

**FIRST REPORT  
of the  
NEW JERSEY UNIFORM CONSUMER CREDIT CODE  
STUDY COMMISSION**

Comparison of the proposed Uniform Consumer Credit Code  
with  
New Jersey Consumer Credit Statutes  
and  
Federal Consumer Credit Protection Act  
as at December 31, 1970

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# Uniform Consumer Credit Code Study Commission

## LAWS 1969 — CHAPTER 238

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FIRST REPORT OF THE NEW JERSEY UNIFORM  
CONSUMER CREDIT CODE STUDY COMMISSION

TO: THE HONORABLE, THE GOVERNOR, THE SENATE AND ASSEMBLY OF  
THE STATE OF NEW JERSEY

We have the honor to submit this First Report of  
the New Jersey Uniform Consumer Credit Code Study Commission.

The Commission was created by the Laws of 1969,  
Chapter 238. Section 6 of that law provides:

"The Commission shall make a thorough  
study of the effect of the adoption of  
the Uniform Consumer Credit Code on  
existing statute law, decisional law  
and consumer credit practice in New  
Jersey, and shall report its findings  
and recommendations to the Legislature..."

The Uniform Consumer Credit Code was approved by  
the National Conference of Commissioners on Uniform State  
Laws on July 30, 1968, and by the American Bar Association  
on August 7, 1968. The National Conference of Commissioners  
on Uniform State Laws is made up of Commissioners from every  
state, whose function is to draft uniform legislation to be  
offered to the several states for enactment. New Jersey has  
three Commissioners, all of whom are members of the Study  
Commission. The total Conference membership is approximately  
180; all members are either practicing lawyers, judges or law  
school deans and professors, and serve without compensation.  
The Conference is financed by contributions from the states.

The best illustration of the importance of the  
Uniform Consumer Credit Code is the fact that it is designed  
to regulate one of America's biggest businesses, consumer  
credit. According to the Federal Reserve Bulletin for January,  
1971, one hundred billion dollars of consumer instalment  
credit was outstanding at November, 1970, exclusive of long  
term residential real estate mortgage debt.

Generally, the Uniform Consumer Credit Code applies  
to:

- (1) Consumer credit sales of goods or services  
for \$25,000 or less,
- (2) Consumer leases of goods for \$25,000 or  
less,
- (3) Consumer credit sales of an interest in land  
for any amount,

- (4) Consumer loans of \$25,000 or less, except that  
consumer loans secured by an interest in land  
are covered regardless of amount,
- (5) Insurance provided in relation to consumer  
credit sales, consumer loans or consumer  
leases.

It also regulates maximum rates of finance charge and other  
charges in sales and loans of \$25,000 or less to individuals  
for business purposes or which are otherwise "consumer-  
related" transactions.

The Code regulates the terms of credit arrange-  
ments, limits agreements and practices in offering an  
extension of credit and restricts creditors' remedies to  
collect the debt both before and after default by a consumer  
debtor.

The Code is based on the concept that consumer  
credit transactions are one subject of law. It is designed  
to replace the various laws now regulating consumer and other  
credit transactions. It is intended to reduce legal imped-  
iments by treating transactions which are similar in substance  
in a similar manner.

The drafting of the Code occupied more than five  
years and cost more than \$300,000. Nearly every organization  
and every diverse interest concerned with consumer credit  
participated. The consumer, as well as sellers and lenders,  
was represented. It is the function of this Study Commission  
to evaluate the product and show the Legislature its impact  
upon existing laws and practices.

As its first report, the Study Commission presents  
a detailed, factual, topical comparison among New Jersey  
statutes affecting consumer credit and consumer-related credit,  
the federal Consumer Credit Protection Act (which includes the  
Truth in Lending Act) and the proposed Code. The report  
should be useful to persons needing a working knowledge of  
existing law and will help the reader form an opinion about the  
effect of adoption of the code on New Jersey transactions.

The dimensions of the remaining work are large.

Consumers include everybody. Consumer credit transactions span the whole range of social conditions in our country. As a result, time has produced a very large, complex and piecemeal structure of law relating to such transactions. The law has found it difficult to adjust to the rapid rate of growth of consumer credit, to its increasing availability to all sectors of the population, to the special problems of low-income consumers, and to increasingly visible changes in the social consensus of the public interest.

General interest in consumer affairs is presently at an all-time high. Complaints about transactions involving consumer credit have risen to political significance. Charges of overreaching, overselling, overlending are commonly heard, typically linked with charges of harsh or fraudulent collection practices. Consumer bankruptcies have greatly increased. In a time of steady economic inflation, consumers complain vocally of lowering of quality of goods and services along with sellers' failure to adjust defective performance satisfactorily.

Sellers and creditors are justifiably resentful of the bad publicity currently being visited on them. They believe that their merits are being overlooked and their problems neglected. Overwhelmingly, they favor putting dishonest or oppressive credit grantors out of business, provided that the laws and administrative machinery directed toward such goals do not place an unwarranted burden on the conduct of legitimate business.

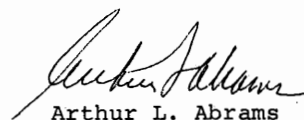
In this atmosphere, the proposed Uniform Consumer Credit Code is presented by its sponsors as an attempt to reconcile broadly the different interests involved. Some broad statements of the sponsors' intentions may illustrate the reach of the Code. For the consumer, it includes fairer contract provisions, more generous collection practices, adoption as state law of Truth in Lending disclosure requirements and more effective tools for enforcement of the law by public officials. For retailers, the Code creates a secure legal base for revolving credit. For supervised financial organizations, such as banks, credit unions and savings and loan associations, it widens the field of lending operations. For all credit grantors, existing or potential, it offers increased opportunity for enterprise.

On the other hand, critics are not wanting, both among consumer and credit industry groups. For example, some claim that the Code does not extend new protection far enough, that it permits increased rates of charge for credit, that insufficient remedies are provided for wronged consumers, and that federal legislation is needed instead. Again, others fear that the Code will create a disorderly jumble of new credit grantors, inexperienced and insufficiently capitalized, with undesirable results for creditors and debtors alike because of increased violations, overlending and resulting consumer catastrophes.

Clearly, the Code requires the careful attention which the Study Commission is giving to it. Contrasting points of view are being considered and principal issues explored. The Study Commission is pressing forward with its large task and will present its findings and recommendations after dealing with the relevant information available to it.

Written statements of position with factual or legal documentation are solicited now from all interested persons. They will be considered carefully. Please address them to New Jersey Uniform Consumer Credit Code Study Commission, c/o Mr. Charles T. DeFoe, Executive Secretary, 926 West State St., Trenton, New Jersey 08601.

Respectfully submitted,

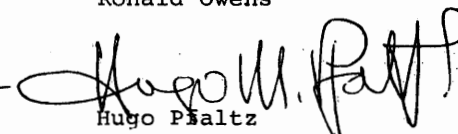
  
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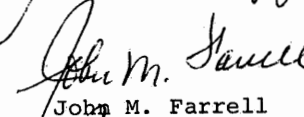
  
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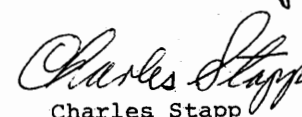
  
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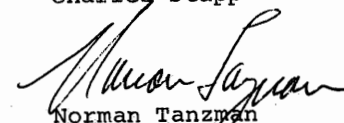
  
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## INTRODUCTION

This study is a factual comparison of existing law affecting consumer credit and consumer-related credit transactions in New Jersey with the provisions of the proposed Uniform Consumer Credit Code. It has been presented with the First Report of the New Jersey Uniform Consumer Credit Code Study Commission and is being distributed in the expectation that it will be a useful reference tool for persons interested in the field of consumer credit in New Jersey.

Most of the law regulating consumer credit is statutory. With some notable exceptions, the case law is of minor importance. The Study Commission is considering the case law in relation to significant issues raised by the proposed Code. The present study is largely confined to the statute law.

Some twenty separate pieces of New Jersey legislation, as well as the federal Consumer Credit Protection Act, are involved in this work. Because the purpose of this study is to provide a reasonable basis for comparison rather than an exhaustive study of existing law, some omissions have been made of statutes thought to be either only marginally relevant or too narrowly applicable. An attempt has been made to include laws enacted by the Legislature up to the end of 1970. A simplified system of citation is used in the body of the work in most cases, as explained in the remarks introductory to the Table of Principal New Jersey Statutes Included.

The version of the Uniform Consumer Credit Code studied is the Official Text approved by the National Conference of Commissioners on Uniform State Laws and the American Bar Association and recommended for enactment in all the states. Amendments adopted during 1969 and 1970 in response to attitudes expressed by the Board of Governors of the Federal Reserve System have been taken into account.

The federal Consumer Credit Protection Act, and especially its Title I, the Truth in Lending Act, presently govern New Jersey consumer credit transactions, and preempt inconsistent state law. In areas of common concern, the Uniform Consumer Credit Code is drafted to be substantially similar to the federal statute. Descriptions of the federal provisions are therefore set forth at the head of relevant topics either in the New Jersey Law or Code column, or both. The relation of the federal Act to existing New Jersey law and to the Code is described in the body of the work in more detail.

In order to permit the reader to make comparisons within a reasonable amount of time and without undue effort, a list of topics has been selected for treatment, as shown by the Table of Contents. These topics, it is thought, are those most likely to be of general interest and importance. Likewise, much detail and qualification have been omitted from the descriptions, which simply try to state the main points of the provisions summarized, without undue loss of accuracy. While it is hoped that the summaries will afford a fair basis to make a comparative judgment, the reader must consult each statute itself if he desires to learn the exact and authoritative reach of any provision cited.

If the proposed Code should be adopted in New Jersey in the future, a principal task will be to determine what legislation to repeal and what to save specifically. While this comparison throws light on this question, a critical analysis of the matter is reserved for a later report.

The Commission has entrusted the preparation of its reports to a staff under the direction of its Reporter, Sidney Posel, Professor of Law, Rutgers, The State University School of Law, Newark. The valuable participation of William Braniff, Esq. in the work of the present report is particularly acknowledged.

Table  
of  
Principal New Jersey Statutes Included,  
with citations

To add readability, citation of sections in the body of the study has been reduced in most cases to the last number of the official citation; e.g., N.J.S.A. § 17:16C-62 (1970) has been reduced to § 62. Such citation always appears in connection with a short paragraph heading, e.g., Home Repair Financing. The following table sets forth the principal headings used, together with the official short

title of the relevant statute and its full citation. The reader can readily derive the full citation of any provision by referring first to the paragraph heading and then to the table below; e.g., one goes from § 62 in the example above to the heading, Home Repair Financing, and then in the table one finds Home Repair Financing: Home Repair Financing Act, L.1960, c.41; N.J.S.A. § 17:16C-62 et seq.

<u>Paragraph Heading</u>	<u>Official Short Title</u>	<u>Citation</u>
<u>Small Loans:</u>	Small Loan Law	L.1932,c.62; N.J.S.A. § 17:10-1 <u>et seq.</u>
<u>Bank Instalment Loans:</u>	The Banking Act of 1948	L.1948,c.67; N.J.S.A. § 17:9A-53 <u>et seq.</u>
<u>Advance Loans:</u>	Advance Loan Law of 1968	L. 1959,c.91; N.J.S.A. § 17:9A-59.1 <u>et seq.</u>
<u>Credit Unions:</u>	None	L.1938,c.293; N.J.S.A. § 17:13-26 <u>et seq.</u>
<u>Savings and Loan Associations</u> <u>(Home Improvement Loans):</u>	Savings and Loan Act (1963)	N.J.S.A. § 17:12B-157 <u>et seq.</u>
<u>Secondary Mortgage Loans:</u>	Secondary Mortgage Loan Act (enacted Sept. 23,1970, eff. 60 days after date)	L.1970,c.205,§ 1 <u>et seq.</u> (not cited in text as N.J.S.A., but belongs to Title 17, chapter 11A)
<u>Small Business Loans:</u>	Small Business Loan Act	L. 1964, c. 162; N.J.S.A. § 17:9A-59.25 <u>et seq.</u> (Supp.1970)
<u>Insurance Premium Financing:</u>	Insurance Premium Finance Company Act	L.1968,c.221; N.J.S.A. § 17:16D-1 <u>et seq.</u>
<u>Retail Instalment Sales:</u>	Retail Installment Sales Act of 1960	L.1960,c.40; N.J.S.A. 17:16C-1 <u>et seq.</u>
<u>Door-to-Door Instalment Sales:</u>	Door-to-Door Retail Installment Act of 1968	L. 1968,c.223; N.J.S.A. § 17:16C-61.1 <u>et seq.</u>
<u>Home Repair Financing:</u>	Home Repair Financing Act	L.1960,c.41, N.J.S.A. 17:16C-62 <u>et seq.</u>
<u>Door-to-Door Home Repair</u> <u>Sales:</u>	Door-to-Door Home Repair Sales Act of 1968	L. 1968,c.224, N.J.S.A. § 17:16C-95 <u>et seq.</u>
<u>Instalment Loan Rate</u> <u>Advertising:</u>	Installment Loan Rate Advertising Act	L. 1965,c.169; N.J.S.A. § 17:13A-1 <u>et seq.</u>

<u>Paragraph Heading</u>	<u>Official Short Title</u>	<u>Citation</u>
<u>Credit Life, Health and Accident Credit Insurance:</u>	None; L. 1958, c. 169	N.J.S.A. § 17:38A-1 <u>et seq.</u>

Citations speak as of the end of 1970. Statutes which do not figure regularly under the topics used are cited in full each time they are described.

SCOPETransactions  
Covered

The Uniform Consumer Credit Code regulates the broad range of consumer credit transactions and sets maximum charges for consumer-related credit sales. Comparable New Jersey legislation must be sought in some 20 existing statutes, enacted at different times, covering different classes of credit transactions and sometimes regulating only one or more aspects of a single class of transaction. Different statutes sometimes appear to reflect different value judgmental approaches to classes of transactions which many observers would regard as closely allied in economic or social characteristics or both. Quite different language is sometimes used in different statutes to lay down what appears to have been intended as the same substantive provision. For these reasons, it would be unduly synthetic and inaccurate to try to capsule existing New Jersey consumer and consumer-related credit legislation into a single description under each topic which is analyzed in this comparison. Instead, each topic deals separately with each of the principal statutes which purport to regulate broadly a given class of transaction, e.g., Small Loans. Other statutes which regulate only one or more aspects of transactions, e.g., Instalment Loan Rate Advertising, are included only where they contain a provision on the subject of the topic. The difficulty which the reader may experience in determining the applicability of a given statute, and its relation to other statutes dealing with consumer or consumer-related credit transaction is a realistic consequence of the present complexity of the existing legislation.

Most of the relevant statutes appear in Title 17, Corporations and Institutions for Finance and Insurance. Title 12A, Uniform Commercial Code, which applies to nearly all commercial transactions, contains only a few special provisions for consumer credit transactions. Other relevant provisions appear principally in Titles 2A, Administration of Civil and Criminal Justice; 31, Interest and Usury; and 46, Property.

Each statute in the principal group enables loans or extensions of credit to be made at rates of charge in excess of the legal rate of interest, i.e., the rate limited by the general usury law (between 6% and 8%). In the case of credit sales of goods and services, ceilings on the time price differential or credit service charge make it no longer relevant whether the transaction is a sale at a true time price. In the following list, these statutes are numbered 1 through 8, 10 and 11. The remaining ones provide a miscellany of restrictive provisions, created to meet specific needs.

1. Small Loan Law of 1932, N.J.S.A. § 17:10-1 et seq., which governs business of lending up to \$1,000, including soliciting or taking applications for such loans, buying, discounting, or endorsing notes, or furnishing or procuring guarantee or security for loans in amounts of \$1,000 or less.

2. Banking Act of 1948, (Article 12. Banks: Instalment

Consumer Credit Transactions. Code applies to Consumer Credit Sales of goods, services or interests in land in which credit is granted by seller whose business regularly involves such credit transactions, debt being payable in instalments or with finance charge and in case of goods or services, with amount financed not exceeding \$25,000. Act applies similarly to Consumer Loans. Act applies similarly to Consumer Leases of goods for term exceeding four months, with amount payable not exceeding \$25,000. §§ 2.104, 2.106, 3.104.

Consumer-Related Sales and Loans. Code also regulates maximum rates of finance charge and other charges in sales or loans in which amount financed does not exceed \$25,000, which do not technically qualify as consumer credit transactions. §§ 2.602-2.604, 3.602-3.604. Principal example is sale or loan to individual for business purpose. Rights to prepay and to rebate on prepayment set forth in Parts 2 of Articles 2 and 3, disclosure requirements in Parts 3 of Articles 2 and 3, consumer protections in Parts 4 of Articles 2 and 3, insurance requirements in Article 4, and limitations on creditor's remedies in Article 5 do not apply.

SCOPETransactionsCovered

(Continued)

Loans), N.J.S.A. § 17:9A-53, et seq., which governs bank installment loans at interest not otherwise enforceable at law, in excess of 6% a year upon unpaid balances.

3. Advance Loan Law of 1968, N.J.S.A. § 17:9A-59.1 et seq., which governs bank loans created under any arrangement by advance of funds for account of borrower pursuant to his written authorizations, including type commonly called "check loans", "overdrafts" or similar arrangements; also validates guaranty of borrower's checks to merchant sellers.

4. Credit Union Act of 1938, N.J.S.A. § 17:13-26 et seq., which regulates loans to members.

5. Savings and Loan Act of 1963, N.J.S.A. § 17:12B-157, et seq., which provides for home improvement loans, including loans for rebuilding properties damaged by catastrophe, on secured or unsecured basis, and without requirement of governmental guarantee or insurance. Other lending powers, largely limited to first mortgage loans, are not considered in this study because of low interest rates and long terms.

6. Secondary Mortgage Loan Act. L. 1970, c.205, approved Sept. 23, 1970 to take effect 60 days later; N.J.S.A. § 17:11A-34 et seq. (Supp. 1970), which regulates business of advertising, soliciting, negotiating, offering, making or buying secondary mortgage loans. Such loans are defined as non-corporate loans, secured by subordinate lien created by security agreement on property used at least in part as dwelling for 4 families or less, and payable in more than 90 days. Transactions excluded from definition are (1) security interests taken in connection with home repair contracts governed by N.J.S.A. § 17:16C-62 et seq., (2) loans at rate of interest not in excess of usury rate (N.J.S.A. § 31:1-1 et seq.), and (3) private sales of dwelling by owner-occupier to buyer-occupier in which seller receives purchase money second mortgage.

7. Small Business Loan Act of 1964, N.J.S.A. § 17:9A-59.25 et seq., which governs bank loans to small business concerns, defined as any business or professional entity whose gross income from operations during its most recently completed fiscal year did not exceed \$1,000,000, such loans not to exceed \$25,000 and to be used in conduct of business or profession.

