NEW JERSEY SAVINGS AND LOAN LEAGUE
NEWARK 2, NEW JERSEY
TELEPHONE MITCHELL 2-4565

REPORT TO THE MEMBERSHIP

First Report of the Committee

on the

Reports on

REVISION OF THE SAVINGS AND LOAN ACT OF NEW JERSEY,

This is a progress report only in which is set forth details of the recommendations of the various sub-committees together with comments or explanations of the reasons for the recommended revisions.

51st Annual Convention — May 5th, 6th, 7th, 1960

Haddon Hall Hotel, Atlantic City, N. J.

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FOREWARD

This project to revise the Savings and Loan Act has been undertaken by the New Jersey Savings and Loan League for the reason that we cannot stand still if we are fulfill our obligations to promote thrift and to encourage home ownership. The 1960's are with us, and assuredly they will present us with new conditions, new problems and new opportunities. Savings and loan associations are rigidly controlled by law, much more so than general business operations. The law under which we operate, therefore, is of paramount importance to us, and it requires our careful study and attention.

This project was commenced following a resolution adopted at the May 1958 convention of the League, which authorized the officers and Board of Governors of the League to undertake a complete study of the Savings and Loan Act looking to its comprehensive revision. In accordance with that mandate, the Chairman of the Board of the League appointed ten sub-committees, each to study a particular article or articles of the act, and a Steering Committee to coordinate the effort and to pass upon the recommendations of the various sub-committees. The aggregate membership of the Steering Committee and of the sub-committees consists of 99 people. They have been meeting over the period of the last year-and-a-half to study matters assigned to them, and the Steering Committee in turn has passed upon the recommendations of most of the sub-committees.

This report includes the recommendations that have been adopted to date by the sub-committees, approved by the Steering Committee, and in turn approved by the Board of Governors of the League. These recommendations and those to follow will be disseminated to the membership of the League, and will be discussed at County League Meetings and other savings and loan gatherings in the months before us. After there has been a full opportunity for discussion, questions, criticisms, and suggestions, the report will be submitted to the League as a whole, either at a special meeting or by referendum for its adoption, rejection or modification.

The report set forth on the following pages gives each recommendation in detail with a succinct statement for its reason, where explanation is necessary. Where a sub-committee report has not as yet been rendered or passed upon by the Steering Committee and Board of Governors, it will be noted "Not yet complete." Where a sub-committee has presented several recommendations which have been approved as above stated and where other recommendations are still to come, the item will be noted "Other recommendations to follow." Where the sub-committee has rendered its final report, the item will be marked "Complete."

ARTICLE I

Construction and Definitions
Charles B. Clancy
Chairman - Sub-Committee

(Not yet complete)

ARTICLE II

Purposes
Edward H. Simpson
Chairman - Sub-Committee

This is a short article which reads "Associations operating under the provisions of this act shall be mutual associations for the purpose of promoting thrift, home ownership and housing."

No change is recommended in this article. (Otherwise in this report we shall not make note of provisions which remain unchanged but because of the fundamental importance of this article, it was thought well to repeat it.)

ARTICLE III

Incorporation and Organization
Edward H. Simpson
Chairman - Sub-Committee

Section 16: Notice of Application and Hearing Thereon

Amend this section to provide that the notice of hearing on a new charter shall be mailed to Federal associations within the County, as well as State chartered associations.

Comment: This brings this section of the act into conformity with the provision concerning notice of branch applications where it is required that federal associations as well as state chartered associations in the area be notified and is generally in accord with the policy of providing equal treatment of the federal associations with the state chartered associations, wherever it may be possibly accomplished under the state law.

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Amend this section by changing the present required guarantee fund of $ 25,000 which must be established by the incorporators of a new association, to $ 50,000.

Comment: Under present day conditions the $ 25,000 guarantee fund is inadequate. The establishment of a $ 50,000 guarantee fund appears to be a desirable minimum.

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This section presently provides that unless the incorporators commence business within six months after approval of the charter by the Commissioner, the charter shall become null and void. It is recommended that a provision be added to this section, giving the incorporators the right to apply to the Commissioner for extensions for additional periods, for good cause shown, not in excess of six months each.

Comment: This will bring this section into accord with the similar provision in the Branch section. Delay in the construction of a building, in securing occupancy of rented quarters or some other good reason may make it impossible to commence business within six months and there should be some leeway given under such circumstances.

Section 21: Branch Offices

The first recommendation for change with respect to branches provides for the inclusion in the statute of the following definitions which are not now present in the law.

(A) Branch Office: A branch office is a legally established office of the association other than the principal office or an agency, authorized by the Board of Directors and approved by the Commissioner at which such operations not inconsistent with the limitations of this statute as may be authorized by the Board of Directors, may be carried on.

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(C) Population: Where in this section the population of a municipality, a county or the state is mentioned, the population figure shall be the estimate of population as certified to the Commissioner by the New Jersey Department of Conservation and Economic Development.

(D) Per Capita Assets: Per Capita Assets shall mean the total savings and loan assets divided by population.

Per Capita Assets in the state shall be the total savings and loan assets of associations and federal associations as of December 31st of each year, divided by total population of the state. Per Capita Assets of the county, shall be the total assets of associations and federal associations in the county as of December 31st of each

year, divided by the population of the county. Per Capita Assets for a municipality shall be the total assets of associations and federal associations including branch offices within the municipality divided by the population of the municipality. The Commissioner upon request of an association shall certify the Per Capita Assets in the municipality, county or state.

Comment: The purpose of these definitions is to make clear exactly what is meant by the statutory language where these terms are used.

The second group of recommendations deals with location of branches. They are as follows:

An association must apply in writing to the Commissioner for approval to establish a branch office and must state in the application the location of the proposed branch office.

LOCATION

(1) In the same municipality in which the principal office of the association is located. (Present law).

(2) In another municipality in the same county were no association or federal association or branch office of an association or federal association is located. (Present law).

(3) In a municipality in a contiguous county where there is no principal office or branch office of an association or federal association provided the municipality where it is proposed to locate the branch office is located within 6 miles of the geographic border of the municipality where the principal office of the applying association is located.

(4) In a municipality in the same county where the principal office of the applying association is located, wherein there is located the principal office or branch office of another association, or federal association, provided that the per capita savings and loan assets in the municipality in which it is proposed to locate the branch office, are less than the state or county per capita assets, whichever is smaller, and the total area of the municipality in which it is proposed to locate the branch, is in excess of 5 square miles. Such branch office must be more than 2,500 feet from the location of an existing principal or branch office of an association, unless the association maintaining such principal office or branch in the municipality consents in writing to a closer location.

(5) An association that has a branch office in a municipality where there is no principal office of an association or federal association may apply for an additional branch office or offices in that municipality.

Comment: Items 3 and 4 expand the present law and item 5 clarifies the present law.

Recommendation 3 above permits the crossing of county lines to the extent of six miles into a community where there presently is no association or branch; in other words, into a community where there are no savings and loan services.

Recommendation 4 above permits the location of a branch in a municipality where an association is presently located but where the municipality is not adequately served by the existing institution. This would be a town where there is a small association that had a charter but is relatively inactive. The test of service is per capita assets which means the total assets divided by the population and the branch would be permitted where the per capita assets were less than the state or county per capita assets, whichever was the smaller.

Recommendation 5 above permits an association which has a branch in a community in which there is no principal office located to establish another branch in the same community.

The third series of recommendations have to do with reserve and asset requirements. They are as follows:

Any association having less than $ 5,000,000 in assets may establish one branch office provided they comply with the conditions of this section and provided further that they have reserves and undivided profits of five per cent of capital or $ 50,000 whichever is less. (This is the present law).

Otherwise an association may establish a branch office or offices when the reserves and undivided profits of the association are at least equal to five per cent of the capital plus the amount required for the guarantee fund for the establishment of a new association in the municipality where the branch is applied for, either by having reserves and undivided profits in excess of five per cent equal to that amount or by providing a guarantee fund under the same conditions and equal to the amount set forth in Section 16.1

Comment: The reason for this change is to strengthen the reserve requirements when an association operates branches but at the same time give leeway to take care of the situation where a branch is needed to serve an area by permitting the interested people to establish a guaranty fund the same as they would be required to do if they were going to establish a new association.

This series of recommendations deals with the Commissioner's findings and they are as follows:

The Commissioner, before granting permission to open a branch office, must find that the association and the proposed branch meets all the requirements of this section, and the Commissioner shall determine that the establishment of such branch office will be of benefit to the area served by such branch office and that it may be established without undue injury to any other association or federal association in the area in which it is proposed to locate such branch office and that the conditions in the area to be served offer a reasonable promise of successful operation.

Comment: These are changed but little from present requirements.

The committee makes the following recommendations with respect to branches following merger or purchase of assets.

The recommendations continue the provision that the Commissioner can grant a branch where there is a merger or sale of assets, but limit this provision to the same or a contiguous county.

Comment: The present law on mergers permit the branch within a contiguous county but the law on asset sales is somewhat ambiguous. This would limit the branches to contiguous counties which for practical purposes is all that can presently be obtained.

The last recommendation of this committee is a recommendation that the associations be given permission to apply to the Commissioner for authority to establish an agency or agencies in communities with less than 3,500 in population. The recommendation follows:

An association shall have the right to apply to the Commissioner for permission to establish an agency or agencies in communities of less than 3,500 in population, and the Commissioner shall determine the conditions under which he shall permit the establishment of the agency or agencies. The Commissioner shall not approve the establishment of an agency in a community wherein is located the principal or branch office of an insured association.

Comment: Many communities in the state are too small to support the operation of an association or a branch office. Yet, these communities are inhabited by people who are both savers and borrowers. The purpose of this recommendation is to permit the designation of someone in a community such as that to be an agent for the association. The purpose of the agency would be soley to accept payments on savings and loans. This is highly desirable because convenience is a most important factor in getting the public to do business with associations.

Section 24: Change of Office Location.

The present law requires the approval of the Commissioner for a removal over municipal lines. It is recommended that the same time limit provisions which apply to new charters and to branches should be added to this section, namely, that the removal must take place within six months of approval, with the right of application to the Commissioner for an extension for good cause shown. There is presently no time limit.

Comment: This change will bring this section into conformity with the sections dealing with new charters and branches.

(Complete)

ARTICLE IV

Powers
Walter Foster
Chairman - Sub-Committee

Section 27: Specific Powers

Amend Sub - Section 13 of this section, to provide for a permissible late charge of 4 % of the amount of arrearage on a loan, in place of the present 2 %.

Comment: This will bring the late charges permitted on conventional loans into conformity with the late charges permitted on FHA and G. I. Loans, namely 4%. The association should have the same means of encouraging prompt payments on conventional loans as now are permitted on Governmentally guaranteed loans.

Amend Sub-Section 16 of Section 27 dealing with pension plans by providing for retirement benefits for officers and employees not to exceed (1) sixty (60) per cent of the average salary paid during the last 36 months of service preceding retirement; or (2) one - sixth of one per cent of the average annual salary for the last 36 months of service preceding retirement, multiplied by the entire number of months of service with the association; or (3) sixty (60) per cent of the average annual salary during the period of participation in the pension plan as set forth in the plan adopted by the association; whichever is the greatest. Also include in this Sub - Section or add a new Sub - Section which would permit associations to enter into a deferred compensation contract with employees so long as such contract complies with the following:

(1) That it would end on the death of the employee. (2) That the amount of benefit be reasonable and not exceed that which would be paid to the beneficiary, had he been included in a pension plan at the time of the execution of the deferred compensation contract. (3) That some further limitation be included so as to provide for reduction in payment benefits, commensurate with any decrease in the net income of the association which may occur. (4) That any deferred compensation contract must be approved by the Commissioner of Banking and Insurance prior to its execution.

Comment: The reason for the change in the pension section is that the net effect of many pension plans is to fund them on the basis of salary earned during the life time. Under the present law, it is conceivable that an association could fund a pension plan for employees for a period of 25 or 30 years and then because of salary reductions during the last three years of employment, the individual would not be entitled to receive the pension which had already been funded and paid for. The amendment would clarify this situation, and avoid that possibility.

The provision concerning deferred compensation is recommended because there are a number of cases where the association has had long and faithful service from an officer or employee, but either has not adopted a pension plan, or adopted it at a late date, which makes it unavailable to such employee. At present, the association is not permitted to commit itself for any extended period in the future, insofar as deferred compensation is concerned, for the good reason that it would set up a fixed contingent liability for an indefinite period. In order to take care of this situation, the proviso has been included that the payments may be reduced proportionately if the net income of the association is reduced. Thus this proposal will provide a reasonable element of security to the retired officer or employee, while at the same time, not subjecting the association to a fixed annual money amount of liability.

Section 27 (Proposed Addition): Safe Deposit Boxes

Add a new Sub - Section to Section 27 specifically spelling out the right of insured State chartered associations to operate safe deposit boxes.

Comment: The present act does not contain any language either permitting or prohibiting the operation of these boxes, but they have become a normal adjunct to savings and loan operation. A number of New Jersey State chartered associations have maintained this service for a number of years, one of which has had safe deposit facilities for over 40 years. Safe deposit facilities are operated by federal associations and by the state chartered associations of many states. It would be advisable to clarify the act with specific language concerning this facility.

(Further recommendations will be considered)

ARTICLE V

Management

ARTICLE VII

Members Meetings, Notices

and

SECTION 100

Requests for information by Members

Philip Klein
Chairman - Sub-Committee

ARTICLE V: Management

Section 28: Directors, Number, Powers.

Add a requirement that a director be a citizen of the United States.

Section 32: Officers' Powers

Change the language concerning the manner of executing checks, notes and drafts from this section, to the section dealing with directors' powers. No change in language or substance.

Section 34: Minimum Account Requirements for Directors

Amend this section to increase the $ 200 present minimum requirement for associations between $ 500,000 and $ 5,000,000 of assets to $ 500 and the minimum account requirement for associations over $ 5,000,000 to $ 1,000. Retain, however, the right of a director to make monthly payments in lieu of the stipulated amounts.

Comment: A director should have at least these amounts of his own funds in the institution of which he is a director.

Section 35: Loans to Officers, Directors, Attorneys or Employees

Amend the language of the section so that it will be permissible for any of these officials to obtain a Federal Housing Administration Title One loan on his own home. The present statute provides that these officials may only borrow on a "mortgage loan" for the financing of their own homes or an account loan.

Article VII -- Members' Meetings, Notices

Section 58: Voting Rights

Amend this section to permit an association, at its option as provided in the by-laws, to continue the present system of one vote per member or one vote for each $ 100 or fraction thereof, of the withdrawal value of savings accounts with a maximum of 50 votes and permitting one vote per borrowing member.

Comment: The alternative proposal is the same as that which applies in the federal associations. Cases of the opening of a number of $ 1 accounts for the purpose of influencing a directors' election have been reported and some associations may wish to change the voting system to avoid such a contingency. The committee feels that a number of associations would wish to continue on the present system, and it has made this recommendation to permit those who wish to continue, to do so, and to permit those who wish to change to the federal system, to do so by appropriate by-law action.

(Other recommendations to follow)

ARTICLE VI

Sections 40 to 44 (Inclusive) Section 46 Section 151
Membership Plans - Governmental Investments
E. Harold Schoonmaker
Chairman - Sub-Committee

(Not yet complete)

Sections 47 to 52 (Inclusive) Fiduciary - Trust - Payment on Death - Minors' Accounts - Etc.
Clifford Sharkey
Chairman - Sub-Committee

Section 47: Minors

It is recommended that there be added to this section language similar to that found in the Banking Act with appropriate changes in terminology. The language found in the Banking Act is "Deposits may be made with a banking institution by or in the name of a minor. A minor may endorse and deposit to the credit of his account with a banking institution, checks and other instruments for the payment of money which are payable to him or to his order. Monies to the credit of such an account shall be subject to withdrawal by the minor by checks or other instruments for the payment of money. In all transactions with respect to such an account the minor shall, as between himself and the banking institution, be deemed to be of legal age."

