

Sec. 4. This act shall take effect and be in force from and after its passage.

Approved April 17, 1925.

CHAPTER 244—S. F. No. 1266.

An act to amend Sections 6036, 6040, 6041, 6044, 6045, 6047, 6050, and Sub-divisions B, H and I, Section 6038, General Statutes 1923, relating to the Minnesota Rural Credit Bureau and to the system of rural credits.

Be it enacted by the Legislature of the State of Minnesota:

• Section 1. **Proceeds from sale of bonds to be paid into State Treasury.**—That Section 6036, General Statutes 1923, be amended to read as follows:

“6036. All moneys of the Bureau, whether resulting from the sale of bonds, certificates or otherwise, shall be paid into the state treasury and be disbursed by direction of the Bureau in the same manner as other state funds are disbursed. The auditor and treasurer shall keep separate account of said moneys as herein provided. Proceeds from the sale of all bonds, except as herein otherwise provided, *proceeds from the sale of tax levy certificates when issued to provide money for the payment of maturing bonds, and payments of principal upon loans shall be credited to a Rural Credit Fund.* The Bureau shall determine and set apart the proportion of interest collected upon loans available for operating expenses, which shall be, as near as practicable, the difference between the interest paid by the state for money borrowed on its bonds and the interest paid by the borrower. The interest set apart for such purpose, and all fees and other receipts in connection with the making of loans, shall be credited to a *Rural Credit Expense Fund.* All interest collected and not credited to the expense fund shall be credited to a *Rural Credit Interest Fund.* The divison of interest collected as herein provided shall be made at least once each month. Premiums and accrued interest collected in connection with the sale of bonds or certificates, and proceeds from the sale of certificates of indebtedness and of tax levy certificates when issued to provide money for the payment of interest shall be credited to the *Interest Fund.* All administrative expenses shall be paid out of the *Expense Fund*; all loans granted, disbursements under provisions of Section 6038, Subdivision i, and maturing bonds shall be paid out of the *Rural Credit Fund.* All interest obligations and maturing certificates of indebtedness shall be paid out of the *interest fund.* The Bureau shall have authority to make refundments from the proper fund to applicants for loans when necessary to adjust any over pay-

ments or excess deductions when closing loans. The Bureau also may refund from the Expense Fund any fees paid by applicants for loans when no expense has been incurred by the Bureau."

Sec. 2. **Conditions under which loans may be made.**—That sub-divisions b, h, and i, of Section 6038, General Statutes 1923, be amended, respectively, to read as follows:

"6038. Said Bureau shall make loans only upon the following terms and conditions:

"b. Every such mortgage shall contain an agreement providing for the repayment of the loan on an amortization plan by means of semi-annual installments so computed as to pay the interest on the loan according to the terms of the mortgage, and also such amounts to be applied on the principal as will terminate the debt within an agreed period of not more than forty years; provided, that after five years from date of such mortgage, additional payments for part or all of the principal may be made on the semi-annual payment date in sums equal to one or more of the semi-annual installments stipulated in such mortgage, under such rules and regulations as the Bureau may prescribe. Provided further that *payment of the unpaid principal, or any semi-annual installment thereof, may be made within five years from the date of the mortgage by the payment in addition thereto of a sum equal to one-half of one per cent per annum on the sum so paid for the remainder of the five-year period.*

"h. Every applicant for a loan under this act shall make application on a form to be prescribed for that purpose by the Bureau. Such application and all such information so required shall be sworn to by the applicant. The applicant shall at the time of making application pay the Bureau a fee *at the rate of five dollars for each thousand dollars applied for, or any fraction thereof, with a minimum charge of ten dollars and a maximum charge of twenty-five dollars,* to be applied in payment of the expense of investigating and making the loan, examination of titles or otherwise as the Bureau may direct. Form blanks for such applications shall be furnished to the county auditor of each county in the state for the use of applicants.