8. Insurance Premium Finance Company Act of 1968, N.J.S.A. § 17:16D-1 et seq., which governs business of financing insurance premiums at interest rates in excess of maximum permitted by general usury statute (N.J.S.A. § 31:1-1). Activities regulated include acquiring premium finance agreements from insurance agents or insurance brokers, as well as entering into such agreements with insured persons.

9. Mortgage Loans, L. 1968, c.54; N.J.S.A. § 46:10B-1,

SCOPETransactions  
Covered  
(Continued)

et seq., which regulates prepayments, charging "points" and other charges in connection with mortgage loans on dwellings of 4 families or less, in which mortgagor resides, and at interest in excess of \$6 per \$100 per year.

10. Retail Instalment Sales Act of 1960, N.J.S.A. § 17:16C-1 et seq., which governs consumer sales of motor vehicles and other goods having cash price of \$7,500 or less, on credit payable in 2 or more instalments, and involving purchase money security interest in favor of retail seller. Sales finance companies which acquire instalment contracts governed by Act are also regulated.

11. Home Repair Financing Act of 1960, N.J.S.A. § 17:16C-62 et seq., which governs consumer sales of goods or services to improve real property, on credit payable in instalments over more than 90 days, except easily removable fixtures and except goods whose cash price is \$300 or less and which have been sold subject to Retail Instalment Sales Act of 1960.

12. Door-to-Door Instalment Sales Act of 1968, N.J.S.A. § 17, 16C-61.1 et seq. which governs retail instalment sales of goods, other than motor vehicles, or boats or accessories to either, for more than \$25, made at place other than seller's place of business.

13. Door-to-Door Home Repair Sales Act of 1968, N.J.S.A. § 17:16C-95 et seq., which governs home repair contracts, in excess of \$25, entered into at place other than contractor's place of business.

14. Instalment Loan Rate Advertising Act of 1965, N.J.S.A. § 17:13A-1 et seq., which governs rate advertising by lenders and intermediaries.

15. Truth in Lending Act, Inconsistent State Laws, L. 1969, c. 112; N.J.S.A. § 17:3B-1 et seq., which conforms state laws inconsistent with federal Truth in Lending Act to provisions of federal Act.

16. Credit Life and Accident and Health Insurance. L. 1958, c. 169; N.J.S.A. § 17:38A-1 et seq., which regulates credit insurance except for credit transactions of more than 5 years' duration.

The reader should also have in mind Interest and Usury, N.J.S.A. § 31:1-1 (Supp. 1970), which governs interest rates in loan transactions in which the borrower is not a corporation, and which are not regulated by another statute permitting a higher rate. For the most part, statutes which apply only to transactions at the rate of interest permitted by Title 31 have been omitted. Where these are consumer transactions, they involve long-term financing by supervised financial institutions. They

SCOPE

are excluded from the Uniform Consumer Credit Code, except where required to be included for state-exemption from Truth in Lending Act disclosure requirements.

TransactionsCovered

(Continued)

Since the Uniform Consumer Credit Code does not replace existing statutes regulating licensed pawnbrokers (Code § 1.202(4)), Title 17, Chapter 11, Provident Loan Associations, and Title 45, Chapter 22, Pawnbrokers, have not been included in this comparison.

Principal  
Exclusions

Federal Truth in Lending Act. § 104(3) excludes application to credit transactions, other than real property transactions, in which total amount to be financed exceeds \$25,000.

Small Loans. § 22 excludes banks, other supervised financial organizations, pawnbrokers, provident loan associations and private bankers from application of Act.

Bank Instalment Loans. § 58 excludes obligations discounted by bank having inception in transaction to which bank is not party and representing existing debt when acquired by bank.

Advance Loans. § 1(B) provides that Act is not applicable to loans otherwise enforceable at law.

Credit Unions. All loans to members of credit unions, as defined in § 26, are subject to provisions of Act.

Savings and Loan Associations (Home Improvement Loans). All home improvement loans, as defined in § 158, by associations, as defined in § 5, are subject to provisions of Act § 157 et seq., but Federal associations may make charges permitted by federal law applying to them.

Secondary Mortgage Loans. § 28 excludes supervised financial organizations from provision of Act.

§ 3 exempts from licensing requirement of Act New Jersey licensed real estate brokers and attorneys at law of State of New Jersey who engage in negotiation of loan in normal course of business.

Small Business Loans. § 59.25 excludes savings banks from application of Act. Otherwise, all small business loans, as defined in § 59.25, made by banks are subject to provisions of Act, up to maximum of \$25,000.

Insurance Premium Financing. § 3 excludes from application of Act:

- (a) insurance companies;
- (b) savings and loan associations;
- (c) provision of insurance for separate charge by lender or seller under statute expressly or impliedly authorizing such financing in connection with credit transaction, including credit

Rates and charges, and disclosure thereof, by licensed pawnbrokers may be regulated by other statute or ordinance, to exclusion of Code. § 1.202(4).

Sales of interests in land and loans secured by interests in land are excluded if finance charge does not exceed 10% per year, except for disclosure requirements and except for certain rescission rights as described under topic, Rescission Rights. § 2.104(2)(b).

Few other exclusions, none dealing with consumer credit transactions not otherwise regulated.

SCOPE

- (d) insurance; and  
financing at rate authorized by usury statute,  
N.J.S.A. § 31:1-1 (Supp. 1970).

Principal  
Exclusions  
(Continued)

Mortgage Loans. N.J.S.A. § 46:10B-9 (Supp. 1970) excludes mortgage loans made pursuant to statute of New Jersey or United States expressly authorizing interest charges in excess of 6% per annum; also excludes mortgage loans whose prepayment is governed by other statute of New Jersey or United States.

Retail Instalment Sales. § 2 exempts any banking institution authorized to do business in New Jersey from licensing and license fee requirements of Act, to engage in business of sales finance company.

Home Repair Financing. § 77 exempts any bank, trust company or savings and loan association authorized to do business in New Jersey and any licensed sales finance company from licensing and license fee requirements of Act, to engage in business as home financing agency.

Door-to-Door Instalment Sales. § 61.5(c) excludes from application of Act mail order sales, telephone sales, catalog sales where order is placed by mail or telephone, and sales in which buyer has requested seller to enter into sale at place not seller's place of business.

Door-to-Door Home Repair Sales. § 99(c) excludes from application of Act sales made by methods or under circumstances substantially identical to those enumerated under previous heading.

Instalment Loan Rate Advertising. § 1 excludes from application of Act advertisements of loans upon which not more than 1 month's interest may lawfully be received in advance.

Federal  
Consumer Credit  
Protection Act

In 1968, Congress enacted Consumer Credit Protection Act, P.L. 90-321; 82 Stat. 146 et seq. Title I, Truth in Lending Act, § 101 et seq., 15 U.S.C. § 1601 et seq. (Supp. 1970) applies broadly to consumer credit transactions. For disclosure requirements, see topics grouped under DISCLOSURE, in both New Jersey and Code columns. For right of rescission in certain real estate transactions, see topic, Rescission Rights. For regulation of credit advertising, see topic, Advertising Restrictions.

Title II, Extortionate Credit Transactions § 201 et seq., 18 U.S.C. § 891 et seq. (Supp. 1970) applies broadly to lending activities which involve use of criminal means to cause harm to any person. See topic, Extortionate Extensions of Credit.

Title III, Restrictions on Garnishment, § 301 et seq., 15 U.S.C. § 1671 et seq. (Supp. 1970) applies broadly to garnishment of compensation due for personal services, including wage attachments and wage executions. See topic, Wage Execution, under both New Jersey and Code columns.

For relation of Code to:

1. Title I, Truth in Lending Act, see topics, Truth in Lending Act, Rescission Rights and Advertising Restrictions;

2. Title II, Extortionate Credit Transactions, see topic, Extortionate Extensions of Credit, and

3. Title III, Restriction on Garnishment, see topic, Wage Execution.

DISCLOSURETruth in  
Lending Act

Truth in Lending Act. § 101 et seq., 15 U.S.C. § 1601 et seq. (Supp. 1970). Chapter 2 requires credit cost disclosures in credit transactions. Important items required to be disclosed are amount of finance charge and finance charge expressed as annual percentage rate. Sections 106 and 107 define finance charge and determination of annual percentage rate applicable to any extension of consumer credit. Other provisions prescribe disclosure requirements, including specifically content of periodic statements (§ 126), open end consumer credit plans (§ 127), consumer sales not under open end credit plans (§ 128) and consumer loans not under open end credit plans (§ 129).

Detailed disclosure requirements of Code are substantially similar to those of federal Act. For this reason, no detailed description is included here. See topic, Disclosure Requirements, under Code column.

Board of Governors of Federal Reserve System are empowered to prescribe regulations to carry out purposes of Act. Regulation Z, 12 CFR 226, has been promulgated by Board for this purpose.

Section 123 of Act provides:

"The Board of Governors of the Federal Reserve System shall by regulation exempt from the requirements of this chapter any class of credit transactions within any State if it determines that under the law of that State that class of transactions is subject to requirements substantially similar to those imposed under this chapter, and that there is adequate provision for enforcement."

Supplement II to Regulation Z sets forth procedures and criteria for exemption from Chapter 2 of Act. Board has taken position that exemptions granted by it from requirements of Chapter 2 do not prevent person, to whom creditor has failed to make required disclosure, from invoking civil liability provisions (§ 130), under which action may be brought in United States District Court or in state court. At recent date, Board had granted exemptions for various credit transactions within states of Connecticut, Maine, Massachusetts and Oklahoma. So far as appears, New Jersey has not as yet obtained exemptions.

Chapter 112 of L. 1969, N.J.S.A. 17:3B-1 et seq. (Supp. 1970) provides that wherever specified New Jersey credit legislation contains requirements as to disclosure, advertising or related matters which are inconsistent with those of Truth in Lending Act or of regulations issued pursuant thereto, compliance with federal requirements shall satisfy state requirements. Civil liability provisions of federal Act are declared to supersede those expressly provided by New Jersey statutes, whenever same conduct is violation of both federal and state law and penalty under federal statute is more severe.

Final draft of Code was prepared in expectation that its requirements included ones substantially similar to those imposed by Chapter 2 of Truth in Lending Act. After promulgation of Regulation Z, and receipt of opinions from Federal Reserve Board, Code was amended in 1969 and in 1970, for purpose of conforming to Board's requirements. Sponsors of Code have prepared draft rules for adoption by State Administrators of Code, intended to conform to Board's requirements. § 6.104(2) provides that rules adopted by Administrator in conformity with Truth in Lending Act supersede any provisions of Code inconsistent with federal Act. Accordingly, there appears to be high degree of likelihood that state is entitled to exemption of credit transactions from application of disclosure requirements of federal Act, as provided in § 123 of federal Act, if it enacts disclosure requirements of Code and issues rules thereunder like draft rules proposed by sponsors of Code.

Substantial similarity of disclosure requirements of Code and Truth in Lending Act has led to drafting of Code §§ 2.301 and 3.301, which give creditor option to disclose to debtor either information required by detailed provisions of Code and rules as described above, or that required by detailed provisions of Truth in Lending Act and Regulation Z.

See also description in Existing Law column.

DISCLOSUREDisclosure Requirements

For effect of disclosure requirements of federal Truth in Lending Act upon New Jersey legislation, see preceding topic, Truth in Lending Act. Disclosures required by existing provisions of New Jersey consumer and consumer-related credit legislation are summarized below.

Small Loans. § 15(a) requires lender to deliver statement showing following:

1. Amount and date of loan,
2. maturity,
3. nature of security, if any,
4. names and addresses of borrower and lender,
5. payment schedule,
6. interest charges, and
7. annual percentage rate.

Subsection (b) requires lender to give receipt for each payment, specifying:

1. Amount applied to interest,
2. amount, if any, applied to principal, and
3. unpaid balance.

Section requires each note, promise to pay, or security to disclose accurately:

1. Amount and date of loan,
2. payment schedule,
3. amount of interest charges, and
4. annual percentage rate of interest.

Bank Instalment Loans. § 57 requires every instrument evidencing loan to contain statement that loan was made pursuant to Act.

Advance Loans. § 59.2 requires written contract stating the following:

1. Maximum amount of advance loan commitment,
2. length in days of billing cycles,
3. amount of monthly payment,
4. interest rate,
5. late charges, if any,
6. service charges, if any,
7. method of determining amount of loan to cover overdraft, and
8. credit insurance provided, if any, and name of insured.

Disclosure must be made clearly, conspicuously, in writing, and before credit is extended except in case of sales made by telephone or mail. In latter case, disclosure may be made in seller's catalog or other public material. § 2.302, § 2.305.

Consumer Credit Sale Not Pursuant to Revolving Charge Account. § 2.306 requires following information:

1. Brief description of goods, services, or interest in land being sold;
2. cash price and any applicable sales, use, excise, transfer, or documentary stamp taxes not included in sales price;
3. amount and nature of down payment;
4. difference between cash price and down payment;
5. description and amount of fees additionally payable for registration, certificate of title, or license;
6. description and amount of any official fees and taxes not included in sales price;
7. brief description of insurance provided by seller and amount of any separate charge;
8. description and amount of other additional charges;
9. amount financed;
10. amount of credit service charge and unpaid balance (except for sale of dwelling);
11. rate of credit service charge;
12. number, amounts, and due dates of payments;
13. delinquency charges for late payments; and
14. description of any security interest.

§ 2.312 requires creditor who sends periodic statements in connection with such sale to include following in each statement:

1. Annual percentage rate;
2. date payment required to avoid further credit service or other charges; and
3. other items deemed appropriate by Administrator from list of items required to be disclosed for revolving charge accounts.

DISCLOSUREDisclosure Requirements  
(Continued)

In addition, § 59.4 requires bank to render statement for each billing cycle, showing the following:

1. Aggregate balance owing at beginning of cycle,
2. amount and date of each advance during cycle,
3. amount of payments by debtor during cycle,
4. amount and nature of all charges during cycle,
5. amount on which interest was computed for cycle,
6. aggregate balance owing at end of cycle,
7. minimum current payment required, and
8. date, or period within which, payment due.

Statement must contain prescribed notices to borrower, calling his attention to bar against correction of errors if not reported to bank in writing within 6 months.

Credit Unions. § 26 et seq. contain no provisions.

Savings and Loan Associations ( Home Improvement Loans). § 157 et seq. contain no provisions.

Secondary Mortgage Loans. § 12 (1) requires lender to give borrower, at time of loan, closing statement itemizing:

1. Amounts disbursed and total amount disbursed,
2. amount of interest charged,
3. total amount of loan,
4. amount, number and due date of installments, and
5. annual percentage rate of interest charge.

§ 12(n) requires lender to give borrower written statement, upon request, showing:

1. Dates and amounts of all payments,
2. dates, amounts and explanation of all other charges and credits, and
3. unpaid balance.

Only 2 such statements may be required in 12-month period.

§ 18 requires promissory note to disclose that it is secured by secondary mortgage on borrower's real property, in prescribed form and size directly above space for signature.

If seller refinances unpaid balance (§ 2.307), or consolidates existing unpaid balance with another amount financed (§ 2.308), or makes deferral of payment (§ 2.309), he must make prescribed disclosures to enable buyer to understand how new balance was determined and amounts and rates of other charges.

Revolving Charge Account Sales. § 2.310(1) requires following information:

1. When credit service charge is imposed;
2. method of determining balance;
3. method of determining amount of credit service charge;
4. corresponding nominal annual percentage rate;
5. when other charges are imposed and how determined; and
6. nature of security interest and when created.

§ 2.310(2) requires following information in periodic billing statements sent to revolving charge sale customers:

1. Previous balance;
2. amount, date and description of each sale;
3. total payments and other credits;
4. itemization and amount of credit service charge and additional charges;
5. periodic percentage rate;
6. balance on which credit service charge is based and how determined;
7. annual percentage rate;
8. new balance; and
9. date by which payment is required to avoid additional credit service charges.

Consumer Lease. § 2.311 requires following information:

1. Description of goods;
2. initial payment;
3. official fees, registration, certificate of title, or license fees or taxes;
4. description and amounts of other charges not included in periodic payment;

DISCLOSUREDisclosure Requirements  
(Continued)

Small Business Loans. § 59.36 requires note evidencing loan to contain statement that loan was made pursuant to Act.

Insurance Premium Financing. § 9 requires premium finance agreement to show following:

1. Date and signature of insured,
2. name and business address of insurance agent or broker negotiating related insurance contract,
3. name and address of insured,
4. name and business address of premium finance company to which payments are to be made,
5. description of insurance contracts involved and amount of premium for each,
6. total amount of premiums, where applicable.
7. amount of down payment,
8. principal balance,
9. amount of finance charge, including additional charge of \$10 permitted by Act,
10. balance payable,
11. number of instalments, amount expressed in dollars and due date of each instalment, and
12. caveat against signing in blank and statement of buyer's right to copy of agreement.

§ 11 requires premium finance company to supply statement of account upon request of insured. Only 2 such statements may be required in 12-month period.

Retail Instalment Sales. §§ 22, 24 and 27 require that every retail instalment contract state:

1. Names and addresses of all parties,
2. date when signed by buyer,
3. description of goods sold, sufficient for identification.
4. in prescribed form and language, caveat against signing in blank and notice of buyer's right to copy of contract,
5. cash price of goods,
6. down payment, amounts in cash and in goods to be shown separately, and goods to be described sufficiently for identification,

5. description of insurance provided by lessor;
6. number, amounts, and due dates of payments and total amount payable;
7. conditions under which lessee may terminate lease; and
8. liabilities imposed on lessee at end of term.

Consumer Loans. Disclosure requirements for loans follow same pattern as for sales, and treat separately revolving loan accounts, periodic statements, consolidations and deferrals (§ 3.301 et seq.).

Two special lending arrangements require separate description:

Check Credit and Similar Drawing on Lender. § 3.306(3) requires lender to give debt- or statement of terms under which loan will be made, including rate of finance charge and conditions under which described additional charges may be made. Further information required for consumer loans must be given within reasonable time after loan is made, not later than due date of first instalment.

Credit Cards Other Than in Revolving Loan Account. § 3.310 requires lender to give debtor statement of annual percentage rate or rates and brief description of additional charges which may be made. Further information required for consumer loans must be given within reasonable time after loan is made, and before due date of first instalment.

Changes in terms of Revolving Charge or Loan Accounts. Permitted without authorization of customer, provided written notice of change is given at least 3 times, beginning at least 6 months before effective date of change. Among exceptions, principal one is where change involves no significant cost to customer. §§ 2.416, 3.408.

DISCLOSUREDisclosure  
Requirements  
(Continued)

7. unpaid cash balance,
8. amount of separate charges for insurance and other benefits, specifying coverages and benefits,
9. amount of official fees,
10. principal balance,
11. amount of time price differential,
12. time balance,
13. number of instalments, amount expressed in dollars and due date of each instalment, and
14. time sales price.