Comment: While Section 47 presently sets forth clearly that minors may be members, and shall be entitled to all the rights and privileges, and subject to all the duties and liabilities of membership, it is thought advisable to include for the purpose of claification the same detail as is found in the Banking Act.

Section 48 (3): Joint Membership Accounts.

The committee recomends the addition to this section of the following language: "The pledge to any association or federal association of all or part of the savings account in joint tenancy, signed by that person or those persons who are authorized in writing to make with - drawals from the account shall, unless the terms of the savings account provides specifically to the contrary, be a valid pledge and transfer to the association of that part of the account pledged, and shall not operate to sever or terminate the joint and survivorship ownership of all or any part of the account."

Comment: This language is recommended to clarify the situation with reference to barrowing on a joint account and is the language found in the model code prepared by the U. S. Savings and Loan League.

It also is recommended that new language be included in the statute, which is similar to that found in the Banking Act concerning payment by savings and loan associations after death or incompetency of a savings member. The language suggested is as follows: "In the absence of notice of actual death or incompetency of a savings

member received by a savings and loan association at the office at which the member's account is maintained, the association may, not withstanding such death or incompetency, pay any requests for payment thereunto authorized in writing."

(Additional recommendations to be made)

ARTICLE VIII

Dividends and Reserves
Edward T. Cantwell
Chairman - Sub-Committee

Section 60: General Reserve, Bad Debt Reserves, and Federal Insurance Reserve Account

Amend this section to permit transfers from Bad Debt Reserves to General Reserve or Federal Insurance Reserve and also to permit partial transfers from the General Reserve to the Federal Insurance Reserve.

Comment: As the statute presently stands, there is a technical question as to whether or not such transfers may be permitted. The adoption of the recommendation will clarify this matter and will give associations needed flexibility in the handling of these reserves.

Section 62: Dividend Participation - Exceptions

Amend this section to provide that dividends at the discretion of the Board of Directors may be available to members not earlier than the eighth calendar day prior to the close of the dividend period.

Comment: It is common practice for associations to make dividends available prior to the dividend date. There is no specific provision in the statute permitting this practice and there is no prohibition against it. No standard practice as to the number of days has been established by the associations as a whole. It would be advisable to add specific language to the statute permitting the practice, but at the same time setting forth a maximum permissible period.

The Sub-Committee still is considering the question of a variable dividend or bonus plan that would permit an additional dividend for regularity of payment, or for maintaining an account for some minimum period. This proposal also is under study by the U. S. Savings and Loan League and the National League of Insured Association, insofar as it concerns federal savings and loan associations. The Sub-Committee will give this matter further study, and keep in touch with the developments.

(More recommendations to follow)

ARTICLE IX

Withdrawals
Moe Rubinfield
Chairman - Sub-Committee

(Not yet complete)

ARTICLE X

Investments
Nathaniel Morris
Chairman - Sub-Committee

Three of the major recommendations of this Sub-Committee were enacted into law at the 1959 session: namely, the 90 % Loan Bill, the Mortgage Participation Bill, and the Property Improvement Loan Bill. Other recommendations of this Sub - Committee which had been approved by the Steering Committee and the Board of Governors are as follows:

Section 78: Mortgage Loans

Amend the section to provide that an association may recast a Direct Reduction Loan for a period of 25 years, instead of 20 years as at present.

Comment: This recommendation is made to bring this provision into conformity with the provision that permits original loans for a period up to 25 years.

Section 80 (2): Real Estate - Property Purchased for Resale to Members

Amend the Sub-Section to permit periodical installments for repayment over a period not exceeding 25 years, instead of the present 20 years.

Comment: This is a comparatively little used section which permits an association to purchase land and to construct improvements thereon for resale to members on contract, provided that the contract of the member is executed concurrently with, or prior to, such purchase. The change from 20 to 25 years is recommended, in order to bring this section into conformity with the section dealing with mortgage loans which permit such loans for a period of 25 years.

Section 81: Appraisals.

Amend this section to provide that an independent appraiser shall be required only for loans of more than $ 25,000, where such loans are on properties consisting of more than four-family units. At present an independent appraiser is required on all loans of over $ 15,000.

Comment: The present law precludes the use of qualified staff appraisers or qualified committees on all loans in excess of $ 15,000. It is an unreasonable and discriminatory provision. There is no such requirement in the laws relating to any other type of financial institution making mortgage loans, nor so far as we know in the state savings and loan codes of any other state. The present provision adds an additional cost to borrowing from savings and loan associations and places them at a competitive disadvantage with other institutions in this respect.

Section 83: Restrictions on Investments

Amend Section 83 (1) to permit the inclusion of investments in the obligations of certain Federal agencies, including Federal Home Loan Bank Obligations, FNMA Obligations, Federal Land Bank Obligations, and other similar obligations of Federal agencies in calculating the minimum liquid fund of 5 % required by the statute.

Comment: The only purpose of this amendment is to provide for this leeway in case the Federal Home Loan Bank Act should be amended to permit Federal Agency investments to be included in the liquid funds under that Act.

ARTICLES XI to XIX
(Inclusive)

Reports, Examinations and Audits, Supervision, Mergers, Foreign Associations, Insurance of Accounts, Conversion into Federal Associations, Fees and Charges, Reorganization, Dissolution and Liquidation.

P. Charles Brickman
Chairman - Sub-Committee

(Not yet completed)

NEW JERSEY SAVINGS
AND LOAN LEAGUE
NEWARK 2, NEW JERSEY
TELEPHONE MITCHELL 2-4565
TEN COMMERCE COURT

REPORT TO THE MEMBERSHIP

Second Report of the Committee

on the

REVISION OF THE SAVINGS AND LOAN ACT OF NEW JERSEY

September 1, 1960

FOREWORD

The first report of the Committee on the Revision of the Savings and Loan Act of New Jersey was distributed to the member associations at the annual convention of the League on May 5th - 6th - 7th, 1960. This second report is inclusive of all of the recommendations contained in the first report, plus those which were subsequently approved by the Steering Committee and the Board of Governors.

This project to revise the Savings and Loan Act has been undertaken by the New Jersey Savings and Loan League for the reason that we cannot stand still if we are to fulfill our obligations to promote thrift and to encourage home ownership. The 1960's are with us, and assuredly they will present us with new conditions, new problems and new opportunities. Savings and loan associations are rigidly controlled by law, much more so than general business operations. The law under which we operate, therefore, is of paramount importance to us, and it requires our careful study and attention.

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This report includes the recommendations that have been adopted to date by the sub-committees, approved by the Steering Committee, and in turn approved by the Board of Governors of the League. These recommendations will be discussed at County League Meetings and other savings and loan gatherings in the months before us. After there has been a full opportunity for discussion, questions, criticisms, and suggestions, the report will be submitted to the League as a whole, either at a meeting or by referendum for its adoption, rejection or modification.

The report set forth on the following pages gives each recommendation in detail with a succinct statement for its reason, where explanation is necessary. There are a few items upon which work has not been completed, although this report is, in most respects, complete. As to these remaining items, when final recommendations are made they will be sent to the membership in an addendum to this report and will be presented at the several county meetings, if completed at the time of those meetings.

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Charles B. Clancy
Chairman - Sub-Committee

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> Comment: This will bring this section into accord with the similar provision in the Branch section. Delay in the construction of a building, in securing occupancy of rented quarters or some other good reason may make it impossible to commence business within six months and there should be some leeway given under such circumstances.

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Per capita assets in the state shall be the total savings and loan assets of associations and federal associations as of December 31st of each year, divided by total population of the state. Per capita assets of the county, shall be the total assets of associations and federal associations in the county as of December 31st of each year, divided by the population of the county. Per capita assets for a municipality shall be the total assets of associations and federal associations including branch offices within the municipality divided by the population of the municipality. The Commissioner upon request of an association shall certify the per capita assets in the municipality, county or state.

(E) The word municipality shall include cities, towns, townships, villages and boroughs.

> Comment: The purpose of these definitions is to make clear exactly what is meant by the statutory language where these terms are used.

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An association must apply in writing to the Commissioner for approval to establish a branch office and must state in the application the location of the proposed branch office.

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(1) In the same municipality in which the principal office of the association is located. (Present law).

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(3) In a municipality in a contiguous county where there is no principal office or branch office of an association or federal association provided the municipality where it is proposed to locate the branch office is located within 6 miles of the geographic border of the municipality where the principal office of the applying association is located.

(4) In a municipality in the same county where the principal office of the applying association is located, wherein there is located the principal office or branch office of another association, or federal association, provided that the per capita savings and loan assets in the municipality in which it is proposed to locate the branch office, are less than the state or county per capita assets, whichever is smaller, and the total area of the municipality in which it is proposed to locate the branch, is in excess of 5 square miles. Such branch office must be more than 2,500 feet from the location of an existing principal or branch office of an association, unless the association maintaining such principal office or branch in the municipality consents in writing to a closer location.

(5) An association that has a branch office in a municipality where there is no principal office of an association or federal association may apply for an additional branch office or offices in that municipality.

Comment: Recommendations 3 and 4 expand the present law and recommendation 5 clarifies the present law.

Recommendation 3 above permits the crossing of county lines to the extent of six miles into a community where there presently is no association or branch; in other words, into a community where there are no savings and loan services.

Recommendation 4 above permits the location of a branch in a municipality where an association is presently located but where the municipality is not adequately served by the existing institution. This would be a town where there is a small association that had a charter but is relatively inactive. The test of service is per capita assets which means the total assets divided by the population and the branch would be permitted where the per capita assets were less than the state or county per capita assets, whichever was the smaller.

Recommendation 5 above permits an association which has a branch in a community in which there is no principal office located to establish another branch in the same community.

The third series of recommendations have to do with reserve and asset requirements. They are as follows:

Any association having less than $ 5,000,000 in assets may establish one branch office provided they comply with the conditions of this section and provided further that they

have reserves and undivided profits of five per cent of capital or $ 50,000 whichever is less. (This is the present law).

Otherwise an association may establish a branch office or offices when the reserves and undivided profits of the association are at least equal to five per cent of the capital plus the amount required for the guarantee fund for the establishment of a new association in the municipality where the branch is applied for, either by having reserves and undivided profits in excess of five per cent equal to that amount or by providing a guarantee fund under the same conditions and equal to the amount set forth in Section 16.1.

Comment: The reason for this change is to strengthen the reserve requirements when an association operates branches but at the same time give leeway to take care of the situation where a branch is needed to serve an area by permitting the interested people to establish a guaranty fund the same as they would be required to do if they were going to establish a new association.

This series of recommendations deals with the Commissioner's findings and they are as follows:

The Commissioner, before granting permission to open a branch office, must find that the association and the proposed branch meets all the requirements of this section, and the Commissioner shall determine that the establishment of such branch office will be of benefit to the area served by such branch office and that it may be established without undue injury to any other association or federal association in the area in which it is proposed to locate such branch office and that the conditions in the area to be served offer a reasonable promise of successful operation.

Comment: These are changed but little from present requirements.

The committee makes the following recommendations with respect to branches following merger or purchase of assets.

The recommendations continue the provision that the Commissioner can grant a branch where there is a merger or sale of assets, but limit this provision to the same or a contiguous county.

Comment: The present law on mergers permit the branch within a contiguous county but the law on asset sales is somewhat ambiguous. This would limit the branches to contiguous counties which for practical purposes is all that can presently be obtained.

The last recommendation of this committee is a recommendation that the associations be given permission to apply to the Commissioner for authority to establish an agency or agencies in communities with less than 3,500 in population. The recommendation follows:

An association shall have the right to apply to the Commissioner for permission to establish an agency or agencies in communities of less than 3,500 in population, and in the same county in which the principal office of the association is located, and the Commissioner shall determine the conditons under which he shall permit the establishment of the agency or agencies. The Commissioner shall not approve the establishment of an agency in a community wherein is located the principal or branch office of an insured association.

Comment: Many communities in the state are too small to support the operation of an association or a branch office. Yet, these communities are inhabited by people who are both savers and borrowers. The purpose of this recommendation is to permit the designation of someone in a community such as that to be an agent for the association. The purpose of the agency would be solely to accept payments on savings and loans. This is highly desirable because convenience is a most important factor in getting the public to do business with associations.

Section 24: Change of Office Location

The present law requires the approval of the Commissioner for a removal over municipal lines. It is recommended that the same time limit provisions which apply to new charters and to branches should be added to this section, namely, that the removal must take place within six months of approval, with the right of application to the Commissioner for an extension for good cause shown. There is presently no time limit.

Comment: This change will bring this section into conformity with the sections dealing with new charters and branches.

ARTICLE IV

Powers
Walter Foster
Chairman -- Sub-Committee

Section 27: Specific Powers

Amend Sub - Section 13 of this section, to provide for a permissible late charge of 4 per cent of the amount of arrearage on a loan, in place of the present 2 per cent.

Comment: This will bring the late charges permitted on conventional loans into conformity with the late charges permitted on FHA and G. I. Loans, namely 4 per cent. The association should have the same means of encouraging prompt payments on conventional loans as now are permitted on Governmentally guaranteed loans.

Amend Sub - Section 16 of Section 27 dealing with pension plans by providing for retirement benefits for officers and employees not to exceed (1) sixty (60) per cent of the average salary paid during the last 36 months of service preceding retirement; or (2) one - sixth of one per cent of the average annual salary for the last 36 months of service preceding retirement, multiplied by the entire number of months of service with the association; or (3) sixty (60) per cent of the average annual salary during the period of participation in the pension plan as set forth in the plan adopted by the association; whichever is the greatest. Also include in this Sub - Section or add a new Sub - Section which would permit associations to enter into a deferred compensation contract with employees so long as such contract complies with the following:

(1) That it would end on the death of the employee. (2) That the amount of benefit be reasonable and not exceed that which would be paid to the beneficiary, had he been included in a pension plan at the time of the execution of the deferred compensation contract. (3) That some further limitation be included so as to provide for reduction in payment benefits, commensurate with any decrease in the net income of the association which may occur. (4) That any deferred compensation contract must be approved by the Commissioner of Banking and Insurance prior to its execution.

Comment: The reason for the change in the pension section is that the net effect of many pension plans is to fund them on the basis of salary earned during the life time. Under the present law, it is conceivable that an association could fund a pension plan for employees for a period of 25 or 30 years and then because of salary reductions during the last three years of employment, the individual would not be entitled to receive the pension which had already been funded and paid for. The amendment would clarify this situation, and avoid that possibility.

The provision concerning deferred compensation is recommended because there are a number of cases where the association has had long and faithful service from an officer or employee, but either has not adopted a pension plan, or adopted it at a late date, which makes it unavailable to such employee. At present, the association is not permitted to commit itself for any extended period in the future, insofar as deferred compensation is concerned, for the good reason that it would set up a fixed contingent liability for an indefinite period. In order to take care of this situation, the proviso has been included that the payments may be reduced proportionately if the net income of the association is reduced. Thus this proposal will provide a reasonable element of security to the retired officer or employee, while at the same time, not subjecting the association to a fixed annual money amount or liability.

Section 27 (Proposed Addition): Safe Deposit Boxes

Add a new Sub - Section to Section 27 specifically spelling out the right of insured State chartered associations to operate safe deposit boxes.

Comment: The present act does not contain any language either permitting or prohibiting the operation of these boxes, but they have become a normal adjunct to savings and loan operation. A number of New Jersey State chartered associations have maintained this service for a number of years, one of which has had safe deposit facilities for over 40 years. Safe deposit facilities are operated by federal associations and by the state chartered associations of many states. It would be advisable to clarify the act with specific language concerning this facility.

ARTICLE V

Management

ARTICLE VII

Members, Meetings, Notices

and

SECTION 100

Requests For Information By Members

Philip Klein

Chairman -- Sub - Committee

ARTICLE V: Management

Section 28: Directors, Number, Powers

Add a requirement that a director be a citizen of the United States.

Section 30: Attorneys, Employees and Section 31: Officers

Revise these sections to provide that the board may authorize any officer to appoint assistant officers, subject to the confirmation of the board and that assistants to officers shall not be considered as officers but as employees.

