



Mutual Alert

NJ Senate Commerce Committee Holds Hearings On Imposing Depositor Voting on Mutual Saving Banks

Yesterday the NJ Senate Commerce Committee held a hearing on S2726, a Bill to require depositor/borrower member voting rights for the election of directors of mutual savings banks and savings bank mutual holding companies. Under current NJ law, mutual savings banks boards of managers or directors appoint their own successors as is the case for traditional savings banks throughout the Northeast. The proposed Bill is supported by well know activist Lawrence Seidman and sponsored by NJ Senator Bob Smith. Seidman has been tenacious in his pursuit of Board seats on NJ largest mutual association, Spencer Savings Bank SLA. and has waged litigation for over a decade against Spencer. Spencer has little doubt as to his motive which it presumes is to influence its conversion to a stock bank. Testifying on his own behalf and in favor of the Bill, Mr. Seidman argued for depositor democracy citing the savings bank model where directors are self-perpetuating as more fitting for a “banana republic”. At one point in the hearing the Chair of the Committee admonished Mr. Seidman for his inappropriate conduct. Also testifying in favor of depositor voting was Scott Polakoff, executive vice president at Fin Pro. He testified citing credit union voting governance procedures as an model for savings banks. This is an argument that Mr. Seidman has used successfully in an earlier court case.

The undersigned testified on behalf of Spencer, an AMB member, in opposition to the Bill. The concern raised with the Committee was that the blurring of the legal distinction between savings associations and savings banks would jeopardize the federal legal status of this new subclass of savings banks for purposes of lending and investment limits as well as governance. I stressed the traditional legal distinctions between savings banks and savings associations and the well-established principal of self-perpetuating fiduciary governance in a multitude of different types of institutions such as hospitals, educations and welfare institutions. I pointed out the passage of the proposed Bill into law would trigger conversions to federal charter and undermine the NJ banking system.

Jane Rey, Spencer’s President, testified as to the importance of mutual community banks. She opposed the Bill citing the trend in many states to abolish the savings association charter in favor of the savings bank charter. She noted the Bill would mark a step backwards. She extolled the role of mutual banks in their communities citing the recent experience of small businesses with PPP lenders who were neglected by large banks.

The New Jersey Bankers filed a “slip in opposition” but did not testify against the Bill. We will continue to keep you apprised of developments in New Jersey, as activist success in imposing voting rights on savings banks will be cited in neighboring states in support of similar legislation.

Douglas Faucette
America's Mutual Banks
202 220 6961
701 8th Street, N.W.
Suite 700
Washington D. C. 20001
dfaucette@lockelord.com
www.americasmutualbanks.com