§ 23 requires seller to furnish free copy of retail instalment contract to buyer at time buyer signs. § 25 requires that any acknowledgment of receipt of copy of contract be of minimum size and in prescribed location in contract form.

Consolidation. Where amount owing on additional purchases after original agreement is combined with previous unpaid balance, so as to subject all goods to security interest of seller to secure combined indebtedness, § 28 requires delivery to buyer of:

1. Statement containing all information with respect to additional purchases required in retail instalment contract (§§ 22, 24 and 27), and
2. statement of amount due before additional purchase and after such purchase, payments agreed to be made thereafter and number of additional months required to complete payments.

Insurance on Goods. § 31 requires seller or holder of contract in which premium for dual interest insurance on goods is included, to cause policy or certificate of insurance to be sent to buyer, setting forth:

1. Amount of premium,
2. kind or kinds of insurance, and
3. scope of coverage and all terms, exceptions, limitations, restrictions and conditions.

Motor Vehicle Insurance. In sale of motor vehicle, § 32 requires caveat in contract in prescribed form and language, if motor vehicle insurance required by holder of contract does not provide liability insurance coverage.

DISCLOSUREDisclosure  
Requirements  
(Continued)

§ 48 requires seller or holder of contract to give buyer written statement of account upon request, showing:

1. Dates and amounts of payments made, and
2. total unpaid balance.

Only 2 such statements may be required in 12-month period.

Door-to-Door Retail Instalment Sales. § 61.6 requires seller to give buyer receipt setting forth:

1. Seller's name and business address,
2. description of goods sold,
3. down payment in cash or cash value of goods, and
4. statement in prescribed form and language of buyer's right to rescind sale by specified action.

Home Repair Financing. § 63 requires every home repair contract to state:

1. Names and addresses of all parties,
2. dates when executed by parties,
3. description of goods and services,
4. in prescribed form and language, caveat against signing in blank and notice of buyer's right to copy of contract, and
5. that contractor carries workmen's compensation and liability insurance or, in specified case where he is qualified as self-insurer, that he does not carry workmen's compensation insurance.

§ 67 requires that every home repair contract state separately:

1. Cash price of goods and services,
2. down payment,
3. unpaid cash balance,
4. separate charges for credit insurance, specifying coverages and benefits,
5. official fees,
6. principal balance,
7. credit service charge,
8. time balance, and

DISCLOSURE

9. number of instalments and amount and due dates of each.

Disclosure Requirements  
(Continued)

Consolidation of Debts. § 68 (d) requires, upon consolidation of two or more home repair contracts, written agreement which identifies contracts affected by reference to dates of execution, names of parties and location of properties for which goods and services were furnished. Agreement must state separately:

1. Unpaid balance owing on each contract affected and total of such balances,
2. amount of separate charges for credit insurance,
3. official fees,
4. consolidated balance,
5. credit service charge, based on consolidated balance,
6. time balance, and
7. number of instalments, and amount and due dates of each.

§ 64.2 requires note executed in connection with home repair contract to have words "Consumer Note" printed on face in minimum size type.

§ 74 requires holder of home repair contract to furnish statement of owner's account on request, showing date and amount of all payments and total amount unpaid. Only 2 such statements may be required in 12-month period.

Door-to-Door Home Repair Sales. § 100 requires door-to-door home repair contractor to deliver to owner, upon executing contract, receipt setting forth following:

1. Contractor's name and place of business,
2. description of goods and services,
3. down payment in cash or cash value in goods, and
4. statement in prescribed form and language of buyer's right to rescind sale by specified action.

Credit Life, Health and Accident Insurance. § 6 requires that policy be delivered to debtor, setting forth:

1. Name and home office of insurer,
2. identity of persons insured,

DISCLOSUREDisclosure Requirements  
(Continued)

3. rate of premium separately for life and accident and health insurance coverage,
4. description of coverage, including exceptions, limitations or restrictions, and
5. statement that benefits shall be paid to creditor to reduce debt and excess shall be payable to beneficiary, other than creditor, named by debtor or to his estate.

Where policy not delivered at time debt is incurred, copy of insurance application or notice of proposed insurance, required to be delivered, must set forth:

1. Names of debtor,
2. amount of payment separately for credit insurance coverage, and
3. brief description of coverage provided.

Definition of Finance Charge

Federal Truth in Lending Act. Definition of variously named finance charges is not complete or uniform throughout New Jersey consumer credit statutes. Consequently, comparison of effective interest rates among different classes of transactions was not entirely reliable until federal Truth in Lending Act became effective. N.J.S.A. § 17:3B-1 et seq. (1969) conforms inconsistent state law disclosure provisions to those of Truth in Lending Act. Therefore, for purposes of disclosure requirements, definition of finance charge in federal Act is applicable in place of any existing definitions in New Jersey consumer credit statutes. § 106 of federal Act defines amount of finance charge as sum of all charges to debtor imposed by creditor, and includes specification of types included. Charges for insurance are included unless debtor has defined options. Closing costs in real estate transactions are additional charges. For further summary, see this topic under Code column. Latter Act substantially conforms to Truth in Lending Act's disclosure requirements.

Definitions of finance charge appear in New Jersey statutes primarily to allow determination of compliance with statutory ceiling on rate of charge. See topic, Maximum Finance Charge.

The following statutes require disclosure of amount of finance charge:

Small Loans. § 15 requires disclosure (a) at time loan is made, of amount of interest, and (b) at time payment is made, of amount applied to interest.

Advance Loans. § 59.4 requires disclosure, for each billing cycle, of amount and nature of all charges during cycle.

Secondary Mortgage Loans. § 12(1) requires disclosure of amount of interest.

Consumer Credit Sales and Loans.

Credit service charge (§ 2.109) and loan finance charge (§ 3.109) include all charges except brokerage or commission unknown to creditor when credit granted, charges as a result of default, "additional charges" (§ 2.202 and 3.202), "delinquency charges" (§§ 2.203 and 3.203), and "deferral charges" (§§ 2.204 and 3.204).

"Additional charges" are:

1. Official fees;
2. taxes;
3. premiums for insurance other than insurance protecting seller against credit loss, provided buyer receives specified disclosures before agreeing to pay for insurance; buyer must be permitted to choose person through whom insurance on property or against liability is to be obtained; buyer's purchase of credit insurance must not be a factor in creditor's approval of extension of credit;

DISCLOSURE

Insurance Premium Financing. § 9 requires disclosure of amount of finance charge.

Definition of Finance Charge  
(Continued)

Retail Instalment Sales. § 27 requires disclosure of amount of time price differential.

Home Repair Financing. § 67 requires disclosure of amount of credit service charge.

4. other reasonable charges for benefits to debtor, if so excluded by Administrator;
5. as to consumer loans pursuant to lender credit card, annual charge payable in advance; and
6. reasonable closing costs as to credit sale of land or loan secured by land.

See topics, Maximum Finance Charge (heading Deferral, etc.) and Delinquency Charges.

Definition of Rate of Charge

Federal Truth in Lending Act. § 107(a) requires disclosure of "annual percentage rate" of finance charge. N.J.S.A. § 17:3B-1 et seq. provides that compliance with requirements of federal act and regulations shall be deemed compliance with specifically related provisions of listed New Jersey legislation, comprising all legislation included in this study which have substantial disclosure requirements.

Definitions of annual percentage rate for various credit transactions substantially similar to those in Truth in Lending Act appear in Uniform Consumer Credit Code §§ 2.304, 3.304. For summary, see Code column.

Aside from requirements of federal Act, New Jersey legislation does not provide uniform requirement of disclosure of rate of finance charge. Definitions of rate of charge appear primarily to allow determination of compliance with statutory ceiling on rate. See topic, Maximum Finance Charge.

The following statutes require rate disclosure:

Small Loans. § 15 (a) requires disclosure of annual percentage rate of interest.

Advance Loans. § 59.2 requires disclosure of interest rate.

Secondary Mortgage Loans. § 12(1) requires disclosure of annual percentage rate of interest.

Advertising Restrictions

Federal Truth in Lending Act. Chapter 3, Credit Advertising, §§ 141-145, 15 U.S.C. § 1661 et seq. (Supp. 1970), regulates advertising of consumer credit and does not provide for exemption of state-regulated transactions. Ads may not state specific amount or period of instalment payment, or specific down payment, unless creditor customarily makes such arrangements with debtors.

Consumer Credit Sale or Loan. §§ 2.304(2) and 3.304(2).

Not Pursuant to Revolving Account. "Annual Percentage Rate" is nominal annual percentage rate which, when applied to unpaid balances of amount financed, calculated according to actuarial method, will yield sum equal to amount of finance charge.

Pursuant to Revolving Account. "Annual Percentage Rate" is quotient, expressed as percentage, of total finance charge for period divided by amount upon which such charge is based, multiplied by number of periods in year.

Multiple agreements, to keep principal below minimum for which disclosure of annual percentage rate is required, are prohibited. §§ 2.402, 3.409, 3.509.

False or misleading advertising is prohibited concerning terms or conditions of credit. (§§ 2.313, 3.312). Subsection (2) of each provides that advertising is misleading if credit service charge

DISCLOSUREAdvertising  
Restrictions  
(Continued)

Ads for open end credit plans which specify rate of charge or any terms of plan must also specify:

1. Free time of credit,
2. method of determining balance on which finance charge will be imposed,
3. method of determining amount of finance charge including minimum amount,
4. where periodic rate is used, such rate expressed as annual percentage rate, and
5. such other information as Federal Reserve Board may by regulation require to provide for adequate comparison of credit costs as between different types of such plans.

See Regulation Z, Par. 226.10(c).

Other advertising must state rate of charge only as annual percentage rate, and may not state specific terms such as down payment or amount of instalment payment without specifying:

1. Cash price or amount of loan,
2. down payment,
3. number, amount and due dates of payments, and
4. annual percentage rate of finance charge.

Advertisements of residential real estate are regulated only as Federal Reserve Board may by regulation require.

Instalment Loan Rate Advertising. § 3 sets forth permissible methods of advertising loan service charges, which are:

1. Simple interest per month or per year on average balance;
2. dollars per \$100 per year on net loan; and
3. table showing total amount payable on loan, net loan, and amount, number and interval of payments.

§ 2(g) defines "interest" as every charge paid lender except:

1. Delinquency charges,
2. attorney's and collection fees,
3. insurance premiums,
4. recording or filing fees, and
5. all other charges that may be lawfully made on loans in addition to interest or finance charges.

False Advertising. N.J.S.A. § 2A:111-32 (1969) provides that anyone who advertises any commodity or service as part of scheme not to sell at price stated or to engage in any deceptive practice, as defined in N.J.S.A. § 56:8-1 et seq., is guilty of misdemeanor, punishable by 1 year and \$1,000. See heading below, Fraud, etc. in Sales or Advertisements of Goods and Services.

or loan finance charge rate is stated in form other than that required by Act or if advertising states dollar amount of charge or instalments without stating rate of charge and number and amounts of instalments. If advertising complies with federal Truth in Lending Act, it is exempt from the application of these subsections (2), but may be otherwise false or misleading.

DISCLOSURE

Small Loans. § 13 forbids deceptive advertising and any reference to supervision of lender by State.

Advertising  
Restrictions  
(Continued)

Secondary Mortgage Loans. § 13(1) forbids deceptive advertising by lender and requires advertisement to include lender's name, address and telephone number in New Jersey and words "Secondary Mortgage Loans." Various representations are prohibited, such as use of word "bank". Amount of interest charged must also be expressed as annual percentage rate if stated at all.

Fraud, etc. in Sales or Advertisements of Goods or Services. N.J.S.A. § 56:8-1 et seq. (Supp. 1970) declares as unlawful practice any fraud, false promise or knowing omission of material fact with intent that others rely thereon, in connection with sale or advertisement of goods or services, whether or not any person has in fact been deceived or damaged thereby. Communications media exempted from liability when owner, publisher or operator has no knowledge of purpose of advertiser. Advertisements subject to and complying with law administered by Federal Trade Commission are exempt from application of Act. See also topics, Public Offenses, Administrative Powers and Advisory Board.

CONSUMER PROTECTIONSMaximum Finance Charge

Unless regulated by specific statute permitting other maxima, loan transactions are governed by Title 31, Interest and Usury. N.J.S.A. § 31:1-1 (Supp. 1970) limits interest to \$6 per \$100 per year (or as adjusted upward by Commissioner of Banking to maximum of \$8).

When interest is required to be paid at intervals of less than 1 year, it may be computed on daily or monthly basis, or on combination of both when necessary; each day is deemed 1/360th of year and each month 1/12th of year. See topics, Administrative Powers and Advisory Board, at heading, Interest and Usury.

Small Loans. § 14 sets maximum annual percentage rate of 24% on unpaid principal balance to \$500, and of 22% on remainder of such balance. Interest not to be taken in advance. Interest and periodic payments to be computed from standard tables based on actuarial or annuity method conforming to so-called "United States Rule of Partial Payments." Other charges before default prohibited except premiums for credit insurance provided by licensee creditor in accordance with requirements of statute. Compounding of interest prohibited. Multiple agreements to obtain higher rate of interest prohibited.

Bank Instalment Loans. § 53 provides formulae to compute interest which may be taken in advance (discount method). Maximum simple interest rate is approximately 9.7166% per year on loans repayable over period in excess of 37 months and 11.784% per year on those of shorter term. § 55 permits bank to retain out of proceeds of loan, cost of insurance on collateral and security recording or filing fees.

§ 54(A)(5) prohibits interest, charge or demand not expressly authorized by Article (portion of Banking Act regulating instalment loans at increased rates of interest).

Advance Loans. § 59.6 sets maximum at 1% per month on daily principal balances, computable on basis authorized by general usury statute, N.J.S.A. § 31:1-1 (Supp. 1970). For interest purposes, charges for premiums advanced on credit insurance are treated as part of principal.

§ 59.8 authorizes service charge for each billing cycle of 50 cents, or 25 cents multiplied by number of advance loans made during cycle, whichever is greater. § 59.5(B) provides for application of monthly payments to interest and charges before principal.

Credit Unions. § 42 limits rate of interest on loans to members to 1% per month on unpaid balances, such rate to include credit union's total income on loan. § 27(e) sets same maximum rate of interest, prohibits compound interest, requires computation of interest on unpaid balances, and permits as additional charges before default only security recording, filing, etc. fees.

Savings and Loan Associations (Home Improvement Loans). §§ 160, 161 provide same formulae as for bank instalment loans, to limit

Consumer Loans. Act defines Supervised Loan as consumer loan in which rate of finance charge exceeds 18% per year. Only licensees may engage in business of making supervised loans. See summary of requirements under topic Licensing. Consumer loans in which rate of finance charge exceeds 10% per year are called Regulated Loans, and include supervised loans.

Regulated Loans Other than Supervised Loans. 18% maximum. § 3.201(1).

Supervised Loans. Maximum charge is greater of: 18% on unpaid balances; or 36% on unpaid balances up to \$300, 21% on unpaid balances over \$300 up to \$1000, and 15% on unpaid balances over \$1000. § 3.508(2). Multiple agreements to obtain higher loan finance charge prohibited. § 3.509.

Consumer-Related Loans. 18% maximum. § 3.602.

Other Loans. No limitations on loans other than consumer and consumer-related loans. § 3.605. Repeal of general usury law is intended. § 9.103, Official Comment.

Consumer Credit Sales

Not Pursuant to Revolving Charge Account. Maximum charge is greater of: 18% on unpaid balances; or 36% on unpaid balances up to \$300, 21% on unpaid balances over \$300 up to \$1000, and 15% on unpaid balances over \$1000. § 2.201(2). Multiple agreements to obtain higher credit service charge prohibited. § 2.402.

Revolving Charge Account. Maximum charge up to \$500 is 24%; over \$500, 18%. § 2.207(3).

CONSUMER PROTECTIONSMaximum Finance Charge

(Continued)

finance charges on home improvement loans to approximately 11.784% per year up to a term of 37 months and 9.7166% per year for a term exceeding 37 months. Interest may be taken in advance (discount method). Additional charges may be made for security filing, recording, etc. fees, but no other charges are permitted prior to default.

Secondary Mortgage Loans. § 11(a) limits interest to annual percentage rate not exceeding 15%, computed by actuarial method (United States rule). Commissioner of Banking may by regulation vary maximum interest up to 18% per year, with advice of special advisory board. See topics, Administrative Powers and Advisory Board. Interest may not be compounded and must be computed on unpaid principal balances.

§ 13 (h) prohibits charges other than those specifically authorized by statute. Reasonable legal fees actually incurred and paid to New Jersey attorney at law may be charged. § 15 prohibits charging borrowers any fees, discounts, commissions, points, or premiums for procuring loan.

Small Business Loans. § 59.27 limits finance charge as follows:

1. Up to \$5500 borrowed, \$6 per \$100 per year;
2. on excess borrowed to \$7500, \$5.50 per \$100 per year; and
3. on excess borrowed over \$7500, \$5 per \$100 per year.

Finance charge is computed on sum borrowed for full period and added on.

§ 59.30 permits as additional charges:

1. Security filing, recording, etc. costs;
2. actual appraisal costs not to exceed 1% of sum borrowed; and
3. premium for insurance of collateral and premium for optional credit life insurance.

§ 59.33 prohibits charges other than those expressly authorized by Act.

Insurance Premium Financing. § 10 limits finance charge to 12% per annum plus additional charge of \$10 per agreement. Finance charge is computed by actuarial method on balance due, from effective date of insurance coverage for which premiums are advanced to due date of final instalment of debt under premium finance agreement.

Mortgage Loans. N.J.S.A. § 46:10B-10 (Supp. 1970) prohibits charging points on mortgage loan. "Points" are defined to include all consideration paid for making of loan, except interest. Interest is limited to rate authorized by usury law, N.J.S.A.

Consumer-Related Sales. Maximum on non-revolving charge accounts is 18%; on revolving charge accounts up to \$500, 24%, and over \$500, 18%. § 2.602.

Deferral, Refinancing, Consolidation, Cross-Collateral. Deferral charges are permitted in precomputed transactions, but may not exceed annual percentage rate disclosed to debtor at time of original contract. §§ 2.204, 3.204. Finance charges on refinancing or consolidation may not exceed rate permitted for original sale or loan. §§ 2.205, 2.206, 3.205, 3.206. Credit service charges on aggregate unpaid balances of debts from secured sales involving cross-collateral are limited to those permitted on consolidation of such debts by refinancing. § 2.408.

Other Credit Sales. No limitations on credit sales other than consumer and consumer-related sales. § 2.605. Repeal of general usury law is intended. § 9.103, Official Comment.

CONSUMER PROTECTIONSMaximum Finance Charge

(Continued)

§ 31:1-1 (Supp. 1970). Sums paid pursuant to other statutes of New Jersey or United States, and reasonable expenses and charges, are excluded from definition of "points". For application of Act, see topic Transactions Covered.

