

17:9A-69

LEGISLATIVE HISTORY CHECKLIST

NJSA 17:9A-69

Laws of 1975 Chapter 259

Bill No. A1559

Sponsor(s) Van Wagner & Others

Date Introduced April 16, 1974

Committee: Assembly Banking and Insurance

Senate Labor, Industry & Professions

Amended during passage  Yes  No

Date of passage: Assembly April 21, 1975

Senate May 19, 1975

Date of approval December, 10, 1975

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

Do Not Remove From Library  
DEPOSITORY COPY

10/4/76

JUN 1977

ASSEMBLY, No. 1559

STATE OF NEW JERSEY

INTRODUCED APRIL 16, 1974

By Assemblymen VAN WAGNER, FLYNN, WORTHINGTON,  
SALKIND, MARTIN and BORNHEIMER

Referred to Committee on Banking and Insurance

AN ACT to amend "The Banking Act of 1948," approved April 29,  
1948 (P. L. 1948, c. 67).

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

1 1. Section 69 of P. L. 1948, c. 67 (C. 17:9A-69) is amended to  
2 read as follows:

3 69. Limitations on mortgage loans.

4 A. No bank shall make a mortgage loan when the total cost of  
5 acquisition by the bank of all real property owned by it, other  
6 than real property held for the purposes specified in subparagraph  
7 (a) of a paragraph (5) of section 24, and the total of all principal  
8 balances owing to the bank on mortgage loans, less all write-offs  
9 and reserves with respect to such real property and mortgage  
10 loans, together exceed, or by the making of such loan will exceed,  
11 an amount established by the Commissioner of Banking, pursuant  
12 to rule or regulation, which amount shall not be less than 70% nor  
13 exceed 80% of the time deposits of the bank or 100% of the  
14 aggregate of its capital funds, whichever is the greater. For  
15 the purposes of this subsection, principal balances owing to  
16 the bank on mortgage loans which are subject to the provisions  
17 of subsection A of section 68, other than mortgage loans upon  
18 one-family, two-family, three-family and four-family dwellings,  
19 the payment of which is fully insured by the Federal Housing  
20 Commissioner, shall only to the extent of 66 $\frac{2}{3}$ % of such balances  
21 owing to the bank, be included in the total of all principal balances  
22 owing to the bank on mortgage loans, and principal balances owing  
23 to the bank on mortgage loans made by the use of funds received  
24 by the bank pursuant to the provisions of the "New Jersey Mort-  
25 gage Finance Agency Law," (P. L. 1970, c. 38, C. 17:1B-4 et seq.),

26 and principal balances owing to the bank on mortgage loans upon  
27 one-family, two-family, three-family and four-family dwellings the  
28 payment of which is fully insured by the Federal Housing Com-  
29 missioner shall, only to the extent of 50% of such balances owing  
30 to the bank, be included in the total of all principal balances owing  
31 to the bank on mortgage loans. This subsection shall not, however,  
32 prevent the renewal or extension of the time for payment of a  
33 mortgage loan for the amount due thereon at the time of such  
34 renewal or extension.

35 B. Except as in this article otherwise provided, no bank shall,  
36 as sole lender or as a colender, make a loan secured by mortgage  
37 on real property or by mortgage on a lease of the fee of real  
38 property, nor shall any bank purchase the entire interest or a part  
39 interest in any such mortgage, if the making of such loan or the  
40 purchase of such interest would cause the total of all unpaid  
41 balances secured by a mortgage or mortgages held by the bank as  
42 sole owner or as coowner upon such real property or such lease-  
43 hold, to exceed the limitations imposed by this article upon the  
44 amount of a mortgage loan which may be made upon the security  
45 of such real property or such leasehold.

46 C. The granting of mortgage loans to any person shall be with-  
47 out regard to race, creed, color, national origin or ancestry. The  
48 granting of such loans shall be without discrimination of any nature  
49 including, but not limited to, interest rates, terms and duration,  
50 because of race, creed, color, national origin or ancestry.

51 D. When a bank makes a mortgage loan the proceeds of which  
52 are to be used to pay, in whole or in part, the cost of constructing  
53 one or more industrial or commercial buildings on the mortgaged  
54 property, and such loan has a maturity of not more than 18 months,  
55 and a financially responsible lender has entered into a valid and  
56 binding agreement to repay to the bank the full amount of the  
57 bank's loan upon the completion of such industrial or commercial  
58 building or buildings; or when a bank makes a mortgage loan the  
59 proceeds of which are to be used to pay, in whole or in part, the  
60 cost of constructing a farm or residential building on the mort-  
61 gaged property, and such loan has a maturity of not more than  
62 18 months, the bank may, at its option to be exercised from time  
63 to time, treat any such loan either as a mortgage loan for all pur-  
64 poses of this article, or as an unsecured commercial loan. If the  
65 bank elects to treat any such loan as an unsecured commercial  
66 loan, the loan shall be subject to all limitations and requirements  
67 applicable to unsecured commercial loans otherwise made, and the

68 principal balance owing to the bank on any such loan shall not be  
69 included in the total of all principal balances owing to the bank  
70 on mortgage loans for the purpose of determining the limitations  
71 imposed by subsection A of this section. No bank shall treat any  
72 such loan as a commercial loan as in this subsection provided at  
73 any time when the principal balances owing to the bank on all such  
74 loans so treated exceed 100% of the bank's capital funds, or if  
75 the making of any such loan so treated would cause the principal  
76 balances owing to the bank on all such loans so treated to exceed  
77 100% of the bank's capital funds.

78 E. For the purposes of this section, "capital funds" of a bank  
79 means the aggregate of the unimpaired capital stock, surplus and  
80 undivided profits of the bank.

1 2. This act shall take effect immediately.

---

STATEMENT

This bill would remove the unfair limitation now provided by a formula in the statute. The extent to which banks may make loans for mortgages is limited. However, a portion of the mortgage loan on F.H.A. mortgages is exempted from the formula and thus this exemption has the effect of increasing the amount of money available for loans. This bill seeks to place mortgage loans made from funds provided by the New Jersey Mortgage Finance Agency on the same basis as F.H.A. mortgages by exempting a portion thereof from the computation of the total principal balance owed to the banks on mortgage loans, thereby increasing the amount of money available for the mortgage market.

FROM THE OFFICE OF THE GOVERNOR

DECEMBER 10, 1975

FOR FURTHER INFORMATION

FOR IMMEDIATE RELEASE

DICK CAMPBELL

Governor Brendan Byrne signed into law today two bills designed to increase the amount of mortgage money available to prospective home buyers.

One bill, A-1556, sponsored by Assemblyman Richard Van Wagner, D-Monmouth, permits savings banks to omit 50 per cent of the principal balances on mortgage loans made by the use of funds provided by the state Mortgage Finance Agency in computing the total of all principal balances owing to the bank on mortgage loans.

The other measure, A-1559, also sponsored by Assemblyman Van Wagner, provides the same exemption for commercial banks.

Present law prohibits savings and commercial banks from making mortgage loans in excess of 80 per cent of their deposits. Thus, the two bills will have the effect of increasing the amount of money available for mortgages.

"The effect of these bills will be to provide an economic stimulus," said Van Wagner. "This legislation is intended to do in the private sector what we are doing with the state Housing Finance Agency."

###