

[Second Reprint]
ASSEMBLY, No. 1829

STATE OF NEW JERSEY

INTRODUCED MAY 2, 1996

By Assemblymen BATEMAN, AUGUSTINE and Zecker

1 AN ACT concerning banking and revising parts of the statutory law.

2

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

5

6 1. (New section) The Legislature finds and declares that banks and
7 certain other financial institutions are subject to certain laws and
8 regulations which duplicate or conflict with applicable federal laws and
9 regulations, or which are otherwise currently unnecessary and
10 overburdensome, all of which increase the cost of banking services to
11 New Jersey depositors and borrowers and which deter banking
12 institutions from locating in this State.

13

14 2. Section 5 of P.L.1985, c.81 (C.17:3B-8) is amended to read as
15 follows:

16 5. Periodic percentage rates. If the agreement governing the
17 revolving credit plan [so] provides[,]that the periodic percentage rates
18 of interest under the plan may increase or decrease, the increase or
19 decrease shall take place only in correspondence with the movement
20 of the market interest rate index specified in the revolving credit plan
21 agreement, which index shall be readily verifiable by the borrower and
22 beyond the control of the lender. Periodic percentage rate increases,
23 based on a rise in the interest rate index, may be made at the option of
24 the lender. Periodic percentage rate decreases shall be made whenever
25 there is a decrease in the interest rate index which results in an interest
26 rate which is less than the interest rate then applicable to the note or
27 loan, except that the revolving credit plan agreement may stipulate a
28 percentage decrease in the interest rate index below which a
29 corresponding decrease in the periodic percentage rate need not be
30 made by the lender, provided that the index decrement shall be the
31 same as the index increment used for interest rate increases. Interest

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

Matter underlined thus is new matter.

Matter enclosed in superscript numerals has been adopted as follows:

¹ Assembly AFI committee amendments adopted May 13, 1996.

² Assembly floor amendments adopted September 26, 1996.

1 rate increases may, and interest rate decreases shall, apply to all
2 outstanding unpaid indebtedness under the plan on or after the
3 effective date of the rate variation, as provided in the plan agreement.
4 (cf: P.L.1985, c.81, s.5)

5
6 3. Section 9 of P.L.1985, c.81 (C.17:3B-12) is amended to read as
7 follows:

8 9. Loans under a revolving credit plan. [A] If the agreement
9 governing the revolving credit plan so provides, a lender may:

10 a. Take personal or real property, or both, as security on a loan
11 made under a revolving credit plan;

12 b. Require that any property securing the loan be insured for the
13 benefit of the lender against loss or damage of the security, and retain
14 out of the proceeds of the loan the premium for the insurance;

15 c. Require that all taxes, assessments and other governmental
16 charges against [personal] property securing the loan be paid when
17 due and that the security be maintained free of all executions, levies,
18 encumbrances, and other charges which may adversely affect the value
19 of the lender's interest in the security;

20 d. Charge and collect fees and charges, in addition to interest and
21 fees and charges specifically permitted by P.L.1985, c.81 (C.17:3B-4
22 et seq.), in amounts as provided in the agreement or as established in
23 the manner the agreement provides, such as, but not limited to,
24 minimum charges, annual fees, check charges, maintenance charges,
25 and late charges, except as may be specifically limited by P.L.1985,
26 c.81 (C.17:3B-4 et seq.);

27 f. On a secured loan, charge and collect the actual costs of filing or
28 recording the instrument of security, or notice or abstract thereof, if
29 the filing or recording is authorized by law.

30 (cf: P.L.1985, c.81, s.9)

31
32 4. Section 10 of P.L.1985, c.81 (C.17:3B-13) is amended to read
33 as follows:

34 10. Revolving credit plan prohibitions. No revolving credit plan
35 agreement shall contain:

36 a. An acceleration clause under which any part or all of the
37 balance, not yet matured, may be declared immediately due and
38 payable because the lender deems himself to be insecure, which
39 provision shall be void and unenforceable;

40 b. A provision whereby the borrower waives any right of action or
41 defense against the lender or other person acting on his behalf for any
42 illegal act committed in the collection of the payments under the
43 revolving credit plan, which provision shall be void and unenforceable;
44 and

45 c. A power of attorney to confess judgment or any other power of
46 attorney, which provision shall be void and unenforceable [; and] .

1 d. [A requirement that the credit be secured by real property.]
2 (Deleted by amendment, P.L. , c. .)
3 (cf: P.L.1985, c.81, s.10)

4
5 5. Section 12 of P.L.1985, c.81 (C.17:3B-15) is amended to read
6 as follows:

7 12. Changes in terms. a. A lender may, if the agreement governing
8 a revolving credit plan so provides, at any time amend the terms of the
9 agreement with respect to the periodic percentage rates used to
10 calculate interest, the method of computing the outstanding unpaid
11 indebtedness to which those rates are applied, and the terms of the
12 installment repayment schedule, subject to the limitations of subsection
13 b. of this section.

14 b. The lender shall notify each affected borrower of any amendment
15 pursuant to subsection a. by mailing or delivering to the borrower, at
16 least ~~[30]~~ 15 days before the effective date of the amendment, a clear
17 and conspicuous written notice which shall describe the amendment
18 and the existing terms of the agreement affected by the amendment and
19 shall also set forth the effective date of the amendment and the
20 pertinent information contemplated by the following provisions of this
21 section. If the amendment has the effect of increasing the interest or
22 other charges to be paid by the borrower by changing the method of
23 calculating interest or the index used to calculate the interest, the
24 amendment shall become effective only if the borrower uses the plan
25 after a date specified in the notice which is at least ~~[30]~~ 15 days after
26 the giving of the notice, but which need not be the date the amendment
27 becomes effective, by making a purchase or obtaining a loan, or if the
28 borrower indicates to the lender in writing the borrower's express
29 agreement to the amendment, and the amendment may become
30 effective as to a particular borrower as of the first day of the billing
31 period during which the borrower so used the borrower's account or
32 so indicated agreement to the amendment. Any borrower who fails to
33 use the borrower's account or so to indicate agreement to an
34 amendment shall be permitted to pay the outstanding unpaid
35 indebtedness in the borrower's account under the plan in accordance
36 with the terms of the agreement governing the plan without giving
37 effect to the amendment.

38 For purposes of this section a variation in periodic percentage rates
39 of interest in accordance with the terms of the index established in the
40 revolving credit plan agreement[and notice provided pursuant to
41 section 25] shall not be considered to be an amendment.
42 (cf: P.L.1985, c.81, s.12)

43
44 6. Section 15 of P.L.1985, c.81 (C.17:3B-18) is amended to read
45 as follows:

46 15. Periodic percentage rates. The periodic percentage rates of

1 interest charged and collected with respect to a loan under a closed
2 end credit agreement may, subject to any limitations set forth in the
3 loan agreement, vary in accordance with the market interest rate index
4 specified in the loan agreement, which index shall be readily verifiable
5 by the borrower and beyond the control of the lender. Periodic
6 percentage rate increases, based on a rise in the interest rate index,
7 may be made at the option of the lender. Periodic percentage rate
8 decreases shall be made whenever there is a decrease in the interest
9 rate index which results in an interest rate which is less than the
10 interest rate then applicable to the note or loan, except that the loan
11 agreement may stipulate a percentage decrease below which a
12 corresponding decrease in the periodic percentage rate need not be
13 made by the lender, provided the index decrement shall be the same as
14 the index increment used for interest rate increases. Interest rate
15 increases may, and interest rate decreases shall, apply to any
16 outstanding and unpaid loan balances on or after the effective date of
17 the rate variation. Upon an increase in the rate of interest, the term of
18 the note shall be extended as necessary to provide for payment of the
19 balance due without any increase in the amount of each of the
20 borrower's periodic payments, except that the periodic payments may
21 be increased, if either a. ~~the borrower, at his option within 20 days of~~
22 ~~the date of the notice provided by the lender pursuant to section 25,~~
23 ~~specifically requests the lender, in writing, to increase each periodic~~
24 ~~payment or the final payment, rather than extend the term] the
25 agreement so provides or the parties agree to the increase in writing,
26 or b. if the periodic payment amounts would not be sufficient to
27 reduce the principal amount due, the lender, no sooner than 30 days
28 after notifying the borrower of that fact [pursuant to section 25], may
29 require that the periodic payments be increased, or that there be a
30 combination of an extended term and increased periodic payments.
31 (P.L.1985, c.81, s.15)~~

32
33 7. Section 16 of P.L.1985, c.81 (C.17:3B-19) is amended to read
34 as follows:

35 16. Additional charges. If the closed end loan agreement on a
36 secured loan so provides, a lender may [, on a secured loan, charge]:

37 a. Charge and collect the actual costs of filing or recording the
38 instrument of security, or notice or abstract thereof, if the filing or
39 recording is authorized by law.

40 b. Charge and collect fees and charges, in addition to interest and
41 fees and charges specifically permitted by P.L.1985, c.81 (C.17:3B-4
42 et seq.), in amounts as provided in the agreement or as established in
43 the manner the agreement provides, such as, but not limited to,
44 minimum charges, check charges and maintenance charges, and late

1 charges except as may be specifically limited by P.L.1985, c.81
2 (C.17:3B-4 et seq.)

3 (cf: P.L.1985, c.81, s.16)

4

5 8. Section 18 of P.L.1985, c.81 (C.17:3B-21) is amended to read
6 as follows:

7 18. Insurance. A lender under a closed or open end credit
8 agreement may:

9 a. Subject to the terms of the loan agreement, require any property
10 securing the loan to be insured for the benefit of the lender against loss
11 or damage of the security;

12 b. Offer credit life insurance or credit accident and health
13 insurance, or both, on the borrower in accordance with the provisions
14 of chapter 29 of Title 17B of the New Jersey Statutes.

15 A lender may deduct and retain from the proceeds of the loan the
16 amount of the premium for any insurance provided by the lender to the
17 borrower pursuant to this section.

18 (cf: P.L.1985, c.81, s.18).

19

20 9. Section 1 of P.L.1966, c.79 (C.17:9A-18.1) is amended to read
21 as follows:

22 1. Except with the written consent of the commissioner, no person
23 [who has been convicted, or who is hereafter convicted of any crime
24 involving dishonesty or a breach of trust,]shall [thereafter] serve as
25 an officer, director or employee of a bank [or] , savings bank[;
26 provided, however, the pendency of an appeal from said conviction
27 shall stay the operation of the prohibition until the appeal is decided
28 or dismissed] or bank holding company if (a) that person is convicted
29 of any crime involving dishonesty or breach of trust, or (b) that person
30 is prohibited from serving or continuing to serve in such capacity
31 pursuant to 12 U.S.C. §1829.

32 (cf: P.L.1966, c.79, s.1)

33

34 ²10. Section 60 of P.L.1948, c.67 (C.17:9A-60) is amended to read
35 as follows:

36 60. Definitions.

37 For the purposes of this article,

38 (1) "Person" means an individual, partnership, corporation,
39 association or body politic, or any similar entity or organization;

40 (2) "Investment securities" means those marketable corporate
41 obligations in the form of bonds, debentures or similar instruments as
42 are commonly known as investment securities, under such further
43 definition of investment securities as may by regulation be prescribed
44 by the commissioner;

45 (3) ["Total liabilities" means the aggregate of all direct liabilities
46 of the maker or acceptor of paper discounted with or sold to the bank

1 and the liability of the endorser, drawer, maker or guarantor who
2 obtains a loan from or discounts paper with or sells paper under his
3 guaranty to such bank. Liabilities which, by virtue of section 61 or of
4 regulations promulgated pursuant to section 62, are excepted from the
5 limitations imposed by this article, are not included in "total
6 liabilities";] (Deleted by amendment, P.L. , c. .)

7 (4) ["Controlling interest" means controlling interest as defined in
8 section 71;] (Deleted by amendment, P.L. , c. .)

9 (5) ["Subsidiary" means a corporation in which another
10 corporation holds a controlling interest;] (Deleted by amendment,
11 P.L. , c. .)

12 (6) [The total liabilities of a corporation include (a) the total
13 liabilities of a person who holds a controlling interest in such
14 corporation; and (b) the total liabilities of all subsidiaries of such
15 corporation; except that, in the case of any subsidiary having capital,
16 surplus and undivided profits aggregating \$5,000,000.00 or more, the
17 total liabilities of such subsidiary may, subject to the approval of the
18 commissioner and the banking advisory board, be excluded from the
19 total liabilities of such corporation, and the total liabilities of such
20 corporation may, subject to like approval, be excluded from the total
21 liabilities of such subsidiary;] (Deleted by amendment, P.L. , c. .)

22 (7) [The total liabilities of an individual include (a) the total
23 liabilities of a partnership or association for whose obligations such
24 individual is liable; and (b) the total liabilities of a corporation in
25 which such individual holds a controlling interest;] (Deleted by
26 amendment, P.L. , c. .)

27 (8) [The total liabilities of a partnership or association include the
28 total liabilities of its members who are liable for its obligations;]
29 (Deleted by amendment, P.L. , c. .)

30 (9) "Capital funds" of a bank or savings bank means the aggregate
31 of the unimpaired capital stock, surplus and undivided profits of the
32 bank or savings bank plus all other funds which are authorized by law
33 to be included in capital funds for the purposes of this article. The
34 commissioner may, by regulation, provide that contingent reserves of
35 a bank or savings bank, as defined in such regulation, may be included
36 in the capital funds of a bank or savings bank for the purposes of this
37 article [, and for the purposes of section 69] ;

38 (10) "Loans and extension of credit" means a bank's or savings
39 bank's direct or indirect advance of funds to or on behalf of a borrower
40 based on an obligation of the borrower to repay the funds or
41 repayable from specific property pledged by or on behalf of the
42 borrower;

43 (11) "Borrower" means a person who is named as a borrower or
44 debtor in a loan or extension of credit. Loans or extensions of credit
45 to one borrower shall be attributed to another person and each person
46 shall be deemed a borrower: (a) when proceeds of a loan or extension

1 of credit are to be used for the direct benefit of the other person, to
2 the extent of the proceeds so used; or (b) when a common enterprise
3 is deemed to exist between the persons.²

4 (cf: P.L.1969, c.244, s.3)

5

6 ²11. Section 62 of P.L.1948, c.67 (C.17:9A-62) is amended to read
7 as follows:

8 62. Limitations on Liability.

9 A. [Except as provided in this article, the total liabilities of any
10 person shall not exceed 10% of the capital funds of the bank.] The
11 total loans and extensions of credit by a bank or savings bank
12 outstanding to one borrower at one time and not fully secured by
13 collateral having a market value at least equal to the amount of the
14 loans and extensions of credit shall not exceed 15 percent of the
15 capital funds of the bank or savings bank.