Retail Instalment Sales. § 41 limits time price differential as follows:

- Class I - New motor vehicles, \$7 per \$100 per year;
- Class II - Used motor vehicles not more than 2 model years old, \$10 per \$100 per year;
- Class III - Older used motor vehicles, \$13 per \$100 per year; and
- Class IV - All other goods, \$10 per \$100 per year.

Time price differential is computed on full amount for full period. Defined by § 1(1) as that part of time sale price in excess of cash price and additional charges for insurance and other benefits and official fees. § 50 prohibits additional charges prior to default other than charges permitted by Act.

Auto Loan by Sales Finance Company. N.J.S.A. § 17:16C-40, (1970), as amended by L. 1970, c. 200, permits loan with purchase money security interest to finance purchase of private passenger car at rate of \$6 per \$100 per annum. Interest may be taken on full amount of loan for full period, and is to be added on.

Home Repair Financing. § 69 limits credit service charge to \$7 per \$100 per year, computed on principal balance stated in contract. § 62(i) defines credit service charge as that amount of time sale price in excess of cash price and additional charges for official fees and credit insurance. § 70 prohibits additional charges prior to default other than those permitted by Act.

Maximum Term and Amount of Credit

Limitations on lending powers of financial institutions, measured by term and amount of loan, are generally considered to proceed from concern for sound banking practice. They are included here because they can also be viewed as encouraging sound borrower practice.

Small Loans. Lender may charge rates permitted by Act only on aggregate extensions of credit of \$1000 or less to any person. Liability to lender as indorser or surety, or other direct or contingent obligation to lender, must be included in aggregate computation.

Bank Instalment Loans. § 54 provides maximum term of 37 months on loans other than property improvement loans, and of 61 months on property improvement loans. Liability of any person for aggregate instalment loan credit outstanding may not exceed \$7500, of which not more than \$5500 may be liability on loans other than property improvement loans.

Since Code repeals general usury law, transactions not covered by it are in general unregulated as to maximum finance charges. Code therefore does not in general limit term or amount of credit outstanding between creditor and debtor, in transactions covered by it. Small loans constitute an exception, as stated in following paragraph.

Regulated Loans. If principal does not exceed \$1,000 and if not made pursuant to a revolving loan account, such loans must be payable in 37 months if more than \$300; otherwise in 25 months. § 3.511.

CONSUMER PROTECTIONSMaximum Term and  
Amount of Credit  
(Continued)

Advance Loans. §§ 59.5 and 59.11 require monthly payments to be at least equal to 1/36th of debt. Liability of debtor may not exceed \$5500 on all outstanding advance loans by bank, exclusive of interest, insurance premiums and other permitted charges.

Savings and Loan Associations (Home Improvement Loans). § 159 limits net proceeds of loans with respect to same real property to \$7500. Maximum term of loan is 61 months.

Secondary Mortgage Loans. § 1 et seq. contain no provisions.

Small Business Loans. § 59.29 limits aggregate of such loans outstanding to any debtor to \$25,000. Maximum term of loan is 61 months.

Insurance Premium Financing. § 1 et seq. contain no provisions.

Retail Instalment Sales. § 1(a) defines "goods" as goods having cash price of \$7500 or less. Transactions in goods having higher cash price may or may not be subject to general usury law, N.J.S.A. § 31:1-1 (Supp. 1970), depending upon application of "time price doctrine".

Auto Loan by Sales Finance Company. N.J.S.A. § 17:16C-40.1 (1970), as amended by L. 1970, c. 200, limits amount of loan to \$5000 and term to 36 months.

Home Repair Financing. § 62 et seq. (1970) contain no provisions.

Small Loans. § 1 et seq. contain no provisions.

Bank Instalment Loans. § 55(B)(3) permits late charge up to 5% of instalment or \$5, whichever is less, on instalments more than 15 days in arrears. Only one such charge on instalment, and such charges not to exceed \$15 in 12-month period. No late charge on instalment to fall due after loan has been accelerated. Alternatively, interest chargeable on instalment in arrears, at legal rate.

Advance Loans. § 59.7(A) permits late charge up to 5% of instalment or \$5, whichever is less, on instalments more than 15 days in arrears. Only one such charge to be levied on any instalment.

Credit Unions. § 27(f) permits delinquent fine up to 1/10th of interest due.

Savings and Loan Associations (Home Improvement Loans). § 157 et seq. contain no provisions.

Small Business Loans. § 59.32 (a)(3) permits late charge up to 5% of instalment or \$5, whichever is less, on instalments more

in transactions in which amount of each instalment is precomputed, but are limited to delinquencies of 10 days or more. Such charges may not exceed greater of (a) 5% of unpaid instalment, up to \$5, or (b) deferral charge as permitted by sections 2.204 or 3.204. Payments must be first applied to current instalments, so as to minimize delinquency charges. No delinquency charge may be collected if instalment has been deferred; of 5%-or-\$5 delinquency charge is used, only one such charge may be collected on one instalment. §§ 2.203, 3.203.

Delinquency  
Charges

CONSUMER PROTECTIONSDelinquency  
Charges  
(Continued)

than 10 days in arrears. Only one such charge on any instalment, and total charges may not exceed \$25 in 12-month period. No late charge on instalment to fall due after loan has been accelerated. Alternatively, interest chargeable on instalment in arrears, at legal rate.

Secondary Mortgage Loans. § 13(h) prohibits fine or penalty.

Insurance Premium Financing. § 12 permits delinquency charge up to 5% of instalment or \$5, whichever is less, on instalments in arrears 10 days or more.

Retail Instalment Sales. § 42(a) permits delinquency charge up to 5% of instalment or \$5, whichever is less, on instalments in arrears 10 days or more.

Home Repair Financing. § 71(a) permits delinquency charge up to 5% of instalment or \$5, whichever is less, on instalments in arrears 10 days or more.

Prepayment  
and Rebate

Small Loans. § 15(c) requires lender to permit advance payment in any amount at any time, but may credit accrued interest first.

Bank Instalment Loans. § 56 requires credit on interest taken in advance, in event of prepayment in full or acceleration of due date of unpaid balance. Formula is similar, but not identical to common form of Rule of 78 in that it uses cardinal numbers of payment periods instead of periodic balances.

Advance Loans. § 59.1(c) provides borrower may prepay without penalty or prepayment charge.

Credit Unions. § 42(c) provides that member may pay off loan, in whole or in part, on any day office open for business.

Savings and Loan Associations ( Home Improvement Loans). § 163 requires credit on interest taken in advance, in same terms as described for Bank Instalment Loans above.

Small Business Loans. § 59.35 requires credit on interest taken in advance, in same terms as described for Bank Instalment Loans above.

Secondary Mortgage Loans. § 17 prohibits penalty fees for prepaying in full prior to maturity.

Insurance Premium Financing. § 10 provides that premium finance agreement may be prepaid in full at any time and unearned finance charge shall be refunded in accordance with Rule of 78.

Mortgage Loans. N.J.S.A. § 46:10B-2 (Supp. 1970), provides that prepayment in full of mortgage loan may be made at any time, but holder may charge prepayment fee according to following schedule:

Debtor may prepay unpaid balance in full at any time without penalty. §§ 2.209, 3.209. Debtor thereupon becomes entitled to rebate of unearned portion of finance charge computed pursuant to "Rule of 78". Detailed provisions are made for computation of rebate in case of irregular payment schedules. Creditor need not rebate any part of permitted minimum finance charge which has been contracted for (\$5 on \$75 or less and \$7.50 if over \$75). Debtor is entitled to same rebate if maturity is accelerated and judgment obtained as if prepayment had been made on judgment date. §§ 2.210, 3.210.

CONSUMER PROTECTIONSPrepayment  
and Rebate  
(Continued)

1. Within 1 year of loan, 3% of face amount,
2. 1 to 3 years of loan, 2% of face amount,
3. 3 to 5 years of loan, 1% of face amount, and
4. after 5 years, no fee.

§3 provides that, during 12 month period, partial prepayments may be made without charge or penalty, in multiples of \$50 up to 20% of face amount of loan.

§§ 4 through 7 contain provisions in protection of prepayment rights created by §§ 2 and 3.

Retail Instalment Sales. § 43 requires credit on time price differential, in event of prepayment in full, on basis of same formula as described for Bank Instalment Loans above, but less acquisition cost of \$15.

Home Repair Financing. § 73 is substantially identical to § 43, applying to Retail Instalment Sales, described immediately above.

Insurance. For refund of unearned insurance premiums, see topic, Insurance.

Negotiable  
Instruments

Small Loans. § 1 et seq. contain no provisions.

Bank Instalment Loans. § 57 requires instrument evidencing loan to state that it represents loan made pursuant to Article 12 of Banking Law of 1948 (Banks: Instalment Loans).

Sec. 58(3) exempts from regulation imposed by § 53 et seq. instruments acquired by bank, which originate in transaction to which bank not party; regardless of recourse of bank against prior holder. Bank not to be deemed party to original transaction by virtue of its approval of credit of any obligor on instrument, prior to its acquisition and at request of prior holder.

Advance Loans. § 59.1 et seq. contain no provisions.

Credit Unions. § 42(a) requires all member loans to be evidenced by note.

Savings and Loan Associations (Home Improvement Loans). § 159(2) permits debt to be evidenced by one or more notes.

Small Business Loans. § 59.28 requires loan to be evidenced by note. § 59.36 requires such note to state that it represents loan made pursuant to Small Business Loan Act.

Secondary Mortgage Loans. § 18 requires instrument evidencing loan to be promissory note with words "Secondary Mortgage Loan" printed prominently at top centre, and with other specified statements such as, "This promissory note is subject to the pro-

Consumer Credit Sales and Leases. Except in transaction for agricultural purposes, creditor may not take negotiable instrument, other than check, to evidence obligation of debtor. § 2.403.

CONSUMER PROTECTIONSNegotiable  
Instruments  
(Continued)

visions of the Secondary Mortgage Loan Act". (Subsequent holders of notes must be licensees under Act, §3.)

§25 provides that borrower's obligation is void and unenforceable unless loan was executed in full compliance with Act.

Insurance Premium Financing. § 1 et seq. contain no provisions.

Retail Instalment Sales. § 45 forbids retail seller to transfer evidence of debt under retail instalment contract except to (1) sales finance company licensed under Act, or (2) state or national bank outside New Jersey where seller retains contract and collects payments. § 47 permits assignment of aggregation of debts as collateral for bona fide commercial loan where assignor collects payments.

Home Repair Financing. § 64.2 requires note issued in connection with home repair contract to have printed on face "Consumer Note". Such note is subject to terms and conditions of contract and not negotiable instrument within meaning of Chapter 3 of Uniform Commercial Code, N.J.S.A. § 12A:3-101 et seq. (1962).

§ 88 forbids holder to transfer evidence of debt under home repair contract except to (1) home financing agency licensed under Act, or (2) state or national bank outside New Jersey where seller retains contract and collects payments. Home financing agency must not knowingly acquire evidence of debt under home repair contract except from licensed home repair contractor or home financing agency.

Waiver of  
Defenses

Uniform Commercial Code. N.J.S.A. § 12A:9-206 (Supp. 1970), provides that, subject to any statute or decision which establishes different rule for buyers or lessees of consumer goods, waiver of claim or defense is enforceable by assignee for value, in good faith and without notice of claim or defense, except for so-called "real" defenses. In *Unico v. Owen*, 50 N.J. 101 (1967), court held that in consumer credit transactions such waiver clauses are ordinarily so one-sided as to be contrary to public policy and therefore unenforceable. N.J.S.A. § 12:9-206 further provides that buyer who signs negotiable instrument in combination with security agreement waives claim or defense against assignee of security agreement.

Retail Instalment Sales. § 38 prohibits provision relieving seller from liability for any legal remedies of buyer under retail instalment contract.

Door-to-Door Instalment Sales. § 61.6(c) forbids provision by which buyer waives rights under Act (which gives him two business days following day of sale within which he may rescind sale or contract).

Home Repair Financing. § 64.1 prohibits provision relieving holder or other assignee from liability for any civil remedy, sounding in contract, of owner against contractor under home

Consumer Credit Sales and Leases.  
Two alternative provisions are proposed. § 2.404:

Alternative A. Assignee of rights of seller or lessor is subject to debtor's set-off and defenses notwithstanding agreement to contrary.

Alternative B. Agreement not to assert claim or defense against assignee is enforceable if assignee:

1. Is unrelated to seller or lessor;
2. acquires contract for value and in good faith (including lack of notice of substantial complaints by other customers of assignor);
3. gives buyer or lessee notice of assignment; and

CONSUMER PROTECTIONSWaiver of  
Defenses  
(Continued)

repair contract or separate instrument executed in connection with it.

§ 64(d) prohibits provision relieving contractor from liability upon any claim of owner under home repair contract.

Door-to-Door Home Repair Sales. § 100(c) forbids provision by which owner waives rights under Act (which gives him two business days following day of sale during which he may rescind home repair contract).

Secondary Mortgage Loans. § 19(a) prohibits waivers by borrower of any rights accruing to him under any law of State. § 19(e) prohibits provision relieving lender or subsequent holder from liability for any claim or legal remedy of borrower under terms of promissory note evidencing loan.

Small Loans. No provision.

Bank Instalment Loans. No provision.

Advance Loans. No provision.

Credit Unions. No provision

Savings and Loan Associations (Home Improvement Loans). No provision.

Small Business Loans. No provision.

Insurance Premium Financing. No provision.

Balloon Payments  
and Schedule of  
Payments

Small Loans. § 13 requires that instalments be payable at approximately equal intervals, with no payment substantially greater than previous ones, except payments may be reduced or omitted according to seasonal nature of borrower's income.

Bank Instalment Loans. § 54(A) (1), (2) provide:

1. Only one instalment may be payable in any payment period except last (in which two may be payable).
2. Every payment period shall be of equal duration measured in weeks or months, except that first payment period may be longer and up to 60 days.
3. Loan may provide for omission of instalments for up to 93 days in any 12 month period.
4. No payment period may be shorter than 1 week or longer than 1 month, except as above provided.
5. All instalments shall be same amount, except last may deviate by \$1 or less.

4. as to claims or defenses which arose before end of 3-month period after mailing notice, receives during such period no written notice of facts giving rise to such claim or defense.

Neither alternative applies to sale or lease primarily for agricultural purpose.

Consumer Credit Sales and Loans, other than those pursuant to revolving accounts or for agricultural purposes. If any scheduled payment is more than twice as large as average of earlier scheduled payments, debtor can refinance it without penalty on terms no less favorable than those of original transaction. §§ 2.405, 3.402.

Regulated Loans, not made pursuant to revolving loan account and in which principal is \$1000 or less, must be repayable in substantially equal instalments at equal periodic intervals except when instalments are adjusted to seasonal or irregular income of debtor. § 3.511.

CONSUMER PROTECTIONSBalloon Payments  
and Schedule of  
Payments  
(Continued)

Advance Loans. § 59.2(A) requires billing cycles to be not more than one month in duration. § 59.5 permits monthly payment without limit, with minimum of \$10 or 1/36 of debt, whichever is greater.

Credit Unions. § 1 et seq. contain no provisions.

Savings and Loan Associations (Home Improvement Loans). § 159 (4) requires loans to be repayable in regular monthly instalments, in equal amounts except that last may deviate by \$1 or less.

Small Business Loans. § 59.28(b) provides:

1. Every payment period shall be of equal duration measured in months.
2. Loan may provide for omission of instalments for up to 93 days in any 12-month period.
3. No payment period may be shorter than 1 month nor longer than 3 months.
4. All payments shall be for same amount, except that last may deviate by \$1 or less.

Secondary Mortgage Loans. § 18(b) provides:

1. Payment periods shall be substantially equal, shall be measured in weeks or months; initial period may be deferred for 60 days.
2. All instalments shall be for substantially equal amounts, except that last may deviate by \$1 or less.
3. Payments may be reduced or omitted for any periods of time to accommodate borrower's intermittent income.

Insurance Premium Financing. § 1 et seq. contain no provisions.

Retail Instalment Sales. § 26 provides:

1. Instalments shall be substantially equal in amount and duration.
2. Initial payment may be deferred up to 60 days.
3. Payments may be reduced or omitted up to 93 days in any 12-month period to accommodate buyer's intermittent or reduced income.

Auto Loan by Sales Finance Company. § 40.1 requires substantially equal monthly payments.

Home Repair Financing. § 68(a) requires that instalments be substantially equal in amount and duration, except that contract may provide for reduction or omission of payments for not more than 93 days in any 12-month period.

Consumer Leases. Obligation of lessee upon expiration of consumer lease not for agricultural purpose may not exceed twice average monthly rental. § 2.406.

CONSUMER PROTECTIONSSecurity

Small Loans. § 13 prohibits lien upon real estate as security. § 18 invalidates security interest or other lien on household furniture being used by borrower, unless financing statement and security agreement are signed in person by both husband and wife, if borrower married; otherwise by borrower alone.

Bank Instalment Loans. § 54(A)(3) restricts security, prior to default, to interest in tangible personal property, except that in property improvement loan bank may also take interest in real estate to be improved.

Advance Loans. § 59.10 prohibits taking security prior to default.

Credit Unions. § 42 permits such security as by-laws may provide, and requires adequate security for loans in excess of specified amounts.

Savings and Loan Associations (Home Improvement Loans). § 159(2) provides that, prior to default, security interest may be taken only in tangible personal property that is part of work or in real property being improved.

Secondary Mortgage Loans. § 13(g) prohibits collateral or security other than lien upon any real property.

Small Business Loans. § 59.30(b) provides that bank may take interest in both real and personal property as security.

Insurance Premium Financing. No provisions except that § 15 exempts premium finance agreement from public filing requirement to perfect it as a secured transaction.

Retail Instalment Sales. Act applies only in case of purchase money security interest in goods being sold. No provisions as to other collateral, except see topic, Cross-Collateral.

Home Repair Financing. § 75 assumes security interest permissible in goods supplied and real property being improved. No provisions as to other collateral.

Uniform Commercial Code. N.J.S.A. § 12A:9-204 (Supp. 1970) provides that no security interest attaches under an after-acquired property clause to consumer goods (other than accessions) when given as additional security unless debtor acquires rights in them within 10 days after secured party gives value.

Consumer Credit Sales. § 2.407. Seller may take security interest only as follows:

1. In property sold;
2. in goods improved, if debt is \$300 or more;
3. in land improved, if debt is \$1000 or more;
4. in any property of buyer, where sale is for agricultural purpose; and
5. see also topic, Cross-Collateral.

Consumer Leases. No security interest in lessee's property permitted, except where lease is for agricultural purpose. § 2.407.

Supervised Loans. Interest in land may not be taken as security, where principal is \$1,000 or less. § 3.510.

Security interests taken in violation of these provisions are void. §§ 2.407, 3.510.

