J. Register for current rate as set by the Commissioner of Banking.

7 NJR 94(b) Mar 6, 1975. 9 1/4 %

Regulation adopted: 6 New Jersey Register 387(b). October 10, 1974. 9 1/2 %

P. L. 1973, CHAPTER 328, *approved December 20, 1973*

1973 Assembly No. 2578 (*Second Official Copy Reprint*)

AN ACT concerning interest and usury and amending R. S. 31:1-1
and supplementing Title 17 of the Revised Statutes.

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

1 1. R. S. 31:1-1 is amended to read as follows:

2 31:1-1. (a) Except as otherwise provided by law, no person shall,
3 upon contract, take, directly or indirectly for loan of any money,
4 wares, merchandise, goods and chattels, above the value of **[\$6.00]**
5 ****[\$9.50]**** ****\$6.00**** for the forbearance of \$100.00 for a year***;**
6 the total amount or the value of which is less than \$50,000.00, or
7 where the security given for the loan is a mortgage on real property
8 consisting of a lot of land upon which there is constructed or in the
9 course of construction a dwelling house of three family units or
10 less, at least one of which is occupied by, or is to be occupied by, the
11 borrower, and after that rate for a greater or less sum or for longer
12 or shorter time***;** and except further, that the Commissioner of
13 Banking, with the advice of a special advisory board constituted as
14 hereinafter provided, may by regulation adopted, amended and
15 rescinded from time to time, provide that the value which may be
16 taken for any such loan shall be a value more than \$6.00 but not
17 more than \$8.00 for the forbearance of \$100.00 for a year, as shall
18 be prescribed in such regulation, and after that rate for a greater
19 or less sum or for longer or shorter time. The special advisory
20 board herein provided for shall consist of the members of the Bank-
21 ing Advisory Board as constituted pursuant to Article 43 of the
22 Banking Act of 1948, P. L. 1948, c. 67, plus two additional persons
23 appointed by the Governor with the advice and consent of the
24 Senate, one of whom shall be an officer of an association as defined
25 in section 5 (3) of the Savings and Loan Act (1963), P. L. 1963,

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

26 c. 144, and the other of whom shall be an officer of a life insurance
27 company incorporated under the laws of this State. The two addi-
28 tional persons so appointed shall hold office for a term of 1 year¹**;
29 *except that the Commissioner of Banking, with the advice of a*
30 *special advisory board constituted as hereinafter provided, may by*
31 *regulation adopted, amended and rescinded from time to time, pro-*
32 *vide that the value which may be taken for any such loan shall be*
33 *a value more than \$6.00 but not more than \$9.50 for the forebear-*
34 *ance of \$100.00 for a year, as shall be prescribed in such regulation,*
35 *and after that rate for a greater or less sum or for longer or shorter*
36 *time. The special advisory board herein provided for shall consist*
37 *of the members of the Banking Advisory Board as constituted pur-*
38 *suant to Article 43 of the Banking Act of 1948, P. L. 1948, c. 67,*
39 *plus two additional persons appointed by the Governor with the*
40 *advice and consent of the Senate, one of whom shall be an officer of*
41 *an association as defined in section 5 (3) of the Savings and Loan*
42 *Act (1963), P. L. 1963, c. 144, and the other of whom shall be an*
42A *officer of a life insurance company incorporated under the laws of*
42B *this State. The two additional persons so appointed shall hold office*
42C *for a term of 1 year**.* When, however, pursuant to any such con-
42D tract, interest or discount is taken or reserved for a period of less
42E than 1 year, or when interest is required to be paid at intervals of
42F less than 1 year, such interest or discount may be computed on a
42G daily basis, or on a monthly basis, or on a combination of both such
42H bases when the period for which interest or discount is taken or
42I reserved contains 1 or more months and 1 or more days; and, in
42J any such case, a day shall be deemed to be a 1/360 part of a year,
42K and a month shall be deemed to be a 1/12 part of a year, regardless
42L of the number of days contained in such month. Any computation
42M of interest or discount made on any such basis shall constitute a
42N compliance with this section, and any such basis may be applied
42O regardless whether the principal debt is payable in more than or
42P less than 1 year from the time of making the loan.