16 B. [The total liabilities of any person may exceed 10% but may not
17 exceed 25% of the capital funds of the bank if the amount of such total
18 liabilities which is in excess of 10% of the capital funds of the bank
19 consists of obligations as endorser or guarantor of notes, other than
20 commercial or business paper excepted from the application of this
21 article under paragraph (5) of section 61, having a maturity of not
22 more than 6 months, and owned by the person endorsing and
23 negotiating the same.] The total loans and extensions of credit by a
24 bank or savings bank outstanding to one borrower at one time and
25 fully secured by readily available marketable collateral having a market
26 value, as determined by reliable and continuously available price
27 quotations, at least equal to the amount of the funds outstanding shall
28 not exceed 10 percent of the capital funds of the bank or savings bank.
29 This limitation shall be separate from and in addition to the limitation
30 contained in subsection A of this section. If a bank's or savings bank's
31 lending limit calculated under this subsection and under subsection A
32 of this section is less than \$500,000, the bank or savings bank may
33 nevertheless have total loans and extensions of credit outstanding to
34 one borrower at one time not to exceed \$500,000.

35 C. Except as the commissioner may otherwise prescribe from time
36 to time by regulation promulgated pursuant to subsection H of this
37 section, the total [liabilities of] loans and extensions of credit to a
38 person [to] by a bank or savings bank shall not be subject to any
39 limitations imposed by this article, to the extent that [liabilities] loans
40 and extensions of credit are secured by direct or indirect obligations
41 of the United States which have a face or par value at least equal to
42 the amount of such [liabilities] loans and extensions of credit, and
43 which are fully guaranteed as to principal and interest by the United
44 States.

45 D. Except as the commissioner may otherwise prescribe from time
46 to time by regulation promulgated pursuant to subsection H of this

1 section, loans and extensions of credit to, and investments in the
2 obligations of any municipality or school district of this State may
3 equal but not exceed 100% of the capital funds of a bank.

4 E. The commissioner may, from time to time, approve the
5 obligations of any other State of the United States, or of any political
6 or municipal or county subdivision or instrumentality thereof, or of
7 any political subdivision or instrumentality of a municipality or county
8 of this State, other than a school district, or of the Port Authority of
9 New York [Authority] and New Jersey or other instrumentality of 2
10 or more States or of the United States, or loans to any such other
11 State, or to such subdivision, or instrumentality, and, unless the
12 commissioner, acting pursuant to subsection H of this section
13 prescribed otherwise by regulation, loans and extensions of credit may
14 be made to, and investments may be made in the obligations of any
15 such other State, or of any such subdivision or instrumentality in
16 excess of [~~10%~~] 15 % but not in excess of 25% of the capital funds
17 of a bank or savings bank.

18 F. Except as the commissioner may otherwise prescribe from time
19 to time by regulation promulgated pursuant to subsection H of this
20 section, the total amount of investment securities of any one person
21 held by a bank or savings bank for its own account, other than
22 investments specified in paragraphs (1) and (2) of section 61 and
23 subsections D and E of this section, shall not exceed [~~10%~~]15 % of
24 the capital funds of the bank or savings bank.

25 G. In determining whether the total [~~liabilities of~~] loans and
26 extensions of credit made to any person are within the limitations
27 imposed by this article, a bank or savings bank and its directors,
28 officers and employees may rely upon, and be protected in relying
29 upon, the written statements or representations of such person, made
30 to induce such bank or savings bank to permit such [~~liabilities~~] loans
31 and extensions of credit to be [~~incurred~~] made.

32 H. The commissioner may, from time to time, make, amend and
33 repeal regulations (1) imposing a limitation, expressed in terms of a
34 percentage of capital funds, upon [~~liabilities~~] loans and extensions of
35 credit secured as specified in subsection C of this section, and (2)
36 decreasing, increasing, or removing entirely the limitations on
37 [~~liability~~] loans and extensions of credit imposed by this article upon
38 the [~~liabilities~~] loans and extensions of credit, obligations and
39 investments specified in subsections A, B, D, E and F of this section.
40 Regulations made pursuant to this section shall be directed toward
41 creating and maintaining substantial equality between State banks and
42 savings banks and national banks, to the end that no class or group of
43 banks or savings banks shall have any substantial competitive
44 advantage over another. When not defined in this article or in
45 regulations promulgated by the commissioner, terms used in this
46 article shall be construed in a manner consistent with their definition

1 by the Comptroller of the Currency, or any other appropriate federal
2 regulatory agency.²

3 (cf: P.L.1969, c.244, s.4)

4

5 ²12. Section 63 of P.L.1948, c.67 (C.17:9A-63) is amended to read
6 as follows:

7 63. Exempt transactions.

8 A. A bank or savings bank shall not be in violation of this article
9 if the [total liabilities of] loans and extensions of credit to a person
10 incurred under any prior law repealed or superseded by this act exceed
11 the limitations imposed by this article.

12 B. A bank or savings bank shall not be in violation of this article if,
13 at any time when a bank or savings bank makes a loan or extension of
14 credit to a person [incurs or incurred a liability to such bank], the
15 total [liabilities of] loans and extensions of credit to such person,
16 including the [liability] loan or extension of credit then [incurred]
17 made, do not or did not exceed the limitations imposed by this article,
18 notwithstanding that, subsequent to the [incurring] making of any
19 such [liability] loan or extension of credit, circumstances other than
20 the [incurring] making of an additional [liability] loan or extension of
21 credit, cause the total [liabilities of] loans and extensions of credit to
22 such person to exceed the limitations imposed by this article.

23 C. Notwithstanding any provision of this article, a bank or savings
24 bank may, with the prior approval of the commissioner, do any act
25 necessary to preserve or protect any loan or extension of credit,
26 obligation or investment held by it, or any security for such loan or
27 extension of credit or obligation, even though such act causes the
28 total [liabilities of] loans and extensions of credit to any person to
29 exceed the limitations imposed by this article; provided, that in no
30 case shall the commissioner approve any act pursuant to this
31 subsection which would cause the total [liabilities of] loans and
32 extensions of credit to any person to exceed the limitations imposed
33 by this article by more than fifty [per centum] percent of such
34 limitations.²

35 (cf: P.L.1953, c.141, s.3)

36

37 ²[10.] 13.² Section 110 of P.L.1948, c.67 (C.17:9A-110) is
38 amended to read as follows:

39 110. Directors; other committees. The by-laws of a bank may
40 provide for other committees of the board of directors in addition to
41 the committees elsewhere in this act authorized. Not less than a
42 majority of the members of any such other committee shall be
43 directors. Any or all of the remaining members of any such other
44 committee may be directors or may be officers of the bank who are
45 not directors. [No such other committee shall be empowered to do
46 any act for the bank without the approval of such act by the board of

1 directors.] Each committee shall have the authority to take any action
2 on behalf of the board that may be delegated to the committee in the
3 by-laws or by resolution of the board. ²The minutes of each
4 committee authorized to take action on behalf of the board of directors
5 pursuant to this section shall be presented to the board at its next
6 meeting following the meeting of the committee at which such action
7 was taken.²

8 (cf: P.L.1952, c.56, s.1)

9
10 ²[11.] 14. ² Section 3 of P.L.1990, c.69 (C.17:16F-17) is amended
11 to read as follows:

12 3. If the servicing of a mortgage loan for which a mortgage escrow
13 account has been established is sold, assigned or transferred to a
14 purchasing servicing organization:

15 a. [The selling servicing organization shall notify the mortgagor
16 of the sale, assignment or transfer not more than 45 days after the
17 actual date of the sale, assignment or transfer or not less than 10 days
18 prior to the date the next payment of property taxes is due, whichever
19 is earlier. The notification shall contain the name, address and
20 telephone number of the purchasing servicing organization and any
21 special instructions for the handling of payments during the conversion
22 period.](Deleted by amendment, P.L. , c. .)