SUBJECT

NEW JERSEY LAW

UNIFORM CONSUMER CREDIT CODE

CONSUMER PROTECTIONS

Cross-Collateral

Retail Instalment Sales. § 28 assumes as permissible, term in contract by which debt on additional purchases is consolidated with prior debt and seller obtains security interest in all goods under combined agreement. § 29 requires allocation of payments on combined agreement among each of separate purchases in proportion to original cash price. Separate purchase ceases to be security when amount owing on it is fully paid. Buyer may prepay in full or redeem any separate purchase at any time.

Consumer Credit Sales. Security from prior sale may be used to secure subsequent sale, and vice versa. § 2.408.

Payments are deemed applied to outstanding debt arising from earliest sale. When such debt is satisfied, property first acquired ceases to be collateral. Exceptions are sales for agricultural purpose or pursuant to revolving charge account. § 2.409.

Wage Assignments

Small Loans. § 13 forbids wage assignment in connection with loan; any such assignment is void. § 17 deems any payment of \$1,000 or less as consideration for sale or assignment of wages to be loan secured by such wages and void.

Prohibited and unenforceable by assignee. §§ 2.410, 3.403.

Bank Instalment Loans. Although no provision specifically mentions wage assignments, § 54(a)(3) prohibits security other than interests in tangible property.

Advance Loans. § 59.10 forbids any security prior to default.

Credit Unions. § 42(c) provides that assignment of wages is deemed security for purpose of satisfying requirement that loans in excess of specified amounts be adequately secured.

Savings and Loan Associations (Home Improvement Loans). § 159(2) prohibits security other than interests in real property being improved or tangible personal property which is part of work.

Small Business Loans. No specific provision, but § 59.30 permits interest in property, real or personal, to secure payment.

Secondary Mortgage Loans. § 19(c) prohibits wage assignments.

Insurance Premium Financing. § 1 et seq. contain no provisions.

Retail Instalment Sales. § 39 prohibits wage assignments.

Home Repair Financing. § 64(f) prohibits wage assignments.

Wages. N.J.S.A. § 34:11-25 (1965) forbids assignment of wages at greater than legal rate of interest.

Referral Sales

Secondary Mortgage Loans. § 13(d) prohibits loan referred by retail seller who has required borrower to make purchase in order to obtain referral.

Consumer Credit Sale or Lease. Payment, rebate or discount prohibited when made or offered to induce sale or lease, if plan involves aiding

## SUBJECT

## NEW JERSEY LAW

## UNIFORM CONSUMER CREDIT CODE

## CONSUMER PROTECTIONS

Referral Sales  
(Continued)

Retail Instalment Sales. § 1 et seq. contain no provisions.

Home Repair Financing. § 64(g) requires that any provision for rewarding owner for permitting sign on his property or for supplying names of possible customers have approval of Commissioner of Banking.

seller or lessor to get another customer and if earning compensation depends on occurrence of event subsequent to agreement to buy or lease. § 2.411.

Attorney's Fees

Attorney's Fees. Case law indicates that contractual provisions for attorney's fees will be enforced only if amount is reasonable and actually incurred in course of collection. See, e.g., Alcoa Edgewater No. 1 Federal Credit Union v. Carroll, 44 N.J. 442 (1965).

Small Loans. No provision specifically mentions attorney's fees, but § 14 prohibits any charge whatsoever in addition to interest, except for insurance and "on actual sale of the security in foreclosure proceedings or upon the entry of judgment".

Bank Instalment Loans. § 55(A)(3) permits "collection fee" upon institution of suit, according to amount of loan, varying from \$7.50 to \$25. No provision specifically mentions attorney's fees, but § 54(A)(5) prohibits charges not expressly authorized by Act.

Advance Loans. § 59.7(B) permits "collection fee" upon institution of proceedings on loans in default according to following schedule:

1. First \$750 - 15%, and
2. on excess over \$750 - 10%

Collection fee may not exceed \$500.

Credit Unions. § 27(e) permits attorney's fee of 20%, with minimum of \$10, to be added to principal of loan resolved into judgment or given to attorney for collection after default.

Savings and Loan Association (Home Improvement Loans). No provision specifically mentions attorney's fees but § 159 prohibits charges not expressly authorized by Act.

Small Business Loans. § 59.31 permits "collection fee" upon institution of proceedings according to following schedule:

1. First \$750 - 15%, and
2. on excess over \$750 - 10%.

Collection fee may not exceed \$500.

Secondary Mortgage Loans. § 20 permits provision for payment of attorney's fees only where:

1. Note is referred for collection to independent

Consumer Credit Sales and Loans. Two alternative provisions are proposed as to attorney's fees. §§ 2.413, 3.404:

Alternative A. Prohibited.

Alternative B. Limited to reasonable fees not exceeding 15% of unpaid debt, after default and referral to independent attorney. Supervised Loans. Prohibited where principal is \$1000 or less. § 3.514.

CONSUMER PROTECTIONSAttorney's Fees  
(Continued)

- attorney at law of State.
2. suit is actually filed and decided in favor of lender; and
  3. at least 15 days prior to suit, borrower is sent statement of intention to sue, specifying amounts due lender.

Attorney's fee limited to 15% on first \$500, 10% of next \$500 and 5% of any excess.

Insurance Premium Financing. § 1 et seq. contain no provisions.

Retail Instalment Sales. § 42(b) permits retail instalment contract to provide for attorney's fee of 20% on first \$500 and 10% on excess when referred for collection to attorney not salaried employee of holder.

Home Repair Financing. § 71(b) permits home repair contract to contain provision for "reasonable" attorney's fees when payment in default for 10 days referred for collection to attorney not salaried employee of holder.

Confessions of Judgment

Judgments in Civil Actions. N.J.S.A. § 2A:16-9 (1952) forbids entry of judgment by confession upon warrant of attorney in note or other instrument for payment of money. R.4:45 (N.J. Court Rules, 1969) is substantially identical. R.4:45-2 requires that attorney at law, confessing judgment in action on instrument for payment of money, shall do so only on motion after notice to defendant in prescribed manner, and prescribed proof to court, including production of copy of warrant and instrument. R.6:6-1 makes R.4:45 applicable to county district courts.

Authorization of any person to confess judgment prohibited and void. §§ 2.415, 3.407.

Small Loans. § 15 forbids taking confession of judgment or any power of attorney.

Bank Instalment Loans. § 53 et seq. contain no provisions.

Advance Loans. § 59.2(D) provides that no advance loan contract and no instrument executed in connection therewith may contain any power to confess judgment.

Credit Unions. § 26 et seq. contain no provisions.

Savings and Loan Associations (Home Improvement Loans). § 157 et seq. contain no provisions.

Secondary Mortgage Loans. § 19(b) forbids taking power of attorney to confess judgment.

Small Business Loans. § 59.32(c) provides that bank may not take any power to confess judgment.

CONSUMER PROTECTIONSConfessions  
of Judgment  
(Continued)

Insurance Premium Financing. § 9 forbids inclusion in premium finance agreement of power to confess judgment in New Jersey.

Retail Instalment Sales. § 37 provides that no retail instalment contract or instrument executed in connection therewith shall contain power to confess judgment.

Home Repair Financing. § 64(c) provides that no home repair contract shall contain power to confess judgment.

Rescission  
Rights

Federal Truth in Lending Act. § 125 provides that, in case of consumer credit transaction involving security interest in real property which is used or expected to be used as debtor's residence, debtor has right to rescind within three business days after consummation and delivery of required disclosures. Rescission frees debtor from obligation and entitles him to return of down-payment. Provision is made for exceptions to enable debtors to get credit in emergencies. Purchase-money first mortgages are excepted. Regulation Z prescribes manner in which creditor must disclose to debtor rights created by section.

Door-to-Door Instalment Sales. § 61.5(a) provides that any retail instalment sale, or contract for sale, of goods other than motor vehicle, boat, or their accessories, for purchase price in excess of \$25, entered into at place other than place of business of retail seller, may be rescinded by retail buyer, if he takes following action:

1. Notifies seller of intent to rescind, by certified mail, return receipt requested, postmarked not later than 5 P.M. of second business day following sale; and
2. gives up any goods delivered to him prior to seller's receipt of such notice.

§ 61.5(b) requires seller, within 10 days of receipt of such notice, to:

1. Pick up any goods delivered to buyer prior to receipt of notice;
2. refund all money paid by buyer (less damage to goods); and
3. return any trade-in (less charges for reasonable improvements by seller).

Rescission right does not apply to orders placed by mail or telephone, or to sales requested by buyer to be made at place other than seller's place of business.

Door-to-Door Home Repair Sales. § 99(a) provides that home repair contract in excess of \$25, entered into at place other

Home Solicitation Sales. Credit sale of goods or services solicited and agreed to by buyer at buyer's home may be cancelled within 3 business days after buyer signs, unless pursuant to pre-existing revolving charge account or prior negotiations at seller's place of business. Exception for emergency transactions. §§ 2.501-05.

Rescission of Transaction Involving Security in Land. Consumer credit sale or loan which may result in security interest in land of buyer used or expected to be used as residence; buyer can rescind within 3 days after consummation of transaction or delivery of required disclosures. § 5.204. (Section derived from and substantially identical to § 125 of federal Truth in Lending Act).

CONSUMER PROTECTIONSRescission  
Rights  
(Continued)

than home repair contractor's place of business, may be rescinded by owner if he takes following action:

1. Notifies contractor of intent to rescind, by certified mail, return receipt requested, postmarked not later than 5 P.M. of second business day following day of execution of contract; and
2. gives up any goods delivered to him prior to contractor's receipt of such notice.

§ 99(b) requires contractor, within 10 days of receipt of such notice, to:

1. Pick up any goods delivered to owner prior to receipt of notice;
2. refund all money paid by owner (less damage to goods); and
3. return any trade-in (less charges for reasonable improvements by contractor).

Rescission right does not apply to orders placed by mail or telephone, or to sales requested by owner to be made at place other than contractor's place of business.

Insurance

Credit Life, Health and Accident Insurance. N.J.S.A. § 17:38A-1 et seq. supplement previously enacted statutes which regulate form and provisions of policies, individual and group, on life and accident and health of insured persons. Credit insurance may be issued to debtors in individual policies or to creditors in group policies, §3. Amount of insurance is limited to amount of debt on date when benefits are payable, §4. Term of insurance must begin when loan is made and end not more than 15 days after scheduled maturity date of debt, unless extension is without cost to debtor. On termination of insurance prior to scheduled maturity, including any renewal or re-financing, refund of unearned premiums must be paid, § 5. Debtor must receive individual policy or group certificate of insurance, setting forth prescribed information including statement that benefits are payable to creditor to reduce unpaid debt. Where policy or group certificate is not delivered to debtor at time of sale or loan, copy of application for insurance, signed by debtor and setting forth prescribed information, must be delivered. Within 30 days thereafter, insurer must deliver policy or group certificate, § 6.

All forms used by insurer must be filed with Commissioner of Insurance, who may disapprove any form at any time because (1) benefits provided are not reasonable in relation to premium

Code regulates insurance provided in relation to consumer credit transactions. It complements but does not repeal statutes or insurance department regulations similar to NAIC Model Act, prepared by National Association of Insurance Commissioners. § 4.102.

Maximum Charge. Separate charge for insurance may not exceed premium charged by insurer, except for permissible simplifications of premium calculation on revolving accounts, § 4.107. Refund required where not earned by insurer, § 4.108. Debtor must have option to choose insurer, § 4.109. Duplicate charges, including those in connection with deferral, refinancing and consolidation, prohibited, § 4.110.

Consumer Credit Insurance is defined as credit life insurance,

CONSUMER PROTECTIONSInsurance  
(Continued)

charge, or (2) form contains misleading or unfair provisions, § 7. Schedules of premium rates must be filed with Commissioner, § 8(a).

Creditor may not collect from debtor an amount greater than filed premium rate charge, § 8(b).

Subject to minimum refund prescribed by Commissioner, each evidence of insurance must state that upon termination of insurance prior to scheduled maturity, refund of premium shall be paid or credited promptly to person entitled, § 8(c).

When debtor has made payment to creditor for credit insurance, creditor must immediately notify debtor if insurance is not issued, and must promptly make appropriate credit, § 8(d).

Creditor must permit debtor to furnish required insurance through existing policies of insurance controlled by him or through any insurer authorized to transact insurance business in State, § 11.

Act also contains provisions limiting writing of policies to authorized insurance companies, requiring specified action on claims, and prohibiting creditor from acting as authorized claims adjuster, §§ 9, 10.

Small Loans. § 14.1 permits creditor, upon written consent of borrower, to provide insurance on life and on health or disability of one obligor on contract, pursuant to N.J.S.A. § 17:38A-1 et seq., regulating credit insurance. Premium charged by insurer may be deducted from principal amount of loan. Disclosure of amount must be made in loan statement and copy of evidence of insurance delivered to borrower. Creditor not prohibited by Act from collecting charge for insurance or from receiving and retaining dividend or other gain resulting from such insurance. Property Insurance. No express provision.

Bank Instalment Loans. § 70.2 permits bank, upon written consent of borrower, to provide credit life and credit accident and health insurance on borrower, pursuant to N.J.S.A. § 17:38A-1 et seq., regulating such insurance. Premium charged by insurer may be deducted from proceeds of loan. Copy of evidence of insurance must be delivered to insured borrower when loan is made. Such insurance charge may be made on only one person liable for payment of loan. Bank not prohibited by Act from collecting charge for insurance or from receiving and retaining dividend or other gain resulting from such insurance.

Property Insurance. § 55(A)(2) provides that bank may require collateral to be insured for its benefit and may retain premium for such insurance out of proceeds of loan. If borrower permits coverage to lapse, bank may obtain such insurance and add premium to loan, payable on demand with interest at legal rate. Credit to be given for return premium, if any. If such payment is not made within 30 days, bank may declare entire unpaid balance immediately due and payable.

credit health insurance, and other insurance against loss of ability to pay debt, § 4.103. Term of insurance ordinarily required to be co-extensive with term of debt, § 4.201. Amount of insurance ordinarily not permitted to exceed debt, but more flexible in connection with revolving accounts, credit commitments and agricultural purpose transactions, § 4.202.

Property Insurance. If separate charge is made to debtor, insurance must be reasonable in respect to risk covered, relation of property to credit transaction, and amount, term and features of insurance. Amount financed (exclusive of insurance charges) and value of property must be \$300 or more, § 4.301. Insurance cannot cover only interest of creditor if separate charge is made to debtor, § 4.302.

Liability Insurance. If separate charge is made to debtor, insurance must cover substantial risk to debtor from property related to transaction. § 4.303.

Cancellation of Insurance by Creditor. Cancellation of property or liability insurance is prohibited unless upon debtor's written authorization or default, and requires 10 days' written notice if delivered or 13 days if mailed, before cancellation takes effect. Either creditor or insurer must give notice. Applies also to insurance premium loans. § 4.304.

CONSUMER PROTECTIONSInsurance  
(Continued)

Advance Loans. § 59.10 provides that no section of Act prohibits bank from providing credit life insurance or credit accident and health insurance for borrower's benefit, at his written request. § 59.6(b) permits bank to charge interest on premium advances as if part of principal balance of loan, but § 59.5(B) directs application of monthly payments to premiums before application to principal unless contract provides otherwise. § 59.2(c) requires contract to indicate insurance coverage obtained, including name of person covered where more than one person may borrow. Bank need not adopt program of applying for insurance on behalf of borrowers. Property Insurance. No collateral permitted by Act.

Credit Unions. § 26 et seq. contain no provisions.

Savings and Loan Associations ( Home Improvement Loans). § 157 et seq. contain no provisions.

Secondary Mortgage Loans. § 16 provides that borrower shall not be compelled to purchase credit insurance. Upon written consent of borrower, in separate instrument evidencing his election to obtain such insurance, creditor may provide such insurance, pursuant to N.J.S.A. § 17:38A-1 et seq., regulating credit insurance. If more than one person is obligated on loan, person whose signature appears first in order on promissory note evidencing debt is only one to be insured. Premium shall be deducted from amount of loan. Creditor is not prohibited by Act from collecting charge for insurance or from receiving and retaining dividend or other gain resulting from such insurance, subject to regulation by Commissioner of Banking. § 12 requires refund to borrower of unearned portion of premium, when loan is paid in full. Closing statement at time of loan must itemize premium charged and copy of evidence of insurance must be delivered to borrower. Property Insurance. No express provision.

Small Business Loans. § 59.30(f) permits bank, upon written request of borrower who is natural person, to provide credit insurance on his life, pursuant to N.J.S.A. § 17:38A-1 et seq., regulating credit insurance. Premium charged by insurer may be deducted from proceeds of loan. Copy of evidence of insurance must be delivered to insured borrower when loan is made. Such insurance charge may be made on only one person liable for payment of loan. Bank not prohibited by Act from collecting charge for insurance or from receiving and retaining dividend or other gain resulting from such insurance.

Property Insurance. § 59.30(c) permits bank to require property securing loan to be insured for bank's benefit and to retain premium out of proceeds of loan. If borrower permits coverage to lapse, bank may obtain such insurance and cost thereof shall be payable on demand and bear interest at legal rate. In default of payment after demand, the bank may declare entire unpaid balance immediately due and payable.

CONSUMER PROTECTIONSInsurance  
(Continued)

Insurance Premium Financing. § 1 et seq. contain no provisions relating to providing credit or property insurance for benefit of borrower or creditor, to secure repayment of premium loan.

Retail Instalment Sales. § 33 permits retail seller to purchase such other insurance as buyer contracts for, including credit insurance. § 34 requires seller or holder of retail instalment contract to credit any refund of premiums to next instalment payment, unless applied toward premiums for replacement insurance.

Property Insurance. § 30 provides that retail buyer may be required to insure goods for protection of seller or subsequent holder, such insurance to be for dual protection of buyer and seller or subsequent holder and limited to coverage against substantial risk of damage, destruction or theft, upon reasonable terms and conditions. When neither party can obtain such dual interest insurance, seller or holder may purchase insurance protecting his own interest and collect premium from buyer. § 31 gives buyer right to supply insurance through own agent, using insurance company acceptable to seller. In such case, seller may refuse to include premium for insurance in time balance. Charge made for insurance must not exceed premiums chargeable by insurer. Policy or certificate of dual interest insurance must be delivered to buyer within 25 days of sale, disclosing amount of premium and terms of insurance. Upon repossession and sale of goods, holder of contract must cancel insurance and credit return premium to unpaid balance outstanding. § 32 requires warning on contract in prescribed form if insurance on motor vehicle required by seller or holder does not include liability insurance.

Home Repair Financing. § 67(d) requires contract to state separately amount of separate charge made for credit insurance pursuant to N.J.S.A. § 17:38A-1 et seq., regulating such insurance, and to specify coverages and benefits. § 70 prohibits charges other than those permitted by Act and by N.J.S.A. § 17:38A-1 et seq. See summary of latter statute under paragraph heading above, Credit Insurance, this topic. Property Insurance. No express provision.

