

17:33-100

LEGISLATIVE HISTORY CHECKLIST
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(Credit Unions)

TSA: 17:13-100

LAWS OF: 1993 **CHAPTER:** 280

BILL NO: S1564

SPONSOR(S) Haines

DATE INTRODUCED: February 18, 1993

COMMITTEE: **ASSEMBLY:** ---
SENATE: Commerce

AMENDED DURING PASSAGE: No

DATE OF PASSAGE: **ASSEMBLY:** December 2, 1993
SENATE: June 17, 1993

DATE OF APPROVAL December 15, 1993

FOLLOWING STATEMENTS ARE ATTACHED IF AVAILABLE:

SPONSOR STATEMENT: Yes

COMMITTEE STATEMENT: **ASSEMBLY:** No
SENATE: Yes

FISCAL NOTE: No

VETO MESSAGE: No

MESSAGE ON SIGNING: No

FOLLOWING WERE PRINTED:

REPORTS: No

HEARINGS: No

17:33-100

1 **AN ACT** concerning credit unions and amending P.L. 1984, c. 171.

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

5 1. Section 22 of P.L. 1984, c. 171 (C.17:13-100) is amended to
6 read as follows:

7 22. a. If the bylaws provide for a credit committee, then
8 pursuant to the provisions of the bylaws, the board shall appoint,
9 or the members shall elect a credit committee of not less than
10 three nor more than seven members, who shall serve as set forth
11 in the bylaws. The committee shall approve or deny written
12 applications for loans from members pursuant to and consistent
13 with the general loan policy and rules and regulations established
14 by the board for member loans.

15 The credit committee shall elect a chairman and a secretary
16 and any other officers which it deems necessary. It shall be the
17 duty of the secretary of the credit committee to keep permanent
18 minutes of all of its meetings.

19 b. A majority of members of the credit committee shall
20 constitute a quorum. No member loans shall be approved except
21 at meetings of the credit committee, and the approval shall be
22 signed by a majority of those members present.

23 c. If the bylaws provide for a credit committee, the credit
24 committee may appoint one or more loan officers, to whom it
25 may delegate the power to approve applications [up to the
26 unsecured limit, or in excess of the unsecured limit if the excess
27 is fully secured by unpledged shares] for loans from members
28 pursuant to and consistent with the general loan policy and rules
29 and regulations established by the board for member loans. Each
30 loan officer shall submit to the credit committee a record of
31 each application approved or denied by him, at the next meeting
32 of the credit union or within 30 days of the receipt of the loan
33 application, whichever is earlier. All applications denied by a
34 loan officer shall be reviewed by the credit committee. No person
35 shall have the authority to disburse funds for any loan which has
36 been approved by him as loan officer. Not more than one
37 member of the credit committee may be appointed as loan
38 officer.

39 d. If there is no credit committee, a member shall have the
40 right, upon written request to the board of directors, to review by
41 the board of a loan application which has been denied by a loan
42 officer.

43 (cf: P.L. 1984, c. 171, s. 22)

44 2. This act shall take effect immediately.

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.

STATEMENT

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3 This bill amends section 22 of "The Credit Union Act of 1984,"
4 P.L.1984, c.171 (C.17:13-100) to bring New Jersey law into parity
5 with federal law. This bill would grant authority to a credit union
6 loan officer to approve loans in accordance with the general
7 policies, rules and regulations established by the credit union
8 board with regard to member loans, removing the current
9 restrictions on the authority of a loan officer to approve these
10 loans. This amendment would streamline the loan approval
11 process by eliminating the step whereby the approval of the full
12 credit committee is required for member loans in excess of a
13 specified limit which has been previously established by the
14 credit union board of directors.

15 This section currently provides that loans to credit union
16 members may be approved or denied by a credit committee or a
17 loan officer. However, this provision only authorizes a
18 designated loan officer to approve loans up to the limit
19 established by the credit union board for unsecured loans, or in
20 excess of the unsecured limit if the excess is fully secured by
21 unpledged shares. In addition, this section currently requires that
22 loans in excess of the unsecured limit that are not fully secured
23 by unpledged shares must be approved by the full credit
24 committee.

25 For example, if the board has established a \$5,000 limit on
26 unsecured loans, then a loan officer may not authorize loans in
27 excess of this amount unless the excess of the unsecured amount
28 is fully secured by unpledged shares, that is, funds of the
29 applicant on deposit with the credit union that are not pledged as
30 security for other loans. Thus, the loan officer's authority is
31 restricted and he may only approve loans in excess of the
32 unsecured limit when a member applicant has additional funds, or
33 unpledged shares, deposited with the credit union which will be
34 pledged as security for the loan amount in excess of the
35 unsecured limit. Federal law does not impose such a limitation
36 on the loan approval authority of a loan officer.

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41 Expands loan approval authority of credit union loan officer, and
42 achieves parity with federal law.

STATEMENT

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This bill amends section 22 of "The Credit Union Act of 1984," P.L.1984, c.171 (C.17:13-100) to bring New Jersey law into parity with federal law. This bill would grant authority to a credit union loan officer to approve loans in accordance with the general policies, rules and regulations established by the credit union board with regard to member loans, removing the current restrictions on the authority of a loan officer to approve these loans. This amendment would streamline the loan approval process by eliminating the step whereby the approval of the full credit committee is required for member loans in excess of a specified limit which has been previously established by the credit union board of directors.

This section currently provides that loans to credit union members may be approved or denied by a credit committee or a loan officer. However, this provision only authorizes a designated loan officer to approve loans up to the limit established by the credit union board for unsecured loans, or in excess of the unsecured limit if the excess is fully secured by unpledged shares. In addition, this section currently requires that loans in excess of the unsecured limit that are not fully secured by unpledged shares must be approved by the full credit committee.

For example, if the board has established a \$5,000 limit on unsecured loans, then a loan officer may not authorize loans in excess of this amount unless the excess of the unsecured amount is fully secured by unpledged shares, that is, funds of the applicant on deposit with the credit union that are not pledged as security for other loans. Thus, the loan officer's authority is restricted and he may only approve loans in excess of the unsecured limit when a member applicant has additional funds, or unpledged shares, deposited with the credit union which will be pledged as security for the loan amount in excess of the unsecured limit. Federal law does not impose such a limitation on the loan approval authority of a loan officer.

Expands loan approval authority of credit union loan officer, and achieves parity with federal law.

SENATE COMMERCE COMMITTEE

STATEMENT TO

SENATE, No. 1564

STATE OF NEW JERSEY

DATED: MAY 17, 1993

The Senate Commerce Committee reports favorably Senate Bill No. 1564.

This bill amends section 22 of "The Credit Union Act of 1984," P.L.1984, c.171 (C.17:13-79 et seq.) to bring New Jersey law into parity with federal law. This bill allows a credit union's credit committee to delegate to its loan officers the authority to approve loans in accordance with the general policy and rules and regulations established by the credit union board with regard to member loans.

Current law allows a credit union's credit committee to delegate to its loan officers the authority to approve loans up to the limit established by the credit union board for unsecured loans, or in excess of the unsecured limit if the excess is fully secured by unpledged shares. Loans in excess of the unsecured limit that are not fully secured by unpledged shares must be approved by the full credit committee. Federal law for federally chartered credit unions does not impose such a limitation on the loan approval authority of loan officers.

This bill streamlines the loan approval process by eliminating the step whereby the approval of the full credit committee is required for member loans in excess of a specified limit which has been previously established by the credit union board of directors.