"i. Every borrower shall pay simple interest on defaulted payments at the rate of seven per cent per annum and by express covenant in his mortgage deed shall pay when due all taxes, liens, judgments, assessments and insurance, which may be lawfully assessed against the mortgaged land; and by such covenant shall agree to and shall keep insured against fire and the elements in any local or other insurance company authorized to do business in this state by the Insurance Department to the satisfaction of the Bureau all buildings, the value of which was a factor in determining the amount of the loan. Insurance shall be made payable to the mortgagee, as its interest may appear at the time of loss; and at the option of the

Mortgagor and subject to the general regulations of the Bureau, sums so received may be used to pay for reconstruction of the buildings destroyed. Taxes, judgments, assessments and other liens, affecting the security of the mortgage, and not paid when due, may be paid by the mortgagee, at the option of the Bureau, and, when any buildings shall not be insured or kept insured as aforesaid, the Bureau, at its option, may obtain such insurance and pay the cost thereof, and any payments by the Bureau for any of the purposes aforesaid shall thereupon become a part of the debt secured by the mortgage, and shall bear simple interest at the rate of seven per cent per annum. *The disbursements under this subdivision prior to the date when the state acquires title to the real estate covered by mortgage under foreclosure proceedings shall be paid from the Rural Credit Fund, and all disbursements in connection with said real estate after such date shall be paid from the Rural Credit Expense Fund.*"

Sec. 3. Mortgages and notes to run to the State of Minnesota.—That Section 6040, General Statutes 1923, be amended to read as follows:

"6040. All mortgages and the accompanying promissory note or notes taken by said Bureau for moneys loaned shall run to the State of Minnesota as mortgagee or payee, as the case may be, and all titles to property taken by said Bureau shall run to the State of Minnesota as grantee and any real estate acquired by the Bureau may be sold under such rules and regulations and upon such terms as may be determined by the Bureau provided no such land shall be sold for an amount less than the indebtedness accrued thereon at the time of the acquisition of the title by said bureau, together with interest thereon at the rate of not less than five per cent per annum until sold, less the net income derived therefrom after such acquisition of title. *If the Bureau shall determine that a sale of any such land cannot be made for the full amount accrued against it and that further loss probably would result if it was not then sold, it may, if authorized by the Governor, sell any such land for less than the full amount accrued against it.*"

Sec. 4. Issuance and sale of bonds and certificates of indebtedness.—That Section 6041, General Statutes 1923, be amended to read as follows:

"6041. Bonds, certificates of indebtedness and tax levy certificates provided for in this act shall be issued in such denominations, mature at such times and be sold and redeemed in such manner as the Bureau shall determine, and the Bureau shall have full authority to prescribe such other rules and regulations as may be necessary or advisable in connection with the issuance of said bonds or certificates, including rules for the registration of bonds issued. In determining the maturity dates of bonds, the bureau shall take into