Waivers, Agreements  
to Forego Rights  
and Settlement of  
Claims

Small Loans. § 1 et seq. contain no provisions.

Bank Instalment Loans. § 55(B)(5) permits bank to require all parties to instrument evidencing loan to waive presentment, demand, protest, notice of dishonor and notice of bank's election to accelerate maturity of unpaid balance.

Advance Loans. § 59.4(D) provides that statement of account rendered by bank pursuant to requirements of section constitutes accounting which is conclusively presumed correct unless, before expiration of 6 months from rendition, correctness is questioned

Except as otherwise provided in code, debtor's waiver of rights or benefits provided by Code prohibited. Good faith settlements protected, but settlement invalid if court finds as matter of law that it is unconscionable. § 1.107.

CONSUMER PROTECTIONSWaivers, Agreements  
to Forego Rights  
and Settlement of  
Claims  
(Continued)

by certified mail notice. After lapse of 1 year from date of such notice, accounting becomes conclusively presumed correct unless before then action has been begun to determine correctness.

Credit Unions. § 26 et seq. contain no provisions.

Savings and Loan Associations (Home Improvement Loans). § 157 et seq. contain no provisions.

Secondary Mortgage Loans. § 19 provides that no writing executed in connection with loan may contain:

1. Waiver of rights by borrower under any law of State,
2. provision relieving creditor from liability for any claim, or from any legal remedy, of borrower under terms of promissory note evidencing loan, or
3. provision waiving borrower's right of action for any illegal act committed in collection of debt.

§ 17 makes unenforceable any agreement to forego right to prepay in full without penalty.

Small Business Loans. § 59.32(a)(5) permits bank to require all parties to note to waive presentment, demand, protest, notice of dishonor and notice of bank's election to accelerate maturity of unpaid balance.

Insurance Premium Financing. § 1 et seq. contain no provisions.

Mortgage Loans. N.J.S.A. § 46:10B-4 (Supp. 1970) provides that no waiver in mortgage, or instrument of indebtedness, of mortgagor's rights to make prepayment or additional payment, as provided in sections 46:10B-2 and -3 of Act, shall be enforceable.

Retail Instalment Sales. § 36 provides that no retail instalment contract may contain any provision whereby buyer waives his rights for any illegal act committed in collection of debt or repossession of goods. § 38 provides that no retail instalment contract shall relieve seller from liability for any legal remedies under contract.

Door-to-Door Instalment Sales. § 61.6(c) provides that receipt delivered to buyer, as required by Act, must not contain waiver of buyer's rights under Act, nor be accompanied by document which contains any such waiver.

Home Repair Financing. § 64 provides that no home repair contract may contain any provision:

1. Relieving contractor from liability upon any claim under it, or
2. waiving right of action for any act committed

CONSUMER PROTECTIONS

in collection of debt or in repossession of goods.

Waivers, Agreements  
to Forego Rights  
and Settlement of  
Claims  
(Continued)

§ 64.1 provides that no home repair contract may relieve any assignee from liability for any civil remedy sounding in contract which owner may have against contractor under contract or under related separate instrument.

Door-to-Door Home Repair Sales. § 100(c) provides that receipt delivered to owner, as required by Act, must not contain waiver of rights under Act, nor be accompanied by document which contains any such waiver.

Acceleration of Due  
Date and Reinstatement  
of Contract

Uniform Commercial Code. N.J.S.A. § 12A:1-203 (1962) provides that creditor's power to accelerate due date of payment (or to require collateral) "at will" or "when he deems himself insecure" means power to do so only in good faith belief that prospect of payment is impaired. Section applies to contracts of sale, negotiable instruments and sales and loans secured by personal property of most kinds. Also probably applies to so-called "non-negotiable instruments."

No provision. Uniform Commercial Code §§ 1-208 and 9-506 unaffected. For description, see New Jersey column.

Bank Instalment Loans. § 55(B)(1) permits provision for acceleration of due date of entire unpaid balance of loan, at election of bank, upon default in payment of any instalment on due date.

Advance Loans. § 59.2 prohibits term accelerating due date of payment because bank deems self insecure.

Credit Unions. § 26 et seq. contain no provisions.

Savings and Loan Associations (Home Improvement Loans). § 157 et seq. contain no provisions.

Secondary Mortgage Loans. § 19(g) prohibits acceleration clause under which any part of unmatured balance may be declared due and payable because holder deems self insecure.

Small Business Loans. § 59.32 permits provision for acceleration of due date of entire unpaid balance of loan, at election of bank, upon default in payment of any instalment on due date.

Insurance Premium Financing. § 1 et seq. contain no provisions.

Retail Instalment Sales. § 35 prohibits any clause under which due date of any part of time balance may be accelerated because holder of obligation deems self insecure.

Home Repair Financing. § 64 contains same provision as Retail Instalment Sales Act.

CONSUMER PROTECTIONSAgreements as to  
Jurisdiction, Venue  
or Applicable Law

No provisions in New Jersey consumer or consumer-related credit statutes deal with the effect of agreements as to jurisdiction, venue or applicable law. The following statutes contain provisions as to their application to transactions consummated outside of State:

Small Loans. § 20 forbids enforcement in State of loan made elsewhere to debtor than residing in State, if amount of charge for loan exceeds that permitted to creditor making similar loan in State. Section also forbids enforcement in State of loan made elsewhere to anyone, whether or not then residing in State, if amount of charge for loan exceeds that permitted to creditor making similar loan in State, unless made legally in state then having regulatory small loan law similar in principle to Act.

Secondary Mortgage Loans. § 24 applies Act to any loan advertised, solicited, negotiated or otherwise transacted in State by any person, whether or not ultimate lender, and also to any loan secured by real property located in State, notwithstanding place of execution.

Agreements to which Code applies may not provide for debtor's consent to jurisdiction of another state, may not fix venue, and may not apply law of another state. § 1.201(a).

LIMITATIONS ON  
CREDITOR'S REMEDIESRights of Secured  
Creditor and Debtor  
on Default

N.J.S.A. § 12A:9-501 et seq. (1962) (Uniform Commercial Code, Art. 9, Part 5) control the rights of creditor and debtor, after default on secured credit transaction, including those involving consumers, except as changed by legislation specifically regulating such rights for particular transactions. N.J.S.A. § 12A:9-203(2) (1962). Creditor may repossess on default without judicial process. Creditor may dispose of collateral in any commercially reasonable manner, times and places, and may buy at public sale. Debtor is entitled to reasonable notification of prospective sale, and may redeem collateral before disposition by tendering fulfillment of all obligations secured plus creditor's expenses. Proceeds of sale applied to expenses and then to satisfaction of indebtedness. Any excess belongs to debtor and debtor is liable for any deficiency. Under certain circumstances creditor may retain collateral in satisfaction of debt. Debtor may recover loss caused by disposition not in compliance with statute and where collateral is consumer goods he may recover in any event amount of finance charge plus 10% of principal amount of debt.

Small Loans. § 14 permits receipt by creditor of expenses on actual sale of security in foreclosure proceedings.

Bank Instalment Loans. § 53 et seq. contain no provisions.

Advance Loans. § 59.10 prohibits taking security for loan prior to default.

Credit Unions. § 26 et seq. contain no provisions.

Savings and Loan Associations (Home Improvement Loans). § 157 et seq. contain no provisions.

Secondary Mortgage Loans. See topic, Deficiency Judgments.

Small Business Loans. § 59.25 et seq. contain no provisions.

Insurance Premium Financing. § 13 limits exercise by premium finance company of power of attorney to cancel insurance. Ten days' written notice of intent to cancel unless default is cured within such period must be mailed to insured, with copy to agent or broker through whom insurance was obtained. Upon cancellation by notice to insurer, premium finance company must also mail notice of cancellation to insured and to such agent or broker. Effective date of cancellation must be at least three days after date of mailing such notice to insured and agent or broker. § 14 requires insurer to return gross unearned premiums to premium finance company for account of insured.

Retail Instalment Sales. § 50 permits retail seller or sales finance company to receive expenses of retaking and storing repossessed goods.

Home Repair Financing. § 70 permits home repair contractor or

Uniform Commercial Code provisions (Art. 9, Part 5) governing default rights and remedies are largely unaffected. For description, see New Jersey column. Notable changes made by proposed Code are § 5.103, restricting deficiency judgments in consumer credit sales, and § 5.202(8), permitting debtor to recover attorney's fees in actions for violation of Code. See topics, Deficiency Judgments and Private Remedies and Defenses.

Delinquency charges, permitted attorney's fees and reasonable expenses arising from realization on collateral (Uniform Commercial Code § 9-504) are only collection or default charges which may be imposed by seller or lender. §§ 2.414, 3.405.

LIMITATIONS ON  
CREDITOR'S REMEDIES

assignee to receive expenses of retaking and storing repossessed goods.

Rights of Secured  
Creditor and Debtor  
on Default  
(Continued)

See also topics, Acceleration of Due Date, etc., Attorney's Fees and Deficiency Judgments.

Deficiency  
Judgment

Secondary Mortgage Loans. § 20(d) requires credit for fair market value in action on judgment involving sale of mortgaged property.

Bond and Mortgage. N.J.S.A. §§ 2A:50-2 and 2A:50-3 (1952) require foreclosure of mortgage before action on bond. Action on bond for deficiency must be commenced within 3 months of date of sale or confirmation of sale of mortgaged premises. Obligor may dispute amount of deficiency sued for, and court must determine fair market value of premises. Statute does not apply to mortgage debt evidenced by note; Thirteenth Ave., Ltd. v. DeMarco, 44 N.J. 525 (1965).

Consumer Credit Sales. Seller of goods for cash price of \$1000 or less in which he has security interest must elect between repossession and action on debt. Seller of goods or services or both for cash price of \$1000 or less, debt for which is secured by interest in goods which were not subject of sale, must elect between repossession and action on debt. If seller repossesses, buyer not personally liable for unpaid balance, and seller not obligated to resell. If seller obtains judgment on debt, he may neither repossess nor levy on goods which were collateral for debt. § 5.103.

Wage  
Attachments

New Jersey consumer or consumer-related credit legislation contains no provisions with respect to attachment or garnishment of wages before judgment.

N.J.S.A. § 2A:26-2 (1952) permits attachment only in limited cases; the following might include contract claims against consumer debtors:

1. Where facts would entitle creditor to order of arrest before judgment in civil action;
2. where debtor absconds or is non-resident, and service cannot be duly made upon someone on his behalf in State; and
3. where debtor is decedent against whose estate cause of action survives, and one or more legal representatives cannot be duly served in State.

R. 4:60(N.J. Court Rules, 1969) prescribes procedure for obtaining writ of attachment. R.4:60-7(e) provides for levy by sheriff on choses in action not represented by commercial paper or investment securities. N.J.S.A. 2A:26-5 (1952) exempts from attachment wages due non-resident employee at action of non-resident creditor.

Attachment of debtor's unpaid earnings prohibited prior to judgment for debt arising out of consumer credit transaction. § 5.104.

LIMITATION ON  
CREDITOR'S REMEDIESWage Execution

Title III of federal Consumer Credit Protection Act, Restrictions on Garnishment, § 301 et seq., 15 U.S.C. § 1671 et seq. (Supp. 1970) limits garnishment, to enforce judgment arising from debt of individual, to lesser of 25% of disposable weekly earnings or amount by which disposable weekly earnings exceed 30 times federal minimum hourly wage. Disposable earnings are gross earnings less legally required withholdings. Federal statute does not affect state law which limits garnishment more narrowly. Secretary of Labor may exempt from application of Act garnishments issued under state law providing restrictions substantially similar to those of federal statute.

Wage Execution. N.J.S.A. § 2A:17-56 (1952), as amended by L. 1970, c. 287 (approved Dec. 14, 1970), limits garnishment to 10% of wages due or to become due, unless income greater than \$7,500 per year. Court may subject larger percentage to garnishment if wages exceed \$7,500 per year. N.J.S.A. § 2A:17-50 (Supp. 1970) prohibits garnishment on wages less than \$48.

Discharge from  
Employment for  
Garnishment

Title III of federal Consumer Credit Protection Act, Restrictions on Garnishment, prohibits discharge of employee because of garnishment for any one indebtedness. § 304, 15 U.S.C. § 1674 (Supp. 1970).

N.J.S.A. § 2A:17-53 (1952), as amended by L. 1970, c. 278 (approved Dec. 3, 1970), provides that 5% of amount of wage execution shall be retainable by garnishee or agent thereof as compensation for expense and services in payment of execution, at cost of judgment creditor.

Extortionate  
Extensions of  
Credit

Title II of federal Consumer Credit Protection Act, Extortionate Credit Transactions, § 201 et seq., 18 U.S.C. § 891 et seq. (Supp. 1970), is directed at extortionate credit transactions, as source of substantial part of income of organized crime and as obstacles to effectiveness of bankruptcy laws. Makes extortionate extensions of credit and collection of debt by extortionate means punishable by fine up to \$10,000 and imprisonment up to 20 years. Makes financing of extortionate lender punishable by fine up to twice amount advanced or \$10,000 whichever is greater, and imprisonment up to 20 years.

Presence of all following factors is prima facie evidence of making of extortionate extensions of credit:

1. Debt unenforceable by civil action,
2. interest rate in excess of 45% annually,
3. reasonable belief of debtor at time of extension of credit that either (A) collection of any other debt owing to creditor had been attempted

Garnishment to enforce judgment arising from consumer credit transaction limited to lesser of: 25% of disposable weekly earnings, or amount by which weekly disposable earnings exceed 40 times federal minimum hourly wage. § 5.105. (Derived from Title III of federal Consumer Credit Protection Act, but goes further in exemption).

Discharge of employee by employer prohibited, if caused by garnishment of earnings (whether one or more) in proceeding arising from consumer credit transaction. § 5.106. (Derived from Title III of federal Consumer Credit Protection Act, but goes further).

Payment of debt unenforceable where credit is extended with understanding that force or other criminal means may be used to assure payment. Annual interest rate of 45% or more coupled with lender's reputation of using force or other criminal means is prima facie evidence. § 5.107. (Derived from Title II of federal Consumer Credit Protection Act).

LIMITATIONS ON  
CREDITOR'S REMEDIESExtortionate  
Extensions of  
Credit  
(Continued)

by extortionate means or nonrepayment had been punished by such means, or (B) creditor had reputation for use of such means, and

4. debt exceeded \$100.

In prosecution for collection by extortionate means, implicit threat as extortionate means may be evidenced by showing that person against whom alleged implicit threat was made knew that collection of any other debt owing to creditor had been attempted by extortionate means or nonrepayment had been punished by such means.

Where direct evidence of debtor's belief is unavailable, under certain circumstances court may permit evidence of creditor's reputation as to collection practices, or of defendant's reputation in prosecuting for making express or implied threat as extortionate means.

Loan Sharking. N.J.S.A. § 2A:119A-2 (1969) provides that use or threat of force in connection with loan on which interest rate exceeds 50% per year is high misdemeanor, punishable by fine up to \$10,000 and imprisonment up to 25 years.

Unconscionability

Sale of Goods. N.J.S.A. § 12A:2-302 (1962) (Uniform Commercial Code) permits court to refuse to enforce contracts for sale of goods, or individual provisions of such contracts which court as matter of law finds to have been unconscionable when made.

If court finds agreement governing consumer credit transaction unconscionable, it may refuse to enforce it or may limit its application. § 5.108. (Largely derived from § 2-302 of Uniform Commercial Code). Administrator may bring action to enjoin creditor from engaging in unconscionable conduct. § 6.111.

ENFORCEMENTPrivate Remedies  
and Defenses

Small Loans. § 14 forbids lender who charges excessive interest to recover any part of interest or principal. Borrower may recover any sums already paid.

§ 21 provides that loan is void and no interest or principal may be collected, if made without license or if an act or omission in violation of Act has taken place in connection with loan.

Bank Instalment Loans. § 59 provides that bank knowingly violating provisions of Act forfeits entire interest on loan and borrower may recover twice amount of any interest paid.

Advance Loans. § 59.12 provides that bank is not entitled to interest on any excess over \$5,500 maximum loan permitted by law. § 59.13 provides that bank forfeits interest on loan on which it knowingly charged excess interest or knowingly took security interest prior to default. Borrower may recover twice amount of any interest paid.

Credit Unions. § 26 et seq. contain no provisions.

Savings and Loan Associations (Home Improvement Loans). § 157 et seq. contain no provisions.

Secondary Mortgage Loans. § 25 provides that no obligation of borrower arising out of loan may be enforced unless loan was executed in full compliance with Act.

Small Business Loans. § 59.37 provides that bank knowingly violating provisions of Act forfeits entire interest on loan and borrower may recover twice amount of any interest paid.

Insurance Premium Financing. § 1 et seq. contain no provisions.

Mortgage Loans. N.J.S.A. § 46:10B-5 (Supp. 1970) provides that holder of mortgage loan who knowingly demands and receive prepayment fees except as provided by Act shall be liable to return all prepayment fees with 6% interest.

N.J.S.A. § 46:10B-6 (Supp. 1970), provides that holder who willfully fails to accept tender of amount of loan together with prepayment fee, if any, provided by Act, forfeits right to all prepayment fees. Court may receive amount owing and order cancellation or discharge of loan.

N.J.S.A. § 46:10B-7 (Supp. 1970), provides that holder who willfully fails to accept additional payments tendered pursuant to Act forfeits right to interest on such amounts.

N.J.S.A. § 46:10B-11 (Supp. 1970), provides that holder who knowingly receives points shall be liable to return such points to mortgagor and all interest paid on loan plus penalty of \$1,000 and costs to mortgagor, if action is begun within 6

Excess Charge. No obligation to pay excess charge; debtor may recover excess charge paid. § 5.202(3).

If excess charge is not refunded voluntarily, or if violation is deliberate, debtor can recover penalty determined by court, not exceeding greater of: amount of finance charge, or 10 times excess charge. § 5.202(4).

Prohibited Negotiable Instruments. Intentional use of prohibited negotiable instrument in sale or lease relieves debtor from credit service charge and entitles him to recover not more than 3 times such charge. § 5.202(1)

Regulated Loans. Intentional violation of limitations on payment schedule or term of loan relieves debtor from loan finance charge and entitles him to recover not more than 3 times such charge. § 5.202(1).

Supervised Loans. If made by unlicensed creditor, debtor has no obligation to pay anything and may recover all amounts paid, unless violation is bona fide error. § 5.202(2).

Discharge for Garnishment. Employee discharged for garnishment in violation of § 5.106 may sue for reinstatement and lost wages up to 6 weeks. § 5.202(6).

Debtor's Attorney's Fees. Debtor may recover reasonable attorney's fees in any action where creditor has violated Code. § 5.202(8).

ENFORCEMENTPrivate Remedies  
and Defenses  
(Continued)

years after payment of points.

Retail Instalment Sales. § 54 provides that seller who knowingly makes unauthorized costs or charges is not entitled to any costs and charges, except for insurance and other benefits. Buyer may recover any costs and charges paid, or they must be applied to unpaid balance.