43 (b) [In making, amending and rescinding regulations pursuant
44 to subsection (a) of this section, the Commissioner of Banking
45 and the special advisory board shall consider the general state
46 of the economy, the discount rates prescribed by the Federal
47 Reserve Bank of New York and the Federal Reserve Bank of
48 Philadelphia, the advance rate as prescribed by the Federal Home
49 Loan Bank of New York, the availability of funds for loans,
50 studies and statistics published by the Federal Home Loan Bank
51 Board and other agencies of the United States and of this State,
52 and such other factors and bases for determination as the commis-

53 sioner and the board may deem pertinent. The rate established by
 54 any such regulation shall reasonably reflect prevailing market
 55 conditions, regionally and nationally, based upon the studies,
 56 statistics and factors considered, and shall remain in force until
 57 such time as such regulation is rescinded or such rate is increased
 58 or decreased by a subsequent regulation. Any such regulation shall
 59 have prospective effect only.】**【*Notwithstanding the provisions
 60 of】** **In making, amending and rescinding regulations pursuant
 61 to subsection (a) of this section, the Commissioner of Banking and
 62 the special advisory board shall consider, the general state of the
 63 economy, the discount rates prescribed by the Federal Reserve
 64 Bank of New York and the Federal Reserve Bank of Philadelphia,
 64A the advance rate as prescribed by the Federal Home Loan Bank
 64B of New York, the availability of funds for loans, studies and
 64C statistics published by the Federal Home Loan Bank Board and
 64D other agencies of the United States and of this State, and such
 64E other factors and bases for determination as the commissioner
 64F and the board may deem pertinent. The rate established by any
 64G such regulation shall reasonably reflect prevailing market condi-
 64H tions, regionally and nationally, based upon the studies, statistics
 64I and factors considered, and shall remain in force until such time
 64J as such regulation is rescinded or such rate is increased or de-
 64K creased by a subsequent regulation. Any such regulation shall
 64L have prospective effect only, and any rate established in excess of
 64M 8% shall apply only to loans secured by real estate on which there
 64N is erected or to be erected a one, two, or three family dwelling
 64O occupied or to be occupied by the borrower. Notwithstanding the
 64P provisions of** paragraph (a) of this section, contracts for the
 64Q following classes or types of loans may provide for any rate of
 64R interest which the parties agree upon, and interest at any such rate
 64S may be taken, notwithstanding that it exceeds a rate limited by
 64T paragraph (a) of this section:

65 (1) loans in the amount of \$50,000.00 or more, except loans where
 66 the security given is a mortgage on real property consisting of a
 67 lot of land upon which there is constructed or in the course of
 68 construction a dwelling house of three family units or less. The
 69 rate of interest stated in such contract upon the origination of
 70 such loans may be taken notwithstanding that payments thereon
 71 reduce the amount outstanding to less than \$50,000.00;

72 (2) loans or advances of credit made by savings and loan associa-
 73 tions, banking institutions, or any Department of Housing and
 74 Urban Affairs or Federal Housing Administration approved mort-
 75 gagees for which an offer or commitment to purchase has been

76 received and which are subsequently purchased, in whole or in
77 part, by the Federal Housing Administration, Veterans Administra-
78 tion, Farmers Home Administration, Federal National Mortgage
79 Association, Government National Mortgage Association, Federal
80 Home Loan Mortgage Corporation, and any successor thereof or
81 by any State or Federal governmental or quasi-governmental
82 organizations.*

83 Any provision in a mortgage commitment contracted prior to
84 the effective date of this act providing for an increase in interest
85 rates to be charged based on the highest lawful interest rate shall
86 be null and void.

1 2. Notwithstanding any other law or regulation to the contrary,
2 with respect to the provisions of section 147 of P. L. 1963, c. 144
3 (C. 17:12B-147) and section 65 of P. L. 1948, c. 67 (C. 17:9A-65),
4 any banking institution or savings and loan association may
5 ***[charge]*** *, at the option of such banking institution or savings
6 and loan association, collect* only interest as required periodic
7 payments during the first 5 years of a mortgage ***[commitment]***
8 *loan*.

1 3. This act shall take effect immediately.