> Comment: The situation as to assistant officers and assistants to officers is vague under the present statute. The proposal will clarify the matter. Insofar as assistant officers are concerned, the board may delegate the authority to appoint, to an executive officer, subject to its confirmation. Insofar as assistants to officers are concerned, they will be considered in the same category as employees and may be appointed by the board or an officer may be authorized by the board to make such appointments.

Section 32: Officers' Powers

Remove the language concerning the manner of executing checks, notes and drafts from this section and transfer to the section dealing with directors' powers. No change in language or in substance.

Section 34: Minimum Account Requirements For Directors

Amend this section to increase the $ 200 present minimum requirement for associations between $ 500,000 and $ 5,000,000 of assets to $ 500 and the minimum account requirement for associations over $ 5,000,000 to $ 1,000. Retain, however, the right of a director to make monthly payments in lieu of the stipulated amounts.

> Comment: A director should have at least these amounts of his own funds in the institution of which he is a director.

Section 35: Loans to Officers, Directors, Attorneys or Employees

Amend the language of the section so that it will be permissible for any of these officials to obtain a property improvement loan on his own home. The present statute provides that these officials may only borrow on a "mortgage loan" for the financing of their own homes or an account loan.

ARTICLE VII: Members' Meetings, Notices

Section 58: Voting Rights

Amend this section to permit an association, at its option as provided in the by-laws, to continue the present system of one vote per member or one vote for each $ 100 or fraction thereof, of the withdrawal value of savings accounts with a maximum of 50 votes and permitting one vote per borrowing member.

> Comment: The alternative proposal is the same as that which applies in the federal associations. Cases of the opening of a number of $ 1 accounts for the purpose of influencing a directors' election have been reported and some associations may wish to change the voting system to avoid such a contingency. The committee feels that a number of associations would wish to continue on the present system, and it has made this recommendation to permit those who wish to continue, to do so, and to permit those who wish to change to the federal system, to do so by appropriate by - law action.

ARTICLE VI

Sections 40 to 44 (Inclusive) Section 46 Section 151
Membership Plans -- Government Investments
E. Harold Schoonmaker
Chairman -- Sub-Committee

Section 44: Limitation Upon Accounts

It is recommended that the language limiting the maximum size of an account to $ 35,000 be eliminated. The present language of the section permits a maximum of $ 15,000 or 1 per cent of the capital of the association, whichever is greater, with the additional proviso that in no case shall the account be in excess of $ 35,000 with certain exceptions.

The effect of the proposal of the sub - committee is to allow the other two maximum limitations (namely, $ 15,000 or 1 per cent of capital, whichever is greater) to stand, but to eliminate the $ 35,000 maximum and give the board of directors of the association, discretion to set its own maximum.

> Comment: The committee believes that with the increase in the size of the associations, the $ 35,000 maximum is inadequate in a number of associations under present - day conditions. It believes that the maximum (except as to the $ 15,000 or 1 per cent) should be left to the discretion of the board of directors.

Sections 47 to 52 (Inclusive) Fiduciary - Trust - Payment on Death - Minors' Accounts - Etc.
Clifford Sharkey
Chairman -- Sub - Committee

Section 47: Minors

It is recommended that there be added to this section language similar to that found in the Banking Act with appropriate changes in terminology. The language found in the Banking Act is "Deposits may be made with a banking institution by or in the name of a minor. A minor may endorse and deposit to the credit of his account with a banking institution, checks and other instruments for the payment of money which are payable to him or to his order. Monies to the credit of such an account shall be subject to withdrawal by the minor by checks or other instruments for the payment of money. In all transactions with respect to such an account the minor shall, as between himself and the bonking institution, be deemed to be of legal age."

> Comment: While Section 47 presently sets forth that minors may be members, and shall be entitled to all the rights and privileges, and subject to all the duties and liabilities of membership, it is thought advisable to include for the purpose of clarification the same detail as is found in the Banking Act.

Section 48 (3): Joint Membership Accounts

The committee recommends the addition to this section of the following language: "The pledge to any association or federal association of all or part of the savings account in joint tenancy, signed by that person or those persons who are authorized in writing to make withdrawals from the

account shall, unless the terms of the savings account provides specifically to the contrary, be a valid pledge and transfer to the association of that part of the account pledged, and shall not operate to sever or terminate the joint and survivorship ownership of all or any part of the account."

Comment: This language is recommended to clarify the situation with reference to borrowing on a joint account and is the language found in the model code prepared by the U. S. Savings and Loan League.

It also is recommended that new language be included in the statute, which is similar to that found in the Banking Act concerning payment by savings and loan associations after death or incompetency of a savings member. The language suggested is as follows: "In the absence of notice of actual death or incompetency of a savings member received by a savings and loan association at the office at which the member's account is maintained, the association may, not withstanding such death or incompetency, pay any requests for payment thereunto authorized in writing."

ARTICLE VIII

Dividends and Reserves
Edward P. Cantwell*
Chairman -- Sub-Committee

Section 60: General Reserve, Bad Debt Reserves, and Federal Insurance Reserve Account

Amend this section to permit transfers from Bad Debt Reserves to General Reserve or to Federal Insurance Reserve and also to permit partial transfers from the General Reserve to the Federal Insurance Reserve.

Comment: As the statute presently stands, there is a technical question as to whether or not such transfers may be permitted. The adoption of the recommendation will clarify this matter and will give associations needed flexibility in the handling of these reserves.

Section 62: Dividend Participation - Exceptions

Amend this section to provide that dividends at the discretion of the Board of Directors may be available to members not earlier than the eighth calendar day prior to the close of the dividend period.

Comment: It is common practice for associations to make dividends available prior to the dividend date. There is no specific provision in the statute permitting this practice and there is no prohibition against it. No standard practice as to the number of days has been established by the associations as a whole. It would be advisable to add specific language to the statute permitting the practice, but at the same time setting forth a maximum permissible period.

Section 65: Reward Profit Plan

Amend this section to provide that an association may under uniform rules and regulations, established by the Commissioner of Banking and Insurance, pay variable rates for regularity of payment or for length of investment.

Comment: It is quite likely that the Federal Home Loan Bank Board will, in the near future, permit federal associations to operate new types of bonus plans, either for regularity of payment or for the retention of an account over a specified period of time, or both. Such plans have had a great deal of study by both the United States Savings and Loan League and the National League of Insured Savings Associations and both seem to favor some plan that will give an incentive to long term investment and to regularity of savings. The committee feels that the state chartered associations should have equal privileges insofar as this item is concerned. It believes, however, since this matter is still in the experimental stage, that it would be inadvisable to write any rigid plan in the statute, which requires the rather cumbersome procedure of statutory amendment to change it. It believes rather that it should be handled in the same manner as the federal plan will be handled, namely, by rule and regulation. This provides a more flexible method than statutory amendment of making changes in the future, should they be desirable.

* Mr. Cantwell died subsequent to the completion of the committee's work.

ARTICLE IX

Withdrawals
Moe Rubinfield
Chairman - Sub-Committee

(Not yet complete)

ARTICLE X

Investments
Nathaniel Morris
Chairman - Sub-Committee

Three of the major recommendations of this Sub-Committee were enacted into law at the 1959 session: namely, the 90 per cent Loan Bill, the Mortgage Participation Bill, and the Property Improvement Loan Bill. Other recommendations of this Sub - Committee which had been approved by the Steering Committee and the Board of Governors are as follows:

Section 78: Mortgage Loans

Amend Section 78 (1) in the following respects:

(1) Provide that the Commissioner of Banking and Insurance may by regulation, applicable to all associations, permit the making of mortgage loans with a maturity in excess of 25 years, but not in excess of 30 years;

(2) Provide that an association may recast a direct reduction loan for a period of 25 years, instead of 20 years as of present;

(3) Establish a new section or new subsection dealing specifically with construction lending.

Comment: (1) The first recommendation is made because movements are already under way that may result in permission for 30 year direct reduction loans by federally chartered associations and other lenders. The adoption of this provision will permit state chartered associations to stay on an equal footing with other lenders should this new development take place.

(2) This recommendation is made to bring this provision into conformity with the provision that permits original loans for a period up to 25 years.

(3) The present provisions as to construction loans are quite general and in some respects vague. Powers and limitations of associations with respect to such loans should be set up more precisely, although this is a matter of language rather than substantive change.

Section 80 (2): Real Estate - Property Purchased for Resale to Members

Amend the Sub-Section to permit periodical installments for repayment over a period not exceeding 25 years, instead of the present 20 years.

Comment: This is a comparatively little used section which permits an association to purchase land and to construct improvements thereon for resale to members on contract, provided that the contract of the member is executed concurrently with, or prior to, such purchase. The change from 20 to 25 years is recommended, in order to bring this section into conformity with the section dealing with mortgage loans which permit such loans for a period of 25 years.

Section 81: Appraisals.

Amend this section to provide that an independent appraiser shall be required only for loans of more than $25,000, where such loans are on properties consisting of more than four-family units. At present an independent appraiser is required on all loans of over $15,000.

Comment: The present law precludes the use of qualified staff appraisers or qualified committees on all loans in excess of $ 15,000. It is an unreasonable discriminatory provision. There is no such requirement in the laws relating to any other type of financial institution making mortgage loans, nor so far as we know in the state savings and loan codes of any other state. The present provision adds an additional cost to borrowing from savings and loan associations and places them at a competitive disadvantage with other institutions in this respect.

Section 83: Restrictions on Investments

Amend Section 83 (1) to permit the inclusion of investments in the obligations of certain Federal agencies, including Federal Home Loan Bank Obligations, FNMA obligations, Federal Land Bank Obligations, and other similar obligations of Federal agencies in calculating the minimum liquid fund of 5 per cent required by the statute.

Comment: The only purpose of this amendment is to provide for this leeway in case the Federal Home Loan Bank Act should be amended to permit Federal Agency investments to be included in the liquid funds under that Act.

ARTICLES XI TOXIX
(Inclusive)

Reports, Examinations and Audits, Supervision, Mergers, Foreign Associations, Insurance of Accounts, Conversion into Federal Associations, Fees and Charges, Reorganization, Dissolution and Liquidation.

P. Charles Brickman
Chairman - Sub-Committee

ARTICLE XI

Reports, Examinations and Audits

Section 84: Reports to Members.

Amend the section to eliminate the requirement that the statement of operations which an association must furnish to a member upon request shall be in printed form.

Comment: Since very few requests are made for these statements, it would appear to be unnecessary for the association to print them, and that some other method of reproduction, such as mimeographing would be sufficient.

Section 91: Audits.

(1) Delete from the section the sentence which requires that a copy of the audit report be available for inspection by any of the association's members.

(2) Amend the section to provide that an audit report must be submitted to the Commissioner once in every 12 month period and no more than 90 days after the commencement of the audit, with the Commissioner having the authority to extend the time for a period of up to 30 days where warranted, with the exception that the 12 month requirement be non-applicable in cases where the audit is made by the supervisor.

(3) Amend the section to provide that where an association operates a continuous audit, it shall submit a copy of the audit at some specific time during the year to the Commissioner.

Comments: (1) The audit report should be a confidential document as between the auditor, board of directors of the association and the Commissioner of Banking and Insurance, who represents the public. Under the present provision of law, anyone having an ulterior purpose may invest as little as $1.00 in the association and demand an examination of this confidential document. This requirement has already been eliminated as to insured associations by other provisions of law, but it should be eliminated as to all associations.

(2) The present requirement of law is that an audit shall be made at least once in each calendar year, but there is no provision as to when the audit shall be completed. Thus, an audit may be commenced, may not be completed for an undue length of time and there is no specific provision of law which gives the Commissioner power to act in such circumstances. The proposed amendment will correct this situation.

(3) Obviously, if an association conducts a continuous audit, there should be some specified period during the year, at which the report is to be submitted to the Commissioner. There is no present provision covering this situation.

ARTICLE XII

Supervision

Section 100: Requests for Information by Members.

(Note: This section was assigned to the Sub-Committee on Management - Philip Klein, Chairman. The following are the recommendations of that Sub-Committee with reference to Section 100.)

Re-entitle this section "Confidential Relationship of an Association to its Members; Procedure to Obtain Information or Communicate with Members." Transfer it to Article 6 titled "Members, Accounts, Shares".

Amend this section:

(1) To provide that the relationship of an association to each of its members constitutes a confidential relationship and that disclosure of the list of members of an association, in whole or in part, is prohibited, reserving the right of every member however, to inspect the records pertaining solely to his own accounts.

(2) To provide a means whereby a member desiring information from his association or desiring to communicate with other members of the association may proceed, by providing first that the member shall make the application in writing, specifying in detail the information he requests, or a statement that he desires to communicate with the other members; and the reasons for and the purposes of his request. If the request is to enable the member to communicate with other members, the application shall be accompanied by a complete copy of the proposed communication or communications. If the request to communicate is granted, the preparation and mailing thereof, shall be done by the association with the condition precedent that the applicant shall have prepaid to the association the cost and expenses involved in preparation and mailing.

(3) Provide that should the association fail to grant the application within a specified time, the applicant may apply to the Commissioner for an order directing the association to grant the application, with a procedure set forth for a hearing before the Commissioner. The Commissioner may grant or deny the application in whole or in part, and may impose such terms and conditions as he shall deem necessary or proper to protect the best interest

of the association and its members. It is specified, however, that the Commissioner shall have no power to order a disclosure of the list of the members. If the application is to enable the applicant to communicate with other members and the Commissioner determines to permit the application, then the Commissioner shall order the association to prepare and mail the communication on the condition that the applicant shall prepay the expense. If the Commissioner finds that the application is not made in good faith, or to grant the application would not be in the best interest of the association and its members, he shall deny the application.

(4) The procedure for obtaining information by a member or enabling a member to communicate with other members shall be exclusive, but the action of the Commissioner shall be subject to review in the Superior Court in a proceeding in lieu of prerogative writ.

Comment: The recommendations of the sub-committee are designed to protect an association and its members from harassment and from publicly divulging a member's account relationship with an association, which is his private business and should be kept confidential. Unless such protection exists, it would be possible for anyone wishing to injure the association to acquire the list and to communicate, distorted or untrue information about it, and it would make the list available as a mailing list for any purpose, legitimate or otherwise. It would divulge information that the individual account holder would properly wish to have kept confidential.

At the same time, the recommendation recognizes the fact that savings and loan associations are mutual institutions and it provides a way whereby a member having a legitimate reason for securing information or for communicating with the other members for a legitimate purpose, may make his application to the association and upon refusal have the right to review the situation with the Commissioner, and finally to have the Commissioner's action reviewed by a court. The recommendations of the sub-committee on this matter are a fair and appropriate solution of a problem that arises from time to time in mutual organizations.

At the present time Section 100 of the Act, which provides a similar procedure for requesting information from an association, does not specifically mention a request for a list of account holders. The courts have, however, ruled that such requests come within the provisions of the present Section 100 and are matters that must be determined by the Commissioner under Section 100 in the event of an application. The Commissioner has not, in any instance, ordered any association to divulge its list of members, nor is it likely that he would issue such an order. Nevertheless, it would be advisable to clarify this whole matter in the manner recommended by the sub-committee.

ARTICLE XIII

Merger

Section 102 - Merger and 103 - Effect of Merger

(1) Amend Section 102 to provide that merger may be accomplished by a vote of majority of the respective boards of directors of the associations involved, with the approval of the Commissioner of Banking and Insurance.

(2) Provide a time limit for the Commissioner's approval or disapproval of a merger, which shall be not more than 30 days after the filing of the certificate of merger.

(3) Provide that an association may establish a branch at a "suitable substitute location" as well as at the location of the merged association.

Comment: (1) The present procedure which requires a vote of the members of the association upon a proposal to merge, is cumbersome and unnecessary. The membership of an association is a shifting group. The Commissioner of Banking and Insurance stands in the position of representing the public and the members generally, and his approval of a merger is required.There is, so far as the officials of the League know, no case where a merger recommended by the board of directors of the respective associations was voted down by the membership. Federal associations and mutual savings banks may merge by directors' vote. In the case of bulk sales, (which is an alternative to merger), the receiving association under present law can act through its board of directors, without requiring a vote of the membership.

