

CHAPTER 106

AN ACT to amend the "Savings and Loan Act,"
approved April 4, 1946 (P. L. 1946, c. 56).

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

1. Section 78 of the act of which this act is
amendatory is amended to read as follows:

Section
amended.

Investments in loans may be made as follows:

C. 17:12A-78.
Investments
in mortgage
loans.

(1) Mortgage loans. In direct reduction, sinking fund, and straight mortgage loans. Each such loan shall be evidenced by an obligation and secured by a mortgage which shall be a first lien on real estate in the State, or outside of the State if located within 50 miles of the principal office of the association. A mortgage shall be deemed a first lien notwithstanding the existence of a prior mortgage or mortgages held by the association, or liens of taxes or assessments which are not delinquent, building restrictions or other restrictive covenants or conditions, leases or tenancies whereby rents or profits are reserved to the owner, joint driveways, sewer rights, rights in walls, rights-of-way or other easements, or encroachments which the appraisers signing the appraisal provided for in section 81, report in their opinion do not materially affect the security for the mortgage loan. Such loan shall be on real estate used or to be used wholly or partially for dwelling purposes. The granting of such loans shall be without regard to race, creed, color, national origin or ancestry. The granting of such loans shall be without discrimination of any nature including, but not limited to, interest rates, terms and duration, because of race, creed, color, national origin or ancestry. If the proceeds of any such loan are used in whole or in part to improve the mortgaged real estate, they may be advanced in installments as the con-

struction of a building or the making of other improvements thereon progresses and the value of the contemplated improvement may be included in arriving at the appraised value of the property.

Each direct reduction loan shall require periodical payments sufficient to pay the principal and interest of the loan in full in a period of 25 years or less. Any association may by agreement with the borrowing member reduce the amount of periodical payments, but the amount of the periodical payments thereafter required shall be sufficient to pay the balance of the loan and interest thereon within a period of 20 years or less from the time of making such agreement. Each sinking fund loan shall require periodical payments, at least monthly, on an account pledged as collateral security for such loan which shall be sufficient to pay such loan in a period of 20 years or less. Any association may by agreement with the borrowing member provide for the application of such account to the principal of the loan and for a reduction in the periodical payments required on an account thereafter; provided, however, that such periodical payments thereafter required shall be sufficient to retire the loan in a period of 20 years or less from the time of the making of such agreement. The amount of any direct reduction loan or sinking fund loan, less the withdrawal value of any account which may be pledged as collateral security therefor, shall not exceed 80% of the value of such real estate as found by appraisal at the time when the loan is granted.

A straight mortgage loan having a term of 1 year or less, the proceeds of which are used or are to be used in pursuance of a plan to improve the mortgaged real estate, may be made in an amount not to exceed 80% of the value of such real estate as found by appraisal at the time the loan is granted. Otherwise, the term of any straight mortgage loan shall not exceed 3 years and the amount of any such straight mortgage loan shall not exceed 50% of the value of the property as found by

appraisal at the time the loan is granted. An association may renew any straight mortgage loan held by it for a period not exceeding 3 years and for amounts not in excess of 50% of the value of the real estate as found by appraisal at the time of such renewal. The total amount invested in straight mortgage loans by any association shall not exceed 10% of its assets at the time any such investment is made.

(2) Improvement or repair loans. In addition to loans to members for repairs, alterations, or improvements already made or to be made, of real estate owned by such members, upon which the lending association already holds a mortgage lien, or to pay the cost of insurance upon the life of such member which policy of insurance may also include health, accident or disability features, the proceeds of such policy to be applied in accordance with its terms and conditions; provided, however, the amount of such life insurance shall not exceed the amount loaned on the mortgage lien held by the association. If the mortgage already held by the lending association secures payment of a direct reduction loan, such additional loan shall not exceed the sum of \$2,500.00 or the amount which has been repaid in reduction of the principal of such mortgage loan, whichever is less. If the mortgage already held by the lending association secures payment of a sinking fund loan, such additional loan shall not exceed the sum of \$2,500.00 or the withdrawal value of the installment account which is pledged as collateral security for the payment of such sinking fund loan, whichever is less. Each such additional loan shall be evidenced by an obligation which shall state the terms on which such loan is made, and the amount thereof shall be added to the amount due on the association's mortgage against such real estate, and payment thereof shall be secured thereby. All persons who acquire any rights in, or liens upon, the mortgaged real estate subsequent to the recording of any association's mortgage shall hold such rights

and liens subject to the association's right to make such additional loans. For the purpose of such additional loans, no search or examination of the title to the mortgaged real estate shall be required. The power to make such additional loans is in addition to, and not to the exclusion of, the power to make any other lawful loan or any other lawful additional loan, or to make advances for any purpose expressly or impliedly reserved or provided for in any bond, mortgage or other obligation held by or hereafter acquired by any such association.

(3) Camp meeting leaseholds. In any obligation secured by first mortgage on any leasehold estate of real estate in this State of any camp meeting association, to the extent authorized by, and subject to, the limitations and restrictions contained in section 17:2-1 of the Revised Statutes.

(4) Purchase of loans. In the purchase of any loan which an association is authorized to make.

(5) Account loans. In loans secured by a pledge of a member's account. No such loan shall exceed the withdrawal value of the pledged account, less interest thereon for a period of 6 months.

(6) Guaranteed loans. In loans guaranteed or insured in whole or in part by the United States of America or the State of New Jersey, any instrumentality or agency of either of them, or for which a commitment to so guarantee or insure has been made. Such loans shall not be subject to the provisions of section 27, subdivision (13), section 78, subdivision (1), section 81 and section 82 of this act. Such loans may be made in accordance with the terms and conditions permitted by the agency guaranteeing or insuring such loans, notwithstanding any other provisions of law limiting interest or other charges or prescribing terms and conditions. Such loans shall include only those which are made for the purchase or improvement of real estate, or for the construction, alteration, repair, or improvement of buildings erected thereon, used or to be used, wholly or partially for

dwelling purposes, in which case they may or may not be secured by mortgages; or those which may be made for any other purpose provided they be secured by a mortgage on real estate used or to be used wholly or partially for dwelling purposes.

2. This act shall take effect July 1, 1955.

Approved June 29, 1955.

Note:

Act effective.

CHAPTER 107

AN ACT to amend "The Banking Act of 1948," approved April 29, 1948 (P. L. 1948, c. 67).

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

1. Section 69 of the act of which this act is amendatory is amended to read as follows:

Section
amended.

69. Limitations on mortgage loans.

C. 17:9A-69.
Limitations
on mortgage
loans.

A. No bank shall make a mortgage loan when the total cost of acquisition by the bank of all real property owned by it, other than real property held for the purposes specified in subparagraph (a) of paragraph (5) of section 24, and the total of all principal balances owing to the bank on mortgage loans, less all write-offs and reserves with respect to such real property and mortgage loans, together exceed, or by the making of such loan will exceed, 60% of the time deposits of the bank or 100% of the aggregate of its unimpaired capital stock and its surplus, whichever is the greater. For the purposes of this subsection, principal balances owing to the bank on mortgage loans subject to the provisions of subsection A of section 68 shall only to the extent of 66⅔% of such balances owing to the bank, be included in the total of all principal balances owing to the bank on mortgage loans. This subsection shall not, however,