

17:9A-24; 17:9A-74; 17:9A-106

LEGISLATIVE HISTORY CHECKLIST

NJSA: 17:9A-24; 17:9A-74; 17:9A-106

(Bank property—increase allowable investment—authorize certain loan to officer)

LAWS OF: 1983

CHAPTER: 18

Bill No.: A583

Sponsor(s): Doyle

Date Introduced: March 8, 1982

Committee: Assembly: Banking and Insurance

Senate: Labor, Industry and Professions

Amended during passage: Yes // Amendments during passage denoted by asterisks

Date of Passage: Assembly: May 24, 1982

Senate: Oct. 25, 1982

Date of Approval: Jan. 21, 1983

Following statements are attached if available:

Sponsor statement: Yes // Also attached: Senate amendments adopted 9-23-82 (with statement)

Committee statement: Assembly /// No  
Senate Yes //

Fiscal Note: /// No

Veto Message: /// No

Message on Signing: /// No

Following were printed:

Reports: /// No

Hearings: /// No

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1-21-83  
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## ASSEMBLY, No. 583

# STATE OF NEW JERSEY

INTRODUCED MARCH 8, 1982

By Assemblyman DOYLE

Referred to Committee on Banking and Insurance

AN ACT concerning banking institutions, amending sections 24, 74, and 106 of "The Banking Act of 1948," P. L. 1948, c. 67\*\*[(C. 17:9A-24, C. 17:9A-74, C. 17:9A-106), and \*[section]\* \*sections\* 9 \*and 10\* of P. L. 1981, c. 153 \*(C. 17:9A-24a)]\*\*.

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

1 1. Section 24 of P. L. 1948, c. 67 (C. 17:9A-24) is amended to  
2 read as follows:

3 24. Powers of banks and savings banks. Every bank and savings  
4 bank shall, subject to the provisions of this act, have the following  
5 powers, whether or not such powers are specifically set forth in  
6 its certificate of incorporation:

7 (1) To adopt a corporate seal, and to sue and be sued;

8 (2) To issue cashier's checks, treasurer's checks, and money  
9 orders; to transmit funds; to guarantee signatures and endorse-  
10 ments;

11 (3) To borrow money, and to pledge, mortgage or hypothecate  
12 its real or personal property as security therefor, and to execute  
13 and deliver all such instruments as may be necessary to evidence  
14 such borrowing, pledge, mortgage, or hypothecation;

15 (4) To keep, maintain, and rent out for hire, at any location  
16 occupied by its principal office or any branch office, safe deposit  
17 boxes or other receptacles for the safekeeping of personal property.  
18 In exercising the powers authorized by this paragraph, the bank  
19 or savings bank shall have, but shall not be confined to, the same  
20 rights and remedies conferred upon safe deposit companies;

**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 printed in italics *thus* is new matter.

Matter enclosed in asterisks or stars has been adopted as follows:

\*—Assembly amendments adopted May 20, 1982.

\*\*—Senate amendments adopted September 23, 1982.

21 (5) [To purchase, hold, lease and convey real property or any  
 22 interest therein for the following purposes, and for no others] *To*  
 23 *invest in real property as purchaser of the fee or as lessee, and to*  
 24 *hold, lease and convey such real property, or any interest therein,*  
 25 *for the following purposes and no others:*

26 (a) Such as may be necessary or convenient for the use,  
 27 operation, or housing of its principal office or any branch office,  
 28 or an auxiliary office, or for the storage of records or other  
 29 personal property, or for office space for use by its officers or  
 30 employees, or which may be reasonably necessary for future  
 31 expansion of its business, or which is otherwise reasonably  
 32 incidental to the conduct of its business; and which may in-  
 33 clude, in addition to the space required for the transaction of  
 34 its business, other space which may be let as a source of  
 35 income. In exercising the powers conferred by this subpara-  
 36 graph, the bank or savings bank shall be subject to the limita-  
 37 tions imposed by paragraph (13) of this section;

38 (b) Such as may be conveyed to it in whole or part satis-  
 39 faction of debts previously contracted in the course of its  
 40 dealings;

41 (c) Such as it shall purchase at sale under judgments and  
 42 decrees in its favor, and on foreclosure of mortgages held by  
 43 it;

44 (d) Such as it shall purchase or acquire to minimize or  
 45 prevent the loss or destruction of any lien or interest therein;  
 46 and

47 (e) Such as may be permitted for associations pursuant to  
 48 subsections (4) and (21) of section 48 of the "Savings and  
 49 Loan Act (1963)," P. L. 1963, c. 144 (C. 17:12B—48).