Door-to-Door Instalment Sales. § 61.7 provides that if seller who has been notified of intent to rescind fails to pick up goods and refund down payment within 10 business days, buyer may recover down payment and reasonable attorney's fees and costs.

Home Repair Financing. § 64.4 provides that no charges may be recovered in any action based on home repair contract in connection with which a note is executed in violation of Act, which prescribes form of note.

§ 76 provides that costs and charges not authorized by Act are unenforceable. Owner may recover any authorized costs or charges already paid or they must be applied to next maturing instalment.

Door-to-Door Home Repair Sales. § 101 provides that if home repair contractor who has been notified of intent to rescind fails to pick up goods and refund down payment within 10 business days, owner may recover down payment and reasonable attorney's fees and costs.

Interest and Usury. N.J.S.A. § 31:1-3 (1963) provides that, where interest is charged at unlawful rate, lender may only recover principal minus any interest already paid.

Civil Liability for  
Violation of  
Disclosure Provisions

Truth in Lending Act. § 130, 15 U.S.C. § 1640 (Supp. 1970), provides for civil liability of creditor failing to disclose required information. Person entitled to disclosure may recover twice amount of finance charge, subject to minimum and maximum limits. See also Code column, this topic.

N.J.S.A. § 17 3B-2 (Supp. 1970) provides that civil action must be brought under Truth in Lending Act rather than under state law, where penalty under former is more severe, so as to limit plaintiff to one recovery. For effect of inconsistent disclosure requirements, see topic, Truth in Lending Act.

Small Loans. Remedy provided by § 21 extends to violation of disclosure requirements of § 15. See topic, Private Remedies etc.

Bank Instalment Loans. Remedy provided by § 59 applies to violation of disclosure requirements, if any. See topic, Private Remedies etc.

Generally debtor may recover from creditor twice finance charge, but not less than \$100 or more than \$1000, plus costs and attorney's fees. Creditor is defined to include persons in business of arranging for extension of credit. § 5.203(1). If creditor establishes violation unintentional or due to bona fide error despite proper procedures, no liability. § 5.203(3). (Derived from and substantially identical to § 130 of federal Truth in Lending Act).

ENFORCEMENTCivil Liability for  
Violation of  
Disclosure Provisions  
(Continued)

Advance Loans. § 59.1 et seq. contain no provisions.

Credit Unions. § 26 et seq. contain no provisions.

Savings and Loan Associations (Home Improvement Loans). § 157 et seq. contain no provisions.

Secondary Mortgage Loans. Remedy provided by § 25 applies to violation of disclosure requirements of §§ 12 and 18. See topic, Private Remedies etc.

Small Business Loans. Remedy provided by § 59.37 applies to violation of disclosure requirements, if any. See topic, Private Remedies etc.

Insurance Premium Financing. § 1 et seq. contain no provisions.

Retail Instalment Sales. § 1 et seq. contain no provisions.

Door-to-Door Instalment Sales. § 61.1 et seq. contain no provisions.

Home Repair Financing. Remedy provided by § 64.4 applies to violation of disclosure requirements of § 64.2. See topic, Private Remedies etc.

Door-to-Door Home Repair Sales. § 95 et seq. contain no provisions.

Public Offenses

Small Loans. § 21 provides that engaging in small loan business without license or otherwise violating Act is misdemeanor.

Bank Instalment Loans. § 53 et seq. contain no provisions.

Advance Loans. § 59.1 et seq. contain no provisions.

Credit Unions. § 26 et seq. contain no provisions.

Savings and Loan Associations (Home Improvement Loans). § 157 et seq. contain no provisions.

Secondary Mortgage Loans. § 26 provides that engaging in secondary mortgage loan business without license or otherwise violating Act is punishable by penalty up to \$1,000 for each offense. Commissioner of Banking may compromise and settle any claim for penalty and may collect in civil action pursuant to Penalty Enforcement Law, N.J.S.A. 2A:58-1 et seq.

Small Business Loans. § 59.25 et seq. contain no provisions.

Insurance Premium Financing. § 1 et seq. contain no provisions.

Mortgage Loans. N.J.S.A. § 46:10B-1 et seq. contain no provisions.

Supervised Loans. Misdemeanor willfully to (1) engage in business of making supervised loans without authorization, or (2) make excessive charges in connection with supervised loans; punishable by fine or imprisonment, or both. Suggested penalty: up to one year. § 5.301(1), (2).

Notification and Fees. Misdemeanor willfully to engage in consumer credit business without duly notifying administrator and paying required fees; punishable by fine. Suggested penalty: up to \$100. § 5.301(3).

Disclosure Violations. Wilful and knowing violation is misdemeanor with fine not exceeding \$5000 or imprisonment not exceeding one year, or both. § 5.302 (Derived from and substantially identical to § 112 of federal Truth in Lending Act).

ENFORCEMENTPublic Offenses  
(Continued)

Retail Instalment Sales. § 55 provides penalty up to \$1,000 for each offense of engaging in business of sales finance company or motor vehicle instalment seller without license. § 56 provides penalty up to \$500 for each knowing violation of Act. Penalties are recoverable in name of Commissioner of Banking pursuant to Penalty Enforcement Law, N.J.S.A. § 2A:58-1 et seq.

Civil Penalty. Administrator may bring civil action against creditor to recover civil penalty of not over \$5,000 for course of repeated and wilful violations; § 6.113(2).

Door-to-Door Instalment Sales. § 61.8 provides that retail seller shall be disorderly person, subject to fine up to \$500 for each offense, if he willfully:

1. Destroys buyer's notice of intent to rescind, within 18 months after receipt;
2. fails to pick up goods and refund purchase price within 10 business days after receipt of such notice;
3. fails to deliver receipt containing prescribed disclosures in manner required by § 6; or
4. attempts to secure waiver of rights from buyer.

Home Repair Financing. § 64.3 provides penalty up to \$500 for procuring execution of promissory note in violation of Act. § 89(a) provides penalty up to \$2,500 for knowing violation of Act by home repair contractor, home financing agency, holder of contract or representative of any of them. Penalties are enforceable pursuant to Penalty Enforcement Law, N.J.S.A. § 2A:58-1 et seq. § 89(b) provides that violation of licensing requirements and limitations of § 16 of Act is misdemeanor.

Door-to-Door Home Repair Sales. § 102 provides that home repair contractor shall be disorderly person, subject to fine up to \$500 for each offense, if he willfully:

1. Destroys owner's notice of intent to rescind, within 18 months after receipt;
2. fails to pick up goods and refund purchase price within 10 business days after receipt of such notice;
3. fails to deliver receipt containing prescribed disclosures in manner required by § 6; or
4. attempts to secure waiver of rights from buyer.

Instalment Loan Rate Advertising. § 4 provides that lender who willfully violates requirements regarding advertisement of rates is disorderly person.

Credit Life, Health and Accident Insurance. § 14 provides penalty up to \$1,000 for any violation of Act or order of Commissioner of Insurance. Penalty recoverable by Commissioner in name of State pursuant to Penalty Enforcement Law, N.J.S.A. § 2A:58-1 et seq.

Loan Sharking. N.J.S.A. § 2A:119A-1 (Supp. 1970) provides that unlawful charging of interest at greater than legal rate, but not exceeding 50% per year, on loan of \$1,000 or more to person

ENFORCEMENTPublic Offenses  
(Continued)

other than corporation is misdemeanor; charging of greater than 50% interest per year is high misdemeanor. N.J.S.A. §2A:119A-3 (1969) provides that engaging in business of making loans at greater than 50% interest per year is high misdemeanor, punishable by fine up to \$10,000 and imprisonment up to 25 years. N.J.S.A. § 2A:119A-4 (1969) provides that knowingly exercising control over any paper, or other thing, used to record loan charging greater than 50% interest per year is misdemeanor, punishable by fine up to \$25,000 and imprisonment up to 3 years.

See also topic, Extortionate Extensions of Credit.

Usury. N.J.S.A. § 2A:170-102 (Supp. 1970) provides that anyone charging interest on loan (except to corporation) in excess of that permitted by law is disorderly person.

Wages. N.J.S.A. § 34:11-26 (1965) provides that purchasing wages and receiving thereby greater than legal rate of interest is misdemeanor, punishable by fine up to \$500.

Fraud, etc. in Sales or Advertisements of Goods or Services.

N.J.S.A. § 56:8-13 (Supp. 1970) provides penalty of not less than \$50 or more than \$100 for first offense under Act, and not less than \$100 or more than \$250 for second and each subsequent offense. Attorney General may enforce penalty pursuant to Penalty Enforcement Law, N.J.S.A. 2A:58-1 et seq. See topic, Administrative Powers, at this heading.

N.J.S.A. § 2A:111-32 (1969) provides that anyone who advertises any commodity or service as part of scheme not to sell at price stated or to engage in any deceptive practice, as defined in N.J.S.A. § 56:8-1 et seq., is guilty of a misdemeanor, punishable by 1 year and \$1,000.

Administrative Powers

Small Loans. Business is subject to regulation by Commissioner of Banking. License required; for description of procedures and powers of Commissioner see topic, Licensing.

§ 23 empowers Commissioner to make general rules and regulations and specific rulings, demands and findings necessary for proper conduct of small loan business and enforcement of Act, in addition to and consistent with Act.

Bank Instalment Loans. General powers of Commissioner of Banking apply. See N.J.S.A. § 17:1-1 et seq. (1963) and N.J.S.A. § 17:1B-1 et seq. Supp. 1970).

§ 53(G) authorizes Commissioner to prepare and distribute rate schedules; interest taken pursuant to such schedules is lawful. § 56(B) provides similarly for determination of credit to be allowed on prepayment of loans where interest is taken in advance.

Code does not attempt to identify Administrator, but Official Comment recommends centralizing all powers of administration in single official or agency. § 6.103. Supervised financial organizations such as banks are not ordinarily subject to examination, investigation or administrative enforcement by Administrator. § 6.105. Administrator has following powers, among others:

1. Receive and act on complaints, take action to obtain voluntary compliance and commence proceedings; § 6.104(1) (a).

ENFORCEMENTAdministrative Powers

(Continued)

Advance Loans. General powers of Commissioner of Banking apply. See N.J.S.A. § 17:1-1 et seq. (1963) and N.J.S.A. § 17:1B-1 et seq. (Supp. 1970).

Credit Unions. § 50 et seq. subject credit unions to regulation and supervision by Commissioner of Banking, who has plenary powers.

Savings and Loan Association (Home Improvement Loans). § 171 et seq. subject savings and loan associations to regulation and supervision by Commissioner of Banking, who has plenary powers.

§ 162 authorizes Commissioner to prepare and distribute rate schedules; interest taken pursuant to such schedules is lawful. § 163 provides similarly for determination of credit to be allowed on prepayment of loans where interest is taken in advance.

Secondary Mortgage Loans. Business is subject to regulation by Commissioner of Banking. License required; for description of procedures and powers of Commissioner, see topic, Licensing.

Section 11 empowers Commissioner, with advice of special advisory board, to vary lawful rate of interest by regulation between 15% and 18% per annum inclusive. Factors to be considered are set forth; rate is to reasonably reflect prevailing market conditions. See topic, Advisory Board.

In addition, Commissioner may:

1. Prescribe requirements of record keeping, § 12;
2. examine all instruments, documents and records pertaining to licensee's secondary mortgage loan business; cost to be borne by licensee, § 12;
3. prescribe contents of annual report by licensee, § 12;
4. promulgate rules and regulations concerning dividends or other gain or advantage resulting to licensee or related person from credit insurance, including authority to reduce rate of interest chargeable by particular licensees, § 16;
5. make rules and regulations to effectuate Act and to maintain honest business standards, § 21;
6. make such investigations as he deems necessary, § 21;
7. conduct administrative hearings on any matter pertaining to Act, subpoena witnesses and records, administer oaths, and apply to court for order compelling compliance with subpoena, § 21; and

2. Counsel persons and groups on rights and duties; § 6.104(1)(b).

3. Establish programs for education of consumers; § 6.104(1)(c).

4. Make and publish studies, § 6.104(1)(d).

5. Adopt substantive rules when specifically authorized, and adopt procedural rules; § 6.104(1)(e).

6. Adopt rules not inconsistent with federal Truth in Lending Act to assure meaningful disclosure of credit terms; § 6.104(2).

7. Consult with Administrators in other Code states, and consider regulations prescribed by Federal Reserve Board and rules issued by other Administrators; § 6.104(3).

8. Report annually to Governor and Legislature on operation of office and on industry problems; detailed requirements set forth as to subject matter of report; § 6.104(5).

9. Broad powers of investigation including power to (a) administer oaths, (b) subpoena witnesses and compel attendance, (c) adduce evidence, (d) require production of relevant matter and (e) apply to court for order compelling compliance. § 6.106).

10. Issue order to cease and desist from violation and obtain court order for enforcement. § 6.108(1).

11. Bring civil action to enjoin violation and for other appropriate relief; § 6.110. Temporary restraining order permitted; § 6.112.

12. Bring civil action to enjoin course of making or enforcing unconscionable provisions in consumer credit transactions, or of fraudulent

ENFORCEMENTAdministrative Powers  
(Continued)

8. compromise and settle any claim for penalty, § 26.

Small Business Loans. General powers of Commissioner of Banking apply. See N.J.S.A. § 17:1-1 et seq. (1963) and N.J.S.A. § 17:1B-1 et seq. (Supp. 1970).

§ 59.35(b) permits Commissioner to prepare and distribute schedules of credit to be allowed on prepayment; such credits constitute compliance with Act's requirements.

Insurance Premium Financing. Business is subject to regulation by Commissioner of Banking. License required; for description of procedures and powers of Commissioner, see topic, Licensing.

Commissioner may:

1. Examine all records of licensee; cost to be borne by licensee, § 7;
2. prescribe contents of annual report by licensee, § 7; and
3. make rules and regulations necessary to effectuate provisions of Act, § 8.

Retail Instalment Sales. Act subject to supervision by Commissioner of Banking. License required for businesses of sales finance company and motor vehicle instalment seller; for description of procedures and powers of Commissioner, see topic, Licensing.

Commissioner may:

1. Make investigation of any violation of law relating to retail instalment sales or contracts, if he has reasonable cause to believe violation by any person has occurred, § 15;
2. examine records of licensee or any other person believed to have committed such violation, § 15;
3. subpoena witnesses, records and other evidence, administer oaths, § 16;
4. obtain court order to enforce compliance with subpoena, § 17;
5. prescribe minimum information to be shown in records of licensees, § 20.
6. prescribe period of time during which records shall be kept available, § 19; and
7. collect penalties for violation by summary proceedings, § 56(b).

Door-to-Door Instalment Sales. § 61.1 et seq. contain no provisions.

Home Repair Financing. Business subject to regulation by Commissioner of Banking. License required to engage in businesses of home financing agency, home repair contractor or home

or unconscionable conduct in inducing debtors to enter into consumer credit transactions or in collection of debts from such transactions. Detailed qualifications set forth as to when court may grant relief and what factors shall be considered by it; § 6.111. Temporary restraining order permitted; § 6.112.

13. After demand, bring civil action against creditor for making or collecting excess charges; § 6.113(1).

14. Exercise licensing power over supervised lenders. §§ 3.503-3, 506. Provision is made for record-keeping, annual reports by licensees, examinations, investigations, revocation and suspension of license, subject to procedural safeguards. See topic, Licensing.

ENFORCEMENTAdministrativePowers

(Continued)

repair salesman; for description of procedures and powers of Commissioner, see topic, Licensing.

Commissioner may:

1. Make investigations, § 85;
2. examine records of any party to or holder of home repair contract, §85;
3. take testimony under oath, § 85;
4. subpoena witnesses, records and other evidence, § 86;
5. obtain court order to enforce compliance with subpoena, § 86;
6. prescribe minimum information to be shown in records of licensees, § 87;
7. prescribe period of time during which records shall be kept available, § 87; and
8. collect penalties for violation by summary proceedings, § 89 (a).

Door-to-Door Home Repair Sales. § 95 et seq. contain no provisions.

Instalment Loan Rate Advertising. § 1 et seq. contain no provisions.

Credit Life, Health and Accident Insurance. General powers of Commissioner of Insurance apply. N.J.S.A. § 17:1C-1 et seq. (Supp. 1970).

§ 7 requires all forms to be filed with Commissioner and forbids use of any form disapproved by Commissioner. See topic, Insurance.

§ 12 empowers Commissioner, after notice and hearing, to issue rules and regulations for supervision of Act. Commissioner may make findings of violation and order compliance.

§ 14 empowers Commissioner to collect penalties for violation by summary proceedings.

Interest and Usury. N.J.S.A. § 31:1-1 (Supp. 1970) empowers Commissioner of Banking, with advice of special advisory board, to vary rate of interest permitted by general usury statute on contract of loan between \$6 and \$8 inclusive per \$100 for a year. Factors to be considered are set forth; rate is to reasonably reflect prevailing market conditions. See topic, Advisory Board.

Frauds and Omissions in Sales or Advertisements of Goods or Services. N.J.S.A. § 56:8-1 et seq. (Supp. 1970) declares unlawful in broad terms any deception, false promise or knowing omission of material fact in connection with sale or advertisement of goods or services or with subsequent performance of

ENFORCEMENTAdministrativePowers

(Continued)

actor. Specified schemes and methods of operation are also declared unlawful. Attorney General is given broad administrative powers to investigate whether person is engaging or has engaged in such unlawful practice, to require written statements, to examine under oath, to require production of records and merchandise, to obtain court orders in aid of investigation, to issue subpoenas, conduct hearings, promulgate rules and regulations and prescribe forms. Application may be made to Superior Court for contempt orders, for injunctive relief ex parte, and for permanent injunction. Attorney General may assess penalty for violation of Act, after hearing. See also topics, Advertising Restrictions, Public Offenses and Advisory Board, at heading, Fraud, etc. in Sales or Advertisements of Goods or Services.

Licensing

Small Loans. Persons engaging in business of lending amounts under \$1,000 at rates of interest higher than permitted by general usury statute, N.J.S.A. § 31:1-1 (Supp. 1970), must obtain license from Commissioner of Banking, § 2. Persons directly or indirectly engaging in business of soliciting, taking applications for, negotiating, arranging or aiding borrower or lender in procuring or making such loans, or in business of buying, discounting, indorsing, guaranteeing, securing or procuring guaranty or security for such loans are also subject to Act, including licensing requirements.

§ 3 requires application to state names and addresses of each applicant, and of each member or officer and director, and address where small loan business is to be conducted. Application must be accompanied by investigation fee of \$150, and additional sum of \$200 as annual license fee; in case of place of business in municipality of less than 15,000 persons, license fee is reduced to \$100 annually. Licensee pays also actual cost of examination of business by Commissioner, § 11. Applicant must appoint Commissioner agent and attorney for service of process in any action caused by operation of small loan business, and prove that he has net worth of at least \$25,000 and liquid assets, available for loan at location specified in application, of at least \$25,000.

