

# SENATE COMMERCE COMMITTEE

## STATEMENT TO

### **SENATE, No. 1807**

with committee amendments

# **STATE OF NEW JERSEY**

DATED: MAY 27, 2010

The Senate Commerce Committee reports favorably, and with committee amendments, Senate Bill No. 1807.

This bill, as amended, makes changes to the “Governmental Unit Deposit Protection Act” (GUDPA), P.L.1970, c.236 (C.17:9-41 et seq.), to allow credit unions to serve as public depositories, thereby making them eligible to receive and hold deposits from New Jersey local governmental units such as municipalities, counties, and school districts.

Currently, GUDPA provides that only financial institutions whose deposits are insured by the Federal Deposit Insurance Corporation (FDIC) may serve as public depositories. This restriction excludes credit unions, whose deposits are insured by the National Credit Union Share Insurance Fund (NCUSIF), even though this fund provides deposit protection that is equivalent to the protection provided by the FDIC. The bill does away with this exclusion by expanding the law’s definition of “public depository” to include any federal or state chartered credit union whose deposits are insured by the NCUSIF.

The bill also amends “The Credit Union Act of 1984,” sections 2 through 46 of P.L.1984, c.171 (C.17:30-80 through 17:30-124), under which credit unions are chartered in this State, to reflect that such credit unions have the authority to serve as public depositories pursuant to GUDPA.

The committee amendments to the bill:

- incorporate definitional references regarding the financial condition of a credit union under the “Federal Credit Union Act,” Pub.L.73-467 (12 U.S.C. s.1751 et seq.), to properly account for the bill’s inclusion of credit unions under GUDPA and its linking of collateral requirements for any public funds held on deposit to the overall financial condition of the particular depository; and

- replace references to the “National Credit Union Administration” with the term “National Credit Union Share Insurance Fund,” as the latter is the actual source of depository insurance for credit unions under the federal law (while the former serves as the administrator of this source of insurance).