account the amortization provisions of this act. Certificates of indebtedness shall be issued only when there is insufficient money in the Rural Credit *Interest* Fund available for the payment of interest upon outstanding bonds or certificates when due, and the issuance of certificate of indebtedness shall be limited to an amount sufficient to cover such deficiencies. Certificates of indebtedness shall mature not later than two years from date of issue and no more than five hundred thousand dollars of such certificates of indebtedness shall be outstanding at any one time, but the bureau may refund any outstanding certificates of indebtedness at maturity subject to the limitations hereof. All bonds and certificates shall be sold upon competitive bids after proper notice unless they are sold to the state's trust funds. Bonds and certificates issued by the Bureau shall designate on their face the purpose for which they are issued and shall be signed by the chairman of the Bureau in behalf of the Bureau and attested by the Secretary of State, and be in such form as shall be approved by the Attorney General and shall bind the State to pay the same according to the terms thereof. Facsimile signatures of the chairman and Secretary of State shall be sufficient upon interest coupons. Before issuance all bonds and certificates to be issued by the Bureau shall be presented to the State Auditor, who shall make a record of the same, showing the number, amount, date of issue, date of maturity of each bond or certificate and the auditor or his deputy shall certify thereon that such record has been made. If at any time there is insufficient money in the Rural Credit fund to pay any bonds *at maturity, or in the Rural Credit Interest Fund to pay any* certificates of indebtedness at maturity, or interest upon bonds or certificates, and which cannot otherwise be paid under the limitations of this act, the Bureau shall issue its tax levy certificates in an amount sufficient to cover said deficiency. Such tax levy certificates shall mature at the earliest practicable date and be sold in the same manner as bonds and other certificates issued by the Bureau. Upon the issuance of such tax levy certificates the Bureau shall certify the amount thereof and the maturity dates to the State Auditor, who shall thereupon make a tax levy against all the taxable property of the state, in the same manner as other taxes are levied in an amount sufficient to pay said certificates at maturity, together with interest thereon. The moneys derived from said tax levy shall be credited to the *appropriate fund, or funds*. Payment of interest falling due upon said certificates prior to the collection of said tax levy shall be made from the *Rural Credit Interest* fund. The Bureau may direct the State Auditor to cancel any tax levy prior to the date of certifying same to the several county auditors, *if money is available in the proper fund, or funds, for the payment of said tax levy certificates. If a tax levy is ordered cancelled subsequent to the issuance of tax levy certificates*

a sum necessary to pay said certificates at maturity shall be set aside from any available money in the proper fund, or funds, and such sum shall be used for no other purpose. Said certificates may be redeemed before maturity by consent of the holders thereof. If a tax levy is cancelled interest upon outstanding tax levy certificates shall be paid from the Rural Credit Interest fund. After the issuance of tax levy certificates and the levy of the tax to pay said tax levy certificates, the Bureau shall from the first money available in the proper fund, or funds, repay the state the amount of money received by it from the sale of tax levy certificates with interest at four per cent from the date when interest started to run upon said certificates. Partial payments may be made upon such amount from time to time as funds become available. Such repayment shall be credited to the Revenue fund, if there are no outstanding tax levy certificates, otherwise such payment shall be credited to a Tax Levy Certificate fund and shall be available for the payment of outstanding tax levy certificates or interest thereon. The State Auditor shall credit all taxes collected under the provisions of this section to the Tax Levy Certificate fund, and all tax levy certificates and interest thereon shall be paid therefrom. Any surplus remaining after the payment of all outstanding tax levy certificates shall be transferred to the Revenue fund."

Sec. 5. Rate of commission to be charged.—That Section 6044, General Statutes 1923, be amended to read as follows:

"6044. In making loans the Bureau shall charge not less than one-fourth of one per cent nor more than one per cent interest above the interest rate paid by the state for money borrowed, treating premiums received on sale of bonds as a reduction of the interest rate. Fractions of less than one-fourth of one per cent resulting from the sale of bonds when in excess of the one per cent limitation, shall not be considered. Interest rates under this section shall be determined upon a semi-annual basis. *Any loans heretofore made and any notes and mortgages heretofore executed which were not in conformity with the provisions of this section are hereby legalized and declared to be valid obligations.*"

Sec. 6. Expense fund—transfers.—That Section 6045, General Statutes 1923, be amended to read as follows:

"6045. The State Auditor shall transfer to the *Expense* fund out of the appropriation available under this act from time to time, at the request of the bureau, such sum as may be necessary for the administrative expenses of the Bureau. Interest shall be paid on that part of the appropriation actually used at the average interest rate, received by the state on its money on deposit in depositories, said interest to be paid from the *Interest* Fund at the end of each fiscal year. Whenever at the end of any fiscal year the *Expense* Fund, including the money herein appropriated, whether actually