(2) Some time limit should be established for the Commissioner to make the decision to approve or disapprove a merger. Thirty days after the filing of the certificate of merger seems to be reasonable.

(3) This provision brings the language of this section into accord with the language of the branch section.

ARTICLE XIV

Foreign Associations

Sections 104 to 111:

This section should be studied carefully by those drafting the revision to determine whether or not it may be strengthened in order to protect the public of New Jersey from unsound ventures operated by unscrupulous promoters domiciled in other states operating under the name " Savings and Loan Association" and taking advantage of lack of regulation and supervision in these states.

ARTICLE XVII

Fees and Charges

Sections 119 and 120:

Amend these sections to provide for the following fees:

(1) $ 100 for any dissolution proceeding.

(2) $ 100 for any new corporation filing and also an additional fee of $ 100 to cover the cost and investigation of filing.

(3) $ 50 for any proceeding under Section 134, Bulk Sale.

(4) $ 100 for any proceedings under Section 102 - Merger.

(5) $ 100 for an application for a branch office under Section 21.

(6) $ 100 for a change of location application.

(7) $ 35 for a change of name application.

(8) $ 5 for all certifications by the Commissioner, of papers or records on file with the Department, plus the reasonable cost of typing and reproducing of such records.

Comment: This schedule of fees is recommended by the Commissioner of Banking and Insurance. At present, the only fees provided for in the Act, except for foreign associations, are a $ 5 fee for filing the annual report or any certificate required to be filed in the office of the Commissioner and a $ 35 fee for any reorganization proceeding.

The procedures set forth for which the above fees are recommended require time and attention in the Department and very often formal hearings before the Commissioner. It is the opinion of the committee that the recommended fees are warranted.

ARTICLE XVIII

Reorganization

Sections 121 to 136:

Eliminate this entire article from the Act with the exception of Section 134, which deals with bulk sales. This section might be incorporated in the article concerning mergers.

Comment: The reorganization provisions were written to deal with the severe problem of the business during the depression of the 1930's. Most authorities agree that a similar economic collapse will not take place again, but even if it should, this article would not be put to use for the following reasons:

(1) Savings and loan associations in New Jersey which are insured by the Federal Savings and Loan Insurance Corporation represent 95 per cent of the aggregate assets of the business today, and this percentage is constantly increasing.

No New Jersey insured association has ever been involved in financial difficulties and the Federal Savings and Loan Insurance Corporation has not been called upon to make good any losses in New Jersey. It is hoped that this record will continue, but should a New Jersey insured association become involved in difficulties, one of the following methods would be used to solve the problem:

(a) A contribution from the Insurance Corporation to make the association whole.

(b) A loan from the Insurance Corporation.

(c) A merger of the assets of the association into a sound insured association with the necessary financial support from the Insurance Corporation, to safeguard the receiving association.

(d) If none of these methods could be applied, the closing of the association by the Commissioner of Banking and Insurance for liquidation, the payment of the account holders by the Insurance Corporation and the take over of the assets of the association by the Insurance Corporation in order to salvage its costs. There would be no need in any case for the reorganization procedure.

(2) The uninsured associations are considerable in number, but are of average small size and aggregate in total approximately 5 per cent of assets which percentage is gradually decreasing because of uninsured associations becoming insured and the greater growth of the insured associations. All of the associations in this category are over 30 years old and weathered the storm of the 1930 depression. They are as a class, conservatively operated and well reserved. The possibilities of financial difficulty in this group are small, but should it occur in one or more associations, the procedure to be used would be the absorption of all or part of the assets through the bulk sale provisions into one of the insured associations, or liquidation under the voluntary dissolution provisions or by the Commissioner. There would be no purpose in attempting to reorganize such an association by a segregation of assets under the reorganization procedure and re-establish it as a going unit.

The bulk sale section (134) is a useful section and as recommended should be retained. The other provisions of this section have not been put to use since prior to the passage of the 1946 revision. The reorganization provisions had a constructive purpose and were of great value in their day, but they are now only several pages of verbiage which have no present nor future applicability. It would be advisable therefore, to eliminate them from the statute.

ARTICLE XX

Miscellaneous

Section 151: Insured Accounts Eligible For Trust And Public Funds And Savings Banks And As Security

(Note: This section was assigned to the sub - committee on Membership Plans, Governmental Investments - E. Harold Schoonmaker, Chairman. The following is the recommendation of the sub - committee with reference to Section 151.)

The sub - committee recommends that the maximum size of an individual account coming under this category, be the amount for which the account is insured by the Federal Savings and Loan Insurance Corporation (at present $ 10,000) or 25 per cent of the total reserves and undivided profits of the association, whichever is greater.

Comment: Under the present law the maximum size of such an account which may be accepted by an association is the maximum amount for which the account is insured by the Federal Savings and Loan Insurance Corporation, namely $ 10,000. Many public bodies and others who derive their authority for investment in savings and loan associations through this section, wish to have larger accounts and it would appear reasonable that they should be able to do so with some limitation. The sub - committee feels that the limitation of 25 per cent of reserves and undivided profits is a reasonable limitation.

COMMITTEE ON REVISION OF THE SAVINGS AND LOAN ACT

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Sections 40 to 44; Section 16 Article 6 and Section 151

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Theodore R. Thomas, Jersey City

*Deceased
° Retired

NOTE

* Since the Committee on the Revision of the Savings and Loan Act commenced its work, five of its members have passed away. Each of them contributed time and thought to the work of their respective sub - committees. While they are no longer with us, it was thought appropriate to include them in this list with a notation of their decease.

° Two of the members of the Committee are no longer connected with the savings and loan business and have taken up other occupations. They likewise gave of their time and thought to the work of their respective sub - committees. It is appropriate therefore, that their names also be included in the list. We have added the notation "retired" in these cases.

NEW JERSEY SAVINGS
AND LOAN LEAGUE
NEWARK 2, NEW JERSEY

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TEN COMMERCE COURT

185 W. State Street
Trenton, N. J.

REPORT TO THE MEMBERSHIP

Report of the Committee

on the

REVISION OF THE SAVINGS AND LOAN ACT OF NEW JERSEY

May 4, 1961

FOREWORD

The first report of the Committee on the Revision of the Savings and Loan Act of New Jersey was distributed to the member associations at the annual convention of the League on May 5th - 6th - 7th, 1960. The second report was published on September 1, 1960 and was mailed to all member associations shortly thereafter. This final report is inclusive of all of the recommendations contained in the first and second reports, plus those which were subsequently approved by the Steering Committee and the Board of Governors.

This project to revise the Savings and Loan Act has been undertaken by the New Jersey Savings and Loan League for the reason that we cannot stand still if we are to fulfill our obligations to promote thrift and to encourage home ownership. The 1960's are with us, and assuredly they will present us with new condtions, new problems and new opportunities. Savings and loan associations are rigidly controlled by law, much more so than general business operations. The law under which we operate, therefore, is of paramount importance to us, and it requires our careful study and attention.

This project was commenced following a resolution adopted at the May 1958 convention of the League, which authorized the officers and Board of Governors of the League to undertake a complete study of the Savings and Loan Act looking to its comprehensive revision. In accordance with that mandate, the Chairman of the Board of the League appointed ten sub-committees, each to study a particular article or articles of the act, and a Steering Committee to coordinate the effort and to pass upon the recommendations of the various sub-committees. The aggregate membership of the Steering Committee and of the sub - committees consists of 99 people. They have been meeting over the period of the last two-and-a-half years.

This report includes the recommendations that have been adopted by the sub - committees, approved by the Steering Committee and in turn approved by the Board of Governors of the League. These recommendations have been discussed during the period between September 1960 and February 1961 at meetings of each of the county leagues. The report has been circulated among all of our members. Ample opportunity has been afforded for discussion, questions, criticisms and suggestions and the time now has arrived for action by the membership of the League on the report. It will be presented for such action at the Annual Meeting of the League to be held May 4th - 5th and 6th at Atlantic City.

The report set forth on the following pages gives each recommendation in detail with a succinct statement for its reason, where explanation is necessary.

INDEX

ARTICLE I

Construction and Definitions
Charles B. Clancy
Chairman - Sub-Committee

No substantive changes are recommended for this article, although definitions will be modified or added as may be required to bring the article into accord with other recommendations set forth in this report.

ARTICLE II

Purposes
Edward H. Simpson
Chairman -- Sub-Committee

This is a short article which reads "Associations operating under the provisions of this act shall be mutual associations for the purpose of promoting thrift, home ownership and housing."

No change is recommended in this article. (Throughout the remainder of this report we shall not make note of provisions which remain unchanged but because of the fundamental importance of this article, it was thought well to repeat it.)

ARTICLE III

Incorporation and Organization
Edward H. Simpson
Chairman -- Sub-Committee

Section 16: Notice of Application and Hearing Thereon

Amend this section to provide that the notice of hearing on a new charter shall be mailed to Federal associations within the County, as well as State chartered associations.

> Comment: This brings this section of the act into conformity with the provision concerning notice of branch applications where it is required that federal associations as well as state chartered associations in the area be notified and is generally in accord with the policy of providing equal treatment of the federal associations with the state chartered associations, wherever it may be possibly accomplished under state law.

Section 16.1: Guaranty Account and Commissioner's Findings

Amend this section by changing the present required guarantee fund of $ 25,000 which must be established by the incorporators of a new association, to $ 50,000.

> Comment: Under present day conditions the $ 25,000 guarantee fund is inadequate. The establishment of a $ 50,000 guarantee fund appears to be a desirable minimum.

Section 20: Time Limit for Commencing Business

This section presently provides that unless the incorporators commence business within six months after approval of the charter by the Commissioner, the charter shall become null and

void. It is recommended that a provision be added to this section, giving the incorporators the right to apply to the Commissioner for extensions for additional periods, for good cause shown, not in excess of six months each.

> Comment: This will bring this section into accord with the similar provision in the Branch section. Delay in the construction of a building, in securing occupancy of rented quarters or some other good reason may make it impossible to commence business within six months and there should be some leeway given under such circumstances.

Section 21: Branch Offices

The first recommendation for change with respect to branches provides for the inclusion in the statute of the following definitions which are not now present in the law.

(A) Branch Office: A branch office is a legally established office of the association other than the principal office or an agency, authorized by the Board of Directors and approved by the Commissioner at which such operations not inconsistent with the limitations of this statute as may be authorized by the Board of Directors, may be carried on.

(B) Agency: An agency of an association is a place of business other than the principal office or branch office at which an agent or agents of the association may receive payments on savings accounts and loans for the purpose of transmission to the principal office or branch office of the association. At such agency an agent or agents may perform such special duties not inconsistent with the limitations of this statute as may be authorized from time to time by the Board of Directors.

(C) Population: Where in this section the population of a municipality, a county or the state is mentioned, the population figure shall be the estimate of population as certified to the Commissioner by the New Jersey Department of Conservation and Economic Development.

(D) Per Capita Assets: Per capita assets shall mean the total savings and loan assets divided by the population.

Per capita assets in the state shall be the total savings and loan assets of associations and federal associations as of December 31st of each year, divided by total population of the state. Per capita assets of the county, shall be the total assets of associations and federal associations in the county as of December 31st of each year, divided by the population of the county. Per capita assets for a municipality shall be the total assets of associations and federal associations including branch offices within the municipality divided by the population of the municipality. The Commissioner upon request of an association shall certify the per capita assets in the municipality, county or state.

(E) The word municipality shall include cities, towns, townships, villages and boroughs.

> Comment: The purpose of these definitions is to make clear exactly what is meant by the statutory language where these terms are used.

The second group of recommendations deals with location of branches. They are as follows:

An association must apply in writing to the Commissioner for approval to establish a branch office and must state in the application the location of the proposed branch office.

LOCATION

(1) In the same municipality in which the principal office of the association is located. (Present law).

(2a) In another municipality in the same county where no association or federal association or branch office of an association or federal association is located. (Present law), or

(2b) In a municipality in the same county where the principal office of the applying association is located, wherein there is located the principal office or branch office of another association, or federal association, provided that the per capita savings and loan assets in the municipality in which it is proposed to locate the branch office, are less than the state or county per capita assets, whichever is smaller, and the total area of the municipality in which it is proposed to locate the branch, is in excess of 5 square miles. Such branch office must be more than 2,500 feet from the location of an existing principal or branch office of an association, unless the association maintaining such principal office or branch in the municipality consents in writing to a closer location.

(3) In a municipality in a contiguous county where there is no principal office or branch office of an association or federal association provided the municipality where it is proposed to locate the branch office is located within 6 miles of the geographic border of the municipality where the principal office of the applying association is located.

(4) An association that has a branch office in a municipality where there is no principal office of an association or federal association may apply for an additional branch office or offices in that municipality.

Comment: Recommendations (2b) and (3) expand the present law and recommendation (4) clarifies the present law.

Recommendation (2b) above permits the location of a branch in a municipality where an association is presently located but where the municipality is not adequately served by the existing institution. This would be a town where there is a small association that had a charter but is relatively inactive. The test of service is per capita assets which means the total assets divided by the population and the branch would be permitted where the per capita assets were less than the state or county per capita assets, whichever was the smaller.

Recommendation (3) above permits the crossing of county lines to the extent of six miles into a community where there presently is no association or branch; in other words, into a community where there are no savings and loan services.

Recommendation (4) above permits an association which has a branch in a community in which there is no principal office located to establish another branch in the same community.

The third series of recommendations have to do with reserve and asset requirements. They are as follows:

Any association having less than $ 5,000,000 in assets may establish one branch office provided they comply with the conditions of this section and provided further that they have reserves and undivided profits of five per cent of capital or $ 100,000 whichever is less. (This is the present law).

Otherwise an association may establish a branch office or offices when the reserves and undivided profits of the association are at least equal to five per cent of the capital plus the amount required for the guarantee fund for the establishment of a new association either by having reserves and undivided profits in excess of five per cent equal to that amount or by providing a guarantee fund under the same conditions and equal to the amount as set forth in Section 16.1.

Comment: The reason for this change is to strengthen the reserve requirements when an association operates branches but at the same time give leeway to take care of the situation where a branch is needed to serve an area by permitting the interested people to establish a guaranty fund the same as they would be required to do if they were going to establish a new association.

This series of recommendations deals with the Commissioner's findings and they are as follows:

The Commissioner, before granting permission to open a branch office, must find that the association and the proposed branch meets all the requirements of this section, and the Commissioner shall determine that the establishment of such branch office will be of benefit to the area served by such branch office and that it may be established without undue injury to any other association or federal association in the area in which it is proposed to locate such branch office and that the conditions in the area to be served offer a reasonable promise of successful operation.

Comment: These are changed but little from present requirements.

The committee makes the following recommendations with respect to branches following merger or purchase of assets.

The recommendations continue the provision that the Commissioner can grant a branch where there is a merger or sale of assets, but limit this provision to the same or a contiguous county.

Comment: The present law on mergers limits branches to the same county or to a contiguous county, but the law on asset sales does not contain a similar limitation. The above recommendation would, therefore, limit branches, after asset sales, to the same county or contiguous county. It is very doubtful that any association would apply for a branch in other than the same county or a contiguous county, and if such application were made, it is unlikely that the Commissioner would approve it. The statement has been made that the present law gives the savings and loan associations an opportunity to establish a State - wide branch system. Actually, this is not desired by the savings and loan business nor is it a probability, but in order to eliminate any possible question, the committee recommends that the branches be limited to the same or contiguous county, either after merger or assets purchase.

The last recommendation of this committee is a recommendation that the associations be given permission to apply to the Commissioner for authority to establish an agency or agencies in communities with less than 3,500 in population. The recommendation follows:

An association shall have the right to apply to the Commissioner for permission to establish an agency or agencies in communities of less than 3,500 in population, and in the same county in which the principal office of the association is located, and the Commissioner shall determine the conditions under which he shall permit the establishment of the agency or agencies. The Commissioner shall not approve the establishment of an agency in a community wherein is located the principal or branch office of an insured association, or where he finds that its establishment would do undue injury to another association located in the area.

