

SENATE STATE MANAGEMENT, INVESTMENTS AND
FINANCIAL INSTITUTIONS COMMITTEE

STATEMENT TO

SENATE, No. 1305

with committee amendments

STATE OF NEW JERSEY

DATED: OCTOBER 7, 1996

The Senate State Management, Investments and Financial Institutions Committee reports favorably and with committee amendments Senate Bill No. 1305.

This bill provides for changes in current banking law to reduce duplication and conflict with federal law and to reduce unnecessary and burdensome regulations which increase the cost of doing banking business in this State.

More specifically, the bill makes the following changes in the "Market Rate Consumer Loan Act," P.L.1985, c.81 (C.17:3B-1 et seq.): requires any revolving credit plan that provides that the periodic rate of interest under the plan may increase or decrease to provide in the revolving credit plan agreement that the increase or decrease will take place only in relation to a market rate index specified in the plan; places open-end home equity loans under the act by permitting real property to be used as security for loans made under the act; permits, if the agreement so provides, charging additional fees such as, but not limited to, minimum charges, annual fees, check charges, maintenance charges, and late charges; and repeals section 25 of P.L.1985, c.85 (C.17:3B-28) concerning notice of change in a periodic percentage rate and the time period before which any such change can become effective.

To conform State law with federal law in other respects, the bill: clarifies the factors that would prohibit a person from serving as an officer, director or employee of a bank, savings bank or bank holding company; permits the use of committees of the board of directors of a bank to take any action on behalf of the board that may be delegated to the committee in the by-laws or by resolution of the board; provides that any bank or savings bank that is in compliance with Regulation O of the Board of Governors of the Federal Reserve System, 12 C.F.R. §215 et seq., concerning loans to officers, directors and principle shareholders, is deemed to be in compliance with sections 71 through 75 of P.L.1948, c.47 (C.17:9A-71 through 17:9A-75); removes certain requirements with respect to notice on the sale, assignment or transfer

of the servicing of a mortgage loan which are preempted by federal law; conforms the State funds availability law with federal law and its preemptions; and provides that a bank, savings bank or savings and loan association that is in compliance with the federal "Depository Institution Management Interlocks Act," 12 U.S.C. §3201 et seq. and the federal regulations implementing that act, 12 C.F.R. §348, is deemed to be in compliance with the provisions of sections 1 through 6 of P.L.1975, c.265 (17:16E-1 et seq.).

The bill also amends the "New Jersey Uniform Gifts to Minors Act" to make it similar to the "New Jersey Uniform Transfers to Minors Act" by permitting trust companies to be designated as custodians with respect to the gift of a security.

The bill provides for the recovery of expenses incurred by depository institutions as a result of responding to: (1) a person, other than a governmental unit, who is a party to a lawsuit and is seeking discovery or production of evidence as permitted by and pursuant to the Rules Governing the Courts of the State of New Jersey or other State authority or the Federal Rules of Civil Procedure and (2) an execution on an account pursuant to N.J.S.2A:17-57 et seq.

COMMITTEE AMENDMENTS

The amendments to this bill: require a 30 day notice prior to the effective date of any change in a revolving credit agreement; remove the language permitting a bank to qualify an account as a "Consumer Checking Account by establishing an account in agreement with the federal "lifeline account" standards; clarify the lending authority of banks, savings banks and savings and loan associations by placing limits on the total amount of loans and extensions of credit that can be made to one borrower; provide that a bank, savings bank, or savings and loan association may take certain actions, with the approval of the commissioner, to preserve and protect any loan, obligation or investment held by it even though this action might cause the total loans and extensions of credit to one borrower to exceed the limitations previously imposed; and include savings banks and savings and loan association in the regulatory reforms contemplated in the bill for commercial banks.