50 provided, that all real property not held for any purpose specified  
 51 in subparagraph (a) of this paragraph, shall be sold within 5  
 52 years of its acquisition, or within 5 years after the time it ceases  
 53 to be held for any purpose specified in subparagraph (a) of this  
 54 paragraph, unless the commissioner shall extend the time within  
 55 which such sale shall be made;

56 (6) To be a member of the Federal Reserve System; to subscribe  
 57 for, purchase, hold, and surrender such amounts of the capital  
 58 stock of the Federal Reserve Bank organized within the district  
 59 in which such bank or savings bank is located as may be required or  
 60 as may be deemed advisable by such bank or savings bank; and  
 61 to have and exercise all powers, privileges and options which are  
 62 conferred by law upon such members; to comply with all require-  
 63 ments of federal legislation and the rules and regulations lawfully

64 promulgated thereunder governing such membership as such legis-  
65 lation and such rules and regulations may provide at the time of  
66 inception of such membership, and as the same may from time to  
67 time thereafter be amended or supplemented; and to assume and  
68 discharge all liabilities and obligations which may be required by  
69 reason of such membership;

70 (7) To be a member of Federal Deposit Insurance Corporation,  
71 or of any successor corporation having for its purpose the insur-  
72 ance of deposits, and to do all things, and assume and discharge  
73 all liabilities and obligations imposed upon such members by federal  
74 legislation or by rules and regulations lawfully promulgated pur-  
75 suant thereto, as the same may provide at the inception of such  
76 membership, or as the same may thereafter be amended or sup-  
77 plemented;

78 (8) To be a member of any federal agency hereafter created,  
79 membership in which is open to banking institutions, and the pur-  
80 pose of which is to afford advantages or safeguards to banking  
81 institutions, or to their depositors, and to comply with all the re-  
82 quirements and conditions imposed upon such members, except  
83 that the power by this paragraph conferred shall not be exercised  
84 unless the commissioner, with the concurrence of the banking ad-  
85 visory board, shall make a general order authorizing banks or  
86 savings banks, or both, to become and be such members, upon such  
87 terms and conditions as may in such order be prescribed;

88 (9) To subscribe for, purchase and hold stock of one or more  
89 safe deposit companies which have been or may be organized to  
90 do business on or adjacent to premises occupied by the principal  
91 office or a branch office of the bank or savings bank; provided, that

92 (a) In the case of a savings bank, the amount so invested  
93 shall not exceed 5% of its surplus; and

94 (b) In the case of a bank, the amount so invested shall not  
95 exceed 10% of its capital stock and surplus; and

96 (c) Each purchase of such stock shall first have been autho-  
97 rized by a resolution, stating the number of shares to be pur-  
98 chased and the amount to be paid therefor, adopted by its  
99 board of directors or board of managers, and, in the case of  
100 a bank, approved by a majority in interest of its stockholders  
101 at any annual or special meeting; and

102 (d) Each purchase of such stock by a bank or savings bank  
103 shall have been approved in writing by the commissioner;

104 (10) To subscribe for, purchase and hold stock of not more than  
105 one fiduciary institution organized under any law of this State  
106 hereafter enacted; provided, that

107 (a) In the case of a savings bank, the amount so invested  
108 shall not exceed 10% of its surplus; and

109 (b) In the case of a bank, the amount so invested shall not  
110 exceed 20% of its capital stock and surplus; and

111 (c) Each purchase of such stock shall first have been autho-  
112 rized by a resolution, stating the number of shares to be pur-  
113 chased and the amount to be paid therefor, adopted by its board  
114 of directors or board of managers, and, in the case of a bank,  
115 approved by a majority in interest of its stockholders at any  
116 annual or special meeting; and