23 b. The selling servicing organization shall notify the tax collector
24 of the taxing district in which the mortgaged property is located of the
25 sale, assignment or transfer not more than 45 days after the actual date
26 of the sale, assignment or transfer or not less than 10 days before the
27 date the next payment of property taxes is due, whichever is earlier.
28 The notification provided to the tax collector shall be on a form
29 approved by the commissioner. The selling servicing organization shall
30 also forward to the purchasing servicing organization the tax bill and
31 stubs for the property securing the mortgage loan.

32 c. [The purchasing servicing organization shall issue corrected
33 coupon or payment books, if such are used, not later than 20 days
34 after the first mortgage escrow payment to the purchasing servicing
35 organization is due and shall provide the mortgagor with the name,
36 address and telephone number of the purchasing servicing organization
37 and information regarding the purchasing servicing organization's
38 procedures for responding to questions from a mortgagor.]¹[(Deleted
39 by amendment, P.L. , c. .)] The purchasing servicing
40 organization shall issue corrected coupon or payment books, if such
41 are used, not later than 20 days after the first mortgage escrow
42 payment to the purchasing servicing organization is due.¹

43 d. The purchasing servicing organization shall notify the tax
44 collector of the taxing district in which the mortgaged property is
45 located of the sale, assignment or transfer of the servicing of the
46 mortgage loan not later than 45 days after the actual date of the sale,

1 assignment or transfer or not less than 10 days prior to the date the
2 next payment of property taxes is due, whichever is earlier. This
3 notice shall include the purchasing servicing organization's procedure
4 for responding to questions regarding a mortgage escrow account it
5 manages.

6 e. A mortgagee or servicing organization which has been
7 authorized to receive the original tax bill from the tax collector of the
8 taxing district in which the mortgagor's property is located pursuant
9 to R.S.54:4-64, may request the tax collector to send the original tax
10 bill to its property tax processing organization. This request shall be
11 made in writing on a form approved by the commissioner.

12 For the purposes of this section, "the date the next payment of
13 property taxes is due" means either the first day of February, May,
14 August or November, as applicable, and shall not include any grace
15 period.

16 For the purposes of this section, the terms, "purchasing servicing
17 organization" and "selling servicing organization" shall not include the
18 Government National Mortgage Association, the Federal National
19 Mortgage Association, the Federal Home Loan Mortgage Corporation,
20 the Resolution Trust Corporation, or the Federal Deposit Insurance
21 Corporation, if the assignment, sale, or transfer of the servicing of the
22 mortgage loan is preceded by:

- 23 (1) Termination of the contract for servicing the loan for cause;
24 (2) Commencement of proceedings for bankruptcy of the servicer;
25 or
26 (3) Commencement of proceedings by the Federal Deposit
27 Insurance Corporation or the Resolution Trust Corporation for
28 conservatorship or receivership of the servicer, or an entity by which
29 the servicer is owned or controlled.

30 (cf: P.L.1990, c.69, s.3)

31

32 ²[12.] 15.² Section 1 of P.L.1985, c.370 (C.17:16L-1) is amended
33 to read as follows:

34 1. As used in this act:

35 a. "Banking institution" means any State or federally chartered
36 bank, savings bank, or savings and loan association, including a
37 federally chartered savings bank;

38 b. "Commissioner" means the Commissioner of Banking ²and
39 Insurance²;

40 c. "Deposit account" means an account in a banking institution
41 used by the account holder for personal or family purposes, but does
42 not include an account as defined in the federal "Expedited Funds
43 Availability Act," 12 U.S.C.§4001 et seq., which account is subject to
44 the disclosure of funds availability policy requirements as set forth in
45 12 U.S.C. §4004.

46 (cf: P.L.1985, c.370, s.1)

1

2 ²[13.] 16.² Section 3 of P.L.1991, c.210 (C.17:16N-3) is
3 amended to read as follows:

4 3. a. Every depository institution that maintains regular checking
5 accounts in this State shall make available to consumers a New Jersey
6 Consumer Checking Account at all offices of that depository
7 institution where regular checking accounts are offered or available.
8 A New Jersey Consumer Checking Account shall be used primarily for
9 personal, family, or household purposes. No depository institution
10 shall be required to offer a New Jersey Consumer Checking Account
11 at a cost which is below its actual cost to provide such an account.
12 The calculation made by a depository institution of the actual cost of
13 providing a New Jersey Consumer Checking Account shall be
14 determinative in the absence of mathematical error or a request from
15 the commissioner for other data and information deemed relevant or
16 appropriate for evaluating the actual cost of providing a New Jersey
17 Consumer Checking Account. New Jersey Consumer Checking
18 Accounts shall contain the features specified in subsection c. of this
19 section or be an account the features and terms of which have been
20 approved by the commissioner pursuant to subsection d. of this
21 section.

22 b. An applicant for a New Jersey Consumer Checking Account
23 shall provide the depository institution with the same information an
24 applicant for a regular checking account is required to provide at that
25 depository institution.

26 c. The commissioner shall establish by regulation pursuant to the
27 "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et
28 seq.), all of the following features of a New Jersey Consumer
29 Checking Account which may be stated in terms of a range of options
30 rather than a specific number:

31 (1) the initial deposit amount, if any, necessary to open a New
32 Jersey Consumer Checking Account;

33 (2) the maximum amount, if any, permitted to be required by a
34 depository institution as a minimum balance necessary to maintain the
35 account;

36 (3) the number of checks, if any, that may be used within a periodic
37 cycle without charge to withdraw funds from the account;

38 (4) the number of other withdrawals, if any, that may be made by
39 a method other than check within a periodic cycle without charge;

40 (5) a maximum amount, if any, that may be charged per periodic
41 cycle for maintaining the account;

42 (6) the maximum number of deposits, if any, that may be made in
43 a periodic cycle without charge; and

44 (7) a maximum amount that may be charged per transaction in
45 excess of the number permitted under paragraphs (3), (4) and (6) of
46 this subsection.

1 d. (1) Notwithstanding the provisions of subsection c. of this
2 section, a depository institution may establish a New Jersey Consumer
3 Checking Account by:

4 (a) providing the terms and conditions that would qualify the
5 account as a “lifeline account” pursuant to 12 U.S.C. §1834; or

6 (b) submitting an account to the commissioner for approval as a
7 New Jersey Consumer Checking Account by providing the
8 commissioner information which details the features and terms of the
9 account.

10 (2) The commissioner shall approve or reject ~~[the]~~ an account
11 submitted to the commissioner pursuant to subparagraph (b) of
12 paragraph (1) of this subsection d. as a New Jersey Consumer
13 Checking Account within 30 business days of receipt of the
14 information from a depository institution.

15 (3) If the commissioner does not approve an account submitted to
16 the commissioner pursuant to subparagraph (b) of paragraph (1) of
17 this subsection d. as a New Jersey Consumer Checking Account, the
18 commissioner shall provide to the depository institution, in writing, the
19 reasons for ~~[his]~~ the commissioner’s decision.