Comment: Many communities in the state are too small to support the operation of an association or a branch office. Yet, these communities are inhabited by people who are both savers and borrowers. The purpose of this recommendation is to permit the designation of someone in a community such as that to be an agent for the association. The purpose of the agency would be solely to accept payments on savings and loans. This is highly desirable because convenience is a most important factor in getting the public to do business with associations.

Section 24: Change of Office Location

The present law requires the approval of the Commissioner for a removal over municipal lines. It is recommended that the same time limit provisions which apply to new charters and to branches should be added to this section, namely, that the removal must take place within six months of approval, with the right of application to the Commissioner for an extension for good cause shown. There is presently no time limit.

Comment: This change will bring this section into conformity with the sections dealing with new charters and branches.

ARTICLE IV

Powers
Walter Foster
Chairman -- Sub-Committee

Section 27: Specific Powers

Amend Sub - Section 13 of this section, to provide for a permissible late charge of 4 per cent of the amount of arrearage on a loan, in place of the present 2 per cent.

Comment: This will bring the late charges permitted on conventional loans into conformity with the late charges permitted on FHA and G. I. Loans, namely 4 per cent. The association should have the same means of encouraging prompt payments on conventional loans as now are permitted on Governmentally guaranteed loans.

Amend Sub - Section 16 of Section 27 dealing with pension plans by providing for retirement benefits for officers and employees not to exceed (1) sixty (60) per cent of the average salary paid during the last 36 months of service preceding retirement; or (2) one - sixth of one per cent of the average annual salary for the last 36 months of service preceding retirement, multiplied by the entire number of months of service with the association; or (3) sixty (60) per cent of the average annual salary during the period of participation in the pension plan as set forth in the plan adopted by the association; whichever is the greatest. Also include in this Sub - Section or add a new Sub - Section which would permit associations to enter into a deferred compensation contract with employees so long as such contract complies with the following:

(1) That it would end on the death of the employee. (2) That the amount of benefit be reasonable and not exceed that which would be paid to the beneficiary, had he been included in a pension plan at the time of the execution of the deferred compensation contract. (3) That some further limitation be included so as to provide for reduction in payment benefits, commensurate with any decrease in the net income of the association which may occur. (4) That any deferred compensation contract must be approved by the Commissioner of Banking and Insurance prior to its execution.

Comment: The reason for the change in the pension section is that the net effect of many pension plans is to fund them on the basis of salary earned during the life time. Under the present law, it is conceivable that an association could fund a pension plan for employees for a period of 25 or 30 years and then because of salary reductions during the last three years of employment, the individual would not be entitled to receive the pension which had already been funded and paid for. The amendment would clarify this situation, and avoid that possibility.

The provision concerning deferred compensation is recommended because there are a number of cases where the association has had long and faithful service from an officer or employee, but either has not adopted a pension plan, or adopted it at a late date, which makes it unavailable to such employee. At present, the association is not permitted to commit itself for any extended period in the future, insofar as deferred compensation is concerned, for the good reason that it would set up a fixed contingent liability for an indefinite period. In order to take care of this situation, the proviso has been included that the payments may be reduced proportionately if the net income of the association is reduced. Thus this proposal will provide a reasonable element of security to the retired officer or employee, while at the same time, not subjecting the association to a fixed annual money amount or liability.

Section 27 (Proposed Addition): Safe Deposit Boxes

Add a new Sub - Section to Section 27 specifically spelling out the right of insured State chartered associations to operate safe deposit boxes.

Comment: The present act does not contain any language either permitting or prohibiting the operation of these boxes, but they have become a normal adjunct to savings and loan operation. A number of New Jersey State chartered associations have maintained this service for a number of years, one of which has had safe deposit facilities for over 40 years. Safe deposit facilities are operated by federal associations and by the state chartered associations of many states. It would be advisable to clarify the act with specific language concerning this facility.

ARTICLE V

Management

ARTICLE VII

Members, Meetings, Notices

and

SECTION 100

Requests For Information By Members

Philip Klein

Chairman -- Sub - Committee

ARTICLE V: Management

Section 28: Directors, Number, Powers

Add a requirement that a director be a citizen of the United States.

Section 30: Attorneys, Employees and Section 31: Officers

Revise these sections to provide that the board may authorize any officer to appoint assistant officers, subject to the confirmation of the board and that assistants to officers shall not be considered as officers but as employees.

> Comment: The situation as to assistant officers and assistants to officers is vague under the present statute. The proposal will clarify the matter. Insofar as assistant officers are concerned, the board may delegate the authority to appoint, to an executive officer, subject to its confirmation. Insofar as assistants to officers are concerned, they will be considered in the same category as employees and may be appointed by the board or an officer may be authorized by the board to make such appointments.

Section 32: Officers' Powers

Remove the language concerning the manner of executing checks, notes and drafts from this section and transfer to the section dealing with directors' powers. No change in language or in substance.

Section 34: Minimum Account Requirements For Directors

Amend this section to increase the $ 200 present minimum requirement for associations between $ 500,000 and $ 5,000,000 of assets to $ 500 and the minimum account requirement for associations over $ 5,000,000 to $ 1,000. Retain, however, the right of a director to make monthly payments in lieu of the stipulated amounts.

> Comment: A director should have at least these amounts of his own funds in the institution of which he is a director.

Section 35: Loans to Officers, Directors, Attorneys or Employees

Amend the language of the section so that it will be permissible for any of these officials to obtain a property improvement loan on his own home. The present statute provides that these officials may only borrow on a "mortgage loan" for the financing of their own homes or an account loan.

ARTICLE VII: Members' Meetings, Notices

Section 58: Voting Rights

Amend this section to permit an association, at its option as provided in the by-laws, to continue the present system of one vote per member or one vote for each $ 100 or fraction thereof, of the withdrawal value of savings accounts with a maximum of 50 votes and permitting one vote per borrowing member.

> Comment: The alternative proposal is the same as that which applies in the federal associations. Cases of the opening of a number of $ 1 accounts for the purpose of influencing a directors' election have been reported and some associations may wish to change the voting system to avoid such a contingency. The committee feels that a number of associations would wish to continue on the present system, and it has made this recommendation to permit those who wish to continue, to do so, and to permit those who wish to change to the federal system, to do so by appropriate by - law action.

ARTICLE VI

Sections 40 to 44 (Inclusive) Section 46 Section 151
Membership Plans -- Government Investments
E. Harold Schoonmaker
Chairman -- Sub-Committee

Section 44: Limitation Upon Accounts

It is recommended that the language limiting the maximum size of an account to $ 35,000 be eliminated. The present language of the section permits a maximum of $ 15,000 or 1 per cent of the capital of the association, whichever is greater, with the additional proviso that in no case shall the account be in excess of $ 35,000 with certain exceptions.

The effect of the proposal of the sub - committee is to allow the other two maximum limitations (namely, $ 15,000 or 1 per cent of capital, whichever is greater) to stand, but to eliminate the $ 35,000 maximum and give the board of directors of the association, discretion to set its own maximum.

Comment: The committee believes that with the increase in the size of the associations, the $ 35,000 maximum is inadequate in a number of associations under present - day conditions. It believes that the maximum (except as to the $ 15,000 or 1 per cent) should be left to the discretion of the board of directors.

Sections 47 to 52 (Inclusive) Fiduciary - Trust - Payment on Death - Minors' Accounts - Etc.
Clifford Sharkey
Chairman -- Sub - Committee

Section 47: Minors

It is recommended that there be added to this section language similar to that found in the Banking Act with appropriate changes in terminology. The language found in the Banking Act is "Deposits may be made with a banking institution by or in the name of a minor. A minor may endorse and deposit to the credit of his account with a banking institution, checks and other instruments for the payment of money which are payable to him or to his order. Monies to the credit of such an account shall be subject to withdrawal by the minor by checks or other instruments for the payment of money. In all transactions with respect to such an account the minor shall, as between himself and the banking institution, be deemed to be of legal age. It is also recommended that specific language be included to permit an association to make an account loan to a minor on an account held by him or in his name.

Comment: While Section 47 presently sets forth that minors may be members, and shall be entitled to all the rights and privileges, and subject to all the duties and liabilities of membership, it is thought advisable to include for the purpose of clarification the same detail as is found in the Banking Act.

Quite recently a court decided that the note of a minor, given for an account loan, could not be collected by the association on the grounds that a minor cannot contract except as specifically provided by law. It would appear that if a minor may withdraw his account, he should also be permitted to make an account loan.

Section 48 (3): Joint Membership Accounts

The committee recommends the addition to this section of the following language: "The pledge to any association or federal association of all or part of the savings account in joint tenancy, signed by that person or those persons who are authorized in writing to make withdrawals from the

account shall, unless the terms of the savings account provides specifically to the contrary, be a valid pledge and transfer to the association of that part of the account pledged, and shall not operate to sever or terminate the joint and survivorship ownership of all or any part of the account."

Comment: This language is recommended to clarify the situation with reference to borrowing on a joint account and is the language found in the model code prepared by the U. S. Savings and Loan League.

It also is recommended that new language be included in the statute, which is similar to that found in the Banking Act concerning payment by savings and loan associations after death or incompetency of a savings member. The language suggested is as follows: "In the absence of notice of actual death or incompetency of a savings member received by a savings and loan association at the office at which the member's account is maintained, the association may, not withstanding such death or incompetency, pay any requests for payment thereunto authorized in writing."

ARTICLE VIII

Dividends and Reserves
Edward P. Cantwell*
Chairman -- Sub-Committee

Section 60: General Reserve, Bad Debt Reserves, and Federal Insurance Reserve Account

Amend this section to permit transfers from Bad Debt Reserves to General Reserve or to Federal Insurance Reserve and also to permit partial transfers from the General Reserve to the Federal Insurance Reserve.

Comment: As the statute presently stands, there is a technical question as to whether or not such transfers may be permitted. The adoption of the recommendation will clarify this matter and will give associations needed flexibility in the handling of these reserves.

Section 62: Dividend Participation - Exceptions

Amend this section to provide that dividends at the discretion of the Board of Directors may be available to members not earlier than the eighth calendar day prior to the close of the dividend period.

Comment: It is common practice for associations to make dividends available prior to the dividend date. There is no specific provision in the statute permitting this practice and there is no prohibition against it. No standard practice as to the number of days has been established by the associations as a whole. It would be advisable to add specific language to the statute permitting the practice, but at the same time setting forth a maximum permissible period.

Section 65: Reward Profit Plan

Amend this section to provide that an association may under uniform rules and regulations, established by the Commissioner of Banking and Insurance, pay variable rates for regularity of payment or for length of investment.

Comment: It is quite likely that the Federal Home Loan Bank Board will, in the near future, permit federal associations to operate new types of bonus plans, either for regularity of payment or for the retention of an account over a specified period of time, or both. Such plans have had a great deal of study by both the United States Savings and Loan League and the National League of Insured Savings Associations and both seem to favor some plan that will give an incentive to long term investment and to regularity of savings. The committee feels that the state chartered associations should have equal privileges insofar as this item is concerned. It believes, however, since this matter is still in the experimental stage, that it would be inadvisable to write any rigid plan in the statute, which requires the rather cumbersome procedure of statutory amendment to change it. It believes rather that it should be handled in the same manner as the federal plan will be handled, namely, by rule and regulation. This provides a more flexible method than statutory amendment of making changes in the future, should they be desirable.

* Mr. Cantwell died subsequent to the completion of the committee's work.

ARTICLE IX

Withdrawals
Moe Rubinfield
Chairman - Sub-Committee

Amend Sections 69, 70 and 71 and in Article XII, Section 94, to eliminate from the statute the present provision which sets forth that an association may, if insufficient funds are on hand to pay in full all withdrawal applications, make partial payments on a rotating basis and substitute, therefore, a provision that an association may require a maximum of 90 days notice of withdrawal with the further provision that the Commissioner of Banking and Insurance may, if the circumstances warrant, extend the time and method of payment. Include a provision that an association may waive such notice. Include a further provision that if an association should require such notice, it shall immediately notify the Commissioner of Banking and Insurance of such action.

Comment: The effect of this provision would be that an association would be in default if it could not meet the 90 - day requirement, unless the Commissioner should extend the time. This is substantially the same provision as that which is in effect in the Banking Act as to the withdrawal of savings accounts in banks. The effect of the default in the case of an insured association would mean that the insurance would be payable if the Commissioner proceeded to certify the association for liquidation. In the case of an uninsured association, it would mean that the association would be liquidated and that each member would receive his proportionate share. Actually, these situations need hardly be expected to occur. In the case of an insured association, the other facilities of the insurance corporation would no doubt be put to use in order to permit the association to meet its contracts, which might mean also change of management or merger with another association, if management was at fault. In the case of an uninsured association, it could be reasonably expected that absorption by an insured association would cure the situation because the uninsured associations are small in size and could, under these circumstances, be absorbed. The reasons for the change are:

(a) A savings and loan association, assuming proper management, and with the facilities of the Federal Home Loan Bank System and the Federal Savings and Loan Insurance Corporation available, should be able to meet withdrawal demands upon it without delay, except in the case of an economic crisis which would require a "holiday" as to payments by all financial institutions. The rotating provisions have become obsolete under these circumstances.

(b) The public has been led to believe that it may withdraw and receive its savings upon request from a savings and loan association. The existence of the rotating plan in the statute leads to confusion, as the general public's understanding, while accurate for practical purposes, is at variance with the technical provision of the contract.

(c) It is conceivable, although the possibilities are somewhat remote, that an association, or associations, under the present law might turn to the rotation plan under certain circumstances. If this were to happen, it would have a harmful effect upon the business as a whole. In the sub - committees' opinion, it would be in the best interest of the business as a whole, that the supervisor should be empowered to take action that would result in the payment of the accountholders by the application of the insurance or by the absorption of such an institution by a one that would be in a position to pay.

The Savings and Loan Act of New York provides a fixed notice withdrawal provision similar to that outlined above. It was adopted with the support of the Savings Associations League of New York. Both the United States League and the National League of Insured Associations are studying the matter of recommending a similar change as to federal associations. Discussions at meetings of these organizations developed a great deal of sentiment for the change.

This is a highly important recommendation and was arrived at after exhaustive study by the sub - committee. The full report of the sub - committee is not included in this report, but it will be made available to any member association who wishes further detail than that which is included in this report.

ARTICLE X

Investments
Frederick T. Muller
Chairman - Sub-Committee

Three of the major recommendations of this Sub-Committee were enacted into law at the 959 session: namely, the 90 per cent Loan Bill, the Mortgage Participation Bill, and the roperty Improvement Loan Bill. Other recommendations of this Sub - Committee which had een approved by the Steering Committee and the Board of Governors are as follows:

Section 78: Mortgage Loans

Amend Section 78 (1) in the following respects:

(1) Provide that the Commissioner of Banking and Insurance may by regulation, applicable to all associations, permit the making of mortgage loans to a percentage of value and for a term beyond those otherwise permitted by specific statute; provide that no more than 10 percent of the assets of an association may be invested under such expanded authority. The provision might also contain language to the effect that the commissioner should exercise this authority when economic circumstances warrant it, and so far as feasible in accord with similar authority granted to federal associations.

(2) Provide that an association may recast a direct reduction loan for a period of 25 years, instead of 20 years as at present;

(3) Establish a new section or new subsection dealing specifically with construction lending.

Comment: (1) The first recommendation is made in order to permit state chartered associations the same flexibility that is available to federally chartered associations, where the maximum loan term and the maximum percentage of loan may be fixed by regulation of the Federal Home Loan Bank Board rather than be the cumbersome method of a specific legislative change.

(2) This recommendation is made to bring this provision into conformity with the provision that permits original loans for a period up to 25 years.

(3) The present provisions as to construction loans are quite general and in some respects vague. Powers and limitations of associations with respect to such loans should be set up more precisely, although this is a matter of language rather than substantive change.

Section 80 (2): Real Estate - Property Purchased for Resale to Members

Amend the Sub-Section to permit periodical installments for repayment over a period not exceeding 25 years, instead of the present 20 years.