§ 5 requires Commissioner to investigate to determine whether financial responsibility, experience, character and general fitness of applicant and members or officers and directors thereof are such as to command confidence of community and warrant belief that business will be conducted honestly, fairly and efficiently. Commissioner must also determine whether allowing license will promote convenience and advantage of community, and whether net worth and liquidity meet Act's requirements.

Commissioner must notify each licensee having place of business in county of filing of application. Applicant must advertise notice of application. Upon receipt of objections, Commissioner must hold hearing before determination, and must

Supervised Lenders. Only persons engaged in business of making supervised loans (loan finance charge in excess of 18%) need be licensed. § 3.502. License must be granted by Administrator upon finding that financial responsibility, character and fitness of applicant warrant belief business will be operated honestly and fairly. § 3.503. No "convenience and advantage" requirement. License permanent and allows licensee to do business in more than one office. § 3.502, Official Comment 3. Sellers and other businesses may be licensed to make loans. § 3.512.

ENFORCEMENTLicensing  
(Continued)

approve or deny application within 120 days after hearing or, if no objections have been filed, within 60 days after time for objections has expired.

§ 8 requires same procedure for establishment of branch office, or change of location to one outside original municipality, as is required for original license, but place of business under license may be changed within same municipality if Commissioner finds that interests of the community will be served thereby and so certifies.

Revocation and Suspension of License. § 10 requires Commissioner to revoke license, on 10 days' notice stating contemplated action and in general grounds therefor, and after reasonable opportunity to be heard, if he finds:

1. Failure to pay annual license fee,
2. failure to comply with requirement of Commissioner lawfully made pursuant to Act,
3. violation of any provision of Act or rule or regulation of Commissioner under Act, or
4. any fact which, if it had existed when license was applied for, clearly would have warranted refusal to issue license.

§ 10 permits Commissioner to suspend license without notice or hearing for up to 30 days, pending investigation. Suspended licenses may be reinstated, and new licenses may be issued to one whose license has been revoked, by Commissioner on his own motion, after finding that no fact exists which clearly would have warranted refusal to issue original license.

Bank Instalment Loans. Every bank, as defined in N.J.S.A. § 17:9A-1 (1963), and every national banking association having its principal office in New Jersey may have benefit of Article (Banks: Instalment Loans, § 53 et seq.). Article contains no licensing requirements.

Advance Loans. § 59.1 et seq. Same comment as for Bank Instalment Loans, previous paragraph heading.

Credit Unions. Every credit union, as defined in N.J.S.A. § 17:13-26 (1970) may make loans to its members pursuant to Act, upon approval by Commissioner of Banking of its certificate of incorporation, as provided in § 28.

Savings and Loan Association (Home Improvement Loans). Every state and federal association having its principal office in New Jersey, as defined in N.J.S.A. § 17:12B-5 (1970), may lend money under benefits of Act (§ 157 et seq.), upon issuance by Commissioner of Banking of certificate of approval and commencement of corporate existence.

Secondary Mortgage Loans. Persons engaging in business of secondary mortgage loans must obtain license from Commissioner

ENFORCEMENTLicensing  
(Continued)

of Banking, §3. For definition of business, see topic, Transactions Covered. Persons who advertise, solicit, negotiate or offer such a loan, whether directly or by any person acting for their benefit, or who become subsequent holders of instruments or documents received in connection with such a loan are subject to Act, including licensing requirements. See topic, Exclusions.

§ 4 requires application to state names and addresses of each applicant, and of each member or officer and director thereof, and addresses where business is to be conducted. Application must demonstrate that liquid assets available for loan and net worth are each at least \$50,000. Applicant must file irrevocable consent that proceedings may be commenced against applicant by service upon Commissioner. § 5 requires payment with application of annual license fee of \$200 for principal place of business and additional \$50 for each branch office.

§ 6 requires Commissioner to determine whether to issue license, within 60 days after receipt of application. License may be refused if grounds exist which would justify suspension, revocation or refusal of renewal. See paragraph heading, Revocation, etc. below. Upon refusal to issue license, Commissioner must give applicant written notice of reason for denial and of right to hearing. Upon request, hearing must be held and written decision made.

§ 9 provides that license expires at end of calendar year.

§ 10 provides that licenses are not assignable or transferable, by operation of law or otherwise.

§ 12 requires licensee to maintain licensed place of business; to keep on file with Commissioner corporate surety bond in principal sum of \$5,000, conditioned that licensee will comply with Act and in favor of State; to maintain net worth of \$50,000; to maintain at licensed place of business copies of loan instruments, documents, security, insurance policies or certificates, closing statements, appraisals, searches, records of instalment payments and all other charges or credits, borrower's individual file of all written information and all other business records required by Commissioner. Licensee must file annual report, under oath, on form prescribed by Commissioner.

§ 13 prohibits transaction of business subject to Act except under name and at premises designated in license. Upon change of name or place of business, licensee must immediately notify Commissioner who must issue certificate of change.

Revocation etc. § 23 permits Commissioner to suspend, revoke or refuse to renew license, after notice stating contemplated action and reason therefor, and after opportunity to licensee to be heard, if Commissioner finds that licensee has:

ENFORCEMENTLicensing  
(Continued)

1. Made material misstatement in application,
2. misrepresented or failed to disclose information required to be given borrower under any law of State,
3. violated any provision of Act or any rule or regulation of Commissioner under Act,
4. failed to perform written agreement with borrower, or
5. otherwise demonstrated lack of financial responsibility, unworthiness, bad faith or dishonesty.

Commissioner may reinstate suspended or revoked license or renew license previously refused if condition which warranted original action has been corrected and if he has reason to believe it is not likely to occur again and that licensee is worthy of reinstatement.

Retail Instalment Sales. § 2 provides that no person may engage in business of (a) sales finance company, or (b) motor vehicle instalment seller, as defined in § 1 of Act, without license from Commissioner of Banking. Banking institutions authorized to do business in state are not required to obtain license or pay license fee.

§ 3 requires application to state names and residence and business addresses of applicant and of each member or officer and director, and address where business will be conducted.

§ 4 directs Commissioner, within 60 days of application, to issue license or refuse to do so for any reason for which he may suspend, revoke or refuse to renew license. See paragraph heading, Revocation etc. below.

§ 5 directs Commissioner to notify applicant of denial and right to hearing; if applicant requests hearing, to give notice of grounds of refusal; to hold hearing; and to file written decision within 30 days after hearing, stating findings and conclusions.

§ 6 provides that licensee may not conduct business under name or location not designated in license; change of location must be endorsed on license by Commissioner. License is not transferable or assignable.

§ 7 sets annual license fee for sales finance company of \$100 for principal place of business and \$25 for each additional place of business.

§ 8 sets annual fee for motor vehicle instalment seller license of \$10 for principal place of business and \$10 for each additional place of business.

§ 9 provides that each license expires at end of calendar year.

ENFORCEMENTLicensing  
(Continued)

§ 10 provides that motor vehicle instalment seller license is invalid unless licensee also has valid motor vehicle dealer license, (N.J.S.A., Title 39,c.10).

Revocation, etc. § 10 empowers Commissioner to suspend, revoke or refuse to renew any license if he finds licensee or any owner, director, officer, member, partner, employee or agent, has:

1. Made material misstatement in application,
2. knowingly or negligently violated any provision of Act or other statute relating to retail instalment contracts,
3. defrauded buyer or willfully failed to perform written agreement with buyer,
4. willfully misrepresented or failed to disclose to buyer any material particulars required to be given buyer under Act or laws of State relating to retail instalment contracts,
5. knowingly taken instrument evidencing contract which was signed in blank, or
6. otherwise demonstrated unworthiness, bad faith or dishonesty.

§ 14 empowers Commissioner to reinstate suspended license or issue new one to person whose license was previously revoked, if condition causing revocation has been corrected and Commissioner is satisfied after investigation that it is not likely to reoccur.

§ 40.2 empowers Commissioner to revoke or suspend license of sales finance company for violation of the provisions of "this act," presumably referring to § 40.1, which regulates loans by sales finance companies, secured by purchase money security interest, to finance purchase of certain motor vehicles (L.1961, c.95, supplementing Retail Instalment Sales Act of 1960). Notice and opportunity to be heard must be given by Commissioner as provided in N.J.S.A. § 17:1-8.5 et seq.

Home Repair Financing. § 77 requires any person engaged in business of home financing agency, home repair contractor or home repair salesman, as defined in § 62, to obtain license from Commissioner of Banking. Supervised financial institutions authorized to do business in New Jersey and licensed sales finance companies are not required to obtain license. License is neither assignable nor transferable.

§ 78 requires application to state names and residence and business addresses of applicant and of each member or officer and director, and address where business is to be conducted. Application must demonstrate financial responsibility of applicant. Salesman's application must state names and addresses of employers within past 5 years.

ENFORCEMENTLicensing  
(Continued)

§ 79 directs commissioner, within 60 days of application, to issue license or refuse to do so for any reason for which he may suspend, revoke or refuse renewal of license. See paragraph heading, Revocation, etc. below.

§ 80 requires Commissioner, in event of refusal to issue license, to notify applicant of fact and of right to hearing. Upon request for hearing, Commissioner must notify applicant of grounds for refusal of license, hold hearing and make written decision containing findings and conclusions.

§ 81 forbids transaction of business under name other than one designated in license, or maintaining office at location not so designated. Salesman is forbidden to transact business for employer other than one designated in license. Upon change of location or employer, Commissioner must be notified and must indorse change on license.

§ 82 requires home financing agency and home repair contractor to pay annual license fee of \$25. Home repair salesman pays annual license fee of \$10.

Revocation, etc. § 84 permits Commissioner to suspend, revoke or refuse to renew license, after notice stating contemplated action and in general grounds therefor and after opportunity to be heard, if he finds licensee or owner, director, officer, member, partner, employee or agent has:

1. Made material misstatement in application,
2. knowingly or negligently violated any provision of Act,
3. defrauded "any retail buyer" or willfully failed to perform written agreement with owner,
4. willfully misrepresented or failed to disclose material particulars required to be made under Act,
5. knowingly taken instrument evidencing contract signed in blank, or
6. otherwise demonstrated lack of financial responsibility, unworthiness, bad faith or dishonesty.

§ 87 requires licensees to maintain such records as Commissioner may require.

Insurance Premium Financing. § 4 requires any person engaged in business of financing insurance premiums, as defined in § 2, to obtain license from Commissioner of Banking. For definition of business, see topics, Transactions Covered and Exclusions. Banks authorized to do business in New Jersey are not required to obtain license under Act.

Annual license fee is \$200 for each office. Change of address is forbidden before notice to Commissioner who must indorse change on license.

ENFORCEMENTLicensing  
(Continued)

Commissioner may require disclosure of identity of all stockholders, partners, officers and employees, and may refuse to issue or renew license if not satisfied that any such person who may materially influence applicant's conduct meets standards of Act.

§ 5 requires commissioner to investigate applicant and to issue license if he finds applicant:

1. Is competent, trustworthy and acting in good faith,
2. has good business reputation and experience, training or education which qualifies him, and
3. if a corporation, is incorporated or authorized to transact business in New Jersey.

If Commissioner does not so find, he must notify applicant and give full hearing on request.

Revocation, etc. § 6 permits Commissioner to revoke or suspend license if after investigation he finds:

1. Any license issued to company was obtained by fraud,
2. misrepresentation in application,
3. licensee has otherwise shown himself untrustworthy or incompetent to engage in such business, or
4. licensee has violated any provision of Act.

Commissioner must give licensee opportunity to be heard and to introduce evidence. Commissioner may assess penalty of not more than \$200 for each offense, in lieu of revocation or suspension, if he finds continued operation will not harm public interest.

§ 7 requires licensee to keep such records as Commissioner may prescribe, to submit to examination and to report annually such information as required by Commissioner.

Credit Life, Health and Accident Insurance. § 14 permits Commissioner of Insurance, in his discretion, to revoke or suspend license or certificate of authority of person guilty of violation of Act, rule or regulation issued thereunder or order of Commissioner.

Administrative  
Procedures and  
Judicial Review

Administrative Procedure Act. L. 1968, c.410; N.J.S.A. § 52:14B-1 et seq. (1970) establishes uniform and detailed procedure for state agencies, including principal departments in executive branch and all divisions, offices and officers therein. Rule making and adjudication procedures prescribed. Act contains no provision concerning judicial review.

Code contains standard administrative procedure act, regulating administrative action and judicial review. § 6.401-15. Patterned after Revised Model State Administrative Procedure Act, sponsored by

ENFORCEMENTAdministrative  
Procedures and  
Judicial Review  
(Continued)

Commissioner of Banking. N.J.S.A. § 17:1-8.1 et seq. (1963) and N.J.S.A. § 17:1B-2 (Supp. 1970) empower Commissioner of Banking to make rules and regulations to effectuate purposes of Title 17, Corporations and Institutions for Finance and Insurance; publication of notice and public hearing required; affected persons must be permitted to participate.

Any person affected by proposed action, on which hearing is being held, must be notified of time, place, nature of hearing, and authority under which it is being held. Notice by mail is authorized. Notice may be in form of order to show cause. Hearing may be held before any employee authorized by Commissioner. Findings are to be reported in writing to Commissioner and parties to hearing may file exceptions to such report. Commissioner may adopt report or may dispense with preparation of report and may determine matter on record presented, allowing opportunity for briefs or oral argument. Public hearing unless Commissioner determines that public interest will be served by privacy. Interested parties may inspect proof, examine and cross-examine witnesses and present proof.

Witnesses and records may be subpoenaed and oaths administered. Rules of evidence need not be observed at hearing. All testimony having reasonable probative value must be admitted. Rules of privilege must be given effect. Court may order compliance with subpoena and giving of testimony.

Commissioner of Insurance. Same procedural provisions govern conduct of Commissioner of Insurance in relation to execution of insurance laws. N.J.S.A. § 17:1C-8 (Supp. 1970).

Judicial Review. R.2:2-3 (N.J. Court Rules, 1969) provides appeal as of right to Appellate Division from final action of state administrative agencies or officers or to review validity of rules promulgated by such agency or officer. R.4:69 (N.J. Court Rules, 1969) provides judicial review by civil action in Law Division, Superior Court of matters formerly reviewable by prerogative writs and not available for appeal under R.2:2-3.

The following consumer or consumer-related credit statutes contain provisions for court review:

Insurance Premium Financing. § 6 provides that refusal by Commissioner of Banking to issue or renew license is subject to review in Superior Court by proceeding in lieu of prerogative writ.

Credit Life, Health and Accident Insurance. § 13 entitles any party affected by order of Commissioner of Insurance to review by proceeding in lieu of prerogative writ.

National Conference of Commissioners on Uniform State Laws. If state already has adequate statute governing administrative procedure and judicial review, not intended that these sections be enacted.

ENFORCEMENTAdvisory Board

The following New Jersey consumer or consumer-related credit statutes provide for advisory groups:

Secondary Mortgage Loans. § 11 creates special advisory board of 6 members, 5 appointed by Governor with advice and consent of Senate, and Commissioner of Banking as ex-officio chairman. 2 year terms. Each appointed member required to have had practical experience in consumer financing or related fields. Board's function is to advise Commissioner regarding rate of interest to be permitted for loans.

Home Repair Financing. § 91 creates home improvement advisory board in Department of Banking, consisting of 9 members, 8 appointed by Governor with advice and consent of Senate, and Commissioner of Banking as chairman. 4 year terms, staggered. 4 appointed members required to have had practical experience in contracting or supplying materials, 2 in financing such transactions and 2 to be public members. Board advises and consults with Commissioner, makes recommendations to Governor and Legislature, advises and informs public, and conducts hearings in licensing proceedings upon request by Commissioner.

Interest and Usury. N.J.S.A. § 31:1-1 (Supp. 1970) creates special advisory board consisting of members of Banking Advisory Board, N.J.S.A. § 17:9A-305 et seq. (1963), plus 2 additional persons appointed by Governor with advice and consent of Senate. Such additional persons must be officers of savings and loan association and of New Jersey life insurance company respectively and hold office for term of 1 year. Banking Advisory Board consists of Commissioner of Banking as ex-officio chairman and 8 others appointed by Governor with advice and consent of Senate. 4 year terms. At least 5 must have had not less than 5 years practical experience as active executive officers in banking institutions, appointed insofar as deemed advisable by Governor from savings banks, banks which are and which are not members of Federal Reserve System, and from Second and Third Federal Reserve Districts. Function of special advisory board is to advise Commissioner of Banking regarding rate of interest to be permitted on contracts of loan under general usury statute. See topics, Maximum Finance Charge and Administrative Powers.

Fraud etc. in Sales or Advertisements of Goods or Services. N.J.S.A. § 52:17B-5.11 (1970) creates Citizens' Consumer Advisory Committee of 10 members, 9 private citizens of State appointed by Governor and executive-director of Office of Consumer Protection as chairman. 3 year terms, staggered. Committee's function is to consult with Office broadly on matters of concern to consumer, including economic policy issues, governmental programs and flow of research material to public. Committee may cause fact-finding studies to be made and must receive views and recommendations from public, § 5.12.

Council of Advisors on Consumer Credit to be appointed by Governor, to advise and to consult with Administrator. Fair representation from credit industry and public. (Sixteen members suggested).  
§ 6.301-3.

ENFORCEMENTNotification

Notification. Most New Jersey consumer or consumer-related credit business is regulated by licensing or charter requirements, subject to examination and supervision by Commissioner of Banking. Retail instalment sellers other than motor vehicle instalment sellers are main group of high rate consumer credit grantors not subject to close administrative supervision. § 17:16C-1 et seq. contain no provision for notification or reports by such sellers to Commissioner.

All persons engaged in business of consumer credit transactions, including persons having office in state who undertake direct collection of consumer debts, must notify Administrator within 30 days after commencing business in state. § 6.202.

Sellers, lessors and lenders must pay fee of \$10 per year plus \$10 for each \$100,000 or part thereof in excess of \$100,000 of original unpaid balances arising from consumer credit transactions made in state within preceding calendar year and held for more than 30 days by them or by assignee who has not filed notification. Assignees pay same fee unless assignor has paid fee on obligation assigned. § 6.203.

Adjustment for  
Cost of Living

No provisions for adjustment of dollar amounts of minimum charges, delinquency charges, etc. Adjustment of interest rate by administrative action, provided for legal rate of interest by N.J.S.A. § 31:1-1 (Supp. 1970) and for secondary mortgage loans, is not related directly to cost of living. See topic, Administrative Powers, at headings Interest and Usury, and Secondary Mortgage Loans.

Dollar amounts in Code are subject to change in accordance with changes of 10% or more in Consumer Price Index for Urban Wage Earners and Clerical Workers (U.S. Dept. of Labor). Changes take place every 2 years and are announced by Administrator. § 1.106.

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