20 e. The commissioner shall, prior to promulgating regulations
21 pursuant to subsection c. of this section or accepting any account for
22 approval pursuant to subparagraph (b) of paragraph (1) of subsection
23 d. of this section, review the terms and conditions of the low cost
24 personal checking accounts currently available to consumers in this
25 State and shall consider those terms and conditions in complying with
26 the provisions of subsections c. and d. of this section.

27 f. The holder of a New Jersey Consumer Checking Account shall:

28 (1) have no less access to mail or electronic banking services,
29 including direct deposits to the account by payors, than that offered to
30 holders of regular checking accounts at that depository institution;

31 (2) not be assessed any fee in excess of the usual fee or charge
32 made by the depository institution to its regular checking account
33 holders.

34 g. A depository institution shall provide a periodic account
35 statement to every holder of a New Jersey Consumer Checking
36 Account.

37 h. A depository institution may close a New Jersey Consumer
38 Checking Account under the same standards for fraudulent activity and
39 overdrafts as it applies to holders of regular checking accounts at the
40 depository institution or close or refuse to open a New Jersey
41 Consumer Checking Account if the consumer:

42 (1) has a regular checking account or another New Jersey
43 Consumer Checking Account in that depository institution or in any
44 other depository institution; or

45 (2) makes an intentional material misrepresentation in the
46 information provided to the depository institution to open the account.

1 i. A depository institution shall not require any holder of a New
 2 Jersey Consumer Checking Account to have any other account at that
 3 or any other depository institution or have a credit card issued by it or
 4 any other depository institution as a condition to opening or
 5 maintaining a New Jersey Consumer Checking Account.
 6 (cf: P.L.1991, c.210, s.3)

7
 8 ²[14.] 17. ² R.S.46:30B-95 is amended to read as follows:
 9 46:30B-95. Maintaining records; generally. Every holder required
 10 to file a report under Article 17 of this chapter, as to any property for
 11 which it has obtained the last known address of the owner, shall
 12 maintain a record of the name and last known address of the owner for
 13 **[10]** five years after the property becomes reportable, except to the
 14 extent that a shorter time is provided in R.S.46:30B-96 or by rule of
 15 the administrator.
 16 (cf: R.S.46:30B-95)

17
 18 ²[15.] 18. ² Section 3 of P.L.1963, c.177 (46:38-15) is amended to
 19 read as follows:

20 3. An adult may, during his lifetime, make a gift of a security, a life
 21 insurance or endowment policy, annuity contract, tangible personal
 22 property, interest in a partnership or limited partnership or money to
 23 a minor under this act:

24 (a) If the subject of the gift is a security in registered form, by
 25 registering it in the name of a person eligible to be custodian, or a
 26 trust company, followed by substantially the following language: "as
 27 custodian for (name of minor) under the New Jersey
 28 Uniform Gifts to Minors Act";

29 (b) If the subject of the gift is a security not in registered form, by
 30 delivering it to a person eligible to be custodian, other than the donor,
 31 or a trust company, accompanied by a statement of gift in substantially
 32 the following language, signed by the donor and the custodian:

33
 34 "GIFT UNDER THE NEW JERSEY UNIFORM GIFTS TO
 35 MINORS ACT

36 I, hereby deliver to,
 37 (name of donor) (name of custodian)
 38 as custodian under the New Jersey Uniform Gifts to Minors Act,
 39 for....., the following security:

40 (name of minor)
 41
 42 (description of security)

43 Dated:
 44 (signature of donor)

45, as custodian for said
 46 (name of custodian) (name of minor)

1 hereby acknowledges receipt of the above described security under the
2 New Jersey Uniform Gifts to Minors Act.

3 Dated:.....
4 (signature of custodian)"

5 (c) If the subject of the gift is money, by paying or delivering it to
6 a broker or a bank for credit to an account in the name of a person
7 eligible to be custodian, followed by substantially the following
8 language: "as custodian for

9 (name of minor)

10 under the New Jersey Uniform Gifts to Minors Act."

11 (d) If the subject of the gift is a life insurance or endowment policy
12 or an annuity contract, by causing the ownership of the policy or
13 contract to be registered with the issuing insurance company in the
14 name of the custodian or in the name of an adult member of the
15 minor's family or in the name of a guardian of the minor or any bank
16 or trust company, followed by the words "custodian for
17 under the New Jersey Uniform Gifts to Minors

18 (name of minor)

19 Act," and such policy of life insurance or endowment policy or annuity
20 contract shall be delivered to the person in whose name it is thus
21 registered as custodian. If the policy or contract is registered in the
22 name of the donor, as custodian, such registration shall of itself
23 constitute the delivery required by this act.

24 (e) If the subject of the gift is an interest in tangible personal
25 property, by causing the ownership of the property to be transferred
26 by any appropriate written document to the custodian in his own name,
27 followed by substantially the following language: "as custodian for
28 under the New Jersey Uniform Gifts to Minors Act."

29 (name of minor)

30 (f) If the subject of the gift is an interest in a partnership or a
31 limited partnership, by delivering an assignment of the interest to the
32 custodian in his own name, followed by substantially the following
33 language: "as custodian forunder the New Jersey

34 (name of minor)

35 Uniform Gifts to Minors Act," and by notifying in writing the other
36 partner or partners in the case of a partnership or the other general
37 partner or partners in the case of a limited partnership and the donee
38 of the gift. In the case in which the assignment is made to the donor in
39 his own name, notification to the other partner or partners in the case
40 of a partnership or to the other general partner or partners in the case

1 of a limited partnership shall constitute the delivery required by this
2 subsection.

3 (cf: P.L.1981, c.377, s.2)

4

5 ²[16.] 19.² Section 15 of P.L.1963, c.177 (C.46:38-27) is amended
6 to read as follows:

7 15. (a) The custodian shall collect, hold, manage, invest and
8 reinvest the custodial property.

9 (b) The custodian shall pay over to the minor for expenditure by
10 him, or expend on behalf of the minor, so much of or all the custodial
11 property as the custodian deems advisable for the support,
12 maintenance, education, general use and benefit of the minor in the
13 manner, at the time or times, and to the extent that the custodian in his
14 absolute discretion deems suitable and proper, with or without court
15 order, with or without regard to the duty or ability of himself or of any
16 other person to support the minor, and with or without regard to any
17 other funds, income or property of the minor which may be available
18 for any such purpose.

19 (c) The court, on the application of a parent or guardian of the
20 minor, or on the application of the minor if he has attained the age of
21 14 years, may order the custodian to pay over to the minor for
22 expenditure by him, or to expend on behalf of the minor, so much of
23 or all the custodial property as is necessary for the minor's support,
24 maintenance, education, general use and benefit.

25 (d) To the extent that the custodial property is not so expended, the
26 custodian shall deliver or pay it over to the minor when he attains 21
27 years of age or, if the minor dies before attaining 21 years of age, the
28 custodian shall thereupon deliver or pay it over to the estate of the
29 minor. The donor at the time the gift is made may expressly direct
30 that the custodianship be terminated and the custodial property be paid
31 over and transferred to the minor at any time after the minor attains
32 the age of 18 years.

33 (e) The custodian, in investing and reinvesting the custodial
34 property, shall act as would a prudent man of discretion and
35 intelligence who is seeking a reasonable income and the preservation
36 of his capital, except that he may, in his discretion and without liability
37 to the minor or his estate, retain a security given to the minor in a
38 manner prescribed in this act or hold money so given in an account in
39 the bank to which it was paid or delivered by the donor.

40 (f) (Deleted by amendment.)