Comment: This is a comparatively little used section which permits an association to purchase land and to construct improvements thereon for resale to members on contract, provided that the contract of the member is executed concurrently with, or prior to, such purchase. The change from 20 to 25 years is recommended, in order to bring this section into conformity with the section dealing with mortgage loans which permit such loans for a period of 25 years.

Section 81: Appraisals.

Amend this section to provide that an independent appraiser shall be required only for loans of more than $25,000, where such loans are on properties consisting of more than four-family units. At present an independent appraiser is required on all loans of over $15,000.

Comment: The present law precludes the use of qualified staff appraisers or qualified committees on all loans in excess of $ 15,000. It is an unreasonable discriminatory provision. There is no such requirement in the laws relating to any other type of financial institution making mortgage loans, nor so far as we know in the state savings and loan codes of any other state. The present provision adds an additional cost to borrowing from savings and loan associations and places them at a competitive disadvantage with other institutions in this respect.

Section 82: Limitation On Amounts Of Real Estate Loans And Investments

Amend this section to increase the limit on the loan on any one property from $ 25,000 or 2 1/2 per cent of assets to $ 35,000 or 2 1/2 per cent of assets. Amend this section also to increase the percentage of loans in excess of the recommended $ 35,000 limit which an association may hold.

Comment: The present law limits individual loans to $ 25,000 or 2 1/2 per cent of assets, whichever is greater. It limits to 25 per cent of the total portfolio, the loans in excess of $ 25,000. The increasing prices of real estate and increasing loan required makes it desirable to increase these limits, so that the associations can continue to serve all the home borrowing public. The $ 35,000 would bring the individual maximum loan into accord with the limit for federal associations

Section 83: Restrictions on Investments

Amend Section 83 (1) to permit the inclusion of investments in the obligotions of certain Federal agencies, including Federal Home Loan Bank Obligations, FNMA obligations, Federal Land Bank Obligations, and other similar obligations of Federal agencies in calculating the minimum liquid fund of 5 per cent required by the statute.

Comment: The only purpose of this amendment is to provide for this leeway in case the Federal Home Loan Bank Act should be amended to permit Federal Agency investments to be included in the liquid funds under that Act.

ARTICLES XI TOXIX
(Inclusive)

Reports, Examinations and Audits, Supervision, Mergers, Foreign Associations, Insurance of Accounts, Conversion into Federal Associations, Fees and Charges, Reorganization, Dissolution and Liquidation.

P. Charles Brickman
Chairman - Sub-Committee

ARTICLE XI

Reports, Examinations and Audits

Section 84: Reports to Members.

Amend the section to eliminate the requirement that the statement of operations which an association must furnish to a member upon request shall be in printed form.

Comment: Since very few requests are made for these statements, it would appear to be unnecessary for the association to print them, and that some other method of reproduction, such as mimeographing would be sufficient.

Section 91: Audits.

(1) Delete from the section the sentence which requires that a copy of the audit report be available for inspection by any of the association's members.

(2) Amend the section to provide that an audit report must be submitted to the Commissioner once in every 12 month period and no more than 90 days atter the commencement of the audit, with the Commissioner having the authority to extend the time for a period of up to 30 days where warranted, with the exception that the 12 month requirement be non-applicable in cases where the audit is made by the supervisor.

(3) Amend the section to provide that where an association operates a continuous audit, it shall submit a copy of the audit at some specific time during the year to the Commissioner.

(4) It is recommended that a new section be added to Article XI to provide specifically that all reports and all copies of reports of examination made by or under the supervision of the Commissioner be confidential. It is recommended that in general the form found in the Banking Act be followed.

Comments: (1) The audit report should be a confidential document as between the auditor, board of directors of the association and the Commissioner of Banking and Insurance, who represents the public. Under the present provision of law, anyone having an ulterior purpose may invest as little as $1.00 in the association and demand an examination of this confidential document. This requirement has already been eliminated as to insured associations by other provisions of law, but it should be eliminated as to all associations.

(2) The present requirement of law is that an audit shall be made at least once in each calendar year, but there is no provision as to when the audit shall be completed. Thus, an audit may be commenced, may not be completed for an undue length of time and there is no specific provision of law which gives the Commissioner power to act in such circumstances. The proposed amendment will correct this situation.

(3) Obviously, if an association conducts a continuous audit, there should be some specified period during the year, at which the report is to be submitted to the Commissioner. There is no present provision covering this situation.

(4) There is no specific language in the Savings and Loan Act setting forth that examination reports to the Commissioner, review letters and other such documents are confidential as between the Department of Banking and Insurance and the association involved. There is such specific provision in the Banking Act. Legislation has been introduced in the last two sessions of the Legislature which would make State governmental records open to public inspection, except as otherwise provided by law. If such legislation should pass, it might mean that in the absence of specific language to the contrary in the Savings and Loan Act, that such examination reports would become public property. This would obviously be against public interest, and if the report were quoted in exaggerated fashion, or out of context, it might do great harm to the institution involved. It is, therefore, recommended that safeguarding legislation similar to that found in the Banking Act be adopted.

ARTICLE XII

Supervision

Section 100: Requests for Information by Members.

(Note: This section was assigned to the Sub-Committee on Management - Philip Klein, Chairman. The following are the recommendations of that Sub-Committee with reference to Section 100.)

Re-entitle this section "Confidential Relationship of an Association to its Members; Procedure to Obtain Information or Communicate with Members." Transfer it to Article 6 titled "Members, Accounts, Shares".

Amend this section:

(1) To provide that the relationship of an association to each of its members constitutes a confidential relationship and that disclosure of the list of members of an association, in whole or in part, is prohibited, reserving the right of every member however, to inspect the records pertaining solely to his own accounts.

(2) To provide a means whereby a member desiring information from his association or desiring to communicate with other members of the association may proceed, by providing first that the member shall make the application in writing, specifying in detail the information he requests, or a statement that he desires to communicate with the other members; and the reasons for and the purposes of his request. If the request is to enable the member to communicate with other members, the application shall be accompanied by a complete copy of the proposed communication or communications. If the request to communicate is granted, the preparation and mailing thereof, shall be done by the association with the condition precedent that the applicant shall have prepaid to the association the cost and expenses involved in preparation and mailing.

(3) Provide that should the association fail to grant the application within a specified time, the applicant may apply to the Commissioner for an order directing the association to grant the application, with a procedure set forth for a hearing before the Commissioner. The Commissioner may grant or deny the application in whole or in part, and may impose such terms and conditions as he shall deem necessary or proper to protect the best interest of the association and its members. It is specified, however, that the Commissioner shall have no power to order a disclosure of the list of the members. If the application is to enable the applicant to communicate with other members and the Commissioner determines to permit the application, then the Commissioner shall order the association to prepare and mail the communication on the condition that the applicant shall prepay the expense. If the Commissioner finds that the application is not made in good faith, or to grant the application would not be in the best interest of the association and its members, he shall deny the application.

(4) The procedure for obtaining information by a member or enabling a member to communicate with other members shall be exclusive, but the action of the Commissioner shall be subject to review in the Superior Court in a proceeding in lieu of prerogative writ.

Comment: The recommendations of the sub-committee are designed to protect an association and its members from harassment and from publicly divulging a member's account relationship with an association, which is his private business and should be kept confidential. Unless such protection exists, it would be possible for anyone wishing to injure the association to acquire the list and to communicate, distorted or untrue information about it, and it would make the list available as a mailing list for any purpose, legitimate or otherwise. It would divulge information that the individual account holder would properly wish to have kept confidential.

At the same time, the recommendation recognizes the fact that savings and loan associations are mutual institutions and it provides a way whereby a member having a legitimate reason for securing information or for communicating with the other members for a legitimate purpose, may make his application to the association and upon refusal have the right to review the situation with the Commissioner, and finally to have the Commissioner's action reviewed by a court. The recommendations of the sub-committee on this matter are a fair and appropriate solution of a problem that arises from time to time in mutual organizations.

At the present time Section 100 of the Act, which provides a similar procedure for requesting information from an association, does not specifically mention a request for a list of account holders. The courts have, however, ruled that such requests come within the provisions of the present Section 100 and are matters that must be determined by the Commissioner under Section 100 in the event of an application. The Commissioner has not, in any instance, ordered any association to divulge its list of members, nor is it likely that he would issue such an order. Nevertheless, it would be advisable to clarify this whole matter in the manner recommended by the sub-committee.

ARTICLE XIII

Merger

Section 102 - Merger and 103 - Effect of Merger

(1) Amend Section 102 to provide that merger may be accomplished by a vote of majority of the respective boards of directors of the associations involved, with the approval of the Commissioner of Banking and Insurance.

(2) Provide a time limit for the Commissioner's approval or disapproval of a merger, which shall be not more than 30 days after the filing of the certificate of merger.

(3) Provide that an association may establish a branch at a "suitable substitute location" as well as at the location of the merged association.

Comment: (1) The present procedure which requires a vote of the members of the association upon a proposal to merge, is cumbersome and unnecessary. The membership of an association is a shifting group. The Commissioner of Banking and Insurance stands in the position of representing the public and the members generally, and his approval of a merger is required.There is, so far as the officials of the League know, no case where a merger recommended by the board of directors of the respective associations was voted down by the membership. Federal associations and mutual savings banks may merge by directors' vote. In the case of bulk sales, (which is an alternative to merger), the receiving association under present law can act through its board of directors, without requiring a vote of the membership.

(2) Some time limit should be established for the Commissioner to make the decision to approve or disapprove a merger. Thirty days after the filing of the certificate of merger seems to be reasonable.

(3) This provision brings the language of this section into accord with the language of the branch section.

ARTICLE XIV

Foreign Associations

Sections 104 to 111:

This section should be studied carefully by those drafting the revision to determine whether or not it may be strengthened in order to protect the public of New Jersey from unsound ventures operated by unscrupulous promoters domiciled in other states operating under the name " Savings and Loan Association" and taking advantage of lack of regulation and supervision in these states.

ARTICLE XVII

Fees and Charges

Sections 119 and 120:

Amend these sections to provide for the following fees:

(1) $ 100 for any dissolution proceeding.

(2) $ 100 for any new corporation filing and also an additional fee of $ 100 to cover the cost and investigation of filing.

(3) $ 50 for any proceeding under Section 134, Bulk Sale.

(4) $ 100 for any proceedings under Section 102 - Merger.

(5) $ 100 for an application for a branch office under Section 21.

(6) $ 100 for a change of location application.

(7) $ 35 for a change of name application.

(8) $ 5 for all certifications by the Commissioner, of papers or records on file with the Department, plus the reasonable cost of typing and reproducing of such records.

Comment: This schedule of fees is recommended by the Commissioner of Banking and Insurance. At present, the only fees provided for in the Act, except for foreign associations, are a $ 5 fee for filing the annual report or any certificate required to be filed in the office of the Commissioner and a $ 35 fee for any reorganization proceeding.

The procedures set forth for which the above fees are recommended require time and attention in the Department and very often formal hearings before the Commissioner. It is the opinion of the committee that the recommended fees are warranted.

ARTICLE XVIII

Reorganization

Sections 121 to 136:

Eliminate this entire article from the Act with the exception of Section 134, which deals with bulk sales. This section might be incorporated in the article concerning mergers.

Comment: The reorganization provisions were written to deal with the severe problem of the business during the depression of the 1930's. Most authorities agree that a similar economic collapse will not take place again, but even if it should, this article would not be put to use for the following reasons:

(1) Savings and loan associations in New Jersey which are insured by the Federal Savings and Loan Insurance Corporation represent 95 per cent of the aggregate assets of the business today, and this percentage is constantly increasing.

No New Jersey insured association has ever been involved in financial difficulties and the Federal Savings and Loan Insurance Corporation has not been called upon to make good any losses in New Jersey. It is hoped that this record will continue, but should a New Jersey insured association become involved in difficulties, one of the following methods would be used to solve the problem:

(a) A contribution from the Insurance Corporation to make the association whole.

(b) A loan from the Insurance Corporation.

(c) A merger of the assets of the association into a sound insured association with the necessary financial support from the Insurance Corporation, to safeguard the receiving association.

(d) If none of these methods could be applied, the closing of the association by the Commissioner of Banking and Insurance for liquidation, the payment of the account holders by the Insurance Corporation and the take over of the assets of the association by the Insurance Corporation in order to salvage its costs. There would be no need in any case for the reorganization procedure.

(2) The uninsured associations are considerable in number, but are of average small size and aggregate in total approximately 5 per cent of assets which percentage is gradually decreasing because of uninsured associations becoming insured and the greater growth of the insured associations. All of the associations in this category are over 30 years old and weathered the storm of the 1930 depression. They are as a class, conservatively operated and well reserved. The possibilities of financial difficulty in this group are small, but should it occur in one or more associations, the procedure to be used would be the absorption of all or part of the assets through the bulk sale provisions into one of the insured associations, or liquidation under the voluntary dissolution provisions or by the Commissioner. There would be no purpose in attempting to reorganize such an association by a segregation of assets under the reorganization procedure and re-establish it as a going unit.

The bulk sale section (134) is a useful section and as recommended should be retained. The other provisions of this section have not been put to use since prior to the passage of the 1946 revision. The reorganization provisions had a constructive purpose and were of great value in their day, but they are now only several pages of verbiage which have no present nor future applicability. It would be advisable therefore, to eliminate them from the statute.

Miscellaneous

Section 151: Insured Accounts Eligible For Trust And Public Funds And Savings Banks And As Security

(Note: This section was assigned to the sub - committee on Membership Plans, Governmental Investments - E. Harold Schoonmaker, Chairman. The following is the recommendation of the sub - committee with reference to Section 151.)

The sub - committee recommends that the maximum size of an individual account coming under this category, be the amount for which the account is insured by the Federal Savings and Loan Insurance Corporation (at present $ 10,000) or 25 per cent of the total reserves and undivided profits of the association, whichever is greater.

Comment: Under the present law the maximum size of such an account which may be accepted by an association is the maximum amount for which the account is insured by the Federal Savings and Loan Insurance Corporation, namely $ 10,000. Many public bodies and others who derive their authority for investment in savings and loan associations through this section, wish to have larger accounts and it would appear reasonable that they should be able to do so with some limitation. The sub - committee feels that the limitation of 25 per cent of reserves and undivided profits is a reasonable limitation.

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THE SAVINGS AND LOAN ACT

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NOTE

* Since the Committee on the Revision of the Savings and Loan Act commenced its work, six of its members have passed away. Each of them contributed time and thought to the work of their respective sub-committees. While they are no longer with us, it was thought appropriate to include them in this list with a notation of their decease.

S. Charles Melcher, of Kearny, served on the sub - committee having to do with Article VI, but he no longer is connected with the savings and loan business and has taken up another occupation. Nathaniel Morris, of Irvington, served as Chairman of the sub - committee on Article X but subsequently left the savings and loan business temporarily, and his place was taken by Mr. Muller. Both Mr. Melcher and Mr. Morris gave time and thought to the work of their respective sub - committees. It is appropriate, therefore, that they be given recognition for their efforts.

OUTLINE OF CHANGES IN PROPOSED REVISION OF SAVINGS AND LOAN ACT

SENATE BILL No. S-[redacted] 114
(As passed by the Senate)

(The section numbers given are those of the Savings and Loan Act of 1946. They will be changed as to number in the revision.)

A SPECIAL REPORT PREPARED BY
THE NEW JERSEY SAVINGS AND LOAN LEAGUE

10 Commerce Court Newark 2, N. J.

OUTLINE OF CHANGES IN PROPOSED REVISION OF SAVINGS AND LOAN ACT

SENATE BILL No. S-[redacted] 114

(The section numbers given are those of the Savings and Loan Act of 1946. They will be changed as to number in the revision.)