transferred to the credit of the Bureau or still available for transfer, shall amount to more than Two Hundred Thousand Dollars, the Bureau shall direct that one-half of such excess shall be repaid to the revenue fund of the state. This process shall be repeated at the end of each fiscal year with respect to the net additions to the fund during the year until the amount used by the Bureau from the appropriation herein made has been fully repaid. Thereafter the Bureau may transfer from the *Expense Fund* to the Rural Credits *Interest Fund* any surplus not required for administrative expenses. Temporary loans also may be made from the *Expense Fund* to meet maturing obligations to be paid out of the Rural Credit Fund or the *Rural Credit Interest Fund*, such loans to be returned as soon as practicable. *The Bureau shall from time to time set aside from the interest or expense fund any surplus not required for the payment of operating expenses, interest, or outstanding certificates. Such surplus shall be credited to a Rural Credit Reserve fund. Said fund shall, upon request of the bureau, be invested by the state board of investment in the same class of securities in which the trust funds of the state may be invested. Said board shall have authority to sell any securities purchased for said fund, when authorized by the bureau, for the purpose of providing funds with which to pay maturing bonds, or interest upon outstanding bonds, or to make up any loss resulting from the operations of the bureau, or for purchasing other securities. All losses upon loans shall be a charge against the reserve fund and all profits resulting from the sale of real estate acquired through foreclosure proceedings or otherwise, after deducting accrued interest and expenses, shall be credited thereto. All interest earned upon the reserve fund shall be credited to such fund and become a part thereof. The bureau may authorize the state board of investment to invest for short periods any temporary cash surplus in the Rural Credit fund, such investment to be restricted to United States Government or State of Minnesota obligations. If at any time a surplus shall accrue in the Rural Credit fund on account of a lack of demand for loans the bureau may invest such surplus in the same manner as any money in the Reserve fund is to be invested. Any securities purchased by said board of investment with any money in the Rural Credit fund as herein provided, shall be sold at the request of the bureau.*

Sec. 7. Mortgages, etc., to be held in trust.—That Section 6047, General Statutes 1923, be amended to read as follows:

"6047. Mortgages, promissory notes and other evidences of indebtedness and titles to real estate or other property acquired by said Bureau shall be held in trust for the payment of money borrowed by the State of Minnesota for the purposes of establishing and maintaining said system of rural credits and shall never be diverted to any other purpose, provided, however, that the said Bureau

may invest and re-invest *payments of principal on loans* in first mortgage loans as provided by this act when not required for the current payment of bonds."

Sec. 8. Interest on deposits to be credited to fund.—That Section 6050, General Statutes 1923, be amended to read as follows:

"6050. Interest shall be allowed upon any moneys in the funds of the Bureau at the rate received by the state from its depositories. The Bureau shall have authority to determine the amount of moneys in its funds which shall be kept in active depositories and the amount in inactive depositories. As soon as practicable after the state has collected interest for any stated period, the state treasurer shall credit to *the Interest fund* the amount of interest due and make a statement thereof to the Bureau.

Approved April 17, 1925.

CHAPTER 245—H. F. No. 80.

(Sec. 3322, G. S. 1923.)

An act to amend Section 3313, General Statutes 1913, as amended by Chapter 82, Laws of 1915, regulating the investment of the funds of domestic insurance companies.

Be it enacted by the Legislature of the State of Minnesota:

Section 1. Investment of funds of domestic insurance companies.—That Section 3313, General Statutes, 1913, as amended by Chapter 82, Laws of 1915, be and the same hereby is amended to read as follows:

"3313. The capital of every stock company shall be paid in full in cash within six months from the date of its certificate of incorporation, and thereupon a majority of the directors shall certify under oath to the commissioner that such payment in cash has been made by the stockholders for their respective shares, and is held as the capital of the company, and until then no policy shall be issued. Except as otherwise provided by law, the funds of every domestic company shall be invested in, or loaned upon, one or more of the following kinds of securities or property, and under the restrictions and conditions herein specified, viz:

1. Bonds or treasury notes of the United States, national or state bank stock, interest-bearing bonds or certificates of indebtedness at market value of this or any other state, or of any city, town, or county in this or any other state, or of the Dominion of Canada or any province thereof, having legal authority to issue the same, at market value, subject in every case to the same limitations and restrictions, according to the last assessment for taxation, which