41 (g) The custodian may sell, exchange, convert or otherwise dispose
42 of custodial property in the manner, at the time or times, for the price
43 or prices and upon the terms he deems advisable. He may vote a
44 security which is custodial property in person or by general or limited
45 proxy. He may consent, directly or through a committee or other
46 agent, to the reorganization, consolidation, merger, dissolution or

1 liquidation of an issuer of a security which is custodial property, and
 2 to the sale, lease, pledge or mortgage of any property by or to such an
 3 issuer, and to any other action by such an issuer. He may execute and
 4 deliver written instruments which he deems advisable to carry out any
 5 of his powers as custodian.

6 (h) The custodian shall keep all custodial property separate and
 7 distinct from his own property in such a manner as to identify it
 8 clearly as custodial property. He shall register each security which is
 9 custodial property and in registered form in his name, or in the name
 10 of a trust company, followed by substantially the following language:
 11 "as custodian for under the New Jersey Uniform
 12 (name of minor)

13 Gifts to Minors Act," He shall hold all money which is custodial
 14 property in an account with a broker or in a bank in his name followed
 15 by substantially the following language: "as custodian for
 16under the New Jersey Uniform Gifts to Minors Act."
 17 (name of minor)

18 (i) The custodian shall keep records of all transactions with respect
 19 to the custodial property and make them available for inspection at
 20 reasonable intervals by a parent, guardian or legal representative of the
 21 minor, or by the minor if he is 14 years of age or more.

22 (j) In addition to the powers given in this act, a custodian has all the
 23 powers with respect to the custodial property which a guardian of the
 24 estate would have with respect to property not held as custodial
 25 property.

26 (k) If the subject of the gift is a life insurance or endowment policy
 27 or annuity contract, the custodian:

28 (1) in his capacity as custodian, has all the incidents of ownership
 29 in the policy or contract to the same extent as if he were the owner,
 30 except that the designated beneficiary of any policy or contract on the
 31 life of the minor shall be the minor's estate and the designated
 32 beneficiary of any policy or contract on the life of a person other than
 33 the minor shall be the custodian as custodian for the minor for whom
 34 he is acting; and

35 (2) may pay premiums on the policy or contract out of the custodial
 36 property.

37 (l) The custodian may, in his discretion, terminate the custodianship
 38 at any time after the minor has attained the age of 18 years, but the
 39 power shall not be exercised by the custodian prior to a termination
 40 age fixed by the donor as provided in subsection (c) of this section.
 41 (cf: P.L.1981, c.377, s.13)

42

43 ²[17.] 20.² Section 20 of P.L.1963, c.177 (C.46:38-32) is amended
 44 to read as follows:

45 20. Upon the death of a custodian or renunciation of a custodian
 46 designee for whom a successor custodian has been designated or

1 provided by law, the certificate of death, a written renunciation or a
 2 written recital of the renunciation, as the case may be, shall be full
 3 warrant to all persons for immediate transfer of the custodial property
 4 to the successor if the minor is then under 21 years of age. The
 5 successor shall cause each security which is custodial property and in
 6 registered form to be registered, and each account with a broker or in
 7 a bank to be carried, in the name of the successor custodian . or a trust
 8 company, followed by substantially the following language: "as
 9 custodian for under the New Jersey Uniform Gifts to
 10 (name of minor)
 11 Minors Act" ; and shall cause each such security and all other custodial
 12 property to be delivered to him together with any additional
 13 instruments required for the transfer thereof.
 14 (cf: P.L.1963, c.177, s.20)

15
 16 ²[18.] 21.² (New section) a. For the purposes of this section:
 17 "Financial institution" means an entity chartered or licensed by the
 18 United States of America or by any state to accept deposits of funds
 19 or make loans.

20 "Governmental unit" means the United States of America, the State
 21 of New Jersey and all its counties, municipalities and school districts,
 22 and any authority or other entity established by any of those
 23 governmental units to fulfill a governmental function.

24 b. A person, other than a governmental unit, who is a party to an
 25 action and is seeking discovery or production of evidence as permitted
 26 by and pursuant to the Rules Governing the Courts of the State of
 27 New Jersey or other State authority or the Federal Rules of Civil
 28 Procedure requiring or requesting access to financial records
 29 pertaining to a customer of the financial institution shall pay to the
 30 financial institution that assembles or provides the financial records a
 31 fee for reimbursement of reasonably necessary costs, directly incurred,
 32 as follows:

33 (1) Reimbursement of search and processing costs, including the
 34 total amount of personnel direct time incurred in locating and
 35 retrieving, reproducing, packaging and preparing financial records for
 36 shipment, costs for analysis of material or for managerial or legal
 37 advise, expertise, research, or time spent for any of these activities.
 38 Search and processing costs may include the actual cost of extracting
 39 information stored by computer in the format in which it is normally
 40 produced, based on computer time and necessary supplies.

41 (2) Reimbursement for reproduction costs incurred in making
 42 copies of documents required or requested. The rate for reproduction
 43 costs for making copies of required or requested documents shall be
 44 the institution's usual rate charged to its customers for reproducing
 45 copies, including copies produced by reader-printer reproduction
 46 processes. Photographs, films, and other materials shall be reimbursed

1 at actual cost.

2 (3) Reimbursement of transportation costs, including transport of
3 personnel to locate and retrieve the information or material required
4 or requested and including all other reasonably necessary costs to
5 convey the information or material to the place of examination.

6 c. Payment for reasonably necessary, directly incurred costs to
7 financial institutions shall be limited to material required or requested.

8 d. Payment shall be made only for costs that are both directly
9 incurred and reasonably necessary, and search and processing,
10 reproduction, and transportation costs shall be considered separately.

11 e. A financial institution may require an advance payment, based on
12 the institution's good faith estimate or the charges permitted by this
13 act. Any payment in excess of the actual charge shall be promptly
14 refunded by the financial institution.

15 f. If a party to a lawsuit making the request for materials or
16 information withdraws the legal process or formal written request, or
17 if the customer revokes the authorization for release of materials or
18 information, or if the legal process or request has been successfully
19 challenged by the customer, the party shall promptly notify the
20 financial institution of these facts. The party shall be responsible only
21 for the costs directly incurred prior to the time that the financial
22 institution receives this notice.

23 g. A financial institution is not entitled to reimbursement under this
24 section for costs incurred in assembling or providing financial records
25 provided as an incident to perfecting a security interest, proving a
26 claim in bankruptcy, or otherwise collecting on a debt owing to the
27 financial institution itself or to the institution in its role as a fiduciary.

28

29 ²[19.] 22.² (New section) A depository institution which is
30 presented with an execution on an account pursuant to N.J.S.2A:17-57
31 et seq., may deduct from the amount levied and retain for itself as
32 compensation for its expenses and services, a service fee, provided
33 that the deposit agreement between the depository institution and the
34 depositor provides for such a fee. The portion of any service fee
35 which has priority over an execution pursuant to this section shall not
36 exceed \$60 or such greater or lesser amount as the Commissioner of
37 Banking ²and Insurance² may establish from time to time by
38 regulation.

39 Nothing herein shall ²[effect] affect² the validity or priority of any
40 lien or other right of set-off that the depository institution may have
41 with respect to the account which is levied upon.

42 For purposes of this section:

43 "Account" means a checking account, savings account or other
44 deposit account of a type which is insured by the Federal Deposit
45 Insurance Corporation.

46 "Depository institution" means any state or federally chartered

1 bank, savings bank, savings and loan association or credit union which
2 accepts deposits of funds.