Section No.	Proposed Revision
	ARTICLE I **CONSTRUCTION AND DEFINITIONS**
1 through 9.	No change.
10. Definitions	Definitions of STATE ASSOCIATION, ASSOCIATION, INSURED ASSOCIATION, ACCOUNT amended for purposes of clarity, without substantive change. Definition of PARTICIPATION VALUE amended to eliminate the description of an account as a "membership account" and stating it as an "account". Definitions added of PRINCIPAL OFFICE, BRANCH OFFICE, AUXILIARY OFFICE, AGENCY, POPULATION, PER CAPITA ASSETS, DEPOSIT, MUNICIPALITY, PERSON, FIRST LIEN, FOREIGN ASSOCIATION, DEPARTMENT OF BANKING AND INSURANCE. ~~Definition of "deposit" is added to make it clear that an association may use this term in connection with its savings accounts. It generally is used by the public and is a word of common usage.~~ "Per Capita Assets" means the population of the State, county or municipality (as the case may be) divided into the savings and loan assets. Definition of "first lien" is transferred to the definition section from Section 78 of the act. There is added to the definition language which includes in the definition of a first lien a first lien on the lease of a fee. The other new definitions are self - explanatory.
	ARTICLE II **PURPOSES**
11. Purposes	No change.
	ARTICLE III **INCORPORATION AND ORGANIZATION**
12. Persons who may form corporation.	This section is amended for clarity to provide that the incorporators must be domiciled in New Jersey, rather than be citizens of New Jersey, and shall also be citizens of the United States.
13. Contents of certificate of incorporation.	Provision added requiring incorporators to specify street and street number in the municipality in which the association will be located.

14. Original by-laws.	Repealed -- This item is covered in Section 22 of the act.
15. Application to commissioner for approval.	No change.
16. Notice of application and hearing thereon.	Amended to provide that notice of the application and hearing regarding a new association shall be sent to Federally chartered associations in the county as well as State chartered associations in the county.
16.1 Guaranty account and commissioner's findings.	Amended to increase the amount of guaranty account that must be provided in connection with the incorporation of a new association, from $ 25,000 to $ 50,000. Under present day conditions, $ 25,000 is inadequate and $ 50,000 is a justifiable minimum. Present language in this section as to commissioner's findings is transferred to Section 17 for clarity and logical order. No substantive change.
17. Hearing.	Language relative to commissioner's findings presently located in Section 16.1, placed in this section for clarity and logical order.
18. Commissioner's decision.	Amended to provide for notice to the incorporators of commissioner's decision.
19. Certificate to be filed.	No change.
20. Time limit for commencing business.	The present law provides that new associations must commence business within six months from time of commissioner's approval, with no provision for extension. This section amended to provide that the commissioner may extend the time for good cause.
21. Branch offices.	This section deals with two types of branches; new branches and branches established following merger or purchase of assets.

NEW BRANCHES

Reserve Requirements and Number

No change as to reserve requirements for association applying for one branch. For more than one branch, reserve requirements are raised to 5% of capital in place of 3 %, with additional $ 50,000 in reserves for each additional branch. Arbitrary maximum limit of three new branches is eliminated and test of number depends upon reserves. A guaranty account may be established in order to make up reserve requirements under the same terms and conditions that apply to the guaranty account for new associations.

Area

Present law provides that a branch cannot be established in another community in the same county if there is any association or branch of an association located in that community. Amendment provides that a branch can be established in another community if the per capita assets of savings and loan facilities in that community are less than the average for the State or county, whichever is less, and the area of the municipality in which such branch is to be located is at least 5 square miles. Present law results in unreasonable monopoly. New law would eliminate this condition, but the per capita assets test will prevent over - branching.

~~Present law prohibits a new branch over county lines. Amendment would permit branch in a community in another county if such municipality is within 6 miles from the municipality in which the office of the applying association is located, and if no savings and loan facilities exist in the community for which application is made.~~

Notice

Present law provides for notice of application for branch to all associations in the municipality concerned, and those outside of municipality within 5 miles of proposed location. New law would limit the requirement of notice to those within the municipality concerned, and outside of municipality if within 2 miles of the proposed location.

Present law is unreasonable. Example: It requires associations in Jersey City to notify associations in some parts of Newark and vice versa. Other similar examples could be cited where the association notified is nat at all affected by the proposed branch.

Commissioner's Investigation and Findings

No change in these pravisions.

BRANCHES AS RESULT OF MERGER OR PURCHASE OF ASSETS

Present law unchanged, except branches acquired by purchase of assets are limited ta those in the same county ar contiguous county as is presently provided as to branches resulting from merger. There is no such limit in the present law.

Commissioner's Investigation and Findings

No change in these provisions.

REMOVAL OF BRANCH OFFICES

Provisions are added concerning the removal of a branch office which would permit removal of up to 1,500 feet, in the same municipality, automatically. Removal of more than 1,500 feet, but in the same municipality, would require notice and application and appraval of the commissioner. Removal to another municipality -- under same terms and conditions as are required for the establishment of a new branch.

INTERCHANGE OF PRINCIPAL AND BRANCH OFFICE

Provision is included for the interchange of a principal office and a branch office.

21.1 - 21.8 Auxiliary offices. (Sections 1 and 2 of Chapter 205 af the Laws af 1952).

No substantive change.

New Section - Agencies	New section provides that agencies may be established with written approval of the commissioner, but agency must be in the same county as principal office -- must be in a municipality of 3,500 or less in population and in which no insured association operates. Is limited to the receipt of deposits on savings accounts and payments on loans and other obligations. Reason for this is to provide service in a community that is not otherwise adequately served and is not large enough to support a branch office.
22. By - laws.	Amended to clarify language and to include provisions of Section 54. No substantive change.
23. Commissioner's approval required.	No change.
24. Change of office	Amended to require association to file notice with the commissioner when changing address from one location to another in the same municipality. No present requirement. Amended to provide that where commissioner has approved application to move from one municipality to another, association must exercise permission within 6 months of approval, with commissioner's right to extend time upon application and where circumstances warrant.
25. Change of name.	No substantive change.
	ARTICLE IV POWERS
26. General powers.	No change.
27. Specific powers.	No change except in subsections noted.
Subsection (3)	Amended to correct language in the power to permit use of a corporate seal. The present language says "common" seal.
Subsection (5)	Dealing with insurance of accounts amended for clarification. No substantive change.
Subsection (13)	Maximum late charge is increased from 2 % to 4 % of amount in arrears to bring charges in accord with similar charges permitted on FHA and GI loans. Language is added to permit a reasonable service charge for collection on dishonored checks.
New Subsection (16)	Clarifies right of insured associations to maintain safe deposit boxes. Federal associations may maintain such boxes and the Federal Savings and Loan Insurance Corporation permits their maintenance by state chartered insured associations. A number of state chartered insured associations maintain such boxes, but there is no specific language in the statute relating to them at this time.
New Subsection (17) (Previously Subsection 16 -- Pension Plans)	Amended to change the word "retirement" where it appears, to refer to "payment of pensions". Amended to provide for so - called deposit administration type of pension plan and to permit other plans as may be approved by the commissioner, subject to the limitations set forth. Amended to add an alternative of relating pension amounts to average salary during participation in the pension plan, in addition to salary for the 36 months preceding retirement, whichever is greater. Amended to specify the amount of maximum death benefit under pension plan and to state that provisions of death benefits for a period certain shall not tend to reduce the maximum pension permissible. Amended to provide a statutory

method for payments to qualified officers and employees not covered under a pension plan, subject to the approval of the commissioner. The present act simply says that they may pay reasonable amounts for reasonable periods under this section, but the amendments would specify limitations. Provision is continued that all plans must be approved by the commissioner before being placed in operation.

ARTICLE V
MANAGEMENT

28. Directors, number, powers. — Amended to require that director shall be citizen of the United States. No such present requirement. Language concerning the authority of board to determine manner in which checks, notes and drafts are to be executed is included in this section and removed from Section 32 because they appropriately belong here. No substantive change.

29. Directors, election, vacancies. — No change.

30. Attorneys. — Permits association to engage firm of attorneys - at - law as well as an individual attorney - at - law.

31. Officers. — Requires that an officer shall be a savings member of the association. Permits board to delegate to an officer, appointment of assistant officers or assistants to officers, subject to confirmation of board. Assistants to officers shall be considered as employees and not as officers. These procedures now are carried out by most associations and are considered good practice. Purpose of the amendment is to clarify the right of the board to follow these practices.

32. Officers' powers. — No change except to remove from this section and place in Section 28 the provision relating to checks, notes and drafts above mentioned.

33. Oath of office of directors and officers. — Provision is made for an affirmation as well as an oath.

34. Minimum account requirements for directors. — Present minimum of $ 200 is raised to $ 500 for associations having assets of $ 500,000 or more but less than $ 1,000,000 and to $ 1,000 for associations having assets of $ 1,000,000 or more. Provision also is made that a director may make a loan by pledging such an account, but that the unemcumbered balance shall be at least the minimum required by law.

35. Loans to officers, directors, attorneys or employees. — Provision is made to permit an officer, director, attorney or employee to secure a loan for the purpose of repairing, altering, improving or rehabilitating his home as provided in the act, as well as a mortgage loan on his home. Other than that, officers, directors, attorneys or employees cannot borrow from an association, except an account loan.

36. Default by directors and officers. — No change.

37. Restriction upon purchase of accounts. — Present law prohibits an officer, director or attorney from purchasing an account in the association for less than its withdrawal value. Section is amended to include in the prohibition also firms of attorneys retained by the association.

38. Limitation of expenses. — No change.

39. Bonds required. — No change.

ARTICLE VI
MEMBERSHIP, ACCOUNTS, SHARES

40. Membership generally. — No change.

41. Membership plan. — No change.

42. Non-Share plan. — Amended to permit variable dividend rates under uniform rules of the commissioner for length of investment or regularity of payment. Such plans now are permitted to federal associations, mutual savings banks and commercial banks and are needed by the state chartered associations in order to stay in the competitive market for savings. No charge is permitted against such an account except as may be permitted by regulation of the commissioner.

43. Share plan. — Amended for clarification of language without substantive change to provide for issuance of such evidence of the account as my be approved by the commissioner in addition to a share certificate.

44. Limitation upon accounts. — The present law provides that the maximum account shall be $ 15,000 or 1 % per cent of capital, whichever is greater, with an overall maximum account of $ 35,000. The amendment ~~deletes~~ Change the overall maximum ~~of $ 35,000~~ leaving the other two restrictions. The present restriction prevents many associations from accepting larger accounts when money is needed to supply the home mortgage market. The other maximum provisions; namely, $ 15,000 or 1 % of capital, are sufficient. ~~Further provision that corporate accounts shall not exceed $50,000 and other accounts shall not exceed $100,000.~~ FROM $35,000 TO 50,000

45. Form of certificate. — No change.

46. Governmental agencies may be members. — No change.

47. Minors. — The language permitting minors to hold accounts in their own name and withdraw is amplified and clarified. There also is included a provision that a minor shall be permitted to obtain an account loan from an association secured by the pledge of his account. Since a minor may hold an account and withdraw, there is no good reason why he should not be able to borrow upon an account in his own name. Very often people needing money between dividend periods can profitably make an account loan and then make the withdrawal at the dividend period and thus save the dividend. A minor should not be denied the privilege.

48. Fiduciary. — No change. (Note: This section applies only to accounts opened prior to December 15, 1955.)

49. Joint membership.	No change. (Note: This section applies only to accounts opened prior to December 15, 1955.)
48.1 Fiduciary accounts. (Section 1, Chapter 241 Laws of 1955.)	Amended to make it clear that there may be more than one trustee and more than one beneficiary, and setting forth method of handling such accounts. Otherwise amended for clarification of language, but with no substantive change.
New Section Revocation - power of attorney.	A new section is added to save associations harmless where a power of attorney has been issued and is revoked, unless the association receives written notice or is on actual notice of such revocation. Written notice of the death or incompetency of the person issuing the power of attorney is considered written notice of revocation. Language is similar to that found in the Banking Act.
48.2 Payment on death accounts. (Section 2, Chapter 241 Laws of 1955.)	Membership accounts by 1 person payable at death to another. This section is amended to make it clear that there may be more than one named person and more than one beneficiary and provides the method of handling such accounts. Otherwise the section is amended for clarification without substantive change.
48.3 Joint membership accounts. (Section 3, Chapter 241 Laws of 1955.)	Clarifies the right of a party to a joint account to borrow upon the account unless the terms of the account provide specifically to the contrary. Otherwise the section is amended for clarification of language without substantive change.
New Section	Clarifies the right of an association to accept accounts from administrators, custodians, executors, guardians, trustees, or other fiduciaries of trust for a named beneficiary or beneficiaries and sets forth the terms and conditions under which such accounts may be opened, maintained and withdrawn.
49.1 to 49.3 (Chapter 132 Laws of 1955.)	These sections adopted in 1955 provide that title shall vest in the survivor in the case of death of a party to a joint account, or the fiduciary in a trust or P. O. D. account. No change is made in these sections except to provide for those cases where there is more than one beneficiary or more than one trustee.
New Section	Protects an association in the case of payment of a request for withdrawal when the person holding the account dies or becomes incompetent and the association has not received notice of such death or incompetency. This is similar to the provision found in the Banking Act.
50. Transfer of membership.	No change.
51. Lost certificates and account books.	No substantive change.
52. Termination of membership.	No change.

ARTICLE VII
MEMBERS' MEETINGS, NOTICES

53. Notice to members.	No change.
54. By-laws furnished members.	The language included in this section has been removed to Section 22 where it more appropriately belongs and this section is therefore repealed.
55. Meeting place.	No change.
56. Meetings.	The language requiring the secretary to attend to the mailing or publication of notices of special meetings is deleted so that the association may delegate some other officer to this duty if it desires.
57. Quorum.	No change.
58. Voting rights.	Amended to provide two alternative methods of voting either one of which is to be determined by each association in its by-laws; the methods are either one vote per member regardless of holdings as at present or, one vote for each $ 100 of participation value of the account with a maximum of 50 votes and one vote per borrowing member as presently provided for federal associations. It has been charged in a few cases where there were contests for directors that one of the contestants opened a large number of "dummy" accounts for nominal amounts in order to influence the election. While such cases have been rare and so far not successful, it is deemed desirable to permit an association the option of the alternate voting method if it wishes to protect itself against such practice.
New Section Confidential relationship of a state association to its members.	Provides that the relationship shall constitute a confidential relationship and that the list of members shall not be disclosed.
New Section Procedure to obtain information or communicate with members. (Note: These two new sections replace the present Section 100.)	Sets up a procedure whereby any member may file a request to communicate with the other members and upon refusal of the association to grant the request provides for an appeal to the commissioner who shall determine from hearing or investigation whether the application is in good faith and would be in the best interest of the association and its members, and if such is found to enable the applicant to communicate with the other members without disclosing the list. While the present law leaves it to the commissioner to determine whether or not a list of members should be disclosed and the commissioner has never ordered the disclosure of the list, it is thought important that this matter be dealt with specifically by legislation. The disclosure of a list that might then get into the hands of someone wishing to harm the association, or circularize the list for competitive reasons, or for a fraudulent investment scheme, or to pry into the private affairs of individuals who may be members of the association, gives reason enough why the list should not be disclosed. Nevertheless, since these associations are mutual institutions, provision is made whereby any member may communicate with other members, for a legitimate purpose under such conditions as the commissioner, as a disinterested party and as a State official may impose.

ARTICLE VIII
RESERVES, UNDIVIDED PROFITS, DIVIDENDS

59. Determination of net income.	Amended to require that the financial statement required by this section shall include a statement of gross income and net income.
60. General reserve, bad debt reserves and federal insurance reserve accounts.	Amended to clarify the right of an association to transfer amounts from one loss reserve to another.
61. Special reserve accounts.	Amended to reduce reserves required of uninsured associations from 10% to 5% of net income until reserves equal 6% of capital instead of 12%, and to provide that insured associations shall comply with reserve requirements of the Federal Savings and Loan Insurance Corporation. Imposition of Federal income tax on associations requires this change in order to pay the tax and declare a reasonable dividend to the public.
62. Dividend participation -- exceptions.	Provision also is made to permit associations to pay dividends on withdrawals to the date of withdrawal. Such permission is granted to Federal associations as of July 1st, 1963 and it is presently available to banks. This is needed by State chartered associations to permit them to meet the competitive situation in the financial field.
63. Undivided profits account.	No change.
64. Restriction upon reserves and undivided profits account.	No change.
65. Reward profit plan.	The present reward profit plan for monthly systematic savings is deleted from the act, and there is substituted a provision permitting the commissioner to adopt uniform regulations to permit associations to pay an additional dividend to be called the reward profit for regular periodic payments to a savings account, or for the maintenance of a savings account for a specified minimum period of time, or both, and setting forth the general limitations within which the commissioner may issue such regulations. This change is made to permit State chartered associations to provide savings plans similar to those provided by federal associations, mutual savings banks and banks.