117 (d) Each purchase of such stock by a bank or savings bank  
118 shall have been approved in writing by the commissioner;

119 (11) To contribute to community funds, or to charitable, philan-  
120 tropic, or benevolent instrumentalities conducive to public welfare,  
121 or civic betterment, or the economic advantage of the community,  
122 and to instrumentalities for the protection or advancement of the  
123 interests of banking institutions, such sums as its board of directors  
124 or board of managers may deem expedient and in the interests of  
125 such bank or savings bank;

126 (12) To exercise all incidental powers, not specifically enumer-  
127 ated in this act, which shall be necessary or convenient to carry *on*  
128 the business of the bank or savings bank;

129 (13) To invest in stock of a subsidiary of such bank or savings  
130 bank which holds title to real property of the kind in which such  
131 bank or savings bank could itself invest pursuant to subparagraph  
132 (a) or paragraph (5) of this section, and to make secured or  
133 unsecured loans to such subsidiary, without regard to the limita-  
134 tions imposed by Article 13; but no bank or savings bank shall,  
135 except with the prior approval of the commissioner (1) invest\***[** *as*  
136 *owner or lessee,* **]**\* in real property *\*including all capital leases,\**  
137 pursuant to subparagraph (a) of paragraph (5) of this section; or  
138 (2) invest in the stock or other securities of such subsidiary; or  
139 (3) make a loan to such subsidiary, if the aggregate of all such  
140 investments and loans, when added to any indebtedness otherwise  
141 owing by the subsidiary, will exceed **[25%]** *the greater of (1)*  
141A *50% of the capital funds of the bank or \*savings bank, or\**  
142 *(2) the amount permitted to national banks for such investments.*  
143 As used in this paragraph, "subsidiary" of a bank or savings bank  
144 means a corporation all of whose capital stock and other securities  
145 having voting rights are owned by such bank or savings bank, and  
146 whose powers are limited by its certificate of incorporation, to the  
147 acquiring, holding, managing, selling, leasing, mortgaging, alter-  
148 ing, improving and otherwise dealing in and with real property of  
149 the kind in which the bank or savings bank could itself invest

150 pursuant to subparagraph (a) of paragraph (5) of this section;  
 151 and "capital funds" means the aggregate of the capital stock,  
 152 the principal amount owing on all capital notes, surplus and  
 153 undivided profits of a bank, and the aggregate of the capital  
 154 deposits, if any, and the surplus of a savings bank. Every subsidiary  
 155 of a bank or savings bank shall be subject to examination by the  
 156 commissioner as provided in the case of banks and savings banks  
 157 pursuant to sections 260, 261, 262, 263 and 335, and the ultra vires  
 158 or unlawful act of a subsidiary of a bank or savings bank shall be  
 159 deemed to be the ultra vires or unlawful act of such bank or savings  
 160 bank for the purposes of Article 42. In determining whether to  
 161 give or withhold approval of an investment or loan in excess  
 162 of the limitation imposed by this paragraph, the commissioner  
 163 shall consider whether the making of such loan or investment is  
 164 consistent with sound banking practice, having regard to (1) the  
 165 ratio between the aggregate of such loans and investments and the  
 166 capital funds of the bank or savings bank; (2) the benefits to the  
 167 bank or savings bank reasonably to be anticipated from such  
 168 investment or such loan; (3) the ratio between such aggregate  
 169 capital funds and total deposits; and (4) such other factors as the  
 170 commissioner shall consider germane to the protection of deposits.  
 171 A violation of any provision of this paragraph by any bank,  
 172 savings bank, or subsidiary of a bank or savings bank, shall not  
 173 impair the validity or sufficiency of any deed of conveyance,  
 174 mortgage, or lease made by such bank, savings bank, or subsidiary,  
 175 of real property owned by it; nor shall any other interest in such  
 176 real property, acquired by or vested in any person claiming  
 177 through or under such bank, savings bank, or subsidiary, or to  
 178 which such person may be entitled, be impaired by reason of such  
 179 violation;