3
4 ²[20.] 23.² (New section) A bank ²or savings bank² may originate
5 or acquire mortgage loans secured by a mortgage constituting a lien
6 upon real property or upon a lease of the fee of real property, so long
7 as the bank observes prudent banking practices, including amortization
8 of the loans. The value of any mortgage loan shall not exceed 90 per
9 cent of the appraised value of the mortgaged property, except for a
10 mortgage loan that is less than \$100,000 or as permitted by the
11 Commissioner of Banking ²and Insurance² by regulation. A bank ²or
12 savings bank² shall obtain an appropriate evaluation of the real
13 property collateral that is consistent with safe and sound banking
14 practices.

15
16 ²[21.] 24.² (New section) Any bank ²or savings bank² that is in
17 compliance with Regulation O of the Board of Governors of the
18 Federal Reserve System, 12 C.F.R. §215 et seq., is deemed to be in
19 compliance with the provisions of sections 71 through 75 of P.L.1948,
20 c.47 (C.17:9A-71 through 17:9A-75).

21
22 ²[122.] 25.² (New section) Any bank ²or savings bank² that is in
23 compliance with the federal "Depository Institution Management
24 Interlocks Act," 12 U.S.C. §3201 et seq. and the federal regulations
25 effectuating that act, 12 C.F.R. §348, is deemed to be in compliance
26 with the provisions of sections 1 through 6 of P.L.1975, c.265
27 (17:16E-1 et seq.).¹

28
29 ²26. (New section) An association may originate or acquire
30 mortgage loans secured by a mortgage constituting a lien upon real
31 property or upon a lease of the fee of real property, so long as the
32 association observes prudent lending practices, including amortization
33 of the loans. The value of any mortgage loan shall not exceed 90 per
34 cent of the appraised value of the mortgaged property, except for a
35 mortgage loan that is less than \$100,000 or as permitted by the
36 Commissioner of Banking and Insurance by regulation. An association
37 shall obtain an appropriate evaluation of the real property collateral
38 that is consistent with safe and sound banking practices.²

39
40 ²27. (New section) Any association that is in compliance with the
41 federal "Depository Institution Management Interlocks Act," 12
42 U.S.C. §3201 et seq. and the federal regulations effectuating that act,
43 12 C.F.R. §348, is deemed to be in compliance with the provisions of
44 sections 1 through 6 of P.L.1975, c.265 (17:16E-1 et seq.).²

45
46 ²28. Section 155 of P.L.1963, c.144 (C.17:12B-155) is amended

1 to read as follows:

2 155. Other loans may be made as follows:

3 A. Account loans. Loans secured by a pledge of a member's
4 savings account. No such loan shall exceed the withdrawal value of
5 the pledged account. Interest on such loans shall not be charged at a
6 rate in excess of the maximum permitted under the provisions of R.S.
7 31:1-1 unless a higher rate is required by any applicable Federal
8 regulation that establishes minimum rates that must be charged on
9 loans secured by savings accounts; in which event, the interest
10 charged shall not be greater than that specified by such Federal
11 regulation.

12 B. Purchase of loans. An association may purchase any
13 mortgage loan, property repair, alteration, improvement or
14 rehabilitation loan, or any other loan which an association is
15 authorized to make.

16 C. [Loans secured by a mortgage upon a lease of the fee of real
17 property. Any association may invest in any obligation secured by a
18 mortgage on a lease of the fee of real property. The term of the
19 leasehold interest securing such loan shall be not less than 50 years
20 from the date such loan is granted; otherwise, such loans shall be
21 made pursuant to sections 146 through 154, 167 and 168 of this act.]
22 (Deleted by amendment, P.L. , c. .)

23 D. [Camp meeting leaseholds. An association may invest in any
24 obligation secured by a first mortgage, as defined in section 11 of this
25 act, on any leasehold estate of real estate, in this State, of any camp
26 meeting association, to the extent authorized by, and subject to, the
27 limitations and restrictions contained in R.S. 17:2-1.] (Deleted by
28 amendment, P.L. , c. .)

29 E. Loans otherwise authorized. An association may make any
30 other loan which it may be authorized to make by any law of this
31 State.

32 F. [Loans on apartments or units established under the
33 "Horizontal Property Act" or the "Condominium Act." An
34 association may invest in any obligation secured by a mortgage on an
35 apartment which is part of a horizontal property regime established
36 under the "Horizontal Property Act" or upon a unit which is part of
37 a condominium established under the "Condominium Act." All such
38 loans shall be made pursuant to sections 146 through 154, 167 and
39 168 of this act.] (Deleted by amendment, P.L. , c. .)

40 G. Educational loans. In addition to the authority otherwise
41 granted by law for an association to make loans guaranteed or insured
42 in whole or in part by the United States of America or the State of
43 New Jersey, or any instrumentality or agency of either of them, or for
44 which a commitment to so guarantee or insure has been made, an
45 association may make any loans so guaranteed or insured or for which
46 a commitment to so guarantee or insure has been made where such

1 loans are made for the purposes of financing the expenses of higher
2 education. Such loans may be made in accordance with the terms and
3 conditions permitted by the guaranteeing or insuring authority,
4 notwithstanding any other provisions of law limiting interest or other
5 charges or prescribing other terms and conditions.

6 H. [Loans on building lots. An association may invest in any
7 obligation secured by a mortgage which is a first lien on a building lot,
8 where it is represented by the borrower at the time the loan is made
9 that he intends to build or have built a dwelling on the building lot for
10 his own use and occupancy. The amount of such loan shall not
11 exceed 80% of the value of the real estate as found by appraisal at the
12 time the loan is granted and shall be a direct reduction loan as defined
13 in section 5 of this act, which shall require periodic payments
14 sufficient to pay the principal and interest on the loan in full over a
15 period of 10 years or less.] (~~Deleted by amendment, P.L. , c. .~~)

16 I. Secondary mortgage loans. [An association may make or
17 invest in any secondary mortgage loan as defined in section 5 of P.L.
18 1963, c. 144 (C. 17:12B-5).] Secondary mortgage loans made
19 pursuant to section 23 of P.L. , c. (C.)(pending before the
20 Legislature as this bill) shall be repayable in installments under the
21 same terms and conditions as provided for secondary mortgage loan
22 licensees under the "Secondary Mortgage Loan Act," P.L. 1970, c.
23 205 (C. 17:11A-34 et seq.) only with respect to maximum annual
24 percentage rate of interest. The Commissioner of Banking and
25 Insurance shall have the power, in relation to a "secondary mortgage
26 loan," to adopt, amend, alter or rescind regulations, the requirements
27 of which, in [his] the commissioner's judgment, are necessary for the
28 implementation of this subsection.

29 J. Mobile homes. An association may invest in mobile or
30 manufactured home chattel paper by making or by buying loans or
31 installment sales contracts on mobile or manufactured homes.

32 K. Consumer loans.

33 (1) An association may invest in or make installment loans upon the
34 same terms and conditions prescribed for banks in accordance with
35 Article 12 of the "Banking Act of 1948," P.L.1948, c. 67 [(C.
36 17:9A-1 et seq.)] (C.17:9A-53 et seq.), subject to the limitation
37 established in subsection M. of this section.

38 (2) In addition, subject to the limitation established in subsection M.
39 of this section, an association may invest in or make secured or
40 unsecured loans for personal, family, or household purposes to the
41 extent and under the conditions permitted by the rules and regulations
42 adopted by the commissioner from time to time. The rate of interest
43 on such loans shall not be in excess of the rate of interest provided for
44 in section 160 of P.L.1963, c. 144 (C. 17:12B-160) or in excess of any
45 rate of interest for such loans as may be otherwise authorized by law.
46 The commissioner shall promulgate such rules and regulations in

1 substantial conformity with similar rules and regulations of the
2 Federal Home Loan Bank Board.