ARTICLE IX
WITHDRAWALS AND RETIREMENTS

66. Application for withdrawal.	No change.
67. Cancellation of withdrawal application.	No change.

68. Other withdrawal plans prohibited.	Repealed since this language appears in a new section which is placed after Section 71 and explained there.
69. Withdrawal payment procedure.	Repealed and replaced by new provision which follows.
New Section	This section is applicable to associations operating on Plan 1 (Non-Share Plan) which are the associations insured by the Federal Savings and Loan Insurance Corporation. It provides that such associations may require notice, but not in excess of 90 calendar days of request for withdrawal or permit such associations to carry out the practice of paying withdrawals when applied for. If notice is required of one, notice must be required of all subsequent withdrawal applications.
New Section	Applicable to associations operating on any plan other than Plan 1 (the non - insured associations) and provides that they may pay the amount requested when presented or pay the withdrawals as provided in Sections 70 and 71.
70. Funds required for withdrawals.	This section is made applicable only to associations operating on a plan other than Plan 1, but it is otherwise unchanged. Reason being that the associations on Plan 1 will be controlled by the 90 - day notice provision.
71. Rotation plan.	This section also is made applicable only to associations operating under any plan other than Plan 1, since the insured associations are controlled by the 90 - day notice provision above mentioned, otherwise it is unchanged.
New Section	Restates the pravisions of previous Section 68 to the effect that an association cannot obligate itself to pay under any other withdrawal plans than those set forth in the act, but further provides that the commissioner may, when the circumstances warrant, direct any association to suspend the payment of withdrawals or to pay withdrawals under any plan or plans which the commissioner is otherwise authorized to impose. This latter provision is similar to that found in the Banking Act.
72. Application of withdrawal value to indebtedness.	Prevents an association from applying the withdrawal value of an account pledged for the payment of any debt where the association is requiring notice for the payment of withdrawals, except as the commissioner may permit. This would prevent an association, by an indirect device, from paying withdrawals to one when it is not paying withdrawals to others.
	Note: These are important changes. The associations insured by the Federal Savings and Loan Insurance Corporation represent approximately 95 % of the total savings and loan resources in the State of New Jersey. They are equipped to pay withdrawals when requested. Failure to pay withdrawals within the 90 - day period would result from one of two conditions, mismanagement, or a widespread economic catastrophe that would require a "holiday" as to payments by all financial institutions. Under present conditions, it might well be that an association might pay withdrawals on the rotation plan in small amounts and the commissioner would have no legal grounds to proceed against it and to require the Federal Savings and Loan Insurance Corporation to pay the savers. The 90 - day notice provision would correct this situation. In the case of a widespread economic decline that would require a "holiday" on payments, power is given to the commissioner under Section 58 and Sections 94, 95 and 97 of the act to order the suspension or partial payment of withdrawals.

Insofar as the uninsured associations are concerned, while there are a number of them, they represent only 5 % of the total resources and this percentage is decreasing because of additional applications and acceptance for insurance of accounts. Since many of these associations operate on the old serial plan and do not wish to have any change made in the rotation provisions, it was throught desirable to allow these provisions to stand as to them.

73. Dividend retention. — No change.

74. Restrictions on suits. — No change.

75. Retirement. — No substantive change.

76. Unclaimed accounts. — Repealed. This section provides that where an account is retired and the address of the member is not known and not ascertained within a year, that the association may apply to the county court and have the money deposited in a bank. The provision is never used and the appropriate method is to retire the account, hold it in the the association and if not claimed within the time provided in the State escheat act, that it be escheated to the State. The present escheat laws are adequate.

ARTICLE X
INVESTMENTS

77. Investments authorized. — No change.

78. Loans — Definition of "first lien" is removed from this section and placed in definition section and provision made for loan secured by the lease of the fee of real estate.

Term of sinking fund loans is changed from a maximum of 20 years to a maximum of 25 years to bring it into accord with term of direct reduction loans.

Provision relating to straight mortgage loans, which permit such loans up to 50 % of value and not exceeding 3 years in term, is amended to clarify the right of an association to renew such a loan more than one time upon appropriate appraisal at time of renewal.

Provision relating to additional loans to present mortgage borrowers for repair and improvement, etc., of property, is changed to provide that the amount shall be a maximum of $ 3,500, or the difference between the unpaid balance and the original principal of the mortgage whichever is less in place of the present $ 2,500 maximum. This is in order to bring this provision into accord with the maximum permitted on unsecured property improvement loans. It is re-enacted as a separate new section.

Present provision permitting an association to invest not more than 10 % of its capital in loans in excess of 80 % of value, but not in excess of 90 % of value with other requirements and conditions, is amended to permit such loans up to 90 % of value of the first $ 25,000 of value and 80 % of value above that amount, but in no event shall the loan be in excess of $ 26,500. This change is made to bring this provision into conformity with the rules and regulations for Federal savings and loan associations.

	New provisions are included specifying the terms and conditions under which associations may make construction loans and may advance money in the course of improvement of the land and of the buildings. A new provision is added permitting the commissioner by rule and regulation to permit loans of higher percentage or longer term than otherwise permitted under the act, but with the limitation that the aggregate amount invested under this provision shall not exceed 10% of an association's assets. This provision is included so that the State chartered associations may keep abreast of the Federal savings and loan associations, which have their lending powers changed from time to time by the regulations of the Federal Home Loan Bank Board. Provision has been added permitting the associations to make any loans that may be authorized as to savings and loan associations by any other law of this State. This section has been rearranged as to its subsections and paragraphs and language has been clarified, but in the interest of brevity this explanation has been confined to those matters which are substantive changes. Provisions as to account loans, guaranteed loans, etc., are deleted from their present positions in the section, but will be found unchanged in other positions in the section or in new sections. Provision is made for a loan secured by the lease of a fee provided the term of the leasehold interest securing such loan is not less than 50 years from the date the loan is granted.
78.1 Federal associations -- interest and loan charges. Section 1, Chapter 39, Laws of 1957.	Repealed and re-enacted without change under new section set forth below.
78.2 through 78.8 Unsecured property improvement loans.	No substantive change, but re-enacted as a new section.
New Section Investment in additional loans.	This is re-enactment of the provisions relating to additional loans to present borrowers for repair, improvement, etc., of the mortgaged property as a separate section, without substantive change except for the change of the maximum from $ 2,500 to $ 3,500 above noted.
New Section Unsecured property improvement loans.	This is re-enactment as a separate section of the present provision concerning unsecured property improvement loans without substantive change.
New Section Federal associations -- interest and loan charges.	This is re-enactment of Section 78.1 as a separate section without change.

79. Other investments. Securities.	New subsection is added to clarify the right of an association to make an investment that may be authorized to it by any other law of this State. Otherwise, the section is unchanged.
80. Real estate. (1) Office building for transaction of association's business.	Changed for clarification of language. No substantive change.
(2) Property purchased for resale to members.	Maximum term of a contract for resale is made 25 years in place of 20 years in order that this provision may conform with the terms permitted for mortgage lending. Also a requirement is added that there shall be an appraisal prior to such purchase of property contracted for resale.
81. Appraisals.	Independent appraiser required only on loans, on properties consisting of more than 4 family units and in an amount of more than $ 25,000 in place of present provision which requires independent appraiser on all loans of over $ 15,000. No other financial institution, including federal savings and loan associations are subject to any requirement as to an independent appraiser. Insured associations are of such size that they have qualified staff appraiser or other officials quolified to appraise the normol property. Small associations in small communities know their communities and are better qualified to determine values than someone brought in from another place. Present law puts an unnecessary expense on borrowers from State chartered associations, since other lenders are not required to put the borrower to this extra expense.
82. Limitation on amounts of real estate loans ond investments.	Amount that an association may loan on any one property is raised from $ 25,000 to $ 35,000 and amount that may be loaned in excess of this amount, but not in excess of 2 1/2 % of assets is changed from 25 % to 35 % of the total of the mortgage portfolio. These changes are needed to permit State chartered insured associations to meet the competition of other lending institutions including Federal savings and loan associations, and to permit them to enter more adequately into the field of urban rehabilitation.
83. Restrictions on investments.	Obligations of agencies and instrumentalities of the United States Government are added as eligible investments for the liquid investment fund of an association.

ARTICLE XI
REPORTS, EXAMINATIONS AND AUDITS

84. Reports to members.	The requirement that the report to members shall be a "printed" report is eliminated since there are many other methods of reproducing such reports.
85. Reports to commissioner.	Provision is made for an affirmation as well as on oath. It is required that the oath or affirmation shall be by such officers as the commissioner sholl designate and the present languoge, "and such other persons", is deleted.
86. Examinations by commissioner.	No change.

87. Testimony and production of books and securities; subpoenas.	Provision is made for an affirmation as well as an oath. Otherwise no change.
88. Attachment for contempt.	Repealed by P. L. 1953, C. 17 under statutory revision committee program revising parts of statutory law.
89. False testimony; perjury.	Provision is made for an affirmation as well as an oath. Otherwise no change.
90. Immunity to violator testifying.	No change.
91. Audits.	Requirement is included that audit reports must be completed 90 days after commencement with the right of the commissioner in his discretion to extend the time. Language requiring that the audit report shall be available for inspection by any member is deleted, as this report should be confidential with the commissioner, the board of the association and the auditor. Provision is made whereby the audit report of an association, which operates a continuous audit, shall be filed with the commissioner at a specific time during the year.

ARTICLE XII
SUPERVISION

92. Commissioner's additional powers.	No change.
93. Discontinuance of unauthorized practices.	No change.
94. Grounds for action by commissioner.	Present act provides that failure to pay withdrawals within a period of 2 years from the time of application, is ground for action by the commissioner. This is changed to a period of more than 90 days. This change is made to conform to the change concerning the 90 - day notice provision as to non-share plan (insured) associations, and also to give the commissioner the power to take action in the case that a non - insured association is operating on the rotation plan for a period of more than 90 days. It would appear that in such a situation, the matter should not be left entirely to the judgment of the management of the association, but that the State, through the appointed supervisory authority, should have power to take action if action is necessary.
95. Conservation orders.	Language is clarified without substantive change to permit the commissioner to order the suspension of payments of withdrawals in whole or in part where circumstances warrant. Language conforms to similar provision in the Banking Act.
96. Application to the court for relief.	No change.

97. The Commissioner's authority.	Subsection 4 (h) which provides that the commissioner shall submit for the approval of the members any terms he sees fit to recommend with respect to merger, reorganization or dissolution and liquidation is deleted. He has these general powers if he sees fit to exercise them without having them set forth in this subsection. The existence of this subsection may merely lead to unnecessary litigation and delay should an association, insured by the Federal Savings and Loan Insurance Corporation, be taken into possession, in which case, the Insurance Corporation would pay the members and would be the owner of substantially all of the assets. Since the public would be protected under such circumstances, the procedure should take place with the least delay and with the least likelihood of delaying litigation. Subsection (9) Dissolution, is amended to make it clear that if the association to be dissolved is an insured association, the procedure shall be pursuant to the provision of Section 114 of the act which deals especially with the cases of insured associations.
98. Proceedings in court upon commissioner's refusal to act.	Present language permits a member or creditor to go to court to compel action by the commissioner or to compel the appointment of a receiver. Language is added to give the Federal Savings and Loan Insurance Corporation the same rights as a member or creditor in the case of an insured association. Since the Insurance Corporation would pay off the creditors and members and would be the greatest potential loser in the event of a dissolution, it certainly should be allowed to be a party in proceedings of this kind.
99. Proceedings before commissioner.	No change.
100. Requests for informotion by members.	Repealed and replaced by new sections following Section 58 and previously explained.
101. Bookkeeping methods and account practices; destruction af books, records, et cetera.	No chonge.

ARTICLE XIII
MERGER

102. Procedure.	Merger of two or more associations is permitted upon the approval of the directors of the respective associations and upon approval of the commissioner, but without the necessity of calling a meeting of the members and having them vote upon the merger. Provision is however made for notice by mail to all of the members and with provision that a member objecting may appeal to the commissioner. The members of a savings and loan association are a shifting group with an average membership of 3 years. The meeting of members is usually a formality and no merger proposed by the boards ever has been rejected by the members. It appears therefore that the meeting of members can be dispensed with as an unnecessary step and expense. Otherwise the changes are not substantive.

103. Effect of merger.	No change.
New Section Bulk transfer assets.	This is merely a re-enactment of those sections of the reorganization article which deal with bulk transfers of assets from one association to another without substantive change. It is more appropriately placed next to the merger section and is re-enacted in this fashion because Article 18 - Reorganization, is otherwise repealed.

ARTICLE XIV
FOREIGN ASSOCIATIONS

Sections 104 to 111 inclusive.	The present Sections 104 to 111, dealing with foreign associations, are repealed. These sections permitted a foreign association to do business in the State upon depositing certain securities with the commissioner and meeting certain other requirements. They are replaced with new provisions which prohibit a foreign association from transacting the business of a savings and loan association within the State, or maintaining an office within the State. The new provisions set forth that an individual violating the prohibitions of the sections shall be guilty of a misdemeanor, with appropriate penalties. The thrift and home finoncing requirements of the State of New Jersey are adequately met by financial institutions operating under the laws of this State and the United States, and under supervision of this State and the United States. Therefore, there is no need for the admission of other outside institutions. The Department of Banking and Insurance has asked for the strengthening of these sections, because it feels that under the present law it cannot adequately protect the public against the operation of foreign associations from certain other states, which either have no supervision, or inadequate supervision.

ARTICLE XV
INSURANCE OF ACCOUNTS BY FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION

112. Filing copy of application and statement of acceptance or rejection.	No change.
113. Terminating insurance.	No change.
114. Powers of commissioner not impaired; joint powers with insurance corporation.	No substantive change.

ARTICLE XVI
CONVERSION INTO FEDERAL ASSOCIATION

115. Procedure.	No change.
116. Corporate existence continued upon conversion.	No change.
117. Conversion from federal to state charter procedure.	No change.
118. Approval by commissioner; filing of certificate; corporate existence continued.	No change.

ARTICLE XVII
FEES AND CHARGES

119. Fees and Charges	Presently there is no provision in the law permitting the commissioner to charge fees for procedure in such matters as mergers, applications for new charters and the like. The section is amended to permit charges for special activity of this kind in order to reimburse the department for expenses. The maximum fee charged for any particular application is $ 100. These fees are recommended by the Department of Banking and Insurance and the savings and loan business has indicated that they are justified.
120. Payment of commissioner's expenses.	No change.

ARTICLE XVIII
REORGANIZATION

121 to 136 inclusive.	Repealed. These sections were adopted to deal with the specific problems which arose during the depression of the 1930's. These methods would not be used again, in view of the insurance of accounts by the Federal Savings and Loan Insurance Corporation, even though there were a future economic disaster comparable to that of the 30's. The only sections in this article which are of current use are those dealing with bulk sales or transfer of assets, which have been re-enacted in a new section as previously stated in this summary.

ARTICLE XIX
DISSOLUTION AND LIQUIDATION

137 to 149.	No change.
150. Appeals -- limitations.	Repealed by P. L. 1953, C. 17 under statutory revision committee program revising parts of statutory law.

ARTICLE XX
MISCELLANEOUS

151. Insured accounts eligible investment for trust and public funds and savings banks and as security.	Present law limits such investments to associations whose accounts are insured by the Federal Savings and Loan Insurance Corporation and to the maximum amount which is insured; namely, $ 10,000. Amendment would permit the investment of $ 10,000 or an amount not in excess of 25 % of the total reserves and undivided profits of the association, whichever is greater. There is no such limit on the amount public bodies may invest in banks and many public bodies wish to invest more than $ 10,000 in an insured association.