

ASSEMBLY FINANCIAL INSTITUTIONS COMMITTEE

STATEMENT TO

ASSEMBLY, No. 2007

with committee amendments

STATE OF NEW JERSEY

DATED: MAY 13, 1996

The Assembly Financial Institutions Committee reports favorably Assembly Bill No. 2007 with committee amendments.

Assembly, No. 2007 bill amends the "Market Rate Consumer Loan Act," P.L.1985, c.81 (C.17:3B-3 et seq.), to provide New Jersey financial institutions with the legal authority to effectively compete with bank credit card issuers not located in New Jersey.

The bill provides that a revolving credit plan agreement may contain a provision that the periodic percentage rate may increase or decrease only if the increase or decrease takes place in relation to an increase or decrease in a market interest rate index specified in the plan, which index is readily verifiable by the borrower and beyond the control of the lender.

The bill provides for revolving credit home equity loans by permitting a lender to take real property as security for such loans.

The bill permits a lender to charge and collect fees and charges on closed and open end loans, in addition to interest and fees and charges already specifically permitted in the law if included in the agreement, such as, but not limited to, minimum charges, check charges, maintenance charges and late charges, and for open end loans, annual fees. In addition, on any secured loan under a revolving credit agreement, the bill provides that the lender may charge and collect the costs of filing or recording the instrument of security, if the filing or recording is authorized by law.

With respect to a variable interest rate on closed end loans, if the rate of interest increases, the bill provides for an increase in the monthly payment if the agreement provides for such an increase or if the parties agree to an increase.

The bill provides that a lender may require or offer, or both require and offer, certain kinds of insurance in relation to open or closed end loans and that the lender may deduct and retain from the proceeds of the loan the amount of any premium for any insurance provided by the lender to the borrower under the act.

Amendments to the bill: reinsert language deleted by the bill as introduced that provide the borrower with the option of not accepting a change in terms of a revolving credit plan and continuing to pay off

the outstanding balance under the existing terms on a monthly basis; change the notice requirement, on a closed end loan with a variable interest rate agreement, from a 15- to a 30-day notice that the lender must send prior to requiring that the periodic payment be increased, or that there be a combination of an extended term and increased periodic payments when the interest rate increases; and repeal section 25 of P.L.1985, c.81 (C.17:3B-28) regarding notice of variations in the periodic interest rate, which was amended by the bill as introduced, because the notice requirements have been included in other sections of the "Market Rate Consumer Loan Act."