3 L. Advance loans. An association may make advance loans upon
4 the same terms and conditions prescribed for banks in accordance
5 with [Article 12A of the "Banking Act of 1948," P.L.1948, c. 67 (C.
6 17:9A-1 et seq.)] "The Advance Loan Law of 1968," P.L.1959, c.91
7 (C.17:9A-59.1 et seq.).

8 M. Limitations on loans and investments. Loans or investments
9 in the following subsections shall not exceed, in the aggregate for each
10 subsection, 20% of the assets of the association, provided that the
11 commissioner may, by regulation, establish an amount in excess of
12 20% for each subsection if such excess amount is in conformity with
13 Federal law or rule or regulation of the Federal Home Loan Bank
14 Board:

15 (1) [Loan secured by a first lien on real estate which are solely for
16 business or commercial purposes, as authorized by this act;] (Deleted
17 by amendment, P.L. , c. .)

18 (2) Secured or unsecured loans for personal, family, or household
19 purposes, and commercial paper and corporate debt securities;
20 provided, however, that no percentage of assets limitation shall apply
21 to the issuance of credit cards or the extension of credit therewith, the
22 investment in property improvement loans as defined in section 158
23 of P.L.1963, c. 144 (C. 17:12B-158), or the investment in advance
24 loans as defined in subsection L. of this section.²

25 (cf: P.L.1981, c.101, s.12)

26

27 ²29. Section 156 of P.L.1963, c.144 (C.17:12B-156) is amended
28 to read as follows:

29 156. Investments in additional loans.

30 A. An association may make additional loans or advances for any
31 purpose expressly or impliedly reserved or provided for in any bond,
32 mortgage or other obligation held by or hereafter acquired by any such
33 association subject to the provisions of subsection D [subdivisions
34 (1), (5), (6) and (7)] of this section, otherwise;

35 B. An association may make additional loans to borrowing
36 members for the purpose of repairs, alterations, or improvements
37 already made or to be made upon real estate owned by such borrowing
38 member, subject to the conditions and limitations of subsection D of
39 this section.

40 C. An association may make additional loans to borrowing
41 members for the purpose of paying the cost of insurance upon the life
42 of such borrowing member. Such policy of insurance may also
43 include health, accident or disability features. The proceeds of such
44 a policy of insurance shall be applied in accordance with the terms and
45 conditions contained therein; provided, however, the amount of such
46 insurance shall not exceed the amount loaned on the mortgage lien

1 held by the association. Any additional loan made under this
2 subsection shall be made pursuant to the conditions and limitations
3 contained in subsection D of this section.

4 D. Any additional loan to borrowing members made pursuant to
5 the provisions of [subsections B or C of] this section shall be made
6 subject to the following conditions and limitations:

7 (1) The real estate securing such an additional loan shall be real
8 estate upon which the association already holds a mortgage lien.

9 (2) [If the mortgage lien already held by the association secures the
10 payment of a direct reduction loan, such additional loan shall not
11 exceed the sum of \$3,500.00 or the amount which has been repaid in
12 reduction of the principal of such mortgage loan, whichever is less.]
13 (Deleted by amendment, P.L. , c. .)

14 (3) [If the mortgage lien already held by the association secures the
15 payment of a sinking fund loan, such additional loan shall not exceed
16 the sum of \$3,500.00 or the withdrawal value of the installment
17 account which is pledged as collateral security for the payment of
18 such sinking loan fund, whichever is less.] (Deleted by amendment,
19 P.L. , c. .)

20 (4) [If the mortgage lien already held by the association secures the
21 payment of a straight mortgage loan, such additional loan shall not
22 exceed \$3,500.00 or an amount which when added to the balance of
23 the straight mortgage loan, does not exceed 50% of the value of the
24 real estate as found by appraisal at the time such additional loan is
25 made, whichever is less. The term of any additional straight mortgage
26 loan shall not exceed 3 years.] (Deleted by amendment, P.L. ,
27 c. .)

28 (5) Each such additional loan shall be evidenced by an obligation
29 which shall state the terms on which such loan is made, and the
30 amount thereof shall be added to the amount due on the association's
31 mortgage against such real estate.

32 (6) The payment of such additional loan shall be secured by the
33 mortgage the association already holds on such real estate.

34 (7) No search or examination of the title to the mortgage real estate
35 shall be required.

36 All persons who acquire any rights in, or liens upon, the mortgaged
37 real estate, subsequent to the recording of any association's mortgage,
38 shall hold such rights and liens subject to the association's right to
39 make such additional loans.²

40 (cf: P.L.1963, c.144, s.156)

41

42 ²30. Section 168 of P.L.1963, c.144 (C.17:12B-168) is amended
43 to read as follows:

44 168. Limitations on amounts of real estate loans and investments.

45 No State association shall [loan upon the security of, nor invest in
46 any contract for the resale of, any one property, more than \$35,000.00

1 or an amount equal to 2 1/2 % of its assets whichever amount is
 2 greater] make loans or extensions of credit in an amount greater than
 3 that permitted for banks and savings banks pursuant to sections 60
 4 through 63 of P.L.1948, c.67 (C.17:9A-60 through 17:9A-63).

5 Notwithstanding the above limits, the commissioner may adopt,
 6 amend, alter or rescind regulations permitting associations to make
 7 loans for a greater amount or to increase the percentage limitation
 8 hereinabove set forth. The commissioner may give consideration to
 9 the size of the association, its reserves and current economic
 10 conditions in issuing such regulations. Any loans or investments
 11 legally made under the provisions of regulations adopted under the
 12 authority granted by this section shall be legal loans or investments if
 13 they conform with the regulations in effect at the date of closing or
 14 purchase of said loan or investment, notwithstanding the subsequent
 15 amendments, alterations, rescissions or repeals of the regulations in
 16 effect at the date of such closing or purchase.²

17 (cf: P.L.1981, c.101, s.17)

18
 19 ¹[22.] ²[23.¹] 31.² The following are repealed:

20 Section 25 of P.L.1985, c.81 (C.17:3B-28);

21 Sections 64 through 70 of P.L.1948, c.67 (C.17:9A-64 through
 22 17:9A-70);

23 Section 2 of P.L.1973, c.328 (C.17:9A-65.1);

24 ²Section 181 of P.L.1948, c.67 (C.17:9A-181);²

25 ¹[P.L.1975, c.265 (C.17:16E-1et seq.);]¹

26 ²Sections 146 through 149 and 151 through 154 of P.L.1963, c.144
 27 (C.17:12B-146 through 17:12B-149 and 17:12B-151 through
 28 17:12B-154);

29 Section 167 of P.L.1963, c.144 (C.17:12B-167);²

30 Sections 4, 5 and 6 of P.L.1977, c.1 (C.17:16F-4 through
 31 17:16F-6);

32 Sections 2, 6, 7 and 8 of P.L.1990, c.69 (C.17:16F-16 and
 33 17:16F-20 through 17:16F-22); and

34 P.L.1979, c.87 (C.56:11-10 through 56:11-15).

35
 36 ¹[23.] ²[24.¹] 32.² This act shall take effect immediately.

37
 38
 39
 40
 41 Provides regulatory relief for banks, savings banks and savings and
 42 loan associations.