180 (14) To make or invest in any secondary mortgage loan as defined  
 181 in section 1 of P. L. 1968, c. 67 (C. 17:9A-1). Secondary mortgage  
 182 loans shall be repayable in installments under the same terms and  
 183 conditions as provided for secondary mortgage loan licenses under  
 184 the "Secondary Mortgage Loan Act," P. L. 1970, c. 205 (C.  
 185 17:11A-34 et seq.) only with respect to maximum term, maximum  
 186 loan amount and maximum annual percentage rate of interest.  
 187 The Commissioner of Banking shall have the power, in relation to  
 188 a "secondary mortgage loan," to adopt, amend, alter or rescind  
 189 regulations, the requirements of which, in his judgment, are neces-  
 190 sary for the implementation of this paragraph.

1     \*\*[2. Section 9 of P. L. 1981, c. 153 (C. 17:9A-24a) is amended to  
 2     read as follows:

3 9. The commissioner shall have the power to make, amend, and  
 4 repeal regulations permitting banks to exercise any power, right,  
 5 benefit, or privilege permitted to national banks [provided that such  
 6 power, right, benefit, or privilege is not contrary to law]\*, *unless*  
 7 *otherwise specifically provided by any law enacted on or after the*  
 8 *effective date of this amendatory act*\*. Such regulations shall be in  
 9 substantial conformity with similar rules or regulations of the  
 10 Comptroller of the Currency, the Federal Reserve Board, and the  
 11 Federal Deposit Insurance Corporation.

1 \*3. Section 10 of P. L. 1981, c. 153 (C. 17:9A-24b) is amended to  
 2 read as follows:

3 10. The commissioner shall have the power to make, amend, and  
 4 repeal regulations permitting savings banks to exercise any power,  
 5 right, benefit, or privilege permitted to federally chartered savings  
 6 banks, [provided that such power, rights, benefit or privilege is not  
 7 contrary to law] *unless otherwise specifically provided by any law*  
 8 *enacted on or after the effective date of this amendatory act*. Such  
 9 regulations shall be in substantial conformity with similar rules or  
 10 regulations of the Federal Deposit Insurance Corporation, the  
 11 Federal Home Loan Bank Board, or the Federal Savings and Loan  
 12 Insurance Corporation.\*]\*\*

1 \***[3.]**\* \*\***[\*4.\*]**\*\* \*\*2.\*\* Section 74 of P. L. 1948, c. 67 (C.  
 2 17:9A-74) is amended to read as follows:

3 74. Exempt transactions.

4 A. Any liability incurred prior to the effective date of this act  
 5 which would, if incurred after the effective date of this act, be  
 6 subject to this article, may from time to time be wholly or partly  
 7 renewed to the extent and in the manner authorized by the law in  
 8 effect when such liability was initially incurred.

9 B. Nothing in this article shall apply to a mortgage loan made  
 10 by a bank to an executive officer of the bank or to him or her and  
 11 his or her spouse, if (1) the mortgaged property has erected  
 12 thereon a one- or two family dwelling occupied or to be occupied  
 13 wholly or partly by such officer, or (2) if the proceeds of the loan  
 14 shall be used for the purpose of erecting upon the mortgaged  
 15 property a one- or two-family dwelling to be so occupied; *or (3) if*  
 16 *the mortgaged property is a one- or two-family condominium unit*  
 17 *occupied or to be occupied wholly or partly by such officer; nor shall*  
 18 anything in this article apply **[(3)]** (4) *to a loan secured by a*  
 19 *first lien on stock in a residential cooperative housing corporation*  
 20 *where the proceeds of the loan are used to finance the acquisition*  
 21 *of such stock and the officer shall occupy an apartment or dwelling*  
 22 *unit in premises owned by the residential cooperative housing*

23 *corporation, or (5) to any loan or loans made to an executive*  
24 *officer of the bank not exceeding in the aggregate \$20,000.00 out-*  
25 *standing at any one time to finance the education of a child of such*  
26 *officer; or [(4)] (6) to any liability to a bank incurred by any*  
27 *officer who is not an executive officer of such bank.*

1 \***[4.]**\* \*\***[\*5.\*]**\*\* \*\*3.\*\* Section 106 of P. L. 1948, c. 67 (C.  
2 17:9A-106) is amended to read as follows:

3 106. Directors; compensation. Directors shall receive such *rea-*  
4 *sonable* compensation **[for attendance at directors' meetings and**  
5 **for services rendered as members of committees of the board]** as  
6 the board of directors may from time to time by resolution provide.

1 \***[5.]**\* \*\***[\*6.\*]**\*\* \*\*4.\*\* This act shall take effect immediately.

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**STATEMENT**

The purpose of section 1 is to increase from 25% to 50% (or such amount permitted national banks) of capital funds the amount which State-chartered banks may invest in real property used in the operation of their business, and in loans to, or investments in, the capital stock of their subsidiaries.

The purpose of section 2 is to conform the language of the bank parity law with the savings bank parity law so that in both cases the commissioner will have discretion to issue regulations giving the State-chartered institution complete competitive parity with the corresponding federally-chartered institution.

The purpose of section 3 is to permit banks to make loans to bank officers for condominium and for cooperative units to be lived in by the officer. The present law permits such financing for single-family and certain multiple-family housing to be lived in by the officer obtaining the loan.

The purpose of section 4 is to remove the requirement that bank directors' compensation be tied directly to attendance at meetings and adds a requirement that the directors' compensation be reasonable.

AS83 (1982)

ADOPTED

SEP 23 1982

Senate Amendments

BY Senator Russo

to

Assembly Bill No. 583 (O.C.R.)

OK  
EG

Amend:

Page	Sec.	Line	
5 - b	2	1-11	Omit in its entirety
6	3	1-12	Omit in its entirety
6	4 - b		Omit "4" insert "2" and <sup>25</sup> Renumber sections "2" through "5" and "6" as sections "3" and "4"

STATEMENT

These amendments delete two sections of the bill concerning parity with federal chartered banks. Due to the complexity of this issue, separate legislation will be introduced addressing it.

1 Title 2-4 on line 2, after "67" omit "5" ; omit line 3, and omit \* sections \* 9<sup>e</sup> and 10<sup>e</sup> of P.L. 1981, c. 153 \* [(C. 17:9A - 24a)]

SENATE LABOR, INDUSTRY AND PROFESSIONS  
COMMITTEE

STATEMENT TO

**ASSEMBLY, No. 583**

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**STATE OF NEW JERSEY**

DATED: JUNE 21, 1982

This bill grants certain powers to banks and/or savings banks and certain discretionary authority to the Commissioner of Banking in relation thereto.

Section 1 of the bill:

a. Clarifies the right of banks and savings banks to enter into leasehold arrangements for the same purposes for which they may acquire title to real property, which is for business purposes or pursuant to their loan making authority; and

b. Increases from 25% to 50% or the amount permitted national banks, whichever is greater, the percentage of capital funds that a bank or savings bank, or designated subsidiaries, may invest in real property used for business purposes (as defined in subsection (5) (a) of N. J. S. A. 17:9A-24), which amount is inclusive of the debt outstanding of the subsidiary, including loans to, and investment in the subsidiary by the parent bank or savings bank.

Sections 2 and 3 authorize the Commissioner of Banking, by regulation, to permit State chartered banks and State chartered savings banks to exercise any powers, rights, benefits or privileges permitted national banks or federally chartered savings banks, as the case may be, without regard to any contrary provisions of the present State law.

Section 4 authorizes banks to make loans to an executive officer of the bank (or their spouses) for the purchase of a condominium or cooperative unit (or units) in substantially the same manner as is presently permitted for the acquisition of fee simple ownership of one or two-family dwellings, occupied in whole or in part by the officer.

Section 5 eliminates the current statutory limitation on the compensation of a bank's board of directors. At present, directors may be compensated only for attendance at directors' meetings and for services rendered as members of committees established by the board. This section provides that directors shall have the authority to pay themselves such "reasonable compensation" as they may determine. Boards of managers of savings banks are already authorized, subject to the commissioner's oversight, to grant reasonable compensation to board members for any services rendered (N. J. S. A. 17:9A-193), as well as for attendance at board meetings.